

**Annual Report
of the
Town of
Salem,
Connecticut**

2009-2010

ANNUAL REPORT

OF THE OFFICERS OF THE TOWN OF SALEM



AND

**Audit of Town Records
From July 1, 2009
to June 30, 2010**

TABLE OF CONTENTS

TOWN GOVERNMENT 1

ELECTED TOWN OFFICIALS 2

 Board Of Selectmen 2

 Town Clerk And Registrar Of Vital Statistics 2

 Registrar Of Voters 2

 Town Treasurer 2

 Tax Collector 2

 Board Of Finance 3

 Board Of Education 3

 Planning And Zoning Commission..... 3

 Zoning Board Of Appeals..... 3

 Library Board Of Trustees 4

 Board Of Assessment Appeals..... 4

APPOINTED TOWN OFFICIALS 5

 Inland Wetlands and Conservation Commission..... 5

 Civil Preparedness 5

 Recreation Commission..... 5

 Economic Development Commission..... 5

 Fire Police 6

 Southeastern Connecticut Council of Governments..... 6

 Salem Green Cemetery 6

 Gardner Lake Authority..... 6

 Route 11 and Greenway Point Person 6

 Southeastern Connecticut Water Advisory Board..... 6

PUBLIC OFFICIALS..... 7

 First Selectman Report..... 8

 Town Clerk Report 9

 Justice of the Peace 19

 Notary Publics..... 20

Treasurer Report	23
Tax Collector Report	24
Board of Finance Report.....	24
Registrar of Voters Report.....	25
Salem Planning and Zoning Commission Report.....	26
Salem Free Public Library Report	27
Town of Salem Senior Citizens Report	29
Assessor Report	29
Heath Director Report.....	30
Salem Building Department Report.....	31
Salem Recreation Commission Report	32
Salem Inland Wetlands Conservation Commission Report.....	32
Salem Volunteer Fire Department, Inc.	33
Gardner Lake Volunteer Fire Company Inc. Report	34
Visiting Nurses of Southeastern Connecticut	35
Gardner Lake Authority	36
Appendix I Report of the Board of Education and Superintendent of Schools.....	37
Appendix 2 Annual Financial Report of the Town of Salem, Connecticut	51

TOWN GOVERNMENT

The Salem Town Office Building is located at 270 Hartford Road. The office hours are:

Monday- Wednesday	8:00 AM to 5:00 PM.
Thursday	8:00 AM to 6:00 PM.
Friday-Sunday	Closed

The First Selectman, Town Clerk, Treasurer, Assessor and Tax Collector are available during regular hours and at other times by appointment.

The Building Department, located within the Town Office Building, maintains the following office hours:

Monday	8:30 AM to 11:00 AM 5:00 PM to 7:00 PM
Tuesday & Wednesday	8:30 AM to 11:00 PM
Thursday	8:30 AM to 11:00 PM 5:00 PM to 7:00 PM
Friday	Closed

The Building Official, Sanitarians, Public Works Director, Town Planner, and Zoning and Wetlands Enforcement Officer are available during the Monday and Thursday evening hours. Please call the Town Office Building at 860-859-3873 for the hours of additional departments

The Salem Free Public Library is located at 264 Hartford Road, just south of the Town Office Building. It is open as follows:

Mon-Wed. Noon-7:30 p.m.
Thurs. 10 a.m. to 7:30 p.m.
Fri. 10 a.m. to 6 p.m.
Sat. 10 a.m. to 4 p.m. (Sept.-June)
Sat. 10 a.m. to 2 p.m. (June-July)

Salem operates under a chartered Selectman-Town Meeting form of government, which permits maximum participation of the registered voters and property owners. Most significant to this form of government is the adoption of the annual budget by referendum and approval by the Town Meeting of ordinances under which Salem is governed. This is your town, the Town Meeting is the governing body, and your participation in the governing process is encouraged.

ELECTED TOWN OFFICIALS

This Town Report covers Fiscal Year 2009/2010. However, the following list of officials has been updated to reflect any significant changes that may have occurred prior to printing. Expiration dates of elective terms are noted in parenthesis. Reports of Boards and Commissions were in most cases authored by the incumbent chair for FY 2009/2010.

Board Of Selectmen

Kevin Lyden, *First Selectman* (2011) – 2 yr. term
James D. Fogarty (2011) – 4 yr. term
Robyn M. McKenney (2013) – 4 yr. term
Richard Asafaylo (2011) – 4 yr. term
Robert Ross (2013) – 4 yr. term

Town Clerk And Registrar Of Vital Statistics

Patricia J. Crisanti (2012)

Registrar Of Voters

Susan Spang (D - 2014) Georgia Pech (R - 2014)
Kathryn L. Bellandese, *Deputy* Liz Householder, *Deputy*

Town Treasurer

Mary A. Ferren (2011)

Tax Collector

Cheryl A. Philopena (2011)

Board Of Finance

William S. Weinschenker, *Chairman* (2013)

Carole A. Eckart (2015)	Vacancy, Alt. (2011)
Janet S. Griggs (2015)	Vacancy, Alt. (2011)
George Householder (2011)	Roland Traylor, Alt. (2011)
Gregory M. Preston (2013)	Thomas Butcher (2015)

Board Of Education

Daniel Kung, *Chairperson* (2011)

Robert M. Green, *Vice Chairperson* (2015)

Pamela Munro, *Secretary* (2013)

Linda Robson, *Treasurer* (2013)

Christopher LaRose (2011)	Donna Jeanne Sanfilippo (2011)
Monica Lord McIntyre (2015)	Dinis Pimentel (2015)
Stephen Buck (2013)	

Planning And Zoning Commission

Karen H. Buckley, *Chairman* (2013)

Gloria Fogarty *Vice Chairman* (2011)

Ruth Savalle, (2013)	David B. Bingham (2011)
Gary Walter (2015)	Hugh E. McKenney III, Alt (2011)
Richard Amato (2015)	Elbert Burr (2013)
Vernon Smith, Alt (2015)	Vacancy, Alt. (2013)

Zoning Board Of Appeals

Leeland J. Cole-Chu, *Chairperson* (2011)

Rebecca A. Nortz (2011)	Kathryn L. Bellandese (2013)
John Bernier (2013)	Michael P. Mullin (2015)
Gale Balavender, Alt. (2013)	Sandra K. Kozlowski, Alt. (2015)
Salvatore Crisanti Alt. (2011)	

Library Board Of Trustees

Michelle Guertin, *Chairperson* (2015)

Elizabeth Householder (2011) Philip G. James, Jr. (2011)
Sharon Sanders (2015) Brenda Holmwood (2013)
Roberta M. Ziegra (2013)

Board Of Assessment Appeals

Robert M. Green, *Chairperson* (2013)

Frank Abetti (2013) Terrell Ann Patterson (2011)



APPOINTED TOWN OFFICIALS

Inland Wetlands and Conservation Commission

Sally Snyder (2012), *Chairman*

William (Eric) Belt (2011)	George Ziegra (2011)
Linda S. Wildrick (2014)	Diba A. Khan-Bureau (2016)
William Leuck (2014)	Edward Natoli, Jr., Alt. (2013)
Roger Phillips (2012)	Gale J. Balavender, Alt. (2014)
Maryann Chinatti, WEO	Vacancy, Alt

Civil Preparedness

Donald W. Bourdeau, Jr. *Director*

Ed Shafer	Chip Weston
Ralph Boles	Sue Spang
Brian Cinea	

Recreation Commission

Susan Spang, *Chairperson* (2011)
Rich Cirillo, *Secretary* (2012)

James W. Burke (2015)	Pam Henry (2013)
Alfonso N. Giansanti (2014)	Robert Appleby (2014)
David Kennedy (2015)	Robert Kim Bingham (2014)
Peter Lee (2013)	

Economic Development Commission

Frank Sroka, *Chairperson* (2013)

Dana Abetti (2013)	Sean T. Reith (2012)
Joe Duncan (2012)	Lawrence Stevens, Alt. (2013)
Jennifer Lee	

Fire Police

Brian Cinea, *Captain*

Ralph Boles
Salvatore T. Crisanti
Tony Crisanti

Sean O'Brien

Southeastern Connecticut Council of Governments

Kevin Lyden

Robert Ross, Alt.

Salem Green Cemetery

David Wordell, *President*
Charlene Clancy, *Vice President*
Catherine Teel, *Treasurer*
Helen Woronik, *Secretary & Historian*
Pastor Tim Dubeau, *Sexton*

Delaphine Hatch
Evelyn Cunningham

Gertrude Miller

Gardner Lake Authority

Lou Allen
Russell K. Smith

Robert J. Neddo

Route 11 and Greenway Point Person

Peter Sielman

James Fogarty, Alt,

Southeastern Connecticut Water Advisory Board

Kevin Lyden

James Fogarty, Alt,

PUBLIC OFFICIALS

Administrative Asst. Finance/Personnel-----	Virginia Casey
Administrative Asst. First Selectman/ Land Use Commissions-----	Susan Spang
Agent for the Elderly.-----	Susan Spang
Animal Control Officer-----	Van Miller
Assessor-----	Norman Wood
Assessor's Clerk-----	Deborah Copp Johnson Dan Killeen
Assistant Tax Collector-----	Necia Stevens
Assistant Town Clerk-----	Linda Flugrad
Building Department/Sanitarian Clerk-----	Diane Weston
Building Inspector-----	Vernon D. Vesey II
Democratic Town Committee Chair-----	Thomas Butcher
Deputy Fire Marshal-----	Roy E. Shafer, Jr.
Fire Inspector-----	Jeffrey W. Standish
Fire Marshal & Director of Civil Preparedness-----	Donald Bourdeau, Jr.
Health Director-----	Dr. Robert W. Powitz
Municipal Historian-----	Deanna St. Jean
Purchasing Agent-----	Kevin Lyden
Republican Town Committee Chair-----	Edward Chmielewski
Resident State Troopers-----	Kevin Seery & Jack Samtaro
Sanitarian-----	N. Reed Gustafson
Sanitarian Assistants-----	Vacancy
Superintendent of Schools-----	Dr. Donna P. Leake
Town Planner-----	Mary Ann Chinatti
Tree Warden-----	Don Bourdeau
Zoning and Wetlands Enforcement Officer-----	Mary Ann Chinatti

First Selectman Report

This fiscal year has provided us with many opportunities for positive change within our Town.

At Town Hall, we have a good crew of people who work hard to serve the public's many needs. I am running Town Hall as I would run a business. Staff members have already prepared or are in the process of preparing procedure manuals. We are training staff to reach higher levels of efficiency. Most of this training is at little or no additional cost to the town since it is part of current agreements with our auditors, our website host, or organizations of which we are already members.

Due to firm enforcement of our purchasing policy, strong negotiations with our vendors, as well as a concerted effort of fiscal responsibility by all departments, the General Government was able to return \$225, 568 to the Town's General Fund.

Clean energy has become more than a "buzz" word for our Town. We have lease arrangements in place for four photovoltaic solar systems on our Town buildings. This clean energy will reduce the electric bills of these buildings by 20%-equaling nearly \$10,000 per year in savings. Electricity produced will be able to be monitored for daily production (as well as CO2 emission offset) from our Town's website.

Single Stream recycling has begun in Salem. Many more items can be recycled with Single Stream Recycling.. It is also much easier, allowing residents to place all their recyclables into one bin. By removing the need to presort recyclables, it makes recycling easier and increases participation throughout the community.

Funding has been endorsed for a sidewalk from Salem School to the Salem Free Public Library. We appreciate the Southeastern Connecticut Council of Governments (SCCOG) endorsement for this important safety upgrade. The sidewalk will allow students and townspeople to walk safely between those important municipal buildings. The sidewalk will also serve as an evacuation route for the school.

This year Salem has earned the HEART Safe Community designation by the Connecticut Department of Public Health. In order to qualify for the designation, Salem had to provide CPR training in the community as well as provide public access to defibrillation through strategic placement of automated external defibrillators.

With the help of many volunteers, Salem continues to shine with community spirit. Our active community donates countless hours to our Town's Boards and Commissions, Emergency Services, Library, Sports programs, and many other areas all to make Salem a very special place in which to live.

Kevin Lyden
First Selectman

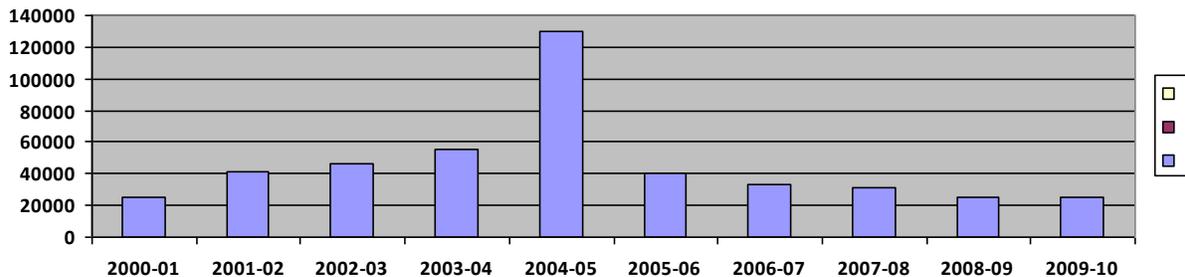
Town Clerk Report

The following monies were received in various receipts by the Town Clerk and turned over to the Town Treasurer on a weekly basis for the fiscal year 2009 – 2010.

		<u>Funds to the State</u>		<u>Town Clerk's</u>		<u>Town</u>
		Historic	Farm Pres.*	Historic	Farm	Farm Pres. To
		Pres		Pres	Pres.*	Gen. Fund*
Recordings	\$25,093.00	\$1,832.00	\$32,976.00	\$916.00	\$916.00	\$2,736.00
Maps Recorded	\$ 800.00					
Conveyance Taxes	\$33,051.87		\$69,503.72			
Copies	\$5,727.72					
Map Copies	\$ 926.50					
Sports Licenses	\$00.00	<u>(No longer sell effective January 2009)</u>				
Miscellaneous	\$603.00					
TOTAL	\$66,202.09					

(*Public Act 09-229 – Under prior law, people paid town clerks a \$30 fee for each document recorded in municipalities' land records. The act temporarily increases this fee to \$40 (from the effective date of July 1, 2009 until July 1, 2011) and redistributes the revenues. By law, the town clerk retains \$1 of the fee and \$3 goes to the municipality's general revenue and must be used to pay for local capital improvement projects. Under prior law, the town clerk, by the 15th of each month, had to remit \$26 of each fee received during the previous calendar month to the state treasurer for credit to the "Land Protection, Affordable Housing and Historic Preservation Account," which is a separate, non-lapsing account in the General Fund. The act temporarily increases the monthly remittance to \$36 and renames the account the "Community Investment Account" (CIA.)

Upon comparing receipts for the fiscal years 2008-2009 and 2009-2010, there was an **overall decrease** in the amount of \$35.34 for this past year. The largest decrease was in Conveyance Taxes (\$1446.20) followed by Recordings (\$177.00). Map Copies were also lower (\$154.00). The items showing an increase from last year were Maps Recorded (\$560.00), Copies (\$341.86), and finally Miscellaneous (\$280.00).



Patricia J. Crisanti
Salem Town Clerk

**Special Town Meeting
Salem School Media Room
260 Hartford Road, Salem, CT
January 13, 2010**

Meeting called to order at 7:34 p.m. by Kevin T. Lyden, First Selectman.

Moderator: Attorney John Butts, Esq. (M/S/C **Don Bourdeau/Jim Savalle**)

Clerk: Patricia J. Crisanti

The Clerk read the Posting Notice and Warning and noted that both had been duly posted and published in the Legal Section of **THE DAY** newspaper having a general circulation in the Town of Salem.

John Butts started with an overview description of the various areas of web-casting and Virtual Town Meetings and how they would work. Numerous citizens have signed up to participate in town Meetings, virtually. The number of meetings we could do that way was limited by a town meeting vote last year. And so, the first item on tonight's agenda is to extend the period that would allow the selectmen to authorize the virtual town meetings on a case by case basis. John asked the viewers at home to indicate they are present in the normal fashion. He explained the process.

Item #1. (M/S/C Peter Sielman/Janet Griggs) Motion made to authorize Virtual Town Meetings at the discretion of the Board of Selectmen. "Shall the Town authorize the Board of Selectman to approve broadcasting, rebroadcast, and webcasting, of Town Meetings for the purpose of viewing and participating in the Town Meeting process making it more accessible to residents?"

Peter Sielman spoke about the process of continuing Virtual Town Meetings. He stated that 179 individuals have signed up so far to participate in virtual town meetings. He says it makes the meetings more Democratic by allowing more people access, when they are away at college, home-bound, on business trips etc. Initially there were three virtual town meetings approved. Now they would like to set it up to allow the Board of Selectmen to use their discretion when setting up the Virtual Meetings.

Elizabeth Lane asked if there was any cost to the town when producing the Virtual Town Meetings. The answer was, "No." **Hugh McKenney** asked a question about a previous problem, "When the virtual town meetings were started, votes that came in during the town meetings, were not considered binding because there were legal issues that had not been worked out. Have those legal issues been worked out and the people who are participating at home when they vote, will they count into the counting of the tally of the questions? The short answer is, "Yes" per John Butts. "We may be the only town in the state that has extended this courtesy to its citizens. It is an opinion that remote participant's votes are just as important as the votes of those who are present. While chatting on the question, 13 people have signed into the meeting. In order to sign in, you have to be and proved to the town that you are eligible to vote. There are safe e-mail addresses and strict structures being followed. If a moderator is not comfortable with a person or their identity, the moderator can toss that person out of the room."

Those residents present, if you are in favor of the motion presented please signify by saying "Aye" and the opposed please say, "No". The "Ayes" have it. Motion passed.

Item #2 (M/S/C Jim Fogarty/Bob Ross) Motion made to appropriate and authorize the expenditure of an American Recovery and Reinvestment Act Grant for \$36,868. "Shall the Town approve the American and

Reinvestment Act Grant funds in the amount of \$36,868 for mechanical upgrades at the Town Office Building?”

Kevin T. Lyden was asked to give more information on the grant. “This is a grant that will cost the town nothing. It is coming from the American Recovery and Reinvestment Act of 2009 Office of Policy and Management, Municipal Energy Efficiency and Conservation Block Grant. One of the objects is to use this for energy efficient retro-fits. Grants may be made to non-profit organizations and government agencies for the purpose of retro-fitting existing facilities to improve energy efficiency. Our town will receive \$36,868 for this. We have issues with the Town Hall and the cost to retro-fit it to make it more energy efficient, change the heat pumps, do the work. The bid for the work to be done by New England Mechanical is \$36,575.” **John Butts**, asked, “Am I correct, **Mr. Lyden**, that this is a zero tax impact to the town?” Kevin stated, “That’s correct.” **Dennis Moore**, a Salem resident, asked, “What is the Payback to the town?” Per Kevin, “This is guaranteed grant money. We just have to abide by one of the few stipulations they have.” **Bob Ross** added, “That we have to appropriate the money up front so we can spend that money and the State reimburses every penny. It’s kind of funny in that it is Federal money coming down from the State, OPM Office. So as soon as we apply for it, in a few weeks we will get a check from the State. Mr. Moore wanted a clearer picture of what the payback would be to the town, basically in energy savings. **Don Bourdeau** simply stated, one of the heat pumps has gone bad and the other three are about ready to go at Town Hall. So he has no idea of what the payback will be until the new fittings have been in place for awhile. A question was asked if this was a one person bid. Kevin stated the normal procedure is to get three bids. No one “at home” had any questions. There were no other comments or questions so the motion was put to a vote.

The voters at home were asked than, to vote yes or no on the motion and they had a minute to do so. John said that someone from home had stated, “Please ask people who are answering questions to do so with the microphone. They are very difficult to understand.” All those in favor of this motion, please say “Aye”. All opposed were asked to say “No”. (There were none)
The “Ayes” have it unanimously. The viewers at home came through with 12 “Yes” votes and no “No” votes.

Item # 3. (M/S/C Dinis Pimentel/Daniel Kung) Motion made to authorize a Town appropriation of fifteen (15) million dollars to renovate Salem Elementary School, contingent upon a 30% reimbursement from the State, and further contingent upon future Town approval of a bond issue to fund said renovations.

John Butts reminded everyone that our charter prevents the town meeting from acting on this tonight in a binding fashion. An expenditure of this amount like our annual budget automatically gets transferred to a referendum. The final vote to move this motion forward would be to adjourn the vote to a referendum. Assuming we get to that point, I will ask your kind indulgence, until that time. Customarily the next step would be to have the Chairman of the building/study committee to give a brief presentation as to how we arrived at this point, and take questions and comments and then once everyone is satisfied, we turn it back to the moderator’s town meeting format and move forward with the procedural motions that maybe in order. John asked Dinis Pimentel to come forward to give his power point presentation at this time. (See separate presentation in manila folder attached)

Dinis Pimentel introduced himself as the chairman of the School Renovation/building committee. He introduced some of the other members of the committee who were present at the meeting. (Jim Choquette, Kevin T. Lyden, Dick Asafaylo, Martha MacIntyre, Bill Weinschenker (Chairman of the BOF), and Dr. Donna Leake. He proceeded thru the presentation pointing out the problems that would need to be faced and corrected. He pointed out the different sections that were added onto the school during the various years starting with the 1940 original section. Additions were added in 1956, 1963,

1973, 1988, and 1994. Pictures of some of the school's current conditions that are deteriorating were presented in the slides. A particular problem is the continuing failure of the boiler in the boiler room. There is a large amount of pipes that are failing as well and will need to be replaced. A stairway built in 1963 leads to no where. If you try to leave the building, you end up in a courtyard.

A question was asked, "How long does the town have to wait for reimbursement from the State for the renovations?" Dinis said he would come back to answer that question. The State will not pay for certain items. They will pay part of some things and again, they will pay full amounts of certain things. There are many areas in the school that have uneven heat. One room has 70 degree heat, another only 40 degrees. There is no work scheduled for the septic system. If we get this work started soon, we could save almost three million bucks. The sooner we start, the cheaper it will be to the town. With the economy being down, it gives the town a great opportunity for savings. There are a lot of people out of work, labor would be less expensive and the building process would most probably go quicker. Salem's reimbursement rate is normally 50%. But for this project it should be 30%. Collectively the buildings age is 27 years old (because the additions and changes were done during various years.) This is considered a renovation by the State legislature. There is no certainty of the exact amount of reimbursement from the State. It could be anywhere between 30% to 50%. They expect the whole renovation project to cost 15 Million, minus the State reimbursement rate of 30% (\$4.5 million) would cost the town, \$10.5 million worst case. If we get the approval now, we would be able to start the project in the summer of 2010. The project should be finished by December of 2011. That would be a school year and a half to finish the project. There would be an average mill rate increase of 1.9 mills or a tax increase of 8.2%. That would be an additional \$82.00 per \$1000 increase to present taxes. A question was asked, if there was any Federal Stimulus money available for this type of project. "If we delay the project, is there a chance that the State will be broke five years from now and not be able to dispense those funds?" The answer is, "The State, this year, is funding \$750 Million in school projects and the State has no history of cutting things in that area." The current reimbursement rate from the State, before penalties, is 50%.

Bruce Kirk asked, "Perhaps you might explain why the 15-year term for payment, instead of amortizing for a longer 20 to 30-year period which would lower your payments and off-set your higher interest rates." Dinis stated, "The type of project we are doing is certified for 20 years so by paying for it in 15 years..." Bill Weinschenker interjected, "This project actually requires 18 years of financing, with three years of construction costs. Certainly this will not complete all the work that has to be done at the school. If you finance for a longer period of time there will be higher interest costs. A ten-year bond would result in less interest costs, so it is a balance.

Cheryl Philopena added, "It looks like the mill increase would be 2.7 to 3 mills increase on all taxes. If your assessment right now is \$250,000, your taxes are going to go up \$250 for each mill. If your assessment is \$500,000 now, your taxes are going to go up \$500 for each mill addition. So for a more accurate picture, you need to look at your own assessments. What does it mean to you. That is how you have to see it and figure it.

Shawn Reith asked, "Is this mill-rate proposed increase **in addition to** annual budget processes that will take place throughout the year?" An overwhelming "Yes" was heard throughout the room.

Vern Vesey asked about cost overruns and if they were figured into the total \$15 million cost. No, they are not according to the proposed builder. There was a difference of opinion on the cost of overruns.....between Sean (the builder) and Vern Vesey (the building inspector). Vern stated that he has been through several major projects with Montville schools and that there have been numerous, numerous changes throughout from beginning to end affecting the cost involved with construction/renovations (changes in architectural oversights, oversights by engineers etc.) He questions if you should have a

higher number in mind above the \$15 million to cover any such oversights. He doesn't believe you will be able to look back and say, "Hey look at that, it only cost us \$15 Million dollars." I would say at least another 20% would not be unrealistic.

Diane Woronik spoke next, stating that .."we are in a horrible economy right now and that houses are way below the value of the mortgages that have been taken out on them." I have two questions, "Number 1, does this whole plan have to take place within a year or can the school idea be spaced out over a longer term period and still receive reimbursement from the State? The second half of the question was, "Did I hear you say that the collective age of the school is 27, and that's why we're receiving 30%? And, if the collective age of the school was 30 yrs than we would receive 50%? Because if that is the case, than you would have 20% savings by waiting another 3 years.

Dinis continued. "If you bid this project out this spring, the construction market is still in a lull and that means that you are going to be securing that price which is the best price for doing it now in the spring..."

"That was not the question. The question was, Will the government still reimburse us the same if the project is extended over time." Dinis stated he would come back to that question. "I asked specifically about the government reimbursement. Are you better off just waiting to do the restoration work year to year?"

Further questions were asked and answered (refer to tapes for full audio).

Dinis explained that all the space (high school-sized gymnasium) and hallways in the school caused penalties to be placed toward the project by the State. There is just so much square footage to be allowed per the number of students.

Tom Lane simply stated that the economy is bad and a lot of people have lost their jobs, his family included. He doesn't believe that it is an affordable idea at this time. Town taxes don't go down because they are based on local property values.

Dennis Moore and Richard Asafaylo, Selectman, made additional comments.

Gene Maiorano wanted to know if the Board of Finance was in favor of this project at this time. Dinis stated that they did not ask the Board of Selectmen nor the Board of Finance if they were in favor of this project. There were no specific endorsements.

Per Dinis, they would have the designs and the bids within 6 months.

Jim Savalle "The building as it stands right now with all the additions put on, currently meets code, correct? The stairway "that leads to no where" meets code, correct? Than when the engineers designed it, it met code, correct?" Don Bourdeau interjected, "The stairway leads to a courtyard. The stairway allows you to go out one way and in one way." Jimmy stated that the town should be ashamed of itself for lack of repairs to the school and all of our municipal buildings. That is why it is in such a sad state of disrepair.

(M/S/C Jim Savalle/Bruce Kirk) "I move to table this project until the BOE or the building committee comes up with a **plan B.**"

John Butts stepped in to point out that a motion had been made by Jim Savalle and seconded by Bruce Kirk to table the project. "That means, it is a parliamentary procedure that closes discussion and takes the vote off tonight's agenda. It also stops the meeting from going forward to referendum. It means the issue

will need to be brought back to a town meeting the same way it arrived here in the first place. The Selectmen would put it on an agenda or a petition would be circulated among citizens qualified to vote to put it on the agenda. This is a point of order and not a debatable motion. This would close it down for tonight. Tabling an item removes it from debate for the present time.

An individual stated in a question, “Is it right that it took 18 months to get to plan A?” “Yes, per Dinis. “Than how long would it take to get a plan B?” “It should take less time than that, because originally we needed to understand what was done before.” Dinis, said it would be less.

Janet Griggs asked for suggestions for a series of motions that would allow the presentation to go forward. It was asked to the motion maker/seconder if they wished to change their motion or if they wished to go forward with tabling it. It was stated that Mr. Pimentel had finished his presentation before the motion to table.

A tally was taken with respect to a survey of people – If you vote YES to this motion. It ends the debate. It ends our consideration tonight. It prevents next week’s referendum. A YES vote is to table until an alternative plan is presented. If you vote NO, than we swing the clock back 12 minutes and we resume talking about it and keep going. A NO vote is to continue the discussion.

All those in favor of the motion to table, raise your hands. All those opposed to the motion to table, raise your hands. 85 here have voted YES. 5 at home have voted YES for a total of 90 YES votes to table the motion. 55 here have voted NO. 11 at home have voted NO for a total of 66 NO votes **not** to table the motion. The YES votes have it. The motion is tabled. The referendum scheduled for January 20th is cancelled.

Dinis thanked everyone for coming.

There were no other items to come before the meeting. A motion was requested for adjournment.

(M/S/C Deanna St. Jean/Dinis Pimentel) Motion was made to adjourn the meeting.
Meeting adjourned at 9:32 pm.

Respectfully Submitted,
Patricia J. Crisanti, Town Clerk

**Annual Town Meeting
Salem Elementary School
200 Hartford Road
Salem CT 06420
May 5, 2010**

Kevin Lyden announced, before the start of the meeting, that “Salem has earned the designation of a Heart Safe Community”. “We are very proud of our townspeople who have trained and embraced an important life-saving initiative.

We are fortunate to have so many dedicated individuals in our town. It is an honor for Salem to earn the Heart Safe Community Designation. We have Gary St. Amand with us tonight. He is from the Health Program Associates from the Department of Public Health, heart disease and stroke prevention. Mr. St. Amand went on to explain the program. A plaque was presented to the Town and to the Fire Departments. (See attached addendum).

Jimmy Savalle thanked former and present Selectmen for helping to push for the special designation. Jimmy stated that there are 160 people in town who are non-emergency responders who qualified for the last CPR course in town. The Board of Education has 130 kids, 7-8th grade kids graduating tomorrow taking CPR. All Public Works employees, Library employees and Town Hall employees have been trained in CPR. The next goal is to have the AED’s set up at the local gas stations and in various businesses in the Town of Salem.

The Town Meeting was called to order at 7:14 p.m. by Kevin T. Lyden, First Selectman.

M/S/C (Stuart Gadbois/Robert Green) Motion to appoint Moderator: John W. Butts, Esq. Town Attorney.

Clerk: Patricia J. Crisanti (Apptd. By John Butts, Moderator)

The Clerk read the Posting Notice and Warning and noted that both had been duly posted and published in the Legal Section of The Day newspaper having a general circulation in the Town of Salem.

John went on to explain about how the budget process works. He then stated that he and the audience would go through the budget page by page, as in previous years so that if anyone had any questions they could be answered at that time.

The Capital Plan was started. John asked everyone to look it over and asked if there were any questions.....he continued page by page

Bruce Kirk raised a question about the Recreation Dept. and the 117% increase for the Recreation Coordinator. The explanation stated that the hours had increased from 7 to 15 hours for Diane Weston. Sue Spang answered, that there was a justification for the increased hours.

Bruce Kirk raised questions about why, under Town office operations, that Computer expense and Copier costs were up 22% and 18%. These are substantial increases. Kevin stated that the total town operation costs were up 6.63% over last year. The expenses are true expenses. Postage is up, we are doing in house mailings. Copy prices range from .25 cents to .50 cents depending on what is being copied.

Bruce Kirk asked, "Why is the maintenance contract at zero? Per Kevin Lyden, "They were asked by the Board of Finance to break maintenance out into maintenance contracts, and ground and building maintenance. That is why you see 100% increase on maintenance contracts. That is a new line this year. "

John Butts went on to explain about the changes in the probate courts. Effective January 5, 2011 probate redistricting will be complete. John fully expects the increase from last year's probate budget will actually be turned back into the town and that they will not use this year's \$2008.00 computer dollars.

Bob Green asked if Gardner Lake continues to do it's Annual Audit for it's presentation to the Board of Finance with regard to the Ambulance. Kevin stated that they have already done that two weeks ago.

John continued through the pages of the budget asking for any concerns or questions...

Bruce Kirk also asked, in reference to line 91103 page 35 (Interest on General Property Taxes - % of budget), "What is the purpose of the interest rate increases? John stated, "Since the tax collector is not present at this meeting, basically if I understand the question that this will anticipate that there will be more property taxes paid late and when they are collected they will get higher interest compounded. The interest rates are set by the State and they are what they are. (18% per year for late property tax payments per statute, or 1 ½% per month penalty for late payments per statute.)

Pam Munroe was questioning the fees on pistol permits. When she came in to apply, she had to write 3 separate checks (1 to the State Police, 1 to DEP and a \$70 check to the Town of Salem.) She asked if that money goes into the town's revenues, or no? Bob Green stated that he had just recently gotten his permit and there was only one check written and that it goes to the Department of Public Safety. The town receives none of the money. Pam insisted that she had to write three checks. It was suggested that she take it up with the Resident Trooper as he was not present at the meeting.

A question was asked by John B. to the Town Clerk about the sale of Sporting Licenses. He was advised that, since the DEP went paperless on January 1, 2009, Salem's office no longer sells them because it was not cost effective. Individual's are forwarded either to Town Clerk's at East Lyme, Colchester or the DEP website, where they can be purchased with no problem.

Having completed perusing the General Government budget, John continued onto the next pamphlet for the Board of Education Budget.

John stated," The proposed budget indicates an increase of .65% or \$65, 208.00 over the 2009-10 budget. The budget, again, consists of nine pages. We will go through page by page and address questions and concerns bearing in mind again that if there are questions or concerns on a particular line or sub-category, that this town meeting cannot amend any of the lines." John proceeded going through the pages.....

John asked a question, to the Board of Finance regarding what line is the reconciliation line in regard to the true number of Salem students in East Lyme verses the other students at East Lyme?

Daniel Kung, the Chair of the Board of Education tried to explain. "The tuition rate at East Lyme is set by contract with the Town of East Lyme, based on the "actual costs" from two years prior."

Peter Sielman asked why the Software/Licenses cost line on page 8 of 9 had gone up so much. This line includes all software used directly by teachers and students. John noted that the purchase of Photoshop and SRBI (Scientific Research Based Instruction), per Daniel Kung, were included in the purchases and are high priced items.

John stated that there are 11 “at-home”- participants, one of whom is actually on active duty in Iraq at this time. That is a first in the Town of Salem’s Virtual Town Meetings, ever.

M/S/C (Bob Ross/ Bob Green) Motion was made to approve the General Government budget, Board of Education budget and Capital Expenditures budget for the Fiscal Year 2010-2011 in the total amount of \$14,177,105.00 .

John asked if there were any motions to modify said budget in any line? Hearing none, a motion was asked for to adjourn the meeting to a referendum.

M/S/C (Chief Savalle/Chief Maiorano) Motion made to adjourn for final consideration of the budget to a vote at referendum to take place at an adjourned town meeting on Wednesday May 12, 2010 between the hours of 6:00am and 8pm for a “Yes” or “No” vote of the total budget by paper ballot at the Salem Town Office Building, 270 Hartford Road. That is a week from today.

John mentioned that he had been advised to find out which time would be more suitable for our Town Meetings. By a hand vote, the 7:00 pm start time was more acceptable than the 7:30 pm start time.

A question was raised about when the absentee ballots would be available. Town Clerk responded with, “They will be made available starting Friday, May 7, 2010 from 9:00am to 12:00 Noon at the Town Hall.”

John asked for a vote among the people present to adjourn to a referendum. By a majority VOICE vote the AYES have it, and none opposed.

M/S/C (Sal Crisanti/Bob Green) Motion made to adjourn the town meeting at 8:08 pm. By a Voice vote, it carried.

Respectfully Submitted,
Patricia J. Crisanti
Salem Town Clerk



OFFICIAL ABSENTEE BALLOT

BUDGET REFERENDUM VOTE

SALEM, CONNECTICUT

MAY 12, 2010

QUESTION 1

Shall the Town of Salem approve the proposed Municipal budget in the amount of \$14,177,105 for the 2010/2011 fiscal year?

YES 213

NO 131

ABSENTEES – 1

BUDGET PASSED

REGISTERED VOTERS AS OF 5/5/2010 – 2660

DEMOCRATS – 866

REPUBLICANS – 590

UNAFFILIATES – 1184

OTHER – 20

13% OF REGISTERED VOTERS VOTED!

Justice of the Peace

NAME	STREET	PHONE	PARTY	TERM BEGINS	TERM ENDS
Alligood, Gary	127 Hartford Road	859-1779	R	1/5/2009	1/7/2013
Balavender, Gale J.	78 Forest Drive	859-2174	R		
Bingham, Robert K.	42 Round Hill Road	889-4381	R	12/21/2010	
Bourdeau, Donald W. Jr.	345 Old Colchester Road	859-3189	D		
Buckley, Karen H.	15 Corrina Lane	859-3705	D		
Butcher, Thomas J.	248 Norwich Road	859-1012	D		
Butts, Betsy B.	376 Hartford Road	859-0788	D		
Butts, Spencer	376 Hartford Road	859-0788	D		
Clancy, Charlene E.	40 Lakeview Drive	859-0339	D		
Cole-Chu, Leeland J.	300 Hartford Road	859-0059	D		
Cole-Chu, Emily B.	300 Hartford Road	859-0059	D		
Crisanti, Salvatore T.	195 Old New London Road	859-2158	D		
Diamond, Shirley W.	249 Darling Road	859-1749	D		
Dye, Charles (Chip) S.	116 Morgan Road	859-1714	D		
Edwards, Mary J.	410 West Road	859-0611	D		
Gibson, Holly	15 Meadow Lane	859-1664	D		
Gregory, Hazel (Chris)	152 Way Road	859-3119	D		
Griggs, Janet S.	122 New London Road	859-2041	D		
Kollman, Mary L.	390 Darling Road	859-3036	D		
Kumro, Susan D.	648 Old Colchester Road	204-9829	U		
Len, Kristana M.	420 Hartford Road	859-1700	D		
Maiorano, Eugene R.	799 West Road	859-0558	D		
Maiorano, Marcella C.	799 West Road	859-0558	R		
Munro, Pamela R.	55 Skyline Drive	859-1803	R	12/21/2010	
Nikirk, Gerald E. Sr.	30 Morgan Road	887-3114	R		
Nortz, Rebecca A.	66 Skyline Drive	859-2207	D		
Nortz, Michael	66 Skyline Drive	859-2207	D		
Pech, Georgia M.	460 Darling Road	859-3112	R	12/21/2010	
Phillips, Linda F.	33 Diamond Hill Road	443-4367	R	12/21/2010	
Ploszaj, Joseph J.	33 Rattlesnake Ledge Rd.	859-0572	D		
Robillard, Paul H.	178 Old Colchester Road	892-0018	R		
Rowthorn, Anne	17 Woodland Drive	859-3377	D		
Sabowski, Mary Anne	81 Valley Drive	859-3556	D		
Schroeder, Linda K.	490 East Haddam Road	859-3520	D		
Shapere, Alfreda B.	170 Darling Road	859-1760	D		
Sielman, Peter F.	369 West Road	859-3848	D		
Spang, Susan G.	129 Hartford Road	859-2048	D		
Standish, Jeffrey W.	33 Meadow Lane	859-0558	D		
Stevens, Lawrence J.	182 Forsyth Road	859-0876	D		
Vesey, Vernon D. II	47 Skyline Drive	859-1249	D		
Weinschenker, Denise M.	99 Music Vale Road	859-0441	D		
Winakor, Sylvia	470 Forsyth Road	859-0471	R		
Ziegra, Roberta M.	9 Shingle Mill Road	859-0609	D		
Republicans: 10	Democrats: 32	Total: 43			
	Unaffiliated: 1				
(Salem can have a maximum of 213 Justices of the Peace and a minimum of 15)					
The following Justices of the Peace took the Oath of Office and are qualified to serve the term from January 05, 2009 to January 07, 2013					

Notary Publics

<u>NAME</u>	<u>ADDRESS</u>	<u>TERM</u>
Alfonso, Diane M.	295 Rattlesnake Ledge Road	03/01/2010 - 02/28/2015
Aube, Real C.	90 Way Road	06/01/2009 - 05/31/2014
Benjamin, Theresa	551 Hartford Road	07/06/2006 - 07/31/2011
Berardi, Corinne	730 West Road	05/02/2007 - 05/31/2012
Blackman, Donna	111A Horse Pond Road	12/01/2008 - 11/30/2013
Boutin, Elizabeth D.	85F Horse Pond Road	09/01/2010 - 08/31/2015
Brick, Marion	745 Hartford Road	09/01/2009 - 08/31/2014
Butts, Betsy B.	376 Hartford Road	12/01/2009 - 11/30/2014
Castleberry, Carey R.	85 Buckley Road	10/03/2006 - 11/30/2011
Champion, Barbara	496 Norwich Road	10/01/2007 - 09/30/2012
Chester, Lindsay K.	509 Route 82 (Norwich Rd) O	07/30/2008 - 07/31/2013
Corman, Michael L.	32 Cedar Hill Lane	06/15/2009 - 06/30/2014
Crisanti, Patricia J.	195 Old New London Road	04/01/2009 - 03/31/2014
Cuadro, Rosemarie D.	149 Forsyth Road	04/01/2008 - 03/31/2013
Dubois, Sandra J.	97 Mill Lane	06/01/2010 - 05/31/2015
Dye, Charles S.	116 Morgan Road	08/01/2009 - 07/31/2014
Ferris, Heidi C.	332 Rattlesnake Ledge Rd.	03/01/2010 - 02/28/2015
Flugrad, Linda D.	66 East Haddam Road	04-16-2010 - 04/30/2015
Galloway, Joyce E.	306 Old Colchester Road	03/01/2006 - 02/28/2011
Gaus, Valerie J.	488 Norwich Road	05/01/2008 - 04/30/2013
George, Nancy M.	4 Salem Ridge Drive	07/01/2006 - 06/30/2011
Gianni, Michelle M.	254 West Road	05/08/2007 - 05/31/2012
Harrington, Lawrence B.	306 Old Colchester Road	08/01/2006 - 07/31/2011
Henry, James H.	21 Skyline Drive	12/01/2009 - 11/30/2014
Huhtala, Janet A.	245 Buckley Road	12/01/2009 - 11/30/2014
Jessop, Robert M.	262 Norwich Road	02/01/2007 - 01/31/2012
Johnson, Andrew	50 Sullivan Road	03/02/2007 - 03/31/2012
Kaika, Valerie A.	9 Cedar Hill Lane	08/24/2006 - 08/31/2011
Kennedy, Lillian	330 Round Hill Road	10/01/2010 - 09/30/2015
Kodym, Patricia L.	113 Sullivan Road	09/07/2006 - 07/31/2011
Larensen, Kim M.	509 Old Colchester Road	10/05/2010 - 10/31/2015
Lecce, Jody A.	521 Old Colchester Road	12/01/2007 - 11/30/2012
Legnos, Jacqueline N.	101 Witch Meadow Road	08/01/2008 - 07/31/2013
Lindo, Jennifer	37 Forest Drive	11/01/2010 - 10/31/2015
Loosemore, Diane E.	60 Old Colchester Road	06/19/2008 - 06/30/2013

McTigue, Doris A.	131 Latham Drive	09/01/2008 - 08/31/2013
Menitz, Constance H.	142 Way Road	07/01/2008 - 06/30/2013
Moore, Barbara S.	62 Forest Drive	04/01/2006 - 03/31/2011
Mullin, Donald B.	46 Skyline Drive	03/01/2007 - 02/28/2012
Muratore, April A.	43 Buckley Road	03/31/2006 - 03/31/2011
Murphy, Michael James	65 Forsyth Road	10/12/2010 - 10/31/2015
Neumann, Lori B.	519 Norwich Road	01/01/2009 - 12/31/2013
Nortz, Michael F.	66 Skyline Drive	11/01/2007 - 10/31/2012
O'Brien, John J.	77 Skyline Drive	06/01/2007 - 05/31/2012
O'Brien, Rosemary	77 Skyline Drive	08/01/2007 - 07/31/2012
Orlinski, Chris	617 Old Colchester Road	03/01/2009 - 02/28/2014
Orlinski, Eva M.	617 Old Colchester Road	06/01/2009 - 05/31/2014
Parrish, Gale A.	20 Bayberry Place	10/01/2010 - 09/30/2015
Patterson, Karen A.	106 Sullivan Road	07/01/2009 - 06/30/2014
Pearl, Jennifer D.	45 Salem Ridge Drive	06/22/2006 - 06/30/2011
Philopena, Cheryl A.	309 Rattlesnake Ledge Road	11/01/2009 - 10/31/2014
Provost, Deborah L.	98 Buckley Road	10/27/2009 - 10/31/2014
Salas, Theresa K.	99 Sullivan Road	08/05/2008 - 08/31/2013
Shelley, Vera	452 New London Road	03/01/2009 - 02/28/2014
Shkutzko, Barbara	9 Brookside Drive	04/01/2009 - 03/31/2014
Shultzman, Theresa	11 Center Street	08/04/2007 - 08/31/2012
Singh, Amandeep	215 Old Colchester Road	02/08/2008 - 02/28/2013
Slota, Sheila	631 West Road	07/01/2008 - 06/30/2013
Stevens, Lawrence J.	182 Forsyth Road	02/01/2010 - 01/31/2015
Swider, Sandra D.	59 Mill Lane	06/01/2007 - 05/31/2012
Traggis, Carol J.	21 Forsyth Road	11/01/2009 - 10/31/2014
Turner, Tammie A.	185 Old Colchester Road	04/25/2006 - 04/30/2011
Wittig, Vera Ann C.	200 West Road	04/01/2009 - 03/31/2014

Registrar of Vital Statistics

During the fiscal year 7/01/2009 through 6/30/2010 there were **28 BIRTHS, 17 MARRIAGES, 0 CIVIL UNIONS, 18 DEATHS** and **0 FETAL DEATHS** registered in the Vital Statistics Records of the Town of Salem.

Funds due the State of Connecticut for 2009-2010 \$ 152.00

Patricia J. Crisanti, Registrar of Vital Statistics
Linda D. Flugrad, Assistant Registrar of Vital Statistics

Dog Fund Account

Cash receipts and disbursements for fiscal year ending June 30, 2010:

Balance July 1, 2009-----\$ 7728.88

Receipts:

Surcharge of Unaltered/Altered Dogs	\$	\$ 1148.00
Dog License Fees		\$ 3937.50
Animal Control Officer's Fees		\$ 210.00
Town of Salem Allocation		\$ 8487.00
<u>Total Receipts</u>		<u>\$13782.50</u>
<u>Total Receipts Available</u>		<u>\$21511.38</u>

Disbursements:

Animal Control Officer's Salary		\$ 8487.00
Animal Control Officer's Expenses		\$ 260.73
Surcharge to State for 7/1/08 to 6/30/09		\$ 1176.00
License Fees to State for 7/1/08 to 6/30/09		\$ 3309.00
Advertising Fees for Dogs		\$ 103.00
Dog Tags, License Forms, Postage and Supplies		\$ 96.65
Pound Rent Paid		\$ 1100.00
Veterinarian Fees		\$ 0.00
<u>Total Disbursements</u>		<u>\$14532.38</u>

Patricia J. Crisanti, Town Clerk

Grant Funds

The Grant Funds for the second cycle of the 2009-2010 were abruptly cancelled without warning. No grant was applied for during this fiscal year. The legislature had passed Senate Bill 1167, "An Act Concerning a State Deficit Mitigation Plan for the Fiscal Year ending June 30, 2009". This legislation affected many special funds; however, the impact on the Historic Documents Preservation Grant Program was immediate and severe by transferring \$900,000 to the General Fund leaving a balance of less than \$400,000 available for FY2010 grants. Cycle 2 grant applications were suspended. The Historic Grant Program, itself, was left intact. Funds are still accumulating and hopefully will result in the opportunity to reapply next fiscal year.

Patricia J. Crisanti, Town Clerk

Treasurer Report

The fiscal year ended June 30, 2010 began with an Undesignated Fund Balance of \$972,792 with additional anticipated Revenues of \$97,875.00.

Subsequent unanticipated revenues of \$45,978.00 were received resulting in a total Fund Balance before adjustments of \$1,097,471.55.

Board of Finance budget increases were enacted throughout the year totaling \$123,051.00 resulting in an Adjusted Fund Balance of \$974,420.55 as of June 30, 2010.

The Adjusted Fund Balance was 7.02% of the total budget.

Investment of town funds earned a total of \$30,075.53 in interest and dividends. A listing of the town funds and their earnings for the fiscal year 09/10 is as follows:

Account	Interest Income	Balance 06/30/10
General Fund	\$27,252.85	\$1,513,093.73
Open Space	76.12	20,524.69
Land Acquisition	54.86	14,791.71
Town Aid Roads	203.03	140,084.09
Capital Reserve	2014.92	149,891.67
Senior Citizens	261.82	28,988.51
Baptist Society	26.90	2,401.32
Morgan Cemetery	13.58	1,212.73
Bost	.27	506.82
Rogers Cemetery	17.79	2,869.07
Harris Fund	.12	143.97
School Titles	.00	212,305.97
Infrastructure	54.95	4,906.42
E. Urbanik Memorial Fund	86.01	7,148.13
Nursing Board	11.96	1,927.20
Tax Exempt Proceeds	.35	169,318.08
TOTAL	\$30,075.53	\$2,270,114.11

Thank you for the opportunity to serve as Treasurer for the Town of Salem.

Respectfully submitted,
Mary Ann Ferren, Treasurer

Tax Collector Report

The year July 1, 2009 to June 30, 2010 was very busy in the Tax Collector's office. In July 7,503 bills were sent to taxpayers. This total included 1,952 Real Estate bills, 4,788 Motor Vehicle bills and 763 Personal Property tax bills. Taxes are due in July and January. All motor vehicle bills are due in July. Along with the second half of Real Estate and Personal Property collected in January 712 Supplemental Motor Vehicle bills were mailed to taxpayers.

From July 1, 2009 to June 30, 2010, this office collected and turned over to the town treasurer \$10,059,232.50 A breakdown of this figure includes \$9,967,327.85 in taxes and \$91,904.65 in interest and lien fees.

In June 48 Real Estate Tax liens were placed on property in the Town of Salem. The total dollar value of these liens was \$138,359.75. During the year 87 back tax liens were collected and released. The principal amount of these liens was \$ 177,256.73.

Once again it has been a productive year in the tax office.

Cheryl A. Philopena C.C.M.C.
Tax Collector

Necia Stevens
Assistant Tax Collector

Board of Finance Report

The 2009-2010 fiscal year began with the adoption, by town referendum, of the Town's budget in the amount of \$13,877,847. The proposed expenditures were as follows:

General Government	\$ 3,215,477
Board of Education	\$10,012,385
Capital Improvements	\$ 649,985

The Board of Finance approved a mill rate of 23.3 mills to provide Town funding budget.

The undesignated fund balance as of July 1, 2009 was \$953,618.

Several changes in the Board of Finance members took place during the year.

In November 2009 Mr. Kevin Lyden resigned from Board of Finance (alt.) following his election as the Town First Selectman. Mr. T.J. Butcher and Mr. Roland Trailor were elected as Board of Finance (alt.) members. Ms. Carole Eckart and Ms. Janet Griggs were re-elected as Board of Finance members.

In May of 2010 Mr. Kevin Friert resigned his position as a Board of Finance member and he was thanked for his years of service to the board.

Salem Planning and Zoning Commission Report

The Planning and Zoning Commission processed 25 applications for the year ending June 30, 2010. Not all applications were decided by fiscal year-end. The breakdown is as follows:

<u> 1 </u> Subdivisions totaling <u> 2 </u> lots	<u> 4 </u> Resubdivisions totaling <u> 13 </u> lots
<u> 11 </u> Site Plans	<u> 4 </u> Special Exceptions
<u> 0 </u> Regulation, Map Amendments	<u> 0 </u> Accessory Apartments
<u> 2 </u> CGS §8-24 Referrals	<u> 3 </u> Lot Development Plans
<u> 0 </u> Change of Use	<u> 0 </u> Commission issued Zoning Permit

The Commission's Plan of Conservation and Development (POCD) Committee continued their work on updating the POCD, which is required by State Statute to be updated every ten (10) years.

The Commission formed the Municipal Land Use Plan (MLUP) Committee at its September 15, 2009 meeting. The Committee was charged with review and modification of the MLUP, which was thoroughly updated last in 2002. Aware that much time had passed since the document was last thoroughly addressed, the Committee began work to rewrite, as opposed to update, the document. That work continued throughout the remainder of the fiscal year, with early-mid 2010-2011 fiscal year anticipated for delivery of the final document to the Commission.

A total of \$16,525.81 (165%) of the Commission's Engineering line item was expended for the purpose of application plan reviews, engineering inspections, and in support of ongoing litigation relative to violations at a local quarry.

Of the Commission's Legal Service line item, \$15,845.44 (63%) was expended from the FY09-10 budget. The majority of that expenditure was for legal fees associated with the aforementioned litigation.

Fines collected resulting from said litigation totaled \$33,044.13, with monthly payments to continue through March of 2013.

At the beginning of the fiscal year, revenue in the amount of \$3,000.00 was anticipated from collection of various Planning and Zoning Commission fees. A total of \$8,674.00 was actually collected.

The Zoning Enforcement Officer approved 75 zoning permits, 17 for new construction and 58 for accessory structures, for total revenue of \$2,300.00.

All Planning and Zoning Commission meetings are open to the public, and regular meetings are held the 3rd and 4th Tuesdays of each month. We encourage your participation.

Members of the FY 09-10 Commission included:

Regular Members:

Hugh E. McKenney, Chairman
Gloria Fogarty, Vice Chairman (from 7-09 – 10-09)
Karen Buckley, Vice Chairman (as of 11-09)
David Bingham
Richard Dalkowski (thru 11-2-09)
Frank Abetti (thru 11-2-09)
Gerard Nikirk, Sr. (resigned 4-20-10)
Ruth Savalle (as of 11-09)
Gary Walter (as of 11-09)
Richard Amato (as of 11-09)

Alternate Members:

Arthur Winakor (thru 11-2-09)
Ruth Savalle (thru 11-2-09)
Vern Smith (as of 11-09)
Gloria Fogarty (as of 11-09)

Respectfully submitted,
Karen Buckley, Chairman
Planning and Zoning Commission

Salem Free Public Library Report

2009-2010 was a good year for The Salem Free Public Library. In these challenging economic times, it is clear that the Library is more valuable and relevant to the children, adults and families of the Salem community. The support of the Town, the residents of Salem and Bozrah, the Trustees and Friends of the Salem Library has been critical to our success this year.

Statistics of 2009-2010 Comparisons to 2008-2009

20% increase in number of Bozrah and Salem patrons to 3,481
15% increase in number of all patrons to 4,195
4% increase in total circulation to 71,437
12% increase in children's book and magazine circulation
5% increase in adult book and magazine circulation
9% increase in interlibrary loans borrowed from other libraries to 2,540
97% increase in interlibrary loans sent to other libraries to 2,644
330 meetings by community groups were held at the Library
2,100 volunteer hours were logged including 20 teen volunteers and 6 community service volunteers
1773 books were read during the Summer Reading Program
3,725 attended 298 library programs, which is an 185% increase in attendees and 148% increase in programs. Programs are funded by the Friends of the Salem Library.

Selected Activities and Events

Popular Programs funded by Friends of Salem Library;
American Doll Party, Animal Sleepover, Self Defense for Women, Ballroom Dancing, Stories of Selden Island, Diary of a Wimpy Kid Book Release Party, Mad Science Spooktacular, Meatless Meals, Herbal Appetizers, Valentine Day Cooking, Holiday Centerpieces by Anne Duncan, Craft Afternoons for Adults, En Plein Air: Paint Salem

December 5: 5th Anniversary Party for the new library building

December 22: Water leaks

February 18: Snapshot Day for CT Libraries.-

144 patrons (4% of our patrons) came through the door, 83 patrons were surveyed, 267 items were checked out and 146 items were returned.

April: New Logo for Salem Library

April 24: Two Library Murals by Town Artist, Jennifer Wheeler, were dedicated

April 24: 1st Annual Poetry Contest

June 1: Board of Selectmen voted to place solar panels on the library & 5 buildings around town,

New Services

Homebound Service · Books to Bozrah Seniors · Books to Babies

Library Hours

Mon-Wed. Noon-7:30 p.m.

Thurs. 10 a.m. to 7:30 p.m.

Fri. 10 a.m. to 6 p.m.

Sat. 10 a.m. to 4 p.m. (Sept.-June)

Sat. 10 a.m. to 2 p.m. (June-July)

Staff

Jackie Hemond	Head Librarian
Pat Aldrich	Senior Assistant
Millie Cullen	Assistant
Sharon Geer	Assistant
Susan Nye	Assistant
Karen Sanquedolce	Assistant
Kathleen Sasso	Assistant
Jane Wellbrock	Assistant

Friends of Salem Library Executive Board

Sandra Teixeira	President
Carole Eckart	Vice President
Michelle Guertin	Secretary until November 2009
Martha Giegel	Secretary
Lori Tierney	Treasurer until May 2010
Mary Cikat	Treasurer

Board of Trustees

Michelle Guertin	President
Roberta M. Ziegler	Secretary
Elizabeth Householder	Treasurer
Brenda M. Holmwood	
Phillip G. James, Jr.	
Sharon Ann Sanders	

Town of Salem Senior Citizens Report

The Salem Seniors Group consists of members from Salem and surrounding towns. They meet on the second Tuesday of every month at 10:30 p.m., (except January and February). The meeting takes place at the Salem Volunteer Fire Department in the back meeting room. The fee for membership is \$5.00. At every meeting a nurse from the VNA comes and takes blood pressure readings. Flu shots are offered in the fall. The meetings include discussion of new and old business, speakers, bingo, and pot luck lunch. The seniors group offers bus trips throughout the year. They hold an annual summer picnic and holiday lunch for their December meeting.

For more information call: Dot Mrowka, President (2007) - 537-3640 or Sue Spang, Municipal Agent for the Elderly - 859-3873, ext 114.

Submitted by Sue Spang

Assessor Report

	Real Estate	Personal Property	Motor Vehicle	Total
2009	388,293,059	11,842,316	29,635,712	429,771,087

•

The following programs are administered by the Assessor's Office:

- Disabled, Elderly Homeowners & Freeze Programs – February 1st to May 15th.
- Local Option Homeowners applications – February 1st to May 15th.
- Elderly Renters – May 15th to September 15th.
- Additional Veterans – February 1st to October 1st

The following exemptions are administered by the Assessor's Office:

- Blind Persons – Certificate of Blindness from the State of Connecticut. The application must be filed with the Assessor's Office.
- Veterans – Veteran must meet qualifications and have filed his/her DD214 of honorable discharge with the Town Clerk.
- Veterans with Disabilities – Veterans with a degree of disability must file their disability statement from the Veteran's Administration with the Assessor's Office annually to get their benefit.
- Federal Soldier's and Sailor's Civil Relief Act (SSMRA) – Non-Resident Servicemen on active duty in Connecticut.
- Connecticut Servicemen "PA738" with one Connecticut registered vehicle garaged out of state. Continuing Service – Active duty military forms must be filed each year prior to October 1st with the Assessor's Office.

Personal Property declarations for businesses, farms and non-registered motor vehicles are required to be filed annually prior to November 1st to avoid a 25% penalty.

Applications for farm and forest land classifications “PA 490” must be filed no later than 30 days after October 1st with the Assessor’s Office.

Heath Director Report

The responsibilities of the public health director include:

1. Environmental Health (water quality, sewage disposal, restaurant inspections)
2. Communicable Disease Surveillance (reportable illnesses such as Lyme Disease, tuberculosis, rabies, and sexually transmitted diseases, are reported to, and monitored by the Health Director). In addition, other medical diseases such as lead toxicity are also reportable to the State.
3. Maternal and Child Health (the town of Salem contracts with the Southeastern CT Visiting Nurse Association to provide Well Child services for physicals and immunizations from birth to age 5).
4. Coordination with the State Health Department regarding the variety of health issues which affect the town of Salem.
5. Attending the biannual Health Directors Conferences, sponsored by the State Department of Health.
6. Communication of town officials on all public health matters.

Salem is a small semi-rural, middle to upper-middle class community with modest industry and farming. The town’s building department serves as the point of coordination for all health and environmental issues. The First Selectman consults the Health Director for any issue that requires his/her expertise.

Health and environmental issues that were a concern for July 2009 – June 2010 were:

1. Sewage Disposal/Septic Problems
 - a. Subsurface lots tested – 20
 - b. Failed systems – 0
 - c. Repair permits issued – 6
 - d. New permits issued – 8
2. Private well permits issued – 6
3. Food sanitation inspections – 23

Robert W. Powitz, PhD, MPH, DLAAS, RS, Salem Director of Health

Salem Building Department Report

		2008-2009		2009-2010	
		Value	Units	Value	Units
Residential:					
Foundations		–	1	6,400	5
New Homes		784,817	3	4,547,122	14
Manufactured Home		0	0	0	0
Sheds/Barns		116,014	20	75,004	15
Additions		281,472	7	476,147	9
Alterations		631,335	83	625,327	68
Decks		49,741	6	92,057	10
Trades		539,269	160	211,861	114
Garages		124,953	4	961,180	3
Pools		74,343	7	95,579	6
Commercial:					
Foundation Only		0	0	0	0
New Commercial		0	0	0	0
Additions		0	0	184,400	1
Alterations		44,800	7	11,000	1
Trades		49,950	8	0	0
Extensions		0	0	0	0
Other:					
Demolitions		8,000	1	4600	1
Tents		5,700	2	5,700	2
Membrane Structure		0	0	0	0
Total Permits Issued:		250			
Total Construction Value:		\$7,296,377			
Total Permit Fees Collected:		\$59,559.25			
Vernon C. Vesey II, <i>Building Official</i>					
Diane E. Weston, <i>Clerk</i>					

Salem Recreation Commission Report

The Salem Recreation Commission is continuing its forward progress in 2009-2010. Starting in the summer we offered our most expansive summer camps schedule to date. These included, tennis, soccer, multi-sport, and a Mad Science camp. We also started after school programs for the Salem School.

Our baseball and soccer fields are some of the best maintained and groomed fields in the area, thanks to the dedicated crew at our Public Works Department. We had many requests for use of the fields by outside organizations. The Commission instituted a field use policy and fee schedule which provides a revenue source for the Town.

The sports leagues are doing well and are competitive with other area towns. Between the baseball, soccer, and basketball leagues there are over 700 participants throughout the year. The leagues instruction and coaching continue to prepare our kids for the sports programs at the high school. Proportionally we have a high percentage of players on the freshman, junior varsity, and varsity teams at the East Lyme High School. We are very proud of all the kids who go through our sports programs.

The Salem Recreation Commission submitted a 10 year plan for the recreation site on Forsyth Road. The plan was approved by the Inland Wetlands and Conservation Commission and the Planning and Zoning Commission. Once completed, the site will have a pavilion, lower parking lot, concession stand, bathrooms, volleyball, and horse shoe pits. There are already two large soccer fields, a storage unit, and parking lot.

The Commission offers adult volleyball, basketball, and softball. We are pleased to offer the Holiday Tree Lighting and the Bike Decorating Contest at the Memorial Day Parade to the residents of Salem as we have over many years in the past.

As always, we thank the hundreds of volunteers that make our programs possible for the residents of Salem.

Our members on the Commission volunteer many hours of their time and energy. Many thanks to members, Bob Appleby, Jim Burke, Kim Bingham, Rich Cirillo, Joe Dalton, Al Giansanti, Pam Henry, and Peter Lee.

Respectfully Submitted,
Sue Spang
Chairperson

Salem Inland Wetlands Conservation Commission Report

During the Fiscal Year 2009-2010, the Inland Wetlands and Conservation Commission (IWCC) held 10 regular monthly meetings and 3 special meetings. The IWCC and its Designated Agent, the Wetlands Enforcement Officer (WEO), addressed 22 applications, of which 1 was for a subdivision and 4 were for resubdivisions. Permits issued included: 2 for work in wetlands were granted with conditions, 5 non-jurisdictional rulings, 0 as-of-right determinations, and 10 permits for work within the 75' upland review area of a wetland/watercourse were approved.

The Ad hoc Conservation Committee met periodically throughout the year with basic emphasis on preparing an updated Salem Resource Inventory.

The Ad hoc Open Space Committee continued cataloging all parcels within Salem that are at least 10 acres in size together with their current uses.

The Ad hoc Educational Outreach Committee continued to provide awareness of Conservation issues and possible solutions, helpful hints and available resources to residents. An article appeared in each issue of Our Town.

IWCC Members included:

Gale Balavender (Alternate)

Eric Belt (Vice Chairman as of 1/10, Chairman Ad hoc Conservation Committee)

Diba Khan Bureau (Secretary, Chairman, Ad hoc Education Outreach Committee)

William Leuck

Ed Natoli (Alternate)

Roger Phillips

Sally Snyder (Vice Chairman thru 12/09, Chairman as of 1/10, Chairman, Ad Hoc Open Space Committee)

Linda Wildrick

George Ziegler (Chairman thru 12/09)

Vacancy (Alternate)

Respectfully Submitted,

Sally Snyder, Chairman

Salem Volunteer Fire Department, Inc. Report

The Salem Volunteer Fire Company, Inc., currently operates six pieces of firefighting equipment, 1985 Chevy 4X4 brush truck, 1986 GMC 4-wheel drive backup medical truck and utility vehicle, 2008 Ferrara 77' Heavy Duty Aerial, 1991 Pierce Attach Pumper, 1999 Freightliner Tanker, 2001 Ford F350 4X4 R-1 Vehicle (Medical Truck), 1999 Ford Expedition used as a personnel and traffic sign carrier for Fire Police, and a 2010 6x6 Polaris Ranger for off road emergencies which we purchased thru fundraisers and donations.

The Salem Volunteer Fire Company continues to support local organizations such as the Salem Youth Baseball League, Salem Soccer League, Lions Club, and the Senior Citizens. We also have supported the Connecticut Burns Care Foundation over the years.

Volunteering in a town the size of Salem helps to offset the Town budget by not having to have a paid staff on duty 24 hours 7 days a week. We are in need of members for all aspects of the fire service, such as firefighters, emergency medical technicians, and fire police, who are willing to keep up-to-date with the OSHA training requirements. Senior members must be at least 18 years old. We also have a Junior membership starting at age 13.

We have our Company meetings on the first Thursday of each month with trainings and other functions being held on the following Thursdays of each month. Anyone interested in joining or more information, please stop in at the Station or phone the Station at 860-859-0942.

Chief	Eugene R. Maiorano
Deputy Chief	Jeffrey W. Standish
Assistant Chief	Charles (Chip) Weston
Fire Captain	Al Wlodarczyk
Safety Officer	Ryan Teixeira
Rescue Captain	Deborah Cadwell
Fire Police Captain	Brian Cinea
Fire Police Lieutenant	Brian Ennis
Secretary	Lisa Martin
Treasurer	Marcella C. Maiorano
Appropriated Treasurer	
Lieutenants	Rick Martin, Brian Ennis, Bob Pokrinchak
	Russ Moris, Jeff Martin, Ron Przech, Jr. and Chris Cinea

Respectfully Submitted:
Eugene R. Maiorano, Chief
Salem Volunteer Fire Co, Inc.

Gardner Lake Volunteer Fire Company Inc. Report

We will continue to offer classes for cardio Pulmonary Resuscitation (CPR) and Automated External Defibrillator (AED) for our continuing Heart Saver Program. This program covers the public, Town boards and Commissions, Town Hall, Library and Public Works Employees. To date we now have 22 AED's throughout our Town.

Our Community Hall has taken great strides in our renovation process. Proper planning and coordination by our Ways and Means Committee, Company President, Membership and most of all your support of our fundraisers throughout the year have made the facility beautiful. We generally operate on a first come first served basis in the rental and use of the facility however, The Community Hall is available free of charge to any Town of Salem resident for the purpose of a funeral reception. Please contact the Company at 860-859-1743 between the hours of 9:00 am to 5:00 pm week days for scheduling. The Community Hall is used often and we will do our very best to accommodate you in your time of need.

Our members serve in many capacities. Not only working full and part time careers and volunteering but also serving our country overseas in the Army National Guard. These strong members still maintain their input by electronic mail and keep the communication process flowing. Firefighter / EMT Joseph Danao II and Firefighter / EMT Lt. William Leuck.

The Officers and Members wish to Thank You for the Privilege in serving The Town of Salem since 1956.

Fire / EMS Officers

Chief James Savalle
Deputy Chief Matt Devore
Assistant Chief Jeffrey Savalle
Captain Joe Cunningham
EMS Captain Traci Devore
Lieutenant William Leuck
Lieutenant Herb Zickwolf
Lieutenant Greg Devore

Board of Directors

President John Cunningham
Treasurer Christine Lindo
Secretary Ruth Savalle
Cheryl Philopena
Joe Cunningham
Steve Philopena
Chief James Savalle

Public Education, Fire Prevention, CPR / AED Instructor Coordinator Lieutenant Susanne Leuck

Respectfully,
James B. Savalle, Chief

Visiting Nurses of Southeastern Connecticut Report

The Visiting Nurse Association began providing service to the residents of Salem in 1998.
Services Provided:

Seven Blood Pressure clinics, with 96 participants
Two Health Promotion/safeguarding visits were made to town residents.

Due to the shortage of flu vaccine in the 2009-2010 flu season, there was not a town-wide clinic held. Homebound patients were able to receive their vaccinations with the limited supply available.

In addition to the above services, the agency provided 685 visits to 32 patients under the Home Health Care Program. These included skilled nursing, therapies, home health aides and homemaker visits.

Residents who wish to arrange service may do so by calling the Intake Nurse at 444-1111, extension 215. For general questions about the agency, please call Mary Lenzini, President at extension 301.

Gardner Lake Authority Report

The Gardner Lake Authority for the past 36 years has pledged to oversee one of our areas best natural multi-recreational resources-Gardner Lake

To ensure that Gardner Lake is environmentally sound and equally asafe and accessible to all citizens activities, which include but not limited to swimming, boating, sailing, canoeing, fishing, water and jet skiing and just general enjoyment, the Authority, during the past season has:

1. This year, the Gardner Lake Authority has opted to hire a Consulting Service to continue the lake sampling and look at the aquatic plant life.
2. Worked as a liaison between citizen inquires, town officials, and the D.E.P.
3. The Town of Montville and the D.E.P. patrolled the lake with emphasis on weekends, evenings and holidays this year. Approximate cost was \$11,500-\$12,800. There were 38 patrols
 - 8 Arrests
 - 46 Warnings
 - 132 Safety Checks
 - 1 Tow
4. Established direct contacts with the D.E.P. and D.O.T. personnel to meet the needs of lowering the lake for the winter months to help control the invasive weed population at approximately\$2,100 for the year. This will meet the needs of citizens and requirements of the D.E.P. to accommodate dock removal and lake wall and shore repair.
5. Conducted coliform and ph tests at a cost of \$655.00 prior to each holiday during swimming season. Results are on file with the Town Clerk and Sanitarian.
6. Sponsored a successful boating course where 34 people took the test at the Gardner Lake Fire Dept. A donation of \$340 was made to the Fire Dept.
7. Continuously worked with committees such as Boat Patrol, Restricted Area, Grants, Finance, Environmental, Education and Citizen Awareness programs.
- 8.

The Gardner Lake Authority will meet the second Thursday of every month (except Dec. -Feb) on a rotating basis, beginning in March in Bozrah, April in Montville, May in Salem, etc. The public is invited to attend the 7 PM meetings. Please check with your local Town Clerks for posting sof meeting places.

Members are: Jim McArdle, Chairman, Bozrah, Henry Granger, Co Chairman, Scott Soderberg, Salem: Russ Smith, Bob Neddo, Lou Allen, Montville- Ed Socha, Bill Wrobel

Respectfully Submitted
Jim McArdle

Appendix I

Report
of the
Board of Education
and
Superintendent of Schools

**SALEM SCHOOL DISTRICT
SALEM, CONNECTICUT**



**REPORT OF THE SUPERINTENDENT OF SCHOOLS
and Board of Education**

2009 - 2010



**SALEM SCHOOL DISTRICT
SALEM CONNECTICUT**

REPORT OF THE SUPERINTENDENT OF SCHOOLS FOR 2009 - 2010

AND

The Board of Education: Michael Siebert was appointed Chairperson 1/05/09 (did not run for re-election in 11/09); Robert Green was appointed Vice-Chair on 12/07/09; Daniel Kung was appointed Chairperson 8/17/09 and 12/07/09; Christopher LaRose; Susan Nikirk lost the election in 11/09 (Monica Lord-McIntyre won her seat); Monica Lord-McIntyre was elected 11/2/09; Pamela Munro was appointed Secretary 12/07/09; Dinis Pimentel; Donna Sanfilippo; Linda Robson was appointed Treasurer 12/07/09.

The Statutes of the State of Connecticut, particularly Section 10-157 and Section 10-224 of the laws relating to education, prescribe that the Superintendent of Schools shall report annually on the condition of the District's schools to both the local and state Boards of Education.

The following data and comments are considered pertinent to the annual report as required:

A. Salem School Staff

1. Administrative Personnel:

- a. Superintendent Donna P. Leake, Ph.D.
- b. Director of Special Programs Maryssa Edele (resigned
6/30/10)
- c. Middle School Principal Nikki Gullickson (resigned
1/15/10)
James Moran – 3/01/10
- d. Elementary School Principal..... Jason Maziarz (resigned
10/01/09)
Cynthia Ritchie – 10/1/09

2. Instructional Specialists and Student Support Personnel:

- a. Art Diane Remetta
- b. Art Elaine Hornby
- c. Instructional Technology..... Scott Gordon
- d. Computer Technology..... Robert McLaughlin
- e. Elementary Guidance Counselor..... Elizabeth Bartron
- f. Middle School Guidance Counselor..... Jim Guarino
- g. Health/PE..... Barbara Bashelor
- h. Librarian/Media Specialist Joyce Rak
- i. Music Christopher Hebert
- j. Music/Band David Brush (resigned
6/30/10)
- k. Physical Education Amy Beardsley

- l. Physical EducationJames Robinson
- m. LA Curriculum Support Teacher..... Nicole Hecklinger
- n. School PsychologistDonna Zuber (resigned
6/30/10)
- o. Special Education Jennifer Werb
- p. Special Education Christopher Pugliese
- q. Special EducationCheryl Carroll
- r. Special Education.....Judith Staub
- s. Special Education.....Melissa Quinn
- t. Speech Language Pathologist.....Lori Brehler
(Maternity leave 4/2/09-6/30/10)
Kathleen Tellier (LTS) –
4/14/09 – 6/30/10
- u. Speech Language Pathologist.....Catherine Conover
- v. World Language – French..... Christie Borelli
- w. World Language – Spanish.....Marcelo Guinez

3. Teachers - Certified, Full Time	Class Size (as of Oct. 1)	
Pre-School.....	(11)	Betty Marr
Kindergarten (AM) (PM)	(15) (15)	Carla Oscarson
Grade One.....	(15)	Mary Barone
Grade One	(16)	Judy Butterworth
Grade One	(15)	Dale Mainville
Grade Two	(13)	Gretchen Leming
Grade Two	(15)	Barbara Leyden
Grade Two	(14)	Diane St. Laurent
Grade Three	(18)	Allison Corrado (Extended leave 09-10 SY) Heather Keating (LTS 09-10 SY)
Grade Three	(17)	Dawn Cwirka
Grade Three.....	(19)	Elaine Meisenzahl
Grade Four.....	(17)	Pamela Berardino
Grade Four	(18)	Jill MacLachlan
Grade Four	(18)	Cynthia Puhlick
Grade Four	(17)	Hazel Gorman
Grade Five.....	(21)	Joan Phillips
Grade Five	(20)	Frank Dion
Grade Six.....	(20)	Lisa Champagne
Grade Six	(22)	Barbara James
Grade Six	(19)	Christina Holth
Grade Seven.....	(22)	June Dion
Grade Seven.....	(21)	Laura Runkle
Grade Seven	(21)	Michael Sweeney
Grade Eight.....	(18)	Jennifer Desillier
Grade Eight	(15)	David Dander
Grade Eight.....	(18)	Janlyn Neri
Grade Eight	(21)	Brian Fleming

James Robinson, Elaine Meisenzahl, Hazel Gorman, June Dion, and Frank Dion retired as of 6/30/10.

4. Office and School Health Personnel:

- a. Business Office Manager.....Kim Gadaree
- b. Executive Assistant to the Supt.....Jennifer Kayser
- c. Principal's Secretary.....Rachel Popkowski
- d. Administrative AssistantCatherine Wayne
- e. School Secretary..... Laurie Barberi
- f. Library Assistant Susan Wyand
- g. School NurseLisa Gardiner, RN
- h. Computer Technician.....Ruben Perez

5. Support Personnel:

- a. Tutor..... Palma Canniff
- b. Tutor (.65)..... Ginni Cronin
- c. Tutor.....Cathy Friert
- d. Tutor.....Ellen Javor
- e. Tutor.....Barbara Leen (resigned
1/15/10)
- f. Tutor..... Nancy Senkewitz
- g. Tutor.....Darra Ryan
- h. Tutor..... Mary Sturgeon
- i. Tutor..... Jennifer Wojcik
- j. Tutor..... Susan Evanson

6. Lunch Aides:

- a. Lunch Aide.....Barbara Beckwith
- b. Lunch Aide..... Rhea Fowler
- c. Lunch Aide..... Andrea Tancredi

7. Custodial Staff:

- a. Maintenance Supervisor.....Glen Coutu (resigned
8/31/09)
Bill Geary – 8/25/09
(resigned 1/15/10)
Mike Denomme – 1/26/10
- b. Custodian (full-time)Richard Blackburn
- c. Custodian (full-time).....Dominic Cappabianca
- d. Custodian (full-time) Sebastian Tuchito
- e. Custodian (full-time) Brenda Van Dyne
- f. Custodian (full-time).....Roscoe Van Dyne

Susan Evanson retired as of 6/30/10.

B. GRADUATES - JUNE 2010

1. Salem School:

Cody Abdeen	Zachary Allen	Justin Annello
Jennifer Beebe	Molly Bennett	Andrew Benniefield
Nicholas Bobowicz	Amandine Bogart	Morgan Brown
Hannah Burke	William Butler	Joseph Casciano
Arnold Chappell	Mark Chmielewski	Emma Cipriani
Shae Crosby	Emily Crowley	Colton Dempsky
Anthony Dilizia	Colleen Durkee	Hannah Erb
Kristina Esposito	Regan Ewald	Richard Falvey III
Kaitlyn Fogg	Alexander Gaito	Paige Gilbert
Cody Green	Kyle Bunkley-Gurnee	Yusif Hashem
Peter Hebbel	Antonnio Jakobsohn	Jacob Knopf
Amanda Lack	Emily Leen	Benjamin Light
Jeremy Luck	Devon MarcAurele	Tyler McCarthy
Rebecca McGlone	Alexander Miller	Ryan Miller
Meredith Moore	Nathaniel Morrow	Connor O'Toole
Isabella Owens	Nicolas Page	Sahil Pallan
Hanna Pelletier	Mitchell Pennell	Lauren Perron
Brittany Pierson	Karly Pierson	Patrick Rafferty
Lucas Revoir	Mac Robson	Kyle Rudker
Meagan Ryley	Eric Sanfilippo	Brooker Soderberg
Nicholas Soli	Brett Stedman	Kiefer Stroebel
Jennifer Swearingen	Cole Thomas	Alexis Tolley
Kirsten Trower	Rachel Vandale	Meghan Volberg
Brianna Weaver	Meghan Welch	KyleWlodarczyk
Lex Wojcik		

2. East Lyme High School:

Colleen Ahern	Kyle Anthony	Kathleen Asselin
James Barrows II	Kate Beebe	Jon Burke
Ian Carey	Benjamin Carroll	Alec Christian
Ethan Closius	Taylor Cyr	Kevin Dolan
Taylor Falvey	Chelsea Fox	Kristina Georgian
Alexandra Gildart	Moriah Gildart	Matthew Gilman
Caleb Gulovsen	Rose Hebbel	Daniel Hornik
Elizabeth LaRose	Antonio Lecce	Amanda Libby
Caitlyn Lightner	Rachel Likar	Brianna McGlone
Stephanie Miller	Sean Mulholland	David Ostrander
Leo Pelletier II	Camille Pennell	Matthew Pierce
Glen Piete	Sandra Rose	Raquel Salas
Ross Sanfilippo	Ryan Shettles	Nathan Siebenthal
Heather Siebert	Spencer Sloane	Javahn Smith
Jacob Stanford	Kelsey Subiono	Zachary Talar
Dustin Taylor	Ashley Tougas	Pranav Ubba
Gretchen Volberg	Benjamin Walker	Mitchell Walker
Abigail Weston	Emily Weston	Evan Whittaker
Caroline Yun	Daniel Zack	Asa Zorn

II. FISCAL DATA

A. Budget Management

1. The Business Manager in collaboration with the Superintendent, the Ad-Hoc Budget/Finance Subcommittee of the Board of Education and the Board of Education developed and monitored the 2009-10 Operating Budget. The budget expenditures and receipts are recorded in a modified accrual system of accounting licensed by Unifund, LLC. Cost analysis and sound fiscal practices have been consistently applied and participation in cooperative purchasing programs with other towns and agencies remain in place in order to contain costs.
2. The Executive Assistant to the Superintendent managed the Student Activity Account and prepared a year-end report for the Board of Education. She also applied for the school hot lunch program funds and maintained the accounts.
3. The Facilities Subcommittee of the Board of Education continued to review, revise and make recommendations to the Board of Education regarding its 10-year Capital Improvement Plan. All efforts were made to reduce the effects of over burdening the town's debt service.

B. Current Receipts

Support for education received into the town's general fund for the fiscal year 2009 – 2010 included the following state and federal funding:

• Education Equalization	\$2,658,490
• Transportation	57,474
• Public School Building Grant	0
• Adult Education	2,439
• School-wide Entitlement (ESEA/REAP)	31,199
• Services for the Blind	6,400
• Excess Cost (Special Ed.)	189,512
• Special Education Grants (IDEA, etc.)	188,386
• Tuition from another district	0
• ARRA Stabilization	422,218
Total Education receipts:	\$3,576,118

B. Current Expenditures

Board of Education expenditures for 2009 - 2010, as reported on the State Department of Education ED-001, were \$9,498,365 and distributed as follows:

• Debt Service East Lyme	\$ 92,353
• Salaries	3,955,834
• Benefits	788,606
• Purchased Services	1,089,501
• Tuition	2,700,548
• Supplies/Property	863,670
• Adult Education	7,853
Total Expenditures:	\$ 9,498,365

Broken down in another manner, expenditures, less non-reimbursed costs, were made as follows:

- Elementary School 5,377,060
- High School 2,347,090
- Special Education 1,774,215

\$ 9,498,365

- Central Administration 710,064
- East Lyme H.S. (9-12) 2,769,422
- Out Placements (PK-12) 491,464
- Salem School (PK-8) 5,527,415

\$ 9,498,365

\$71,802 was returned to the town as unexpended.

III. PROGRAMS AND SUPPORT ACTIVITIES

The Board of Education approved the following Goals for the 2009-10 school year.

1. TEACHING AND LEARNING

GOAL: To insure challenging levels of student achievement through the provision of high quality curriculum programs, effective instructional strategies supported by meaningful professional development and standards based supervision and evaluation of staff.

2. COLLABORATION AND COMMUNICATION

GOAL: To promote dialogue and collaboration with students, staff, families, and all other members of the Salem community that encourages high levels of motivation, effort and mutual respect.

3. FACILITIES AND RESOURCES

GOAL: To insure the provision of a technology-rich, safe, orderly, and well-maintained facility.

The District and School established initiatives, related to these goals. The progress made toward attaining these initiatives was monitored and reviewed throughout the year. A report of progress was made to the Board of Education in January and September 2010. The initiatives and the final ratings are presented in the following sections.

Progress made on these initiatives form the basis of the next year initiatives.

NOTE: 1-4 rating scale with: 1 = no progress, 2 = minimal progress, 3= moderate progress, and 4 = considerable progress.

Teaching and Learning

The District and School Initiatives related to the Board of Education Teaching and Learning Goal are as follows:

1. **District:** To fully develop a standards-based Social Studies curriculum for grades K-8 based on CT Social Studies Frameworks. To improve student performance in Social Studies grades K-8 as measured by School and District assessments. Rating – 3.

The Social Studies Curriculum Writing Team, facilitated by the Director of Special Programs, developed the scope and sequence of the major units and themes for the Social Studies Curriculum. Materials to support these units were reviewed and selected. The Director of Special Programs updated the Curriculum Subcommittee of the Board of Education as to the Committee's progress. This initiative will be continued as one of the District Initiatives for 2010-11.

2. **District:** To assess the level of implementation of the standards-based Science, Mathematics and Language Arts curricula programs. To assess the effect on student

achievement of the revised standards-based curricula in Science, Mathematics and Language Arts in grades K-8. Rating – 3.

The District Writing Teams, facilitated by the Director of Special Programs monitored the implementation of the newly revised Mathematics and Science curriculum programs and the revisions made-to date on the Language Arts curriculum to assess: a.) whether or not the new programs were being implemented as designed and b.) if they were being implemented, were these revised curriculum programs having the desired positive effect on student achievement. The reports of Principals' classroom visits, aligned with the Best Practices documents developed for each area, indicated those Best Practices which were being fully implemented in classrooms as well those Practices that teachers needed more professional development and support in order to successfully implement. Principals and teachers reviewed students' progress on attaining the grade level benchmarks for Mathematics, Science and Language Arts. Students' assessed performance indicated strong areas of growth as well as a few areas in which the curriculum programs together with instructional practices needed further revision. In addition to the District Initiative the Schools developed specific initiatives related to this Teaching and Learning Goal.

- a. Salem Elementary School Initiative: To improve student performance in the area of nonfiction Reading Comprehension and Mathematics (as documented in grade level goals) through the implementation of differentiated instructional practices. Rating – 3.
- b. Salem Middle School Initiative: Improve the academic achievement of students in the areas of Mathematics, Language Arts and Science as measured by State and local assessments. The instructional needs of students differ based on ability, age and gender. Appropriate instructional strategies should be tailored to meet the needs of all students (based on the readiness, interests and learning profiles of students). At the middle level, implement instructional strategies that promote academic rigor within each individual student, and support the essential learning within the curriculum. Rating – 3.

At both the Elementary School and the Middle School, grade level and subject area team meetings, facilitated by the Principals, were held throughout the year focused on the improvement of student performance in Mathematics and Language Arts. Results on The Connecticut Mastery Tests, the District Trimester Assessments and teacher classroom assessment documents formed the basis of these discussions. Areas of growth were celebrated and areas in need of further improvement were noted and instructional strategies for improvement of student achievement in these areas were developed.

3. District and Schools: Utilize technology as a means of differentiating (and enhancing) instructional strategies in all curriculum areas. Rating – 4.

The District and Schools developed a combined Initiative in the area of Technology. The highlights of their accomplishments are as follows: the Three Year Technology Purchase Plan was updated based on instructional initiatives; and professional development programming for staff focused on appropriately integrating technology, such as Smart Boards, to enhance instructional practices, as well as for recording student progress was developed. Teachers' use of Smart Boards and other technology tools to enhance and differentiate instruction increased. Teachers also became more comfortable with managing an online student progress recording process. Teachers' Professional learning goals were also focused on the improvement of student achievement, based on identified student needs.

In addition to the curriculum work done in relation to specific District and School Initiatives, District Curriculum Writing Teams, for each curriculum area, comprised of school staff and interested community members, met at least two times during the year to review status of curriculum programs based on staff input. The District Administration also maintained a Curriculum Council, comprised of staff, Board of Education members and community members, which met two times during the year to review the progress of each District Curriculum Writing Team. These committees are under the direction of the Director of Special Programs. Highlights of the work of these committees during 2009- 2010 school year include:

- Developed the first draft of a comprehensive K-8 Language Arts Curriculum Guide.
- Made significant progress in the development of a K-8 Comprehensive Health Guide.
- Updated the process for identification of Talented and Gifted students and a plan for addressing the needs of those identified students through the combined effort of our regular and special education staff.
- Developed classroom lessons that incorporate the use of Smartboard Technology in grades K-8.

The District Teacher Evaluation/Professional Development Committee, co-chaired by the Superintendent and the Director of Special Programs, met two times during the year to assess the current status of our Teacher Evaluation Program. Members of the committee, together with other members of the staff, met during this summer to develop our 2010-11 Professional Development Program.

Communication

The District and School Initiatives supporting the Board of Education Communication and Collaboration Goal are as follows:

1. District: To improve communication and understanding regarding student progress through the continued development of a standards-based reporting process in the 2009-10 school year and a standards-based report card system in the 2010-11 school year. Rating – 3.

A District Report Card Committee, facilitated by the Director of Special Programs was formed to align and support the Schools efforts to design a Standards-Based Reporting System. This reporting system is designed to provide parents and students with more specific information as to individual student progress with respect to specific curriculum benchmarks. The committee membership included administrator, teacher and parent representatives from the Elementary and the Middle School Report Card Committees. The first draft of the Elementary and Middle School Progress Reports were developed for implementation in 2010-11. These Progress Reports included the development of a Trimester Benchmark insert for the areas of Science, Mathematics and Language Arts. The development of the Social Studies benchmarks, as well as the benchmarks for the unified arts subject areas, e.g. art, will take place during the summer and the fall of 2010. The District Report Card Committee made presentations to the Board of Education as well as to interested parent groups about the Standards Based Reporting System. The Schools also developed specific initiatives related to this goal.

- a. Salem Elementary School Initiative: To continue to develop a Standards Based Reporting System by creating, organizing, and implementing a system of common assessments in the areas of Mathematics, Language Arts, Science, and Social Studies. Rating – 3.
- b. Salem Middle School Initiative: Develop effective methods of communication for the purpose of reporting and sharing student learning and achievement. Rating – 3.

At both the Elementary and the Middle School levels committees and/or grade level and subject teams worked on the development of their respective Standards Based Report Cards that matched their philosophy of student assessment as well as accurately measuring student progress on the established curriculum benchmarks for each area. The development of common unit assessments was initiated for continuation in 2010.

In addition to the communication efforts specific to the District and School Initiatives, communication to parents and community members continues to be a high priority initiative at the District and School levels. In addition to the publication of the Wednesday Weekly Folder, the School Administration continued to hold grade level coffees during the 2009-2010 school year. At the District level, parent coffees were held to provide information regarding the budget process. The Salem School District Website continues to be an important source of timely information concerning important dates and meetings. The Superintendent's Office continued to produce and post "Updates from Donna" on the website. The senior citizens group held meetings at the school and attended school concerts, plays and special assemblies such as the Veteran's Day program. Members of the community were invited to join District and Board Level Committees and the Superintendent continued to attend meetings of Town Boards and community groups. The Superintendent made a considerable commitment to supporting the Town Building Committee's efforts to develop and propose a plan for the much needed renovation of the Salem School facility.

Facilities

4. District and Schools: Utilize technology as a means of differentiating (and enhancing) instructional strategies in all curriculum areas. Rating – 4.

This initiative was discussed in the Teaching and Learning section.

In addition to the work done in relation to the District and Schools Initiative, the School and District Technology Team, facilitated by the Superintendent, meet monthly and on an as-needed basis to monitor and assess the issues and concerns regarding technology use in the building. This committee is responsible for the development of the protocols and procedures for addressing technology issues as well as for ordering technology hardware and software in accordance with the District Three-Year Technology Plan. This committee is instrumental in the development of the Three-Year Technology Purchase Plan as well as the Five-Year Technology Plan that is submitted to the State Department. Membership on this committee includes building level administration, the library-media aide, the Technology Integration teacher, the Business Manager, and the District Computer Technician. Our network support company, Connecticut Computer Systems, is also often invited to attend the meetings.

The Principals, the Maintenance Supervisor and the Facilities Consultant meet weekly to monitor, assess and address facilities issues and concerns. The Superintendent and the School Nurse are also invited to attend these weekly meetings on an as-needed basis. At these weekly meetings, updates are made to maintenance and emergency protocols as needed. The District Safety Committee comprised of school staff and representatives of the town safety management team continued its review of emergency protocols and procedures

Board of Education Committees

Policy: The Policy Subcommittee of the Salem Board of Education, under the chairmanship of Linda Robson, continued to review changes in state and national legislation that created need for new and/or revised policies. In addition to making updates to existing policies, 4111/4211 – Recruitment and Selection, 4118.25/4218.25 – Reporting of Child Abuse/Neglect, 4217.4 - Suspension, 5141.21 – Administering Medication, 5141.27 – Use of AED’s, 5141.4 – Reporting Child Abuse/Neglect, 6114.1 – Fire Emergent Drills , 6142.101 – Student Nutrition and Physical Activity (Student Wellness), 6141.31 – Bilingual-Bicultural Education, 6141.321 – Use of Technology, 6145.2 – Interscholastic/Intramural Athletics, 6146.2 – Statewide Proficiency/Mastery Examinations, 6153 – Field Trips, 6163.3 – Live Animals in the Classroom, 9121 – BOE Officers, 9132 – Standing Committees (Subcommittees), 9323 - Agenda, 9324 – Parliamentary Procedures, 9325.1 – Public Comment, 9325.2 – Order of Business, 9325.4 – Vote Recording, and 9326 - Minutes. The Policy Subcommittee also completed a total review of the 2000 and 3000 Policy Series.

Curriculum: The Curriculum Subcommittee of the Salem Board of Education, under the chairmanship of Pamela Munro, had a very productive year. The Subcommittee continued to monitor the District’s progress with the five year cycle for curriculum review and development. In addition, the Subcommittee also reviewed and provided support to several new programs and processes, including the Standards-Based Reporting System, the Language Arts revision process and the Social Studies revision process, which were brought forward to the Subcommittee from the District committees. Members of the Subcommittee also attended the administrative presentations to the parents and community on topics such as the Standards Based Reporting System.

Public Relations: The Public Relations Subcommittee of the Salem Board of Education, under the co-chairmanship of Donna Sanfilippo and Linda Robson, continued to produce several communication initiatives, such as the Budget Coffees. The Public Relations Subcommittee also submitted articles to the Our Town newspaper.

Facilities: The Facilities Subcommittee of the Salem Board of Education, under the chairmanship of Robert Green, had a very productive year. The Subcommittee reviewed and approved the 10-year Capital Plan for the School District. The Subcommittee also reviewed and approved the District Technology Purchase Plan. Dinis Pimentel served as the Chairperson of the Town Building Committee for the Salem School Building Project. Under his leadership, the Town Building Committee developed and proposed a comprehensive plan for the much needed renovation of the Salem School facility.

In addition to its standing committees the Board of Education also formed two Ad-Hoc Subcommittees the Budget/Finance Ad-Hoc Subcommittee and the Administrative Staffing Ad-Hoc Subcommittee.

Finance Subcommittee: The Budget/Finance Subcommittee, chaired by Dan Kung, Board of Education Chair, met throughout the year to carefully review all areas of the current budget. This committee also met budget preparation season with the Superintendent and the Business Manager to develop the 2010 proposed budget. Community members were also invited to become members of this subcommittee.

Administrative Staffing Subcommittee: The Administrative Staffing Ad-Hoc Subcommittee, chaired by Steven Buck, was formed in response to the Superintendent’s recommendation, due to decrease in enrollment, to consider the reduction of administrative staffing at the District level and to maintain the administrative staffing level at the building level. After reviewing data from

other Districts of similar size, the Subcommittee recommended a reduction of the administrative staffing levels at the District level for consideration by the Board of Education.

Appendix 2

Annual Financial Report
of the
Town of Salem,
Connecticut



1 2 6 4 9 5 3 2 4 4 0 3 4 6 5 7 6 5 6 6 5 7 5 7 7 9 5 3 2 4 4 0 3 5 9 4 9 8 4 4 4 8 4 8 9 4 5 6

Town of Salem, Connecticut

**Financial Statements
Internal Control Reports
and Compliance Reports**

For the Year Ended June 30, 2010

Marien + Company CPAs

CERTIFIED PUBLIC ACCOUNTANTS + ADVISORS

**Town of Salem, Connecticut
Financial Statements
For the Year Ended June 30, 2010**

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3

Basic Financial Statements:

Exhibit

	Government-Wide Financial Statements:	
1	Statement of Net Assets	10
2	Statement of Activities	11
	Fund Financial Statements:	
3	Balance Sheet - Governmental Funds	12
4	Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
5	Statement of Fiduciary Net Assets - Fiduciary Funds.....	14
	Notes to the Financial Statements	15

Required Supplementary Information:

	Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) - General Fund	35
--	--	----

Combining and Individual Fund Financial Statements:

Statement

	Fund Descriptions	38
	Other Governmental Funds:	
1	Combining Balance Sheet	39
2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	40
	Special Revenue Funds:	
3	Combining Balance Sheet	41
4	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	42
	Capital Project Funds:	
5	Combining Balance Sheet	43
6	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	44
	Agency Funds:	
7	Statement of Changes in Assets and Liabilities.....	45

**Town of Salem, Connecticut
Financial Statements
For the Year Ended June 30, 2010**

Table of Contents (continued)

	<u>Page No.</u>
Supplementary Schedules:	
<u>Schedule</u>	
1	Report of the Property Tax Collector 46
2	Statement of Changes in Fund Balance – Capital Non-Recurring Fund 47
Internal Control and Compliance Reports:	
	<u>Government Auditing Standards Report</u> 48
State Single Audit:	
	State Single Audit Report 50
	Schedule of Expenditures of State Financial Assistance 53
	Notes to the Schedule of Expenditures of State Financial Assistance 54
	Schedule of Findings and Questioned Costs 55
Federal Single Audit:	
	Federal Single Audit Report 61
	Schedule of Expenditures of Federal Financial Assistance 63
	Notes to the Schedule of Expenditures of Federal Financial Assistance 64
	Schedule of Findings and Questioned Costs 65

Independent Auditors' Report

Board of Finance
Town of Salem, Connecticut
Salem, Connecticut

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Salem, Connecticut as of and for the year ended June 30, 2010, which collectively comprise the Town of Salem, Connecticut's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Salem, Connecticut's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Connecticut as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America (GAAP).

As described in Note 1, the Town has implemented authoritative accounting pronouncements promulgated by the Governmental Accounting Standards Board (GASB) *Statement 45, Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions; Statement 51, Accounting and Financial Reporting for Intangible Assets; and, Statement 53, Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2010.

The Town has also made a prior period adjustment to capital assets. This is described more fully in Note 1.

Independent Auditors' Report (Continued)

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2010 on our consideration of the Town of Salem, Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis immediately following this report and budgetary comparison information included in Required Supplementary Information (RSI) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem, Connecticut's basic financial statements. The combining and individual fund financial statements and supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such combining and individual fund financial statements and supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Maier + Company

November 17, 2010

Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010

Our discussion and analysis of Town of Salem, Connecticut's (the Government) financial performance provides an overview of the Government's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Government's financial statements, which begin with Exhibit 1.

FINANCIAL HIGHLIGHTS

Due to firm enforcement of our purchasing policy, strong negotiations with all vendors, as well as a concerted effort of fiscal responsibility by all departments, the General Government was able to return \$225,568 to the Town's General Fund. The Board of Education was also able to return \$56,594 to the Town.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the Government as a whole and present a longer-term view of the Government's finances. Fund financial statements start with Exhibit 3. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. The remaining statements provide financial information about activities for which the Government acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Government as a Whole

Our analysis of the Government as a whole begins with Exhibit 1. One of the most important questions asked about the Government's finances is, "Is the Government as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Government as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Government's *net assets* and changes in them. You can think of the Government's net assets—the difference between assets and liabilities—as one way to measure the Government's financial health, or *financial position*. Over time, *increases or decreases* in the Government's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Government's property tax base and the condition of the Government's roads, to assess the *overall health* of the Government.

In the Statement of Net Assets and the Statement of Activities, the Government shows the following activity:

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

- Governmental activities—The Government's basic services are reported here, including the education, public works, and general administration. Property taxes, state and federal grants and local revenues such as fees and licenses finance most of these activities.

Reporting the Government's Most Significant Funds

Our analysis of the Government's major funds begins in the section titled "The Government's Funds". The fund financial statements begin with Exhibit 3 and provide detailed information about the most significant funds—not the Government as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Finance establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

- *Governmental funds*—The Government's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified* accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the Government's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Government's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in reconciliation at the bottom of the fund financial statements.

The Government as Trustee

The Government is the trustee, or *fiduciary*, for the activity funds at the school. These funds do not belong to the Government. The Government's fiduciary activities are reported in separate Statements of Fiduciary Net Assets in Exhibits 5. We exclude these activities from the Government's other financial statements because the Government cannot use these assets to finance its operations. The Government is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

THE GOVERNMENT AS A WHOLE

The Government's *combined* net assets increased by \$537,619 from a year ago—*increasing* from \$15,227,879 to \$15,765,498. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Government.

**Table 1
Change in Net Assets (on Exhibit 1)**

	2010	Change During Year		2009
		Dollars	Percent	
Current and other assets	\$ 2,923,317	\$ (2,036)	-0.07%	\$ 2,925,353
Capital assets	15,119,669	(84,052)	-0.55%	15,203,721
Total assets	18,042,986	(86,088)	-0.47%	18,129,074
Long-term debt outstanding	1,658,406	(420,754)	-20.24%	2,079,160
Other liabilities	619,082	(202,953)	-24.69%	822,035
Total liabilities	2,277,488	(623,707)	-21.50%	2,901,195
Net assets:				
Invested in capital assets, net of related debt	13,819,938	603,757	4.57%	13,216,181
Restricted - Expendable	42,304	(2,512)	-5.61%	44,816
Restricted - Nonexpendable	1,997	-	0.00%	1,997
Unrestricted	1,901,259	(63,626)	-3.24%	1,964,885
Total net assets	<u>\$ 15,765,498</u>	<u>\$ 537,619</u>	3.53%	<u>\$ 15,227,879</u>

Net Capital assets increased due to the lease/purchase of an International Dump Truck to replace a 21 year old truck. Other significant increases to Capital assets include the drainage and reconstruction of Forsyth Road and the upgrades to our Transfer Station.

Capital assets increased by \$735,454 (cost). This is due to the addition of the following:

- International dump truck - \$134,770
- VFD Equipment - \$20,840 (fire fighting gear \$14,455; fire hoses 24,702)
- Shelving unit Library children's room - \$4,985
- Transfer Station - \$285,431
- Education – Well improvement - \$7,264
- Education – Exterior door - \$12,107
- Construction in progress:
 - Multi-purpose path - \$19,005
 - Tennis courts - \$42,200
 - Highway rehab – Forsyth Road - \$198,852
 - School building committee capitalized costs - \$10,000

Depreciation was subtracted from net assets. This was only \$407,024.

The net increase in net capital assets was \$328,410. (You can see the summary in footnote 5)

The long term debt decreased by a net amount of \$420,754. See the details in footnote 6 A.

All of this used cash. This decreased the current and other assets.

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

**Table 2
Change in Net Assets (on Exhibit 2)**

	2010	Change During Year		2009
		Dollars	Percent	
Revenues				
Program revenues:				
Charges for services	\$ 360,621	\$ (3,371)	-0.93%	\$ 363,992
Operating grants and contributions	4,418,667	88,867	2.05%	4,329,800
Capital grants and contributions	138,199	68,079	97.09%	70,120
General revenues:				
Property taxes	10,155,559	219,967	2.21%	9,935,592
Grants and contributions	30,268	(23,663)	-43.88%	53,931
Interest and investment earnings	28,437	(46,194)	-61.90%	74,631
Gain (loss) on disposal of equipment	-	65,592	-100.00%	(65,592)
Other general revenues	117,363	108,856	1279.61%	8,507
Total revenues	<u>15,249,114</u>	<u>478,133</u>	3.24%	<u>14,770,981</u>
Program expenses				
General government	1,453,953	(2,693)	-0.18%	1,456,646
Public safety	894,149	181,165	25.41%	712,984
Public works	658,625	(229,366)	-25.83%	887,991
Sanitation and landfill	168,014	8,567	5.37%	159,447
Education	11,052,661	(55,924)	-0.50%	11,108,585
Interest on long-term debt	67,474	(14,087)	-17.27%	81,561
Total expenses	<u>14,294,876</u>	<u>(112,338)</u>	-0.78%	<u>14,407,214</u>
Increase (decrease) in net assets	<u>\$ 954,238</u>	<u>\$ 590,471</u>	162.32%	<u>\$ 363,767</u>

Significant changes are as follows:

Operating grants went up as a result of receiving a FEMA grant in the amount of \$40,427 and STEAP Grant revenue of \$159,688.

Public Safety increased as a result of the purchase of Volunteer Fire Company capital assets purchased in the prior year which reduced government-wide expenditures in the prior year by \$298,693.

Other general revenues increased as a result of the Town winning a lawsuit in the amount of \$112,000.

Governmental Activities

Table 3 presents the cost of each of the Government's governmental programs as well as each governmental program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the Government's taxpayers by each of these functions.

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

**Table 3
Comparison of Total Cost to Net Cost (Exhibit 2)**

	Total Cost of Services			Net Cost of Services		
	2010	2009	Incr. Decr.	2010	2009	Incr. Decr.
Governmental Activities						
General government	\$ 1,453,953	\$ 1,456,646	-0.18%	\$ 1,085,053	\$ 1,239,392	-12.45%
Public safety	894,149	712,984	25.41%	759,379	712,984	6.51%
Public works	658,625	887,991	-25.83%	561,735	726,025	-22.63%
Sanitation and landfill	168,014	159,447	5.37%	99,247	84,873	16.94%
Education	11,052,661	11,108,585	-0.50%	6,804,501	6,798,467	0.09%
Interest on long-term debt	67,474	81,561	-17.27%	67,474	81,561	-17.27%
Totals	\$ 14,294,876	\$ 14,407,214	-0.78%	\$ 9,377,389	\$ 9,643,302	-2.76%

Public safety – please see above discussion.

Interest on long-term debt is lower as a result of less debt. We are currently paying off \$200,000 per year of principal on our long term debt, which is currently \$1,000,000 as of June 30, 2010.

THE GOVERNMENT'S FUNDS

While the year showed an increase in net assets, it showed a decrease in fund balance in the governmental funds as presented in Exhibits 3 and 4. The difference for this is primarily the treatment of long-term debt and capital assets. In the fund balance principal payments on long-term debt are a reduction in fund balance when the payments on the debt are made. Debt payments are never a direct reduction in net assets on the government-wide statements. Likewise, purchases of capital assets are a reduction in fund balance when the purchase is made. Capital asset purchases are never a direct reduction in net assets on the government-wide statements.

General Fund Budgetary Highlights

Over the course of the year, the Board of Finance can revise the Government budget with additional appropriations and budget transfers. Additional appropriates increase the total budget. The Board of Finance is allowed by Town Charter to make additional appropriations up to one fifth of one percent of the Town's Budget per Board or department. Additional appropriations or an appropriation over one percent of the Town's Budget requires a Town Meeting. Transfers do not increase the total budget, but instead pull appropriations from one department that needs additional funding from other departments that might have excess funding. State Statutes allow these transfers to be made by the Board of Finance without a Town Meeting. Below is a summarized view of the final budget and actual results for the General Fund:

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

**Table 4
General Fund - Budget Summary**

	Final Budget	Actual	Variance
Revenue			
Property Taxes	\$ 9,887,524	\$10,030,564	\$ 143,040
Intergovernmental	3,343,653	3,167,311	(176,342)
Interest Income	70,000	27,308	(42,692)
Local Revenues	232,327	273,111	40,784
Transfers In From CNR	10,000	22,037	12,037
	<u>13,543,504</u>	<u>13,520,331</u>	<u>(23,173)</u>
Expenditures			
General Government	3,307,698	3,082,130	225,568
Education	9,570,167	9,513,573	56,594
Capital Outlay	692,443	692,443	-
	<u>13,570,308</u>	<u>13,288,146</u>	<u>282,162</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,804)</u>	<u>\$ 232,185</u>	<u>\$ 258,989</u>

Due to firm enforcement of our purchasing policy, strong negotiations with all vendors, as well as a concerted effort of fiscal responsibility by all departments, the General Government was able to return \$225,568 to the Town's General Fund. The Board of Education was also able to return \$56,594 to the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of this year, the Government had \$15,953,496 invested government activity capital assets. This amount represents a net increase (including additions and deductions) of \$735,454 from last year. This is primarily due to lease/purchase of an International dump truck, drainage and reconstruction of Forsyth Road, and upgrades of the Town's Transfer Station. More detailed information about the Government's capital assets is presented in Note 5 to the financial statements.

Debt

At year end, the Government had \$1,000,000 in bonds and notes outstanding. This is a decrease of \$400,000 from last year. The Government's general obligation bond rating continues to carry an A3 rating. More detailed information about the Government's long-term liabilities is presented in Note 6 to the financial statements.

**Town of Salem, Connecticut
Managements' Discussion and Analysis
June 30, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Government's elected and appointed officials considered many factors when setting the fiscal-year 2011 budget and tax rates. There was much thought and concern for keeping expenditures in check to lesson the mill rate impact of our town people.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Government's finances and to show the Government's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Finance at Town of Salem, Connecticut, 270 Hartford Road, Salem, CT 06420.

Town of Salem, Connecticut
Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 2,320,739
Investments	51,284
Receivables, net of allowance for collection losses	531,941
Bond issue costs, net of amortization	19,353
Capital assets:	
Not being depreciated	1,961,044
Net of accumulated depreciation	13,158,625
Total assets	18,042,986
Liabilities	
Accounts payable	502,159
Accrued expenses	53,013
Due to others	23,735
Accrued interest	14,677
Deferred revenue	25,498
Noncurrent liabilities:	
Due within one year	243,440
Due in more than one year	1,414,966
Total liabilities	2,277,488
Net Assets	
Invested in capital assets, net of related debt	13,819,938
Restricted net assets:	
Expendable	47,956
Nonexpendable	1,997
Unrestricted net assets	1,895,607
Total net assets	\$ 15,765,498

The notes to the financial statements are an integral part of this statement.

Town of Salem, Connecticut
Statement of Activities
For the Year Ended June 30, 2010

	Expenses	Program Specific Revenues			Total
		Charges for Services	Operating	Grants and Contributions Capital	
Functions/Programs					
Governmental activities:					
General government	\$ (1,453,953)	\$ 190,577	\$ 174,894	\$ 3,429	\$ (1,085,053)
Public safety	(894,149)	-	-	134,770	(759,379)
Public works	(658,625)	-	96,890	-	(561,735)
Sanitation and landfill	(168,014)	68,767	-	-	(99,247)
Education	(11,052,661)	101,277	4,146,883	-	(6,804,501)
Interest on long-term debt	(67,474)	-	-	-	(67,474)
Total governmental activities	\$ (14,294,876)	\$ 360,621	\$ 4,418,667	\$ 138,199	(9,377,389)
General revenues:					
Property taxes, payments in lieu of taxes, interest and liens					10,155,559
Grants and contributions					30,268
Interest and investment earnings					28,437
Gain (loss) on disposal of equipment					-
Miscellaneous					117,363
Total general revenues					10,331,627
Changes in net assets					954,238
Net assets, beginning of the year					14,811,260
Net assets, end of the year					\$ 15,765,498

The notes to the financial statements are an integral part of this statement.

Town of Salem, Connecticut
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Capital Non-Recurring Fund	Education Grants Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,522,923	\$ 307,564	293,190	\$ 197,062	\$ 2,320,739
Investments	4,906	2,015	-	44,363	51,284
Receivables	497,912	-	28,887	5,142	531,941
Due from other governmental funds	294,661	115,235	7,534	31,957	449,387
Prepaid expenditures	267,328	-	-	-	267,328
Total assets	\$ 2,587,730	\$ 424,814	\$ 329,611	\$ 278,524	\$ 3,620,679
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 473,402	\$ 9,900	\$ 6,718	\$ 12,139	\$ 502,159
Accrued expenses	53,013	-	-	-	53,013
Deferred revenue	398,965	-	20,207	-	419,172
Due to others	23,735	-	-	-	23,735
Due to other governmental funds	154,726	-	294,661	-	449,387
Total liabilities	1,103,841	9,900	321,586	12,139	1,447,466
Fund balance					
Reserved	24,081	-	8,025	1,997	34,103
Unreserved, reported in:					
General Fund	1,459,808	-	-	-	1,459,808
Special Revenue Fund	-	-	-	216,786	216,786
Capital Projects Fund - designated	-	265,023	-	-	265,023
Capital Projects Fund - undesignated	-	149,891	-	35,317	185,208
Permanent Funds	-	-	-	12,285	12,285
Total fund balance	1,483,889	414,914	8,025	266,385	2,173,213
Total liabilities and fund balance	\$ 2,587,730	\$ 424,814	\$ 329,611	\$ 278,524	

Reconciliation of net assets to fund balances - total governmental funds:

Less: Long-term liabilities not due and payable in current period:	
Bonds, notes, capital leases payable and unamortized premiums on bond costs	(1,404,699)
Compensated absences and special termination benefits	(28,209)
Prepaid long-term debt expenditures	(267,328)
Landfill closure and pollution remediation costs	(37,500)
Other post-employment benefits	(187,998)
Accrued interest payable	(14,677)
Plus:	
Deferred charges on bond costs (to be amortized over the life of the bond)	19,353
Net capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,119,669
Other long-term assets not available to pay for current period expenditures, recorded as deferred revenue in the funds	393,674
Prepaid expenses	-

Net assets reported on the government-wide financial statements (Exhibit 1)

\$ 15,765,498

Town of Salem, Connecticut
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	General Fund	Capital Non-Recurring Fund	Education Grants Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes, interest and lien fees	\$ 10,030,564	\$ -	\$ -	\$ -	\$ 10,030,564
Intergovernmental revenues	3,918,843	-	649,326	183,410	4,751,579
Local revenues	305,019	375	14,676	92,736	412,806
	<u>14,254,426</u>	<u>375</u>	<u>664,002</u>	<u>276,146</u>	<u>15,194,949</u>
Expenditures					
Current expenditures:					
General government	1,399,043	-	-	55,491	1,454,534
Public safety	627,626	-	-	-	627,626
Public works	584,502	-	-	-	584,502
Sanitation and landfill	230,056	-	-	-	230,056
Education	9,988,643	-	659,988	104,477	10,753,108
Capital outlay	134,770	653,022	-	-	787,792
Debt service	244,750	272,528	-	-	517,278
	<u>13,209,390</u>	<u>925,550</u>	<u>659,988</u>	<u>159,968</u>	<u>14,954,896</u>
Excess (deficiency) of revenues over expenditures	<u>1,045,036</u>	<u>(925,175)</u>	<u>4,014</u>	<u>116,178</u>	<u>240,053</u>
Other financing sources (uses)					
Proceeds from long-term debt	134,770	-	-	-	134,770
Operating transfers in	22,037	692,443	-	-	714,480
Operating transfers out	(692,443)	(22,037)	-	-	(714,480)
	<u>(535,636)</u>	<u>670,406</u>	<u>-</u>	<u>-</u>	<u>134,770</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>509,400</u>	<u>(254,769)</u>	<u>4,014</u>	<u>116,178</u>	<u>374,823</u>
Fund balance, beginning of the year	<u>974,489</u>	<u>669,683</u>	<u>4,011</u>	<u>150,207</u>	<u>1,798,390</u>
Fund balance, end of the year	<u>\$ 1,483,889</u>	<u>\$ 414,914</u>	<u>\$ 8,025</u>	<u>\$ 266,385</u>	<u>\$ 2,173,213</u>

Reconciliation of the statement of revenues, expenditures and changes in fund balances (above) to the statement of activities (Exhibit 2)

Net change in fund balances - total governmental funds (above)	\$ 374,823
Transactions involving the treatment of capital outlays:	
Plus: Capital outlays treated as expenditures here, but capitalized on Exhibit 2	735,434
Less: Depreciation expense recorded in Exhibit 2, but not considered in the fund statements	(407,024)
Transactions involving the treatment of long-term debt:	
Less: Long-term debt issued or incurred:	
Issuance of general long-term debt	(134,770)
Plus: Principal repayments:	
General obligation bonds	200,000
Note retirement	29,802
Capital lease financing	248,698
Post-closure landfill costs	2,500
Changes in other items not requiring the use of current financial resources:	
Compensated absences benefits payable	10,411
Accrued interest payable	1,106
Amortization on issue premium on bonds	(4,740)
Post-employment benefits	(187,998)
Pollution remediation	13,000
Revenue in the Statement of Activities (Exhibit 2) that is deferred in this statement	
Taxes, interest and lien fees	43,609
Other	29,387
Changes in net assets of governmental activities (Exhibit 2)	<u>\$ 954,238</u>

Town of Salem, Connecticut
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 27,163
Liabilities	
Due to others	<u>27,163</u>
Net Assets	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 1 - Summary of Significant Accounting Policies

A. Reporting entity

The Town of Salem, Connecticut (Town) is a municipal corporation governed by a town charter. The charter establishes the Town Meeting as the legislative body. A town meeting is required to make appropriations, levy taxes and borrow money. The executive branch is lead by an elected five-member board of selectmen. The selectmen oversee most of the activities not assigned specifically to another body. An elected board of education manages the public school system. The elected board of finance is the budget making authority and supervises the town financial matters.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The criterion, provided by the Government Accounting Standards Board (GASB), has been considered and there are no agencies or entities which should be presented with this government.

B. Government-wide and fund financial statements

The *government-wide financial statements* (Exhibits 1 and 2) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Fiduciary funds are excluded from the government-wide financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities* (if any), which rely to a significant extend on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. When an expense is incurred for purposes for which both restricted and unrestricted resources are available, the Town's policy is to use its restricted resources first. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate *fund financial statements* are provided for governmental funds and fiduciary funds (Exhibits 3, 4 and 5). *Governmental activities*, activities which normally are supported by taxes and intergovernmental revenues, are reported in the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the governments own programs.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

C. Measurement focus, accounting basis, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes, licenses, 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. All other revenue items are considered to be measurable and available only when cash is received by the Town.

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:

- The *General Fund* is the Town's primary operating fund accounting for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Non-Recurring Fund* is used for major capital expenditures. It is funded with transfers from the general fund, grants and debt.
- The *Education Grants Fund* accounts for Federal and State education grant revenues and expenditures as well as preschool revenues and expenses.

Additionally, the Town reports the following fiduciary fund types:

- *Agency Funds* account for monies held as a custodian for outside groups and agencies.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

D. Assets, liabilities, and net assets

1) Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is to invest in obligations allowable under the Connecticut General Statutes. In general, this includes deposits in allowable banks, obligations of the United States of America and obligations of any State or political subdivision, which is tax exempt.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes.

Interest Rate Risk – Interest rate risk is the risk that the government will incur losses in fair value caused by changing 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. Generally, the Town does not invest in any long-term investment obligations.

Concentration of Credit Risk – Concentration of credit risk is the risk attributed to the magnitude of a government's investments in a single issuer. The Town places no limit on the amount they may invest in any one issuer.

2) Receivables

Property taxes are assessed on property values as of October 1st. The tax levy is divided into two billings; the following July 1st and January 1st. This is used to finance the fiscal year from the first billing (July 1st) to June 30th of the following year. The billings are considered due on those dates; however, the actual due date is based on a period ending 31 days after the tax bill. On these dates (August 1st and February 1st), the bill becomes delinquent at which time the applicable property is subject to lien, and penalties and interest are assessed.

Under State Statute, the Town has the right to impose a lien on a taxpayer if any personal property tax, other than a motor vehicle tax, due to the Town is not paid within the time limited by any local charter or ordinance. The lien shall be effective for a period of fifteen years from the date of filing unless discharged. A notice of tax lien shall not be effective if filed more than two years from the date of assessment for the taxes claimed to be due.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The allowance is calculated using a two tier formula based on prior experience and current knowledge.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

3) Activity between funds

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) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in appropriate governmental funds to indicate that they are not available for appropriation and are not expendable financial resources.

4) Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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.

5) Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than the capitalization threshold for that asset type and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Land is considered inexhaustible and, therefore, not depreciated. Property, plant, and equipment of the Town is depreciated using the straight line method over the following estimated useful lives:

Assets	Years	Capitalization Threshold
Land	N/A	\$ 25,000
Land improvements	10-40	\$ 20,000
Buildings and improvements	15-100	\$ 20,000
Equipment	10-50	\$ 5,000
Vehicles	10-25	\$ 5,000
Infrastructure	20-50	\$ 100,000

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

6) *Compensated absences*

It is the Town's policy to permit certain employees to accumulate earned but unused sick pay benefits. There is a liability for unpaid accumulated sick leave since the Town has a policy to pay any amounts when certain employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7) *Long-term obligations*

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8) *Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

During the year, the Town made a prior period adjustment after conducting an inventory of capital assets. This resulted in a decrease in net assets of \$416,619.

E. Subsequent Events

Subsequent events have been evaluated through the date of this report, November 17, 2010.

F. Changes in Financial Statements

The Town implemented Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions*, as of June 30, 2010. This statement requires actuarial calculations for other post employment benefits (OPEB) such as health insurance.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

The Town implemented Governmental Accounting Standards Board (GASB) Statement 51, *Accounting and Financial Reporting for Intangible Assets*, as of June 30, 2010. This statement establishes accounting and financial reporting requirements for intangible assets (including easements, water rights, timber rights, patents, trademarks, and computer software) to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

The Town implemented Governmental Accounting Standards Board (GASB) Statement 53, *Accounting and Financial Reporting for Derivative Instruments*, of June 30, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments, if applicable.

Note 2 - Budgeting

A. Budget Basis

A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions:

- **Teacher's Retirement** - The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf in its budget. The Governmental Accounting Standards Board's Statement 24 requires that the employer governments recognize payments for salaries and fringe benefits paid on behalf of its employees.
- **Encumbrances** - Unless committed through a formal encumbrance (e.g., purchase orders, signed contracts), all annual appropriations lapse at fiscal year end. Encumbrances outstanding at year end are reported on the budgetary basis statements as expenditures. On the statements prepared under Generally Accepted Accounting Principles, encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities.
- **Excess Cost Grant** - The State reimburses the Town for certain costs incurred for special educational needs of students that exceed a set multiple of a student in the regular program. This reimbursement is the Excess Cost Grant – Student Based. Connecticut General Statute 10-76g states that this grant should reduce the education expenditures instead of being reported as revenue.
- **Long-Term Debt and Lease Financing** - Revenues and expenditures from refunding or renewing long-term debt or issuing loan or lease financing are included in the budget as the net revenues or expenditures expected.
- **Cash Basis Payroll** – The general government and salaried Board of Education payroll is budgeted based on when it is expected to be paid. On the statements prepared under Generally Accepted Accounting Principles, payroll is charged to the fiscal year in which it is earned.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

- **Netting Revenues with Expenditures** – A number of other grants and revenues are netted with the expenditures on the budget basis. These are not netted on the statements prepared under Generally Accepted Accounting Principles so that the flow of current financial resources can be shown.
- **Reconciling Costs with East Lyme High School (ELHS)** – The Town pays and budgets for tuition to ELHS based on estimated costs per student. This is compared to the actual cost each year. A reconciling payment or benefit is included in the second subsequent year. This is posted against the budget in the second subsequent year.

B. Budget Calendar

The Boards of Selectmen and Education and other boards submit requests for appropriation(s) to the Board of Finance. The budget is prepared with itemized appropriations, estimates of the available surplus (or deficit) at the end of the current fiscal year, and rationale for appropriation requests and comparison with the current fiscal year appropriations.

The Board of Finance compiles a proposed general government budget showing the combined expenditure information from the Selectmen's operating budget, the other boards' operating budgets, actual revenues collected in the last completed fiscal year, the current year budget, estimated revenues to be collected during the current fiscal year, and estimated revenues to be collecting in the year of the proposed budget.

The Board of Finance compiles the proposed general government, education and capital budgets and makes them available for public review. The Board of Finance holds a public hearing on the budget.

The Annual Town Meeting, which takes place the first Wednesday in May, takes action on this budget. After the Annual Town Meeting, the Board of Finance meets to levy a tax on the grand list which will be sufficient to cover, together with other income or revenue surplus which is appropriated, the amounts appropriated and any revenue deficit of the Town.

C. Budget Control

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level except expenditures for education, which are, by State Statutes, appropriated as one department.

The Board of Finance, in accordance with the provisions set forth by the Town Charter, is authorized to transfer unexpended balances from one appropriation to another. During the year \$124,679 of additional appropriations were made. The Board of Finance is subject to the following limitations when making supplemental appropriations to the budget:

- All additional appropriations less than 0.2% of the annual budget require Board of Finance approval.
- All additional appropriations in excess of 0.2% of the annual budget shall be submitted to a Town Meeting, which must be held no later than thirty days following the endorsement by the Board of Finance.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

- All additional appropriations which exceed 1% of the annual budget shall be submitted to referendum at a time set by the Board of Selectmen.

Note 3 – Deposits and Investments

A. Cash and Cash Equivalents

The following is a summary of cash and cash equivalents at year end:

Governmental Funds	\$ 2,320,739
Agency Funds	27,163
Total Cash and Cash Equivalents	<u>\$ 2,347,902</u>

B. Custodial Credit Risk on Deposits

As of June 30, 2010, the carrying amount of the Town’s deposits with financial institutions was:

Deposits	\$ 729,919
Plus: External Investment Pools treated as cash and cash equivalents	1,669,267
Less: Certificates of Deposit treated as investments	51,284
Total Cash and Cash Equivalents	<u>\$ 2,347,902</u>

The bank balance of the deposits was \$1,106,524 and was exposed to custodial credit risk as follows:

1 Covered by Federal Depository Insurance	\$ 718,907
2 Collateralized with securities held by the pledging institution's trust	
In the Town's name	90,946
3 Uninsured and uncollateralized	296,671
Total Deposits	<u>\$ 1,106,524</u>

C. External Investment Pools Treated as Cash and Cash Equivalents

The pooled investment funds’ risk category cannot be determined since the Town does not own identifiable securities but invests as a shareholder of the investment pool. The pool, Short-Term Investment Fund (STIF), is a money market investment pool managed by the Cash Management Division of the State Treasurer’s Office created by Section 3-27 of the Connecticut General Statutes (CGS). Pursuant to CGS 3-27a through 3-27f, the State, municipal entities, and political subdivisions of the State are eligible to invest in the fund. The fund is considered a “2a7-like” pool and, as such, reports its investments at amortized cost (which approximates fair value). A 2a7-like pool is not necessarily registered with the Security and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s rule 2a7 of the Investment Company Act of 1940 that allows money market mutual funds to use the amortized cost to report net assets. The pool is rated AAAM by Standard & Poor. This is the highest rating for money market funds and investment pools.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

D. Investments

At June 30, 2010, the Town's investments consisted of the following:

	General Fund	Capital Non-Recurring Fund	Other Governmental Funds	Total Investments
Certificates of Deposit	\$ 4,906	\$ 2,015	\$ 44,363	\$ 51,284

E. Credit Risk and Interest Rate Risk of Investments

As of June 30, 2010 the range of maturities of the investments was as follows:

Type of Investment	Avg. Credit Rating	Fair Value	Investment Maturity		
			N/A	Less than 1 Year	1 to 5 Years
Certificates of Deposit	*	\$ 51,284		\$ 35,952	\$ 15,332

* **Certificates of Deposit** – The Town invests in nonparticipating interest-earning investment contracts in the form of certificates of deposit. These do not capture the market (interest rate) changes though the investment's negotiability or transferability, or redemption terms that consider market rates. This exposes the Town to interest rate risks.

Note 4 - Receivables

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

	General Fund	Education Grants Fund	Other Governmental Funds
Taxes	\$ 335,992	\$ -	\$ -
Interest and fees on back receivables	68,854	-	-
Intergovernmental	40,427	28,887	5,142
Other	101,081	-	-
Gross receivables	546,354	28,887	5,142
Less: allowance for uncollectibles	(48,442)	-	-
Net total receivables	\$ 497,912	\$ 28,887	\$ 5,142

Of the taxes that are due, \$75,765 (22.5%) is owed by a single taxpayer. Of the interest that is due, \$13,789 (20.0%) is owed by that same taxpayer.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent net property taxes, interest and liens receivable	\$ 299,167	\$ -
Intergovernmental grants	-	20,207
Grants and donations	-	5,291
Other receivables	94,507	-
Total deferred/unearned revenue for governmental funds	<u>\$ 393,674</u>	<u>\$ 25,498</u>

Note 5 - Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,641,960	\$ -	\$ -	\$ 1,641,960
Deposits on capital assets	169,900	-	(169,900)	-
Construction in Progress	193,613	227,857	(102,386)	319,084
	<u>\$ 2,005,473</u>	<u>\$ 227,857</u>	<u>\$ (272,286)</u>	<u>\$ 1,961,044</u>

At the beginning of the year the Town had a deposit on 32 self contained breathing apparatus for the two fire departments which were included in the capital assets not being depreciated. During the year the deposit was transferred to equipment. The Town had Construction in Progress for the Tennis/Basketball Courts at the beginning of the year. During the year this balance was transferred to land improvements. Construction in Progress increased in the current year as the Town began work on the Highway Rehab- Forsyth Road Project.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets being depreciated:				
Land improvements	\$ 725,438	\$ 151,830	\$ -	\$ 877,268
Buildings and improvements	10,800,368	297,538	-	11,097,906
Machinery and equipment	1,209,054	195,725	-	1,404,779
Vehicles	2,849,294	134,770	-	2,984,064
Infrastructure	263,092	-	-	263,092
	15,847,246	779,863	-	16,627,109
Less: Accumulated depreciation:	(3,061,460)	(407,024)	-	(3,468,484)
	<u>\$ 12,785,786</u>	<u>\$ 372,839</u>	<u>\$ -</u>	<u>\$ 13,158,625</u>

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Depreciation expense was charged to functions/programs as follows:

Governmental activities:		
General government	\$	62,992
Public safety		114,892
Public works		92,607
Sanitation and landfill		8,412
Education		<u>128,121</u>
Total depreciation expense - governmental activities	\$	<u><u>407,024</u></u>

Note 6 – Long-Term Debt

A. Changes in long-term liabilities

Long-term liability activity for the year June 30, 2010, was as follows:

	Opening Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	\$ 1,400,000	\$ -	\$ (400,000)	\$ 1,000,000	\$ -
Capital Lease	587,540	-	(287,809)	299,731	214,331
Note/Loan	-	134,770	(29,802)	104,968	23,788
Compensated Absences	38,620	-	(10,411)	28,209	2,821
Other Post-Employment Benefits	-	187,998	-	187,998	-
Pollution Remediation	13,000	-	(13,000)	-	-
Post Closure Landfill Costs	40,000	-	(2,500)	37,500	2,500
	<u>\$ 2,079,160</u>	<u>\$ 322,768</u>	<u>\$ (743,522)</u>	<u>\$ 1,658,406</u>	<u>\$ 243,440</u>

B. General obligation bonds

General obligation bonds currently outstanding are as follows:

	Original Balance	Matures in Year Ending	Interest Rates	Year End Balance
Library Bonds	\$ 800,000	2015	3.25-3.75%	\$ 400,000
Land Acquisition Bonds	1,200,000	2016	3.25-3.75%	600,000
	<u>\$ 2,000,000</u>			<u>\$ 1,000,000</u>

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds generally are issued as 20 year serial bonds with equal amounts of principal maturing each year. Payments on these bonds have been made out of the General Fund and are all charged to expenditures. Annual debt service requirements to maturity for general obligation bonds are as follows:

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Year Ending	Principal	Interest	Year Ending	Principal	Interest
2011	-	17,500	2014	200,000	18,000
2012	200,000	31,750	2015	200,000	11,000
2013	200,000	25,000	2016	200,000	3,750
			Total	<u>\$ 1,000,000</u>	<u>\$ 107,000</u>

C. Capital Lease

The Town has entered into lease agreements to finance certain capital assets. These leases qualify as capital leases for accounting purposes and are being paid through the Capital Non-Recurring Fund. The following is a schedule of the asset details and future minimum lease payments and the present value of the net minimum lease payments under these leases:

Asset financed:	Ladder Truck	SCBAs	Total
Cost of asset	\$ 607,839	\$ 169,900	\$ 777,739
Accumulated depreciation	\$ 31,779	\$ 6,796	\$ 38,575
Future minimum lease payments in:			
2011	\$ 225,950	\$ -	\$ 225,950
2012	-	46,578	46,578
2013	-	46,578	46,578
Total	225,950	93,156	319,106
Less: amount representing interest	(11,619)	(7,756)	(19,375)
Present value of lease obligation	<u>\$ 214,331</u>	<u>\$ 85,400</u>	<u>\$ 299,731</u>

D. Post Closure Landfill Costs

The Town has a closed landfill with no further capacity or estimated useful life. State and federal laws and regulations require that the Town perform certain maintenance and monitoring functions on its closed landfill site for thirty years after closure. These costs will be paid through the General Fund each year as part of the annual budget. Total estimated costs based on the current actual costs are included in long-term debt. The actual costs may vary based on actual events, inflation, changes in technology and applicable laws and regulations. During the year the actual costs amounted to \$3,706.

E. Pollution Remediation Obligation

The Town was cited in August 2003 for failure to cover the dumpsters and trash compactors at the transfer station. A temporary cover was installed at that time and a liability was recorded for the net cash expected to be expended by the Town. The estimated cost was approximately \$263,000 and the Town expected to cover \$250,000 of these costs with a grant. The net cash expended by the Town was expected to be \$13,000. A permanent cover was installed in the current year and the Pollution Remediation Obligation was eliminated.

**Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010**

F. Bank Loan

The Town has an installment note for the purchase of a Plow Truck in the initial amount of \$134,770. The note is payable in five annual installments of \$29,802. This installment includes interest at a rate of 5.29 percent per year.

Annual debt service requirements to maturity for the bank loan are shown in the following schedule. During this fiscal year, the total payments have been charged to expense in the General Fund.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2011	\$ 23,788	\$ 6,014
2012	25,507	4,294
2013	26,857	2,945
2014	28,816	986
Total	<u>\$ 104,968</u>	<u>\$ 14,239</u>

G. Debt Limitations under Connecticut State Statutes

Connecticut General Statutes Section 7-374 sets limits on the debt, as defined by the statutes, which can be incurred by the Town and other governmental agencies within the Town. The limitations for the Town of Salem, Connecticut are as follows:

Total tax collections (including interest and lien fees) for the year	\$ 10,058,609
Reimbursements for revenue loss on tax relief for the elderly (C.G.S. 12-129d)	<u>24,047</u>
Debt limitation base	<u>\$ 10,082,656</u>

	General Purpose	Schools	Sewers	Urban Renewal	Pension Deficit
Debt limitation:					
2 1/4 times base	\$ 22,685,976	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	45,371,952	-	-	-
3 3/4 times base	-	-	37,809,960	-	-
3 1/4 times base	-	-	-	32,768,632	-
3 times base	-	-	-	-	30,247,968
	<u>22,685,976</u>	<u>45,371,952</u>	<u>37,809,960</u>	<u>32,768,632</u>	<u>30,247,968</u>
Indebtedness: Bonds & notes	<u>1,000,000</u>	-	-	-	-
Debt limitation in excess of debt outstanding and authorized	<u>\$ 21,685,976</u>	<u>\$ 45,371,952</u>	<u>\$ 37,809,960</u>	<u>\$ 32,768,632</u>	<u>\$ 30,247,968</u>

In no case shall total indebtedness exceed seven times annual receipts from taxation \$ 70,578,592

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 7 - Interfund Activities

A. Advance to/from other funds

There are no long-term loan agreements on the interfund balances.

B. Due to/from other funds

The following are temporary borrowings between funds. These are either expected to be paid off within one year or have no agreed payment terms:

Receivable Fund	Payable Fund	Amount
Capital Non-Recurring Fund	General Fund	\$ 115,235
General Fund	Education Grants Fund	294,661
Preservation and Revaluation	General Fund	15,850
Education Grants Fund	General Fund	7,534
Community Foundation Grant	General Fund	16,107
		<u>\$ 449,387</u>

C. Interfund transfers:

Fund transfers are generally used to fund special projects with general fund revenues as follows:

	Transfers in to:			
	General Fund	Capital Non-Recurring Fund	Other Governmental	Total
Transfers out of:				
General Fund	\$ -	\$ 692,443	\$ -	\$ 692,443
Capital Non-Recurring Fund	22,037	-	-	22,037
Total transfers out	<u>\$ 22,037</u>	<u>\$ 692,443</u>	<u>\$ -</u>	<u>\$ 714,480</u>

Note 8 – Equity

A. Restricted Net Assets

Net Assets are recorded in the Government Wide Financial Statements (Exhibit 1). Restricted Net Assets are reported when constraints placed on net assets are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation of the Town.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

	<u>Nonexpendable</u>	<u>Expendable</u>
Nonexpendable trust principal	\$ 1,997	\$ -
Town Clerk restricted collections	-	19,773
Preservation and revaluation funds	-	15,850
Preschool funds	-	8,025
Donor restricted revenues	-	4,308
	<u>\$ 1,997</u>	<u>\$ 47,956</u>

B. Reserved Fund Balances

Fund Balances are reported in the Fund Financial Statements (Exhibit 3). Reserved Fund Balances represent those portions of the fund equity not available for appropriation for expenditures or legally segregated for a specific future use. At June 30, 2010 this consisted of:

	<u>General</u>	<u>Education</u>	<u>Other</u>
	<u>Fund</u>	<u>Grants</u>	<u>Governmental</u>
		<u>Fund</u>	<u>Funds</u>
Preservation of records	\$ 19,773	\$ -	\$ -
Donor restricted revenues	4,308	-	-
Trust principal for cemeteries	-	-	597
Trust principal for library youth programs	-	-	800
Trust principal for school needs	-	-	500
Trust principal for town hall repairs	-	-	100
Preschool funds	-	8,025	-
	<u>\$ 24,081</u>	<u>\$ 8,025</u>	<u>\$ 1,997</u>

C. Designated Fund Balances

Designated Fund Balances represent those portions of fund balance in the fund financial statements for which the Town has tentative plans for future uses of these financial resources.

	<u>Capital Non-</u>
	<u>Recurring Fund</u>
Capital projects	<u>\$ 265,023</u>

Note 9 - Employee Retirement Systems and Pension Plans

Teachers and certain other certified personnel in the Town are eligible to participate in the State of Connecticut Teachers' Retirement System, a multiple employer public employees retirement system described in the Connecticut General Statutes, Chapter 167a. The system has been established to provide retirement and other benefits for teachers, their survivors and beneficiaries. A member is eligible to receive a normal retirement benefit who (1) has reached the age of sixty and has accumulated twenty years of credited service in the public schools of Connecticut or (2) has attained any age and has accumulated thirty-five years of credited service, at least twenty-five years of which are service in the public schools of Connecticut. The financial report may be obtained through the State Teachers' Retirement Board.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

The normal retirement benefit is two percent times the number of years of credited service multiplied by their average annual salary received during the three years of highest salary. In no event will such benefit exceed seventy-five percent of the average annual salary, or be less than \$3,600. Benefits are fully vested after ten years of service.

The funding of the system is provided by required member contributions (7 percent of their annual salary) and by amounts appropriated by the State of Connecticut General Assembly. For the year ended June 30, 2010, the State contributed \$562,020 into the pension plan on behalf of the Town of Salem, Connecticut. This was recorded on the GAAP statements as revenue and expenditures in the General Fund. The Town's total payroll for all employees for this year was \$5,517,376 of which \$4,533,416 was covered under this pension plan.

Note 10 – Other Post Employment Benefits (OPEB)

A. Plan Description

The Salem Public Schools Other Post Employment Benefit Program is a single-employer defined benefit plan administered by the Town of Salem, Connecticut in accordance with various collective bargaining agreements. The plan does not issue a separate financial statement.

Eligibility	Teachers and Administrators - A Teacher or Administrator retiring under the Connecticut State Teachers Retirement System shall be eligible to receive health benefits for self and spouse. Normal Retirement for Teachers and Administrators is the earlier of age 60 with 20 years of service, or completion of 35 years of service regardless of age. Early retirement is the earlier of age 60 with 10 years of service, any age with 25 years of service, or age 55 with 20 years of service.
	Secretaries and Non Union - A member retiring with age 55 years or older shall be eligible to continue health insurance coverage for self and spouse. Coverage is pre-65 only.
Cost Sharing	All retirees pay 100% of the premiums
Life Insurance	Superintendent - \$300,000 from retirement until age 65 at Board's expense provided member worked at least 35 years of credited service in the Connecticut Teachers Retirement System of which the last 10 years of service as superintendent of the Salem Public School System.

B. Actuarial Assumptions and Methods

Latest Actuarial Date	June 30, 2010
Actuarial Cost Method	Entry Age
Discount Rate	4.50%
Payroll Growth Rate	3.00%

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Medical Inflation	Initial rate of 9% grading down to an ultimate inflation rate of 5% in 2020 and later.
Amortization Method	Level percentage of projected payroll
Remaining amortization	30 years, closed
Mortality	RP2000 Mortality Table for Males and Females projected 10 years
Turnover	Standard Turnover assumptions- GASB 45 paragraph 35b
Retirement	Average Retirement Age of 65
Future Retiree Coverage	100% are assumed to elect coverage at retirement
Future Dependent Coverage	Male 50%; Female 30% with female spouses assumed to be 3 years younger than males.

C. Schedule of Funding Progress

There is no requirement for funding and the plan has not been funded. The Town has not yet established a formal funding plan or a trust at this time.

Below is a schedule of funding progress. (Data in the table below is only presented since the year of transition.)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a % of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 2,173,797	\$ 2,173,797	0.00%	\$ 3,119,549	69.68%

D. Schedule of Employer Contributions

The schedule of employer contributions is as follows. (Data in the table below is only presented since the year of transition):

Year Ended June 30	Annual Required Contributions	Actual Contributions Made	Percentage Contributed
2010	\$207,335	\$ 19,337	9.33%

E. Annual Required Contribution (ARC)

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces:

Past Service Cost (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting on July 1, 2010. The ARC is assumed to be paid at the beginning of the fiscal year. Interest is also calculated on the Unfunded Accrued Liability and added to the Annual Required Contribution.

Normal Cost is the present value of the portion of the projected benefit attributable to the current year (the cost of benefits earned each year should be accrued in that year)

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The annual calculation of Annual Pension cost (APC) and Net Pension Obligation (NPO) is as follows. (Data in the table below is only presented since the year of transition):

Past Service Cost	\$ 92,654
Normal Cost	114,681
Annual Required Contribution (ARC)	207,335
Expected Benefit Payouts	(19,337)
Increase in Net OPEB Obligation	<u>\$ 187,998</u>

F. Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the Town's net OPEB obligation (asset):

Annual required contribution (ARC)	\$ 207,335
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>207,335</u>
Contributions made	<u>19,337</u>
Increase (decrease) in net OPEB obligation	187,998
Net OPEB obligation (asset), beginning of year	-
Net OPEB obligation (asset), end of year	<u>\$ 187,998</u>

The Net OPEB Obligation history is as follows. (Data in the table below is only presented since the year of transition):

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation (Asset)
6/30/2010	\$ 207,335	\$ 19,337	9.3%	\$ 187,998

G. Other Disclosures

The calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 11 – Commitments

A. East Lyme High School

In 1997, the Towns of Salem and East Lyme entered into a cooperative agreement to build and maintain an expansion of the East Lyme High School for the mutual benefit of both towns. This agreement has the following financial provisions:

- 1. Tuition** - Tuition will be charged at a base rate per Salem's regular education students attending East Lyme High School and a premium rate, equal to 1.85 times the base rate, for special educational students. Regardless of the number of students attending East Lyme High School, Salem is required to pay the base rate for a minimum enrollment equal to 80% of the total Salem high school students enrolled in grades nine through twelve at any high school. During the year ended June 30, 2010 the Town paid \$2,087,498 in regular education tuition and \$376,804 in special education tuition to the Town of East Lyme. The tuition fees paid during the year are based on an estimated amount. The final costs are calculated after the end of the year and are billed, or refunded, in the second subsequent year.

The estimated reconciliation for the year ended June 30, 2010 is an estimated underpayment of \$19,150 which will be added to the 2011-2012 tuition payments. The estimated reconciliation for the year ended June 30, 2009 was an overpayment of \$37,981 which will reduce the 2010-11 tuition payments.

- 2. Services Surcharge** - To compensate for services, such as police, fire safety, water and sewer, paid by the Town of East Lyme on behalf of the school, the Town of Salem, Connecticut will reimburse the East Lyme a per student fee. In this fiscal year, the per student fee was \$63.50 and the Town had approximately 250 students. The final costs are calculated after the end of the year and are billed, or refunded, in the subsequent year. This is included in the reconciliation of costs for tuition.
- 3. Annual Flat Facilities Charge** - The Town will pay the Town of East Lyme a flat facilities expansion and improvement charge for 20 years. This charge is equal to 20% of the non-reimbursed construction related costs. It is payable in two equal semi-annual installments. The amount paid to the Town of East Lyme for the year ended June 30, 2010 was \$92,353.

B. Gardner Lake Authority

The Towns of Salem, Montville and Bozrah established the Gardner Lake Authority to govern the body of water known as Gardner Lake. The Authority, in cooperation with the State Boating Commission, enforces boating laws and makes recommendations concerning water management. The towns split the operating costs of the authority. The Town of Salem's appropriation to the Authority for the year ended June 30, 2010 was \$10,000.

Town of Salem, Connecticut
Notes to the Financial Statements
For the Year Ended June 30, 2010

Note 12 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or three prior years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool established under the provisions of Connecticut General Statutes section 7-479a et. seq. for some of its insurance. The Town is liable only for contributions to the pool. Members do not retain the risk of loss, as they have transferred the risk by purchasing coverage with no deductible retention. A separate agreement states limits on the member's obligation to pay indemnification obligations and expenses should CIRMA be unable to do so.

Note 13 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

Note 14 – GASB Pronouncements Issued, But Not yet Effective

The Governmental Accounting Standards Board (GASB) is the standard setting board for governmental entities. The following are statements which have been approved by GASB, but are not yet effective:

- GASB #54 – *Fund Balance Reporting and Governmental Fund Type Definitions* – This statement provides clearer fund balance classifications that can be more consistently applied. This is effective for the year ending June 30, 2011.
- GASB #59 – *Financial Instruments Omnibus* – This statement updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. This is effective for the year ending June 30, 2011.

Town of Salem, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance
Revenues					
Property Tax Revenues					
Property taxes	\$ 9,717,924	\$ -	\$ 9,717,924	\$ 9,698,172	\$ (19,752)
Prior year tax collections	70,000	-	70,000	166,641	96,641
Supplemental motor vehicle tax collections	70,000	-	70,000	73,917	3,917
Interest on property taxes	27,000	-	27,000	87,275	60,275
Liens on property taxes	1,000	-	1,000	1,080	80
Interest on supplemental motor vehicles	1,600	-	1,600	3,479	1,879
	<u>9,887,524</u>	<u>-</u>	<u>9,887,524</u>	<u>10,030,564</u>	<u>143,040</u>
Intergovernmental Revenues					
State/Federal Grants for Education					
Education equalization	3,099,694	(442,218)	2,657,476	2,658,490	1,014
Transportation	93,267	-	93,267	61,524	(31,743)
Adult education	3,409	-	3,409	3,681	272
	<u>3,196,370</u>	<u>(442,218)</u>	<u>2,754,152</u>	<u>2,723,695</u>	<u>(30,457)</u>
Other State/Federal Grants					
Miscellaneous (STEAP)	291,500	-	291,500	233,022	(58,478)
Town Aid Road (TAR) - Transfer in	113,000	-	113,000	-	(113,000)
State property in lieu of taxes	57,242	-	57,242	57,339	97
Local capital improvement	34,101	-	34,101	65,120	31,019
Mashantucket Pequot grant	27,960	-	27,960	20,892	(7,068)
Telephone access line	26,252	-	26,252	17,939	(8,313)
Tax relief for the elderly	24,000	-	24,000	21,041	(2,959)
Services for the blind	5,000	-	5,000	-	(5,000)
Library state aid and connecticard grants	4,675	-	4,675	3,802	(873)
Veterans' tax relief	2,500	-	2,500	2,796	296
Boating safety grant	2,041	-	2,041	1,046	(995)
Welfare Recovery	1,000	-	1,000	-	(1,000)
Tax relief for the disabled	230	-	230	210	(20)
Office of policy and management grant	-	-	-	9,376	9,376
Justice assistance grant	-	-	-	6,791	6,791
Historic building preservation	-	-	-	3,429	3,429
Civil preparedness	-	-	-	813	813
	<u>589,501</u>	<u>-</u>	<u>589,501</u>	<u>443,616</u>	<u>(145,885)</u>
Total Intergovernmental	<u>3,785,871</u>	<u>(442,218)</u>	<u>3,343,653</u>	<u>3,167,311</u>	<u>(176,342)</u>
Revenue from the Use of Town Money					
Income from investments	70,000	-	70,000	27,308	(42,692)
Charges for Services					
Licenses and Permits					
Garbage bag revenue	45,000	-	45,000	44,450	(550)
Conveyance tax	40,000	-	40,000	33,163	(6,837)
Building permits	30,000	-	30,000	44,949	14,949
Tipping and hauling fees	20,000	-	20,000	13,816	(6,184)
Landfill fees - bulky waste	12,000	-	12,000	10,501	(1,499)
Heating	3,600	-	3,600	3,877	277
Septic	2,500	-	2,500	1,891	(609)
Electrical	2,500	-	2,500	2,341	(159)
Plumbing	2,000	-	2,000	3,044	1,044
Zoning compliance	2,000	-	2,000	2,050	50
Miscellaneous permits and fees	750	-	750	1,071	321
Wells	500	-	500	425	(75)
Sport licenses	400	-	400	-	(400)
Town engineering fees	300	-	300	300	-
Warrant fees	75	-	75	6	(69)
Pistol permits/Sport licenses	-	-	-	712	712
	<u>161,625</u>	<u>-</u>	<u>161,625</u>	<u>162,596</u>	<u>971</u>

(Continued)

Town of Salem, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance
Charges for Current Services					
Recording fees	25,000	-	25,000	26,016	1,016
Sale of copies	6,500	-	6,500	6,011	(489)
Planning and zoning commission fees	6,000	-	6,000	8,494	2,494
Inland/wetland commission fees	3,300	-	3,300	1,205	(2,095)
CFC evacuation fees	2,000	-	2,000	1,560	(440)
Sale of maps	1,500	-	1,500	1,009	(491)
Zoning board of appeals fees	1,000	-	1,000	895	(105)
Sale of zoning regulations	600	-	600	290	(310)
Engineering fees	-	-	-	100	100
	<u>45,900</u>	<u>-</u>	<u>45,900</u>	<u>45,580</u>	<u>(320)</u>
Miscellaneous					
Recreation fee based activity	12,000	-	12,000	13,363	1,363
Library fees/finances	7,800	-	7,800	8,074	274
Miscellaneous	5,000	-	5,000	41,687	36,687
Leases	2	-	2	1	(1)
Insurance claims and refunds	-	-	-	1,810	1,810
	<u>24,802</u>	<u>-</u>	<u>24,802</u>	<u>64,935</u>	<u>40,133</u>
Total charges for services	<u>232,327</u>	<u>-</u>	<u>232,327</u>	<u>273,111</u>	<u>40,784</u>
Transfers In from Capital Nonrecurring Fund	-	10,000	10,000	22,037	12,037
Total revenues	<u>13,975,722</u>	<u>(432,218)</u>	<u>13,543,504</u>	<u>13,520,331</u>	<u>(23,173)</u>
Expenditures					
General Government					
Selectman	6,829	212	7,041	6,690	351
Salaries	1,016,565	-	1,016,565	997,927	18,638
Zoning enforcement/building official/sanitarian	2,604	-	2,604	2,381	223
Town clerk	17,466	-	17,466	14,767	2,699
Treasurer/auditor/Board of Finance	21,850	(3,000)	18,850	17,098	1,752
Assessor	8,750	-	8,750	8,407	343
Tax collector	5,680	-	5,680	5,480	200
Registrar	10,700	-	10,700	4,126	6,574
Town counsel	24,600	-	24,600	8,721	15,879
Town office operation	86,700	3,000	89,700	88,071	1,629
Municipal building maintenance	34,000	30,000	64,000	57,329	6,671
Employee benefits	438,141	-	438,141	353,725	84,416
Utilities	181,651	(14,000)	167,651	161,399	6,252
Probate court	2,808	-	2,808	2,808	-
Town services	29,575	-	29,575	25,451	4,124
Regional services	11,451	781	12,232	12,231	1
Library	19,700	-	19,700	19,388	312
Security	204,150	9,100	213,250	185,231	28,019
Gardner Lake Fire Department	57,350	-	57,350	57,161	189
Salem Fire Department	63,596	13,928	77,524	77,409	115
Ambulance	30,490	-	30,490	30,378	112
Public Safety	57,500	-	57,500	55,770	1,730
Public Works	234,000	23,200	257,200	255,369	1,831
Transfer Station	186,142	20,000	206,142	190,685	15,457
Economic development	3,050	-	3,050	470	2,580
Inland wetlands/Conservation Commission	4,300	-	4,300	1,219	3,081
Planning and zoning	41,600	-	41,600	38,223	3,377
Zoning Board of Appeals	300	-	300	-	300
Recreation Commission	44,900	9,000	53,900	41,156	12,744
Municipal insurance	123,278	-	123,278	118,220	5,058
Unanticipated expenses	1,000	-	1,000	90	910
Interest payments	44,750	-	44,750	44,750	-
Principal payments	200,000	-	200,000	200,000	-
Open Space Land Acquisition	1	-	1	-	1
	<u>3,215,477</u>	<u>92,221</u>	<u>3,307,698</u>	<u>3,082,130</u>	<u>225,568</u>

(Continued)

Town of Salem, Connecticut
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis)
General Fund
For the Year Ended June 30, 2010

	Original Budget	Additional Appropriations and Transfers	Final Budget	Actual	Variance
Education	10,012,385	(442,218)	9,570,167	9,513,573	56,594
Capital Expenditures	649,985	42,458	692,443	692,443	-
Total expenditures	<u>13,877,847</u>	<u>(307,539)</u>	<u>13,570,308</u>	<u>13,288,146</u>	<u>282,162</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 97,875</u>	<u>\$ (124,679)</u>	<u>\$ (26,804)</u>	232,185	<u>\$ 258,989</u>

Adjustments to Generally Accepted Accounting Principals (GAAP):

Reconciling payments with East Lyme High School	261,135
On behalf revenues from teacher's retirement netted in budget	562,020
On behalf expenditures from teacher's retirement netted in budget	(562,020)
Loan financing	134,770
Equipment purchased through loan	(134,770)
Revenues that were netted with expenditures in the budget:	
Revenues from Excess Cost Grant	189,512
Expenditures from Excess Cost Grant	(189,512)
Revenues from Town Clerk reserved money	4,600
Expenditures from Town Clerk reserved money	(1,317)
General government change in accrued payroll	(3,410)
Board of Education change in salaried employees accrued payroll	<u>16,207</u>

**Excess (deficiency) of revenues and other financing sources over
expenditures and other financing (uses) - GAAP basis** \$ 509,400

Notes to Required Supplementary Information: A formal, legally approved, annual budget is adopted for the General Fund only. This budget is adopted on a basis consistent with Generally Accepted Accounting Principles (modified accrual basis) with the following exceptions: 1. The Town does not recognize as income or expenditures payments made for the teacher's retirement by the State of Connecticut on the Town's behalf; 2. The Town nets revenues from the Excess Cost Grant in the Board of Education expenditure accounts; 3. The Town nets revenues from the Board of Education fuel grant in the Board of Education expenditure accounts; 4. The Town nets revenues for recording fees which the Town retains and expenditures spent from these funds in a liability account; 5. The Town recognizes encumbrances payable as an expenditure in the year they were committed; 6. General government payroll is recorded on a cash basis; 7. Board of Education salaried employee's payroll is recorded on a cash basis; 8. Revenues and expenditures from refunding or renewing long-term debt or issuing loan or lease financing are included in the budget as net revenues or expenditures expected; 9. The Town pays and budgets for tuition to East Lyme High School on an estimated cost per student. A reconciling payment or benefit is included and budgeted for in the second subsequent year.

Town of Salem, Connecticut Fund Descriptions

Special Revenue Funds:

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Capital Project Funds:

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Permanent Funds:

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Town of Salem, Connecticut
Combining Balance Sheet
Other Governmental Funds
June 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Fund Memorial and Cemetery Fund	Total Other Governmental Funds
Assets				
Cash and cash equivalents	\$ 160,910	\$ 35,317	\$ 835	\$ 197,062
Investments	30,916	-	13,447	44,363
Receivables	5,142	-	-	5,142
Due from other governmental funds	31,957	-	-	31,957
Total assets	\$ 228,925	\$ 35,317	\$ 14,282	\$ 278,524
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 12,139	\$ -	\$ -	\$ 12,139
Total liabilities	12,139	-	-	12,139
Fund balance				
Reserved	-	-	1,997	1,997
Unreserved, undesignated	216,786	35,317	12,285	264,388
Total fund balance	216,786	35,317	14,282	266,385
Total liabilities and fund balance	\$ 228,925	\$ 35,317	\$ 14,282	\$ 278,524

See Accountants' Report

Town of Salem, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Fund Memorial and Cemetery Fund	Total Other Governmental Funds
Revenues				
Intergovernmental revenues	\$ 183,410	\$ -	\$ -	\$ 183,410
Local revenues	92,460	131	145	92,736
Total revenues	275,870	131	145	276,146
Expenditures				
Current expenditures:				
General government	53,429	1,492	570	55,491
Education	104,477	-	-	104,477
Total expenditures	157,906	1,492	570	159,968
Excess (deficiency) of revenues over expenditures	117,964	(1,361)	(425)	116,178
Other financing sources and (uses)				
Operating transfers out	-	-	-	-
Total other financing sources and (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	117,964	(1,361)	(425)	116,178
Fund balance, beginning	98,822	36,678	14,707	150,207
Fund balance, end of the year	\$ 216,786	\$ 35,317	\$ 14,282	\$ 266,385

See Accountants' Report

Town of Salem, Connecticut
 Combining Balance Sheet
 Special Revenue Funds
 June 30, 2010

	Town Aid Road	Preservation and Revaluation Grant Fund	Senior Citizens Fund	Salem Public Health Nursing	Dog Fund	Salem Free Public Library	School Cafeteria Fund	Community Foundation Grant	Total
Assets									
Cash and cash equivalents	\$ 140,084	\$ -	\$ -	\$ -	\$ 8,241	\$ 607	\$ 11,978	\$ -	\$ 160,910
Investments	-	-	28,989	1,927	-	-	-	-	30,916
Receivables	-	-	-	-	-	-	5,142	-	5,142
Due from other governmental funds	-	15,850	-	-	-	-	-	16,107	31,957
Total assets	\$ 140,084	\$ 15,850	\$ 28,989	\$ 1,927	\$ 8,241	\$ 607	\$ 17,120	\$ 16,107	\$ 228,925
Liabilities and fund balance									
Liabilities									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,117	\$ -	\$ 8,543	\$ 479	\$ 12,139
Total liabilities	-	-	-	-	3,117	-	8,543	479	12,139
Fund Balance									
Unreserved, undesignated	140,084	15,850	28,989	1,927	5,124	607	8,577	15,628	216,786
Total fund balance	140,084	15,850	28,989	1,927	5,124	607	8,577	15,628	216,786
Total liabilities and fund balance	\$ 140,084	\$ 15,850	\$ 28,989	\$ 1,927	\$ 8,241	\$ 607	\$ 17,120	\$ 16,107	\$ 228,925

Town of Salem, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Special Revenue Funds
For the Year Ended June 30, 2010

	Town Aid Road	Preservation and Revaluation Grant Fund	Senior Citizens Fund	Salem Public Health Nursing	Dog Fund	Salem Free Public Library	School Cafeteria Fund	Community Foundation Grant	Total
Revenues									
Intergovernmental revenues	\$ 96,890	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,330	\$ 64,190	\$ 183,410
Local revenues	203	-	262	12	5,381	1	86,601	-	92,460
Total revenues	97,093	-	262	12	5,381	1	108,931	64,190	275,870
Expenditures									
Current expenditures:									
General government	-	-	-	-	4,677	190	-	48,562	53,429
Education	-	-	-	-	-	-	104,477	-	104,477
Total expenditures	-	-	-	-	4,677	190	104,477	48,562	157,906
Excess (deficiency) of revenues over expenditures	97,093	-	262	12	704	(189)	4,454	15,628	117,964
Other financing sources and (uses)									
Operating transfers in	-	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-	-
Total other financing sources and (uses)	-	-	-	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources and (uses)	97,093	-	262	12	704	(189)	4,454	15,628	117,964
Fund balance, beginning of the year	42,991	15,850	28,727	1,915	4,420	796	4,123	-	98,822
Fund balance, end of the year	\$ 140,084	\$ 15,850	\$ 28,989	\$ 1,927	\$ 5,124	\$ 607	\$ 8,577	\$ 15,628	\$ 216,786

Town of Salem, Connecticut
 Combining Balance Sheet
 Capital Project Funds
 June 30, 2010

	Land Acquisition Fund	Open Space Land Acquisition Fund	Recreation Trail Fund	Total
Assets				
Cash and cash equivalents	\$ 14,792	\$ 20,525	\$ -	\$ 35,317
Total assets	\$ 14,792	\$ 20,525	\$ -	\$ 35,317
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balance				
Unreserved, undesignated	14,792	20,525	-	35,317
Total fund balance	14,792	20,525	-	35,317
Total liabilities and fund balance	\$ 14,792	\$ 20,525	\$ -	\$ 35,317

See Accountants' Report

Town of Salem, Connecticut
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Capital Project Funds
For the Year Ended June 30, 2010

	Land Acquisition Fund	Open Space Land Acquisition Fund	Recreation Trail Fund	Total
Revenues				
Intergovernmental revenues	\$ -	\$ -	\$ -	\$ -
Local revenues	55	76	-	131
Total revenues	55	76	-	131
Expenditures				
Current expenditures:				
General government	-	-	1,492	1,492
Total expenditures	-	-	1,492	1,492
Excess (deficiency) of revenues over expenditures	55	76	(1,492)	(1,361)
Fund balance, beginning	14,737	20,449	1,492	36,678
Fund balance, end of the year	\$ 14,792	\$ 20,525	\$ -	\$ 35,317

Town of Salem, Connecticut
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2010

	Balance Beginning		Additions		Deductions		Balance Ending
Student Activity Fund							
Assets							
Cash	\$ 22,173	\$	40,922	\$	35,932	\$	27,163
Liabilities							
Due to others	\$ 22,173	\$	40,922	\$	35,932	\$	27,163

**Town of Salem, Connecticut
Report of the Property Tax Collector
For the Year Ended June 30, 2010**

Grand List	Beginning Receivable Balance	Current Year Levy	Lawful Corrections		Net Taxes Collectible	Collections During The Year			Transfer To Suspense	Refunds Issued	Over-Payments	Ending Receivable Balance	
			Additions	Deductions		Taxes	Interest	Liens					Suspense
2008	\$ -	\$ 10,042,931	\$ 8,339	\$ 53,059	\$ 9,998,211	\$ 9,800,830	\$ 41,076	\$ 6	\$ -	\$ 2,066	\$ 18,346	\$ 1,969	\$ 215,630
2007	197,388	-	648	4,530	193,506	116,074	24,226	768	2,753	7,008	3,138	343	73,905
2006	72,703	-	654	10,845	62,512	41,541	20,144	240	605	3,196	10,845	3	28,623
2005	18,901	-	226	166	18,961	2,914	1,309	24	859	3,483	-	-	12,564
2004	4,070	-	-	65	4,005	221	238	24	1,317	1,800	-	-	2,582
2003	2,916	-	-	62	2,854	1,408	457	24	-	1,889	-	-	924
2002	963	-	-	60	903	(2)	57	-	107	162	-	-	881
2001	359	-	-	-	359	-	-	-	1,131	1,131	-	-	184
2000	-	-	-	-	-	-	-	-	5	-	-	-	-
1999	-	-	-	-	-	-	-	-	253	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-	-
1997	699	-	-	-	699	-	-	-	-	-	-	-	699
1996	-	-	-	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-	-	-	-
1994	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 297,999	\$ 10,042,931	\$ 9,867	\$ 68,787	\$ 10,282,010	\$ 9,962,986	\$ 87,507	\$ 1,086	\$ 7,030	\$ 17,676	\$ 32,329	\$ 2,315	\$ 335,992

Town of Salem, Connecticut
Statement of Changes in Fund Balance
Capital Non-Recurring Fund
For the Year Ended June 30, 2010

	Beginning Balance	New Appropriations	Subsequent Changes		Additions (Revenues Posted)	Reductions (Expenditures Posted)	Returned to General Fund Undesignated Fund Balance	Ending Balance
			Additional Appropriation	Transfer in (Transfer out)				
Designated fund balance:								
Gardner Lake Fire Co.								
Engine Bay Repairs	\$ -	\$ 8,800	\$ -	\$ -	\$ -	\$ (8,778)	\$ (22)	\$ -
Telephone System	-	-	-	-	-	-	-	-
Generator	-	-	-	-	-	-	-	-
Furnace	-	-	-	-	-	-	-	-
Radio	-	-	-	-	-	-	-	-
Parking Lot Repair	28	-	-	-	-	-	(28)	-
	<u>28</u>	<u>8,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,778)</u>	<u>(50)</u>	<u>-</u>
Salem Fire Co								
Hose Conversion (5")	-	6,385	-	-	-	(6,385)	-	-
Fire Fighting Gear	-	14,460	-	-	-	(14,455)	(5)	-
SCBA	-	50,000	-	-	-	(46,578)	(3,422)	-
Ladder Truck	-	226,840	-	-	-	(225,950)	(890)	-
	<u>-</u>	<u>297,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(293,368)</u>	<u>(4,317)</u>	<u>-</u>
General Government								
Alarm/Monitoring System TOB	-	12,000	-	-	-	-	-	12,000
ARRA Grant	-	-	36,878	-	-	-	-	36,878
TOB Technology	633	-	-	-	-	-	(633)	-
	<u>633</u>	<u>12,000</u>	<u>36,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(633)</u>	<u>48,878</u>
Public Works								
Lawn Mower	-	14,000	-	-	-	-	-	14,000
09/10 Highway Rehab	-	254,000	-	(10,000)	-	(131,411)	-	112,589
Dump Truck	-	35,000	-	-	-	(29,802)	(5,198)	-
08/09 Highway Rehab	96,596	-	-	-	-	(96,596)	-	-
Truck (PW 6)	1,608	-	-	-	-	-	(1,608)	-
Field Maintenance Equipment	3,425	-	-	-	-	-	-	3,425
	<u>101,629</u>	<u>303,000</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>(257,809)</u>	<u>(6,806)</u>	<u>130,014</u>
Sanitation and Landfill								
Transfer Station	266,000	-	-	-	-	(254,008)	-	11,992
Recreation Commission								
Engineering For Path	3	-	-	-	-	-	(3)	-
PRK Lot Exp/Babe Ruth FLD	4,500	-	-	-	-	-	-	4,500
Rec Com Snack Stand	4,854	-	-	-	-	(2,900)	-	1,954
Softball Conversion	1,960	-	-	-	-	-	-	1,960
Multi-Purpose Path	37,201	-	-	-	-	(19,006)	-	18,195
Tennis/Basketball Courts	36,614	-	5,580	-	-	(42,181)	(13)	-
	<u>85,132</u>	<u>-</u>	<u>5,580</u>	<u>-</u>	<u>-</u>	<u>(64,087)</u>	<u>(16)</u>	<u>26,609</u>
Library								
Child's Room Shelving Unit	-	5,000	-	-	-	(4,985)	(15)	-
Building Committee								
Building Committee	14,233	-	-	-	-	(10,000)	-	4,233
	<u>14,233</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>4,233</u>
Education								
Sheetrock Repair	2,550	-	-	-	-	-	-	2,550
Replace Sec Lighting	2,473	-	-	-	-	(2,725)	-	(252)
Security	200	-	-	-	-	-	(200)	-
New Wells	11,045	-	-	-	-	(7,263)	-	3,782
Replace Classroom Doors	-	5,000	-	-	-	-	-	5,000
Replace Exterior Door	-	18,500	-	-	-	(12,107)	-	6,393
Oil Tank Encapsulation	13,500	-	-	-	-	(10,420)	-	3,080
Bathroom Repairs	7,500	-	-	-	-	-	-	7,500
Tile Repair	15,244	-	-	-	-	-	-	15,244
	<u>52,512</u>	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,515)</u>	<u>(200)</u>	<u>43,297</u>
Total Designated Fund Balance	520,167	649,985	42,458	(10,000)	-	(925,550)	(12,037)	265,023
Unreserved Fund Balance	149,516	-	-	-	375	-	-	149,891
Total Fund Balance	\$ 669,683	\$ 649,985	\$ 42,458	\$ (10,000)	\$ 375	\$ (925,550)	\$ (12,037)	\$ 414,914

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

Board of Finance
Town of Salem, Connecticut
Salem, Connecticut

We have audited the financial statements of the Town of Salem, Connecticut as of and for the year ended June 30, 2010 and have issued our report thereon dated November 17, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Salem, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Salem, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem, Connecticut's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items MW-09-2, MW-09-3 and MW-09-4 to be material weaknesses.

Government Auditing Standards Report (Continued)

Compliance and Other Matters

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

The Town of Salem, Connecticut's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Salem, Connecticut's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the management, Board of Finance, others within the Town of Salem, Connecticut, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marion + Company

November 17, 2010

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With the State Single Audit Act, and on the Schedule of Expenditures of State Financial Assistance

Board of Finance
Town of Salem, Connecticut
Salem, Connecticut

Compliance

We have audited the Town of Salem, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management Compliance Supplement* that could have a direct and material effect on each of the Town of Salem, Connecticut's major state programs for the year ended June 30, 2010. The major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Town of Salem, Connecticut's management. Our responsibility is to express an opinion on the Town of Salem, Connecticut's compliance based on our audit.

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 State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Town of Salem, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Town of Salem, Connecticut's compliance with those requirements.

In our opinion, the Town of Salem, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2010.

State Single Audit Report (Continued)

Internal Control over Compliance

Management of the Town of Salem, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to state programs. In planning and performing our audit, we considered the Town of Salem, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem, Connecticut's 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 state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 state program will not be prevented, or detected and corrected, on a timely manner.

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

Schedule of Expenditures of State Financial Assistance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Connecticut as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem, Connecticut's basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

State Single Audit Report (Continued)

This report is intended solely for the information and use of the management, Board of Finance, others within the entity, the Office of Policy and Management, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marion + Company

November 17, 2010

Town of Salem, Connecticut
Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

State Program Pass-Through Grantor Program Title	State Grant Program Core-CT Number	Expenditures
Commission on Culture and Tourism:		
Historic Restoration Fund	12060-CAT45241-90455	\$ 3,429
Connecticut State Library		
State Aid to Public Libraries	11000-CSL66051-17003	2,616
Connecticard	11000-CSL66051-17010	1,186
Department of Environmental Protection		
Small Town Economic Assistance Program (STEAP)	12052-DEP43930-40531	159,688
Boat Grant	12060-DEP44434-35403	1,046
Department of Transportation		
Town Aid Roads	12052-DOT57131-43455	25,837
Town Aid Roads	13033-DOT57131-43459	71,053
Judicial Department		
Operating Appropriations	34001-JUD95162-40001	630
Office of Policy and Management		
Reimbursement Property Tax- Disability Exemption	11000-OPM20600-17011	210
Property Tax Relief for Elderly and Totally Disabled	11000-OPM20600-17018	19,041
Property Tax Relief for Elderly Homeowners - Freeze	11000-OPM20600-17021	2,000
Property Tax Relief for Veterans	11000-OPM20600-17024	2,796
PILOT for Manufacturing and Commercial Vehicles	11000-OPM20600-17031	9,301
Local Capital Improvement Program (LOCIP)	12050-OPM20600-40254	-
Municipal Video Competition	12060-OPM20600-35362	75
Office of the State Comptroller		
PILOT on State Owned Property	11000-OSC15910-17004	57,339
Department of Education		
Child Nutrition Program (School Lunch State Match)	11000-SDE64370-16072	5,422
Adult Education	11000-SDE64370-17030	3,681
Magnet Schools	11000-SDE64370-17057	8,100
Total State Financial Assistance before Exempt Programs		373,449

EXEMPT PROGRAMS

Department of Education:		
Education Cost Sharing	11000-SDE64000-17041	2,658,490
Public School Transportation	11000-SDE64000-17027	53,424
Special Education - Excess Cost - Student Based	11000-SDE64000-17047	189,512
Office of the State Comptroller		
Mashantucket Pequot and Mohegan Fund Grant	12009-OSC15910-17005	20,892
Total exempt programs		2,922,318
Total State Financial Assistance		3,295,766

See Accountants' Report

Town of Salem, Connecticut
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended June 30, 2010

Various departments and agencies of the State of Connecticut have provided financial assistance to the Town of Salem, Connecticut through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs including: education, general government, public works, and public safety.

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Salem, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

A. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

Certain revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Schedule of Expenditures of State Financial Assistance, contained in this report, is prepared based on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued: Unqualified
 Internal control over financial reporting:
 • Material weakness(es) identified? Yes No
 • Significant deficiency(ies) identified? Yes None reported
 Noncompliance material to the financial statements noted? Yes No

B. State Financial Assistance:

Internal control over major programs:
 • Material weakness(es) identified? Yes No
 • Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes No

The following schedule reflects the major programs included in the audit:

<u>State Grantor and Program</u>	<u>State Core-CT Number</u>	<u>Expenditures</u>
Department of Environmental Protection: Small Town Economic Assistance Program	12052-DEP43930-40531	\$159,688
Dollar threshold used to distinguish between type A and type B programs:		<u>\$100,000</u>

II. Financial Statement Findings:

MW-09-2 – Controls over the Period-End Financial Reporting Process

Condition: The audit identified material adjustments to the Town of Salem, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

Recommendation: We recommend that the management of the Town of Salem, Connecticut review the adjustments that have been proposed by the auditor. This should be a good indication of where controls need to be improved. Additionally, the Town of Salem, Connecticut should consider developing specific preparation and review procedures, required documentation and checklists to review their internally prepared financial reports prior to their release.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Management's Response: The Town of Salem, Connecticut will include internal controls and checklists over financial reporting to their accounting manual. In addition, the Town of Salem, Connecticut will review additional training opportunities for the accounting personnel to help them understand why the material adjustments were made to the internally prepared financial statements.

MW-09-3 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Salem, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Recommendation: We recommend that as part of developing an accounting manual, the Town of Salem, Connecticut consider the entity wide controls as discussed above.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Management's Response: The Town of Salem, Connecticut will assign a committee to work on developing the necessary entity wide controls.

MW-09-4 - Segregation of Duties

Condition: The Town of Salem, Connecticut does not maintain an adequate segregation of duties for proper internal control over the financial transactions in certain areas. Proper internal control relies on the following three aspects of processing transactions being performed by separate individuals: authorizing transactions, custody of assets, and record keeping. This weakness in internal controls could lead to funds being expended in a manner not consistent with the intentions of management. These weaknesses were noted in the following areas:

Treasurer - The Town Treasurer handles cash receipts, prepares and makes deposits, posts cash receipt transactions, and reconciles bank statements. The Treasurer also authorizes, makes, records and reconciles all investment activities.

Tax Collector - The Tax Collector or her assistants prepare and send bills, handle tax collections, prepare and make deposits and post tax receipt transactions.

Recommendation: The Town should review the segregation of duties involved in all the cash receipts functions. The duties of the individuals involved should be analyzed and restructured as necessary to provide for a better system of checks and balances. Once a better system has been devised, it should be written, approved by the Board of Finance and distributed to the individuals involved.

Management's Response: The Town will review the segregation of duties as part of preparing an overall accounting manual. If a segregation of duties is not possible, other control procedures will be implemented.

III. State Financial Assistance Findings And Questioned Costs

No findings or questioned cost are reported relating to State financial assistance programs.

IV. Summary Schedule of Prior Audit Findings

MW-09-1 – Documentation of the Components of Internal Control over Processes

Condition: The Town of Salem, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

Current Status: The finding has been corrected.

MW-09-2 – Controls over the Period-End Financial Reporting Process

Condition: The audit identified material adjustments to the Town of Salem, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

MW-09-3 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

The Town of Salem, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

MW-09-4 - Segregation of Duties

Condition: The Town of Salem, Connecticut does not maintain an adequate segregation of duties for proper internal control over the financial transactions in certain areas. Proper internal control relies on the following three aspects of processing transactions being performed by separate individuals: authorizing transactions, custody of assets, and record keeping. This weakness in internal controls could lead to funds being expended in a manner not consistent with the intentions of management. These weaknesses were noted in the following areas:

Treasurer - The Town Treasurer handles cash receipts, prepares and makes deposits, posts cash receipt transactions, and reconciles bank statements. The Treasurer also authorizes, makes, records and reconciles all investment activities.

Tax Collector - The Tax Collector or her assistants prepare and send bills, handle tax collections, prepare and make deposits and post tax receipt transactions.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

SD-09-1 – Internal Control over Financial Reporting

Condition: The Town of Salem, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of Salem, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

Current Status: The finding has been corrected.

Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

SD-09-2 – Controls over Nonroutine and Nonsystematic Transactions

Condition: On occasion, the Town of Salem, Connecticut must make adjusting journal entries to add, delete, correct, adjust or reclassify transactions. These adjusting journal entries are generally prepared and posted by the same individual. There are no review, authorization and documentation procedures required for an adjusting journal entry.

Current Status: The finding has been corrected.

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133, and on the Schedule of Expenditures of Federal Assistance

Board of Finance
Town of Salem, Connecticut
Salem, Connecticut

Compliance

We have audited the Town of Salem, Connecticut's compliance of the with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town of Salem, Connecticut's major federal programs for the year ended June 30, 2010. The Town of Salem, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the Town of Salem, Connecticut's management. Our responsibility is to express an opinion on the Town of Salem, Connecticut's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Salem, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Salem, Connecticut's compliance with those requirements.

In our opinion, the Town of Salem, Connecticut complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the Town of Salem, Connecticut is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the Town of Salem, Connecticut's internal control over compliance to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Salem, Connecticut's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses in the internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Assistance

We have audited the financial statements of the governmental activities each major fund, and the aggregate remaining fund information of the Town of Salem, Connecticut, as of and for the year ended June 30, 2010, and have issued our report thereon dated November 17, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem, Connecticut's basic financial statements. The accompanying Schedule of Expenditures of Federal Assistance is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Finance, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Marion + Company

November 17, 2010

Town of Salem, Connecticut
Schedule of Expenditures of Federal Financial Assistance
For the Year Ended June 30, 2010

Federal grantor/ Pass-Through grantor program title	Federal CFDA Number	Pass- Through Grantor's Number	Expenditures
Department of Education:			
Received Directly:			
Rural Education Achievement Program (REAP) - Current	84.358	Not Applicable	\$ 20,412
Rural Education Achievement Program (REAP) - Carryover	84.358	Not Applicable	4,006
			<u>24,418</u>
Passed through the State of Connecticut:			
Title I - Current	84.010	12060-SDE64370-20679	2,322
Title I - Carryover	84.010	12060-SDE64370-20679	2,859
			<u>5,181</u>
Title II - Part A, Improving Teacher Quality - Current	84.367	12060-SDE64370-20858	410
Title II - Part A, Improving Teacher Quality - Carryover	84.367	12060-SDE64370-20858	750
			<u>1,160</u>
IDEA, Part B, Section 611, Handicapped - Current	84.027	12060-SDE64370-20977	78,550
IDEA, Part B, Section 611, Handicapped - Carryover	84.027	12060-SDE64370-20977	695
IDEA, Part B, Section 611, Handicapped - ARRA	84.391	12060-SDE64370-29011	93,314
			<u>172,559</u>
IDEA, Part B, Section 619, Preschool - Current	84.173	12060-SDE64370-20983	4,180
IDEA, Part B, Section 619, Preschool - ARRA	84.392	12060-SDE64370-29012	2,125
			<u>6,305</u>
American Recovery and Reinvestment Act, SFSF: Govt Service	84.397	12060-SDE64370-29053	285,053
American Recovery and Reinvestment Act, SFSF: Education	84.394	12060-SDE64370-29054	157,165
			<u>442,218</u>
Total Department of Education			<u>651,841</u>
Department of Agriculture:			
Passed through the State of Connecticut:			
National School Lunch	10.555	12060-SDE64370-20560	17,440
Special School Milk	10.556	12060-SDE64370-20500	95
Total Department of Agriculture			<u>17,535</u>
Department of Transportation:			
Passed through the State of Connecticut:			
Recreation Trails Program	20.219	12060-DEP44321-20296	32,278
Total Department of Transportation			<u>32,278</u>
Department of Homeland Security:			
Passed through the State of Connecticut:			
Emergency Management Performance Grant	97.042	12060-EHS99620-21881	813
Total Department of Homeland Security			<u>813</u>
Department of the Interior:			
Passed through the State of Connecticut:			
Justice Assistance Grant	16.738		6,791
Total Department of the Interior			<u>6,791</u>
Total Federal Financial Assistance			<u>\$ 709,258</u>

Town of Salem, Connecticut
Notes to the Schedule of Expenditures of Federal Financial Assistance
For the Year Ended June 30, 2010

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Salem, Connecticut conform to Generally Accepted Accounting Principles as applicable to governmental entities. The following is a summary of the more significant policies relating to the aforementioned grant programs.

A. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, when applicable. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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.

Certain revenues 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Salem, Connecticut and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

I. Summary of Audit Results

A. Financial Statements:

Type of auditors' report issued: Unqualified
Internal control over financial reporting:
• Material weakness(es) identified? Yes No
• Significant deficiency(ies) identified? Yes None reported
Noncompliance material to the financial statements noted? Yes No

B. Federal Financial Assistance:

Internal control over major programs:
• Material weakness(es) identified? Yes No
• Significant deficiency(ies) identified? Yes None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

The following schedule reflects the major programs included in the audit:

CFDA #:84.397 Name: American Recovery and Reinvestment Act, SFSF: Government Services
CFDA #:84.394 Name: American Recovery and Reinvestment Act, SFSF: Education

Threshold used for distinguishing between Type A and Type B programs: \$300,000

Qualified as a low risk auditee: Yes No

II. Financial Statement Findings:

MW-09-2 – Controls over the Period-End Financial Reporting Process

Condition: The audit identified material adjustments to the Town of Salem, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Recommendation: We recommend that the management of the Town of Salem, Connecticut review the adjustments that have been proposed by the auditor. This should be a good indication of where controls need to be improved. Additionally, the Town of Salem, Connecticut should consider developing specific preparation and review procedures, required documentation and checklists to review their internally prepared financial reports prior to their release.

Management's Response: The Town of Salem, Connecticut will include internal controls and checklists over financial reporting to their accounting manual. In addition, the Town of Salem, Connecticut will review additional training opportunities for the accounting personnel to help them understand why the material adjustments were made to the internally prepared financial statements.

MW-09-3 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.
- *Control Activities* – These are management's response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

The Town of Salem, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Recommendation: We recommend that as part of developing an accounting manual, the Town of Salem, Connecticut consider the entity wide controls as discussed above.

Management's Response: The Town of Salem, Connecticut will assign a committee to work on developing the necessary entity wide controls.

MW-09-4 - Segregation of Duties

Condition: The Town of Salem, Connecticut does not maintain an adequate segregation of duties for proper internal control over the financial transactions in certain areas. Proper internal control relies on the following three aspects of processing transactions being performed by separate individuals: authorizing transactions, custody of assets, and record keeping. This weakness in internal controls could lead to funds being expended in a manner not consistent with the intentions of management. These weaknesses were noted in the following areas:

Treasurer - The Town Treasurer handles cash receipts, prepares and makes deposits, posts cash receipt transactions, and reconciles bank statements. The Treasurer also authorizes, makes, records and reconciles all investment activities.

Tax Collector - The Tax Collector or her assistants prepare and send bills, handle tax collections, prepare and make deposits and post tax receipt transactions.

Recommendation: The Town should review the segregation of duties involved in all the cash receipts functions. The duties of the individuals involved should be analyzed and restructured as necessary to provide for a better system of checks and balances. Once a better system has been devised, it should be written, approved by the Board of Finance and distributed to the individuals involved.

Management's Response: The Town will review the segregation of duties as part of preparing an overall accounting manual. If a segregation of duties is not possible, other control procedures will be implemented.

III. Federal Financial Assistance Findings And Questioned Costs

No findings or questioned cost are reported relating to Federal financial assistance programs.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

IV. Summary Schedule of Prior Audit Findings

MW-09-1 – Documentation of the Components of Internal Control over Processes

Condition: The Town of Salem, Connecticut has numerous internal controls in place over significant processes and accounts. Not all of these controls are formally documented. It is possible for controls to change over time or not be completely understood by the individuals involved in the processes.

Current Status: The finding has been corrected.

MW-09-2 – Controls over the Period-End Financial Reporting Process

Condition: The audit identified material adjustments to the Town of Salem, Connecticut's internally prepared financial reporting. Although these have been subsequently corrected by management, the internal reports presented and used for management decisions were materially misstated.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

MW-09-3 – Entity Level Controls

Condition: Internal controls are a coordinated set of policies and procedures that management uses to achieve their objectives and meet their fundamental responsibilities for effectiveness, efficiency, compliance and financial reporting. The literature recognizes five sections of internal control published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO Report) in Internal Control – Integrated Framework. These five interrelated components include:

- *Control Environment* – A favorable control environment exists when management is knowledgeable about controls (entity wide and specific), is committed to establishing controls and communicates its support for internal controls to all individuals involved.
- *Risk Assessment* – This involves management's continual identification and assessment of the potential risks that might prevent management from fulfilling its responsibilities and achieving its objectives.
- *Information and Communication Systems* – These are the systems used to assure that appropriate individuals have timely and accurate information to carry out their responsibilities.

Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

- *Control Activities* – These are management’s response to the risks identified. These are the specific policies and procedures that are put in place to alert management of undesired actions in a timely manner.
- *Monitoring* – There is a responsibility of management to follow up on the controls that have been put in place to assure that they continue to function and function properly, effectively and efficiently.

The Town of Salem, Connecticut does not have a framework established to deal with each of the interrelated entity level controls over and above the specific control policies and procedures that have been developed.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

MW-09-4 - Segregation of Duties

Condition: The Town of Salem, Connecticut does not maintain an adequate segregation of duties for proper internal control over the financial transactions in certain areas. Proper internal control relies on the following three aspects of processing transactions being performed by separate individuals: authorizing transactions, custody of assets, and record keeping. This weakness in internal controls could lead to funds being expended in a manner not consistent with the intentions of management. These weaknesses were noted in the following areas:

Treasurer - The Town Treasurer handles cash receipts, prepares and makes deposits, posts cash receipt transactions, and reconciles bank statements. The Treasurer also authorizes, makes, records and reconciles all investment activities.

Tax Collector - The Tax Collector or her assistants prepare and send bills, handle tax collections, prepare and make deposits and post tax receipt transactions.

Current Status: Repeated finding in the current year section.

Planned Corrective Action: See the response included in the current year section.

SD-09-1 – Internal Control over Financial Reporting

Condition: The Town of Salem, Connecticut presents financial statements in accordance with Generally Accepted Accounting Principles (GAAP). The Town of Salem, Connecticut does not collectively possess the resources, skills and knowledge to prepare their own financial statements including footnote disclosures in accordance with GAAP.

Current Status: The finding has been corrected.

**Town of Salem, Connecticut
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010**

SD-09-2 – Controls over Nonroutine and Nonsystematic Transactions

Condition: On occasion, the Town of Salem, Connecticut must make adjusting journal entries to add, delete, correct, adjust or reclassify transactions. These adjusting journal entries are generally prepared and posted by the same individual. There are no review, authorization and documentation procedures required for an adjusting journal entry.

Current Status: The finding has been corrected.

The First Town Meeting in the Town of Salem, Connecticut

*At a Town Meeting held at the Presbyterian Meeting House in Salem
on the 15th Day June 1819 the third Tuesday*

Warning

The Inhabitants living within the antient limits of the Society of New Salem that are legal Voters are hereby warned to meet at the Presbyterian Meeting House in (the) T Society on the Third Tuesday of June 1819 for the purpose of Organizing them Selves into a Town by Choosing all the officers required by Law to be chosen in other Towns in this State Agreeable to the Directions in a Bill in form of the General Assembly of this State at their Session at Hartford in May 1819 Upon the petition of (the) T Inhabitants to (the) T Assembly praying to be Incorporated into a Town.

Mumford Dolbeare, Moderator

*Dated at Salem this
28th Day of May 1819*

Mumford Dolbeare Esq-Moderator Appointed by the General Assembly At T (the) meeting, Elijah Treadway was Chosen Clerk

*Voted Henry Perkins Esq.
Joseph Morgan Esq.
George Minard
Seth Lathrop Esq.
And Daniel Jones*

Select Men

*Voted that John Billings be Treasurer
Voted that Mark Dodge be Head Constable*

*Voted Amasa Rathbun
Charles Tiffany
And Avery Morgan*

Constables

*Voted that Schubel Parks Amasa Rathbun Avery Morgan Charlot Chapel Joseph Powrs Thomas
Bradford Russel Williams Seth Tiffany Mark Dodge and Christopher Minard be Surveyors*

Voted that David Patten be Surveyor

Voted that Thomas Bradford Elijah Loomis John Billings John S Ransom and David Patten be Listers

Voted that Gurdon Hamilton and Hallam Latimore be Fence Viewers

Voted Samuel Holmes be Leather Sealer

Voted Thomas Miller Joseph Powrs and Ebenezer Tiffany be Grand Jurors

Voted Joshua Pratt be Sealer of Weights and Measures

Voted Asa Rathbun and Guy Loomis be Tything men

*Voted George Minard John Billings Seth Tiffany and Avery Morgan be Pound keepers and
furnish pound*

Voted the fence viewers move Encroachments off the Highway

*Voted Joseph Hilliard, William Fitch, William Hamman, Ephraim D. Woolf and Christopher Minard be Haywards**

Voted that the Town Clerk Keep Records so far as Respects Town business and Charge no fee.

Vote that the Select Men Charge no pay for time or Horse ride

Voted that this meeting be Dissolved

Attest Elijah Treadway Reg.

the town common

**An officer formerly charged with the repair of cattle fences and the retention of cattle in*

