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# **TOWN OF SALEM, CONNECTICUT**

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Annual Financial Statements

For the Year Ended June 30, 2022

**TOWN OF SALEM, CONNECTICUT**  
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For the Year Ended June 30, 2022

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# **Financial Section**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Finance  
Town of Salem, Connecticut

### Report on the Audit of the Financial Statements

#### **Opinions**

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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Salem's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Salem, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

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

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

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

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

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

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

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

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

## ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the pension and OPEB schedules on pages 4-10, 41-44, and 47-49 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, and other supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, and other supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the trend information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2022, on our consideration of the Town of Salem's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Town of Salem's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Salem's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs  
Winsted, CT  
December 16, 2022

**TOWN OF SALEM, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2022

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As management of the Town of Salem, CT, we offer readers of the Town of Salem, CT's financial statements this narrative overview and analysis of the financial activities of the Town of Salem, CT for the fiscal year ended June 30, 2022.

## **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town of Salem, CT exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$25,425,109 (*net position*). Of this amount, \$6,469,765 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Town of Salem, CT's governmental funds reported combined ending fund balances of \$7,943,545, a decrease of \$186,136 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,079,606 or 18.8 percent of total General Fund budgeted expenditures and transfers out.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Salem, CT's basic financial statements. The Town of Salem, CT's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Salem, CT's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town of Salem, CT's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator whether the financial position of the Town of Salem, CT is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Salem, CT that are principally supported by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town has no business-type activities. The governmental activities of the Town of Salem, CT include general government, public safety, public works, sanitation, and education. Property taxes, state and federal grants, and local revenues such as fees and licenses finance most of these activities.



**TOWN OF SALEM, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2022

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The government-wide financial statements can be found on pages 11-12 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Salem, CT, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Salem, CT can be divided into one category: governmental funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Town of Salem, CT, maintains a number of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Education Grants Fund, Town Grants Fund, and Capital Nonrecurring Fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Salem, CT, adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-40 of this report.

**TOWN OF SALEM, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2022

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Salem, CT, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,425,109 at the close of the most recent fiscal year.

**SUMMARY STATEMENT OF NET POSITION**

|                                    | 2022                 | 2021                 | Variance           |
|------------------------------------|----------------------|----------------------|--------------------|
| Current and Other Assets           | \$ 9,581,054         | \$ 10,441,571        | \$ (860,517)       |
| Capital Assets                     | 22,103,514           | 21,531,231           | 572,283            |
| Total Assets                       | <u>31,684,568</u>    | <u>31,972,802</u>    | <u>(288,234)</u>   |
| <br>Deferred Outflows of Resources | <br><u>35,636</u>    | <br><u>40,090</u>    | <br><u>(4,454)</u> |
| <br>Other Liabilities              | <br>1,592,885        | <br>2,273,983        | <br>(681,098)      |
| Long-Term Liabilities              | <u>4,691,534</u>     | <u>4,918,886</u>     | <u>(227,352)</u>   |
| Total Liabilities                  | <u>6,284,419</u>     | <u>7,192,869</u>     | <u>(908,450)</u>   |
| <br>Deferred Inflows of Resources  | <br><u>10,676</u>    | <br><u>10,676</u>    | <br><u>-</u>       |
| <br>Net Position:                  |                      |                      |                    |
| Net Investment in Capital Assets   | 18,432,283           | 17,473,216           | 959,067            |
| Restricted                         | 523,061              | 478,598              | 44,463             |
| Unrestricted                       | <u>6,469,765</u>     | <u>6,857,533</u>     | <u>(387,768)</u>   |
| Total Net Position                 | <u>\$ 25,425,109</u> | <u>\$ 24,809,347</u> | <u>\$ 615,762</u>  |

The largest portion of the Town's net position reflects its investment in capital assets (land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure assets such as roads and bridges) less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to its citizens; consequently, these assets are not available for spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's restricted net position of \$523,061 increased by \$44,463 compared to last years restricted net position of \$478,598.

The Town's unrestricted net position of \$6,469,765 decreased by \$387,768 compared to last years unrestricted net position of \$6,857,533. This portion of the net position is what may be used to meet the Town's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements.

**TOWN OF SALEM, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2022

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STATEMENT OF CHANGES IN NET POSITION

|  | 2022                 | 2021                 | Variance            |
|--|----------------------|----------------------|---------------------|
| <b>REVENUES</b>  |                      |                      |                     |
| <i>Program:</i>  |                      |                      |                     |
| Charges for services   | \$ 367,134           | \$ 410,111           | \$ (42,977)         |
| Operating grants and contributions                               | 4,315,091            | 5,653,079            | (1,337,988)         |
| Capital grants and contributions                                 | 193,018              | 193,274              | (256)               |
| <i>General:</i>  |                      |                      |                     |
| Property taxes   | 12,897,144           | 12,367,272           | 529,872             |
| Grants and contributions, not<br>restricted to specific programs | 97,353               | 63,029               | 34,324              |
| Unrestricted investment earnings                                 | 22,426               | 10,487               | 11,939              |
| Other  | -                    | 37,781               | (37,781)            |
| Total Revenues   | <u>17,892,166</u>    | <u>18,735,033</u>    | <u>(842,867)</u>    |
| <b>EXPENSES</b>  |                      |                      |                     |
| <i>Governmental Activities:</i>                                  |                      |                      |                     |
| General Government   | 2,200,968            | 1,861,220            | 339,748             |
| Public Safety  | 1,100,498            | 1,062,339            | 38,159              |
| Public Works   | 1,012,004            | 948,157              | 63,847              |
| Sanitation   | 186,115              | 184,894              | 1,221               |
| Education  | 12,680,332           | 14,932,650           | (2,252,318)         |
| Interest on long-term debt                                       | 96,487               | 217,254              | (120,767)           |
| Total Expenses   | <u>17,276,404</u>    | <u>19,206,514</u>    | <u>(1,930,110)</u>  |
| Change in Net Position   | 615,762              | (471,481)            | <u>\$ 1,087,243</u> |
| Beginning Net Position, Restated                                 | <u>24,809,347</u>    | <u>25,265,233</u>    |                     |
| Ending Net Position  | <u>\$ 25,425,109</u> | <u>\$ 24,793,752</u> |                     |

**Governmental activities.** Governmental activities increased the Town of Salem, CT's net position by \$615,762.

Seventy-two percent (72%) of the revenues of the Town were derived from property taxes, followed by twenty-four percent (24%) from grants and contributions, two percent (2%) from charges for services and two percent (2%) of the Town's revenue in the fiscal year was derived from investment and other income.

Seventy-three percent (73%) of the expenses of the Town were related to education, followed by thirteen percent (13%) related to general government, six percent (6%) related to public safety and eight percent (8%) related to the remainder of the government's expenses.

There was a decrease in both the operating grants and contributions revenues and the education expenses due to a decrease in the on-behalf pension and OPEB benefits recognized by the Town in connection with its participation in the State Teachers Retirement System.

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Town of Salem, CT uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town of Salem, CT's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Salem, CT's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Salem, CT's governmental funds reported combined ending fund balances of \$7,943,545, a decrease of \$186,136 in comparison with the prior year. Thirty nine percent (39%) of this total amount constitutes *unassigned fund balance*, which is available for spending at the government's discretion.

**General Fund.** The General Fund is the chief operating fund of the Town of Salem, CT. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,079,606. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 18.8 percent of total General Fund budgetary basis expenditures and transfers out.

The fund balance of the Town of Salem, CT's General Fund increased by \$129,516 during the current fiscal year. Key factors in this increase are as follows:

- The Town budgeted to use \$693,376 from fund balance in its original budget.
- Expenditures coming in less than budgeted.
- Greater than anticipated tax collections.

**Town Grants Fund.** The fund balance of the Town Grants Fund decreased by \$37,115 during the current fiscal year. The fund also has unearned revenue in the amount of \$457,143 due to the money received from the American Rescue Plan Act that has not yet been spent.

**Education Grants Fund.** This fund accounts for financial resources to be used for educational purposes. The primary source of revenues is federal and state grants. At the end of the current fiscal year the fund reported an ending fund balance of \$7,991.

**Capital Projects Fund.** This fund accounts for financial resources to be used for various capital projects. The primary source of funding is an annual appropriation from the General Fund and issuance of debt. The fund balance of the Capital Projects Fund decreased by \$288,779 during the current fiscal year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The original budget for the General Fund included the use of fund balance of \$693,376. The actual use of fund balance of the General Fund to balance the budget was \$0. Budgetary revenues were \$499,322 greater than expected due primarily to higher than anticipated collection of property taxes. Budgetary expenditures were \$246,562 less than expected due primarily to savings in the general government, public safety, and education lines.

**TOWN OF SALEM, CONNECTICUT**  
Management's Discussion and Analysis  
June 30, 2022

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**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** The Town of Salem, CT's reported value in capital assets for its governmental activities as of June 30, 2022, amounts to \$22,103,514 (net of accumulated depreciation). This reported value in capital assets includes land, construction in progress, buildings and improvements, machinery, equipment and vehicles, and infrastructure assets such as roads and bridges. The total increase in the Town's investment in capital assets for the current fiscal year was \$572,283, which consisted of capital additions of \$1,317,851 offset by current year depreciation of \$745,568.

|                                | 2022                 | 2021                 |
|--------------------------------|----------------------|----------------------|
| Land                           | \$ 1,840,216         | \$ 1,840,216         |
| Construction in Progress       | 452,786              | 257,728              |
| Land improvements              | 2,040,465            | 2,040,465            |
| Buildings and Systems          | 16,922,408           | 16,704,688           |
| Machinery and Equipment        | 2,438,966            | 2,353,488            |
| Infrastructure                 | 4,648,563            | 4,069,007            |
| Vehicles                       | 4,140,849            | 3,900,810            |
| Less: Accumulated Depreciation | (10,380,739)         | (9,635,171)          |
| Total                          | <u>\$ 22,103,514</u> | <u>\$ 21,531,231</u> |

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

- 2022 Freightliner
- Fuel Tanks
- Bucket Truck

Additional information on the Town of Salem, CT's capital assets can be found in Note 5 on page 26 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Salem, CT had long-term debt and long-term liabilities outstanding of \$4,691,534.

|                             | 2022                | 2021                |
|-----------------------------|---------------------|---------------------|
| G.O. Bonds                  | \$ 2,835,000        | \$ 3,160,000        |
| Unamortized Premium         | 499,147             | 554,608             |
| Equipment Financing Note    | 292,720             | 383,497             |
| Compensated Absences        | 40,240              | 41,353              |
| Loan Payable                | 80,000              | -                   |
| Post Closure Landfill Costs | 7,500               | 10,000              |
| OPEB Liability              | 936,927             | 769,428             |
| Total                       | <u>\$ 4,691,534</u> | <u>\$ 4,918,886</u> |

The Town of Salem, CT's total long-term debt and long-term liabilities decreased by \$227,352 during the current fiscal year primarily due to the repayment of GO Bonds and equipment financing notes. Additional information on the Town of Salem, CT's long-term debt can be found in Note 6 on pages 27-28 of this report.

The town currently maintains a bond rating of "Aa2" by Moody's.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

A summary of key economic factors affecting the Town are as follows:

- The Town receives intergovernmental revenues from the State of Connecticut. Connecticut's economy moves in the same general cycle as the national economy, which from time to time will affect the amount of intergovernmental revenues the Town will receive.
- Increased threat of losing State funding will continue to be a variable in our local budget.

All of these factors were considered in preparing the Town of Salem, CT's budget for the 2023 fiscal year.

The Town has assigned \$829,814 of fund balance of the General Fund for spending in the 2023 fiscal year budget.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Salem, CT's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Finance or First Selectman at Town of Salem, 270 Hartford Road, Salem, CT 06420.

# **Basic Financial Statements**

**TOWN OF SALEM, CONNECTICUT**

## Statement of Net Position

June 30, 2022

|                                       | <b>Governmental<br/>Activities</b> |
|---------------------------------------|------------------------------------|
| <b>Assets</b>                         |                                    |
| Cash and Cash Equivalents             | \$ 8,343,720                       |
| Restricted Cash                       | 14,453                             |
| Investments                           | 50,568                             |
| Receivables, Net                      | 530,295                            |
| Prepays                               | 641,208                            |
| Other Assets                          | 810                                |
| Capital Assets:                       |                                    |
| Assets Not Being Depreciated          | 2,293,002                          |
| Assets Being Depreciated, Net         | 19,810,512                         |
| <b>Total Assets</b>                   | <b>31,684,568</b>                  |
| <b>Deferred Outflows of Resources</b> |                                    |
| Deferred Amount on Refunding          | 35,636                             |
| <b>Liabilities</b>                    |                                    |
| Accounts Payable and Accrued Items    | 1,043,358                          |
| Accrued Interest Payable              | 70,875                             |
| Unearned Revenue                      | 464,199                            |
| Performance Bonds                     | 14,453                             |
| Noncurrent Liabilities:               |                                    |
| Due Within One Year                   | 582,365                            |
| Due In More Than One Year             | 4,109,169                          |
| <b>Total Liabilities</b>              | <b>6,284,419</b>                   |
| <b>Deferred Inflows of Resources</b>  |                                    |
| Prepaid Property Taxes                | 10,676                             |
| <b>Net Position</b>                   |                                    |
| Net Investment in Capital Assets      | 18,432,283                         |
| Restricted for:                       |                                    |
| Endowment/Perpetual Care:             |                                    |
| Nonexpendable                         | 1,997                              |
| Expendable                            | 6,488                              |
| General Government                    | 98,921                             |
| Residential Rehabilitation Program    | 307,217                            |
| Town Clerk Documents                  | 46,593                             |
| Education                             | 61,845                             |
| Unrestricted                          | 6,469,765                          |
| <b>Total Net Position</b>             | <b>\$ 25,425,109</b>               |

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, 2022

| Functions/Programs   | Expenses             | Program Revenues        |  |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
|--|----------------------|-------------------------|--|--|--|
|  |                      | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                 |
| Governmental Activities:                                     |                      |                         |  |  |  |
| General Government   | \$ 2,200,968         | \$ 251,822              | \$ 316,733                               | \$ -                                   | \$ (1,632,413)   |
| Public Safety  | 1,100,498            | 3,812                   | -  | -                                      | (1,096,686)  |
| Public Works   | 1,012,004            | -                       | -  | 193,018                                | (818,986)  |
| Sanitation   | 186,115              | 55,338                  | -  | -                                      | (130,777)  |
| Education  | 12,680,332           | 56,162                  | 3,998,358                                | -                                      | (8,625,812)  |
| Interest on Long-Term Debt                                   | 96,487               | -                       | -  | -                                      | (96,487)   |
| Total Governmental Activities                                | <u>\$ 17,276,404</u> | <u>\$ 367,134</u>       | <u>\$ 4,315,091</u>                      | <u>\$ 193,018</u>                      | <u>(12,401,161)</u>  |
| General Revenues:  |                      |                         |  |  |  |
| Property Taxes   |                      |                         |  |  | 12,897,144   |
| Grants and Contributions not Restricted to Specific Programs |                      |                         |  |  | 97,353   |
| Unrestricted Investment Earnings                             |                      |                         |  |  | <u>22,426</u>  |
| Total General Revenues                                       |                      |                         |  |  | <u>13,016,923</u>  |
| Change in Net Position                                       |                      |                         |  |  | 615,762  |
| Net Position - Beginning of Year, Restated                   |                      |                         |  |  | <u>24,809,347</u>  |
| Net Position - End of Year                                   |                      |                         |  |  | <u>\$ 25,425,109</u>                                       |

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

**TOWN OF SALEM, CONNECTICUT**

Balance Sheet  
Governmental Funds  
June 30, 2022

|  | General<br>Fund     | Education<br>Grants<br>Fund | Capital<br>Nonrecurring<br>Fund | Town<br>Grants<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------|---------------------------------|------------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>  |                     |                             |                                 |                        |                                   |                                |
| Cash and Cash Equivalents  | \$ 7,520,005        | \$ 484,320                  | \$ -                            | \$ 22,671              | \$ 316,724                        | \$ 8,343,720                   |
| Restricted Cash  | 14,453              | -                           | -                               | -                      | -                                 | 14,453                         |
| Investments  | 5,844               | -                           | 2,400                           | -                      | 42,324                            | 50,568                         |
| Receivables, Net of Allowance  | 191,532             | 44,078                      | -                               | -                      | 294,685                           | 530,295                        |
| Prepays  | 641,208             | -                           | -                               | -                      | -                                 | 641,208                        |
| Other  | -                   | -                           | -                               | -                      | 810                               | 810                            |
| Due from Other Funds   | 518,269             | 1,322                       | 1,495,493                       | 506,901                | 860,108                           | 3,382,093                      |
| <b>Total Assets</b>  | <u>\$ 8,891,311</u> | <u>\$ 529,720</u>           | <u>\$ 1,497,893</u>             | <u>\$ 529,572</u>      | <u>\$ 1,514,651</u>               | <u>\$ 12,963,147</u>           |
| <b>Liabilities</b>   |                     |                             |                                 |                        |                                   |                                |
| Accounts Payable and Accrued Items   | \$ 1,029,711        | \$ 2,768                    | \$ -                            | \$ -                   | \$ 10,879                         | \$ 1,043,358                   |
| Unearned Revenue   | 10                  | 1,338                       | -                               | 457,143                | 5,708                             | 464,199                        |
| Performance Bonds  | 14,453              | -                           | -                               | -                      | -                                 | 14,453                         |
| Due to Other Funds   | 2,712,059           | 517,623                     | 117,454                         | 34,311                 | 646                               | 3,382,093                      |
| <b>Total Liabilities</b>   | <u>3,756,233</u>    | <u>521,729</u>              | <u>117,454</u>                  | <u>491,454</u>         | <u>17,233</u>                     | <u>4,904,103</u>               |
| <b>Deferred Inflows of Resources</b>                                       |                     |                             |                                 |                        |                                   |                                |
| Unearned Revenue:  |                     |                             |                                 |                        |                                   |                                |
| Prepaid Property Taxes   | 10,676              | -                           | -                               | -                      | -                                 | 10,676                         |
| Unavailable Revenues:  |                     |                             |                                 |                        |                                   |                                |
| Property Taxes and Interest  | 104,823             | -                           | -                               | -                      | -                                 | 104,823                        |
| <b>Total Deferred Inflows of Resources</b>                                 | <u>115,499</u>      | <u>-</u>                    | <u>-</u>                        | <u>-</u>               | <u>-</u>                          | <u>115,499</u>                 |
| <b>Fund Balances</b>   |                     |                             |                                 |                        |                                   |                                |
| Nonspendable   | 641,208             | -                           | -                               | -                      | 1,997                             | 643,205                        |
| Restricted   | 46,593              | 7,991                       | -                               | 33,806                 | 432,674                           | 521,064                        |
| Committed  | -                   | -                           | 854,021                         | 4,312                  | 1,062,747                         | 1,921,080                      |
| Assigned   | 1,252,172           | -                           | 526,418                         | -                      | -                                 | 1,778,590                      |
| Unassigned   | 3,079,606           | -                           | -                               | -                      | -                                 | 3,079,606                      |
| <b>Total Fund Balances</b>   | <u>5,019,579</u>    | <u>7,991</u>                | <u>1,380,439</u>                | <u>38,118</u>          | <u>1,497,418</u>                  | <u>7,943,545</u>               |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b> | <u>\$ 8,891,311</u> | <u>\$ 529,720</u>           | <u>\$ 1,497,893</u>             | <u>\$ 529,572</u>      | <u>\$ 1,514,651</u>               | <u>\$ 12,963,147</u>           |

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

## TOWN OF SALEM, CONNECTICUT

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2022

---

|   |                     |
|---|---------------------|
| <b>Fund balances reported in governmental funds Balance Sheet</b> | <b>\$ 7,943,545</b> |
|---|---------------------|

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

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

|                       |              |
|-----------------------|--------------|
| <i>Capital Assets</i> | 32,484,253   |
| <i>Depreciation</i>   | (10,380,739) |

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

|   |         |
|---|---------|
| <i>Property taxes, interest and liens receivable greater than 60 days</i> | 104,823 |
|---|---------|

Governmental funds report the effects of premiums, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Position.

|                                      |           |
|--------------------------------------|-----------|
| <i>Deferred Charges on Refunding</i> | 35,636    |
| <i>Unamortized Bond Premium</i>      | (499,147) |

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

|                                   |                  |
|-----------------------------------|------------------|
| <i>Accrued Interest Payable</i>   | (70,875)         |
| <i>Bonds Payable</i>              | (2,835,000)      |
| <i>Loans Payable</i>              | (80,000)         |
| <i>Equipment Financing Notes</i>  | (292,720)        |
| <i>Postclosure Landfill Costs</i> | (7,500)          |
| <i>Compensated Absences</i>       | (40,240)         |
| <i>OPEB Liability</i>             | <u>(936,927)</u> |

|  |                             |
|--|-----------------------------|
| <b>Net position of governmental activities</b> | <b><u>\$ 25,425,109</u></b> |
|--|-----------------------------|

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

**TOWN OF SALEM, CONNECTICUT**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2022

|  | General<br>Fund     | Education<br>Grants<br>Fund | Capital<br>Nonrecurring<br>Fund | Town<br>Grants<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------|---------------------------------|------------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                     |                             |                                 |                        |                                   |                                |
| Property Taxes, Interest and Lien Fees               | \$ 12,872,102       | \$ -                        | \$ -                            | \$ -                   | \$ -                              | \$ 12,872,102                  |
| Intergovernmental Revenues                           | 4,115,267           | 303,932                     | -                               | 183,611                | 260,801                           | 4,863,611                      |
| Charges for Services                                 | 241,456             | 26,150                      | -                               | -                      | 33,824                            | 301,430                        |
| Investment Income                                    | 22,126              | -                           | 21                              | -                      | 279                               | 22,426                         |
| Other Revenue  | 75,219              | 14,643                      | -                               | -                      | 2,050                             | 91,912                         |
| Total Revenues                                       | <u>17,326,170</u>   | <u>344,725</u>              | <u>21</u>                       | <u>183,611</u>         | <u>296,954</u>                    | <u>18,151,481</u>              |
| <b>Expenditures</b>                                  |                     |                             |                                 |                        |                                   |                                |
| Current:   |                     |                             |                                 |                        |                                   |                                |
| General Government                                   | 1,843,635           | -                           | -                               | 220,726                | 7,430                             | 2,071,791                      |
| Public Safety  | 939,486             | -                           | -                               | -                      | 3,389                             | 942,875                        |
| Public Works   | 730,287             | -                           | -                               | -                      | -                                 | 730,287                        |
| Sanitation   | 171,371             | -                           | -                               | -                      | -                                 | 171,371                        |
| Education  | 11,974,328          | 344,583                     | -                               | -                      | 238,254                           | 12,557,165                     |
| Debt Service   | 402,375             | -                           | 104,790                         | -                      | 37,781                            | 544,946                        |
| Capital Outlay                                       | -                   | -                           | 1,399,182                       | -                      | -                                 | 1,399,182                      |
| Total Expenditures                                   | <u>16,061,482</u>   | <u>344,583</u>              | <u>1,503,972</u>                | <u>220,726</u>         | <u>286,854</u>                    | <u>18,417,617</u>              |
| Excess/(Deficiency) of Revenues<br>over Expenditures | 1,264,688           | 142                         | (1,503,951)                     | (37,115)               | 10,100                            | (266,136)                      |
| <b>Other Financing Sources/(Uses)</b>                |                     |                             |                                 |                        |                                   |                                |
| Proceeds from the Issuance of Loans                  | -                   | -                           | 80,000                          | -                      | -                                 | 80,000                         |
| Transfers In   | -                   | -                           | 1,135,172                       | -                      | -                                 | 1,135,172                      |
| Transfers Out  | <u>(1,135,172)</u>  | <u>-</u>                    | <u>-</u>                        | <u>-</u>               | <u>-</u>                          | <u>(1,135,172)</u>             |
| Total Other Financing Sources/(Uses)                 | <u>(1,135,172)</u>  | <u>-</u>                    | <u>1,215,172</u>                | <u>-</u>               | <u>-</u>                          | <u>80,000</u>                  |
| Net Change in Fund Balances                          | 129,516             | 142                         | (288,779)                       | (37,115)               | 10,100                            | (186,136)                      |
| Fund Balances at Beginning of Year, Restated         | <u>4,890,063</u>    | <u>7,849</u>                | <u>1,669,218</u>                | <u>75,233</u>          | <u>1,487,318</u>                  | <u>8,129,681</u>               |
| Fund Balances at End of Year                         | <u>\$ 5,019,579</u> | <u>\$ 7,991</u>             | <u>\$ 1,380,439</u>             | <u>\$ 38,118</u>       | <u>\$ 1,497,418</u>               | <u>\$ 7,943,545</u>            |

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

## TOWN OF SALEM, CONNECTICUT

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2022

---

|   |                     |
|---|---------------------|
| <b>Net Change in Fund Balances - Total Governmental Funds</b> | <b>\$ (186,136)</b> |
|---|---------------------|

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

Governmental funds report capital outlays as expenditures. However,  
in the Statement of Activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense.

|                             |           |
|-----------------------------|-----------|
| <i>Capital outlay</i>       | 1,425,910 |
| <i>Depreciation expense</i> | (845,558) |
| <i>Loss on disposal</i>     | (8,069)   |

Revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenue in the funds

|  |        |
|--|--------|
| <i>Property taxes, interest and liens collected accrual basis change</i> | 25,042 |
|--|--------|

Debt proceeds provide current financial resources to governmental funds, but  
issuing debt increases long-term liabilities in the statement of net position.  
Repayment of debt principal is an expenditure in the governmental funds, but  
the repayment reduces long-term liabilities in the Statement of Net Position.

|  |          |
|--|----------|
| <i>Principal payments on long-term debt - general obligation bonds</i> | 325,000  |
| <i>Proceeds from long-term debt - equipment financing notes</i>        | 90,777   |
| <i>Issuance of long-term debt - loans payable</i>                      | (80,000) |
| <i>Amortization of bond premiums</i>                                   | 55,461   |
| <i>Amortization of deferred amount on refunding</i>                    | (4,454)  |

Some expenses reported in the statement of activities do not require the use of  
current financial resources and, therefore, are not reported as expenditures in  
the governmental funds.

|                                   |                  |
|-----------------------------------|------------------|
| <i>Accrued Interest</i>           | (18,325)         |
| <i>Postclosure Landfill Costs</i> | 2,500            |
| <i>Compensated Absences</i>       | 1,113            |
| <i>OPEB Liability</i>             | <u>(167,499)</u> |

|  |                          |
|--|--------------------------|
| <b>Change in net position of governmental activities</b> | <b><u>\$ 615,762</u></b> |
|--|--------------------------|

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

## **TOWN OF SALEM, CONNECTICUT**

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

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#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Salem, Connecticut (the "Town") have been prepared in conformance with accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing the governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

##### **Reporting Entity**

The Town is a municipal corporation incorporated in 1819. The Town is governed by a Selectman-Town Meeting form of government. Under this form of government, the Town Meeting is the legislative body. A Town Meeting is required to make appropriations, levy taxes and borrow money. The executive branch is led 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 oversees the public school system. The elected Board of Finance is the budget making authority and supervises the Town financial matters.

The Town's financial statements include the accounts of all Town controlled operations. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town of Salem (the primary government) and its component units. The basic criteria for inclusion of a component unit in a governmental unit's reporting entity for financial reporting is the exercise of oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters and scope of public service. Currently, there are no entities considered component units of the Town. The Town includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Town's executive and legislative branches. The financial statements presented herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from the Town of Salem.

##### **Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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. 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.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in the demonstrating compliance with finance related legal and contractual provisions. The Town maintains the minimum number of funds consistent with legal and managerial requirements. The focus of governmental fund financial statements is on major funds as that term is defined in professional pronouncements. Each major fund is to be presented in a separate column, with non-major funds, if any, aggregated and presented in a single column.

## TOWN OF SALEM, CONNECTICUT

### Notes to the Financial Statements

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Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the pages following, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental activities column of the government-wide presentation.

#### **Measurement Focus, Basis of Accounting, and Financial Statements Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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*. Their revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used 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. In addition, the Town considers reimbursement grants to be available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, capital leases, other post-employment benefit obligations, and claims and judgments that are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Expenditure reimbursement type grants, certain intergovernmental revenues, charges, transfers 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.

Governmental funds are those through which most governmental functions typically are financed. The following are the Town's major governmental funds:

- The *General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another manner.
- The *Town Grants Fund* is used to account for and report financial resources that are restricted or committed for general government programs, this fund is mainly grant funded.
- The *Capital Nonrecurring Fund* is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of major capital facilities and other capital assets.
- The *Education Grants Fund* accounts for and reports financial resources for educational purposes funded by various federal and state grants as well as preschool revenues and expenditures. These funds are required by State Statute to be accounted for separately from the General Fund.

#### **Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity**

*Cash and Cash Equivalents* – 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* - In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interests in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. The Statutes (Sections 3-24f and 3-27f) also provide for investment in shares of the Connecticut Short-Term Investment Fund. Trust funds are able to invest in a wider range of investments. Investments are stated at fair value, based on quoted market prices. Certificates of Deposit are reported at cost.

The 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 overseen by the Office of the State Treasurer. The pool is rated AAAM by Standard & Poor’s. This is the highest rating for money market funds and investment pools. 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 fair value of the position in the pool is the same as the value of the pool shares.

*Due From/To Other Funds* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund receivables and payables. They arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

*Taxes Receivable*- All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Town has established an allowance for estimated uncollectible motor vehicle and personal property taxes and interest in the amount of \$8,000. Property taxes are assessed as of October 1 and billed the following July. Real property bills are payable in two installments, July 1 and January 1. Motor vehicle and personal property taxes are payable in one installment on July 1, with the motor vehicle supplemental bills payable on January 1. Assessments for real and personal property, including motor vehicles, are computed at seventy percent of the market value. Liens are effective on the assessment date and are continued by filing before the end of the year following the due date.

*Loans Receivable* – Loans receivable consist of Community Development Block Grant loans. The Town provides the low interest loans for residential rehabilitation as well as loans to local businesses for facility improvements. As of June 30, 2022, loans receivable totaled \$247,381 under this program.



**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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*Capital Assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>           | <u>Years</u> |
|-------------------------|--------------|
| Land Improvements       | 10 - 40      |
| Buildings and Systems   | 15 -100      |
| Machinery and Equipment | 10 - 50      |
| Infrastructure          | 20 - 50      |
| Vehicles                | 10 - 25      |

*Unearned Revenues* - Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. In the government-wide financial statements, unearned revenues consist of revenue received in advance and/or amounts from grants received before the eligibility requirements have been met.

*Long-term obligations* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts 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 recognized as an expense in the period they are incurred.

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, and debt payments, are reported as debt service expenditures.

*Compensated absences* - Town employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination or retirement. Vacation and sick leave expenses to be paid in future periods are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if the liability has matured through employee resignation or retirement.

## TOWN OF SALEM, CONNECTICUT

### Notes to the Financial Statements

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*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town reports deferred charges on refunding in the government-wide statement of net position, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports unavailable revenue from property taxes and related interest in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town reports advance property tax collections in the government-wide statement of net position and in the governmental funds balance sheet. Advance property tax collections represent taxes inherently associated with a future period. This amount is recognized during the period in which the revenue is associated.

*Fund equity and net position* – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. In the government-wide statement of net position, net position is classified in the following categories:

*Net Investment in Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

*Restricted Net Position* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Unrestricted Net Position* – This category represents the net position of the Town, which is not restricted for any project or other purpose.

When both restricted and unrestricted resources are available for certain expenses, the Town expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

*Nonspendable Fund Balance* – Indicates amounts that cannot be spent because they are either not in spendable form, or are legally or contractually required to be maintained intact.

*Restricted Fund Balance* – Indicates amounts that are restricted to specific purposes. The spending constraints placed on the use of fund balance amounts are externally imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

*Committed Fund Balance* – Indicates amounts that can be used only for specific purposes pursuant to constraints imposed by formal budgetary action of the Board of Finance and Town Meeting in accordance with provisions of the Connecticut General Statutes.

## TOWN OF SALEM, CONNECTICUT

### Notes to the Financial Statements

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*Assigned Fund Balance* – Indicates amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the approval of a resolution by the Board of Finance or by a properly approved purchase order (encumbrance).

*Unassigned Fund Balance* – Represents the remaining fund balance after amounts are set aside for all other classifications. This category is only reported in the general fund for positive amounts and in any other fund that has a fund balance deficit.

The Town does not have a formal policy over the use of fund balance. When both restricted and unrestricted (committed, assigned, unassigned) amounts of fund balance are available for use for expenditures incurred, it is assumed that the Town will use restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned and unassigned amounts.

The Board of Finance has adopted a minimum fund balance policy for the General Fund. The policy is to maintain an unassigned fund balance between 15% and 20% of budgeted expenditures, with a goal of 18% of budgeted expenditures in the General Fund. If the unassigned fund balance exceeds the 18% target, the use of such excess funds could be for capital projects and other onetime uses, to avoid creating a gap in the subsequent fiscal year budget. If the fund balance goes below the 15% minimum, then the Board of Finance will endeavor to replenish reserves during the budget process to minimum levels within 3 years.

*Encumbrances* – In governmental funds, encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve applicable appropriations, is generally employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end are reported as assigned fund balance since they do not constitute expenditures or liabilities.

#### **Fair Value of Financial Instruments**

In accordance with GASB Statement No. 72, the Town is required to measure the fair value of its assets and liabilities under a three-level hierarchy, as follows:

**Level 1:** Quoted market prices for identical assets or liabilities to which an entity has access to at the measurement date.

**Level 2:** Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets in markets that are not active;
- c. Observable inputs other than quoted prices for the assets or liability;
- d. Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

**Level 3:** Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

*Observable inputs* reflect the assumptions market participants would use in pricing the asset or liability developed from sources independent of the reporting entity; and *unobservable inputs* reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

Certificates of Deposit are reported at amortized cost and are excluded from the fair value disclosures.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The deposit of public funds is controlled by the Connecticut General Statutes (Section 7-402). Deposits may be made in a “qualified public depository” as defined by Statute or in amounts not exceeding the Federal Deposit Insurance Corporation insurance limit in an “out of state bank” as defined by the Statutes, which is not a “qualified public depository”. The following is a summary of cash and cash equivalents at June 30, 2022.

|                           |                       |
|---------------------------|-----------------------|
|                           | Governmental<br>Funds |
| Cash and Cash Equivalents | \$ 8,343,720          |
| Restricted Cash           | 14,453                |
|                           | <u>\$ 8,358,173</u>   |

*Custodial Credit Risk - Deposits:* 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 does not have a deposit policy for custodial credit risk. The State of Connecticut requires that each depository maintain segregated collateral in an amount equal to a defined percentage of its public deposits based upon the bank’s risk-based capital ratio. The following is a reconciliation of the Town’s deposits subject to custodial credit risk:

|                               |                     |
|-------------------------------|---------------------|
| Cash and Restricted Cash      | \$ 8,358,173        |
| Less: Cash Equivalents (STIF) | (5,805,782)         |
| Plus: Investments (CDs)       | 50,568              |
|                               | <u>\$ 2,602,959</u> |

At year-end, the Town’s carrying amount of deposits subject to custodial credit risk was \$2,602,959 and the bank balance was \$2,945,245. Of the bank balance, the Federal Depository Insurance Corporation insured \$751,409.

As of June 30, 2022, \$2,193,836 of the Town’s bank balance of \$2,945,245 was exposed to custodial credit risk as follows:

|  |                     |
|--|---------------------|
| Uninsured and uncollateralized   | \$ 1,899,452        |
| Uninsured and collateral held by<br>pledging bank's Trust department<br>not in the Town's name | 294,384             |
| Total  | <u>\$ 2,193,836</u> |

**Cash Equivalents**

At June 30, 2022, the Town’s cash equivalents (Short-Term Investment Fund “STIF”) amounted to \$5,805,782. STIF is rated AAAM by Standard and Poor’s and has an average maturity of under 60 days.

**Investments**

The following is a summary of investments at June 30, 2022:

|                         |                       |
|-------------------------|-----------------------|
|                         | Governmental<br>Funds |
| Certificates of Deposit | <u>\$ 50,568</u>      |

*Custodial Credit Risk -* This is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town does not have a policy for custodial credit risk.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

*Credit Risk* – The Town does not have an investment policy that limits investment choices further than the Connecticut General Statutes. Generally, credit risk is defined as the risk that an issuer of a debt type investment will not fulfill its obligation to the holder. This is measured by assignment of a rating by a nationally recognized rating organization.

*Concentrations of Credit Risk* – The Town places no limit on the amount of investment in any one issuer.

*Interest Rate Risk* - 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. As of June 30, 2022, the Town had the following investments subject to interest rate risk:

|                         | Total     | Investment Maturities (In Years) |           |        |
|-------------------------|-----------|----------------------------------|-----------|--------|
|                         |           | Less Than 1                      | 1 - 5     | 6 - 10 |
| Certificates of Deposit | \$ 50,568 | \$ 32,125                        | \$ 18,443 | \$ -   |

**NOTE 3 – RECEIVABLES**

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

|                           | General Fund      | Education Grants Fund | Nonmajor and Other Funds | Total             |
|---------------------------|-------------------|-----------------------|--------------------------|-------------------|
| Receivables:              |                   |                       |                          |                   |
| Property Taxes            | \$ 131,655        | \$ -                  | \$ -                     | \$ 131,655        |
| Interest, Liens, and Fees | 22,208            | -                     | -                        | 22,208            |
| Loans                     | -                 |                       | 247,381                  | 247,381           |
| Intergovernmental         | -                 | 44,078                | 47,304                   | 91,382            |
| Accounts                  | 45,669            | -                     | -                        | 45,669            |
| Gross Receivables         | <u>199,532</u>    | <u>44,078</u>         | <u>294,685</u>           | <u>538,295</u>    |
| Less Allowance for        |                   |                       |                          |                   |
| Uncollectibles:           |                   |                       |                          |                   |
| Property Taxes            | (7,000)           | -                     | -                        | (7,000)           |
| Interest, Liens, and Fees | <u>(1,000)</u>    | <u>-</u>              | <u>-</u>                 | <u>(1,000)</u>    |
| Total Allowance           | <u>(8,000)</u>    | <u>-</u>              | <u>-</u>                 | <u>(8,000)</u>    |
| Net Total Receivables     | <u>\$ 191,532</u> | <u>\$ 44,078</u>      | <u>\$ 294,685</u>        | <u>\$ 530,295</u> |

The loans receivable in the nonmajor governmental funds of \$247,381 are long term receivables and are not expected to be collected within one year.

**TOWN OF SALEM, CONNECTICUT****Notes to the Financial Statements**

Governmental funds report unavailable revenue in connection with receivables 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 unearned revenue reported in the governmental funds were as follows:

|                           | Governmental<br>Funds |
|---------------------------|-----------------------|
| Town Grants Fund:         |                       |
| Advances on Grants        | \$ 457,143            |
| General Fund:             |                       |
| Fees Collected in Advance | 10                    |
| Education Grants Fund     |                       |
| Advances on Grants        | 1,338                 |
| Nonmajor Funds:           |                       |
| Advances on Grants        | 5,708                 |
| Total Unearned Revenue    | <u>\$ 464,199</u>     |

**NOTE 4 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The outstanding balances between funds result mainly from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur; 2) transactions are recorded in the accounting system; and 3) payments between funds are made. At June 30, 2022, the outstanding balances between funds were:

| Payable Fund                | Receivable Fund             | Total               |
|-----------------------------|-----------------------------|---------------------|
| General Fund                | Nonmajor Governmental Funds | \$ 742,654          |
| General Fund                | Town Grants Fund            | 506,901             |
| General Fund                | Capital Nonrecurring Fund   | 1,462,504           |
| Town Grants                 | Education Grants Fund       | 1,322               |
| Education Grants Fund       | General Fund                | 517,623             |
| Nonmajor Governmental Funds | General Fund                | 646                 |
| Capital Nonrecurring Fund   | Nonmajor Governmental Funds | 117,454             |
| Town Grants                 | Capital Nonrecurring Fund   | 32,989              |
|                             |                             | <u>\$ 3,382,093</u> |

# TOWN OF SALEM, CONNECTICUT

## Notes to the Financial Statements

Fund transfers are used to: 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and 2) to account for unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers during the year ended June 30, 2022 were as follows:

| Transfers In:             | Transfers Out: | Total        |
|---------------------------|----------------|--------------|
| Capital Nonrecurring Fund | General Fund   | \$ 1,135,172 |

### NOTE 5 – CAPITAL ASSETS

The following is a summary of the change in capital assets as of June 30, 2022:

|  | Beginning<br>Balance | Increases         | Decreases          | Ending<br>Balances   |
|--|----------------------|-------------------|--------------------|----------------------|
| <b>Governmental Activities</b>               |                      |                   |                    |                      |
| Capital assets, not being depreciated        |                      |                   |                    |                      |
| Land   | \$ 1,840,216         | \$ -              | \$ -               | \$ 1,840,216         |
| Construction in Progress                     | 257,728              | 239,158           | (44,100)           | 452,786              |
| Total capital assets, not being depreciated  | <u>2,097,944</u>     | <u>239,158</u>    | <u>(44,100)</u>    | <u>2,293,002</u>     |
| Capital assets, being depreciated            |                      |                   |                    |                      |
| Land Improvements                            | 2,040,465            | -                 | -                  | 2,040,465            |
| Buildings and Systems                        | 16,704,688           | 217,720           | -                  | 16,922,408           |
| Machinery and Equipment                      | 2,353,488            | 85,478            | -                  | 2,438,966            |
| Infrastructure                               | 4,069,007            | 579,556           | -                  | 4,648,563            |
| Vehicles                                     | 3,900,810            | 348,098           | (108,059)          | 4,140,849            |
| Total capital assets, being depreciated      | <u>29,068,458</u>    | <u>1,230,852</u>  | <u>(108,059)</u>   | <u>30,191,251</u>    |
| Less accumulated depreciation for:           |                      |                   |                    |                      |
| Land Improvements                            | 789,088              | 86,529            | -                  | 875,617              |
| Buildings and Improvements                   | 4,032,131            | 310,448           | -                  | 4,342,579            |
| Machinery and Equipment                      | 1,401,673            | 98,048            | -                  | 1,499,721            |
| Infrastructure                               | 1,338,441            | 210,531           | -                  | 1,548,972            |
| Vehicles                                     | 2,073,838            | 140,002           | (99,990)           | 2,113,850            |
| Total accumulated depreciation               | <u>9,635,171</u>     | <u>845,558</u>    | <u>(99,990)</u>    | <u>10,380,739</u>    |
| Total capital assets, being depreciated, net | <u>19,433,287</u>    | <u>385,294</u>    | <u>(8,069)</u>     | <u>19,810,512</u>    |
| Capital assets, net                          | <u>\$ 21,531,231</u> | <u>\$ 624,452</u> | <u>\$ (52,169)</u> | <u>\$ 22,103,514</u> |

Depreciation expense was charged to functions/programs of the Town as follows:

|                    |                   |
|--------------------|-------------------|
| General Government | \$ 130,290        |
| Public Safety      | 157,623           |
| Public Works       | 300,376           |
| Sanitation         | 17,244            |
| Education          | 240,025           |
| Total              | <u>\$ 845,558</u> |

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

**NOTE 6 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2022 was as follows:

| <b>Governmental Activities</b> | <b>Beginning<br/>Balance</b> | <b>Additions</b>  | <b>Reductions</b> | <b>Ending<br/>Balance</b> | <b>Due Within<br/>One Year</b> |
|--------------------------------|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| <b>Bonds Payable:</b>          |                              |                   |                   |                           |                                |
| General Obligation Bonds       | \$ 3,160,000                 | \$ -              | \$ 325,000        | \$ 2,835,000              | \$ 330,000                     |
| Unamortized Premium            | <u>554,608</u>               | <u>-</u>          | <u>55,461</u>     | <u>499,147</u>            | <u>55,461</u>                  |
| Total Bonds Payable            | 3,714,608                    | -                 | 380,461           | 3,334,147                 | 385,461                        |
| Loan Payable                   | -                            | 80,000            | -                 | 80,000                    | 80,000                         |
| Equipment Financing Note       | 383,497                      | -                 | 90,777            | 292,720                   | 94,094                         |
| Compensated Absences           | 41,353                       | -                 | 1,113             | 40,240                    | 20,310                         |
| Post Closure Landfill Costs    | 10,000                       | -                 | 2,500             | 7,500                     | 2,500                          |
| OPEB Liability                 | <u>769,428</u>               | <u>167,499</u>    | <u>-</u>          | <u>936,927</u>            | <u>-</u>                       |
| Total                          | <u>\$ 4,918,886</u>          | <u>\$ 247,499</u> | <u>\$ 474,851</u> | <u>\$ 4,691,534</u>       | <u>\$ 582,365</u>              |

Long-term obligations, other than equipment financing notes, have typically been liquidated by the General Fund. Equipment financing notes are typically liquidated by the Capital Nonrecurring Fund.

**General Obligation Bonds**

The Town issues general obligation bonds to provide financing for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the Town and pledge the full faith and credit of the Town. General obligation bonds outstanding as of June 30, 2022 consisted of the following:

| <b>Bond Issue</b>   | <b>Year of<br/>Issue</b> | <b>Original<br/>Amount</b> | <b>Interest<br/>Rates</b> | <b>Final<br/>Maturity</b> | <b>Outstanding<br/>June 30, 2022</b> |
|---------------------|--------------------------|----------------------------|---------------------------|---------------------------|--------------------------------------|
| General Obligation  | 2021                     | \$ 550,000                 | 5.00%                     | 2030                      | \$ 550,000                           |
| General Obligation* | 2021                     | 2,285,000                  | 5.00%                     | 2031                      | <u>2,285,000</u>                     |
|                     |                          |                            |                           |                           | <u>\$ 2,835,000</u>                  |

**\*Refunding Bonds**

The annual debt service requirements of the Town's general obligation bonds and loan payable are as follows:

| <b>Year(s)</b> | <b>Principal</b>    | <b>Interest</b>   | <b>Total</b>        |
|----------------|---------------------|-------------------|---------------------|
| 2023           | \$ 410,000          | \$ 136,765        | \$ 546,765          |
| 2024           | 335,000             | 116,875           | 451,875             |
| 2025           | 340,000             | 100,000           | 440,000             |
| 2026           | 345,000             | 82,875            | 427,875             |
| 2027           | 350,000             | 65,500            | 415,500             |
| 2028-2031      | <u>1,135,000</u>    | <u>92,375</u>     | <u>1,227,375</u>    |
| Total          | <u>\$ 2,915,000</u> | <u>\$ 594,390</u> | <u>\$ 3,509,390</u> |

Interest paid and expensed on general obligation bonds for the year ended June 30, 2022 totaled \$123,425.



## TOWN OF SALEM, CONNECTICUT

### Notes to the Financial Statements

#### Bonds Authorized and Unissued

At June 30, 2022, there was \$550,000 of authorized and unissued bonds for Salem School Roof and HVAC Project.

#### Loan Payable

The Town has entered into a Loan Payable Agreement for the purchase of a large snowplow truck. The final cost of the truck was higher than expected and additional funds were necessary to make up the difference to total \$80,000. The Loan was entered into on August 26, 2021 and will mature in one year on August 26, 2022 with an interest rate of 3.95%.

#### Equipment Financing Notes

The Town has entered into equipment financing notes for the acquisition of a fire truck.

| Equipment              | Year of Issue | Original Amount | Interest Rate | Final Maturity | Principal Outstanding June 30, 2022 |
|------------------------|---------------|-----------------|---------------|----------------|-------------------------------------|
| Pierce Enforcer Pumper | 2019          | \$ 555,563      | 3.594%        | 7/1/2024       | \$ 292,721                          |

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

| Year(s) | Principal         | Interest         | Total             |
|---------|-------------------|------------------|-------------------|
| 2023    | \$ 94,094         | \$ 10,696        | \$ 104,790        |
| 2024    | 97,532            | 7,258            | 104,790           |
| 2025    | 101,095           | 3,694            | 104,789           |
| Total   | <u>\$ 292,721</u> | <u>\$ 21,648</u> | <u>\$ 314,369</u> |

#### Advance Refunding

The Town had advance refunded general obligation bonds in prior years. The Town advance refunded the bonds to reduce its total debt service payments by \$180,867 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$175,252. The difference between the reacquisition price (the amount placed in escrow) and the net carrying amount of the refunded bonds resulted in a deferred amount on refunding of \$40,090. These amounts, net of accumulated amortization of \$4,454 have been presented as deferred outflows of resources in the government-wide financial statements.

#### Compensated Absences

Vacation time earned during the fiscal year can be carried over to the succeeding year, subject to limitations as provided in the respective collective bargaining agreements. Employees are entitled to accumulate sick leave up to a maximum amount stipulated in each contract. Payment for accumulated sick leave is dependent upon the length of service and accumulated days. The value of all compensated absences has been reflected in the government-wide financial statements.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

**NOTE 7 – FUND BALANCE COMPONENTS**

The components of fund balance for the governmental funds at June 30, 2022 are as follows:

|                            | General<br>Fund     | Town<br>Grants<br>Fund | Capital<br>Nonrecurring<br>Fund | Education<br>Grants<br>Fund | Nonmajor<br>Governmental<br>Funds | Total               |
|----------------------------|---------------------|------------------------|---------------------------------|-----------------------------|-----------------------------------|---------------------|
| <b>Fund Balances:</b>      |                     |                        |                                 |                             |                                   |                     |
| <b>Nonspendable:</b>       |                     |                        |                                 |                             |                                   |                     |
| Cemetery Maintenance       | \$ -                | \$ -                   | \$ -                            | \$ -                        | \$ 1,997                          | \$ 1,997            |
| Prepays                    | 641,208             | -                      | -                               | -                           | -                                 | 641,208             |
| <b>Total Nonspendable</b>  | <b>\$ 641,208</b>   | <b>\$ -</b>            | <b>\$ -</b>                     | <b>\$ -</b>                 | <b>\$ 1,997</b>                   | <b>\$ 643,205</b>   |
| <b>Restricted for:</b>     |                     |                        |                                 |                             |                                   |                     |
| General Government         | \$ -                | \$ 33,806              | \$ -                            | \$ -                        | \$ 48,896                         | \$ 82,702           |
| Cemetery Maintenance       | -                   | -                      | -                               | -                           | 6,488                             | 6,488               |
| Residential Rehabilitation | -                   | -                      | -                               | -                           | 307,217                           | 307,217             |
| Town Clerk Documents       | 46,593              | -                      | -                               | -                           | -                                 | 46,593              |
| Education                  | -                   | -                      | -                               | 7,991                       | 70,073                            | 78,064              |
| <b>Total Restricted</b>    | <b>\$ 46,593</b>    | <b>\$ 33,806</b>       | <b>\$ -</b>                     | <b>\$ 7,991</b>             | <b>\$ 432,674</b>                 | <b>\$ 521,064</b>   |
| <b>Committed to:</b>       |                     |                        |                                 |                             |                                   |                     |
| General Government         | \$ -                | \$ 4,312               | \$ -                            | \$ -                        | \$ 1,409                          | \$ 5,721            |
| Public Safety              | -                   | -                      | -                               | -                           | 78                                | 78                  |
| Capital                    | -                   | -                      | 854,021                         | -                           | 1,061,260                         | 1,915,281           |
| <b>Total Committed</b>     | <b>\$ -</b>         | <b>\$ 4,312</b>        | <b>\$ 854,021</b>               | <b>\$ -</b>                 | <b>\$ 1,062,747</b>               | <b>\$ 1,921,080</b> |
| <b>Assigned:</b>           |                     |                        |                                 |                             |                                   |                     |
| Encumbrances               | \$ 43,338           | \$ -                   | \$ -                            | \$ -                        | \$ -                              | \$ 43,338           |
| Capital                    | 379,020             | -                      | 526,418                         | -                           | -                                 | 905,438             |
| Subsequent Budget          | 829,814             | -                      | -                               | -                           | -                                 | 829,814             |
| <b>Total Assigned</b>      | <b>\$ 1,252,172</b> | <b>\$ -</b>            | <b>\$ 526,418</b>               | <b>\$ -</b>                 | <b>\$ -</b>                       | <b>\$ 1,778,590</b> |
| <b>Unassigned:</b>         | <b>\$ 3,079,606</b> | <b>\$ -</b>            | <b>\$ -</b>                     | <b>\$ -</b>                 | <b>\$ -</b>                       | <b>\$ 3,079,606</b> |

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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**NOTE 8 – RETIREMENT BENEFITS**

**Defined Contribution Retirement Plan**

The town established a single employer defined contribution plan called The Town of Salem Deferred Compensation Plan (the “Plan”) to provide retirement benefits for all of its full-time employees. Under provisions of the Plan, all full-time employees (except those covered under a comparable employer plan) may participate. The Town is required to contribute an amount equal to 3% of employee covered payroll. Plan participants are not required to contribute to the plan. The Plan does not issue stand alone financial statements and is not a part of the Town’s financial reporting entity since the Town has no trustee responsibilities related to the participant accounts which contain employer contributions. Employer contributions to the Plan totaled \$53,715 for the year ended June 30, 2022.

**Connecticut State Teacher’s Retirement System**

*Plan Description:* Teachers, principals, superintendents, or supervisors engaged in service of public schools are provided with pensions through the Connecticut State Teachers’ Retirement System (the “System”). The System is a cost sharing multiple-employer defined benefit pension plan administered by the Connecticut State Teachers’ Retirement Board (CTRB). Chapter 167a of the State Statutes grants authority to establish and amend the benefited terms to the CTRB Board. The CTRB issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov), or by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106.

*Benefit Provisions:* The Plan provides retirement, disability and death benefits. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut.

*Normal Retirement:* Retirement benefits for the employees are calculated as 2% of the average annual salary times years of credited service (maximum benefit is 75% of average annual salary during the 3 highest years of salary).

*Early Retirement:* Employees are eligible after 25 years of credited service including 20 years of Connecticut service, or age 55 with 20 years of credited service including 15 years of Connecticut service with reduced benefit amounts.

*Disability Retirement:* Employees are eligible for service-related disability regardless of length of service. Five years of credited service is required for non-service-related disability or eligibility. Disability benefits are calculated as 2% per year of service times the average of the highest three years of pensionable salary, as defined per the plan, but not less than 15% of average annual salary, nor more than 50% of average annual salary.

*Contributions:* Per Connecticut General Studies Section 10-183z, contribution requirements of active employees and the State of Connecticut are approved, amended, and certified by the State Teachers Retirement Board and appropriated by the General Assembly.

*Employer (School Districts):* School District employers are not required to make contributions to the plan. The statutes require the State of Connecticut to contribute 100% of each school districts’ required contributions, which are actuarially determined as an amount, that, when combined with employee contributions, is expected to finance the costs of the benefits earned by employees during the year, with any additional amount to finance any unfunded accrued liability.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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*Employees:* Participants are required to contribute 7% of their annual salary to the System as required by the CGS Section 10-183b(7). For the year ended June 30, 2022 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$235,004. Covered payroll for the Town for the year ended June 30, 2022 was approximately \$3,357,203.

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:* At June 30, 2022 the Town reports no amounts for its proportionate share of the net pension liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

|   |                      |
|---|----------------------|
| Town's proportionate share of the net pension liability                           | \$ -                 |
| State's proportionate share of the net pension liability associated with the Town | <u>11,295,002</u>    |
| Total   | <u>\$ 11,295,002</u> |

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. At June 30, 2022, the Town had no proportionate share of the net pension liability.

For the year ended June 30, 2022, the Town recognized benefits expense and contribution revenue of \$945,779 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$729,119 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

*Actuarial Assumptions:* The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

|  |                   |
|--|-------------------|
| Inflation  | 2.50 Percent      |
| Salary increases, including inflation  | 3.00-6.50 Percent |
| Long-term investment rate of return, net of pension investment expense, including inflation. | 6.90 Percent      |

Mortality rates were based on the PubT-2010 Healthy Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

**TOWN OF SALEM, CONNECTICUT**  
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Future cost-of-living increases for members who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

The long-term expected rate of return on pension investments was determined using a log-normal distributions analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The current capital market assumptions and the target asset allocation as provided by the Treasurer's Office are summarized in the following table:

| <u>Asset Class</u>                | <u>Target<br/>Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| Domestic Equity Fund              | 20.00%                       | 5.60%   |
| Developed Market Intl. Stock Fund | 11.00%                       | 6.00%   |
| Emerging Market Intl. Stock Fund  | 9.00%                        | 7.90%   |
| Core Fixed Income Fund            | 16.00%                       | 2.10%   |
| Inflation Linked Bond Fund        | 5.00%                        | 1.10%   |
| Emerging Market Debt Fund         | 5.00%                        | 2.70%   |
| High Yield Bond Fund              | 6.00%                        | 4.00%   |
| Real Estate Fund                  | 10.00%                       | 4.50%   |
| Private Equity                    | 10.00%                       | 7.30%   |
| Alternative Investments           | 7.00%                        | 2.90%   |
| Liquidity Fund                    | 1.00%                        | 0.40%   |

*Discount Rate:* The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate:* The Town's proportionate share of the net pension liability is \$0 and therefore the change in the discount rate would only impact the amount recorded by the State of Connecticut.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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**Other Post-Employment Benefits**

*Plan Description:* The Town administers a single-employer defined benefit healthcare plan (the "Plan") for certain Town and Board of Education employees in accordance with various collective bargaining agreements.

The plan does not issue a publicly available financial report and is not included in the financial statements of another entity. The plan does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefit Provisions:* The OPEB Plan provides for medical benefits for certain retired employees and all retired teachers. Benefits and contributions are established by contract and may be amended by union negotiations. Town and Board of Education Employees are eligible to retire under this plan upon attainment of age 60 with 20 years of service or 35 years of service at any age (Normal Retirement); or age 55 with 20 years of service or 25 years of service at any age (Early Retirement). Upon reaching age 65 retired teachers and certified administrators who elect to participate in Medicare are removed from coverage.

*Employees Covered by Benefit Terms:* At July 1, 2022, the following employees were covered by the benefit terms:

|  |                |
|--|----------------|
| Retirees, beneficiaries, and dependents currently receiving benefits | 6              |
| Active participants  | 44             |
|  | <hr/> 50 <hr/> |

*Contributions:* Teachers who no longer work for the Board of Education are allowed by State Statute to participate in the Town's group medical insurance plan until they formally begin receiving benefits from the State Teachers' Retirement Plan. These retirees are required to contribute the cost of the insurance to the Town.

*Total OPEB Liability:* The Town's total OPEB liability of \$936,927, was measured as of June 30, 2022 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs:* Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend rate. Amounts determined regarding the funded status of the plan, and the annual required contributions of the employer, are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The information presented was determined as part of the actuarial valuation. Additional information as of the last actuarial valuation follows:

|                            |                       |
|----------------------------|-----------------------|
| Valuation Date             | June 30, 2022         |
| Actuarial Cost Method      | Entry Age Normal      |
| Amortization Method        | Level Percentage      |
| Amortization Period        | 20 years              |
| Discount Rate              | 2.18%                 |
| Salary Increases           | 2.50%                 |
| Healthcare Cost Trend Rate | Ranges from 4.2%-4.8% |

The discount rate was based on the Standard and Poor's municipal bond 20-year high grade index as of the measurement date.

Mortality rates for board of education-certified were based on the RP-2014 White Collar Employer & Healthy Annuitant tables projected to 2020 using Scale BB.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

Mortality rates for general employees & board of education-noncertified were based on the RP-2014 (adjusted back to 2006) Headcount-Weighted, projected generationally with Scale MP-2017.

**Changes in the Total OPEB Liability:**

|  | Total OPEB<br>Liability |
|--|-------------------------|
| Balance at 6/30/21   | \$ 769,428              |
| Changes for the year:  |                         |
| Service Cost   | 21,642                  |
| Interest   | 17,245                  |
| Differences Between Expected and Actual Experience             | 128,612                 |
| Changes in Assumptions   | -                       |
| Benefit Payments, Including Refunds<br>of Member Contributions | -                       |
| Net Changes  | 167,499                 |
| Balance at 6/30/22   | \$ 936,927              |

Changes of assumptions primarily reflects a change in the salary increases from 3.00% to 2.50%.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.18%) or 1-percentage-point higher (3.18%) than the current discount rate:

|                      | 1%<br>Decrease<br>1.18% | Current<br>Discount Rate<br>2.18% | 1%<br>Increase<br>3.18% |
|----------------------|-------------------------|-----------------------------------|-------------------------|
| Total OPEB Liability | \$ 1,120,410            | \$ 936,927                        | \$ 792,565              |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:* The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

|                      | 1% Decrease | Current<br>Trend Rates | 1% Increase  |
|----------------------|-------------|------------------------|--------------|
| Total OPEB Liability | \$ 765,458  | \$ 936,927             | \$ 1,159,553 |

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the Town recognized OPEB expense of \$167,499. As of June 30, 2022, the Town reported no deferred outflows and inflows of resources related to OPEB due to using the Alternative Measurement Method.

**Connecticut Teachers' Retirement System - OPEB**

*Plan Description* - Teachers, principals, superintendents or supervisors engaged in service of public schools are provided with benefits, including retiree health insurance, through the Connecticut Teachers' Retirement System—a cost sharing multiemployer defined benefit pension plan administered by the TRB. Chapter 167a of the State Statutes grants authority to establish and amend the benefit terms to the TRB. TRS issues a publicly available financial report that can be obtained at [www.ct.gov](http://www.ct.gov).

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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***Benefit Provisions*** - The Plan covers retired teachers and administrators of public schools in the State who are receiving benefits from the Plan. The Plan provides healthcare insurance benefits to eligible retirees and their spouses. Any member that is currently receiving a retirement or disability benefit through the Plan is eligible to participate in the healthcare portion of the Plan. Subsidized Local School District Coverage provides a subsidy paid to members still receiving coverage through their former employer and the TRB Sponsored Medicare Supplemental Plans provide coverage for those participating in Medicare, but not receiving Subsidized Local School District Coverage.

Any member that is not currently participating in Medicare Parts A & B is eligible to continue healthcare coverage with their former employer. A subsidy of up to \$110 per month for a retired member plus an additional \$110 per month for a spouse enrolled in a local school district plan is provided to the school district to first offset the retiree's share of the cost of coverage, any remaining portion is used to offset the district's cost. The subsidy amount is set by statute, and has not increased since July of 1996. A subsidy amount of \$220 per month may be paid for a retired member, spouse or the surviving spouse of a member who has attained the normal retirement age to participate in Medicare, is not eligible for Part A of Medicare without cost, and contributes at least \$220 per month towards coverage under a local school district plan. Employees are eligible to retire at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut. Any member that is currently participating in Medicare Parts A & B is eligible to either continue health care coverage with their former employer, if offered, or enroll in the plan sponsored by the system. If they elect to remain in the Plan with their former employer, the same subsidies as above will be paid to offset the cost of coverage.

***Contributions*** - Per Connecticut General Statutes Section 10-183z (which reflects Public Act 79-436 as amended), contribution requirements of active employees and the State of Connecticut are amended and certified by the TRB and appropriated by the General Assembly. The State pays for one third of plan costs through an annual appropriation in the General Fund.

School district employers are not required to make contributions to the Plan. The State of Connecticut's estimated allocated contribution to the Plan on behalf of the Town was \$22,256.

The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers' pay for one third of the Plan costs through a contribution of 1.25% of their pensionable salaries, and retired teachers pay for one third of the Plan costs through monthly premiums, which helps reduce the cost of health insurance for eligible retired members and dependents.

***Actuarial Assumptions*** - The total OPEB liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

|                                     |   |
|-------------------------------------|---|
| Inflation                           | 2.50%   |
| Real Wage Growth                    | 0.50%   |
| Wage Inflation                      | 3.00%   |
| Salary increases                    | 3.00-6.50%, including inflation                                 |
| Long-term investment rate of return | 3.00%, net of OPEB plan investment expense, including inflation |
| <u>Municipal bond index rate:</u>   |   |
| Measurement Date                    | 2.17%   |
| Prior Measurement Date              | 2.21%   |

The projected fiduciary net position is projected to be depleted in 2023.



**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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Single equivalent interest rate

|                        |  |
|------------------------|--|
| Measurement Date       | 2.17%, net of OPEB plan investment expense,<br>including price inflation |
| Prior Measurement Date | 2.21%, net of OPEB plan investment expense,<br>Including price inflation |

Healthcare cost trend rates:

|          |  |
|----------|--|
| Medicare | 5.125% for 2020 decreasing to an ultimate<br>Rate of 4.50% by 2023 |
|----------|--|

Mortality rates were based on the PubT-2010 Health Retiree Table (adjusted 105% for males and 103% for females as ages 82 and above), projected generationally with MP-2019 for the period after service retirement.

*Long-Term Rate of Return* - The long-term expected rate of return on plan assets is reviewed as part of the GASB 75 valuation process. Several factors are considered in evaluating the long-term rate of return assumption, including the Plan's current asset allocations and a log-normal distribution analysis using the best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) for each major asset class.

The long-term expected rate of return was determined by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class                                     | Target<br>Allocation | Expected 10-Year<br>Geometric Real<br>Rate of Return | Standard<br>Deviation |
|---|----------------------|--|-----------------------|
| U.S. Treasuries (Cash Equivalents)              | 100.0%               | -0.42%   | 1.78%                 |
| Price inflation                                 |                      | 2.50%  |                       |
| Expected rate of return (Rounded nearest 0.25%) |                      | 2.00%  |                       |

*Discount Rate* - The discount rate used to measure the total OPEB liability was 2.17%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 75. The projection's basis was an actuarial valuation performed as of June 30, 2020. In addition to the actuarial methods and assumptions of the June 30, 2020 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

- Annual State contributions were assumed to be equal to the most recent five-year average of state contributions toward the fund.

Based on those assumptions, the plan's fiduciary net position was projected to be depleted in 2023 and, as a result, the Municipal Bond Index Rate was used in the determination of the single equivalent rate.

*Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates* - The following presents the total OPEB liability, calculated using current cost trend rates, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than current healthcare cost trend rates:

|                                     | 1% Lower<br>Trend Rates | Current<br>Trend Rates | 1% Higher<br>Trend Rates |
|-------------------------------------|-------------------------|------------------------|--------------------------|
| Initial Healthcare Cost Trend Rate  | 4.125%                  | 5.125%                 | 6.125%                   |
| Ultimate Healthcare Cost Trend Rate | 3.50%                   | 4.50%                  | 5.50%                    |
| Total OPEB Liability                | \$ 1,030,669            | \$ 1,230,570           | \$ 1,503,930             |

*Sensitivity of the Net OPEB Liability to Changes in Discount Rates* - The following presents the net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

|                    | 1% Decrease<br>(1.17%) | Current<br>Discount Rate<br>(2.17%) | 1% Increase<br>(3.17%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 1,506,175           | \$ 1,230,570                        | \$ 1,015,743           |

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions:* At June 30, 2022 the Town reports no amounts for its proportionate share of the net OPEB liability, and related deferred outflows and inflows due to the statutory requirement that the State pay 100% of the required contribution. The amount recognized by the Town as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Town were as follows:

|  |                     |
|--|---------------------|
| Town's proportionate share of the net OPEB liability                           | \$ -                |
| State's proportionate share of the net OPEB liability associated with the Town | <u>1,230,570</u>    |
| Total  | <u>\$ 1,230,570</u> |

The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. At June 30, 2022, the Town had no proportionate share of the net OPEB liability.

**TOWN OF SALEM, CONNECTICUT**  
Notes to the Financial Statements

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For the year ended June 30, 2022, the Town recognized OPEB expense and revenue of \$22,256 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized (\$45,441) for OPEB expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

**NOTE 9 – RISK MANAGEMENT**

The Town is exposed to various risks of loss involving torts, theft of, damage to and destruction of assets, errors and omissions, injuries of employees, natural disaster and public official liabilities. The Town purchases commercial insurance for all risks of loss except workers' compensation and liability-automobile-property insurance for which it participates in risk sharing pools. Neither the Town nor its insurers have settled any claims which exceeded the Town's insurance coverage during the past three years. In addition, there have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

The Town is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), an unincorporated association of Connecticut local public agencies that was formed in 1980 by the Connecticut Conference of Municipalities for the purpose of establishing and administering interlocal risk management programs.

**Workers Compensation Pool**

The Town is a member of CIRMA's Workers' Compensation Pool, a risk-sharing pool. The Workers' Compensation Pool provides statutory benefits pursuant to the provisions of the Connecticut Workers' Compensation Act. The coverage is subject to an incurred loss retrospective rating plan, and losses incurred in the coverage period will be evaluated at 18, 30 and 42 months after the effective date of coverage. The premium is subject to payroll audit at the close of the coverage period. CIRMA's Workers' Compensation Pool retains \$1,000,000 per occurrence.

**Liability-Automobile-Property Pool**

The Town is a member of CIRMA's Liability-Automobile-Property Pool, a risk-sharing pool. The Liability-Automobile-Property Pool provides general liability, automobile liability, employee benefit liability, law enforcement liability, public officials and property coverage. The premium is subject to these coverages, and claims and expense payments falling within the deductible amounts are the responsibility of the Town. CIRMA's Liability-Automobile-Property Pool retains \$1,000,000 per occurrence for each line of liability coverage.

**NOTE 10 – LITIGATION AND CONTINGENCIES**

Amounts received or receivable from Federal and State grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which 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 and the outcome of these lawsuits is not presently determinable. In the opinion of the Town attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

## TOWN OF SALEM, CONNECTICUT

### Notes to the Financial Statements

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#### NOTE 11 – REGIONALIZATION

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:

- 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 the Town paid \$1,994,080 in regular education tuition and \$671,209 in special education tuition to the Town of East Lyme, Connecticut.
- 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 will reimburse the Town of East Lyme, Connecticut a per student fee.
- The Town will pay the Town of East Lyme, Connecticut 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 tuition and other 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 based on the final audited amounts.

#### NOTE 12 – UPCOMING PRONOUNCEMENTS

##### **GASB Pronouncements Issued, But Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 91 – *Conduit Debt Obligations* – The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this statement are effective for the Town's reporting period beginning July 1, 2022.

# TOWN OF SALEM, CONNECTICUT

## Notes to the Financial Statements

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2022.

GASB Statement No. 99 – *Omnibus 2022* - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. The requirements related to leases, PPPs, and SBITAs are effective for the Town’s reporting period beginning July 1, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Town’s reporting period beginning July 1, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections* - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2023.

GASB Statement No. 101 – *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for the Town’s reporting period beginning July 1, 2024.

### NOTE 13 –PRIOR PERIOD RESTATEMENTS

The Town previously reported the activities of the Student Activity Fund as fiduciary activities. As of July 1, 2021, the Town made the following reporting change: the Student Activities Fund is now reported as a special revenue fund. The results of the changes to the fund balance and net position are as follows:

|  | Governmental<br>Activities | Nonmajor<br>Governmental<br>Funds | Custodial<br>Funds |
|--|----------------------------|-----------------------------------|--------------------|
| Net position/fund balance as reported at June 30, 2021 | \$ 24,793,752              | \$ 860,191                        | \$ 15,595          |
| Reclassify to proper fund type                         | 15,595                     | 15,595                            | (15,595)           |
| Net position/fund balance as restated at July 1, 2021  | \$ 24,809,347              | \$ 875,786                        | \$ -               |

# **Required Supplementary Information**

**TOWN OF SALEM, CONNECTICUT**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2022

Page 1 of 4

|  | Budgeted Amounts  |                   | Actual            |                 |
|--|-------------------|-------------------|-------------------|-----------------|
|  | Original          | Amended           | Budgetary         | Variance        |
|  |                   |                   | Basis             |                 |
| <b>REVENUES</b>                            |                   |                   |                   |                 |
| <b>Property Taxes</b>                      |                   |                   |                   |                 |
| Property Taxes                             | \$ 12,303,718     | \$ 12,303,718     | \$ 12,537,772     | \$ 234,054      |
| Prior Year Tax Collections                 | 50,000            | 50,000            | 89,654            | 39,654          |
| Supplemental Motor Vehicle Tax Collections | 72,000            | 72,000            | 178,901           | 106,901         |
| Interest on Property Taxes                 | 40,000            | 40,000            | 62,562            | 22,562          |
| Interest on Supplemental Motor Vehicles    | 500               | 500               | 2,505             | 2,005           |
| Liens on Property Taxes                    | 500               | 500               | 708               | 208             |
| <b>Total Property Taxes</b>                | <u>12,466,718</u> | <u>12,466,718</u> | <u>12,872,102</u> | <u>405,384</u>  |
| <b>Intergovernmental</b>                   |                   |                   |                   |                 |
| State/Federal Grants for Education         |                   |                   |                   |                 |
| Education Equalization                     | 2,525,078         | 2,525,078         | 2,570,032         | 44,954          |
| Adult Education                            | 3,672             | 3,672             | 3,864             | 192             |
| Total State/Federal Grants for Education   | <u>2,528,750</u>  | <u>2,528,750</u>  | <u>2,573,896</u>  | <u>45,146</u>   |
| Other State/Federal Grants                 |                   |                   |                   |                 |
| Town Aid Road (TAR)                        | 193,274           | 193,274           | 193,018           | (256)           |
| State Property in Lieu of Taxes            | 35,653            | 35,653            | 56,966            | 21,313          |
| Local Capital Improvement                  | 33,443            | 33,443            | -                 | (33,443)        |
| Mashantucket Pequot Grant                  | 7,370             | 7,370             | 7,370             | -               |
| Veterans' Tax Relief                       | 2,834             | 2,834             | 2,834             | -               |
| Tax Relief for the Disabled                | -                 | -                 | 339               | 339             |
| Telephone Access Line                      | 4,965             | 4,965             | 6,846             | 1,881           |
| OPM Grant                                  | 4,699             | 4,699             | 4,699             | -               |
| Miscellaneous                              | 55,906            | 55,906            | 5,570             | (50,336)        |
| Municipal Stabilization Grant              | 132,694           | 132,694           | 132,694           | -               |
| Total Other State/Federal Grants           | <u>470,838</u>    | <u>470,838</u>    | <u>410,336</u>    | <u>(60,502)</u> |
| <b>Total Intergovernmental</b>             | <u>2,999,588</u>  | <u>2,999,588</u>  | <u>2,984,232</u>  | <u>(15,356)</u> |
| <b>Charges for Services</b>                |                   |                   |                   |                 |
| Licenses and Permits                       |                   |                   |                   |                 |
| Garbage Bag Revenue                        | 32,000            | 32,000            | 43,928            | 11,928          |
| Conveyance Tax                             | 65,000            | 65,000            | 71,704            | 6,704           |
| Building Permits                           | 36,000            | 36,000            | 50,629            | 14,629          |
| Tipping and Hauling Fees                   | -                 | -                 | 1,855             | 1,855           |
| Landfill Fees - Bulky Waste                | 7,000             | 7,000             | 9,555             | 2,555           |
| Heating                                    | 5,600             | 5,600             | 7,362             | 1,762           |
| Electrical                                 | 7,500             | 7,500             | 7,350             | (150)           |
| Plumbing                                   | 2,000             | 2,000             | 905               | (1,095)         |
| Zoning Compliance                          | 500               | 500               | 625               | 125             |
| Miscellaneous Permits and Fees             | 1,000             | 1,000             | 1,060             | 60              |
| Pistol Permits/Sport Licenses              | 1,000             | 1,000             | 2,310             | 1,310           |
| Total Licenses and Permits                 | <u>157,600</u>    | <u>157,600</u>    | <u>197,283</u>    | <u>39,683</u>   |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**

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Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2022

|   | Budgeted Amounts |            | Actual     |           |
|---|------------------|------------|------------|-----------|
|   | Original         | Amended    | Budgetary  | Variance  |
|   |                  |            | Basis      |           |
| <b>Charges for Services (Continued)</b>           |                  |            |            |           |
| Charges for Current Services                      |                  |            |            |           |
| Recording Fees                                    | \$ 16,000        | \$ 16,000  | \$ 23,061  | \$ 7,061  |
| Sale of Maps                                      | 50               | 50         | 132        | 82        |
| Sale of Copies                                    | 900              | 900        | 4,906      | 4,006     |
| Planning and Zoning Commission Fees               | 1,000            | 1,000      | -          | (1,000)   |
| CFC Evacuation Fees                               | 750              | 750        | 3,240      | 2,490     |
| Zoning Board of Appeals Fees                      | -                | -          | 400        | 400       |
| Inland/Wetland Commission Fees                    | 200              | 200        | 80         | (120)     |
| Electronic Registration Fees                      | 4,000            | 4,000      | 6,982      | 2,982     |
| Total Charges for Current Services                | 22,900           | 22,900     | 38,801     | 15,901    |
| <b>Total Charges for Services</b>                 | 180,500          | 180,500    | 236,084    | 55,584    |
| <b>Investment Income</b>                          | 6,000            | 6,000      | 22,126     | 16,126    |
| <b>Other</b>                                      |                  |            |            |           |
| Recreation Fee Based Activity                     | 3,000            | 3,000      | 12,796     | 9,796     |
| Library Fees/Fines                                | 9,500            | 9,500      | 10,152     | 652       |
| Miscellaneous                                     | 10,000           | 10,000     | 30,571     | 20,571    |
| Insurance Claims and Refunds                      | 5,000            | 5,000      | 11,565     | 6,565     |
| <b>Total Other</b>                                | 27,500           | 27,500     | 65,084     | 37,584    |
| <b>Total Revenues</b>                             | 15,680,306       | 15,680,306 | 16,179,628 | 499,322   |
| <b>Other Financing Sources</b>                    |                  |            |            |           |
| Appropriation of Fund Balance                     | 693,376          | 693,376    | -          | (693,376) |
| Transfers In                                      | -                | -          | -          | -         |
| <b>Total Other Financing Sources</b>              | 693,376          | 693,376    | -          | (693,376) |
| <b>Total Revenues and Other Financing Sources</b> | 16,373,682       | 16,373,682 | 16,179,628 | (194,054) |
| <b>EXPENDITURES</b>                               |                  |            |            |           |
| <b>General Government</b>                         |                  |            |            |           |
| Selectman's Department                            | 7,570            | 7,570      | 7,570      | -         |
| Salaries  | 654,877          | 654,877    | 663,034    | (8,157)   |
| Building Official, Sanitarian                     | 4,292            | 4,292      | 3,726      | 566       |
| Town Clerk  | 16,883           | 16,883     | 16,883     | -         |
| Treasurer, Auditor, Board of Finance              | 38,369           | 38,369     | 38,369     | -         |
| Assessor  | 21,100           | 21,100     | 21,100     | -         |
| Tax Collector                                     | 13,500           | 13,500     | 9,250      | 4,250     |
| Registrar   | 10,802           | 10,802     | 10,138     | 664       |
| Town Counsel                                      | 39,000           | 71,563     | 71,563     | -         |
| Town Office Operations                            | 106,310          | 106,310    | 106,278    | 32        |
| Municipal Building Maintenance                    | 52,700           | 58,700     | 55,567     | 3,133     |
| Employee Benefits                                 | 434,410          | 434,410    | 386,220    | 48,190    |

See accountant's report.



**TOWN OF SALEM, CONNECTICUT**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2022

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|  | Budgeted Amounts  |                   | Actual            |                |
|--|-------------------|-------------------|-------------------|----------------|
|  | Original          | Amended           | Budgetary         | Variance       |
|  |                   |                   | Basis             |                |
| <b>General Government (Continued)</b>    |                   |                   |                   |                |
| Utilities                                | \$ 60,660         | \$ 62,060         | \$ 54,099         | \$ 7,961       |
| Town Services                            | 115,050           | 115,050           | 113,986           | 1,064          |
| Regional Services                        | 12,203            | 12,203            | 11,380            | 823            |
| Economic Development                     | 1,900             | 1,900             | 348               | 1,552          |
| Inland Wetlands, Conservation Commission | 3,350             | 3,350             | 1,199             | 2,151          |
| Planning and Zoning Commission           | 19,500            | 22,898            | 22,898            | -              |
| Zoning Board of Appeals                  | 800               | 800               | 414               | 386            |
| Recreation Commission                    | 47,100            | 47,100            | 46,471            | 629            |
| Municipal Insurance                      | 135,648           | 135,648           | 124,703           | 10,945         |
| Unanticipated Expenditures               | 1,000             | 1,000             | 1,000             | -              |
| Library                                  | 38,210            | 38,210            | 37,999            | 211            |
| <b>Total General Government</b>          | <u>1,835,234</u>  | <u>1,878,595</u>  | <u>1,804,195</u>  | <u>74,400</u>  |
| <b>Public Safety</b>                     |                   |                   |                   |                |
| Salaries                                 | 242,460           | 242,460           | 229,153           | 13,307         |
| Security                                 | 366,100           | 339,982           | 310,281           | 29,701         |
| Utilities                                | 49,900            | 50,457            | 54,639            | (4,182)        |
| Gardner Lake Fire Department             | 2,500             | 2,500             | 502               | 1,998          |
| Salem Fire Department                    | 171,610           | 171,610           | 172,574           | (964)          |
| Ambulance                                | 46,685            | 46,685            | 46,069            | 616            |
| Public Safety                            | 126,650           | 126,650           | 126,268           | 382            |
| <b>Total Public Safety</b>               | <u>1,005,905</u>  | <u>980,344</u>    | <u>939,486</u>    | <u>40,858</u>  |
| <b>Public Works</b>                      |                   |                   |                   |                |
| Salaries                                 | 432,328           | 432,328           | 418,723           | 13,605         |
| Utilities                                | 45,032            | 45,032            | 48,811            | (3,779)        |
| Public Works                             | 266,160           | 266,160           | 262,753           | 3,407          |
| <b>Total Public Works</b>                | <u>743,520</u>    | <u>743,520</u>    | <u>730,287</u>    | <u>13,233</u>  |
| <b>Sanitation</b>                        |                   |                   |                   |                |
| Transfer Station                         | 178,100           | 178,100           | 171,371           | 6,729          |
| <b>Debt Service</b>                      |                   |                   |                   |                |
| Interest Payments                        | 82,063            | 82,063            | 77,375            | 4,688          |
| Principal Payments                       | 325,000           | 325,000           | 325,000           | -              |
| <b>Total Debt Service</b>                | <u>407,063</u>    | <u>407,063</u>    | <u>402,375</u>    | <u>4,688</u>   |
| <b>Capital Outlay</b>                    |                   |                   |                   |                |
| Capital Reserve Account                  | 1                 | 1                 | -                 | 1              |
| Open Space Land Acquisition              | 1                 | 1                 | -                 | 1              |
| <b>Total Capital Outlay</b>              | <u>2</u>          | <u>2</u>          | <u>-</u>          | <u>2</u>       |
| <b>Revaluation</b>                       | 22,000            | -                 | -                 | -              |
| <b>Education</b>                         | 11,050,886        | 11,050,886        | 10,944,234        | 106,652        |
| <b>Total Expenditures</b>                | <u>15,242,710</u> | <u>15,238,510</u> | <u>14,991,948</u> | <u>246,562</u> |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2022

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|   | Budgeted Amounts  |                   | Actual<br>Budgetary<br>Basis | Variance                |
|---|-------------------|-------------------|------------------------------|-------------------------|
|   | Original          | Amended           |                              |                         |
| <b>Other Financing Uses</b>   |                   |                   |                              |                         |
| Transfers Out   | \$ 1,130,972      | \$ 1,135,172      | <b>\$ 1,135,172</b>          | \$ -                    |
| <b>Total Expenditures and Other Financing Uses</b>  | <u>16,373,682</u> | <u>16,373,682</u> | <u><b>16,127,120</b></u>     | <u>246,562</u>          |
| <b>Excess (Deficiency) of Revenues and Other<br/>Financing Sources over Expenditures and<br/>Other Financing Uses - Budgetary Basis</b> | <u>\$ -</u>       | <u>\$ -</u>       | <u><b>\$ 52,508</b></u>      | <u><b>\$ 52,508</b></u> |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**  
Notes to Required Supplementary Information

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

***Budgetary Information and Accounting***

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 budget for as revenue or expenditures amounts for the State Teachers' pension and OPEB contributed by the State of Connecticut on the Town's behalf.
2. Certain grants are net with expenditures on the budgetary basis.
3. Town Clerk expenditures and revenues are not reported on the budgetary basis.
4. Encumbrances are reported as expenditures for the budgetary basis of accounting.
5. The town pays and budgets for tuition to East Lyme High School based on estimated costs per student. The actual cost for each year is not determined until an audit is completed. Once the audit has been completed the cost per student is recalculated and the billing is adjusted. The adjusted costs are paid in the subsequent year for budget purposes.

The Board of Education is authorized under state law to make any transfers required within their budget at their discretion. Additionally, as required by the Charter, these transfers must be reported to the Board of Selectmen. Any additional appropriations must have Board of Education and Board of Selectmen approval and, if over one-half of one percent of the annual budget, Town Meeting approval.

Encumbrances are recognized as a valid and proper charge against a budget appropriation in the year in which the purchase order, contract or other commitment is issued and, accordingly, encumbrances outstanding at year-end are reported in budgetary reports as expenditures in the current year. Generally, all unencumbered appropriations lapse at year-end, except those for the capital projects funds and those specifically reappropriated by the Board of Finance.

The Boards of Selectmen and Education submit requests for appropriation(s) to the Board of Finance. The budget is prepared by fund, function and activity, and includes all information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The Board of Finance holds a public hearing, at which itemized estimates of the expenditures of the Town for the next fiscal year are presented. At this time, individuals are able to recommend any appropriations they desire to the Board of Finance to consider. The Board of Finance then considers the estimates and any other matters brought to their attention at a public meeting held subsequent to the public hearing and prior to the annual meeting. The Board of Finance prepares the proposed budget.

The Board of Finance's estimated and recommended budget reports are submitted at the Annual Town Meeting. The Annual Town Meeting takes action on this budget. After the Annual Town Meeting, a referendum is held and, if passed, the Board of Finance meets to levy a tax on the grand list that will be sufficient to cover, together with other revenue, the amounts appropriated.

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

**TOWN OF SALEM, CONNECTICUT**  
**Notes to Required Supplementary Information**

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

There were no additional appropriations made during the year.

A reconciliation of General Fund amounts presented on the budgetary basis to amounts presented on the GAAP basis is as follows for the year ended June 30, 2022:

|                                | <b>Total<br/>Revenues</b> | <b>Total<br/>Expenditures</b> | <b>Other Financing<br/>Sources (Uses)</b> |
|--------------------------------|---------------------------|-------------------------------|---|
| Budgetary Basis                | \$ 16,179,628             | \$ 14,991,948                 | \$ (1,135,172)                            |
| "On-behalf" payments -         |                           |                               |   |
| State Teachers Retirement Fund | 968,035                   | 968,035                       | -   |
| Other Grants                   | 161,836                   | 161,836                       | -   |
| Adjustment for Encumbrances    | -                         | 35,674                        | -   |
| Other                          | 11,299                    | 11,299                        | -   |
| Town Clerk Fees and Expenses   | 5,372                     | 3,766                         | -   |
| East Lyme Adjustment           | -                         | (111,076)                     | -   |
| GAAP Basis                     | <u>\$ 17,326,170</u>      | <u>\$ 16,061,482</u>          | <u>\$ (1,135,172)</u>                     |

**TOWN OF SALEM, CONNECTICUT**  
State Teacher's Retirement System  
Proportionate Share of Net Pension Liability  
Last Eight Fiscal Years\*

**Schedule of Proportionate Share of Net Pension Liability**

|   | 2022          | 2021          | 2020          | 2019          | 2018         | 2017          | 2016         | 2015         |
|---|---------------|---------------|---------------|---------------|--------------|---------------|--------------|--------------|
| Town's percentage of the net pension liability  | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%        | 0.00%         | 0.00%        | 0.00%        |
| Town's proportionate share of the net pension liability   | \$ -          | \$ -          | \$ -          | \$ -          | \$ -         | \$ -          | \$ -         | \$ -         |
| State of Connecticut's proportionate share of the net pension liability associated with the Town        | 11,295,002    | 14,261,213    | 13,025,364    | 10,043,313    | 9,960,033    | 10,507,911    | 8,877,646    | 8,205,604    |
| Total   | \$ 11,295,002 | \$ 14,261,213 | \$ 13,025,364 | \$ 10,043,313 | \$ 9,960,033 | \$ 10,507,911 | \$ 8,877,646 | \$ 8,205,604 |
| Town's covered payroll  | \$ 3,357,203  | \$ 3,237,497  | \$ 3,025,325  | \$ 2,938,193  | \$ 2,884,579 | (1)           | (1)          | (1)          |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll. | 0.00%         | 0.00%         | 0.00%         | 0.00%         | 0.00%        | 0.00%         | 0.00%        | 0.00%        |
| Plan fiduciary net position as a percentage of the total pension liability                              | 60.77%        | 49.24%        | 52.00%        | 57.69%        | 55.93%       | 52.26%        | 59.50%       | 61.51%       |

**Notes to Schedule**

|                                       |   |
|---------------------------------------|---|
| Actuarial cost method                 | Entry Age   |
| Amortization method                   | Level percent of pay closed, grading to a level dollar amortization method for the June 30, 2024 valuation. |
| Single equivalent amortization period | 30 years  |
| Asset valuation method                | 4-year smoothed market  |
| Inflation                             | 2.50%   |
| Salary increases                      | 3.25% - 6.50% average, including inflation  |
| Investment rate of return             | 6.90% net of investment related expense   |

\*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

(1) - Data for fiscal years 2017 and prior not provided.

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**  
Other Post-Employment Benefits (OPEB) Plan - Education  
Schedule of Changes in Total OPEB Liability  
Last Five Fiscal Years\*

|   | 2022              | 2021              | 2020              | 2019              | 2018              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Total OPEB Liability</b>   |                   |                   |                   |                   |                   |
| Service Cost  | \$ 21,642         | \$ 19,469         | \$ 16,015         | \$ 15,788         | \$ 13,225         |
| Interest  | 17,245            | 15,161            | 17,096            | 20,454            | 16,550            |
| Differences Between Expected and Actual Experience                          | 128,612           | 124,859           | (21,696)          | (76,006)          | (16,123)          |
| Changes in Assumptions  | -                 | 59,445            | 82,831            | 69,071            | 58,731            |
| Benefit Payments, Including Refunds of Member Contributions                 | -                 | -                 | -                 | -                 | -                 |
| <b>Net Change in Total OPEB Liability</b>                                   | 167,499           | 218,934           | 94,246            | 29,307            | 72,383            |
| <b>Total OPEB Liability - Beginning</b>                                     | <u>769,428</u>    | <u>550,494</u>    | <u>456,248</u>    | <u>426,941</u>    | <u>354,558</u>    |
| <b>Total OPEB Liability - Ending</b>  | <u>\$ 936,927</u> | <u>\$ 769,428</u> | <u>\$ 550,494</u> | <u>\$ 456,248</u> | <u>\$ 426,941</u> |
| <br><b>Covered-Employee Payroll</b>   | <br>N/A           | <br>N/A           | <br>N/A           | <br>N/A           | <br>N/A           |
| <br><b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b> | <br>N/A           | <br>N/A           | <br>N/A           | <br>N/A           | <br>N/A           |

**Notes to Schedule**

|                       |                             |
|-----------------------|-----------------------------|
| Measurement Date      | June 30, 2022               |
| Actuarial Cost Method | Entry Age Normal            |
| Amortization Method   | Level Percentage of Payroll |
| Discount Rate         | 2.18%                       |
| Salary Increases      | 2.50%                       |

There are no assets that are being accumulated in a trust that meets the criteria in GASB 75 to pay benefits.

\* This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

N/A - Not Available

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**  
State Teacher's Retirement System  
Proportionate Share of Net OPEB Liability  
Last Five Fiscal Years\*

**Schedule of Proportionate Share of Net OPEB Liability**

|   | 2022         | 2021         | 2020         | 2019         | 2018         |
|---|--------------|--------------|--------------|--------------|--------------|
| Town's percentage of the net OPEB liability   | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Town's proportionate share of the net OPEB liability  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| State of Connecticut's proportionate share of the net OPEB liability associated with the Town         | 1,230,570    | 2,127,060    | 2,031,378    | 2,007,734    | 2,563,588    |
| Total   | \$ 1,230,570 | \$ 2,127,060 | \$ 2,031,378 | \$ 2,007,734 | \$ 2,563,588 |
| Town's covered-employee payroll   | \$ 3,357,203 | \$ 3,237,497 | \$ 3,025,325 | \$ 2,938,193 | \$ 2,884,579 |
| Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll. | 0.00%        | 0.00%        | 0.00%        | 0.00%        | 0.00%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                               | 6.11%        | 2.50%        | 2.08%        | 1.49%        | 1.79%        |

**Notes to Schedule**

|                               |  |
|-------------------------------|--|
| Actuarial Cost Method         | Entry age                                    |
| Amortization Method           | Level percent of payroll over an open period |
| Remaining Amortization Period | 30 years                                     |
| Asset Valuation Method        | Market Value of Assets                       |
| Investment Rate of Return     | 3.00%, net of investment related expense     |
| Price Inflation               | 2.50%  |

\*This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

See accountant's report.

# **Supplemental, Combining and Individual Fund Statements and Schedules**



# TOWN OF SALEM, CONNECTICUT

Page 1 of 2

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2022

|  | <b>SPECIAL REVENUE FUNDS</b> |                 |                             |                                       |                  |                             |
|--|------------------------------|-----------------|-----------------------------|---------------------------------------|------------------|-----------------------------|
|  | Senior<br>Citizens<br>Fund   | Dog<br>Fund     | School<br>Cafeteria<br>Fund | Community<br>Foundation<br>Grant Fund | Needy<br>Fund    | Student<br>Activity<br>Fund |
| <b>Assets</b>                              |                              |                 |                             |                                       |                  |                             |
| Cash and Cash Equivalents                  | \$ -                         | \$ -            | \$ 19,984                   | \$ -                                  | \$ 11,733        | \$ 16,219                   |
| Investments                                | 32,125                       | -               | -                           | -                                     | -                | -                           |
| Receivables, Net                           | -                            | -               | 47,304                      | -                                     | -                | -                           |
| Other                                      | -                            | -               | -                           | -                                     | 810              | -                           |
| Due from Other Funds                       | -                            | 2,479           | 752                         | 2,500                                 | -                | -                           |
| <b>Total Assets</b>                        | <u>\$ 32,125</u>             | <u>\$ 2,479</u> | <u>\$ 68,040</u>            | <u>\$ 2,500</u>                       | <u>\$ 12,543</u> | <u>\$ 16,219</u>            |
| <b>Liabilities and Fund Balances</b>       |                              |                 |                             |                                       |                  |                             |
| Liabilities:                               |                              |                 |                             |                                       |                  |                             |
| Accounts Payable and                       |                              |                 |                             |                                       |                  |                             |
| Accrued Items                              | \$ -                         | \$ 2,401        | \$ 8,478                    | \$ -                                  | \$ -             | \$ -                        |
| Unearned Revenue                           | -                            | -               | 5,708                       | -                                     | -                | -                           |
| Due to Other Funds                         | -                            | -               | -                           | -                                     | 646              | -                           |
| Total Liabilities                          | <u>-</u>                     | <u>2,401</u>    | <u>14,186</u>               | <u>-</u>                              | <u>646</u>       | <u>-</u>                    |
| Fund Balances:                             |                              |                 |                             |                                       |                  |                             |
| Nonspendable                               | -                            | -               | -                           | -                                     | -                | -                           |
| Restricted                                 | 32,125                       | -               | 53,854                      | 2,500                                 | 11,897           | 16,219                      |
| Committed                                  | -                            | 78              | -                           | -                                     | -                | -                           |
| Unassigned                                 | -                            | -               | -                           | -                                     | -                | -                           |
| Total Fund Balances                        | <u>32,125</u>                | <u>78</u>       | <u>53,854</u>               | <u>2,500</u>                          | <u>11,897</u>    | <u>16,219</u>               |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 32,125</u>             | <u>\$ 2,479</u> | <u>\$ 68,040</u>            | <u>\$ 2,500</u>                       | <u>\$ 12,543</u> | <u>\$ 16,219</u>            |

See accountant's report.

# TOWN OF SALEM, CONNECTICUT

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## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2022

|  | <b><u>SPECIAL REVENUE FUNDS</u></b> |                               | <b><u>CAPITAL PROJECT FUNDS</u></b>       |                             |                                | <b><u>PERMANENT FUND</u></b>        |                            |
|--|-------------------------------------|-------------------------------|---|-----------------------------|--------------------------------|-------------------------------------|----------------------------|
|  | Public Health<br>Nursing<br>Fund    | Small<br>Cities Grant<br>Fund | Open<br>Space Land<br>Acquisition<br>Fund | Land<br>Acquisition<br>Fund | School<br>Construction<br>Fund | Memorial<br>and<br>Cemetery<br>Fund | Total                      |
| <b>Assets</b>                              |                                     |                               |   |                             |                                |                                     |                            |
| Cash and Cash Equivalents                  | \$ -                                | \$ 59,836                     | \$ 578                                    | \$ 831                      | \$ 206,883                     | \$ 660                              | \$ 316,724                 |
| Investments                                | 2,374                               | -                             | -   | -                           | -                              | 7,825                               | 42,324                     |
| Receivables, Net                           | -                                   | 247,381                       | -   | -                           | -                              | -                                   | 294,685                    |
| Other                                      | -                                   | -                             | -   | -                           | -                              | -                                   | 810                        |
| Due from Other Funds                       | -                                   | -                             | -   | -                           | 854,377                        | -                                   | 860,108                    |
| <b>Total Assets</b>                        | <b><u>\$ 2,374</u></b>              | <b><u>\$ 307,217</u></b>      | <b><u>\$ 578</u></b>                      | <b><u>\$ 831</u></b>        | <b><u>\$ 1,061,260</u></b>     | <b><u>\$ 8,485</u></b>              | <b><u>\$ 1,514,651</u></b> |
| <b>Liabilities and Fund Balances</b>       |                                     |                               |   |                             |                                |                                     |                            |
| Liabilities:                               |                                     |                               |   |                             |                                |                                     |                            |
| Accounts Payable and<br>Accrued Items      | \$ -                                | \$ -                          | \$ -                                      | \$ -                        | \$ -                           | \$ -                                | \$ 10,879                  |
| Unearned Revenue                           | -                                   | -                             | -   | -                           | -                              | -                                   | 5,708                      |
| Due to Other Funds                         | -                                   | -                             | -   | -                           | -                              | -                                   | 646                        |
| <b>Total Liabilities</b>                   | <b><u>-</u></b>                     | <b><u>-</u></b>               | <b><u>-</u></b>                           | <b><u>-</u></b>             | <b><u>-</u></b>                | <b><u>-</u></b>                     | <b><u>17,233</u></b>       |
| Fund Balances:                             |                                     |                               |   |                             |                                |                                     |                            |
| Nonspendable                               | -                                   | -                             | -   | -                           | -                              | 1,997                               | 1,997                      |
| Restricted                                 | 2,374                               | 307,217                       | -   | -                           | -                              | 6,488                               | 432,674                    |
| Committed                                  | -                                   | -                             | 578                                       | 831                         | 1,061,260                      | -                                   | 1,062,747                  |
| Unassigned                                 | -                                   | -                             | -   | -                           | -                              | -                                   | -                          |
| <b>Total Fund Balances</b>                 | <b><u>2,374</u></b>                 | <b><u>307,217</u></b>         | <b><u>578</u></b>                         | <b><u>831</u></b>           | <b><u>1,061,260</u></b>        | <b><u>8,485</u></b>                 | <b><u>1,497,418</u></b>    |
| <b>Total Liabilities and Fund Balances</b> | <b><u>\$ 2,374</u></b>              | <b><u>\$ 307,217</u></b>      | <b><u>\$ 578</u></b>                      | <b><u>\$ 831</u></b>        | <b><u>\$ 1,061,260</u></b>     | <b><u>\$ 8,485</u></b>              | <b><u>\$ 1,514,651</u></b> |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

|  | <b>SPECIAL REVENUE FUNDS</b> |              |                             |                                       |                  |                             |
|--|------------------------------|--------------|-----------------------------|---------------------------------------|------------------|-----------------------------|
|  | Senior<br>Citizens<br>Fund   | Dog<br>Fund  | School<br>Cafeteria<br>Fund | Community<br>Foundation<br>Grant Fund | Needy<br>Fund    | Student<br>Activity<br>Fund |
| <b>Revenues</b>                                      |                              |              |                             |                                       |                  |                             |
| Intergovernmental Revenues                           | \$ -                         | \$ -         | \$ 260,373                  | \$ 428                                | \$ -             | \$ -                        |
| Charges for Services                                 | -                            | 3,812        | 2,166                       | -                                     | -                | 27,846                      |
| Investment Income                                    | 207                          | -            | -                           | -                                     | -                | -                           |
| Other Revenue  | -                            | -            | -                           | -                                     | 2,050            | -                           |
| Total Revenues                                       | <u>207</u>                   | <u>3,812</u> | <u>262,539</u>              | <u>428</u>                            | <u>2,050</u>     | <u>27,846</u>               |
| <b>Expenditures</b>                                  |                              |              |                             |                                       |                  |                             |
| Current:   |                              |              |                             |                                       |                  |                             |
| General Government                                   | -                            | -            | -                           | 3,297                                 | 3,633            | -                           |
| Public Safety  | -                            | 3,389        | -                           | -                                     | -                | -                           |
| Education  | -                            | -            | 211,032                     | -                                     | -                | 27,222                      |
| Debt Service   | -                            | -            | -                           | -                                     | -                | -                           |
| Capital Outlay                                       | -                            | -            | -                           | -                                     | -                | -                           |
| Total Expenditures                                   | <u>-</u>                     | <u>3,389</u> | <u>211,032</u>              | <u>3,297</u>                          | <u>3,633</u>     | <u>27,222</u>               |
| Excess/(Deficiency) of Revenues<br>Over Expenditures | 207                          | 423          | 51,507                      | (2,869)                               | (1,583)          | 624                         |
| <b>Other Financing Sources/(Uses)</b>                |                              |              |                             |                                       |                  |                             |
| Transfers In   | -                            | -            | -                           | -                                     | -                | -                           |
| Transfers Out  | -                            | -            | -                           | -                                     | -                | -                           |
| Total Other Financing Sources/(Uses)                 | <u>-</u>                     | <u>-</u>     | <u>-</u>                    | <u>-</u>                              | <u>-</u>         | <u>-</u>                    |
| Net Change in Fund Balances                          | 207                          | 423          | 51,507                      | (2,869)                               | (1,583)          | 624                         |
| Fund Balances at Beginning of Year, Restated         | <u>31,918</u>                | <u>(345)</u> | <u>2,347</u>                | <u>5,369</u>                          | <u>13,480</u>    | <u>15,595</u>               |
| Fund Balances at End of Year                         | <u>\$ 32,125</u>             | <u>\$ 78</u> | <u>\$ 53,854</u>            | <u>\$ 2,500</u>                       | <u>\$ 11,897</u> | <u>\$ 16,219</u>            |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**

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Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2022

|  | <b>SPECIAL REVENUE FUNDS</b>     |                               | <b>CAPITAL PROJECT FUNDS</b>              |                             |                                | <b>PERMANENT FUND</b>               |                     |
|--|----------------------------------|-------------------------------|---|-----------------------------|--------------------------------|-------------------------------------|---------------------|
|  | Public Health<br>Nursing<br>Fund | Small<br>Cities Grant<br>Fund | Open<br>Space Land<br>Acquisition<br>Fund | Land<br>Acquisition<br>Fund | School<br>Construction<br>Fund | Memorial<br>and<br>Cemetery<br>Fund | Total               |
| <b>Revenues</b>                                      |                                  |                               |   |                             |                                |                                     |                     |
| Intergovernmental Revenues                           | \$ -                             | \$ -                          | \$ -                                      | \$ -                        | \$ -                           | \$ -                                | \$ 260,801          |
| Charges for Services                                 | -                                | -                             | -   | -                           | -                              | -                                   | 33,824              |
| Investment Income                                    | 19                               | -                             | -   | 1                           | -                              | 52                                  | 279                 |
| Other Revenue  | -                                | -                             | -   | -                           | -                              | -                                   | 2,050               |
| Total Revenues                                       | <u>19</u>                        | <u>-</u>                      | <u>-</u>                                  | <u>1</u>                    | <u>-</u>                       | <u>52</u>                           | <u>296,954</u>      |
| <b>Expenditures</b>                                  |                                  |                               |   |                             |                                |                                     |                     |
| Current:   |                                  |                               |   |                             |                                |                                     |                     |
| General Government                                   | -                                | 500                           | -   | -                           | -                              | -                                   | 7,430               |
| Public Safety  | -                                | -                             | -   | -                           | -                              | -                                   | 3,389               |
| Education  | -                                | -                             | -   | -                           | -                              | -                                   | 238,254             |
| Debt Service   | -                                | -                             | -   | -                           | 37,781                         | -                                   | 37,781              |
| Capital Outlay                                       | -                                | -                             | -   | -                           | -                              | -                                   | -                   |
| Total Expenditures                                   | <u>-</u>                         | <u>500</u>                    | <u>-</u>                                  | <u>-</u>                    | <u>37,781</u>                  | <u>-</u>                            | <u>286,854</u>      |
| Excess/(Deficiency) of Revenues<br>Over Expenditures | 19                               | (500)                         | -   | 1                           | (37,781)                       | 52                                  | 10,100              |
| <b>Other Financing Sources/(Uses)</b>                |                                  |                               |   |                             |                                |                                     |                     |
| Transfers In   | -                                | -                             | -   | -                           | -                              | -                                   | -                   |
| Transfers Out  | -                                | -                             | -   | -                           | -                              | -                                   | -                   |
| Total Other Financing Sources/(Uses)                 | <u>-</u>                         | <u>-</u>                      | <u>-</u>                                  | <u>-</u>                    | <u>-</u>                       | <u>-</u>                            | <u>-</u>            |
| Net Change in Fund Balances                          | 19                               | (500)                         | -   | 1                           | (37,781)                       | 52                                  | 10,100              |
| Fund Balances at Beginning of Year, Restated         | <u>2,355</u>                     | <u>307,717</u>                | <u>578</u>                                | <u>830</u>                  | <u>1,099,041</u>               | <u>8,433</u>                        | <u>1,487,318</u>    |
| Fund Balances at End of Year                         | <u>\$ 2,374</u>                  | <u>\$ 307,217</u>             | <u>\$ 578</u>                             | <u>\$ 831</u>               | <u>\$ 1,061,260</u>            | <u>\$ 8,485</u>                     | <u>\$ 1,497,418</u> |

See accountant's report.

**TOWN OF SALEM, CONNECTICUT**  
Schedule of Property Taxes Levied, Collected, and Outstanding  
For the Year Ended June 30, 2022

| List of<br>10/1:                 | Outstanding<br>July 1, 2021 | Current<br>Levy | Lawful Corrections |                  | Transfers<br>to<br>Suspense | Adjusted<br>Taxes<br>Collectible | Collections During the Year |                  |               |                      | Outstanding<br>June 30, 2022 |
|----------------------------------|-----------------------------|-----------------|--------------------|------------------|-----------------------------|----------------------------------|-----------------------------|------------------|---------------|----------------------|------------------------------|
|                                  |                             |                 | Additions          | Deductions       |                             |                                  | Taxes                       | Interest         | Liens & Fees  | Total                |                              |
| 2020                             |                             | \$ 12,858,499   | \$ 12,128          | \$ 79,762        | \$ -                        | \$ 12,790,865                    | \$ 12,695,143               | \$ 41,240        | \$ 138        | \$ 12,736,521        | \$ 95,722                    |
| 2019                             | \$ 92,567                   | -               | 747                | 5,557            | -                           | 87,757                           | 51,840                      | 9,650            | 414           | 61,904               | 35,917                       |
| 2018                             | 19,620                      | -               | -                  | -                | 1,671                       | 17,949                           | 17,949                      | 4,457            | 114           | 22,520               | -                            |
| 2017                             | 861                         | -               | -                  | -                | 178                         | 683                              | 667                         | 350              | 24            | 1,041                | 16                           |
| 2016                             | 650                         | -               | -                  | -                | 650                         | -                                | -                           | -                | -             | -                    | -                            |
|                                  | <b>\$ 113,698</b>           |                 | <b>\$ 12,875</b>   | <b>\$ 85,319</b> | <b>\$ 2,499</b>             | <b>\$ 12,897,254</b>             | <b>12,765,599</b>           | <b>55,697</b>    | <b>690</b>    | <b>12,821,986</b>    | <b>\$ 131,655</b>            |
| Net Grand List - October 1, 2020 |                             |                 |                    |                  |                             | Total Suspense Collections       | 30,824                      | 11,106           | -             | 41,930               |                              |
| Tax Rate: 32.20 mills            |                             |                 |                    |                  |                             | Total Collections                | <b>\$ 12,796,423</b>        | <b>\$ 66,803</b> | <b>\$ 690</b> | <b>\$ 12,863,916</b> |                              |

See accountant's report.

# Trend Information

This part of the Town's annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

## **Contents**

### **Financial Trends (Tables 1-2)**

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

### **Debt Capacity (Table 3)**

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

**TOWN OF SALEM, CONNECTICUT**  
Changes in Fund Balances, General Fund (Budgetary Basis)  
Last Ten Fiscal Years

Table 1

|  | 2022               | 2021                | 2020              | 2019              | 2018              | 2017 (1)          | 2016               | 2015              | 2014              | 2013               |
|--|--------------------|---------------------|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|-------------------|--------------------|
| <b>Revenues</b>  |                    |                     |                   |                   |                   |                   |                    |                   |                   |                    |
| Property Taxes   | \$ 12,872,102      | \$ 12,417,843       | \$ 12,106,515     | \$ 12,071,358     | \$ 12,007,172     | \$ 11,944,985     | \$ 11,659,288      | \$ 11,340,498     | \$ 10,971,381     | \$ 10,829,411      |
| Intergovernmental  | 2,984,232          | 2,902,182           | 3,153,076         | 3,146,231         | 2,915,235         | 3,658,369         | 3,565,089          | 3,507,841         | 3,742,610         | 3,418,599          |
| Charges for Services                                     | 236,084            | 331,939             | 214,892           | 209,198           | 310,267           | 293,425           | 278,364            | 259,674           | 264,906           | 269,259            |
| Income from Investments                                  | 22,126             | 10,142              | 83,176            | 94,198            | 67,390            | 24,011            | 11,616             | 7,239             | 6,877             | 6,101              |
| Other  | 65,084             | 49,091              | 54,746            | 53,959            | -                 | -                 | -                  | -                 | -                 | -                  |
| <b>Total Revenues</b>                                    | <b>16,179,628</b>  | <b>15,711,197</b>   | <b>15,612,405</b> | <b>15,574,944</b> | <b>15,300,064</b> | <b>15,920,790</b> | <b>15,514,357</b>  | <b>15,115,252</b> | <b>14,985,774</b> | <b>14,523,370</b>  |
| <b>Expenditures</b>                                      |                    |                     |                   |                   |                   |                   |                    |                   |                   |                    |
| Current:   |                    |                     |                   |                   |                   |                   |                    |                   |                   |                    |
| General Government                                       | 1,804,195          | 1,749,002           | 1,556,227         | 1,555,122         | 1,509,063         | 3,031,833         | 3,005,746          | 3,025,509         | 2,992,458         | 2,890,369          |
| Public Safety  | 939,486            | 882,472             | 843,644           | 839,372           | 802,481           | -                 | -                  | -                 | -                 | -                  |
| Public Works   | 730,287            | 640,341             | 628,348           | 650,531           | 646,737           | -                 | -                  | -                 | -                 | -                  |
| Sanitation   | 171,371            | 170,150             | 163,847           | 149,191           | 156,710           | -                 | -                  | -                 | -                 | -                  |
| Education  | 10,944,234         | 10,951,710          | 10,369,875        | 10,376,941        | 10,513,444        | 10,634,019        | 10,634,350         | 10,348,792        | 10,294,268        | 10,118,255         |
| Debt Service   | 402,375            | 420,063             | 519,768           | 532,767           | 436,664           | 527,768           | 363,237            | 438,937           | 304,706           | 417,353            |
| <b>Total Expenditures</b>                                | <b>14,991,948</b>  | <b>14,813,738</b>   | <b>14,081,709</b> | <b>14,103,924</b> | <b>14,065,099</b> | <b>14,193,620</b> | <b>14,003,333</b>  | <b>13,813,238</b> | <b>13,591,432</b> | <b>13,425,977</b>  |
| <b>Excess (Deficiency) of Revenues over Expenditures</b> | <b>1,187,680</b>   | <b>897,459</b>      | <b>1,530,696</b>  | <b>1,471,020</b>  | <b>1,234,965</b>  | <b>1,727,170</b>  | <b>1,511,024</b>   | <b>1,302,014</b>  | <b>1,394,342</b>  | <b>1,097,393</b>   |
| <b>Other Financing Sources (Uses)</b>                    |                    |                     |                   |                   |                   |                   |                    |                   |                   |                    |
| Proceeds from Bond Premiums                              | -                  | -                   | -                 | -                 | -                 | -                 | -                  | 166,018           | -                 | -                  |
| Transfers In   | -                  | 2,252               | 130,568           | -                 | -                 | 63,879            | 8,718              | -                 | 142,687           | 90,312             |
| Transfers Out  | (1,135,172)        | (1,226,143)         | (1,010,210)       | (895,974)         | (838,232)         | (864,890)         | (1,333,852)        | (802,550)         | (933,675)         | (1,244,230)        |
| <b>Net Other Financing Sources (Uses)</b>                | <b>(1,135,172)</b> | <b>(1,223,891)</b>  | <b>(879,642)</b>  | <b>(895,974)</b>  | <b>(838,232)</b>  | <b>(801,011)</b>  | <b>(1,325,134)</b> | <b>(636,532)</b>  | <b>(790,988)</b>  | <b>(1,153,918)</b> |
| <b>Net Change in Fund Balances</b>                       | <b>\$ 52,508</b>   | <b>\$ (326,432)</b> | <b>\$ 651,054</b> | <b>\$ 575,046</b> | <b>\$ 396,733</b> | <b>\$ 926,159</b> | <b>\$ 185,890</b>  | <b>\$ 665,482</b> | <b>\$ 603,354</b> | <b>\$ (56,525)</b> |
| <b>Debt Service as a Percentage of Expenditures</b>      | <b>2.68%</b>       | <b>2.84%</b>        | <b>3.69%</b>      | <b>3.78%</b>      | <b>3.10%</b>      | <b>3.72%</b>      | <b>2.59%</b>       | <b>3.18%</b>      | <b>2.24%</b>      | <b>3.11%</b>       |

(1) Expenditures have not been reclassified prior to 2018

See accountant's report.  
(Unaudited)

**TOWN OF SALEM, CONNECTICUT**  
Property Tax Rates, Levies, and Collections  
Last Ten Fiscal Years

Table 2

| <b>Fiscal Year<br/>Ended<br/>June 30,</b> | <b>Tax Rate<br/>in Mills</b> | <b>Grand List<br/>October 1,</b> | <b>Total<br/>Adjusted<br/>Tax Levy (1)</b> | <b>Net Tax<br/>Collections<br/>in Year of Levy</b> | <b>Percent of<br/>Current Levy<br/>Collected</b> |
|---|------------------------------|----------------------------------|--|--|--|
| 2022                                      | 32.20                        | 2020                             | \$ 12,790,865                              | \$ 12,695,143                                      | 99.25%   |
| 2021                                      | 32.20                        | 2019                             | 12,265,467                                 | 12,172,900   | 99.25%   |
| 2020                                      | 32.20                        | 2018                             | 12,117,743                                 | 11,983,578   | 98.89%   |
| 2019                                      | 32.20                        | 2017                             | 11,958,782                                 | 11,878,155   | 99.33%   |
| 2018                                      | 32.20                        | 2016                             | 11,926,763                                 | 11,773,958   | 98.72%   |
| 2017                                      | 31.70                        | 2015                             | 11,742,938                                 | 11,625,064   | 99.00%   |
| 2016                                      | 31.70                        | 2014                             | 11,595,874                                 | 11,447,970   | 98.72%   |
| 2015                                      | 31.10                        | 2013                             | 11,299,052                                 | 11,129,352   | 98.50%   |
| 2014                                      | 30.10                        | 2012                             | 10,882,351                                 | 10,641,781   | 97.79%   |
| 2013                                      | 29.60                        | 2011                             | 10,647,549                                 | 10,428,402   | 97.94%   |

Source: Tax Collector's Office and Assessor's Office, Town of Salem

Note (1) Tax levy is per \$1,000 of the assessed value of taxable property.

See accountant's report.  
(Unaudited)



# TOWN OF SALEM, CONNECTICUT

## Schedule of Debt Limitation

June 30, 2022

Table 3

Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year \$ 12,394,841

Reimbursement for Revenue Loss on:

Tax Relief for Elderly - Prior Fiscal Year 349

Base \$ 12,395,190

|                                    | General<br>Purposes<br>(2.25 x base) | Schools<br>(4.50 x base) | Sewers<br>(3.75 x base) | Urban<br>Renewal<br>(3.25 x base) | Pension<br>Deficit<br>(3.00 x base) |
|------------------------------------|--------------------------------------|--------------------------|-------------------------|-----------------------------------|-------------------------------------|
| Debt Limitation:                   |                                      |                          |                         |                                   |                                     |
| Statutory Debt Limits by Function  | <u>\$ 27,889,178</u>                 | <u>\$ 55,778,355</u>     | <u>\$ 46,481,963</u>    | <u>\$ 40,284,368</u>              | <u>\$ 37,185,570</u>                |
| Indebtedness:                      |                                      |                          |                         |                                   |                                     |
| Bonds Payable                      | -                                    | 2,835,000                | -                       | -                                 | -                                   |
| Total Indebtedness                 | <u>-</u>                             | <u>2,835,000</u>         | <u>-</u>                | <u>-</u>                          | <u>-</u>                            |
| Debt Limitation in Excess of Debt* | <u>\$ 27,889,178</u>                 | <u>\$ 52,943,355</u>     | <u>\$ 46,481,963</u>    | <u>\$ 40,284,368</u>              | <u>\$ 37,185,570</u>                |

\*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$86,766,330.

See accountant's report.  
(Unaudited)

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# **TOWN OF SALEM, CONNECTICUT**

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State Single Audit

For the Year Ended June 30, 2022

# TOWN OF SALEM, CONNECTICUT

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

To the Board of Finance  
Town of Salem, Connecticut

We have audited, 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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Salem, Connecticut (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 16, 2022.

**Internal Control over Financial Reporting**

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

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

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

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

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

### **Purpose of this Report**

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



King, King & Associates, CPAs  
Winsted, CT  
December 16, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
REQUIRED BY THE STATE SINGLE AUDIT ACT**

To the Board of Finance  
Town of Salem, Connecticut

**Report on Compliance for Each Major State Program  
Opinion on Each Major State Program**

We have audited the Town of Salem, CT's (Town) compliance with the types of compliance requirements described in the Office of Policy and Management's *Compliance Supplement* that could have a direct and material effect on each of the Town's major state programs for the year ended June 30, 2022. The Town's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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 (C.G.S Section 4-230 to 4-236). Our responsibilities under those standards and the State Single Audit Act are further described in the Auditors' Responsibilities for the Audit of Compliance section of the report.

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

***Responsibilities of Management For Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on the compliance about the Town's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State Single Audit Act, we:

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

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

## **Report on Internal Control over Compliance**

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

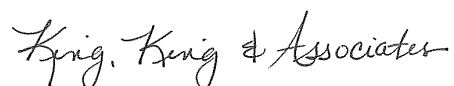
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant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

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

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

### **Report on Schedule of Expenditures of State Financial Assistance Required by the State Single Audit Act**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We have issued our report thereon dated December 16, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the basic financial statements as a whole.



King, King & Associates, CPAs  
Winsted, CT  
December 16, 2022



**TOWN OF SALEM, CONNECTICUT**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

| State Grantor/Pass-Through<br>Grantor/Program Title            | State Grant Program<br>Core-CT Number | Expenditures               |
|--|---------------------------------------|----------------------------|
| <b>Connecticut State Library</b>                               |                                       |                            |
| Historic Document Preservation Grant                           | 12060-CSL66094-35150                  | \$ 6,123                   |
| Connecticard   | 11000-CSL66051-17010                  | 428                        |
| <b>Department of Transportation</b>                            |                                       |                            |
| Town Aid Road Grants - Municipal                               | 12052-DOT57131-43455                  | 96,509                     |
| Town Aid Road Grants - STO                                     | 13033-DOT57131-43459                  | 96,509                     |
| <b>Department of Education</b>                                 |                                       |                            |
| Healthy Foods Initiative Grant                                 | 11000-SDE64370-16212                  | 1,592                      |
| School Breakfast Program                                       | 11000-SDE64370-17046                  | 2,649                      |
| Talent Development   | 11000-SDE64370-12552                  | 1,115                      |
| Child Nutrition State Matching Grant                           | 11000-SDE64370-16211                  | 2,662                      |
| Adult Education  | 11000-SDE64370-17030                  | 3,864                      |
| <b>Judicial Branch</b>   |                                       |                            |
| Judicial Fines and Fees  | 34001-JUD95162-40001                  | 670                        |
| <b>Department of Housing</b>                                   |                                       |                            |
| Affordable Housing Plan Grant                                  | 12039-DOH46920-40233                  | 2,254                      |
| <b>Office of Policy and Management</b>                         |                                       |                            |
| Tiered Payment in Lieu of Taxes (PILOT)                        | 11000-OPM20600-17111                  | 42,030                     |
| MRSA - Tiered Payment in Lieu of Taxes (PILOT)                 | 12060-OPM20600-35691                  | 14,936                     |
| Property Tax Relief for Totally Disabled Persons               | 11000-OPM20600-17011                  | 339                        |
| Municipal Grants-in-aid  | 12052-OPM20600-43587                  | 4,699                      |
| Property Tax Relief for Veterans                               | 11000-OPM20600-17024                  | 2,834                      |
| <b>Total State Financial Assistance Before Exempt Programs</b> |                                       | <b>\$ 279,213</b>          |
| <b>EXEMPT PROGRAMS</b>   |                                       |                            |
| <b>Department of Education</b>                                 |                                       |                            |
| Educational Cost Sharing                                       | 11000-SDE64370-17041-82010            | \$ 2,570,032               |
| Excess Cost Student Based and Equity                           | 11000-SDE64370-17047                  | 161,836                    |
| <b>Office of Policy and Management</b>                         |                                       |                            |
| Municipal Stabilization Grant                                  | 11000-OPM20600-17104                  | 132,694                    |
| Mashantucket Pequot and Mohegan Fund                           | 12009-OPM20600-17005                  | 7,370                      |
| <b>Total Exempt Programs</b>                                   |                                       | <b><u>2,871,932</u></b>    |
| <b>Total State Financial Assistance</b>                        |                                       | <b><u>\$ 3,151,145</u></b> |

See notes to schedule.

**TOWN OF SALEM, CONNECTICUT**  
**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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The accompanying schedule of expenditures of state financial assistance includes state grant activity of the Town of Salem, Connecticut under programs of the State of Connecticut for the fiscal year ended June 30, 2022. Various departments and agencies of the State of Connecticut have provided financial assistance through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. These financial assistance programs fund several programs of the Town.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Salem, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to Governments.

The information in the Schedule of Expenditures of State Financial Assistance is presented based upon regulations established by the State of Connecticut, Office of Policy and Management.

***Basis of Accounting***

The fund financial statements contained in the Town of Salem, Connecticut's annual report are prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become both measurable and available while expenditures are recognized in the accounting period in which the fund liability is incurred.

The government-wide financial statements are prepared on the accrual basis of accounting. Under this basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred.

The expenditures reported on the Schedule of Expenditures of State Financial Assistance are reported on the accrual basis of accounting. In accordance with Section 4-236-22 of the Regulations to the State Single Audit Act, 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 Expenditure of State Financial Assistance.

**TOWN OF SALEM, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

We audited the financial statements of the Town of Salem, Connecticut as of and for the year ended June 30, 2022 and issued our unmodified report thereon dated December 16, 2022.

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None Reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes    ✓ No

*State Financial Assistance*

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes    ✓ No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes    ✓ None Reported

We have issued an unmodified opinion relating to compliance for major State programs.

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:

| <b>State Grantor<br/>and Program</b>   | <b>State Core - CT<br/>Number</b> | <b>Expenditures</b> |
|--|-----------------------------------|---------------------|
| <b>Department of Transportation</b>    |                                   |                     |
| Town Aid Road Grants - Municipal       | 12052-DOT57131-43455              | \$ 96,509           |
| Town Aid Road - STO                    | 13033-DOT57131-43459              | \$ 96,509           |
| <b>Office of Policy and Management</b> |                                   |                     |
| Tiered PILOT                           | 11000-OPM20600-17111              | \$ 42,030           |
| MRSA Tiered PILOT                      | 12060-OPM20600-35691              | \$ 14,936           |

Dollar threshold used to distinguish between type A and type B programs \$ 100,000

**TOWN OF SALEM, CONNECTICUT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

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**II. FINANCIAL STATEMENT FINDINGS**

- We issued reports, dated December 16, 2022, on internal control over financial reporting and on compliance and other matters based on our audit of financial statements performed in accordance with *Government Auditing Standards*.
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no matters were reported.

**III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS**

- No findings or questioned costs are reported relating to State Financial Assistance Programs.