
TOWN OF SALEM, CONNECTICUT

Annual Financial Statements

For the Year Ended June 30, 2021

TOWN OF SALEM, CONNECTICUT
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For the Year Ended June 30, 2021

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Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Finance
Town of Salem, Connecticut

Report on the Financial Statements

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, CT, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Salem, CT's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Salem, CT, as of June 30, 2021, 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.

Other Matters

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Salem, CT's basic financial statements. The supplemental schedules and trend information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The trend information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2021, on our consideration of the Town of Salem, CT's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Salem, CT's internal control over financial reporting and compliance.



King, King & Associates, P.C., CPAs
Winsted, CT
December 4, 2021

TOWN OF SALEM, CONNECTICUT
Management's Discussion and Analysis
June 30, 2021

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, 2021.

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 \$24,793,752 (*net position*). Of this amount, \$6,857,533 (*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 \$8,114,086, an increase of \$356,715 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,560,193 or 15.8 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
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The government-wide financial statements can be found on pages 10-11 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 two categories: governmental funds and fiduciary 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, 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 12-15 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town of Salem, CT's own programs. The Town's fiduciary funds include custodial funds.

The basic fiduciary fund financial statements can be found on pages 16-17 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 18-42 of this report.

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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 \$24,793,752 at the close of the most recent fiscal year.

SUMMARY STATEMENT OF NET POSITION

	<u>2021</u>	<u>2020</u>	Variance
Current and Other Assets	\$ 10,425,976	\$ 8,862,481	\$ 1,563,495
Capital Assets	<u>21,531,231</u>	<u>21,833,059</u>	<u>(301,828)</u>
Total Assets	<u>31,957,207</u>	<u>30,695,540</u>	<u>1,261,667</u>
Deferred Outflows of Resources	<u>40,090</u>	<u>-</u>	<u>40,090</u>
Other Liabilities	2,273,983	1,507,892	766,091
Long-Term Liabilities	<u>4,918,886</u>	<u>3,922,415</u>	<u>996,471</u>
Total Liabilities	<u>7,192,869</u>	<u>5,430,307</u>	<u>1,762,562</u>
Deferred Inflows of Resources	<u>10,676</u>	<u>-</u>	<u>10,676</u>
Net Position:			
Net Investment in Capital Assets	17,473,216	18,111,985	(638,769)
Restricted	463,003	429,814	33,189
Unrestricted	<u>6,857,533</u>	<u>6,723,434</u>	<u>134,099</u>
Total Net Position	<u>\$ 24,793,752</u>	<u>\$ 25,265,233</u>	<u>\$ (471,481)</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 \$463,003 increased by \$33,189 compared to last years restricted net position of \$429,814.

The Town's unrestricted net position of \$6,857,533 increased by \$134,099 compared to last years unrestricted net position of \$6,723,434. 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
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STATEMENT OF CHANGES IN NET POSITION

	2021	2020	Variance
REVENUES			
<i>Program:</i>			
Charges for services	\$ 410,111	\$ 411,489	\$ (1,378)
Operating grants and contributions	5,653,079	4,384,411	1,268,668
Capital grants and contributions	193,274	329,356	(136,082)
<i>General:</i>			
Property taxes	12,367,272	12,151,372	215,900
Grants and contributions, not restricted to specific programs	63,029	45,857	17,172
Unrestricted investment earnings	10,487	83,538	(73,051)
Other	37,781	-	37,781
Total Revenues	18,735,033	17,406,023	1,329,010
EXPENSES			
<i>Governmental Activities:</i>			
General Government	1,861,220	1,699,930	161,290
Public Safety	1,062,339	1,013,625	48,714
Public Works	948,157	936,227	11,930
Sanitation	184,894	181,091	3,803
Education	14,932,650	12,792,405	2,140,245
Interest on long-term debt	217,254	213,074	4,180
Total Expenses	19,206,514	16,836,352	2,370,162
Change in Net Position	(471,481)	569,671	<u>\$ (1,041,152)</u>
Beginning Net Position	25,265,233	24,695,562	
Ending Net Position	<u>\$ 24,793,752</u>	<u>\$ 25,265,233</u>	

Governmental activities. Governmental activities decreased the Town of Salem, CT's net position by \$471,481.

Key elements of this decrease are as follows:

- The OPEB liability increased by \$218,934.
- Depreciation expense was greater than capital additions by \$301,828.

Sixty-six percent (66%) of the revenues of the Town were derived from property taxes, followed by thirty-one percent (31%) from grants and contributions, two percent (2%) from charges for services and less than one percent (1%) of the Town's revenue in the fiscal year was derived from investment and other income.

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Seventy-eight percent (78%) of the expenses of the Town were related to education, followed by ten percent (10%) related to general government, five percent (5%) related to public safety and seven percent (7%) related to the remainder of the government's expenses.

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 \$8,114,086, an increase of \$356,715 in comparison with the prior year. Thirty two percent (32%) 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 \$2,560,193. 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 15.8 percent of total General Fund budgetary basis expenditures and transfers out.

The fund balance of the Town of Salem, CT's General Fund decreased by \$580,586 during the current fiscal year. Key factors in this increase are as follows:

- The Town budgeted to use \$781,705 from fund balance in its original budget.
- Expenditures coming in less than budgeted.

Town Grants Fund. The fund balance of the Town Grants Fund increased by \$1,512 during the current fiscal year. The Town also received \$604,183 from the American Rescue Plan Act, which was reported as unearned revenue in the Town Grants Fund.

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 capital project fund's revenues and other financing sources exceeded its expenditures by \$324,257 as a result of the timing of funding and capital purchases.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund included the use of fund balance of \$781,705. The actual use of fund balance of the General Fund to balance the budget was \$326,432. Budgetary revenues were \$373,014 greater than expected due primarily to higher than anticipated collection of property taxes and building fees. Budgetary expenditures were \$205,007 less than expected due primarily to savings in the general government, public safety, and public works lines.

TOWN OF SALEM, CONNECTICUT
Management's Discussion and Analysis
June 30, 2021

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, 2021, amounts to \$21,531,231 (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 decrease in the Town's investment in capital assets for the current fiscal year was \$301,828, which consisted of capital additions of \$534,919 offset by current year depreciation of \$836,747.

	2021	2020
Land	\$ 1,840,216	\$ 1,840,216
Construction in Progress	257,728	113,103
Land improvements	2,040,465	2,000,005
Buildings and Systems	16,704,688	16,654,475
Machinery and Equipment	2,353,488	2,313,884
Infrastructure	4,069,007	3,836,303
Vehicles	3,900,810	3,873,497
Less: Accumulated Depreciation	(9,635,171)	(8,798,424)
Total	<u>\$ 21,531,231</u>	<u>\$ 21,833,059</u>

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

- Library HVAC
- Commercial Lawnmower
- 2020 Ford F-250

Additional information on the Town of Salem, CT's capital assets can be found in Note 5 on page 27 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 \$4,918,886.

	2021	2020
G.O. Bonds	\$ 3,160,000	\$ 3,250,000
Unamortized Premium	554,608	-
Capital Lease Obligation	383,497	471,074
Compensated Absences	41,353	42,746
Termination Benefits	-	75,000
Post Closure Landfill Costs	10,000	12,500
OPEB Liability	769,428	550,494
Total	<u>\$ 4,918,886</u>	<u>\$ 4,401,814</u>

The Town of Salem, CT's total long-term debt and long-term liabilities increased by \$517,072 (11.75 percent) during the current fiscal year primarily due to a new \$550,000 general obligation bond, and the increase in the OPEB liability in the amount of \$218,934. In addition, the town issued a \$2,285,000 refunding bond. Additional information on the Town of Salem, CT's long-term debt can be found in Note 6 on pages 28-30 of this report.

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

TOWN OF SALEM, CONNECTICUT
Management's Discussion and Analysis
June 30, 2021

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 2022 fiscal year.

The Town has assigned \$693,376 of fund balance of the General Fund for spending in the 2022 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, 2021

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 9,322,793
Restricted Cash	14,453
Investments	50,218
Receivables, Net	516,406
Prepays	520,921
Other Assets	1,185
Capital Assets:	
Assets Not Being Depreciated	2,097,944
Assets Being Depreciated, Net	<u>19,433,287</u>
Total Assets	<u>31,957,207</u>
Deferred Outflows of Resources	
Deferred Amount on Refunding	<u>40,090</u>
Liabilities	
Accounts Payable and Accrued Items	1,580,100
Accrued Interest Payable	52,550
Unearned Revenue	626,880
Performance Bonds	14,453
Noncurrent Liabilities:	
Due Within One Year	495,694
Due In More Than One Year	<u>4,423,192</u>
Total Liabilities	<u>7,192,869</u>
Deferred Inflows of Resources	
Prepaid Property Taxes	<u>10,676</u>
Net Position	
Net Investment in Capital Assets	17,473,216
Restricted for:	
Endowment/Perpetual Care:	
Nonexpendable	1,997
Expendable	6,436
General Government	93,176
Residential Rehabilitation Program	307,717
Town Clerk Documents	43,481
Education	10,196
Unrestricted	<u>6,857,533</u>
Total Net Position	<u>\$ 24,793,752</u>

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, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 1,861,220	\$ 336,850	\$ 190,465	\$ -	\$ (1,333,905)
Public Safety	1,062,339	2,477	-	-	(1,059,862)
Public Works	948,157	-	-	193,274	(754,883)
Sanitation	184,894	50,170	-	-	(134,724)
Education	14,932,650	20,614	5,462,614	-	(9,449,422)
Interest on Long-Term Debt	217,254	-	-	-	(217,254)
Total Governmental Activities	<u>\$ 19,206,514</u>	<u>\$ 410,111</u>	<u>\$ 5,653,079</u>	<u>\$ 193,274</u>	<u>(12,950,050)</u>
General Revenues:					
					12,367,272
					63,029
					10,487
					37,781
					<u>12,478,569</u>
					(471,481)
					<u>25,265,233</u>
					<u>\$ 24,793,752</u>

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

TOWN OF SALEM, CONNECTICUT

Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Capital Nonrecurring Fund	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 8,496,865	\$ -	\$ 59,710	\$ 766,218	\$ 9,322,793
Restricted Cash	14,453	-	-	-	14,453
Investments	5,793	2,379	-	42,046	50,218
Receivables, Net of Allowance	170,587	-	-	345,819	516,406
Prepays	520,921	-	-	-	520,921
Other	-	-	-	1,185	1,185
Due from Other Funds	494,259	1,784,293	669,267	862,888	3,810,707
Total Assets	<u>\$ 9,702,878</u>	<u>\$ 1,786,672</u>	<u>\$ 728,977</u>	<u>\$ 2,018,156</u>	<u>\$ 14,236,683</u>
Liabilities					
Accounts Payable and Accrued Items	\$ 1,543,212	\$ -	\$ -	\$ 36,888	\$ 1,580,100
Unearned Revenue	10	-	619,433	7,437	626,880
Performance Bonds	14,453	-	-	-	14,453
Due to Other Funds	3,164,683	117,454	34,311	494,259	3,810,707
Total Liabilities	<u>4,722,358</u>	<u>117,454</u>	<u>653,744</u>	<u>538,584</u>	<u>6,032,140</u>
Deferred Inflows of Resources					
Unearned Revenue:					
Prepaid Property Taxes	10,676	-	-	-	10,676
Unavailable Revenues:					
Property Taxes and Interest	79,781	-	-	-	79,781
Total Deferred Inflows of Resources	<u>90,457</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90,457</u>
Fund Balances					
Nonspendable	520,921	-	-	1,997	522,918
Restricted	43,481	-	40,054	377,471	461,006
Committed	-	1,142,821	35,179	1,100,449	2,278,449
Assigned	1,765,468	526,397	-	-	2,291,865
Unassigned	2,560,193	-	-	(345)	2,559,848
Total Fund Balances	<u>4,890,063</u>	<u>1,669,218</u>	<u>75,233</u>	<u>1,479,572</u>	<u>8,114,086</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 9,702,878</u>	<u>\$ 1,786,672</u>	<u>\$ 728,977</u>	<u>\$ 2,018,156</u>	<u>\$ 14,236,683</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, 2021

Fund balances reported in governmental funds Balance Sheet	\$ 8,114,086
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>	31,166,402
<i>Depreciation</i>	(9,635,171)
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>	79,781
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>	40,090
<i>Unamortized Bond Premium</i>	(554,608)
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>	(52,550)
<i>Bonds Payable</i>	(3,160,000)
<i>Capital Leases</i>	(383,497)
<i>Postclosure Landfill Costs</i>	(10,000)
<i>Compensated Absences</i>	(41,353)
<i>OPEB Liability</i>	<u>(769,428)</u>
Net position of governmental activities	<u>\$ 24,793,752</u>

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, 2021

	General Fund	Capital Nonrecurring Fund	Town Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes, Interest and Lien Fees	\$ 12,417,843	\$ -	\$ -	\$ -	\$ 12,417,843
Intergovernmental Revenues	4,060,566	-	45,066	576,507	4,682,139
Charges for Services	337,929	-	-	23,091	361,020
Investment Income	10,142	33	-	312	10,487
Other Revenue	49,091	-	-	60,736	109,827
Total Revenues	<u>16,875,571</u>	<u>33</u>	<u>45,066</u>	<u>660,646</u>	<u>17,581,316</u>
Expenditures					
Current:					
General Government	1,678,133	-	43,554	6,521	1,728,208
Public Safety	883,242	-	-	2,978	886,220
Public Works	640,341	-	-	-	640,341
Sanitation	170,150	-	-	-	170,150
Education	12,440,337	125,000	-	618,138	13,183,475
Debt Service	505,393	104,790	-	20,833	631,016
Capital Outlay	-	669,877	-	64,832	734,709
Total Expenditures	<u>16,317,596</u>	<u>899,667</u>	<u>43,554</u>	<u>713,302</u>	<u>17,974,119</u>
Excess/(Deficiency) of Revenues over Expenditures	557,975	(899,634)	1,512	(52,656)	(392,803)
Other Financing Sources/(Uses)					
Proceeds from the Issuance of Bonds	-	-	-	550,000	550,000
Proceeds from Bond Premiums	440,420	-	-	114,188	554,608
Issuance of Refunding Bonds	2,285,000	-	-	-	2,285,000
Payment to Refunding Bond Escrow Agent	(2,640,090)	-	-	-	(2,640,090)
Transfers In	2,252	1,226,143	-	-	1,228,395
Transfers Out	(1,226,143)	(2,252)	-	-	(1,228,395)
Total Other Financing Sources/(Uses)	<u>(1,138,561)</u>	<u>1,223,891</u>	<u>-</u>	<u>664,188</u>	<u>749,518</u>
Net Change in Fund Balances	(580,586)	324,257	1,512	611,532	356,715
Fund Balances at Beginning of Year	<u>5,470,649</u>	<u>1,344,961</u>	<u>73,721</u>	<u>868,040</u>	<u>7,757,371</u>
Fund Balances at End of Year	<u>\$ 4,890,063</u>	<u>\$ 1,669,218</u>	<u>\$ 75,233</u>	<u>\$ 1,479,572</u>	<u>\$ 8,114,086</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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ 356,715
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**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>	534,919
<i>Depreciation expense</i>	(836,747)

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>	(50,571)
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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>Principal payments on long-term debt - capital leases</i>	87,577
<i>Issuance of long-term debt - general obligation bonds</i>	(550,000)
<i>Issuance of long-term debt - general obligation refunding bonds</i>	(2,285,000)
<i>Payments to bond refunding escrow agent</i>	2,640,090
<i>Premiums on bonds issued</i>	(554,608)

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>	1,185
<i>Postclosure Landfill Costs</i>	2,500
<i>Compensated Absences</i>	1,393
<i>Special Termination Benefits</i>	75,000
<i>OPEB Liability</i>	<u>(218,934)</u>

Change in net position of governmental activities	<u>\$ (471,481)</u>
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The notes to the financial statements are an integral part of this statement

TOWN OF SALEM, CONNECTICUT

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2021

	Custodial Funds
	Student Activity
	<hr/>
Assets	
Cash and Cash Equivalents	\$ 15,595
	<hr/>
Net Position	
Restricted for Individuals and Organizations	\$ 15,595
	<hr/>

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

TOWN OF SALEM, CONNECTICUT
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Funds
	Student Activity
Additions	
Activity Fees	\$ 6,677
Deductions	
Activities and Events	6,986
Change in Net Position	(309)
Net Position at Beginning of Year	15,904
Net Position at End of Year	\$ 15,595

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

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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

The Town maintains fiduciary funds which are reported by type. 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.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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* as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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.

Fiduciary funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, and other governments. Fiduciary funds are not included in the government-wide financial statements. The fiduciary funds are as follows:

- The *Custodial Funds* account for resources held by the Town in a purely custodial capacity on behalf of student groups.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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.

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 \$7,000. 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.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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, 2021, loans receivable totaled \$247,381 under this program.

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.

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.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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.

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).

TOWN OF SALEM, CONNECTICUT

Notes to the Financial Statements

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

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, 2021.

	Governmental Funds	Fiduciary Funds	Total
Cash and Cash Equivalents	\$ 9,322,793	\$ 15,595	\$ 9,338,388
Restricted Cash	14,453	-	14,453
	\$ 9,337,246	\$ 15,595	\$ 9,352,841

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	\$ 9,352,841
Less: Cash Equivalents (STIF)	(5,325,694)
Plus: Investments (CDs)	50,218
	\$ 4,077,365

At year-end, the Town’s carrying amount of deposits subject to custodial credit risk was \$4,077,365 and the bank balance was \$4,960,115. Of the bank balance, the Federal Depository Insurance Corporation insured \$751,408.

As of June 30, 2021, \$4,208,707 of the Town’s bank balance of \$4,960,115 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 3,712,836
Uninsured and collateral held by pledging bank’s Trust department not in the Town’s name	495,871
Total	\$ 4,208,707

Cash Equivalents

At June 30, 2021, the Town’s cash equivalents (Short-Term Investment Fund “STIF”) amounted to \$5,325,694. 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, 2021:

	Governmental Funds
Certificates of Deposit	\$ 50,218

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, 2021, 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	\$ 50,218	\$ 12,439	\$ 37,779	\$ -

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	Nonmajor and Other Funds	Total
Receivables:			
Property Taxes	\$ 113,698	\$ -	\$ 113,698
Interest, Liens, and Fees	16,752	-	16,752
Loans	-	247,381	247,381
Intergovernmental	-	60,658	60,658
Accounts	47,137	37,781	84,918
Gross Receivables	<u>177,587</u>	<u>345,820</u>	<u>523,407</u>
Less Allowance for			
Uncollectibles:			
Property Taxes	(6,000)	-	(6,000)
Interest, Liens, and Fees	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Total Allowance	<u>(7,000)</u>	<u>-</u>	<u>(7,000)</u>
Net Total Receivables	<u>\$ 170,587</u>	<u>\$ 345,820</u>	<u>\$ 516,407</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 Funds
Town Grants Fund:	
Advances on Grants	\$ 619,433
General Fund:	
Fees Collected in Advance	10
Nonmajor Funds:	
Advances on Grants	7,437
Total Unearned Revenue	\$ 626,880

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, 2021, the outstanding balances between funds were:

Payable Fund	Receivable Fund	Total
General Fund	Nonmajor Governmental Funds	\$ 744,112
General Fund	Town Grants Fund	669,267
General Fund	Capital Nonrecurring Fund	1,751,304
Nonmajor Governmental Funds	General Fund	494,259
Capital Nonrecurring Fund	Nonmajor Governmental Funds	117,454
Town Grants	Nonmajor Governmental Funds	1,322
Town Grants	Capital Nonrecurring Fund	32,989
		\$ 3,810,707

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, 2021 were as follows:

Transfers In:	Transfers Out:	Total
General Fund	Capital Nonrecurring Fund	\$ 2,252
Capital Nonrecurring Fund	General Fund	1,226,143
		\$ 1,228,395

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

NOTE 5 – CAPITAL ASSETS

The following is a summary of the change in capital assets as of June 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 1,840,216	\$ -	\$ -	\$ 1,840,216
Construction in Progress	113,103	235,298	(90,673)	257,728
Total capital assets, not being depreciated	<u>1,953,319</u>	<u>235,298</u>	<u>(90,673)</u>	<u>2,097,944</u>
Capital assets, being depreciated				
Land Improvements	2,000,005	40,460	-	2,040,465
Buildings and Systems	16,654,475	50,213	-	16,704,688
Machinery and Equipment	2,313,884	39,604	-	2,353,488
Infrastructure	3,836,303	232,704	-	4,069,007
Vehicles	3,873,497	27,313	-	3,900,810
Total capital assets, being depreciated	<u>28,678,164</u>	<u>390,294</u>	<u>-</u>	<u>29,068,458</u>
Less accumulated depreciation for:				
Land Improvements	702,559	86,529	-	789,088
Buildings and Improvements	3,726,432	305,699	-	4,032,131
Machinery and Equipment	1,301,884	99,789	-	1,401,673
Infrastructure	1,129,594	208,847	-	1,338,441
Vehicles	1,937,955	135,883	-	2,073,838
Total accumulated depreciation	<u>8,798,424</u>	<u>836,747</u>	<u>-</u>	<u>9,635,171</u>
Total capital assets, being depreciated, net	<u>19,879,740</u>	<u>(446,453)</u>	<u>-</u>	<u>19,433,287</u>
<i>Capital assets, net</i>	<u>\$ 21,833,059</u>	<u>\$ (211,155)</u>	<u>\$ (90,673)</u>	<u>\$ 21,531,231</u>

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

General Government	\$ 128,606
Public Safety	157,201
Public Works	297,556
Sanitation	17,244
Education	236,140
Total	<u>\$ 836,747</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, 2021 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 3,250,000	\$ 2,835,000	\$ 2,925,000	\$ 3,160,000	\$ 325,000
Unamortized Premium	-	554,608	-	554,608	55,461
Total Bonds Payable	3,250,000	3,389,608	2,925,000	3,714,608	380,461
Capital Leases	471,074	-	87,577	383,497	90,777
Compensated Absences	42,746	17,681	19,074	41,353	21,956
Termination Benefits	75,000	-	75,000	-	-
Post Closure Landfill Costs	12,500	-	2,500	10,000	2,500
OPEB Liability	550,494	218,934	-	769,428	-
Total	<u>\$ 4,401,814</u>	<u>\$ 3,626,223</u>	<u>\$ 3,109,151</u>	<u>\$ 4,918,886</u>	<u>\$ 495,694</u>

Long-term obligations, other than capital leases, have typically been liquidated by the General Fund. Capital leases 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, 2021 consisted of the following:

Bond Issue	Year of Issue	Original Amount	Interest Rates	Final Maturity	Outstanding June 30, 2021
General Obligation	2014	\$ 4,500,000	2.25-4%	2030	325,000
General Obligation	2021	550,000	5.00%	2030	550,000
General Obligation*	2021	2,285,000	5.00%	2031	2,285,000
					<u>\$ 3,160,000</u>

***Refunding Bonds**

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

Year(s)	Principal	Interest	Total
2022	\$ 325,000	\$ 161,206	\$ 486,206
2023	330,000	133,500	463,500
2024	335,000	116,875	451,875
2025	340,000	100,000	440,000
2026	345,000	82,875	427,875
2027-2031	1,485,000	157,875	1,642,875
Total	<u>\$ 3,160,000</u>	<u>\$ 752,331</u>	<u>\$ 3,912,331</u>

Interest paid and expensed on general obligation bonds for the year ended June 30, 2021 totaled \$95,063.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

Bonds Authorized and Unissued

At June 30, 2021, there was \$550,000 of authorized and unissued bonds for Salem School Roof and HVAC Project.

Capital Leases

The Town has entered into lease agreements as lessee for financing the acquisition of fire department tools and a fire truck. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Assets:	
Equipment	\$ 710,563
Less accumulated depreciation	(61,582)
Total	\$ 648,981

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

	Governmental Activities
Year ending June 30:	
2022	\$ 104,790
2023	104,790
2024	104,789
2025	104,789
Less amount representing interest	(35,661)
Total	\$ 383,497

Advance Refunding

During the fiscal year 2021, the Town issued \$2,285,000 in general obligation refunding bonds with an interest rate of 5.0%. The Town issued the bonds to advance refund \$2,600,000 of general obligation bonds with interest rates ranging from 2.25% to 4.0%. The Town used the net proceeds to purchase U.S. Government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the portion of the refunded bonds is considered defeased and the Town has removed the liability from its financial statements. The Town advance refunded the bonds to reduce its total debt service payments over the next 9 years 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.

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

Termination Benefits

Board of Education retirement obligations represent payments owed to retired employees for termination benefits and payments for unused compensated absences that are payable over several years. The net present value of retired employee obligations is reflected in the government-wide financial statements. The Town's retired employee obligation of \$75,000 was paid in fiscal year 2021.

NOTE 7 – FUND BALANCE COMPONENTS

The components of fund balance for the governmental funds at June 30, 2021 are as follows:

	General Fund	Town Grants Fund	Capital Nonrecurring Fund	Nonmajor Governmental Funds	Total
Fund Balances:					
Nonspendable:					
Cemetery Maintenance	\$ -	\$ -	\$ -	\$ 1,997	\$ 1,997
Prepays	520,921	-	-	-	520,921
Total Nonspendable	\$ 520,921	\$ -	\$ -	\$ 1,997	\$ 522,918
Restricted for:					
General Government	\$ -	\$ 40,054	\$ -	\$ 53,122	\$ 93,176
Cemetery Maintenance	-	-	-	6,436	6,436
Residential Rehabilitation	-	-	-	307,717	307,717
Town Clerk Documents	43,481	-	-	-	43,481
Education	-	-	-	10,196	10,196
Total Restricted	\$ 43,481	\$ 40,054	\$ -	\$ 377,471	\$ 461,006
Committed to:					
General Government	\$ -	\$ 35,179	\$ -	\$ 1,408	\$ 36,587
Capital	-	-	1,142,821	1,099,041	2,241,862
Total Committed	\$ -	\$ 35,179	\$ 1,142,821	\$ 1,100,449	\$ 2,278,449
Assigned:					
Encumbrances	\$ 79,012	\$ -	\$ -	\$ -	\$ 79,012
Capital	993,080	-	526,397	-	1,519,477
Subsequent Budget	693,376	-	-	-	693,376
Total Assigned	\$ 1,765,468	\$ -	\$ 526,397	\$ -	\$ 2,291,865
Unassigned:	\$ 2,560,193	\$ -	\$ -	\$ (345)	\$ 2,559,848

As of June 30, 2021, the Dog Fund had deficit fund balance of \$345 which will be restored through future charges for services or transfers from the General Fund.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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 \$49,010 for the year ended June 30, 2021.

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, 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

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, 2021 the certified teachers' contribution to the Connecticut Teachers Retirement Board was \$226,625. Covered payroll for the Town for the year ended June 30, 2021 was approximately \$3,237,497.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2021 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		14,261,213
Total	\$	14,261,213

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

For the year ended June 30, 2021, the Town recognized benefits expense and contribution revenue of \$914,741 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$2,042,851 for pension expense related to actuarial liabilities for on-behalf amounts for the benefits provided by the State.

Actuarial Assumptions: The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2019. The total pension liability was determined by an actuarial valuation as of June 30, 2020, 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
Notes to the Financial Statements

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 Allocation</u>	<u>Long-Term Expected 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.

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.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

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, 2021, the following employees were covered by the benefit terms:

Retirees, beneficiaries, and dependents currently receiving benefits	6
Active participants	37
	43

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 \$769,428, was measured as of June 30, 2021 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, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage
Amortization Period	20 years
Discount Rate	2.18%
Salary Increases	3.00%
Healthcare Cost Trend Rate	Ranges from 4.3%-4.9%

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.

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.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/20	\$ 550,494
Changes for the year:	
Service Cost	19,469
Interest	15,161
Differences Between Expected and Actual Experience	124,859
Changes in Assumptions	59,445
Benefit Payments, Including Refunds of Member Contributions	-
Net Changes	218,934
Balance at 6/30/21	\$ 769,428

Changes of assumptions primarily reflects a change in the discount rate from 2.66% to 2.18%.

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% Decrease 1.18%	Current Discount Rate 2.18%	1% Increase 3.18%
Total OPEB Liability	\$ 917,591	\$ 769,428	\$ 652,610

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 Trend Rates	1% Increase
Total OPEB Liability	\$ 635,705	\$ 769,428	\$ 941,866

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$218,934. As of June 30, 2021, 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.

TOWN OF SALEM, CONNECTICUT
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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 \$22,076.

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	2.21%
Prior Measurement Date	3.50%

The projected fiduciary net position is projected to be depleted in 2021.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

Single equivalent interest rate

Measurement Date	2.21%, net of OPEB plan investment expense, including price inflation
Prior Measurement Date	3.50%, net of OPEB plan investment expense, Including price inflation

Healthcare cost trend rates:

Medicare	5.125% for 2020 decreasing to an ultimate Rate of 4.50% by 2023
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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 Allocation	Expected 10-Year Geometric Real Rate of Return	Standard 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 2.21%. 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
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- 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 2021 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 Trend Rates	Current Trend Rates	1% Higher 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	\$ 1,738,369	\$ 2,127,060	\$ 2,666,014

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 (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Net OPEB liability	\$ 2,597,826	\$ 2,127,060	\$ 1,761,880

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At June 30, 2021 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>2,127,060</u>
Total	<u>\$ 2,127,060</u>

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

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

For the year ended June 30, 2021, the Town recognized OPEB expense and revenue of \$22,076 in the governmental funds for on-behalf amounts for the benefits provided by the State. In the government-wide financial statements, the Town recognized \$76,178 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

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 \$2,172,161 in regular education tuition and \$776,954 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. 87 – *Leases* - This statement improves the accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

GASB Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period* - The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

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. 92 – *Omnibus 2020* – The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and the requirements of this statement are effective for the Town's reporting period beginning July 1, 2021.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates* – Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR. The requirements in paragraphs 13 and 14 of this statement are effective for the Town's reporting period beginning July 1, 2021.

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.

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.

TOWN OF SALEM, CONNECTICUT
Notes to the Financial Statements

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for the Town’s reporting period beginning July 1, 2021.

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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
REVENUES				
Property Taxes				
Property Taxes	\$ 11,969,630	\$ 11,969,630	\$ 12,088,028	\$ 118,398
Prior Year Tax Collections	70,000	70,000	94,098	24,098
Supplemental Motor Vehicle Tax Collections	75,000	75,000	142,357	67,357
Interest on Property Taxes	50,000	50,000	91,222	41,222
Interest on Supplemental Motor Vehicles	2,600	2,600	806	(1,794)
Liens on Property Taxes	1,000	1,000	1,332	332
Total Property Taxes	<u>12,168,230</u>	<u>12,168,230</u>	<u>12,417,843</u>	<u>249,613</u>
Intergovernmental				
State/Federal Grants for Education				
Education Equalization	2,523,674	2,523,674	2,509,808	(13,866)
Adult Education	4,066	4,066	4,147	81
Total State/Federal Grants for Education	<u>2,527,740</u>	<u>2,527,740</u>	<u>2,513,955</u>	<u>(13,785)</u>
Other State/Federal Grants				
Town Aid Road (TAR)	193,591	193,591	193,274	(317)
State Property in Lieu of Taxes	35,653	35,653	35,653	-
Local Capital Improvement	33,620	33,620	-	(33,620)
Mashantucket Pequot Grant	3,720	3,720	7,370	3,650
Library Building Grant	2,200	2,200	-	(2,200)
Veterans' Tax Relief	4,000	4,000	2,834	(1,166)
Tax Relief for the Elderly	150	150	-	(150)
Tax Relief for the Disabled	150	150	349	199
Telephone Access Line	7,619	7,619	8,035	416
OPM Grant	4,066	4,066	4,699	633
Miscellaneous	-	-	3,319	3,319
Municipal Stabilization Grant	132,694	132,694	132,694	-
Total Other State/Federal Grants	<u>417,463</u>	<u>417,463</u>	<u>388,227</u>	<u>(29,236)</u>
Total Intergovernmental	<u>2,945,203</u>	<u>2,945,203</u>	<u>2,902,182</u>	<u>(43,021)</u>
Charges for Services				
Licenses and Permits				
Garbage Bag Revenue	36,000	36,000	38,742	2,742
Conveyance Tax	50,000	50,000	91,730	41,730
Building Permits	40,000	40,000	96,504	56,504
Tipping and Hauling Fees	4,000	4,000	2,053	(1,947)
Landfill Fees - Bulky Waste	7,000	7,000	9,375	2,375
Heating	6,000	6,000	13,816	7,816
Electrical	7,000	7,000	15,901	8,901
Plumbing	2,500	2,500	5,691	3,191
Zoning Compliance	1,400	1,400	1,385	(15)
Miscellaneous Permits and Fees	1,000	1,000	1,690	690
Pistol Permits/Sport Licenses	2,000	2,000	4,300	2,300
Total Licenses and Permits	<u>156,900</u>	<u>156,900</u>	<u>281,187</u>	<u>124,287</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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
Charges for Services (Continued)				
Charges for Current Services				
Recording Fees	\$ 16,000	\$ 16,000	\$ 27,411	\$ 11,411
Sale of Maps	300	300	104	(196)
Sale of Copies	2,500	2,500	3,590	1,090
Planning and Zoning Commission Fees	400	400	5,135	4,735
CFC Evacuation Fees	750	750	3,155	2,405
Zoning Board of Appeals Fees	100	100	-	(100)
Inland/Wetland Commission Fees	300	300	769	469
Electronic Registration Fees	3,500	3,500	10,588	7,088
Total Charges for Current Services	<u>23,850</u>	<u>23,850</u>	<u>50,752</u>	<u>26,902</u>
Total Charges for Services	<u>180,750</u>	<u>180,750</u>	<u>331,939</u>	<u>151,189</u>
Investment Income	<u>10,000</u>	<u>10,000</u>	<u>10,142</u>	<u>142</u>
Other				
Recreation Fee Based Activity	5,500	5,500	10,093	4,593
Library Fees/Fines	10,000	10,000	9,189	(811)
Miscellaneous	11,500	11,500	29,809	18,309
Insurance Claims and Refunds	7,000	7,000	-	(7,000)
Total Other	<u>34,000</u>	<u>34,000</u>	<u>49,091</u>	<u>15,091</u>
Total Revenues	<u>15,338,183</u>	<u>15,338,183</u>	<u>15,711,197</u>	<u>373,014</u>
Other Financing Sources				
Appropriation of Fund Balance	781,705	906,705	326,432	(580,273)
Transfers In	-	-	2,252	2,252
Total Other Financing Sources	<u>781,705</u>	<u>906,705</u>	<u>328,684</u>	<u>(578,021)</u>
Total Revenues and Other Financing Sources	<u>16,119,888</u>	<u>16,244,888</u>	<u>16,039,881</u>	<u>(205,007)</u>
EXPENDITURES				
General Government				
Selectman's Department	7,480	7,480	5,969	1,511
Salaries	632,231	651,831	636,513	15,318
Building Official, Sanitarian	4,281	4,281	4,281	-
Town Clerk	15,645	15,645	15,645	-
Treasurer, Auditor, Board of Finance	38,369	38,369	37,961	408
Assessor	21,100	21,100	19,161	1,939
Tax Collector	13,500	13,500	11,948	1,552
Registrar	11,539	11,539	11,539	-
Town Counsel	49,600	49,600	48,255	1,345
Town Office Operations	103,800	103,800	100,983	2,817
Municipal Building Maintenance	49,900	64,900	64,210	690
Employee Benefits	396,517	348,917	311,763	37,154

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, 2021

	Budgeted Amounts		Actual	Variance
	Original	Amended	Budgetary Basis	
General Government (Continued)				
Utilities	\$ 60,018	\$ 60,018	\$ 54,902	\$ 5,116
Town Services	106,693	106,693	101,251	5,442
Regional Services	11,869	11,869	11,740	129
Economic Development	1,615	1,615	1,615	-
Inland Wetlands, Conservation Commission	3,200	3,200	1,067	2,133
Planning and Zoning Commission	14,900	24,900	24,900	-
Zoning Board of Appeals	800	800	110	690
Recreation Commission	52,100	52,100	41,818	10,282
Municipal Insurance	126,972	126,972	122,697	4,275
Unanticipated Expenditures	1,000	1,000	949	51
Library	37,725	37,725	37,725	-
Total General Government	<u>1,760,854</u>	<u>1,757,854</u>	<u>1,667,002</u>	<u>90,852</u>
Public Safety				
Salaries	170,724	188,724	189,992	(1,268)
Security	349,546	349,546	331,738	17,808
Utilities	48,970	48,970	42,035	6,935
Gardner Lake Fire Department	2,500	2,500	1,442	1,058
Salem Fire Department	172,157	172,157	162,858	9,299
Ambulance	46,507	46,507	46,507	-
Public Safety	123,800	123,800	107,900	15,900
Total Public Safety	<u>914,204</u>	<u>932,204</u>	<u>882,472</u>	<u>49,732</u>
Public Works				
Salaries	393,094	375,094	352,673	22,421
Utilities	44,550	44,550	33,344	11,206
Public Works	256,950	256,950	254,324	2,626
Total Public Works	<u>694,594</u>	<u>676,594</u>	<u>640,341</u>	<u>36,253</u>
Sanitation				
Transfer Station	161,142	174,142	170,150	3,992
Debt Service				
Interest Payments	95,063	95,063	95,063	-
Principal Payments	325,000	325,000	325,000	-
Total Debt Service	<u>420,063</u>	<u>420,063</u>	<u>420,063</u>	<u>-</u>
Capital Outlay				
Capital Reserve Account	1	1	-	1
Open Space Land Acquisition	1	1	-	1
Total Capital Outlay	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>
Revaluation	<u>82,000</u>	<u>82,000</u>	<u>82,000</u>	<u>-</u>
Education	<u>10,975,886</u>	<u>10,975,886</u>	<u>10,951,710</u>	<u>24,176</u>
Total Expenditures	<u>15,008,745</u>	<u>15,018,745</u>	<u>14,813,738</u>	<u>205,007</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, 2021

	Budgeted Amounts		Actual Budgetary Basis	Variance
	Original	Amended		
Other Financing Uses				
Transfers Out	\$ 1,111,143	\$ 1,226,143	\$ 1,226,143	\$ -
Total Expenditures and Other Financing Uses	<u>16,119,888</u>	<u>16,244,888</u>	<u>16,039,881</u>	<u>205,007</u>
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures and Other Financing Uses - Budgetary Basis	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accountant's report.

TOWN OF SALEM, CONNECTICUT
Notes to Required Supplementary Information

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

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 additional appropriations made during the year totaling \$125,000.

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, 2021:

	<u>Total Revenues</u>	<u>Total Expenditures</u>	<u>Other Financing Sources (Uses)</u>
Budgetary Basis	\$ 16,037,629	\$ 14,813,738	\$ (1,223,891)
"On-behalf" payments - State Teachers Retirement Fund	936,817	936,817	-
Other Grants	221,567	221,567	-
Surplus to Finance Budget	(326,432)	-	-
Adjustment for Encumbrances	-	(79,012)	-
Adjustment for Refunding Bonds	-	85,330	85,330
Town Clerk Fees and Expenses	5,990	8,143	-
East Lyme Adjustment	-	331,013	-
GAAP Basis	<u>\$ 16,875,571</u>	<u>\$ 16,317,596</u>	<u>\$ (1,138,561)</u>

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

Schedule of Proportionate Share of Net Pension Liability

	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%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of Connecticut's proportionate share of the net pension liability associated with the Town	<u>14,261,213</u>	<u>13,025,364</u>	<u>10,043,313</u>	<u>9,960,033</u>	<u>10,507,911</u>	<u>8,877,646</u>	<u>8,205,604</u>
Total	<u>\$ 14,261,213</u>	<u>\$ 13,025,364</u>	<u>\$ 10,043,313</u>	<u>\$ 9,960,033</u>	<u>\$ 10,507,911</u>	<u>\$ 8,877,646</u>	<u>\$ 8,205,604</u>
Town's covered payroll	<u>\$ 3,237,497</u>	<u>\$ 3,025,325</u>	<u>\$ 2,938,193</u>	<u>\$ 2,884,579</u>	(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%
Plan fiduciary net position as a percentage of the total pension liability	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 Four Fiscal Years*

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 19,469	\$ 16,015	\$ 15,788	\$ 13,225
Interest	15,161	17,096	20,454	16,550
Differences Between Expected and Actual Experience	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	-	-	-	-
Net Change in Total OPEB Liability	218,934	94,246	29,307	72,383
Total OPEB Liability - Beginning	<u>550,494</u>	<u>456,248</u>	<u>426,941</u>	<u>354,558</u>
Total OPEB Liability - Ending	<u>\$ 769,428</u>	<u>\$ 550,494</u>	<u>\$ 456,248</u>	<u>\$ 426,941</u>
 Covered-Employee Payroll	 N/A	 N/A	 N/A	 N/A
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 N/A	 N/A	 N/A	 N/A

Notes to Schedule

Measurement Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	2.18%
Salary Increases	3.00%

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 Four Fiscal Years*

Schedule of Proportionate Share of Net OPEB Liability

	2021	2020	2019	2018
Town's percentage of the net OPEB liability	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	2,127,060	2,031,378	2,007,734	2,563,588
Total	\$ 2,127,060	\$ 2,031,378	\$ 2,007,734	\$ 2,563,588
Town's covered-employee payroll	\$ 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%
Plan fiduciary net position as a percentage of the total OPEB liability	2.50%	2.08%	1.49%	1.79%

Notes to Schedule

Actuarial Cost Method	Entry age
Amortization Method	Level percent of payroll over a closed 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

Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2021

	SPECIAL REVENUE FUNDS					
	Education Grants Fund	Senior Citizens Fund	Dog Fund	School Cafeteria Fund	Community Foundation Grant Fund	Needy Fund
Assets						
Cash and Cash Equivalents	\$ 478,120	\$ -	\$ -	\$ 5,870	\$ -	\$ 12,941
Investments	-	31,918	-	-	-	-
Receivables, Net	26,213	-	-	34,444	-	-
Other	-	-	-	-	-	1,185
Due from Other Funds	1,322	-	1,068	752	5,369	-
Total Assets	<u>\$ 505,655</u>	<u>\$ 31,918</u>	<u>\$ 1,068</u>	<u>\$ 41,066</u>	<u>\$ 5,369</u>	<u>\$ 14,126</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts Payable and Accrued Items	\$ 2,904	\$ -	\$ 1,413	\$ 32,571	\$ -	\$ -
Unearned Revenue	1,289	-	-	6,148	-	-
Due to Other Funds	493,613	-	-	-	-	646
Total Liabilities	<u>497,806</u>	<u>-</u>	<u>1,413</u>	<u>38,719</u>	<u>-</u>	<u>646</u>
Fund Balances:						
Nonspendable	-	-	-	-	-	-
Restricted	7,849	31,918	-	2,347	5,369	13,480
Committed	-	-	-	-	-	-
Unassigned	-	-	(345)	-	-	-
Total Fund Balances	<u>7,849</u>	<u>31,918</u>	<u>(345)</u>	<u>2,347</u>	<u>5,369</u>	<u>13,480</u>
Total Liabilities and Fund Balances	<u>\$ 505,655</u>	<u>\$ 31,918</u>	<u>\$ 1,068</u>	<u>\$ 41,066</u>	<u>\$ 5,369</u>	<u>\$ 14,126</u>

See accountant's report.

TOWN OF SALEM, CONNECTICUT

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>			<u>PERMANENT FUND</u>	Total
	Public Health Nursing Fund	Small Cities Grant Fund	Open Space Land Acquisition Fund	Land Acquisition Fund	School Construction Fund	Memorial and Cemetery Fund	
Assets							
Cash and Cash Equivalents	\$ -	\$ 60,336	\$ 578	\$ 830	\$ 206,883	\$ 660	\$ 766,218
Investments	2,355	-	-	-	-	7,773	42,046
Receivables, Net	-	247,381	-	-	37,781	-	345,819
Other	-	-	-	-	-	-	1,185
Due from Other Funds	-	-	-	-	854,377	-	862,888
Total Assets	<u>\$ 2,355</u>	<u>\$ 307,717</u>	<u>\$ 578</u>	<u>\$ 830</u>	<u>\$ 1,099,041</u>	<u>\$ 8,433</u>	<u>\$ 2,018,156</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts Payable and Accrued Items	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,888
Unearned Revenue	-	-	-	-	-	-	7,437
Due to Other Funds	-	-	-	-	-	-	494,259
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,584</u>
Fund Balances:							
Nonspendable	-	-	-	-	-	1,997	1,997
Restricted	2,355	307,717	-	-	-	6,436	377,471
Committed	-	-	578	830	1,099,041	-	1,100,449
Unassigned	-	-	-	-	-	-	(345)
Total Fund Balances	<u>2,355</u>	<u>307,717</u>	<u>578</u>	<u>830</u>	<u>1,099,041</u>	<u>8,433</u>	<u>1,479,572</u>
Total Liabilities and Fund Balances	<u>\$ 2,355</u>	<u>\$ 307,717</u>	<u>\$ 578</u>	<u>\$ 830</u>	<u>\$ 1,099,041</u>	<u>\$ 8,433</u>	<u>\$ 2,018,156</u>

See accountant's report.

TOWN OF SALEM, CONNECTICUT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS					
	Education Grants Fund	Senior Citizens Fund	Dog Fund	School Cafeteria Fund	Community Foundation Grant Fund	Needy Fund
Revenues						
Intergovernmental Revenues	\$ 390,452	\$ -	\$ -	\$ 186,055	\$ -	\$ -
Charges for Services	19,223	-	2,477	1,391	-	-
Investment Income	-	206	-	-	-	-
Other Revenue	10,250	-	-	-	3,280	9,356
Total Revenues	<u>419,925</u>	<u>206</u>	<u>2,477</u>	<u>187,446</u>	<u>3,280</u>	<u>9,356</u>
Expenditures						
Current:						
General Government	-	-	-	-	1,569	4,952
Public Safety	-	-	2,978	-	-	-
Education	412,883	-	-	205,255	-	-
Debt Service	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>412,883</u>	<u>-</u>	<u>2,978</u>	<u>205,255</u>	<u>1,569</u>	<u>4,952</u>
Excess/(Deficiency) of Revenues Over Expenditures	7,042	206	(501)	(17,809)	1,711	4,404
Other Financing Sources/(Uses)						
Proceeds from the Issuance of Bonds	-	-	-	-	-	-
Proceeds from Bond Premiums	-	-	-	-	-	-
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	7,042	206	(501)	(17,809)	1,711	4,404
Fund Balances at Beginning of Year	807	31,712	156	20,156	3,658	9,076
Fund Balances at End of Year	<u>\$ 7,849</u>	<u>\$ 31,918</u>	<u>\$ (345)</u>	<u>\$ 2,347</u>	<u>\$ 5,369</u>	<u>\$ 13,480</u>

See accountant's report.

TOWN OF SALEM, CONNECTICUT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	SPECIAL REVENUE FUNDS		CAPITAL PROJECT FUNDS			PERMANENT FUND	Total
	Public Health Nursing Fund	Small Cities Grant Fund	Open Space Land Acquisition Fund	Land Acquisition Fund	School Construction Fund	Memorial and Cemetery Fund	
Revenues							
Intergovernmental Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 576,507
Charges for Services	-	-	-	-	-	-	23,091
Investment Income	19	-	-	-	-	87	312
Other Revenue	-	69	-	-	37,781	-	60,736
Total Revenues	19	69	-	-	37,781	87	660,646
Expenditures							
Current:							
General Government	-	-	-	-	-	-	6,521
Public Safety	-	-	-	-	-	-	2,978
Education	-	-	-	-	-	-	618,138
Debt Service	-	-	-	-	20,833	-	20,833
Capital Outlay	-	-	-	-	64,832	-	64,832
Total Expenditures	-	-	-	-	85,665	-	713,302
Excess/(Deficiency) of Revenues Over Expenditures	19	69	-	-	(47,884)	87	(52,656)
Other Financing Sources/(Uses)							
Proceeds from the Issuance of Bonds	-	-	-	-	550,000	-	550,000
Proceeds from Bond Premiums	-	-	-	-	114,188	-	114,188
Transfers In	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	-	-	-	-	664,188	-	664,188
Net Change in Fund Balances	19	69	-	-	616,304	87	611,532
Fund Balances at Beginning of Year	2,336	307,648	578	830	482,737	8,346	868,040
Fund Balances at End of Year	\$ 2,355	\$ 307,717	\$ 578	\$ 830	\$ 1,099,041	\$ 8,433	\$ 1,479,572

See accountant's report.

TOWN OF SALEM, CONNECTICUT
Schedule of Property Taxes Levied, Collected, and Outstanding
For the Year Ended June 30, 2021

List of 10/1:	Outstanding July 1, 2020	Current Levy	Lawful Corrections		Transfers to Suspense	Adjusted Taxes Collectible	Collections During the Year				Outstanding June 30, 2021
			Additions	Deductions			Taxes	Interest	Liens & Fees	Total	
2019		\$ 12,329,829	\$ 14,587	\$ 51,315	\$ 27,634	\$ 12,265,467	\$ 12,172,900	\$ 43,155	\$ 582	\$ 12,216,637	\$ 92,567
2018	\$ 134,165	-	1,476	2,001	10,874	122,766	103,146	18,367	600	122,113	19,620
2017	12,996	-	1,347	184	4,865	9,294	8,433	3,123	150	11,706	861
2016	3,388	-	-	-	1,834	1,554	904	501	-	1,405	650
2015	2,838	-	-	-	2,536	302	302	32	-	334	-
2014	201	-	-	-	-	201	201	184	-	385	-
2013	-	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-	-	-
2008	21	-	-	-	-	21	21	-	-	21	-
2007	255	-	-	-	-	255	255	-	-	255	-
2006	282	-	-	-	-	282	282	-	-	282	-
	\$ 154,146	\$ 12,329,829	\$ 17,410	\$ 53,500	\$ 47,743	\$ 12,400,142	12,286,444	65,362	1,332	12,353,138	\$ 113,698
Net Grand List - October 1, 2019					Total Suspense Collections		24,666	17,037	-	41,703	
Tax Rate: 32.20 mills					Total Collections		\$ 12,311,110	\$ 82,399	\$ 1,332	\$ 12,394,841	

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 (1)</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues										
Property Taxes	\$ 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	\$ 10,573,859
Intergovernmental	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	3,293,345
Charges for Services	331,939	214,892	209,198	310,267	293,425	278,364	259,674	264,906	269,259	267,815
Income from Investments	10,142	83,176	94,198	67,390	24,011	11,616	7,239	6,877	6,101	6,966
Other	49,091	54,746	53,959	-	-	-	-	-	-	-
Total Revenues	<u>15,711,197</u>	<u>15,612,405</u>	<u>15,574,944</u>	<u>15,300,064</u>	<u>15,920,790</u>	<u>15,514,357</u>	<u>15,115,252</u>	<u>14,985,774</u>	<u>14,523,370</u>	<u>14,141,985</u>
Expenditures										
Current:										
General Government	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	2,832,937
Public Safety	882,472	843,644	839,372	802,481	-	-	-	-	-	-
Public Works	640,341	628,348	650,531	646,737	-	-	-	-	-	-
Sanitation	170,150	163,847	149,191	156,710	-	-	-	-	-	-
Education	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	9,868,815
Debt Service	420,063	519,768	532,767	436,664	527,768	363,237	438,937	304,706	417,353	231,750
Total Expenditures	<u>14,813,738</u>	<u>14,081,709</u>	<u>14,103,924</u>	<u>14,065,099</u>	<u>14,193,620</u>	<u>14,003,333</u>	<u>13,813,238</u>	<u>13,591,432</u>	<u>13,425,977</u>	<u>12,933,502</u>
Excess (Deficiency) of Revenues over Expenditures	897,459	1,530,696	1,471,020	1,234,965	1,727,170	1,511,024	1,302,014	1,394,342	1,097,393	1,208,483
Other Financing Sources (Uses)										
Proceeds from Bond Premiums	-	-	-	-	-	-	166,018	-	-	-
Transfers In	2,252	130,568	-	-	63,879	8,718	-	142,687	90,312	46,360
Transfers Out	(1,226,143)	(1,010,210)	(895,974)	(838,232)	(864,890)	(1,333,852)	(802,550)	(933,675)	(1,244,230)	(1,462,058)
Net Other Financing Sources (Uses)	<u>(1,223,891)</u>	<u>(879,642)</u>	<u>(895,974)</u>	<u>(838,232)</u>	<u>(801,011)</u>	<u>(1,325,134)</u>	<u>(636,532)</u>	<u>(790,988)</u>	<u>(1,153,918)</u>	<u>(1,415,698)</u>
Net Change in Fund Balances	<u>\$ (326,432)</u>	<u>\$ 651,054</u>	<u>\$ 575,046</u>	<u>\$ 396,733</u>	<u>\$ 926,159</u>	<u>\$ 185,890</u>	<u>\$ 665,482</u>	<u>\$ 603,354</u>	<u>\$ (56,525)</u>	<u>\$ (207,215)</u>
Debt Service as a Percentage of Expenditures	2.84%	3.69%	3.78%	3.10%	3.72%	2.59%	3.18%	2.24%	3.11%	1.79%

(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

Fiscal Year Ended June 30,	Tax Rate in Mills	Grand List October 1,	Total Adjusted Tax Levy (1)	Net Tax Collections in Year of Levy	Percent of Current Levy Collected
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%
2012	24.50	2010	10,603,565	10,408,066	98.16%

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, 2021

Table 3

Total Tax Collections, Including Interest and Lien Fees - Prior Fiscal Year	\$12,116,692
Reimbursement for Revenue Loss on:	
Tax Relief for Elderly and Disabled - Prior Fiscal Year	343
Base	<u>\$ 12,117,035</u>

	General Purposes (2.25 x base)	Schools (4.50 x base)	Sewers (3.75 x base)	Urban Renewal (3.25 x base)	Pension Deficit (3.00 x base)
Debt Limitation:					
Statutory Debt Limits by Function	<u>\$ 27,263,329</u>	<u>\$ 54,526,658</u>	<u>\$ 45,438,881</u>	<u>\$ 39,380,364</u>	<u>\$ 36,351,105</u>
Indebtedness:					
Bonds Payable	-	3,160,000	-	-	-
Total Indebtedness	-	3,160,000	-	-	-
Debt Limitation in Excess of Debt*	<u>\$ 27,263,329</u>	<u>\$ 51,366,658</u>	<u>\$ 45,438,881</u>	<u>\$ 39,380,364</u>	<u>\$ 36,351,105</u>

*In no event shall total debt exceed seven times annual receipts from base. The maximum amount permitted under this formula would be approximately \$84,819,245.

See accountant's report.
(Unaudited)