MUNICIPALITY OF SALEM
SALEM, SOUTH DAKOTA

AUDIT REPORT

FOR THE YEAR JANUARY 1, 2020 TO DECEMBER 31, 2020
AND
FOR THE YEAR JANUARY 1, 2021 TO DECEMBER 31, 2021

Schoenfish & Co., Inc.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 247
105 EAST MAIN, PARKSTON, SOUTH DAKOTA 57366

MUNICIPALITY OF SALEM

MUNICIPAL OFFICIALS
DECEMBER 31, 2021

MAYOR:

Shawn English

GOVERNING BOARD:

Ron Mayrose, President
MaryJo Heiberger, Vice-President
Marc Harris
Doug Mokros
Mitchell Rayman

FINANCE OFFICER:

Lori Heumiller

ATTORNEY:

Nicole Griese

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

Governing Board
Municipality of Salem
Salem, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Salem, South Dakota (Municipality), as of December 31, 2021 and 2020, and for each of the years in the biennial period then ended which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 5, 2022. A disclaimer of opinion was issued on the aggregate discretely presented component units because we were unable to obtain audited financial statements.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Audit Findings as item 2021-001 to be a material weakness.

Compliance and Other Matters

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

Municipality's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Municipality's response to the findings identified in our audit. The Municipality's response to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The Municipality's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Schoenfish & Co., Inc.
Certified Public Accountants
August 5, 2022

SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control Over Revenues:

Finding Number 2019-001:

A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This comment has not been corrected and is restated as current audit finding number 2021-001.

SCHEDULE OF CURRENT AUDIT FINDINGS

CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2021-001:
A material weakness in internal controls was noted due to a lack of proper segregation of duties for revenues. This has been a continuing audit comment since 1997.

Criteria:
Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets.

Condition:
The Office Personnel process all revenue transactions from beginning to end. The Office Personnel also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements.

Effect:
As a result, there is an increased likelihood that errors could occur and not be detected in a timely manner by employees in the ordinary course of performing their duties.

Recommendation:
1. We recommend that the Municipality of Salem officials be cognizant of this lack of segregation of duties for revenues and attempt to provide compensating internal controls whenever, and wherever, possible and practical.

Management's Response:
The Municipality of Salem Mayor, Shawn English, is the contact person responsible for the corrective action plan for this comment. This comment is due to the size of the Municipality of Salem, which precludes staffing at a level sufficient to provide an ideal environment for internal controls. We are aware of this problem and are attempting to develop policies and provide compensating controls.

CLOSING CONFERENCE

The audit findings and recommendations were discussed with the officials during the course of the audit and with the mayor and finance officer on August 16, 2022.

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Municipality of Salem
Salem, South Dakota

Disclaimer of Opinion and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Municipality of Salem, South Dakota, (Municipality) as of December 31, 2021 and 2020, and for each of the years in the biennial period then ended, and the related notes to the financial statements. We were not engaged to audit the financial statements of the aggregate discretely presented component unit. These financial statements collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Disclaimer of Opinion on the Aggregate Discretely Presented Component Unit

Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Unmodified Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the Municipality of Salem, South Dakota. Accordingly, we do not express an opinion on these financial statements.

Unmodified Opinions on Governmental Activities, Business-type Activities, and Each Major Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Municipality of Salem, South Dakota as of December 31, 2021 and December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Disclaimer of Opinion and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of American. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of the Salem Housing and Redevelopment Commission (SHRC) have not been audited, and we were not engaged to audit the SHRC's financial statements as part of our audit of the Municipality's basic financial statements. SHRC's financial activities are included in the Municipality's basic financial statements as a part of the aggregate discretely presented component unit.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Budgetary Comparison Schedules, the Schedule of the Municipality's Contributions, and the Schedule of the Municipality's Proportionate Share of the Net Pension Liability (Asset) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 content. 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 of 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. As a result of such limited procedures, we believe that the Management's Discussion and Analysis is not in conformity with guidelines established by the Governmental Accounting Standards Board because the information presented is not confined to the topics discussed in Section 2200. 109 of Codification of Governmental Accounting and Financial Reporting Standards. One of the more significant departures is the Economic Factors and Next Year's Budgets and Rates section which is not limited to prescribed items.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2022 on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Municipality's internal control over financial reporting and compliance.

Schoenfish & Co., Inc.
Certified Public Accountants
August 5, 2022

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SALEM, SD 57058
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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Salem's annual financial report presents our discussion and analysis of the City of Salem's financial performance during the fiscal year ending December 31, 2021. Please read it in conjunction with the City of Salem's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The City of Salem's revenues generated from taxes, charges for services, and other revenues for the governmental programs were $573,067 more than the $1,785,094 governmental and business-type program expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, including related notes, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

1. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City of Salem's overall financial status.
2. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City of Salem's operations in more detail than the government-wide statements.

    a. The governmental funds statements tell how general government services like public safety were financed in the short-term as well as what remains for future spending.

    b. Proprietary fund statements offer short- and long-term financial information about the activities that the City operates like businesses. The City has two proprietary funds – the Water Fund and the Sewer Fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the City of Salem's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of the overview section of the management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-1

Major Features of the City of Salem's Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that is not proprietary, such as finance office, police, streets, parks, armory.	Activities the City operates like private businesses are the water and sewer.
Required Financial Statements	* Statement of Net Position * Statement of Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Net Position * Statement of Revenues, Expenses and Changes in Net Position * Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capitol, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the city, using accounting methods similar of private-sector companies. The statement of Net Position includes all the government's assets and liabilities. All current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City of Salem's Net Position and how they have changed. Net Position – the difference between the City of Salem's assets and liabilities – is one way to measure the City's financial health or position.

1. Increases or decreases in the City of Salem's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

2. To assess the overall health of the City you need to consider additional non-financial factors such as changes in the property tax base and changes in the sales tax revenue base.

The government-wide financial statements of the City are reported in three categories:

1. Governmental Activities -- This category includes most of the City's basic services, such as police, fire, public works, parks department and general administration. Property taxes, sales taxes, charges for services, state and federal grants and interest earnings finance most of these activities.

2. Business-type Activities -- The City charges a fee to customers to help cover the costs of certain services it provides. Salem's water and sewer systems are included here.
3. Component Units -- The City includes one other entity in its report – the Housing and Redevelopment Commission. Although legally separate, this "component unit" is important because the City of Salem is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City of Salem's most significant funds – not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending.

- State Law requires some of the funds.
- The City Council establishes other funds to control and manage money for specific purposes or to show that it is properly using certain taxes and grants.

The City of Salem has two type of funds:

1. Governmental Funds – Most of the basic services are included in the governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year-end that are available for spending. Consequently, the governmental fund's statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent soon to finance its programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page explaining the relationship (or differences) between them.

2. Proprietary Funds – Services for which the City charges customers a fee is generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. The City of Salem's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flow.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City of Salem's combined net position increased by 5.3% in 2021 compared to a 3.5% increase between 2019 & 2020.
(See Table A-1).

TABLE A-1 CITY OF SALEM NET POSITION - FISCAL YEAR 2021

	Governmental Activities			Business-Type Activities			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Current and Other Assets	3,272,214	3,458,051	3,517,061	1,768,865	1,631,912	1,671,542	5,041,079	5,089,963	5,188,603
Net Pension Asset	792	335	59,063	312	116	25,285	1,104	451	84,348
Capital Assets	3,303,865	3,513,136	3,923,633	6,487,976	6,291,412	6,216,464	9,791,841	9,804,548	10,140,097
Total Assets	6,576,871	6,971,522	7,499,757	8,257,153	7,923,440	7,913,291	14,834,024	14,894,962	15,413,048
Def Outflows of Resources	34,814	46,003	75,415	14,319	19,114	31,719	49,133	65,117	107,134
LT Debt Outstanding	12,772	11,575	11,498	4,195,253	3,907,486	3,749,804	4,208,025	3,919,061	3,761,302
Other Liabilities	38,734	134,782	178,720	184,527	56,054	54,326	223,261	190,836	233,046
Total Liabilities	51,506	146,357	190,218	4,379,780	3,963,540	3,804,130	4,431,286	4,109,897	3,994,348
Def Inflows of Resources	17,313	42,622	114,239	7,525	18,372	49,340	24,838	60,994	163,580
Capital Assets Net of Related Debt	3,303,865	3,513,136	3,923,633	2,295,854	2,392,246	2,470,107	5,599,719	5,905,382	6,393,740
Restricted	716,839	732,126	451,102	970,477	1,143,617	1,165,977	1,687,316	1,875,743	1,617,079
Unrestricted	2,522,162	2,583,284	2,895,981	617,836	424,778	455,456	3,139,998	3,008,062	3,351,437
Total Net Position	6,542,866	6,828,546	7,270,715	3,884,167	3,960,642	4,091,540	10,427,033	10,789,188	11,362,255
Beginning Net Position	5,958,740	6,542,866	6,828,546	3,658,973	3,884,167	3,960,642	9,617,713	10,427,033	10,789,188
Net Position Increase (Decrease)	584,126	285,680	442,169	225,194	76,475	130,898	809,320	362,155	573,067
Percentage +/(-) Net Position	9.8%	4.4%	6.5%	6.2%	2.0%	3.3%	8.4%	3.5%	5.3%

This section explains the differences between the current and prior two years' assets, liabilities, and changes in net position.

The Statement of Net Position reports all financial and capital resources. The statement presents the assets and liabilities in order of relative liquidity. Liabilities with average maturities greater than one year are reported in two components – the amount due within one year and the amount due in more than one year. Long-term liabilities of the City, consisting of compensated absences payable and revenue bonds payable, have been reported in this manner on the Statement of Net Position. The difference between the City of Salem's assets plus deferred outflows and liabilities plus deferred inflows is its net position.

The City of Salem's net position reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. In 2021, the 8.3% increase in net position invested in capital assets net of related debt relates to depreciation being less than the City of Salem's purchases in 2021 and the reduction of revenue bond debt.

The City of Salem purchased the following capital items in 2021

ITEM	DEPTS	COST
EQUIPMENT		
2021 Polaris Sportsman 450 4wheeler	Streets	6,530
24" Cold Planer	Streets	17,500
Snowcrete Snow Blower	Streets	112,215
Christmas Pole Decorations (28)	Streets	8,864
Loader Pallet Forks	Streets	4,995
Baseball Field Scoreboard	Parks	19,166
2016 Ford F150	Water/Sewer	26,989
Water Meters/MXU	Water	1,617
TOTAL EQUIPMENT		**197,876**
IMPROVEMENTS OTHER THAN BLDGS		
Baseball Wood Fence	Parks	27,960
TOTAL IOTB		**27,960**
INFRASTRUCTURE		
Asphalt road (Essex - Idaho/Adams)	Streets	42,187
Radius & Valley Gutters	Storm/Sewer	5,882
Well (legion lot)	Water	97,635
Fire Hydrant Replacement	Water	2,295
2 - Manholes Dakota Street	Sewer	17,289
TOTAL INFRASTRUCTURE		**165,288**
CONSTRUCTION IN PROGRESS		
Storm Sewer Project	Storm Sewer	380,274
Trail Project Phase I	Streets	16,029
TOTAL CIP		**396,303**
TOTAL 2021 CAPITAL ASSET ADDTS		**787,428**

The City of Salem's restricted net position represent resources that are subject to external restrictions on how they may be used. These restrictions are normally set by state statute, federal regulations, or debt covenants. There was an decrease in restricted net position due to the Storm Sewer Project; more utility surcharge receipts than the total bond payment.

The remaining balance of net position is unrestricted and may be used to meet the City of Salem's ongoing obligations to citizens and creditors. The overall unrestricted net position increased 11.4% in 2021.

At the end of the 2021, the city reports positive balances in two categories of net position for the Governmental activities. Restricted saw a decline in Governmental activities. Business-type activities reflect an increase in all three.

The city reports an increase in Net Position of 5.3%, $573,067.

- The Current & Other Assets (cash & receivables) increased 1.9%, $98,640.
- Net Pension Assets show a balance of $84,348 an increase of $83,897 from 2020.
- The 2021 Capital purchases listed above, less depreciation, resulted in a $335,549 increase in Capital Assets.
- Total Assets increased 3.5% - $518,086.
- The LT Debt decreased 4.0% – $157,759 due to the no new loans established in 2021.

- The Other liabilities increased 22.1% - $42,210 this is a fluctuation in Claims Payable, Taxes Payable and Unearned Revenue.
- Total Liabilities for the City decreased 2.8% - $115,548.

REVENUE COMPARISON, TABLE A-2; FIGURE A-2

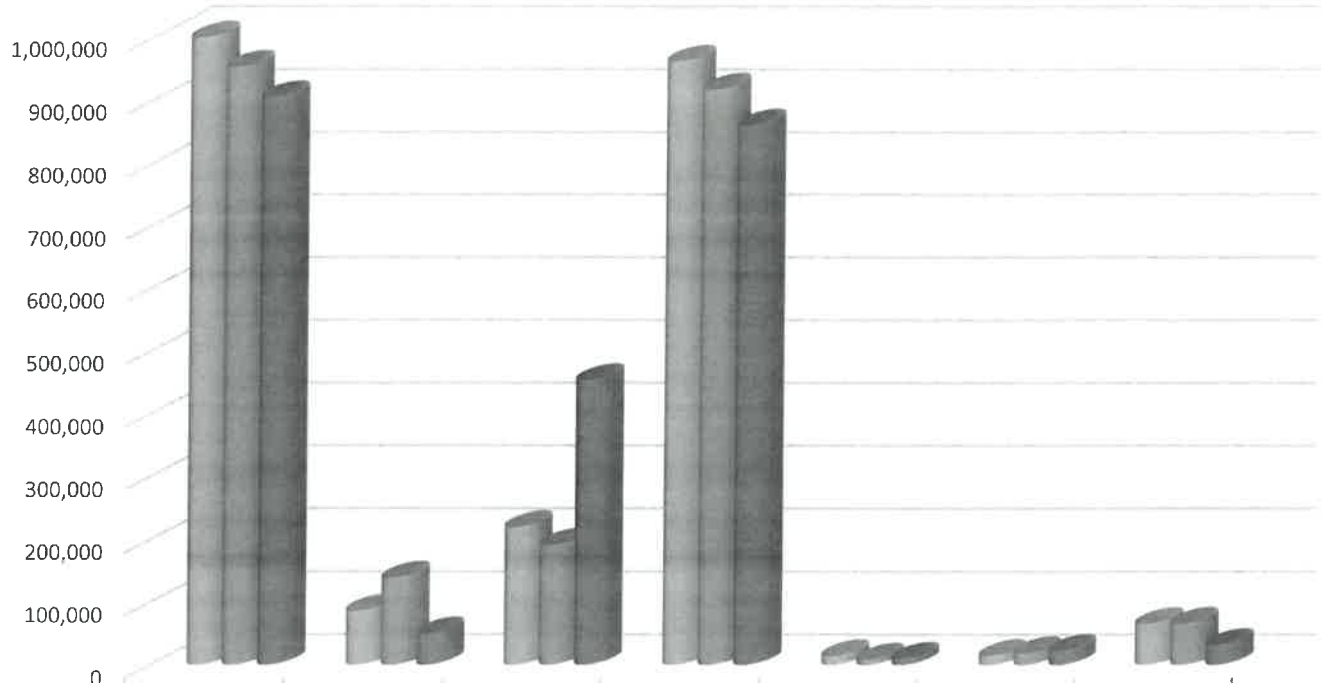
TABLE A-2

MUNICIPALITY OF SALEM

Changes in Net Position 12/31/2021

	Governmental Activities			Business-Type Activities			Total		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Revenues									
Charges for Services	169,871	178,572	203,754	733,770	773,345	794,762	903,641	951,917	998,516
Operating Grants	49,745	132,731	86,128		5,461		49,745	138,192	86,128
Capital Grants & Contrib.	420,075	190,602	218,843	32,458			452,533	190,602	218,843
Taxes	858,957	916,156	960,699				858,956	916,156	960,699
Revenue State Sources	10,300	8,719	14,349				10,300	8,719	14,349
Unrestricted Invest.	14,868	12,780	10,044	7,957	6,458	4,739	22,825	19,238	14,783
Miscellaneous	22,581	56,905	56,238	8,925	8,576	8,605	31,505	65,481	64,843
Total Revenues	1,546,397	1,496,465	1,550,055	783,109	793,840	808,106	2,329,506	2,290,305	2,358,161
Expenses									
General Government	187,187	190,207	178,373				187,187	190,207	178,373
Public Safety	98,588	163,611	99,369				98,588	163,611	99,369
Public Works	391,369	502,909	526,803				391,369	502,909	526,803
Health & Welfare	14,380	17,005	12,209				14,381	17,005	12,209
Culture & Recreation	255,244	322,304	280,744				255,244	322,304	280,744
Conservation/Develop	15,503	14,748	10,388				15,503	14,748	10,388
Water Services				411,037	403,473	446,946	411,037	403,473	446,946
Sewer Services				146,878	313,893	230,262	146,878	313,893	230,262
Total Expenses	962,271	1,210,785	1,107,886	557,915	717,366	677,208	1,520,186	1,928,151	1,785,094
Change in Net Position	584,126	285,680	442,169	225,194	76,475	130,898	809,320	362,155	573,067
Ending Net Position	6,542,866	6,828,546	7,270,715	3,884,167	3,960,642	4,091,540	10,427,033	10,789,188	11,362,255

Figure A-2, City of Salem Revenue Comparison 2019-2021



	Charges for Services	Operating Grants	Capital Grants & Contrib.	Taxes	Revenue State Sources	Unrestrict Investments	Misc.
2021	998,516	86,128	218,843	960,699	14,349	14,783	64,843
2020	951,917	138,192	190,602	916,156	8,719	19,238	65,481
2019	903,641	49,745	452,533	858,956	10,300	22,825	31,505

The City of Salem's 2021 revenues totaled $2,358,161 – a 3.0% increase from FY2020, and a 1.2% increase from 2019; FY 2019 to 2020 decreased 1.7% - $39,201.

- **Charges for Goods and Services** increased 4.9% from 2020; and 10.5% from 2019; and 2019 to 2020 increased 5.3%.

- **Operating Grants** declined decreased 37.7% - ($52,064) from 2020; increased 73.1% $36,383 form 2019; 2020 to 2019 increased 177.8% $88,447. COVID Dollars are the cause of the fluctuation.

- **Capital Grants & Contributions** revenues increased 14.8%, $28,241 from 2020, decreased 51.6% ($233,690) from 2019 and 2020 decreased 57.9% (261,931) from 2019. Is relative to the distribution between years of the $400,000 Community Access Grant and $500,000 Consolidated Water Grant both for the Street & Utility Improvement Project, CARES & COVID dollars.

- **Total Taxes** in 2021 increased 4.9%, $44,543 from 2020; and 11.8%, $101,743 from 2019; 2020 increased 6.7% - $57,200 from 2019.

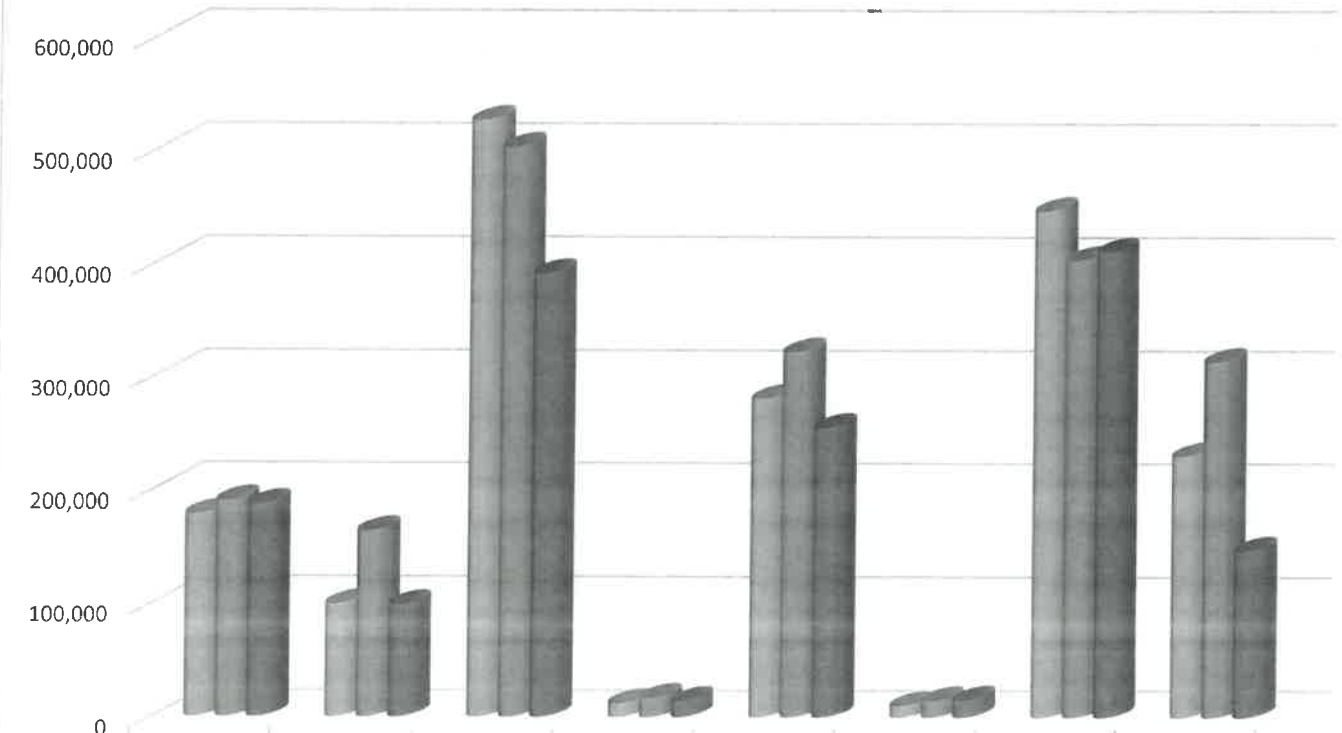
- **Revenue from State Sources** is derived from Liquor Tax Reversion and Bank Franchise collections. 2021 revenues increased 64.6%, $5,630 from 2020 and 39.3%, $4,049 from 2019; 2020 revenue decreased

15.3% ($1,581) from 2019.

- **Investment earnings** decreased 23.2%, ($4,455) from 2020 and 35.2% ($8,042) from 2019; 2020 decreased 15.7% - ($3,587) from 2019. These figures directly reflect the interest rates from the cash on hand during the year.

- **Miscellaneous revenues** consist of armory rent, principal collected by City & County, cable franchise, dividends, sale of surplus property and recovery of prior year expenses in the governmental funds and Verizon's water tower lease and dividends in the Business funds. The dollars in this category typically increase and decrease slightly due to the difference in the sale of surplus property. 2021 reflects a decrease of 1.0%, ($638) from 2020 an increase of 105.8% from 2019; 2020 shows a 107.8% - $33,976 increase from 2019.

Figure A-3, City of Salem Functional Expenses Comparison 2019-2021



	General Govern	Public Safety	Public Works	Health & Welfare	Culture & Recreation	Conserv/ Develop	Water Services	Sewer Services
2021	178,373	99,369	526,803	12,209	280,744	10,388	446,946	230,262
2020	190,207	163,611	502,909	17,005	322,304	14,748	403,473	313,893
2019	187,187	98,588	391,369	14,381	255,244	15,503	411,037	146,878

EXPENDITURE COMPARISON, TABLE A-2 & FIGURE A-3

The City of Salem's expenses show a decline of 7.4% ($143,057) from 2020 and increase of 17.4%, $264,908 form 2019 and 2020 an increase of 26.8% - $407,965 from 2019.

- **General Government Expenditures** decreased 6.2% (11,834) from 2020 and 4.7% ($8,814) from 2019; 2020 increased 1.6% - $3,020 from 2019.

- **Public Safety** decreased 39.3% ($64,242) from 2020 and increased .8%, $781 from 2019; 2020 increased 66.0% - $65,023 from 2019. Purchase of radios, LUCAS Machine (CARES Act dollars) and donation to the Rural Fire Association were made in 2020.

- **Public Works** expenses consist of Street Administration, Maintenance [overlays, sealing (slurry, chip, crack & fog), gravel], Street Lighting and Snow Removal, Storm Sewer maintenance. The 2021 expenses increased 4.8%, $23,894 from 2020 and 34.6% $135,434 from 2019; 2020 expenses increased 28.5% - $111,540 from 2019. The expenses directly reflect the decrease or increase in dollars spent on street repairs between the years.

- **Health & Welfare** consists of the Mosquito Control and Nuisance Inspections and reflect activity in both these departments. Mosquito Control spraying and chemicals and the number of nuisance related items. 2021 shows a decrease of 28.2% ($4,796) from 2020 and 15.1% ($2,172) from 2019. 2020 reflects an increase of $2,624 from 2019.

- **Culture & Recreation** expenses are derived from the Summer Recreation Programs, Pool, Parks & Armory. 2021 shows a decrease of 12.9% ($41,560) from 2020, and increase of 10.0%, $25,500 from 2019. 2020 expensed increased 26.3% - $67,060 from 2019. The fluctuations are a result of projects and maintenance at the facilities.

- **Conservation & Development**: The 2021 Planning and Zoning and Promoting the City shows a decrease of 29.6% ($4,360) from 2020 and 33.0% ($5,115) from 2019. 2020 decreased 4.9% ($755) from 2019.

- **Water Fund** 2021 expenses increased 10.7%, $43,473 from 2020 and 8.7%, $35,909 from 2019. 2020 expenses decreased 1.6% - ($6,564) from 2019. The WTP expense fluctuate year to year, in 2019 NANO membranes were replaced and insurance expenses were a new budget item. 2021 reflects well repairs in utility increased.

- **Sewer Fund** 2021 expenses decreased 26.6% ($83,631) from 2020 and increased 56.8%, $83,384 from 2019. 2020 expenses increased 113.7% - $167,015 from 2019. Sewer lagoon repairs and sewer main cleaning reflect the differences along with the 2019 insurance budget item.

SOURCE OF REVENUE (Table A-2, Figure A-3, A-4, A-5 and A-6)

In 2021, eighty-three percent (83%) of the City of Salem's revenue is from taxes and charges for goods and services; with 42 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 41 cents of every dollar raised coming from some type of tax. (See Figure A-4). Another 9% from Capital Grants & Contributions and 4% is from Operating Grants for operating purposes and the remaining revenue is from state-shared revenues, miscellaneous revenue, and interest earnings.

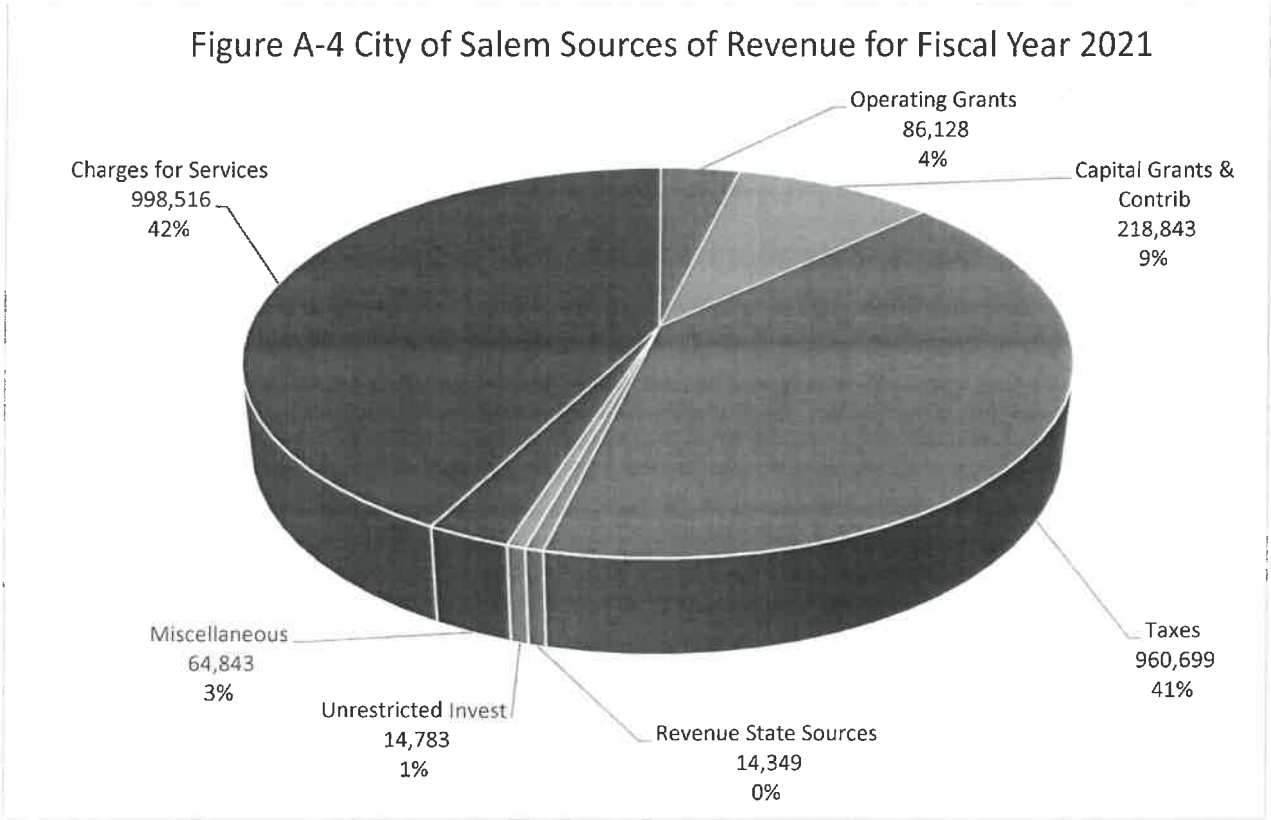


Figure A-5 City of Salem Sources of Revenue for Fiscal Year 2020

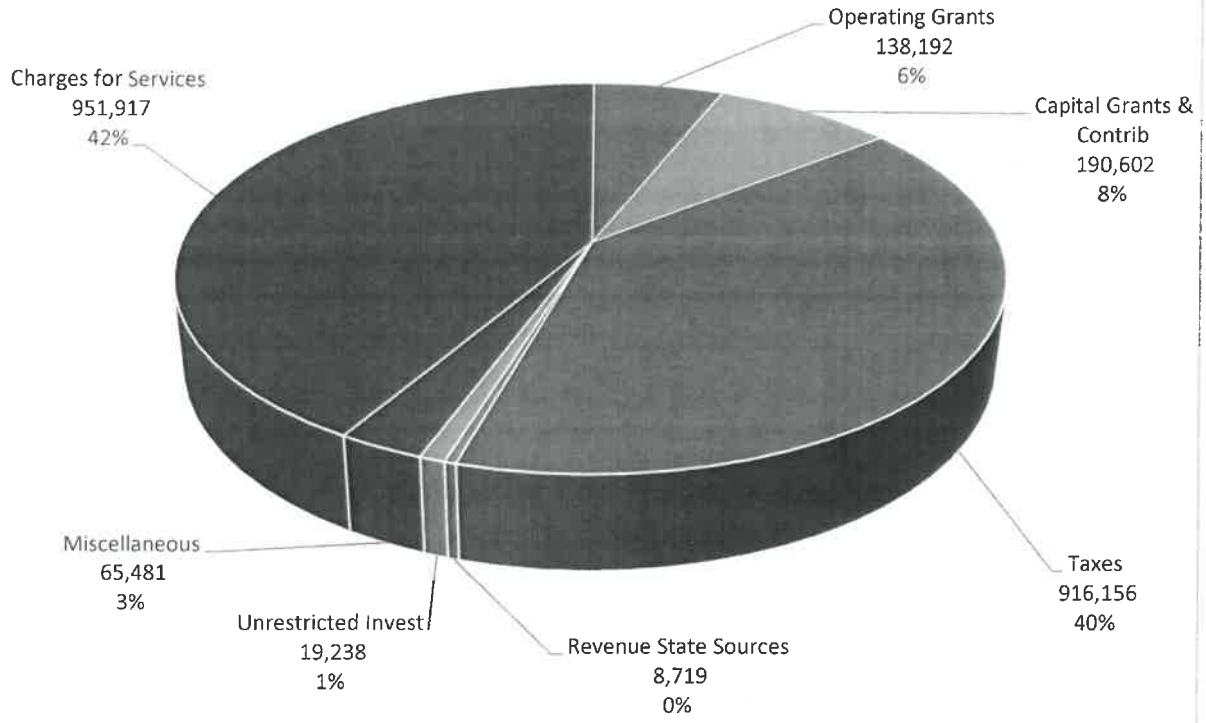
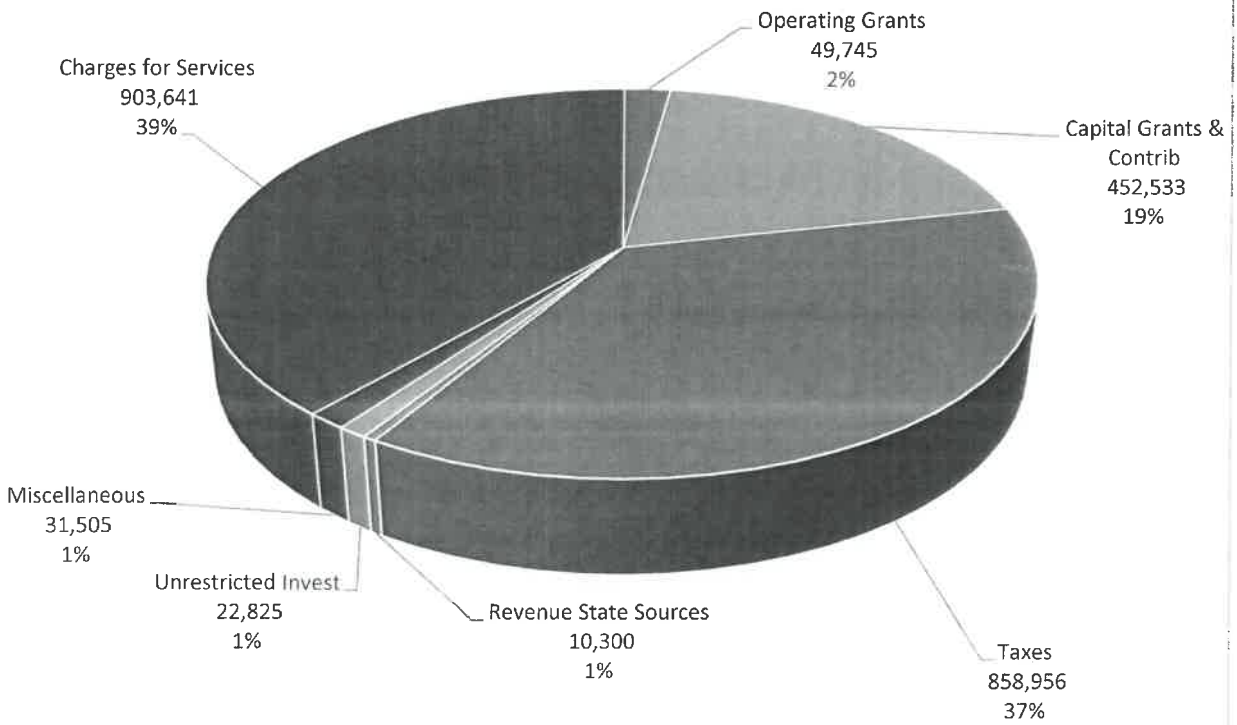


Figure A-6 City of Salem Sources of Revenue for Fiscal Year 2019



FUNCTIONAL EXPENSES – FIGURE A-7, A-8 and A-9

The City of Salem's expenses cover a range of services 68% related to public works services [road maintenance – sealing (crack, chip & fog) – street sweeping – snow plowing; water & sewer system services]. Culture and Recreation (Summer Recreation, Pool, Parks and Armory) make up 16%; General Government (Publications, Council, Attorney, Insurance, Finance Office & City Hall) accounted for 10%; Public Safety (Police, Civil Defense, and Fire Department) accounted for 5%; and the remaining are Conservation & Development .6% and Health & Welfare .6% of the 2021 expenditures.

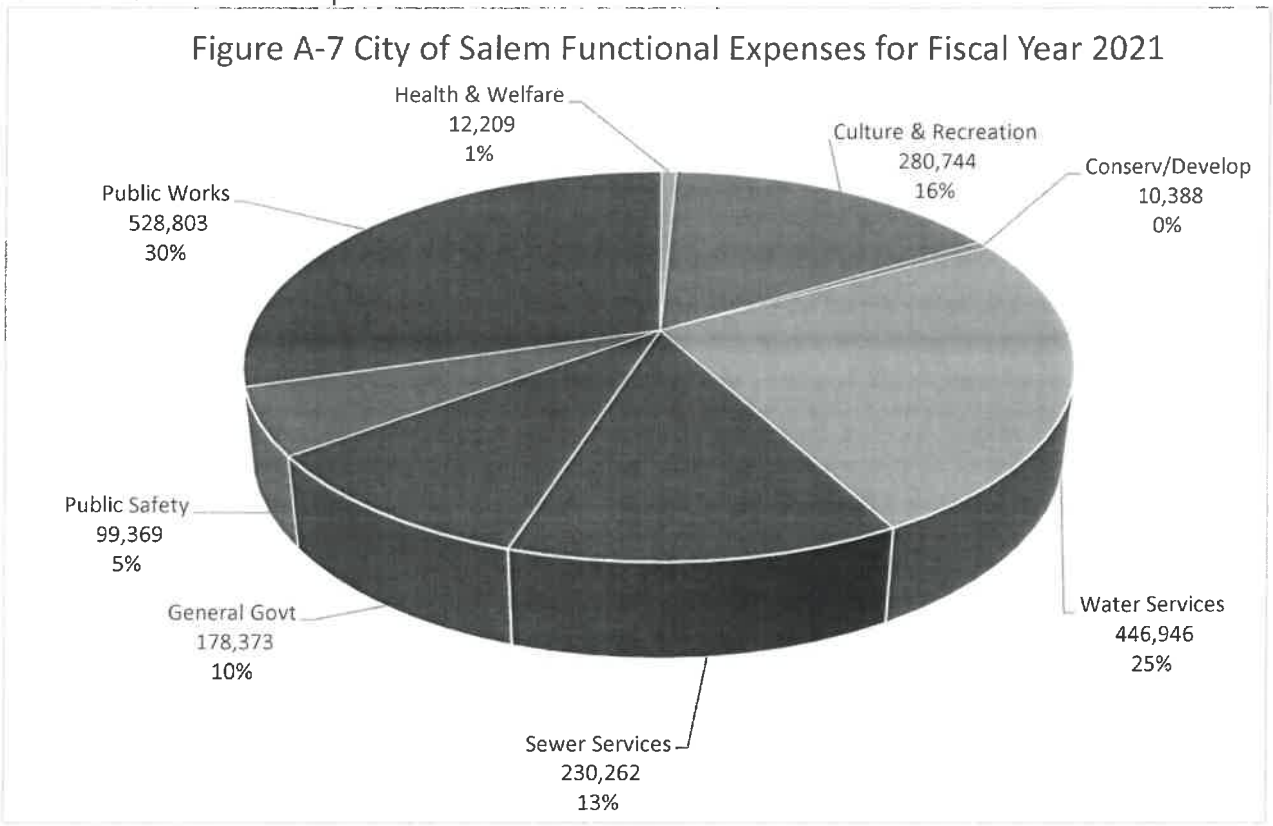


Figure A-8 City of Salem Functional Expenses for Fiscal Year 2020

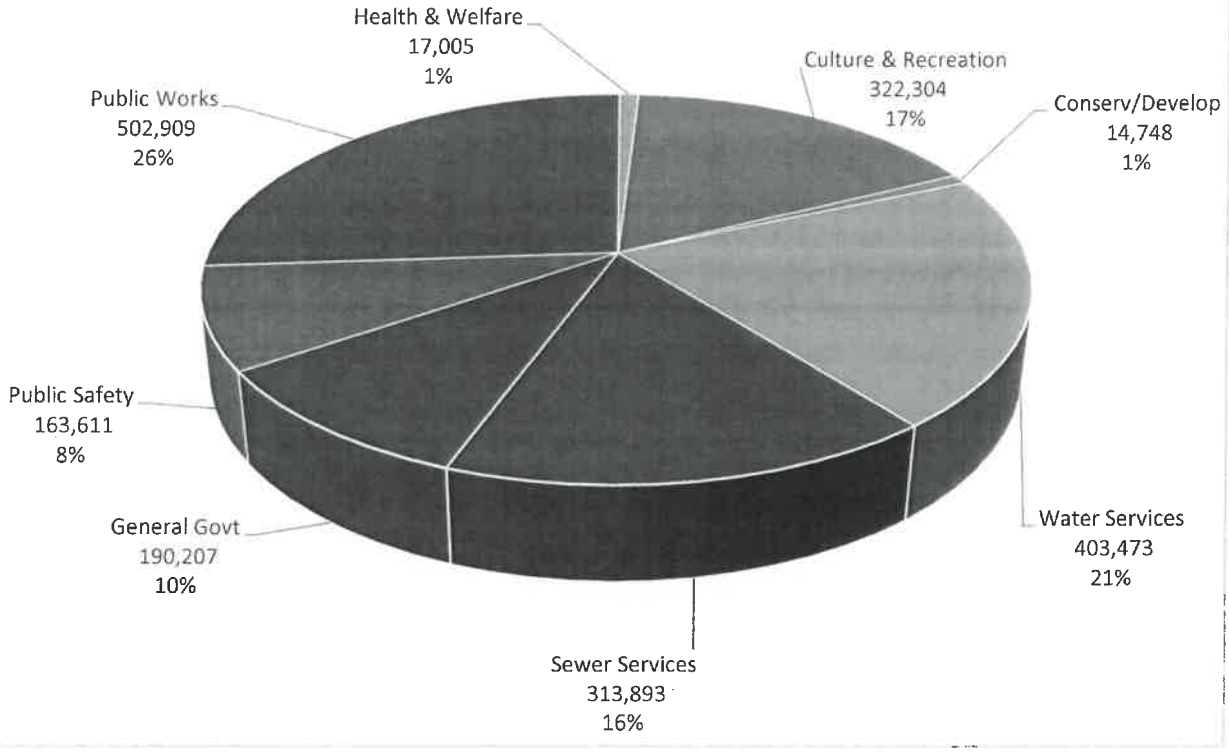
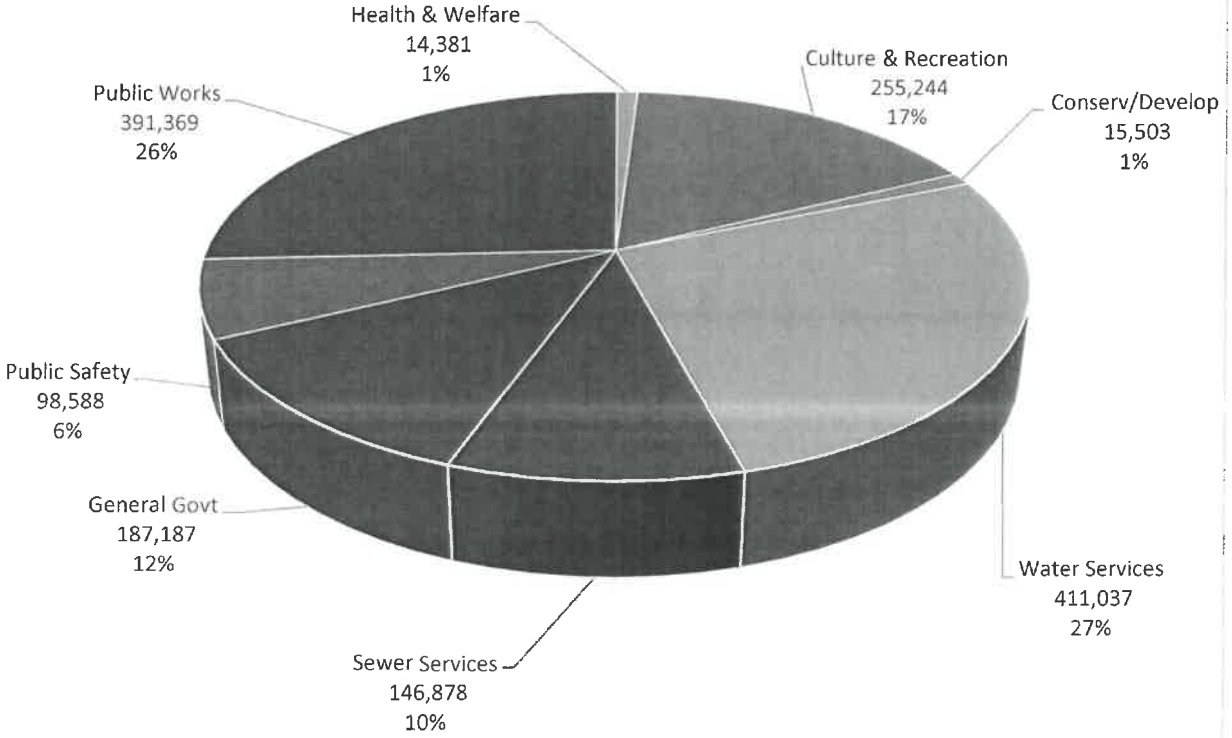


Figure A-9 City of Salem Functional Expenses for Fiscal Year 2019



Governmental Activities

Table A-2 and Figure A-2 & A-3 and the narrative that follows consider the operations of the governmental activities.

The City of Salem's Governmental Activities:

Revenues increased 2.9%. The fluctuation between years is largely due to the grant dollars received for the Street & Utility Improvement project - $400,000 Community Access. Charges for services which includes summer recreation and armory rentals were lower in 2020 due to the COVID pandemic – 2021 show a substantial increase in taxes.

Expenses decreased (8.5%) - $102,899 from 2020 and increased 15.1% - $145,615 from 2019. 2019 to 2020 expenses increased 25.8% - $248,514. Capital Spending increased from 2020. All departments but Public Works decreased expenditures from 2020.

Net Position: increased 6.5% - $442,169 from 2020 and 11.1% - $727,849 from 2019. 2020 increased 4.4% - $285,680.

Property taxes can be raised by CIP and growth annually the following chart depicts the increases in 2019 - 2021.

PROPERTY TAX GROWTH & CPI

PROPERTY TAX							
YEAR	BASE	GOWTH %/$		CPI %/$		TOTAL %/$	
2019	335,735.26	1.20%	4,028.82	2.40%	8,057.65	3.60%	347,821.73
2020	347,809.97	2.10%	7,304.01	1.70%	5,912.77	3.80%	361,026.75
2021	361,054.49	2.10%	7,582.14	1.20%	4,332.65	3.30%	372,997.03

The following chart shows the sales tax fluctuation 2019 – 2021. 2020 was due to COVID pandemic showing an increase in 2% and a decline in 1%; 2021 saw inflation of prices resulting in an increase in 2% & 1% (along with construction workers from an I90 and Hwy 81 project staying in Salem.

CITY OF SALEM SALES TAX COMPARISON

YEAR	2019	2020	2021
2% BASE	24,901,347	27,506,878	29,139,486
CHANGE (previous year)	(1,516,249)	2,605,531	1,632,608
% CHANGE	-5.74%	10.46%	5.94%
1% BASE	2,035,662	1,983,727	2,427,465
CHANGE	54,805	(51,935)	443,738
% CHANGE	2.26%	-2.55%	22.37%
TOTAL SALES TAX	26,937,009	29,490,605	31,566,951
CHANGE (previous year)	(1,461,444)	2,553,596	2,076,346
% CHANGE	-5.70%	9.48%	7.04%

Business-type Activities

Revenues of the City of Salem's business-type activities increased 1.8% - $14,266 from 2020 and 3.1% - $24,997 from 2019. 2020 increased by 1.4% - $10,731 from 2019.

- The Water Rates were adjusted all three years for the Filter Replacement, Equipment Repair and Replacement reserve accounts and operating expenses. The sewer rates were a zero net adjustment ($1) lower in Sewer Surcharge and increase of $1 in base fee.

    - **2021:** The water flat fee increased to $26.86 a 1.8% increase. The sewer flat fee was increased $1.00, and the Sewer Surcharge lowered by $1.00 so sewer saw no increase to the net rate. 2021 Water Charges for Services increased 4.5% from 2020 and 14.9% from 2019 - $20,857 and $62,156 respectively. The 2020 Charges for Services water revenues increased 9.9% - $41,299 from 2019. The water loss ratio for 2021 was 7.87% within the acceptable limits.
      The Sewer Charges for Services increased .2% - $559 from 2020 and decreased .4% - ($1,164) from 2019. 2020 to 2019 declined .5% ($1,724). All the revenue increases are from the rate increases, and the small decline in sewer revenues is from the water based usage on commercial accounts.

    - **2020**: the water flat fee increased to $26.38 a 10.65% increase and no changes were made to the sewer fee. The Charges for Services water revenues increased 9.9% - $41,299 from 2019 and 9.5% - $39,881 from 2018. The water produced increased by 24% - 7,519,271 gallons from 2019 and 10.5% - 3,690,661 gallons from 2018. The water loss ratio for 2020 was 9.33% which is within the acceptable limits. The Sewer Charges for Services revenues decreased .5% (1,724) from 2019 and .2% ($475) from 2018. All the fluctuations are from increases and usage.

    - **2019:** The water flat fee increased .84 cents to $23.84 – resulting in a 2.4% increase. No changes were made to the sewer fee. The 2019 Water Charges for Services decreased .3% - ($1,418) from 2018 and increased 2.0% - $8,252 from 2017. The 2018 Water Charges for Services increased 2.4% - $9,669 from 2017. The water loss ratio for 2019 – 8.8%; 2018 – 11.53%; and 2017 – 9.36% all within acceptable limits. The Sewer Charges for Services revenues increased .04% - $1,248 from 2018; 36% - $83,766 from 2018; and 2018 shows a 35.6% - 82,518 increase from 2017. Increases from 2017 are the result of rate increase and addition of a debt surcharge.

- The increase in expenditures due to the ongoing repairs and improvements to the water treatment plant, well repairs and lagoons.

FINANCIAL ANALYSIS OF THE CITY OF SALEM'S FUNDS

The financial analysis of the City of Salem's funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains five governmental funds - General, Liquor, Lodging & Dining Fund, Street Assessment Fund, Storm Sewer Maintenance Fund, and ARPA Funds and only two business type funds – Water and Sewer Funds. Six of the seven funds increased their Net Position in 2021. Storm Sewer Fund shows a decline due to SRF dollars not being received prior to EOY.

General Fund Budgetary Highlights

Over the course of FY2021, FY2020 and FY2019, the City Council revised the City of Salem's budget. These amendments fall into these categories:

- Supplemental appropriations and contingency transfers approved for unanticipated, yet necessary, expenses to provide for items necessary for the health and welfare of its citizens.

- Increases in appropriations, primarily by contingency transfer, to prevent budget overruns.
- Increase in appropriations due to receipt of grants.

FY2021: The budget changes during the year were for unanticipated publication costs, group insurance, solid waste collection increases (gas prices), repairs at the baseball field, armory wages and ST/SE Projects.

FY2020: The budget changes during the year were for unanticipated need for HVAC controls at the armory; setup of bleachers and new cement at the ball field; armory renovation design, donation to the Rural Fire Association; spending of CARES Act grant for fire department equipment.

FY2019: The three budget changes during the year were for the removal of administrative account #431.7 for insurance and workman's comp distributing the expenses throughout the various departments; Pierce Street Development and the Solid Waste Professional Services showing entire expenditures opposed to net of expenses and revenue; Armory Facility Study – Sales Tax Fund; contingency dollars were used to supplement publications; snow department wages; solid waste collection from the September storm event and the addition to the crows-nest at the baseball field.

CAPITAL ASSET ADMINISTRATION

By the end of 2021, the City had invested in a broad range of capital assets, including, land, buildings, infrastructure, and various machinery and equipment - see Table A-3.

Capital assets increased $335,549 in 2021; $12,707 in 2020; and $84,805 in 2019.

TABLE A-3

CITY OF SALEM - CAPTIAL ASSETS - (net of depreciation)

	Governmental Activities			Business-Type Activities			TOTAL CITY CAPTIAL ASSETS		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Land	60,591	60,591	60,591	41,866	41,866	41,866	102,457	102,457	102,457
Buildings	614,025	594,330	574,790	1,012,912	986,940	960,968	1,626,937	1,581,270	1,535,758
Improvements Other Than Buildings	1,645,383	2,149,518	2,113,415	1,440,357	4,467,841	4,421,189	3,085,740	6,617,359	6,534,604
Furnishings & Equipment	423,577	606,282	676,119	824,787	794,765	792,441	1,248,364	1,401,047	1,468,560
Construction In Progress	560,289	102,415	498,718	3,168,055	-	-	3,728,343	102,415	498,718
Total Capital Assets (Net)	**3,303,865**	**3,513,136**	**3,923,633**	**6,487,976**	**6,291,412**	**6,216,464**	**9,791,841**	**9,804,548**	**10,140,097**
Increase/(Decrease)	(67,439)	209,271	410,496	152,244	(196,564)	(74,948)	84,805	12,707	335,549
Percentage +/(-) Capital Assets	-2.34%	6.33%	11.68%	3.98%	-3.03%	-1.19%	2.58%	0.13%	3.42%

The major capital assets additions over the past three years include:
Governmental additions:

- **2021**
  - Improvements Other than Bldgs: Addition of a wood fence at the baseball complex.
  - Infrastructure: Asphalt road (Essex – Idaho/Adams), Radius & Valley Gutters.
  - Equipment. Polaris 4wheeler, cold planer, snow blower, Christmas decorations, loader pallet forks, baseball field scoreboard.
  - CIP continuation of Phase I of Trail project and Storm Sewer Project.

- **2020**
  - Improvements Other than Bldgs. Additions were little league park cement & safety netting.
  - Infrastructure: one new radius.
  - Equipment. Loader, 1977 tractor, 6' trailer, bleachers, LUCAS machine & skid loader.
  - CIP addition Phase I of Trail Project.

- **2019**
  - Buildings: Addition to the Crow's nest at the baseball field.
  - Improvements Other than Bldgs. Pierce Street Development (Center to Sabers); cement at the little league/softball field complex; radius & catch basin additions.
  - Equipment: 2013 Ford F150.
  - CIP addition to the Street & Utility Improvement Project.

Business-type additions are:

- **2021**
  - Infrastructure: Fire hydrants and manholes.
  - Equipment. Water meters/MXU

- **2020**
  - Infrastructure: Water line on Jefferson east of Adams (170')
  - Equipment: Meters/MXU

- **2019**
  - Equipment: Bag Housing Filter – WTP and Meters & MXU
  - CIP – Street & Utility Improvement Project

The City of Salem's fiscal year 2022 Budget for capital projects include the following:

General Fund: Equipment: skid loader broom, mower, copier/printer, Hwy 81 speed feedback sign. Improvements: Phase I of the trail system (finish). Capital Outlay: City Equipment, city vehicles sweeper, and fire truck. Reserves: Armory Renovation, Street Projects, Park Pavilion & Bathrooms, and computer equipment.

Water & Sewer Funds: R & R Reserves: Vehicle Replacement, Equipment Repair/Replacement, Meters/WTP/Wells, WTP General Part Replacement, Filter Replacement & Water Main Replacement and Lagoon Improvements.

The City had $1,284,426.29 in the General Fund Capital Replacement Reserve Account at the end of 2021 – specifically for Street & Utility Improvement Project, New Fire Hall; Softball Field Complex Playground Equipment; Sidewalk Projects; Armory Renovation; SD TAP Project and Street projects. The 2022 Budget placed an additional $326,510 into the Capital Reserve Account – specifically for Park Pavilion/Bathrooms, Armory renovations, street projects and computers.

LONG-TERM DEBT

TABLE A-4

CITY OF SALEM - OUTSTANDING DEBT & OBLIGATIONS

	Governmental Activities			Business-Type Activities			TOTAL CITY CAPTIAL ASSETS		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
Compensated Absences	12,772	11,575	11,498	3,131	8,320	3,447	15,903	19,894	14,945
Drinking Water SRF Loan 2005				148,782	130,968	112,568	148,782	130,968	112,568
Drinking Water SRF Loan 2008				1,013,192	975,308	936,178	1,013,192	975,308	936,178
Drinking Water SRF Loan 2018				300,231	293,055	285,717	300,231	293,055	285,717
Clean Water SRF Loan 2003				157,457	126,438	94,320	157,457	126,438	94,320
Clean Water SRF Loan 2005				159,771			159,771		
Clean Water SRF Loan 2018				2,412,689	2,373,396	2,317,575	2,412,689	2,373,396	2,317,575
Total Outstanding Debt Obligations	**12,772**	**11,575**	**11,498**	**4,195,253**	**3,907,485**	**3,749,804**	**4,208,025**	**3,919,060**	**3,761,302**
Increase/(Decrease)	906	(1,197)	(77)	123,632	(141,417)	(157,681)	124,538	(142,614)	(157,758)
Percentage +/(-) Debt	8.56%	-9.37%	-0.66%	.03%	-3.49%	-4.04%	1.3%	-3.51%	-4.03%

At year-end, the City had $3,746,357 in SRF Loans (Revenue Bonds), and $14,945 in other long-term obligations. Fluctuations between years 2019 – 2021 are shown on Table A-4.
The City is liable for the accrued vacation leave payable to all full-time and permanent part-time employees who have been employed for more than one year. The up and down between the Governmental Activities and Business Type activities is due to the varying time worked in the funds from year to year and the number of hours carried over annually. Employees can carry over 200 hours at year end.
The City of Salem's obligation for compensated absences show a decline in 2021 - ($4,949), increases in 2020 – 3,991; and 2019 - $906.

The City has outstanding $1,334,463 in Drinking Water SRF Loans and $2,411,895 in Clean Water SRF Loans (Revenue Bonds). The bonds are secured and paid for from the Water and Sewer Funds. The City does not anticipate the use of any tax dollars to pay for these bonds. The SRF loan balances 2019 saw a decrease of $124,018 – (+$228,737 less $104,719); 2020 decreased ($292,957) – (paid off the 2005 CWSRF loan); 2021 decreased ($152,808).

- The 2003 bonds were used for the 2003 Street and Utility Project (This project extended water and sewer service on S. Main Street and on Brown Ave; and started the Storm Sewer System in Southeast Salem.) The 2003 DWSRF Loan was fully paid off on January 9, 2012, two- and one-half years earlier than the scheduled date of July 15, 2014 and the 2003 CWSRF will be fully paid off on July 15, 2024.

- The 2005 bonds were used for the 2005 Street and Utility Project (This project replaced Water main on Nebraska and Essex Streets; extended storm sewer on George Ave and replaced storm sewer on Essex Ave.) The 2005 CW SRF Loan closed in 2006 and the DWSRF Loan closed in 2007. Both are 20-year loans – the CWSRF was paid off in 2020.

- The 2008 DWSRF Loan closed in 2009, this is a 30-year loan and will be paid off in 4/15/2039. The loan is specifically for the Water Filtration (Treatment) project, and a Water Surcharge was established to pay off the debt on this bond. Each household pays $9.90 per month or 118.80 annually to retire the debt.

- The 2018 bonds closed in 2019 (DW) and CW in 2020. The DWSRF is a 20-year 3.25% loan with a pay-off in 2039. The CWSRF is a 30-year 2.5% loan with a payoff date in 2050. These bonds were used for the 2018 Street & Utility Project:

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Property tax revenue accounted for 27.71% of the annual General Fund Revenues in 2021.

The City of Salem's current economic position has continued to increase annually over the past several years. The growth factor gives the City the ability to increase the amount of revenue generated from property taxes, the increases were $13,216.78 in 2021; $4,029 in 2020; $4,861 in 2019. Under the state mandated property tax freeze, property taxes from one year to the next may increase 3% or an amount based on the Consumer Price Index (CPI) whichever is lower plus the growth factor. The following are tax levy request for the past several years:

- 2021 property tax levy request payable in 2022 increased 3.3% (Growth 2.1%; CPI 1.2%) - $11,914.80.
- 2020 property tax levy request payable in 2021 increased 3.8% (Growth 2.1%; CPI 1.7%) - $13,216.78.
- 2019 property tax levy request payable in 2020 increased 3.6% (Growth 1.2%; CPI 2.4%) - $12,086.47.

2021 Building Permits Values:
Businesses – Total $ 479,631.
Residential – Total $ 592,003.
City Wide - Total $1,071,634.
No new homes or businesses in 2021.

Sales Tax Revenue accounted for 43.7% of the annual General Fund Revenues in 2021.

One of the primary sources of revenue for the City is taxable retail sales in the community (sales tax). In studying the actual sales tax revenue received (once revenue was received for the entire FY), the following are annual comparisons:

- 2021 taxable sales base increased – 5.947% - $1,635,608.00
- 2020 taxable sales base increased – 10.451% - $2,602,530.50.
- 2019 taxable sales base decreased (5.71%) - $1,516,249.

The City passed an Ordinance in 2007 implementing an additional 1% tax on gross receipts from the sale of leases or rentals of hotel, motel, campsites or other lodging accommodations; the sale of alcoholic beverages as defined in SDCL 35-1-1; establishments where the public is invited to eat, dine or purchase and carry out prepared food for immediate consumption; and ticket sales or admissions to places of amusement, athletic and cultural events within the City. The tax was not payable until January 2008 and was estimated to generate $11,000.00 in revenue; this revenue can only be used for the purpose of land acquisition, architectural fees, construction costs, payment for civic center, auditoriums, or athletic facility buildings, including the maintenance, staffing and operations of such facilities, and the promotion and advertising of the City, its facilities, attractions, and activities. The actual dollars raised by the 1% gross receipts are as follows:

- 2021 tax revenues were $23,909.65 an increase of 20.6% from 2020.
- 2020 tax revenues were $19,819.56 a decrease of 2.1% from 2019.
- 2019 tax revenues were $20,249.31 a decrease of 0.9% from 2018.

The City of Salem's 2022 budget does have an appropriation for Economic Development – a contract with SEPF, Sioux Metro Growth Alliance and the State Rural Attorneys Program through the Department of Justice. The revenues are in a "Special Revenue Fund" as designated by SDCL 10-45.

The City passed Resolution #2021-09 for the Maintenance Fee Assessment at rate of $2.00 cents per front foot. This fee was increased in 2020. This revenue source is restricted to the maintenance of the city's streets. The Street Department expended $144,080.34 on street slurry seal, over lays and general repairs of the dollars spent $140,564.19 came out of the Street Assessment Fund.

The City of Salem's adopted 2022 General Fund budget decreased 5% to $1,060,760 from the 2021 Supplemented Budget. The 2022 Budget places $431,510 into the Capital Outlay & Capital Replacement Reserves.

The City of Salem's business-type activities (water and sewer operations) expect that the revenues for the 2021 financials will increase because of the $2.40 cent increase to the water flat fee. The Sewer rate saw no change. The flat fee in the Water Departments increased to meet the needed operating and reserve costs.

The 2022 Water Operating Budget increased 3.3% - $8,370 from 2021. Operating costs for Water Purification system maintenance and supplies along with wage, supply & utility increases. The 2022 Sewer Operating Budget increased 12.28% due to sewer main cleaning increase.
The 2022 budget for the Water & Sewer Repair & Replacement Reserves in the amounts of $114,170 and $31,113 respectively.

The City of Salem started a Storm Sewer Project in 2021 with a projection to finish in 2022. Funding will be with $847,000 in CW SRF funding. Repayment will be with a Storm Sewer Surcharge - $5.30.

The City of Salem was awarded a SD TAP Grant totaling $400,000. The grant is for the construction of Phase I of the City of Salem's trail system in which city's share is estimated at $205,000. The trail system was established through the award of a SDSU Active Transportation Collaboration Grant for a walking assessment of the community. The SDSU Landscape Architecture Students conducted a meeting with community members and performed a walking community assessment. The SD DOT oversees the project, the design phase started in 2018 and the construction stated in 2020 and will finish in the spring of 2021 – project to close in 2022.

The Street & Utility Improvement Project started in 2018 and was expected to be finished up the spring or early summer of 2019, but due contactors not finishing work, final paperwork was not filed until January 2020. The project was implemented after review of the Sewer Cleaning/Televising Project. The project area is Vermont from Dakota to Pierce; Dakota from Essex to Norton; Norton from Dakota to Idaho; Main from Norton to Drake; Essex from Main to Minnesota; (streets only) Adams from Washington to Essex; Washington from Idaho to Hwy 81; Hill from Drake to old RR line. The project will replace approximately 5,000 LF of Vitrified Clay Pipe with eight" Polyvinyl Chloride, approximately 2,300 FL of sanitary sewer service piping and 14 sewer manholes. Replace 1,240' and add 1,620' of storm sewer pipe. Replace Substandard water distribution will be addressed with the replacement of over 1,400 LF of Cast Iron Pipe with eight-inch PVD; 1,600 LF of CIP with six-inch PVC; and 1,400 LF of one-inch service line. All utility work will take place concurrently and in conjunction with a street replacement project. The project began the end of April 2018 with a substantial completion date in October 2018.

The Water Flat Fee was increased $2.40 in 2022 and City provides a $3.00 reduction to those living alone on social security with no other retirement income. Those residents qualifying are required to file an affidavit claiming they meet the qualifications for the reduced rate with the finance office. The 2022 rates are a water flat fee of $29.26, .0046 cents per gallon used, plus a $9.90 and $2.00 Water Surcharge fee. The Sewer Rates are the

Residential flat fee of $23.25, and 40% of the Water Usage Fee but not less than $23.25 for commercial users; a new Sewer Surcharge of $16.75. A Storm Sewer Surcharge of $5.30 was added in 2022.

At the end of 2021, the Water Fund Equipment Repair & Replacement Fund had a balance of $383,266.98. A transfer of $61,280 from the 2021 cash reserves was made at years end. This fund is necessary for the replacement of water main, meters, Nano membranes at their scheduled life expectancies; and to repair the WTP. The 2022 budget is projected to allocate $7,000 to the filter reserve, $30,000 to the water main reserve, $23,500 to a Meter/WTP Reserve, $10,000 to Equipment Repair & Replacement, $26,970 to a Well Replacement Reserve and $3,800 to WTP General Parts Replacement Reserve in the Water Fund.

The Sewer department rates saw a net increase of $0. All rates are reviewed annually. At the end of 2021, the Equipment Repair and Replacement Reserve fund had a balance of $231,095.28. 1% of User Fees are added monthly to this reserve account. 2021 reserves allowed for the transfer of $16,620 into a Lagoon Repairs reserve. The 2022 Budget is projected to allocated 22,993 to the Lagoon Repair reserve, $5,000 to a Vehicle Replacement Reserve and $3,120 to Equipment Repair & Replacement.

CONTACTING THE CITY OF SALEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City of Salem's finances and to demonstrate the City of Salem's accountability for the money it receives. If you have questions about this report or need additional information, contact the City of Salem's Finance Office, 400 N. Main, P.O. Box 249, Salem, SD 57058.

MUNICIPALITY OF SALEM
STATEMENT OF NET POSITION
December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and Cash Equivalents	3,397,828.73	1,610,882.04	5,008,710.77	71,865.82
Accounts Receivable, Net	113,097.70	3,360.34	116,458.04	
Inventories	6,134.82	57,299.37	63,434.19	
Net Pension Asset	59,063.30	25,285.08	84,348.38	
Capital Assets:				
Land and Construction Work in Progress	559,309.08	41,866.19	601,175.27	56,293.45
Other Capital Assets, Net of Depreciation	3,364,323.43	6,174,598.15	9,538,921.58	674,872.80
TOTAL ASSETS	7,499,757.06	7,913,291.17	15,413,048.23	803,032.07
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	75,415.19	31,719.28	107,134.47	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	75,415.19	31,719.28	107,134.47	0.00
LIABILITIES :				
Accounts Payable	57,959.32	10,119.83	68,079.15	
Other Current Liabilities	5,712.41	41,187.23	46,899.64	12,520.00
Unearned Revenue	115,047.86	3,019.06	118,066.92	
Noncurrent Liabilities:				
Due Within One Year	11,497.96	160,862.05	172,360.01	53,296.89
Due in More than One Year		3,588,941.97	3,588,941.97	864,182.48
TOTAL LIABILITIES	190,217.55	3,804,130.14	3,994,347.69	929,999.37
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	114,239.35	49,340.24	163,579.59	
TOTAL DEFERRED INFLOWS OF RESOURCES	114,239.35	49,340.24	163,579.59	0.00
NET POSITION:				
Net Investment in Capital Assets	3,923,632.51	2,470,107.08	6,393,739.59	
Restricted for:				
Equipment Repair and Replacement Purposes		614,362.26	614,362.26	
City Promotion Purposes	93,641.40		93,641.40	
Street Maintenance Purposes	337,221.20		337,221.20	
Debt Service Purposes		543,950.41	543,950.41	
SDRS Pension Purposes	20,239.14	7,664.12	27,903.26	
Unrestricted (Deficit)	2,895,981.10	455,456.20	3,351,437.30	(126,967.30)
TOTAL NET POSITION	7,270,715.35	4,091,540.07	11,362,255.42	(126,967.30)

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

MUNICIPALITY OF SALEM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	178,372.73	15,858.88			(162,513.85)		(162,513.85)	
Public Safety	99,369.07	125.00			(99,244.07)		(99,244.07)	
Public Works	526,802.76	111,460.57	52,505.02	218,842.76	(143,994.41)		(143,994.41)	
Health and Welfare	12,209.02		1,673.00		(10,536.02)		(10,536.02)	
Culture and Recreation	280,744.15	42,475.50	31,950.18		(206,318.47)		(206,318.47)	
Conservation and Development	10,388.25				(10,388.25)		(10,388.25)	
Miscellaneous		33,834.47			33,834.47		33,834.47	
Total Governmental Activities	1,107,885.98	203,754.42	86,128.20	218,842.76	(599,160.60)		(599,160.60)	
Business-type Activities:								
Water	446,945.64	480,659.83				33,714.19	33,714.19	
Sewer	230,262.26	314,102.28				83,840.02	83,840.02	
Total Business-type Activities	677,207.90	794,762.11	0.00	0.00		117,554.21	117,554.21	
Total Primary Government	1,785,093.88	998,516.53	86,128.20	218,842.76	(599,160.60)	117,554.21	(481,606.39)	
Component Units:								
Housing and Redevelopment Commission	108,134.31	145,032.64						36,898.33
General Revenues:								
Taxes:								
Property Taxes					358,916.15		358,916.15	
Sales Taxes					601,783.04		601,783.04	
State Shared Revenues					14,348.91		14,348.91	
Unrestricted Investment Earnings					10,043.43	4,738.83	14,782.26	2.56
Miscellaneous Revenue					56,237.94	8,605.48	64,843.42	322.90
Total General Revenues					1,041,329.47	13,344.31	1,054,673.78	325.46
Change in Net Position					442,168.87	130,898.52	573,067.39	37,223.79
Net Position - Beginning					6,828,546.48	3,960,641.55	10,789,188.03	(164,191.09)
NET POSITION - ENDING					7,270,715.35	4,091,540.07	11,362,255.42	(126,967.30)

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

MUNICIPALITY OF SALEM
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General Fund	Liquor, Lodging and Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Federal ARPA Fund	Total Governmental Funds
ASSETS:						
Cash and Cash Equivalents	2,851,777.07	92,490.76	331,577.27	7,030.70	114,952.93	3,397,828.73
Taxes Receivable--Delinquent	8,150.63		5,215.69	165.25		13,531.57
Accounts Receivable, Net	4,141.00					4,141.00
Special Assessments Receivable--Current	10,558.53					10,558.53
Special Assessments Receivable--Delinquent	11,727.17					11,727.17
Special Assessments Receivable--Noncurrent	48,978.03					48,978.03
Interest Receivable--Special Assessments	1,434.70					1,434.70
Due from State & County Governments	20,075.02	1,150.64	1,501.04			22,726.70
Inventory of Supplies	6,134.82					6,134.82
TOTAL ASSETS	2,962,976.97	93,641.40	338,294.00	7,195.95	114,952.93	3,517,061.25
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:						
Liabilities:						
Claims Payable	22,066.80		1,072.80			23,139.60
Due to State Government	567.85			34,819.72		35,387.57
Accrued Wages Payable	4,349.64			161.40		4,511.04
Accrued Taxes Payable	611.49			22.03		633.52
Unearned Revenue				151.75	114,896.11	115,047.86
Total Liabilities	27,595.78	0.00	1,072.80	35,154.90	114,896.11	178,719.59
Deferred Inflows of Resources:						
Unavailable Revenue - Property Taxes	8,150.63		5,215.69			13,366.32
Unavailable Revenue - Special Assessments	72,698.43					72,698.43
Total Deferred Inflows of Resources	80,849.06	0.00	5,215.69	0.00	0.00	86,064.75
Fund Balances:						
Nonspendable - Inventory	6,134.82					6,134.82
Restricted for City Promotion		93,641.40				93,641.40
Restricted for Street Maintenance Purposes			332,005.51			332,005.51
Committed for Capital Improvements	1,284,426.29					1,284,426.29
Assigned for Next Year's Budget	445,000.00					445,000.00
Assigned for Capital Outlay Accumulation	145,120.00					145,120.00
Unassigned	973,851.02			(27,958.95)	56.82	945,948.89
Total Fund Balances	2,854,532.13	93,641.40	332,005.51	(27,958.95)	56.82	3,252,276.91
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	2,962,976.97	93,641.40	338,294.00	7,195.95	114,952.93	3,517,061.25

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

MUNICIPALITY OF SALEM
Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds	3,252,276.91
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	59,063.30
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,923,632.51
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	75,415.19
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payables in the current period and therefore are not reported in the funds.	(11,497.96)
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	86,064.75
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(114,239.35)
Net Position - Governmental Activities	7,270,715.35

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Federal ARPA Fund	Total Governmental Funds
Revenues:						
Taxes:						
General Property Taxes	364,120.30					364,120.30
General Sales and Use Taxes	577,873.39	23,909.65				601,783.04
Gross Receipts Business Taxes	2,080.13					2,080.13
Penalties and Interest on Delinquent Taxes	1,694.01					1,694.01
Licenses and Permits	15,250.00					15,250.00
Intergovernmental Revenue:						
State Grants	1,673.00					1,673.00
State Shared Revenue:						
Bank Franchise Tax	2,097.22					2,097.22
Prorate License Fees	4,105.50					4,105.50
Liquor Tax Reversion	12,251.69					12,251.69
Motor Vehicle Licenses	21,038.61					21,038.61
Local Government Highway and Bridge Fund	16,855.86					16,855.86
County Shared Revenue:						
County Road Tax	2,674.43					2,674.43
County Wheel Tax	7,830.62					7,830.62
Charges for Goods and Services:						
General Government	500.00					500.00
Highways and Streets	3,750.00					3,750.00
Sanitation	107,710.57					107,710.57
Culture and Recreation	29,858.00					29,858.00
Fines and Forfeits:						
Parking Meter Fines	125.00					125.00
Other	108.88					108.88

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Federal ARPA Fund	Total Governmental Funds
Revenues (Cont.):						
Miscellaneous Revenue:						
Investment Earnings	7,602.19	226.56	1,155.74	1,002.12	56.82	10,043.43
Rentals	12,617.50					12,617.50
Special Assessments	17,750.07					17,750.07
Maintenance Assessments			172,139.61	37,913.96		210,053.57
Contributions and Donations from Private Sources	21,950.18	10,000.00				31,950.18
Liquor Operating Agreement Income	33,834.47					33,834.47
Other	22,072.14					22,072.14
Total Revenue	1,287,423.76	34,136.21	173,295.35	38,916.08	56.82	1,533,828.22
Expenditures:						
General Government:						
Legislative	7,000.20					7,000.20
Executive	24,629.05					24,629.05
Financial Administration	135,975.30					135,975.30
Other	18,246.62					18,246.62
Total General Government	185,851.17	0.00	0.00	0.00	0.00	185,851.17
Public Safety:						
Police	87,880.00					87,880.00
Fire	3,532.04					3,532.04
Other Protection	388.80					388.80
Total Public Safety	91,800.84	0.00	0.00	0.00	0.00	91,800.84
Public Works:						
Highways and Streets	132,344.38		98,377.19	37,002.62		267,724.19
Sanitation	93,742.84					93,742.84
Total Public Works	226,087.22	0.00	98,377.19	37,002.62	0.00	361,467.03
Health and Welfare:						
Health	11,860.29					11,860.29
Total Health and Welfare	11,860.29	0.00	0.00	0.00	0.00	11,860.29

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2021

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Federal ARPA Fund	Total Governmental Funds
Expenditures (Cont.):						
Culture and Recreation:						
Recreation	76,402.47					76,402.47
Parks	79,107.63					79,107.63
Libraries	600.00					600.00
Auditorium	72,417.06					72,417.06
Total Culture and Recreation	228,527.16	0.00	0.00	0.00	0.00	228,527.16
Conservation and Development:						
Economic Development and Assistance	2,893.00	7,577.88				10,470.88
Total Conservation and Development	2,893.00	7,577.88	0.00	0.00	0.00	10,470.88
Capital Outlay	213,258.73	0.00	42,187.00	386,156.97		641,602.70
Total Expenditures	960,278.41	7,577.88	140,564.19	423,159.59	0.00	1,531,580.07
Excess of Revenue Over (Under) Expenditures	327,145.35	26,558.33	32,731.16	(384,243.51)	56.82	2,248.15
Other Financing Sources (Uses):						
Sale of Municipal Property	34,165.80					34,165.80
Total Other Financing Sources (Uses)	34,165.80	0.00	0.00	0.00	0.00	34,165.80
Net Change in Fund Balances	361,311.15	26,558.33	32,731.16	(384,243.51)	56.82	36,413.95
Changes in Nonspendable	(3,402.72)	0.00	0.00	0.00	0.00	(3,402.72)
Fund Balance - Beginning	2,496,623.70	67,083.07	299,274.35	356,284.56	0.00	3,219,265.68
FUND BALANCE - ENDING	2,854,532.13	93,641.40	332,005.51	(27,958.95)	56.82	3,252,276.91

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

MUNICIPALITY OF SALEM
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Total Governmental Funds	36,413.95
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	641,602.70
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(206,248.60)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	(24,858.00)
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(8,978.29)
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments and street assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(8,960.88)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	76.75
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	64.14
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	16,459.82
Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the increase/(decrease) in inventory of supplies.	(3,402.72)
Change in Net Position of Governmental Activities	442,168.87

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

MUNICIPALITY OF SALEM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	784,671.40	826,210.64	1,610,882.04
Accounts Receivable, Net	2,476.68	883.66	3,360.34
Inventory of Supplies	57,299.37		57,299.37
Total Current Assets	844,447.45	827,094.30	1,671,541.75
Noncurrent Assets:			
Net Pension Asset	16,850.25	8,434.83	25,285.08
Capital Assets:			
Land	2,209.95	39,656.24	41,866.19
Buildings	1,298,604.74		1,298,604.74
Improvements Other Than Buildings		4,962.13	4,962.13
Machinery and Equipment	1,158,005.55	36,157.28	1,194,162.83
Infrastructure	2,508,942.98	3,434,338.13	5,943,281.11
Less: Accumulated Depreciation	(1,595,639.58)	(670,773.08)	(2,266,412.66)
Total Noncurrent Assets	3,388,973.89	2,852,775.53	6,241,749.42
TOTAL ASSETS	4,233,421.34	3,679,869.83	7,913,291.17
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	21,005.86	10,713.42	31,719.28
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,005.86	10,713.42	31,719.28
LIABILITIES:			
Current Liabilities:			
Claims Payable	8,127.26	1,992.57	10,119.83
Accrued Wages Payable	1,043.74	709.21	1,752.95
Accrued Taxes Payable	142.48	96.80	239.28
Customer Deposits	39,195.00		39,195.00
Unearned Revenue	2,419.06	600.00	3,019.06
Bonds Payable Current:			
Revenue	66,928.17	90,487.12	157,415.29
Compensated Absences Payable -- Current	2,774.82	671.94	3,446.76
Total Current Liabilities	120,630.53	94,557.64	215,188.17
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	1,267,534.37	2,321,407.60	3,588,941.97
Total Noncurrent Liabilities	1,267,534.37	2,321,407.60	3,588,941.97
TOTAL LIABILITIES	1,388,164.90	2,415,965.24	3,804,130.14
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	32,918.16	16,422.08	49,340.24
TOTAL DEFERRED INFLOWS OF RESOURCES	32,918.16	16,422.08	49,340.24
NET POSITION:			
Net Investment in Capital Assets	2,037,661.10	432,445.98	2,470,107.08
Restricted For:			
Revenue Bond Debt Service	253,634.21	290,316.20	543,950.41
Equipment Repair and/or Replacement	383,266.98	231,095.28	614,362.26
SDRS Pension Purposes	4,937.95	2,726.17	7,664.12
Unrestricted Net Position	153,843.90	301,612.30	455,456.20
TOTAL NET POSITION	2,833,344.14	1,258,195.93	4,091,540.07

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Surcharge as Security for Debt	94,782.27	131,112.38	225,894.65
Charges for Goods and Services	385,877.56	182,989.90	568,867.46
Total Operating Revenue	480,659.83	314,102.28	794,762.11
Operating Expenses:			
Personal Services	70,533.59	34,358.85	104,892.44
Other Current Expense	184,545.97	62,386.05	246,932.02
Depreciation	149,206.11	70,696.22	219,902.33
Total Operating Expenses	404,285.67	167,441.12	571,726.79
Operating Income (Loss)	76,374.16	146,661.16	223,035.32
Nonoperating Revenue (Expense):			
Investment Earnings	2,310.84	2,427.99	4,738.83
Rental Revenue	7,935.00		7,935.00
Interest Expense	(41,789.68)	(62,821.14)	(104,610.82)
Gain (Loss) on Disposition of Assets	(870.29)		(870.29)
Other	147.76	522.72	670.48
Total Nonoperating Revenue (Expense)	(32,266.37)	(59,870.43)	(92,136.80)
Change in Net Position	44,107.79	86,790.73	130,898.52
Net Position - Beginning	2,789,236.35	1,171,405.20	3,960,641.55
NET POSITION - ENDING	2,833,344.14	1,258,195.93	4,091,540.07

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

MUNICIPALITY OF SALEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2021

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	482,450.52	314,276.02	796,726.54
Cash Payments to Employees for Services	(79,006.22)	(38,352.06)	(117,358.28)
Cash Payments to Suppliers of Goods and Services	(183,189.34)	(62,498.59)	(245,687.93)
Net Cash Provided (Used) by Operating Activities	220,254.96	213,425.37	433,680.33
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchase of Capital Assets	(115,041.52)	(30,783.50)	(145,825.02)
Principal Paid on Capital Debt	(64,869.00)	(87,939.46)	(152,808.46)
Interest Paid on Capital Debt	(41,789.68)	(62,821.14)	(104,610.82)
Other Receipts (Payments)	8,082.76	522.72	8,605.48
Net Cash (Used) by Capital and Related Financing Activities	(213,617.44)	(181,021.38)	(394,638.82)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	2,310.84	2,427.99	4,738.83
Net Cash Provided by Investing Activities	2,310.84	2,427.99	4,738.83
Net Increase (Decrease) in Cash and Cash Equivalents	8,948.36	34,831.98	43,780.34
Balances - Beginning	775,723.04	791,378.66	1,567,101.70
Balances - Ending	784,671.40	826,210.64	1,610,882.04
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	76,374.16	146,661.16	223,035.32
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	149,206.11	70,696.22	219,902.33
(Increase) decrease in Receivables	(687.34)	436.24	(251.10)
(Increase) decrease in Inventories	4,401.52		4,401.52
(Increase) decrease in Net Pension Asset	(16,779.59)	(8,389.79)	(25,169.38)
(Increase) decrease in Pension Related Deferred Outflows	(8,403.46)	(4,201.72)	(12,605.18)
(Decrease) increase in Accounts and Other Payables	(3,044.89)	(112.54)	(3,157.43)
(Decrease) increase in Accrued Wages Payable	(440.29)	(345.89)	(786.18)
(Decrease) increase in Accrued Leave Payable	(3,494.48)	(1,378.40)	(4,872.88)
(Decrease) increase in Pension Related Deferred Inflows	20,645.19	10,322.59	30,967.78
(Decrease) increase in Customer Deposits	1,795.00		1,795.00
(Decrease) increase in Unearned Revenue	683.03	(262.50)	420.53
Net Cash Provided (Used) by Operating Activities	220,254.96	213,425.37	433,680.33

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

MUNICIPALITY OF SALEM
STATEMENT OF NET POSITION
December 31, 2020

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit
ASSETS:				
Cash and Cash Equivalents	3,269,540.01	1,567,101.70	4,836,641.71	53,372.34
Accounts Receivable, Net	178,973.84	3,109.24	182,083.08	
Inventories	9,537.54	61,700.89	71,238.43	
Net Pension Asset	334.74	115.70	450.44	
Capital Assets:				
Land and Construction Work in Progress	163,005.69	41,866.19	204,871.88	56,293.45
Other Capital Assets, Net of Depreciation	3,350,130.72	6,249,545.75	9,599,676.47	707,876.06
TOTAL ASSETS	6,971,522.54	7,923,439.47	14,894,962.01	817,541.85
DEFERRED OUTFLOWS OF RESOURCES:				
Pension Related Deferred Outflows	46,003.10	19,114.10	65,117.20	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	46,003.10	19,114.10	65,117.20	0.00
LIABILITIES :				
Accounts Payable	42,673.60	13,277.26	55,950.86	
Other Current Liabilities	92,033.19	40,178.41	132,211.60	12,790.00
Unearned Revenue	75.00	2,598.53	2,673.53	
Noncurrent Liabilities:				
Due Within One Year	10,682.68	160,126.78	170,809.46	51,466.40
Due in More than One Year	892.03	3,747,358.58	3,748,250.61	917,476.54
TOTAL LIABILITIES	146,356.50	3,963,539.56	4,109,896.06	981,732.94
DEFERRED INFLOWS OF RESOURCES:				
Pension Related Deferred Inflows	42,622.66	18,372.46	60,995.12	
TOTAL DEFERRED INFLOWS OF RESOURCES	42,622.66	18,372.46	60,995.12	0.00
NET POSITION:				
Net Investment in Capital Assets	3,513,136.41	2,392,246.22	5,905,382.63	
Restricted for:				
Equipment Repair and Replacement Purposes		625,840.26	625,840.26	
Street Maintenance Purposes	305,043.14		305,043.14	
City Promotion Purposes	67,083.07		67,083.07	
Storm Sewer Maint/Improv Purposes	356,284.56		356,284.56	
Debt Service Purposes		516,919.37	516,919.37	
SDRS Pension Purposes	3,715.18	857.34	4,572.52	
Unrestricted (Deficit)	2,583,284.12	424,778.36	3,008,062.48	(164,191.09)
TOTAL NET POSITION	6,828,546.48	3,960,641.55	10,789,188.03	(164,191.09)

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

MUNICIPALITY OF SALEM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary Government:								
Governmental Activities:								
General Government	190,207.48	16,076.50	4,897.70		(169,233.28)		(169,233.28)	
Public Safety	163,611.25	125.00	62,934.79		(100,551.46)		(100,551.46)	
Public Works	502,909.45	104,166.54	60,446.13	35,112.48	(303,184.30)		(303,184.30)	
Health and Welfare	17,005.20		4,254.63	155,489.60	142,739.03		142,739.03	
Culture and Recreation	322,303.68	26,245.69	197.61		(295,860.38)		(295,860.38)	
Conservation and Development	14,748.13				(14,748.13)		(14,748.13)	
Miscellaneous		31,958.73			31,958.73		31,958.73	
Total Governmental Activities	1,210,785.19	178,572.46	132,730.86	190,602.08	(708,879.79)		(708,879.79)	
Business-type Activities:								
Water	403,473.30	459,802.70				56,329.40	56,329.40	
Sewer	313,892.68	313,542.66	5,461.05			5,111.03	5,111.03	
Total Business-type Activities	717,365.98	773,345.36	5,461.05	0.00		61,440.43	61,440.43	
Total Primary Government	1,928,151.17	951,917.82	138,191.91	190,602.08	(708,879.79)	61,440.43	(647,439.36)	
Component Units:								
Housing and Redevelopment Commission	122,525.90	142,881.76						20,355.86
General Revenues:								
Taxes:								
Property Taxes					350,041.53		350,041.53	
Sales Taxes					566,114.40		566,114.40	
State Shared Revenues					8,719.18		8,719.18	
Unrestricted Investment Earnings					12,779.97	6,458.49	19,238.46	
Miscellaneous Revenue					56,904.90	8,576.22	65,481.12	
Total General Revenues					994,559.98	15,034.71	1,009,594.69	0.00
Change in Net Position					285,680.19	76,475.14	362,155.33	20,355.86
Net Position - Beginning					6,542,866.29	3,884,166.41	10,427,032.70	(184,546.95)
NET POSITION - ENDING					6,828,546.48	3,960,641.55	10,789,188.03	(164,191.09)

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

MUNICIPALITY OF SALEM
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Liquor, Lodging and Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Total Governmental Funds
ASSETS:					
Cash and Cash Equivalents	2,549,089.75	66,564.89	297,406.33	356,479.04	3,269,540.01
Taxes Receivable--Delinquent	16,575.82		5,768.79		22,344.61
Accounts Receivable, Net	3,596.44			162.50	3,758.94
Special Assessments Receivable--Current	8,871.33				8,871.33
Special Assessments Receivable--Delinquent	11,133.19				11,133.19
Special Assessments Receivable--Noncurrent	59,870.48				59,870.48
Interest Receivable--Special Assessments	1,784.31				1,784.31
Due from State & County Governments	68,824.78	518.18	1,868.02		71,210.98
Inventory of Supplies	9,537.54				9,537.54
TOTAL ASSETS	2,729,283.64	67,083.07	305,043.14	356,641.54	3,458,051.39
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:					
Liabilities:					
Claims Payable	42,434.60			239.00	42,673.60
Contracts Payable	86,100.26				86,100.26
Due to State Government	515.45				515.45
Accrued Wages Payable	4,739.33			37.82	4,777.15
Accrued Taxes Payable	635.17			5.16	640.33
Unearned Revenue				75.00	75.00
Total Liabilities	134,424.81	0.00	0.00	356.98	134,781.79
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	16,575.82		5,768.79		22,344.61
Unavailable Revenue - Special Assessments	81,659.31				81,659.31
Total Deferred Inflows of Resources	98,235.13	0.00	5,768.79	0.00	104,003.92
Fund Balances:					
Nonspendable - Inventory	9,537.54				9,537.54
Restricted for City Promotion		67,083.07			67,083.07
Restricted for Street Maintenance Purposes			299,274.35		299,274.35
Restricted for Storm Sewer Maintenance & Improvements				356,284.56	356,284.56
Committed for Capital Improvements	1,043,719.29				1,043,719.29
Assigned for Next Year's Budget	400,000.00				400,000.00
Assigned for Capital Outlay	50,570.00				50,570.00
Unassigned	992,796.87				992,796.87
Total Fund Balances	2,496,623.70	67,083.07	299,274.35	356,284.56	3,219,265.68
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	2,729,283.64	67,083.07	305,043.14	356,641.54	3,458,051.39

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

MUNICIPALITY OF SALEM
Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position
December 31, 2020

Total Fund Balances - Governmental Funds	3,219,265.68
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds.	334.74
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,513,136.41
Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds.	46,003.10
Long-term liabilities, including bonds payable and accrued leave payable, are not due and payables in the current period and therefore are not reported in the funds.	(11,574.71)
Assets such as taxes receivable (delinquent), special assessment receivables (current, delinquent and deferred), and sales tax receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	104,003.92
Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds.	(42,622.66)
Net Position - Governmental Activities	6,828,546.48

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Total Governmental Funds
Revenues:					
Taxes:					
General Property Taxes	346,039.05				346,039.05
General Sales and Use Taxes	546,294.84	19,819.56			566,114.40
Gross Receipts Business Taxes	2,116.86				2,116.86
Amusement Taxes	72.00				72.00
Tax Deed Revenue	2,321.45				2,321.45
Penalties and Interest on Delinquent Taxes	1,760.32				1,760.32
Licenses and Permits	15,945.00				15,945.00
Intergovernmental Revenue:					
Federal Grants	114,055.89				114,055.89
State Grants	1,891.55				1,891.55
State Shared Revenue:					
Bank Franchise Tax	1,762.80				1,762.80
Prorate License Fees	3,697.97				3,697.97
Liquor Tax Reversion	6,956.38				6,956.38
Motor Vehicle Licenses	20,388.82				20,388.82
Local Government Highway and Bridge Fund	16,395.98				16,395.98
County Shared Revenue:					
County Road Tax	2,674.43				2,674.43
County Wheel Tax	8,738.70				8,738.70
Charges for Goods and Services:					
General Government	126.50				126.50
Highways and Streets	3,750.00				3,750.00
Sanitation	100,416.54				100,416.54
Culture and Recreation	21,610.69				21,610.69
Fines and Forfeits:					
Animal Control Fines	100.00				100.00
Parking Meter Fines	25.00				25.00
Other	5.00				5.00

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Total Governmental Funds
Revenues (Cont.):					
Miscellaneous Revenue:					
Investment Earnings	9,750.15	334.04	1,283.73	1,412.05	12,779.97
Rentals	4,635.00				4,635.00
Special Assessments	19,984.71				19,984.71
Maintenance Assessments			128,605.92	37,669.17	166,275.09
Liquor Operating Agreement Income	31,958.73				31,958.73
Other	12,519.90				12,519.90
Total Revenue	1,295,994.26	20,153.60	129,889.65	39,081.22	1,485,118.73
Expenditures:					
General Government:					
Legislative	4,856.82				4,856.82
Executive	25,132.04				25,132.04
Financial Administration	129,415.92				129,415.92
Other	22,125.04				22,125.04
Total General Government	181,529.82	0.00	0.00	0.00	181,529.82
Public Safety:					
Police	87,880.00				87,880.00
Fire	67,776.85				67,776.85
Other Protection	386.17				386.17
Total Public Safety	156,043.02	0.00	0.00	0.00	156,043.02
Public Works:					
Highways and Streets	174,039.00		99,989.90	12,302.76	286,331.66
Sanitation	81,627.66				81,627.66
Total Public Works	255,666.66	0.00	99,989.90	12,302.76	367,959.32
Health and Welfare:					
Health	16,034.41				16,034.41
Total Health and Welfare	16,034.41	0.00	0.00	0.00	16,034.41

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2020

	General Fund	Liquor, Lodging, & Dining Fund	Street Assessment Fund	Storm Sewer Maintenance Fund	Total Governmental Funds
Expenditures (Cont.):					
Culture and Recreation:					
Recreation	67,292.98				67,292.98
Parks	74,049.50				74,049.50
Libraries	600.00				600.00
Auditorium	90,439.73	36,650.00			127,089.73
Total Culture and Recreation	232,382.21	36,650.00	0.00	0.00	269,032.21
Conservation and Development:					
Economic Development and Assistance	7,097.36	7,577.88			14,675.24
Total Conservation and Development	7,097.36	7,577.88	0.00	0.00	14,675.24
Capital Outlay	358,140.52	0.00	0.00	1,366.27	359,506.79
Total Expenditures	1,206,894.00	44,227.88	99,989.90	13,669.03	1,364,780.81
Excess of Revenue Over (Under) Expenditures	89,100.26	(24,074.28)	29,899.75	25,412.19	120,337.92
Other Financing Sources (Uses):					
Sale of Municipal Property	3,600.00				3,600.00
Total Other Financing Sources (Uses)	3,600.00	0.00	0.00	0.00	3,600.00
Net Change in Fund Balances	92,700.26	(24,074.28)	29,899.75	25,412.19	123,937.92
Changes in Nonspendable	(1,109.52)	0.00	0.00	0.00	(1,109.52)
Fund Balance - Beginning	2,405,032.96	91,157.35	269,374.60	330,872.37	3,096,437.28
FUND BALANCE - ENDING	2,496,623.70	67,083.07	299,274.35	356,284.56	3,219,265.68

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

MUNICIPALITY OF SALEM
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balances - Total Governmental Funds	123,937.92
Amounts reported for governmental activities in the statement of activities are different because:	
This amount represents capital asset purchases which are reported as expenditures on the fund financial statements but increase assets on the government-wide statements.	359,506.79
This amount represents the current year depreciation expense reported in the statement of activities which is not reported on the fund financial statements because it does not require the use of current financial resources.	(191,020.46)
In the statement of activities, gains and losses on disposal of capital assets are reported, whereas, in the governmental funds, the proceeds from the disposal of capital assets are reflected, regardless of whether a gain or loss is realized.	40,785.00
The fund financial statement governmental fund property tax accruals differ from the government-wide statement property tax accruals in that the fund financial statements require the amounts to be "available".	(2,268.15)
Governmental funds report special assessments as revenue when "available", but the statement of activities includes the full amount of special assessments and street assessments as revenue upon completion of the project at the point when an enforceable legal claim arises.	(30,770.20)
Governmental funds recognize expenditures for amounts of compensated absences actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits.	1,197.28
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (e.g. pension expense)	181.17
Changes in the pension related deferred outflows/inflows are direct components of pension liability (asset) and are not reflected in the governmental funds.	(14,759.64)
Supplies acquired are an expenditure on the fund statements when purchased but are expensed on the statement of activities when consumed. This amount represents the increase/(decrease) in inventory of supplies.	(1,109.52)
Change in Net Position of Governmental Activities	285,680.19

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

MUNICIPALITY OF SALEM
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	775,723.04	791,378.66	1,567,101.70
Accounts Receivable, Net	1,789.34	1,319.90	3,109.24
Inventory of Supplies	61,700.89		61,700.89
Total Current Assets	839,213.27	792,698.56	1,631,911.83
Noncurrent Assets:			
Net Pension Asset	70.66	45.04	115.70
Capital Assets:			
Land	2,209.95	39,656.24	41,866.19
Buildings	1,298,604.74		1,298,604.74
Improvements Other Than Buildings		4,962.13	4,962.13
Machinery and Equipment	1,148,647.03	28,415.78	1,177,062.81
Infrastructure	2,420,206.37	3,454,473.97	5,874,680.34
Less: Accumulated Depreciation	(1,462,509.57)	(643,254.70)	(2,105,764.27)
Total Noncurrent Assets	3,407,229.18	2,884,298.46	6,291,527.64
TOTAL ASSETS	4,246,442.45	3,676,997.02	7,923,439.47
DEFERRED OUTFLOWS OF RESOURCES:			
Pension Related Deferred Outflows	12,602.40	6,511.70	19,114.10
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,602.40	6,511.70	19,114.10
LIABILITIES:			
Current Liabilities:			
Claims Payable	11,172.15	2,105.11	13,277.26
Accrued Wages Payable	1,431.15	1,013.55	2,444.70
Accrued Taxes Payable	195.36	138.35	333.71
Customer Deposits	37,400.00		37,400.00
Unearned Revenue	1,736.03	862.50	2,598.53
Bonds Payable Current:			
Revenue	64,869.00	87,939.46	152,808.46
Compensated Absences Payable -- Current	5,554.07	1,764.25	7,318.32
Total Current Liabilities	122,357.76	93,823.22	216,180.98
Noncurrent Liabilities:			
Bonds Payable:			
Revenue	1,334,462.54	2,411,894.72	3,746,357.26
Accrued Leave Payable	715.23	286.09	1,001.32
Total Noncurrent Liabilities	1,335,177.77	2,412,180.81	3,747,358.58
TOTAL LIABILITIES	1,457,535.53	2,506,004.03	3,963,539.56
DEFERRED INFLOWS OF RESOURCES:			
Pension Related Deferred Inflows	12,272.97	6,099.49	18,372.46
TOTAL DEFERRED INFLOWS OF RESOURCES	12,272.97	6,099.49	18,372.46
NET POSITION:			
Net Investment in Capital Assets	2,007,826.98	384,419.24	2,392,246.22
Restricted For:			
Revenue Bond Debt Service	243,094.86	273,824.51	516,919.37
Equipment Repair and/or Replacement	413,196.98	212,643.28	625,840.26
SDRS Pension Purposes	400.09	457.25	857.34
Unrestricted Net Position	124,717.44	300,060.92	424,778.36
TOTAL NET POSITION	2,789,236.35	1,171,405.20	3,960,641.55

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

MUNICIPALITY OF SALEM
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
Operating Revenue:			
Surcharge as Security for Debt	94,422.31	138,234.34	232,656.65
Charges for Goods and Services	365,380.39	175,308.32	540,688.71
Total Operating Revenue	459,802.70	313,542.66	773,345.36
Operating Expenses:			
Personal Services	78,473.55	38,398.87	116,872.42
Other Current Expense	172,260.15	48,728.73	220,988.88
Depreciation	108,954.74	93,082.74	202,037.48
Total Operating Expenses	359,688.44	180,210.34	539,898.78
Operating Income (Loss)	100,114.26	133,332.32	233,446.58
Nonoperating Revenue (Expense):			
Operating Grants		5,461.05	5,461.05
Investment Earnings	2,886.52	3,571.97	6,458.49
Rental Revenue	7,935.00		7,935.00
Interest Expense	(43,784.86)	(133,682.34)	(177,467.20)
Other	135.76	505.46	641.22
Total Nonoperating Revenue (Expense)	(32,827.58)	(124,143.86)	(156,971.44)
Change in Net Position	67,286.68	9,188.46	76,475.14
Net Position - Beginning	2,721,949.67	1,162,216.74	3,884,166.41
NET POSITION - ENDING	2,789,236.35	1,171,405.20	3,960,641.55

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

MUNICIPALITY OF SALEM
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2020

	Enterprise Funds		
	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Receipts from Customers	459,374.65	312,685.35	772,060.00
Cash Payments to Employees for Services	(70,501.98)	(34,517.28)	(105,019.26)
Cash Payments to Suppliers of Goods and Services	(181,531.94)	(47,604.95)	(229,136.89)
Other Operating Cash Payments	3,390.00		3,390.00
Net Cash Provided (Used) by Operating Activities	210,730.73	230,563.12	441,293.85
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Other	7,935.00	5,461.05	13,396.05
Net Cash Provided (Used) by Noncapital Financing Activities	7,935.00	5,461.05	13,396.05
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from Capital Debt		146,351.00	146,351.00
Capital Contributions	1,061.09		1,061.09
Purchase of Capital Assets	(5,473.13)	(129,424.47)	(134,897.60)
Principal Paid on Capital Debt	(62,873.82)	(230,082.70)	(292,956.52)
Interest Paid on Capital Debt	(43,784.86)	(133,682.34)	(177,467.20)
Other Receipts (Payments)	135.76	505.46	641.22
Net Cash (Used) by Capital and Related Financing Activities	(110,934.96)	(346,333.05)	(457,268.01)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Received for Interest	2,886.52	3,571.97	6,458.49
Net Cash Provided by Investing Activities	2,886.52	3,571.97	6,458.49
Net Increase (Decrease) in Cash and Cash Equivalents	110,617.29	(106,736.91)	3,880.38
Balances - Beginning	665,105.75	898,115.57	1,563,221.32
Balances - Ending	775,723.04	791,378.66	1,567,101.70
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss)	100,114.26	133,332.32	233,446.58
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	108,954.74	93,082.74	202,037.48
(Increase) decrease in Receivables	(364.61)	(648.81)	(1,013.42)
(Increase) decrease in Inventories	(5,564.73)		(5,564.73)
(Increase) decrease in Net Pension Asset	130.58	65.29	195.87
(Increase) decrease in Pension Related Deferred Outflows	(3,196.76)	(1,598.36)	(4,795.12)
(Decrease) increase in Accounts and Other Payables	(3,707.06)	1,123.78	(2,583.28)
(Decrease) increase in Accrued Wages Payable	(39.11)	455.72	416.61
(Decrease) increase in Accrued Leave Payable	3,845.40	1,343.23	5,188.63
(Decrease) increase in Pension Related Deferred Inflows	7,231.46	3,615.71	10,847.17
(Decrease) increase in Customer Deposits	3,390.00		3,390.00
(Decrease) increase in Unearned Revenue	(63.44)	(208.50)	(271.94)
Net Cash Provided (Used) by Operating Activities	210,730.73	230,563.12	441,293.85

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Financial Reporting Entity:

The reporting entity of the Municipality of Salem (Municipality) consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The Municipality is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the Municipality (primary government). The Municipality may also be financially accountable for another organization if that organization is fiscally dependent on the Municipality.

The Housing and Redevelopment Commission of the Municipality of Salem, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Housing and Redevelopment Commission may be obtained from: Housing and Redevelopment Commission, 400 N. Main, Salem, SD 57058.

b. Basis of Presentation:

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Discretely presented component units are legally separate organizations that meet criteria, as described in Note 1.a., above, and may be classified as either governmental or business-type activities. See the discussion of individual component units in Note 1.a., above.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Municipality and for each function of the Municipality's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Municipality or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the Municipality financial reporting entity are described below:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the Municipality. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Liquor, Lodging and Dining Sales Tax Fund – to account for the collection of a one percent tax on the gross receipts of lodgings, alcoholic beverages, prepared food and admissions which tax shall be used for the purpose of land acquisition, architectural fees, construction costs, payments for civic center, auditorium or athletic facility buildings, including the promotion of advertising of the city. (SDCL 34-52-8) This is a major fund.

Street Assessment Fund – to account for the levy assessed for the purpose of maintaining or repairing street surfacing or pavement. (SDCL 9-45-38) This is a major fund.

Storm Sewer Maintenance Fund – to account for the proceeds of the special assessment for the purpose of maintaining the municipal sewers and septic or sewage treatment plants. (SDCL 9-48-21) This is a major fund.

Federal ARPA Fund – to account for the receipt and expenditure of resources received from federal grants. This fund was created in 2021 to track the ARPA grant. This is a major fund.

Proprietary Funds:

Enterprise Funds – Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal waterworks system and related facilities. (SDCL 9-47-1) This is a major fund.

Sewer Fund – financed primarily by user charges, this fund accounts for the construction and operation of the municipal sanitary sewer system and related facilities. (SDCL 9-48-2) This is a major fund.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements:

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary funds.

Basis of Accounting:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, governmental, business-type, and component unit activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements:

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Municipality of Salem, the length of that cycle is 30 days. The revenues which are accrued at December 31, 2020 and 2021 are sales tax and miscellaneous revenue.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures are generally recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

e. Capital Assets:

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

Capital assets are recorded at historical cost. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

The total December 31, 2020 and 2021 balance of governmental activities capital assets and business-type capital assets are all valued at original cost.

Infrastructure assets used in general government operations, consisting of certain improvements other than buildings, including roads, bridges, sidewalks, drainage systems, and lighting systems, acquired prior to

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

January 1, 2004, were not required to be capitalized by the Municipality. Infrastructure assets acquired since January 1, 2004 are recorded at cost, and classified as "Improvements Other than Buildings."

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with USGAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with USGAAP.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, except for that portion related to common use assets for which allocation would be unduly complex, and which is reported as Unallocated Depreciation, with net capital assets reflected in the Statement of Net Position. Accumulated depreciation is reported on the government-wide Statement of Net Position and on each proprietary fund's Statement of Net Position/Balance Sheet.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land and land rights	$ -	- - N/A - -	- - N/A - -
Improvements other than buildings	$ 25,000.00	Straight-line	20-60 yrs.
Buildings	$ 500.00	Straight-line	33-100 yrs.
Machinery & Equipment	$ 5,000.00	Straight-line	5-25 yrs.
Infrastructure	$ 25,000.00	Straight-line	20-60 yrs.
Utility property and improvements	$ 25,000.00	Straight-line	20-60 yrs.

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as Capital Outlay expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

f. Long-Term Liabilities:

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities primarily consist of SRF loans and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

g. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services – These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions – These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

h. Deferred Inflows and Deferred Outflows of Resources:

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

i. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Fund Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues and expenses.

j. Cash and Cash Equivalents:

The Municipality pools the cash resources of its funds for cash management purposes. The proprietary funds essentially have access to the entire amount of their cash resources on demand. Accordingly, each proprietary fund's equity in the cash management pool is considered to be cash and cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications:

Government-wide Statements:

Equity is classified as net position and is displayed in three components.

1. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned" and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

l. Application of Net Position:

It is the Municipality's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

m. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Municipality classifies governmental fund balances as follows:

- Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Finance Officer.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Nonspendable Fund Balance is comprised of the following:

- Amount reported in non-spendable form such as inventory.

The Municipal Governing Board committed the following fund balance types by taking the following action:

Fund Balance Type	Amount 12/31/21	Amount 12/31/20	Action
Capital Improvements	$ 1,284,426.29	$ 1,043,719.29	Ordinance

The Municipality uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Municipality would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

The Municipality does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major Special Revenue Fund:	Revenue Source:
City Promotion	Sales Tax
Street Assessment Fund	Front Foot Assessment
Storm Sewer Fund	Maintenance Assessments & Grants
Federal ARPA Fund	Grants

n. Pensions:

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense (revenue), information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. Municipal contributions and net pension liability (asset) are recognized on an accrual basis of accounting.

2. DEPOSITS AND INVESTMENTS, FAIR VALUE MEASUREMENT, CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The Municipality follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits – The Municipality's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 7-20-1, 7-20-1.1 and 7-20-1.2, and may be in the form of demand or time deposits.

Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by Federal Home Loan Banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments – In general, SDCL 4-5-6 permits municipality funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

As of December 31, 2021 and 2020, the Municipality did not have any investments.

Credit Risk – State law limits eligible investments for the Municipality, as discussed above. The Municipality has no investment policy that would further limit its investment choices.

Interest Rate Risk – The Municipality 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Concentration of Credit Risk – The Municipality places no limit on the amount that may be invested in any one issuer.

Assignment of Investment Income – State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The Municipality's policy is to credit all income from investments to the fund making the investment.

3. DEFICIT FUND BALANCES / NET POSITION OF INDIVIDUAL MAJOR FUNDS

As of December 31, 2021, the following individual major fund had a deficit fund balance in the amount shown:

Storm Sewer Fund	$27,958.95

The deficit balance was due to SRF funding not being received prior to end of year.

4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The Municipality expects all receivables to be collected within one year.

5. INVENTORY

Inventory consists of expendable supplies held for consumption. Supply inventories are recorded at cost.

Government-wide Financial Statements:

In the government-wide financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed.

Fund Financial Statements:

In the fund financial statements, inventory is recorded as an asset at the time of purchase, and charged to expense as it is consumed. Material supply inventories are off-set by nonspendable fund balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

6. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied on or before October 1 and payable in two installments on or before April 30 and October 31 of the following year.

The Municipality is permitted by several state statutes to levy varying amounts of taxes per $1,000 of taxable valuation on taxable property in the Municipality.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the two years ended December 31, 2021, is as follows:

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	60,590.82			60,590.82
Construction Work in Progress	560,288.53	498,718.26	(560,288.53)	498,718.26
Total, not being depreciated	620,879.35	498,718.26	(560,288.53)	559,309.08
Capital Assets, being Depreciated:				
Buildings	965,894.13		(3,085.78)	962,808.35
Improvements Other Than Buildings	2,532,599.57	688,088.82		3,220,688.39
Machinery and Equipment	817,538.53	415,375.94	(119,231.23)	1,113,683.24
Total, being Depreciated	4,316,032.23	1,103,464.76	(122,317.01)	5,297,179.98
Less Accumulated Depreciation for:				
Buildings	(351,868.65)	(39,235.68)	3,085.78	(388,018.55)
Improvements Other Than Buildings	(887,216.22)	(220,057.56)		(1,107,273.78)
Machinery and Equipment	(393,961.63)	(137,975.82)	94,373.23	(437,564.22)
Total Accumulated Depreciation	(1,633,046.50)	(397,269.06)	97,459.01	(1,932,856.55)
Total Capital Assets, being Depreciated, Net	2,682,985.73	706,195.70	(24,858.00)	3,364,323.43
Governmental Activity Capital Assets, Net	3,303,865.08	1,204,913.96	(585,146.53)	3,923,632.51

Depreciation expense was charged to functions as follows:

Governmental Activities:	2020	2021
General Government	1,474.92	1,474.92
Public Safety	7,568.23	7,568.23
Public Works	129,206.25	141,775.91
Health and Welfare	679.23	679.23
Culture and Recreation	52,091.83	54,750.31
Total Depreciation Expense - Governmental Activities	191,020.46	206,248.60

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	Balance 01/01/2020	Increases	Decreases	Balance 12/31/2021
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Land	41,866.19			41,866.19
Construction Work in Progress	3,168,054.84		(3,168,054.84)	0.00
Total, not being depreciated	3,209,921.03	0.00	(3,168,054.84)	41,866.19
Capital Assets, being Depreciated:				
Buildings	1,298,604.74			1,298,604.74
Improvements Other Than Buildings	2,707,241.65	3,290,214.83	(49,213.24)	5,948,243.24
Machinery and Equipment	1,208,733.67	29,138.16	(43,709.00)	1,194,162.83
Total, being Depreciated	5,214,580.06	3,319,352.99	(92,922.24)	8,441,010.81
Less Accumulated Depreciation for:				
Buildings	(285,692.99)	(51,944.18)		(337,637.17)
Improvements Other Than Buildings	(1,266,885.07)	(308,511.82)	48,342.95	(1,527,053.94)
Machinery and Equipment	(383,946.74)	(61,483.81)	43,709.00	(401,721.55)
Total Accumulated Depreciation	(1,936,524.80)	(421,939.81)	92,051.95	(2,266,412.66)
Total Capital Assets, being Depreciated, Net	3,278,055.26	2,897,413.18	(870.29)	6,174,598.15
Business-Type Activity Capital Assets, Net	6,487,976.29	2,897,413.18	(3,168,925.13)	6,216,464.34

Depreciation expense was charged to functions as follows:

Business-Type Activities:	2020	2021
Water	108,954.74	149,206.11
Sewer	93,082.74	70,696.22
Total Depreciation Expense - Business-Type Activities	202,037.48	219,902.33

Construction Work in Progress at December 31, 2021, is composed of the following:

Project Name	Project Authorization	Expended thru 12/31/2021	Committed	Required Future Financing
Phase One Water & Wastewater	552,000.00	118,443.82	0.00	433,556.18
Storm Sewer Project	847,000.00	380,274.44	466,725.56	0.00
TOTAL	1,399,000.00	498,718.26	466,725.56	433,556.18

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

8. CHANGES IN COMPONENT UNIT CAPITAL ASSETS

A summary of changes in component unit capital assets for the two years ended December 31, 2021, is as follows:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2021
Land	56,293.45			56,293.45
Buildings	1,320,130.37			1,320,130.37
Organization Costs	52,000.00			52,000.00
Accumulated Depreciation	(631,251.05)	(66,006.52)		(697,257.57)
TOTAL	797,172.77	(66,006.52)	0.00	731,166.25

9. LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance 1/1/2020	Additions	Deletions	Ending Balance 12/31/2021	Due Within One Year
Primary Government:					
Governmental Activities:					
Accrued Compensated Absences-Governmental Funds	12,771.99	25,248.34	26,522.37	11,497.96	11,497.96
Total Governmental Activities	12,771.99	25,248.34	26,522.37	11,497.96	11,497.96
Business-Type Activities:					
Clean Water SRF Loan # 1	157,456.81		63,136.63	94,320.18	33,257.29
Clean Water SRF Loan # 2	159,771.07		159,771.07	0.00	0.00
Clean Water SRF Loan # 3	2,412,689.00		95,114.46	2,317,574.54	57,229.83
Drinking Water SRF Loan # 2	148,781.98		36,213.53	112,568.45	19,005.11
Drinking Water SRF Loan # 3	1,013,192.32		77,014.81	936,177.51	40,417.90
Drinking Water SRF Loan # 4	300,231.06		14,514.48	285,716.58	7,505.16
Total Debt	4,192,122.24	0.00	445,764.98	3,746,357.26	157,415.29
Accrued Compensated Absences - Business-Type Funds	3,131.01	11,169.12	10,853.37	3,446.76	3,446.76
Total Business-Type Activities	4,195,253.25	11,169.12	456,618.35	3,749,804.02	160,862.05
TOTAL PRIMARY GOVERNMENT	4,208,025.24	36,417.46	483,140.72	3,761,301.98	172,360.01

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Debt payable at December 31, 2021, is comprised of the following:

Clean Water SRF Loan #1:	
Clean Water State Revolving Fund Loan #C461057-01 for Sewer Improvements, 3.5% Interest; Final Maturity 7-15-2024, Payable from Sewer Fund	$ 94,320.18
Clean Water SRF Loan #3:	
Clean Water State Revolving Fund Loan #C461057-03 for Sewer Improvements, 2.5% Interest; Final Maturity 2-15-2050, Payable from Sewer Fund	$ 2,317,574.54
Drinking Water SRF Loan #2:	
Drinking Water State Revolving Fund Loan #C462057-02 for Water Line Improvements; 3.25% Interest; Final Maturity 4-15-2027, Payable from Water Fund	$ 112,568.45
Drinking Water SRF Loan #3:	
Drinking Water State Revolving Fund Loan #C462057-03 for Water Treatment Plant; 3.25% Interest; Final Maturity 4-15-2039, Payable from Water Fund	$ 936,177.51
Drinking Water SRF Loan #4:	
Drinking Water State Revolving Fund Loan #C462057-04 for Water Treatment Plant; 2.25% Interest; Final Maturity 8-15-2049, Payable from Water Fund	$ 285,716.58
Compensated Absences:	
Vacation and Sick Leave for eligible employees:	
General Fund	$ 11,497.96
Water Fund	$ 2,774.82
Sewer Fund	$ 671.94
Payment to be made by the fund that the payroll expenditures are charged to.	

The annual requirements to amortize all debt outstanding as of December 31, 2021, except for compensated absences, are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Maturity for Long-Term Debt
December 31, 2021

Year Ending December 31,	SRF Loan Clean Water #1 Principal	SRF Loan Clean Water #1 Interest	SRF Loan Clean Water #3 Principal	SRF Loan Clean Water #3 Interest	SRF Loan Drinking Water #2 Principal	SRF Loan Drinking Water #2 Interest
2022	33,257.29	2,867.87	57,229.83	57,405.61	19,005.11	3,428.41
2023	34,436.66	1,688.50	58,674.04	55,961.40	19,630.35	2,803.17
2024	26,626.23	467.64	60,154.69	54,480.75	20,276.14	2,157.38
2025			61,672.72	52,962.72	20,943.20	1,490.32
2026			63,229.05	41,406.39	21,632.19	801.33
2027-2031			340,900.10	232,277.10	11,081.46	135.30
2032-2036			386,140.18	187,037.02		
2037-2041			437,383.98	135,793.22		
2042-2046			495,248.18	77,749.02		
2047-2051			356,761.77	15,803.41		
Totals	94,320.18	5,024.01	2,317,394.54	910,876.64	112,568.45	10,815.91

Year Ending December 31,	SRF Loan Drinking Water #3 Principal	SRF Loan Drinking Water #3 Interest	SRF Loan Drinking Water #4 Principal	SRF Loan Drinking Water #4 Interest	TOTALS Principal	TOTALS Interest
2022	40,417.90	29,936.50	7,505.16	6,365.60	157,415.29	100,003.99
2023	41,747.58	28,606.82	7,675.46	6,195.30	162,164.09	95,255.19
2024	43,121.01	27,233.39	7,849.63	6,021.13	158,027.70	90,360.29
2025	44,539.61	25,814.79	8,027.73	5,843.03	135,183.26	86,110.86
2026	46,004.88	24,349.52	8,209.89	5,660.87	139,076.01	72,218.11
2027-2031	199,660.49	81,757.11	43,929.73	25,424.07	595,571.78	339,593.58
2032-2036	288,822.91	62,949.09	49,145.07	20,208.73	724,108.16	270,194.84
2037-2041	231,863.13	14,377.27	54,979.51	14,374.29	724,226.62	164,544.78
2042-2046			61,506.68	7,847.12	556,754.86	85,596.14
2047-2051			36,887.72	1,256.87	393,649.49	17,060.28
Totals	936,177.51	295,024.49	285,716.58	99,197.01	3,746,177.26	1,320,938.06

10. COMPONENT UNIT LONG-TERM DEBT

A summary of changes in component unit long-term debt follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Component Unit:					
Bonds Payable:					
Refunding Revenue - Series 2018	1,018,638.28		101,158.91	917,479.37	53,296.89
TOTAL COMPONENT UNIT	1,018,638.28	0.00	101,158.91	917,479.37	53,296.89

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Component Unit Debt payable at December 31, 2021, is comprised of the following:

Essential Function Housing Development	
Revenue Refunding Bonds, Series 2018:	
3.5% Interest Rate	
Final Maturity 7-15-2024,	
Payable from Salem Housing & Redevelopment Commission	$ 917,479.37

11. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2020 and 2021 were as follows:

Purpose	12/31/2020	12/31/2021
Major Purposes:		
Equipment Repair/Replacement Purposes	$ 625,840.26	$ 614,362.26
Street Maintenance Purposes	305,043.14	337,221.20
City Promotion Purposes	67,083.07	93,641.40
Storm Sewer Maintenance Purposes	356,284.56	
Debt Service Purposes	516,919.37	543,950.41
SDRS Pension Purposes	4,572.52	27,903.26
Total Restricted Net Position	$ 1,875,742.92	$ 1,617,078.53

12. PENSION PLAN

Plan Information:
All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at http://www.sdrs.sd.gov/publications.aspx or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:
SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirement benefits that do not meet the above criteria may be payable at a reduced level.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to the long-term inflation assumption of 2.25%.
- If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:
  - The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

Contributions:
Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. The Municipality's share of contributions to the SDRS for the fiscal years ended December 31, 2021, 2020, and 2019, were $15,087.20, $13,916.60, and $13,573.01, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:
At June 30, 2021, SDRS is 105.53% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2021 and reported by the Municipality as of December 31, 2021 are as follows:

Proportionate share of pension liability	$ 1,527,242.02
Less proportionate share of net pension restricted for pension benefits	$ 1,611,590.40
Proportionate share of net pension liability (asset)	$ (84,348.38)

At December 31, 2021, the Municipality reported a liability (asset) of $(84,348.38) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2021, the Municipality's proportion was 0.01101400%, which is an increase (decrease) of 0.0006422% from its proportion measured as of June 30, 2020.

At June 30, 2020, SDRS is 100.04% funded and accordingly has net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the Municipality as of this measurement period ending June 30, 2020 and reported by the Municipality as of December 31, 2020 are as follows:

Proportionate share of pension liability	$ 1,275,004.89
Less proportionate share of net pension restricted for pension benefits	$ 1,275,455.33
Proportionate share of net pension liability (asset)	$ (450.44)

At December 31, 2020, the Municipality reported a liability (asset) of $(450.44) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2020 and the total pension liability (asset) used to calculate the net pension liability (asset) was based on a projection of the Municipality's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2020, the Municipality's proportion was 0.01037180%, which is an increase (decrease) of (0.0000398%) from its proportion measured as of June 30, 2019.

For the year ended December 31, 2021, the Municipality recognized pension expense (reduction of expense) of $23,330.84. At December 31, 2021 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 3,028.33	$ 221.14
Changes in assumption.	$ 96,999.81	$ 42,240.46
Net difference between projected and actual earnings on pension plan investments.		$ 120,493.36
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	$ 58.55	$ 624.63
Municipality contributions subsequent to the measurement date.	$ 7,047.78	
TOTAL	$ 107,134.47	$ 163,579.59

$7,047.78 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. Other amounts reported as deferred outflows of resources and

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

Year Ended December 31:	
2022	$ (15,962.01)
2023	$ (10,689.81)
2024	$ (2,945.01)
2025	$ (33,896.07)
TOTAL	$ (63,492.90)

For the year ended December 31, 2010, the Municipality recognized pension expense (reduction of expense) of $20,826.39. At December 31, 2020 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Difference between expected and actual experience.	$ 1,723.20	$ 352.87
Changes in assumption.	$ 14,509.20	$ 58,516.40
Net difference between projected and actual earnings on pension plan investments.	$ 41,866.68	
Changes in proportion and difference between Municipality contributions and proportionate share of contributions.	$ 61.96	$ 2,125.85
Municipality contributions subsequent to the measurement date.	$ 6,956.16	
TOTAL	$ 65,117.20	$ 60,995.12

$6,956.16 reported as deferred outflow of resources related to pensions resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of pension expense) as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Year Ended December 31:	
2021	$ (6,040.60)
2022	$ (4,474.09)
2023	$ 510.67
2024	$ 7,169.94
TOTAL	$ (2,834.08)

Actuarial Assumptions:
The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense. This is composed of an average inflation rate of 2.25% and real returns of 4.25%
Future COLAs	2.25%

The total pension liability (asset) in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded by years of service, from 6.50% at entry to 3.00% after 25 years of service
Discount Rate	6.50% net of plan investment expense
Future COLAs	1.41%

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for female and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2021 and 2020 valuations were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	4.3%
Fixed Income	30.0%	1.6%
Real Estate	10.0%	4.6%
Cash	2.0%	0.9%
Total	100%	

Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	58.0%	5.1%
Fixed Income	30.0%	1.5%
Real Estate	10.0%	6.2%
Cash	2.0%	1.0%
Total	100%	

Discount Rate:
The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of liability (asset) to change in the discount rate:
At December 31, 2021, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$136,581.03	$(84,348.38)	$(263,691.65)

At December 31, 2020, the following presents the Municipality's proportionate share as of net pension liability (asset) calculated using the discount rate of 6.50 percent, as well as what the Municipality's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

	1% Decrease	Current Discount Rate	1% Increase
Municipality's proportionate share of the net pension liability (asset)	$174,742.90	$(450.44)	$(143,755.15)

Pension Plan Fiduciary Net Position:
Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

13. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2021 and 2020, the Municipality was not involved in any significant litigation.

14. RISK MANAGEMENT

The Municipality is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2021 and 2020, the Municipality managed its risks as follows:

Employee Health Insurance:
The Municipality purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:
The Municipality purchases liability insurance for risks related to torts; theft or damage to property; and errors and omissions of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:
The Municipality joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The Municipality's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The Municipality pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospectively rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first $650,000 of any claim per individual. The pool has reinsurance which covers up to an additional $2,000,000 per individual per incident.

The Municipality does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:
The Municipality provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

15. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 5, 2022, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	361,026.75	361,026.75	364,120.30	3,093.55
General Sales and Use Taxes	417,500.25	417,500.25	577,873.39	160,373.14
Gross Receipts Business Taxes	2,000.00	2,000.00	2,080.13	80.13
Penalties and Interest on Delinquent Taxes	0.00	0.00	1,694.01	1,694.01
Licenses and Permits	9,850.00	9,850.00	15,250.00	5,400.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	1,673.00	1,673.00
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	2,097.22	897.22
Prorate License Fees	3,500.00	3,500.00	4,105.50	605.50
Liquor Tax Reversion	8,000.00	8,000.00	12,251.69	4,251.69
Motor Vehicle Licenses	19,000.00	19,000.00	21,038.61	2,038.61
Local Government Highway and Bridge Fund	15,000.00	15,000.00	16,855.86	1,855.86
County Shared Revenue:				
County Road Tax	2,600.00	2,600.00	2,674.43	74.43
County Wheel Tax	5,500.00	5,500.00	7,830.62	2,330.62
Charges for Goods and Services:				
General Government	0.00	0.00	500.00	500.00
Highways and Streets	3,750.00	3,750.00	3,750.00	0.00
Sanitation	106,550.00	106,550.00	107,710.57	1,160.57
Culture and Recreation	18,500.00	18,500.00	29,858.00	11,358.00
Fines and Forfeits:				
Parking Meter Fines	0.00	0.00	125.00	125.00
Other	0.00	0.00	108.88	108.88
Miscellaneous Revenue:				
Investment Earnings	6,500.00	6,500.00	7,602.19	1,102.19
Rentals	2,000.00	2,000.00	12,617.50	10,617.50
Special Assessments	8,700.00	8,700.00	17,750.07	9,050.07
Contributions and Donations from Private Sources	5,500.00	5,500.00	21,354.45	15,854.45
Liquor Operating Agreement Income	29,000.00	29,000.00	33,834.47	4,834.47
Other	10,500.00	10,500.00	22,667.87	12,167.87
Total Revenue	1,036,177.00	1,036,177.00	1,287,423.76	251,246.76
Expenditures:				
General Government:				
Legislative	6,000.00	7,500.00	7,000.20	499.80
Contingency	40,000.00	40,000.00		
Amount Transferred		(16,500.00)		23,500.00
Executive	28,120.00	28,120.00	24,629.05	3,490.95
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	166,970.00	171,470.00	135,975.30	35,494.70
Other	27,250.00	27,250.00	18,246.62	9,003.38
Total General Government	269,340.00	258,840.00	185,851.17	72,988.83

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	87,880.00	87,880.00	87,880.00	0.00
Fire	4,200.00	4,200.00	3,532.04	667.96
Other Protection	950.00	950.00	388.80	561.20
Total Public Safety	93,030.00	93,030.00	91,800.84	1,229.16
Public Works:				
Highways and Streets	342,120.00	342,120.00	298,477.33	43,642.67
Sanitation	94,710.00	95,710.00	93,742.84	1,967.16
Total Public Works	436,830.00	437,830.00	392,220.17	45,609.83
Health and Welfare:				
Health	23,370.00	23,370.00	11,860.29	11,509.71
Total Health and Welfare	23,370.00	23,370.00	11,860.29	11,509.71
Culture and Recreation:				
Recreation	93,870.00	93,870.00	76,402.47	17,467.53
Parks	124,580.00	130,580.00	126,233.41	4,346.59
Libraries	600.00	600.00	600.00	0.00
Auditorium	69,450.00	72,950.00	72,417.06	532.94
Total Culture and Recreation	288,500.00	298,000.00	275,652.94	22,347.06
Conservation and Development:				
Economic Development and Assistance	9,350.00	9,350.00	2,893.00	6,457.00
Total Conservation and Development	9,350.00	9,350.00	2,893.00	6,457.00
Total Expenditures	1,120,420.00	1,120,420.00	960,278.41	160,141.59
Excess of Revenue Over (Under) Expenditures	(84,243.00)	(84,243.00)	327,145.35	411,388.35
Other Financing Sources (Uses):				
Sale of Municipal Property	25,000.00	25,000.00	34,165.80	9,165.80
Total Other Financing Sources (Uses)	25,000.00	25,000.00	34,165.80	9,165.80
Net Change in Fund Balances	(59,243.00)	(59,243.00)	361,311.15	420,554.15
Changes in Nonspendable	0.00	0.00	(3,402.72)	(3,402.72)
Fund Balance - Beginning	2,496,623.70	2,496,623.70	2,496,623.70	0.00
FUND BALANCE - ENDING	2,437,380.70	2,437,380.70	2,854,532.13	417,151.43

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING & DINING SALES TAX FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	19,000.00	19,000.00	23,909.65	4,909.65
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	226.56	226.56
Contributions and Donations from Private Sources	0.00	0.00	10,000.00	10,000.00
Total Revenue	19,000.00	19,000.00	34,136.21	15,136.21
Expenditures:				
Conservation and Development:				
Economic Development and Assistance	7,700.00	7,700.00	7,577.88	122.12
Total Conservation and Development	7,700.00	7,700.00	7,577.88	122.12
Total Expenditures	7,700.00	7,700.00	7,577.88	122.12
Net Change in Fund Balances	11,300.00	11,300.00	26,558.33	15,258.33
Fund Balance - Beginning	67,083.07	67,083.07	67,083.07	0.00
FUND BALANCE - ENDING	78,383.07	78,383.07	93,641.40	15,258.33

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	500.00	500.00	1,155.74	655.74
Maintenance Assessments	171,031.00	171,031.00	172,139.61	1,108.61
Total Revenue	171,531.00	171,531.00	173,295.35	1,764.35
Expenditures:				
Public Works:				
Highways and Streets	170,000.00	170,000.00	140,564.19	29,435.81
Total Public Works	170,000.00	170,000.00	140,564.19	29,435.81
Total Expenditures	170,000.00	170,000.00	140,564.19	29,435.81
Net Change in Fund Balances	1,531.00	1,531.00	32,731.16	31,200.16
Fund Balance - Beginning	299,274.35	299,274.35	299,274.35	0.00
FUND BALANCE - ENDING	300,805.35	300,805.35	332,005.51	31,200.16

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STORM SEWER MAINTENANCE FUND
For the Year Ended December 31, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,002.12	1,002.12
Maintenance Assessments	37,500.00	37,500.00	37,913.96	413.96
Total Revenue	37,500.00	37,500.00	38,916.08	1,416.08
Expenditures:				
Public Works:				
Highways and Streets	73,910.00	1,039,708.00	423,159.59	616,548.41
Total Public Works	73,910.00	1,039,708.00	423,159.59	616,548.41
Total Expenditures	73,910.00	1,039,708.00	423,159.59	616,548.41
Excess of Revenue Over (Under) Expenditures	(36,410.00)	(1,002,208.00)	(384,243.51)	617,964.49
Other Financing Sources (Uses):				
Transfers In	0.00	118,798.00	0.00	(118,798.00)
Proceeds of General Long-Term Debt Issued	0.00	847,000.00	0.00	(847,000.00)
Total Other Financing Sources (Uses)	0.00	965,798.00	0.00	(965,798.00)
Net Change in Fund Balances	(36,410.00)	(36,410.00)	(384,243.51)	(347,833.51)
Fund Balance - Beginning	356,284.56	356,284.56	356,284.56	0.00
FUND BALANCE - ENDING	319,874.56	319,874.56	(27,958.95)	(347,833.51)

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Property Taxes	347,835.94	347,835.94	346,039.05	(1,796.89)
General Sales and Use Taxes	412,764.06	412,764.06	546,294.84	133,530.78
Gross Receipts Business Taxes	2,000.00	2,000.00	2,116.86	116.86
Amusement Taxes	0.00	0.00	72.00	72.00
Tax Deed Revenue	0.00	0.00	2,321.45	2,321.45
Penalties and Interest on Delinquent Taxes	0.00	0.00	1,760.32	1,760.32
Licenses and Permits	9,000.00	9,000.00	15,945.00	6,945.00
Intergovernmental Revenue:				
Federal Grants	0.00	0.00	114,055.89	114,055.89
State Grants	0.00	0.00	1,891.55	1,891.55
State Shared Revenue:				
Bank Franchise Tax	1,200.00	1,200.00	1,762.80	562.80
Prorate License Fees	3,000.00	3,000.00	3,697.97	697.97
Liquor Tax Reversion	8,000.00	8,000.00	6,956.38	(1,043.62)
Motor Vehicle Licenses	18,700.00	18,700.00	20,388.82	1,688.82
Local Government Highway and Bridge Fund	14,000.00	14,000.00	16,395.98	2,395.98
County Shared Revenue:				
County Road Tax	2,600.00	2,600.00	2,674.43	74.43
County Wheel Tax	5,500.00	5,500.00	8,738.70	3,238.70
Charges for Goods and Services:				
General Government	0.00	0.00	126.50	126.50
Highways and Streets	3,750.00	3,750.00	3,750.00	0.00
Sanitation	99,500.00	99,500.00	100,416.54	916.54
Culture and Recreation	18,000.00	18,000.00	21,610.69	3,610.69
Fines and Forfeits:				
Animal Control Fines	0.00	0.00	100.00	100.00
Court Fines and Costs	0.00	0.00	25.00	25.00
Other	0.00	0.00	5.00	5.00
Miscellaneous Revenue:				
Investment Earnings	5,000.00	5,000.00	9,750.15	4,750.15
Rentals	4,500.00	4,500.00	4,635.00	135.00
Special Assessments	0.00	0.00	19,984.71	19,984.71
Contributions and Donations from Private Sources	200.00	200.00	0.00	(200.00)
Liquor Operating Agreement Income	25,500.00	25,500.00	31,958.73	6,458.73
Other	10,500.00	10,500.00	12,519.90	2,019.90
Total Revenue	991,550.00	991,550.00	1,295,994.26	304,444.26
Expenditures:				
General Government:				
Legislative	6,000.00	6,000.00	4,856.82	1,143.18
Contingency	40,000.00	40,000.00		
Amount Transferred		(26,750.00)		13,250.00
Executive	25,270.00	25,270.00	25,132.04	137.96
Elections	1,000.00	1,000.00	0.00	1,000.00
Financial Administration	151,510.00	151,510.00	129,415.92	22,094.08
Other	27,810.00	27,810.00	22,125.04	5,684.96
Total General Government	251,590.00	224,840.00	181,529.82	43,310.18

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Expenditures (Continued):				
Public Safety:				
Police	87,880.00	87,880.00	87,880.00	0.00
Fire	13,570.00	84,570.00	82,529.79	2,040.21
Other Protection	700.00	700.00	386.17	313.83
Total Public Safety	102,150.00	173,150.00	170,795.96	2,354.04
Public Works:				
Highways and Streets	677,760.00	677,760.00	450,589.87	227,170.13
Sanitation	85,600.00	85,600.00	81,627.66	3,972.34
Total Public Works	763,360.00	763,360.00	532,217.53	231,142.47
Health and Welfare:				
Health	33,690.00	33,690.00	16,034.41	17,655.59
Total Health and Welfare	33,690.00	33,690.00	16,034.41	17,655.59
Culture and Recreation:				
Recreation	103,010.00	103,010.00	67,292.98	35,717.02
Parks	132,960.00	143,210.00	140,886.21	2,323.79
Libraries	600.00	600.00	600.00	0.00
Auditorium	88,660.00	105,160.00	90,439.73	14,720.27
Total Culture and Recreation	325,230.00	351,980.00	299,218.92	52,761.08
Conservation and Development:				
Economic Development and Assistance (Industrial Development)	9,970.00	9,970.00	7,097.36	2,872.64
Total Conservation and Development	9,970.00	9,970.00	7,097.36	2,872.64
Total Expenditures	1,485,990.00	1,556,990.00	1,206,894.00	350,096.00
Excess of Revenue Over (Under) Expenditures	(494,440.00)	(565,440.00)	89,100.26	654,540.26
Other Financing Sources (Uses):				
Sale of Municipal Property	0.00	0.00	3,600.00	3,600.00
Total Other Financing Sources (Uses)	0.00	0.00	3,600.00	3,600.00
Net Change in Fund Balances	(494,440.00)	(565,440.00)	92,700.26	658,140.26
Changes in Nonspendable	0.00	0.00	(1,109.52)	(1,109.52)
Fund Balance - Beginning	2,405,032.96	2,405,032.96	2,405,032.96	0.00
FUND BALANCE - ENDING	1,910,592.96	1,839,592.96	2,496,623.70	657,030.74

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
LIQUOR, LODGING & DINING SALES TAX FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Taxes:				
General Sales and Use Taxes	19,000.00	19,000.00	19,819.56	819.56
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	334.04	334.04
Total Revenue	19,000.00	19,000.00	20,153.60	1,153.60
Expenditures:				
Culture and Recreation:				
Auditorium	0.00	36,650.00	36,650.00	0.00
Total Culture and Recreation	0.00	36,650.00	36,650.00	0.00
Conservation and Development:				
Economic Development and Assistance	20,200.00	20,200.00	7,577.88	12,622.12
Total Conservation and Development	20,200.00	20,200.00	7,577.88	12,622.12
Total Expenditures	20,200.00	56,850.00	44,227.88	12,622.12
Net Change in Fund Balances	(1,200.00)	(37,850.00)	(24,074.28)	13,775.72
Fund Balance - Beginning	91,157.35	91,157.35	91,157.35	0.00
FUND BALANCE - ENDING	89,957.35	53,307.35	67,083.07	13,775.72

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STREET ASSESSMENT FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,283.73	1,283.73
Maintenance Assessments	128,334.00	128,334.00	128,605.92	271.92
Total Revenue	128,334.00	128,334.00	129,889.65	1,555.65
Expenditures:				
Public Works:				
Highways and Streets	100,000.00	100,000.00	99,989.90	10.10
Total Public Works	100,000.00	100,000.00	99,989.90	10.10
Total Expenditures	100,000.00	100,000.00	99,989.90	10.10
Net Change in Fund Balances	28,334.00	28,334.00	29,899.75	1,565.75
Fund Balance - Beginning	269,374.60	269,374.60	269,374.60	0.00
FUND BALANCE - ENDING	297,708.60	297,708.60	299,274.35	1,565.75

REQUIRED SUPPLEMENTARY INFORMATION
MUNICIPALITY OF SALEM
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
STORM SEWER MAINTENANCE FUND
For the Year Ended December 31, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final	(Budgetary Basis)	Positive (Negative)
Revenues:				
Miscellaneous Revenue:				
Investment Earnings	0.00	0.00	1,412.05	1,412.05
Maintenance Assessments	37,500.00	37,500.00	37,669.17	169.17
Total Revenue	37,500.00	37,500.00	39,081.22	1,581.22
Expenditures:				
Public Works:				
Highways and Streets	73,910.00	73,910.00	13,669.03	60,240.97
Total Public Works	73,910.00	73,910.00	13,669.03	60,240.97
Total Expenditures	73,910.00	73,910.00	13,669.03	60,240.97
Net Change in Fund Balances	(36,410.00)	(36,410.00)	25,412.19	61,822.19
Fund Balance - Beginning	330,872.37	330,872.37	330,872.37	0.00
FUND BALANCE - ENDING	294,462.37	294,462.37	356,284.56	61,822.19

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Budgetary Comparisons for the General Fund
and for each major Special Revenue Fund with a legally required budget.

NOTE 1. Budgets and Budgetary Accounting:

The Municipality followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.

2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.

3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total municipal budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.

4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.

5. Unexpected appropriations lapse at year end unless encumbered by resolution of the Governing Board.

   Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and special revenue funds.

   The Municipality did not encumber any amounts at December 31, 2021 and 2020.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds.

7. Budgets for the General Fund and special revenue funds are adopted on a basis consistent with the accounting principles generally accepted in the United States (USGAAP).

NOTE 2. GAAP/Budgetary Accounting Basis Differences:

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

South Dakota Retirement System

Last Seven Years *

	2021	2020	2019	2018	2017	2016	2015
Municipality's proportion of the net pension liability/asset	0.0110140%	0.0103718%	0.0104116%	0.0100486%	0.0097180%	0.0096804%	0.0096839%
Municipality's proportionate share of net pension liability (asset)	$ (84,348)	$ (450)	$ (1,103)	$ (234)	$ (882)	$ 32,699	$ (41,072)
Municipality's covered-employee payroll	$ 249,925	$ 227,630	$ 221,371	$ 208,902	$ 197,442	$ 184,073	$ 176,799
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.75%	0.20%	0.50%	0.11%	0.45%	17.76%	23.23%
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.52%	100.04%	100.09%	100.02%	100.10%	96.89%	104.10%

* The amounts presented were determined as of the measurement date of the collective net pension liability (asset) which is 06/30 of previous fiscal year. Until a full 10-year trend is complied, the Municipality will present information for those years for which information is available

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE MUNICIPALITY CONTRIBUTIONS

South Dakota Retirement System

Last Seven Years *

	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 15,087	$ 13,917	$ 13,573	$ 12,862	$ 12,093	$ 11,415	$ 10,817
Contributions in relation to the contractually required contribution	$ 15,087	$ 13,917	$ 13,573	$ 12,862	$ 12,093	$ 11,415	$ 10,817
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Municipality's covered-employee payroll	$ 251,451	$ 231,943	$ 226,217	$ 214,368	$ 201,547	$ 190,240	$ 180,289
Contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

*Until a full 10-year trend is complied, the Municipality will present information for those years for which information is available.

Notes to Required Supplementary Information
for the Year Ended December 31, 2021
Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions.

Changes from Prior Valuation

The June 30, 2021 Actuarial Valuation reflects no changes in actuarial methods from the June 30, 2020 Actuarial Valuation. One change in actuarial assumptions and two plan provision changes are reflected and described below.

The details of the changes since the last valuation are as follows:

Benefit Provision Changes

Legislation enacted in 2021 reduced the minimum SDRS COLA from 0.5% to 0%. This change will impact the SDRS COLA only when inflation is very low or when a restricted maximum COLA of 0.5% is not affordable. The change had no impact on the current assets or liabilities of SDRS.

Actuarial Assumption Changes

The SDRS COLA equals the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2020 and July 2021 SDRS COLA was limited to a restricted maximum of 1.41%. As of June 30, 2021, the FVFR assuming the COLA is equal to the baseline COLA assumption is greater than 100%. The July 2022 SDRS COLA will equal inflation, between 0% and 3.5%. For the June 30, 2020 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.41%. For this June 30, 2021 Actuarial Valuation, future COLAs are assumed to equal the baseline COLA assumption of 2.25%.

The change in the COLA assumption increased the Actuarial Accrued Liability by $1,135 million, or 8.9% of the Actuarial Accrued Liability based on the 1.41% restricted maximum COLA.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

Actuarial Method Changes

No changes in actuarial methods were made since the prior valuation.