# MUNICIPALITY OF SALEM
## SALEM, SOUTH DAKOTA

## AUDIT REPORT

### FOR THE YEAR JANUARY 1, 2022 TO DECEMBER 31, 2022
### AND
### FOR THE YEAR JANUARY 1, 2023 TO DECEMBER 31, 2023

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

MUNICIPALITY OF SALEM

## MUNICIPAL OFFICIALS
## DECEMBER 31, 2023

MAYOR:

Glenda Blindert

GOVERNING BOARD:

Ron Mayrose, President
Janet Karel, Vice-President
Marc Harris
Doug Mokros
Mitchell Rayman
Dnyee Schierholz

FINANCE OFFICER:

Lori Heumiller

ATTORNEY:

Tim Bottum

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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, 2023 and 2022, 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 March 5, 2025. 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 2023-001 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
March 5, 2025

## SCHEDULE OF PRIOR AUDIT FINDINGS

PRIOR OTHER AUDIT FINDINGS:

Internal Control Over Revenues:

Finding Number 2021-001:

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 2023-001.

## SCHEDULE OF CURRENT AUDIT FINDINGS

### CURRENT OTHER AUDIT FINDINGS:

Internal Control – Related Finding – Material Weakness:

Finding Number 2023-001:

Condition:
A material weakness in internal controls was noted due to a lack of proper segregation of duties existed for the revenues. This has been a continuing audit comment since 1997.

Criteria:
Proper segregations of duties results in increased reliability of reported financial data. Proper segregation of duties results in increased reliability of reported financial data and decreased potential for the loss of public assets through the separation of key accounting and physical control functions.

The AICPA states that, "Segregation of Duties (SOD) is a basic building block of sustainable risk management and internal controls for a business. The principle of SOD is based on shared responsibilities of a key process that disperses the critical functions of that process to more than one person or department. Without this separation in key processes, fraud and error risks are far less manageable."

Cause of Condition:
The finance officer and Deputy Finance Officer process all revenue transactions from beginning to end. They also receive money, issue receipts, record receipts, post receipts in the accounting records, prepare bank deposits, reconcile bank statements, and prepare financial statements. A lack of proper segregation of duties existed for the revenues resulting in decreased reliability of reported financial data and increased potential for the loss of public assets.

Potential Effect of Condition:
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. In addition, we recommend that all necessary accounting records be established and properly maintained to provide some compensation for lack of proper segregation of duties.

Client's Response:
The Municipality of Salem Mayor, Glenda Blindert, 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 to provide compensating controls.

## CLOSING CONFERENCE

The audit was discussed with the finance officer during the audit and at its conclusion.

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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, 2023 and 2022, 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, 2023 and December 31, 2022, 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. A couple of the more significant departures are the analysis of balances and transactions of individual funds and an analysis of significant variations between the original and final budget amounts for the General Fund and 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 March 5, 2025 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
March 5, 2025

**CITY OF SALEM**
**400 N MAIN STREET**
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**SALEM, SD 57058**
**(605) 425-2301**

## 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, 2023. 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 $1,118,010 more than the $2,385,012 governmental and business-type program expenditures. Increase due increase in Capital Purchases (Public Works Building, City Hall/Community Center) and insurance proceeds at the end of FY2023.

## 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 (except fiduciary funds and the fiduciary component units) | The activities of the City that is not proprietary or fiduciary, such as finance office, police, fire and parks. | Activities the City operates similar to private businesses are the water, sewer and electric systems and the golf course. |
| Required Financial Statements | *Statement of Net Position<br>*Statement of Activities | *Balance Sheet<br>*Statement of Revenues, Expenditures and Changes in Fund Balances | *Balance Sheet<br>*Statement of Revenues, Expenses and Changes in Net Position<br>*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 capital, 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 types 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
## Table A-1 CITY OF SALEM NET POSITION – FISCAL YEAR 2023

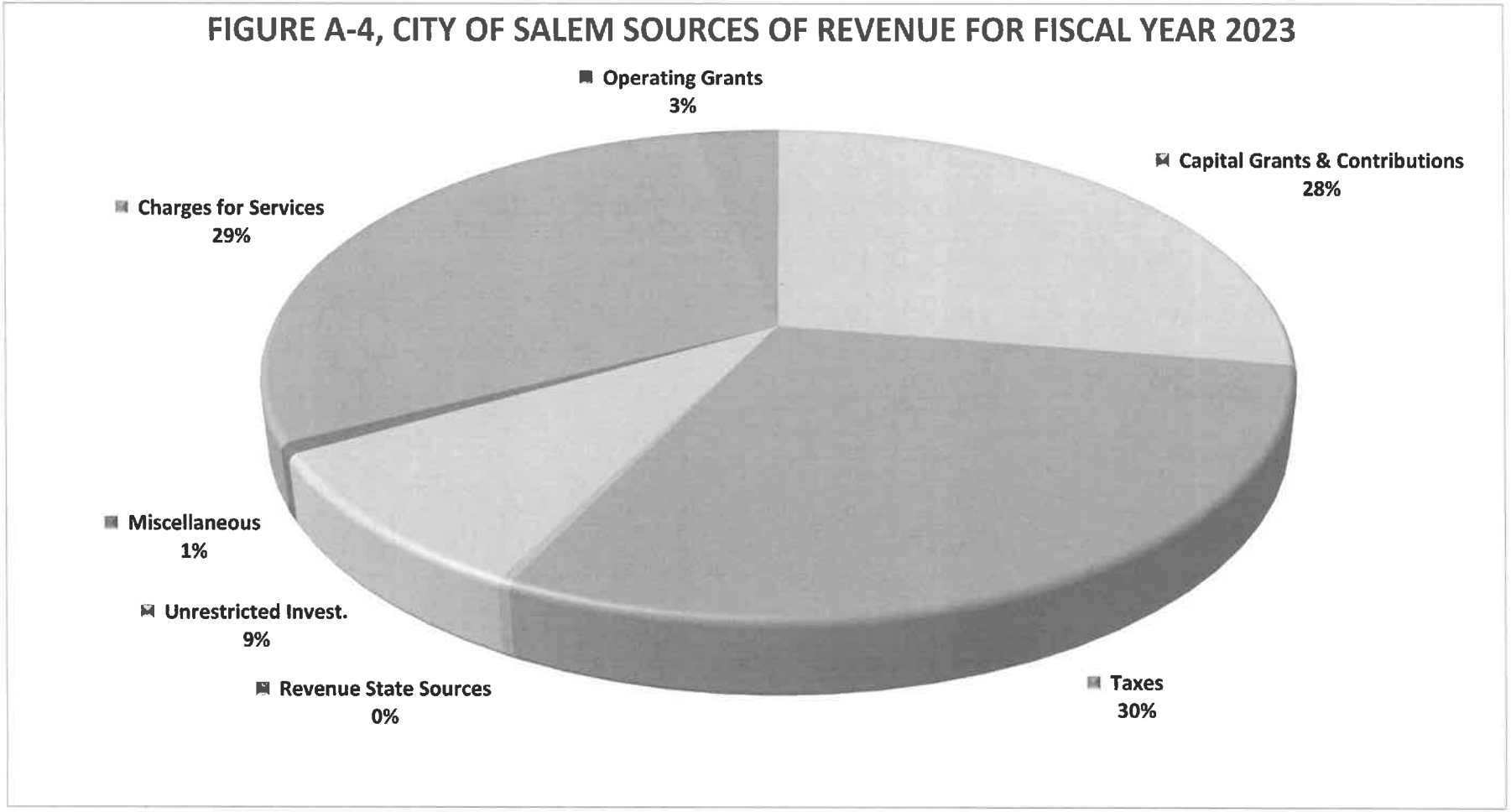
| | Governmental Activities | | | Business-Type Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Current and Other Assets | 3,517,061 | 7,545,968 | 7,963,480 | 1,671,542 | 1,905,364 | 1,859,721 | 5,188,603 | 9,451,332 | 9,823,201 |
| Net Pension Asset | 59,063 | 708 | 739 | 25,285 | 276 | 289 | 84,348 | 984 | 1,028 |
| Capital Assets | 3,923,633 | 4,676,758 | 5,066,416 | 6,216,464 | 6,037,490 | 6,893,611 | 10,140,097 | 10,714,248 | 11,960,027 |
| Total Assets | 7,499,757 | 12,223,434 | 13,030,635 | 7,913,291 | 7,943,130 | 8,753,621 | 15,413,048 | 20,166,564 | 21,784,256 |
| Def Outflows of Resources | 75,415 | 63,573 | 56,200 | 31,719 | 26,644 | 23,513 | 107,134 | 90,217 | 79,713 |
| LT Debt Outstanding | 11,498 | 2,913,479 | 2,836,472 | 3,749,804 | 3,592,344 | 3,807,292 | 3,761,302 | 6,505,823 | 6,643,764 |
| Other Liabilities | 178,780 | 264,946 | 261,002 | 54,326 | 82,347 | 442,790 | 223,046 | 347,293 | 703,792 |
| Total Liabilities | 190,218 | 3,178,425 | 3,097,474 | 3,804,130 | 3,674,691 | 4,250,082 | 3,994,348 | 6,853,116 | 7,347,556 |
| Def Inflows of Resources | 114,239 | 39,882 | 35,836 | 49,340 | 19,234 | 17,500 | 163,579 | 59,116 | 53,336 |
| Capital Assets Net of Related Debt | 3,923,633 | 1,778,107 | 2,245,265 | 2,470,107 | 2,448,548 | 3,088,941 | 6,393,740 | 4,226,655 | 5,334,206 |
| Restricted | 451,102 | 3,498,300 | 3,705,577 | 1,165,977 | 1,336,307 | 1,244,532 | 1,617,079 | 4,834,607 | 4,950,109 |
| Unrestricted | 2,895,981 | 3,792,295 | 4,002,682 | 465,456 | 490,994 | 176,078 | 3,351,437 | 4,283,289 | 4,178,760 |
| Total Net Position | 7,270,716 | 9,068,702 | 9,953,524 | 4,091,540 | 4,275,849 | 4,509,551 | 11,362,256 | 13,344,551 | 14,463,075 |
| Beginning Net Position | 6,828,546 | 7,270,716 | 9,068,702 | 3,960,642 | 4,091,540 | 4,275,849 | 10,789,188 | 11,362,256 | 13,344,551 |
| Net Position Increase (Decrease) | 442,170 | 1,797,986 | 884,822 | 130,898 | 184,309 | 233,702 | 573,068 | 1,982,295 | 1,118,524 |
| Percentage +/(-) Net Position | 6.5% | 24.7% | 9.8% | 3.3% | 4.5% | 5.5% | 5.3% | 17.4% | 8.4% |

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, certificates of participation, and sewer/water 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.

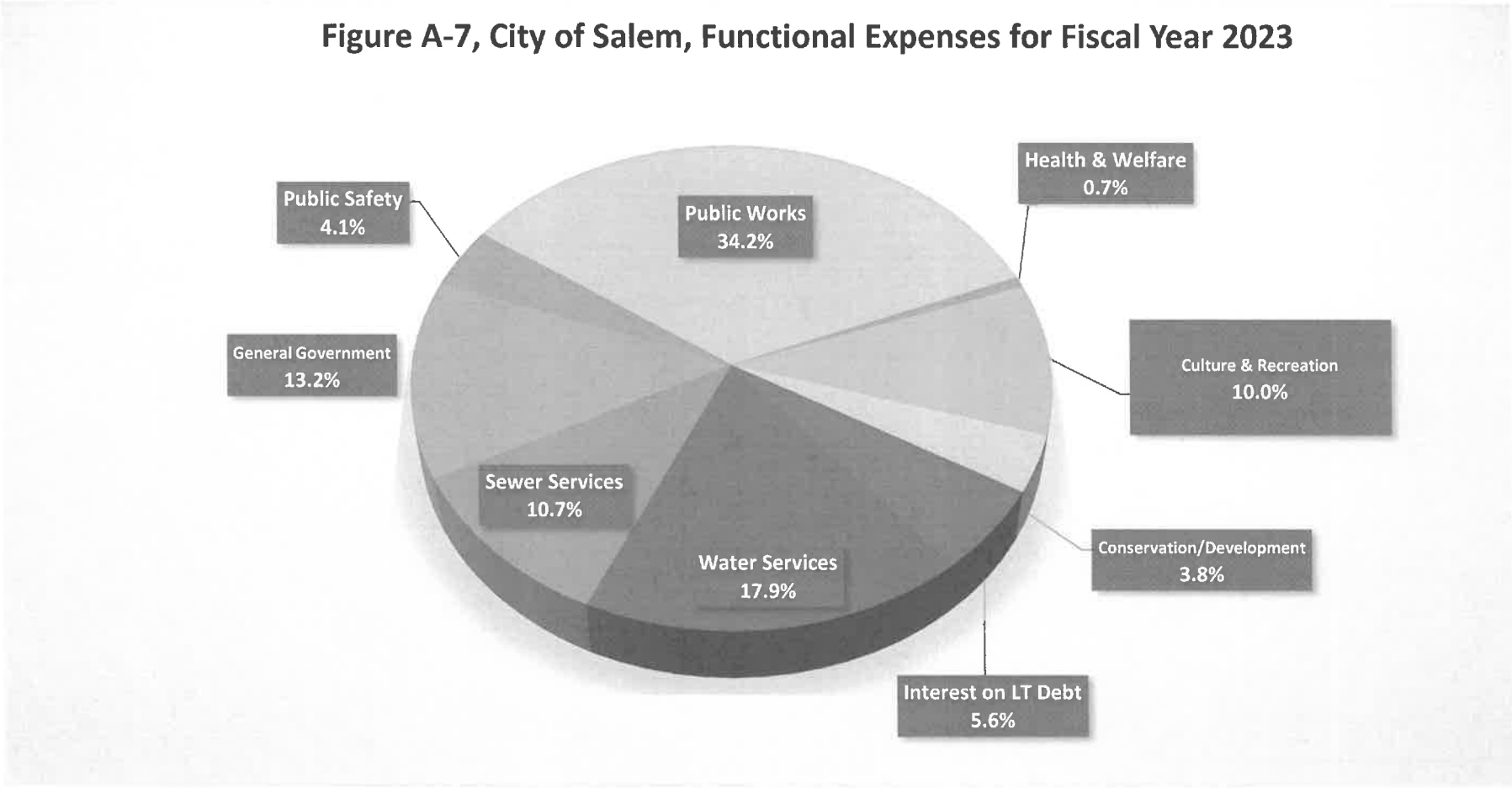
## CHANGES IN NET POSITION

The City of Salem's 2023 revenues totaled $3,503,536. (See Table A-2). In 2023, fifty-nine percent (59%) of the City of Salem's revenue is from taxes and charges for goods and services; with 29 cents of every dollar raised coming from charges for services (primarily water and sewer operations) and 30 cents of every dollar raised coming from some type of tax. (See Figure A-4). Another 28% if from Capital Grants & Contributions; 9% in Interest Earnings and 3% is from Operating Grants for operating purposes and the remaining revenue is from state-shared revenues and miscellaneous revenue.



The City of Salem's expenses cover a range of services 62.8% 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 10%; General Government (Publications, Council, Attorney, Insurance, Finance Office & City Hall) accounted for 13.2%; Public Safety (Police, Civil Defense, and Fire Department) accounted for 4.1%; and the remaining are Conservation & Development 3.8% and Health & Welfare .7%.; Interest on LT Debt 5.6% of the 2023 expenditures.

## Figure A-7, City of Salem, Functional Expenses for Fiscal Year 2023



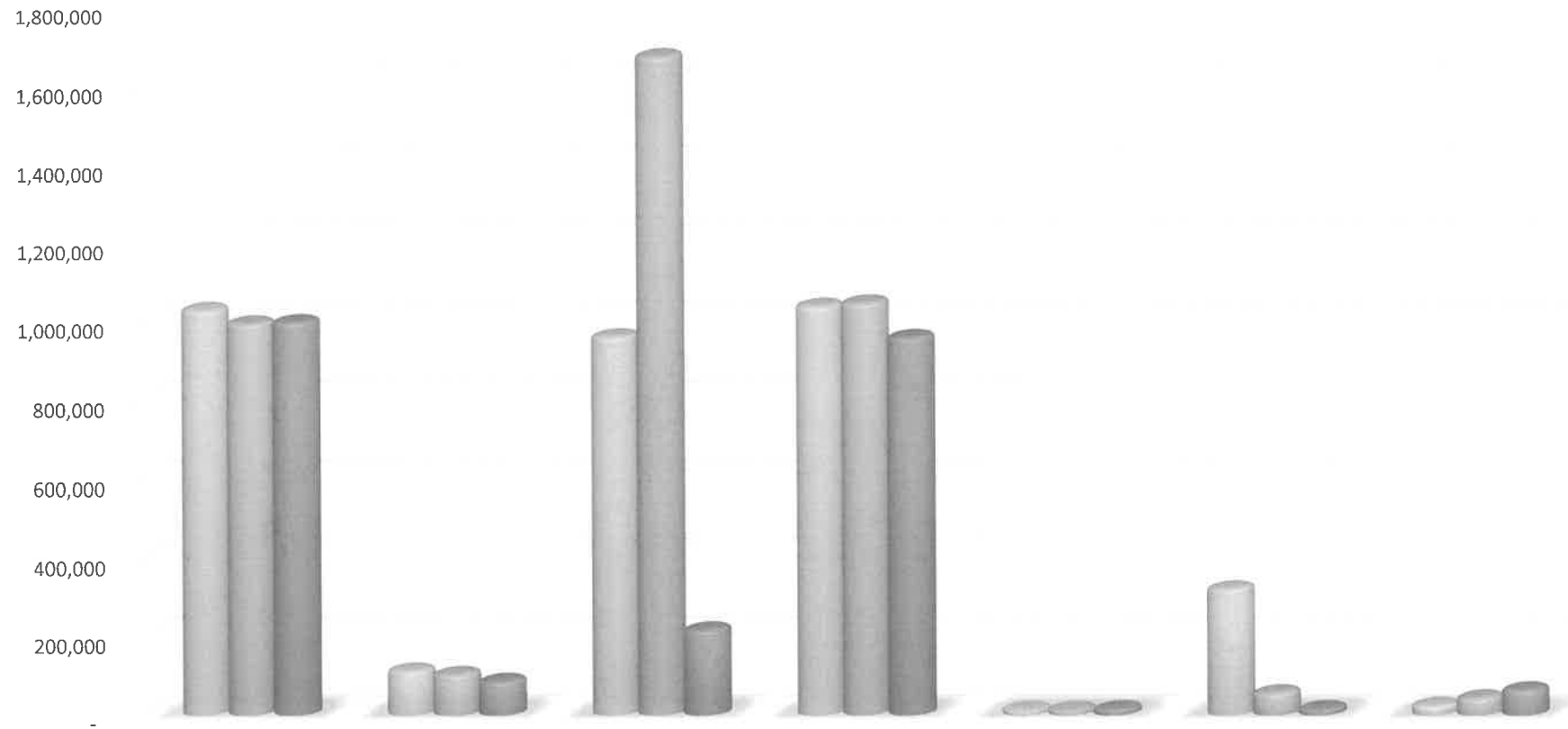
## REVENUE COMPARISON, TABLE A-2

**Table A-2**
**MUNICIPALITY OF SALEM**
**Changes in Net Position 12/31/2023**

| | Governmental Activities | | | Business-Type Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Revenue: | | | | | | | | | |
| Program Revenues | | | | | | | | | |
| Charges for Services | 203,754 | 197,803 | 208,922 | 794,762 | 797,366 | 819,472 | 998,516 | 995,169 | 1,028,394 |
| Operating Grants | 86,128 | 103,837 | 102,812 | | | 10,000 | 86,128 | 103,837 | 112,812 |
| Capital Grants & Contributions | 218,843 | 1,676,767 | 929,088 | | | 33,305 | 218,843 | 1,676,767 | 962,393 |
| General Revenues: | | | | | | | | | |
| Taxes | 960,699 | 1,047,449 | 1,039,713 | | | | 960,699 | 1,047,449 | 1,039,713 |
| Revenue State Sources | 14,349 | 11,822 | 11,949 | | | | 14,349 | 11,822 | 11,949 |
| Unrestricted Invest | 10,044 | 42,491 | 281,893 | 4,739 | 14,120 | 41,557 | 14,783 | 56,611 | 323,450 |
| Miscellaneous | 56,238 | 35,790 | 16,520 | 8,605 | 8,308 | 8,305 | 64,843 | 44,098 | 24,825 |
| TOTAL REVENUES | 1,550,055 | 3,115,959 | 2,590,897 | 808,106 | 819,794 | 912,639 | 2,358,161 | 3,935,753 | 3,503,536 |
| Expenses: | | | | | | | | | |
| General Government | 178,373 | 317,413 | 258,566 | | | | 178,373 | 317,413 | 258,566 |
| Public Safety | 99,369 | 98,410 | 98,356 | | | | 99,369 | 98,410 | 98,356 |
| Public Works | 526,803 | 516,483 | 814,219 | | | | 526,803 | 516,483 | 814,219 |
| Health & Welfare | 12,209 | 15,062 | 17,011 | | | | 12,209 | 15,062 | 17,011 |
| Culture & Recreation | 280,744 | 314,636 | 293,559 | | | | 280,744 | 314,636 | 293,559 |
| Conservation/ Development | 10,388 | 55,969 | 89,755 | | | | 10,388 | 55,969 | 89,755 |
| Interest on LT Debt | | | 134,093 | | | | - | - | 134,093 |
| Sewer Services | | | | 446,946 | 414,251 | 425,475 | 446,946 | 414,251 | 425,475 |
| Water Services | | | | 230,262 | 221,234 | 253,977 | 230,262 | 221,234 | 253,977 |
| TOTAL EXPENSES | 1,107,886 | 1,317,973 | 1,705,559 | 677,208 | 635,485 | 679,452 | 1,785,094 | 1,953,458 | 2,385,011 |
| Transfers | | | (515) | | | 515 | - | - | - |
| Change in Net Position | 442,169 | 1,797,986 | 884,823 | 130,898 | 184,309 | 233,702 | 573,067 | 1,982,295 | 1,118,525 |
| Net Position Beginning | 6,828,546 | 7,270,715 | 9,068,701 | 3,960,642 | 4,091,540 | 4,275,849 | 10,789,188 | 11,362,255 | 13,344,550 |
| Net Position Ending | 7,270,715 | 9,068,701 | 9,953,524 | 4,091,540 | 4,275,849 | 4,509,551 | 11,362,255 | 13,344,550 | 14,463,075 |

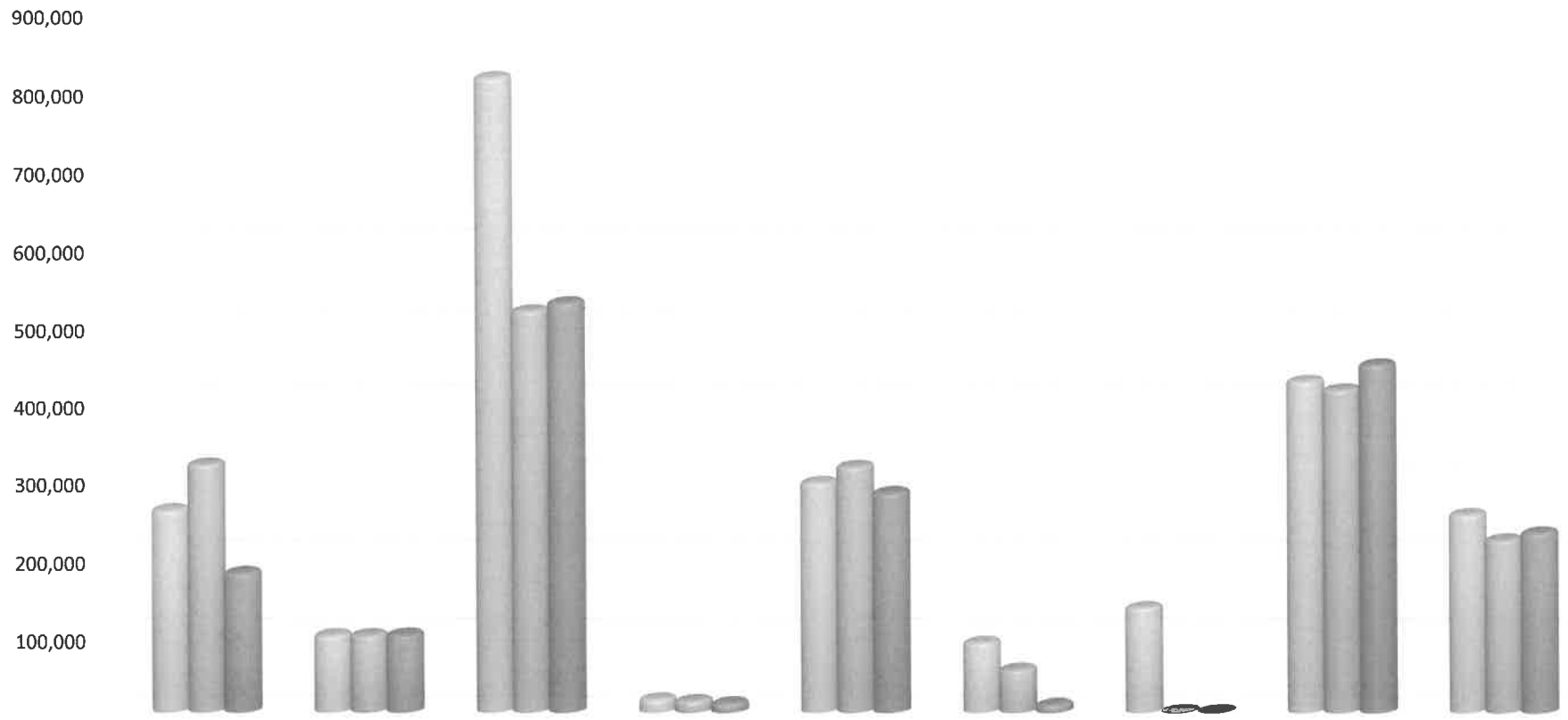
## FY2021 – FY2023 REVENUE & EXPENSE COMPARISONS FIRGUE A-2 & A-3

### Figure A-2, City of Salem Revenue Comparison 2021-2023




| | Charges for Services | Operating Grants | Capital Grants & Contribution | Taxes | Revenue State Sources | Unrestricted Invest. | Miscellaneous |
|---|---|---|---|---|---|---|---|
| 2023 | 1,028,394 | 112,812 | 962,393 | 1,039,713 | 11,949 | 323,450 | 24,825 |
| 2022 | 995,169 | 103,837 | 1,676,767 | 1,047,449 | 11,822 | 56,611 | 44,098 |
| 2021 | 998,516 | 86,128 | 218,843 | 960,699 | 14,349 | 14,783 | 64,843 |

## Figure A-3, City of Salem Functional Expenses Comparison 2021-2023




| | General Government | Public Safety | Public Works | Health & Welfare | Culture & Recreation | Conservation/Development | Interest on LT Debt | Water Services | Sewer Services |
|---|---|---|---|---|---|---|---|---|---|
| 2023 | 258,566 | 98,356 | 814,219 | 17,011 | 293,559 | 89,755 | 134,093 | 425,475 | 253,977 |
| 2022 | 317,413 | 98,410 | 516,483 | 15,062 | 314,636 | 55,969 | - | 414,251 | 221,234 |
| 2021 | 178,373 | 99,369 | 526,803 | 12,209 | 280,744 | 10,388 | - | 446,946 | 230,262 |

## FINANCIAL ANALYSIS OF THE CITY OF SALEM FUNDS

The financial analysis of the City of Salem funds mirror those highlighted in the analysis of governmental and business-type activities presented above. The City maintains four governmental funds – General Fund; 3rd Cent Sales Tax; Street Main Fund; and Storm Sewer Maintenance. The city has two business type funds – Water and Sewer.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the City's budget for projects and budget overruns from storm expenses. These amendments were supplemental appropriations approved for unanticipated, yet necessary, expenses to provide for items necessary for health and welfare of its citizens and to improve the Salem Community.

## CAPITAL ASSET ADMINISTRATION

By the end of 2023, the City had $11,960,027 in a broad range of capital assets, including land, buildings, and various machinery and equipment. (See Table A-3.) This amount represents a net increase (including additions and deductions) of $1,245,780, an 11.63% increase over the last year.

**Table A-2**
**MUNICIPALITY OF SALEM - CAPITAL ASSETS - (net of depreciation)**

| | Governmental Activities | | | Business-Type Activities | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Land | 60,591 | 60,591 | 60,591 | 41,866 | 41,866 | 41,866 | 102,457 | 102,457 | 102,457 |
| Buildings | 574,790 | 555,738 | 716,241 | 960,968 | 934,995 | 1,382,363 | 1,535,758 | 1,490,733 | 2,098,604 |
| Improvements Other Than Buildings | 288,895 | 684,431 | 639,489 | 992 | 744 | 496 | 289,887 | 685,175 | 639,985 |
| Furnishings & Equipment | 676,119 | 680,938 | 604,437 | 792,441 | 762,333 | 734,105 | 1,468,560 | 1,443,271 | 1,338,542 |
| Infrastructure | 1,824,520 | 1,736,587 | 2,412,019 | 4,420,197 | 4,297,551 | 4,265,503 | 6,244,717 | 6,034,138 | 6,677,522 |
| Construction in Progress | 498,718 | 958,473 | 633,639 | | | 469,278 | 498,718 | 958,473 | 1,102,917 |
| Total Capital Assets (Net) | 3,923,633 | 4,676,758 | 5,066,416 | 6,216,464 | 6,037,489 | 6,893,611 | 10,140,097 | 10,714,247 | 11,960,027 |
| Increase/(Decrease) | 619,768 | 753,125 | 389,658 | 619,768 | (178,975) | 856,122 | 619,768 | 574,150 | 1,245,780 |
| Percentage +/(-) Capital Assets | 18.76% | 19.19% | 8.33% | 18.76% | -2.88% | 14.18% | 18.76% | 5.66% | 11.63% |

Items are surplus or depreciated each year. Below are some projects and purchases reflecting the increase/decreases in the chart above.

Governmental additions:

- **2023**
  - Buildings: Public Works Building (replacing one destroyed in the July 5, 2022, storm event).
  - Infrastructure: Storm Sewer project completed and valley gutters/radius.
  - CIP: City Hall Community Center, Baseball Fence and 2022 Street Project.
- **2022**
  - Improvements Other than Bldgs: Salem Trail System Phase I & Radius improvements.
  - Equipment: Pickup Hopper, Monroe Spreader, Mower, scoreboard, table chairs, copier and radar feedback sign.
  - CIP: Storm Sewer Project, City Hall/Community Center and Public Works Building Projects – the City Shop was destroyed in the May 12th storm and the Armory severely damaged in the July 5th storm (decision was to tear down and rebuild).
- **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.

Business-type additions are:

- **2023**
  - Buildings: Public Works Building (replacing one destroyed in the July 5, 2022, storm event).
  - Equipment: Meters/MXUs
  - Infrastructure: Manholes rebuild and Peck Street water main relocation.
  - CIP: Industrial Area Project.
- **2022**
  - Equipment: Water Meters
- **2021**
  - Infrastructure: Fire hydrants and manholes.
  - Equipment. Water meters/MXU

**LONG-TERM DEBT**

At year-end, the city had $4,203,321 in SRF Loans (Revenue Bonds), $2,422,500 in Certificate of Participation Bonds and $17,943 in other long-term obligations. Fluctuations between the years 2021 – 2023 are shown on Table A-4.

**TABLE A-4**

**CITY OF SALEM - OUTSTANDING DEBT & OBLIGATIONS**

| | Governmental Activities | | | Business-Type Activities | | | TOTAL CITY CAPTIAL ASSETS | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| Compensated Absences | 11,498 | 14,828 | 15,321 | 3,447 | 3,402 | 2,622 | 14,945 | 18,229 | 17,943 |
| Certificates of Participation | | 2,500,000 | 2,422,500 | | | | | 2,500,000 | 2,422,500 |
| Clean Water SRF 2021 (ST/SE) | | 398,651 | 398,651 | | | | | 398,651 | 398,651 |
| Drinking Water SRF Loan 2005 | - | - | - | 112,568 | 93,563 | 73,933 | 112,568 | 93,563 | 73,933 |
| Drinking Water SRF Loan 2008 | - | - | - | 936,178 | 895,760 | 854,012 | 936,178 | 895,760 | 854,012 |
| Drinking Water SRF Loan 2018 | - | - | - | 285,717 | 278,211 | 270,536 | 285,717 | 278,211 | 270,536 |
| Drinking Water SRF Loan 2023 | | | | - | - | 204,440 | - | - | 204,440 |
| Clean Water SRF Loan 2003 | - | - | - | 94,320 | 61,063 | 26,626 | 94,320 | 61,063 | 26,626 |
| Clean Water SRF Loan 2018 | - | - | - | 2,317,575 | 2,260,345 | 2,201,671 | 2,317,575 | 2,260,345 | 2,201,671 |
| Clean Water SRF Loan 2023 | | | | - | - | 173,452 | - | - | 173,452 |
| **Total Outstanding Debt Obliga** | **11,498** | **2,913,479** | **2,836,472** | **3,749,804** | **3,592,344** | **3,807,292** | **3,761,302** | **6,505,822** | **6,643,764** |
| Increase/(Decrease) | (1,274) | 2,901,981 | (77,007) | (299,098) | (157,461) | 214,948 | (300,372) | 2,744,520 | 137,941 |
| Percentage +/(-) Debt | -9.98% | 25239.09% | -2.64% | -7.39% | -4.20% | 5.98% | -7.40% | 72.97% | 2.12% |

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 increases in 2022 with declines in 2021 and 2023.

The City of Salem had an increase in long-term debt, the city obligated to borrow $637,650 in DWSRF and $1,892,800 in CWSRF for the Industrial Area Project (only 377,892 drawn down). The city retired $239,664 in debt in FY2023.

**REVENUE BONDS:**

$338,966 – **2005 Water Utility Revenue Bond** – 20-year (FY2027) – 3.25% for 2005 Street and Utility Project replacing Water main on Nebraska and Essex Streets. Payment made from Water Revenues.

**Principal balance, as of 12/31/2023 - $73,933.01**

$518,035 – **2005 Sewer Utility Revenue Bond** – 20-year (FY2024) – 3.5% for 2005 Street and Utility Project extended storm sewer on George Ave and replaced storm sewer on Essex Ave. Payment made from Sewer Revenues.

**Principal balance, as of 12/31/2023 - $26,626.24**

$1,345,000 – **2008 Water Utility Revenue Bond** – 30-year (FY2039) – 3.25% 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.

**Principal balance, as of 12/31/2023 - $854,012.03**

$302,000 – **2018 Water Utility Revenue Bond** – 20-year – (FY2040) - 2.25% for the 2018 Street & Utility Improvement project replacing aging water main on Vermont, Norton, Dakota, Main & Essex Aves. 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.

**Principal balance, as of 12/31/2023- $270,535.96**

$2,200,077 – **2018 Sewer Utility Revenue Bond** – 30-year – (FY2050) - 2.5% for the 2018 Street & Utility Improvement project replacing aging sewer and storm sewer main on Vermont, Norton, Dakota, Main & Essex Aves. A Sewer Surcharge was established to pay off the debt on this bond. Each household pays $16.75 per month or $201.00 annually to retire the debt.

**Principal balance, as of 12/31/2023 - $2,201,670.68**

$398,651 – **2021 Storm Sewer Utility Revenue Bond** – 30-year (FY2054) – 2.125% for the 2021 Storm Sewer Improvement project replacing aging storm sewer on Main by fire hall and from Main Street across Nebraska Street completing a pipe replacement from the 2018 project. A Storm Sewer Surcharge was established to pay off the debt on this bond. Each household pays $2.50 (was $5.30) per month or $30.00 annually to retire the debt. This loan closed at the end of 2023.

**Principal balance, as of 12/31/2023 - $398,651.00**

$637,650 – **2023 Water Utility Revenue Bond** – 30-year (FY2055) – 1.875% for the 2023 Industrial Area Improvement project replacing water main on Hollister, Douglas, Jackson, and Center. A Water Surcharge was established to pay off the debt on this bond. Each household pays $3.84 per month or $46.08 annually to retire the debt. This loan has not closed as final completion date on the project is November 1, 2024.

**Principal balance, as of 12/31/2023 - $204,440.00**

$1,892,800 – **2023 Sewer Utility Revenue Bond** – 30-year (FY2055) – 2.125% for the 2023 Industrial Area Improvement project replacing aging sewer, new storm sewer Hollister, Douglas, Jackson, and Center and the main 15' sewer pipe to lagoon west of Douglas. A Sewer Surcharge was established to pay off the debt on this bond. Each household pays $12.00 per month or $144.00 annually to retire the debt. This loan has not closed as final completion date on the project is November 1, 2024.

**Principal balance, as of 12/31/2023 - $173,452.00**

**CERTIFICATES OF PARTICIPTION:**

$2,500,000 – **2022 Certificates of Participation** – 22-year (FY2044) – 4.8% (resets in 10 years & 17 years with specific caps) – for the City Hall / Community Center Project. The armory was severely damaged from the July 5, 2022, storm and the Council decided to demo the old and build a new building to fit the needs of the community. The city will budget annually for the payments of this bond.

**Principal balance, as of 12/31/2023 - $2,422,500.00**

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

**Property tax revenue accounted for 14.4% of the annual General Fund Revenues in 2023.**

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. 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 three fiscal years:

- 2023 property tax levy request payable in 2024 increased 4.2% (Growth 1.2%; CPI 3%) - $16,229.
- 2022 property tax levy request payable in 2023 increased 3.6% (Growth .6%; CPI 3%) - $13,426.
- 2021 property tax levy request payable in 2022 increased 3.3% (Growth 2.1%; CPI 1.2%)- $11,915.

**Sales Tax Revenue accounted for 28.9% of the annual General Fund Revenues in 2023.**
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:

- 2023 taxable sales base decreased – 3.497% - $1,133,814 with tax revenues of $628,899.
- 2022 taxable sales base increase – 11.26% - $3,281,013 with tax revenues of $648,484.
- 2021 taxable sales base increased – 5.947% - $1,635,608 with tax revenues of $579,954.

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 dollars raised by the 1% gross receipts are as follows:

- 2023 tax revenues were $21,594 a decrease of 16.1% from 2022.
- 2022 tax revenues were $25,734 an increase of 7.6% from 2021.
- 2021 tax revenues were $23,910 an increase of 22.4% from 2020.

## 2024 BUDGET AND UTILITY RATES

The City of Salem's adopted 2024 General Fund budget operating budget increased .16% $1,263,950 from the 2023 Supplemented Budget. The General Fund Project budget is $5,553,394 GF; $1,417,000 Water; $2,703,300 Sewer. The 2024 Budget places $162,640 into the Capital Outlay & Capital Replacement Reserves. The Industrial Area Project and City Hall/Community Center Project are slated to start in 2024.

**2024 UTILITY RATES:**
Water Base Fee $31.70 plus .0046 per gallon (flat fee increased 3.26%).
Water Surcharges: $9.90, $2.00, $3.84 (SRF Bonds)
Sewer Base Fee: $23.25
Sewer Surcharge: $16.75 and $12.00 (SRF Bonds)
Storm Sewer Fee: $5.00
Storm/Sewer Surcharge: $2.50 (SRF Bond)
Garbage: $21.62 plus tax (increased 18%)

The city offers Senior Citizens living alone on Social Security a $3.00 Water and $1.00 garbage discount with a signed affidavit.

**Cost Measurement on 5,000 gallons of water usage:**
Water Cost Measurement: $70.44
Sewer Cost Measurement: $52.00

DANR has established a minimum rate on 5,000 gallons to be $70.00 for water and $70.00 for sewer to qualify for grant dollars through the State Revolving Loan and Consolidated Grant Program.

## 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, 2023**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | |
| **ASSETS:** | | | | |
| Cash and Cash Equivalents | 5,213,088.19 | 1,776,202.76 | 6,989,290.95 | 20,842.18 |
| Accounts Receivable, Net | 109,050.30 | 4,485.62 | 113,535.92 | |
| Inventories | 14,042.90 | 79,032.32 | 93,075.22 | |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 2,627,298.65 | | 2,627,298.65 | |
| Net Pension Asset | 738.73 | 288.84 | 1,027.57 | |
| Capital Assets: | | | | |
| Land and Construction Work in Progress | 694,229.84 | 511,144.45 | 1,205,374.29 | |
| Other Capital Assets, Net of Depreciation | 4,372,186.14 | 6,382,466.84 | 10,754,652.98 | |
| TOTAL ASSETS | 13,030,634.75 | 8,753,620.83 | 21,784,255.58 | 20,842.18 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | | | |
| Pension Related Deferred Outflows | 56,199.60 | 23,512.55 | 79,712.15 | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 56,199.60 | 23,512.55 | 79,712.15 | 0.00 |
| **LIABILITIES :** | | | | |
| Accounts Payable | 201,792.33 | 277,749.60 | 479,541.93 | |
| Other Current Liabilities | 59,024.96 | 44,800.21 | 103,825.17 | |
| Unearned Revenue | 185.18 | 120,240.53 | 120,425.71 | |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 102,308.04 | 159,903.47 | 262,211.51 | |
| Due in More than One Year | 2,734,163.79 | 3,647,388.34 | 6,381,552.13 | |
| TOTAL LIABILITIES | 3,097,474.30 | 4,250,082.15 | 7,347,556.45 | 0.00 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | |
| Pension Related Deferred Inflows | 35,835.74 | 15,738.68 | 51,574.42 | |
| Other Deferred Outflows of Resources | | 1,761.20 | 1,761.20 | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 35,835.74 | 17,499.88 | 53,335.62 | 0.00 |
| **NET POSITION:** | | | | |
| Net Investment in Capital Assets | 2,245,264.98 | 3,088,941.37 | 5,334,206.35 | |
| Restricted for: | | | | |
| Equipment Repair and Replacement Purposes | | 636,153.56 | 636,153.56 | |
| City Hall/Community Center Purpose | 2,627,298.65 | | 2,627,298.65 | |
| City Promotion Purposes | 88,209.11 | | 88,209.11 | |
| Street Maintenance Purposes | 363,976.40 | | 363,976.40 | |
| Storm Sewer Maintenance & Improvement Purposes | 535,891.33 | | 535,891.33 | |
| Debt Service Purposes | 69,098.91 | 600,316.11 | 669,415.02 | |
| SDRS Pension Purposes | 21,102.59 | 8,062.71 | 29,165.30 | |
| Unrestricted (Deficit) | 4,002,682.34 | 176,077.60 | 4,178,759.94 | 20,842.18 |
| TOTAL NET POSITION | 9,953,524.31 | 4,509,551.35 | 14,463,075.66 | 20,842.18 |

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, 2023**

| 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 | 258,566.31 | 18,485.00 | 1,875.00 | 414,000.00 | 175,793.69 | | 175,793.69 | |
| Public Safety | 98,355.99 | 1,555.00 | | | (96,800.99) | | (96,800.99) | |
| Public Works | 814,218.70 | 125,803.33 | 90,888.69 | 476,288.45 | (121,238.23) | | (121,238.23) | |
| Health and Welfare | 17,011.10 | | 1,787.00 | | (15,224.10) | | (15,224.10) | |
| Culture and Recreation | 293,559.58 | 27,200.75 | 3,261.00 | 38,799.74 | (224,298.09) | | (224,298.09) | |
| Conservation and Development | 89,754.84 | | | | (89,754.84) | | (89,754.84) | |
| Miscellaneous | | 35,878.22 | 5,000.00 | | 40,878.22 | | 40,878.22 | |
| *Interest on Long-term Debt | 134,093.31 | | | | (134,093.31) | | (134,093.31) | |
| Total Governmental Activities | 1,705,559.83 | 208,922.30 | 102,811.69 | 929,088.19 | (464,737.65) | | (464,737.65) | |
| Business-type Activities: | | | | | | | | |
| Water | 425,475.20 | 503,479.49 | 10,000.00 | 10,376.50 | | 98,380.79 | 98,380.79 | |
| Sewer | 253,976.48 | 315,992.48 | | 22,928.00 | | 84,944.00 | 84,944.00 | |
| Total Business-type Activities | 679,451.68 | 819,471.97 | 10,000.00 | 33,304.50 | | 183,324.79 | 183,324.79 | |
| Total Primary Government | 2,385,011.51 | 1,028,394.27 | 112,811.69 | 962,392.69 | (464,737.65) | 183,324.79 | (281,412.86) | |
| **Component Units:** | | | | | | | | |
| Housing and Redevelopment Commission | 306,000.00 | | | | | | | (306,000.00) |
| | | **General Revenues:** | | | | | | |
| | | Taxes: | | | | | | |
| | | Property Taxes | | | 390,825.34 | | 390,825.34 | |
| | | Sales Taxes | | | 648,888.02 | | 648,888.02 | |
| | | State Shared Revenues | | | 11,949.29 | | 11,949.29 | |
| | | Unrestricted Investment Earnings | | | 281,893.38 | 41,556.96 | 323,450.34 | 6,241.62 |
| | | Miscellaneous Revenue | | | 16,519.46 | 8,305.33 | 24,824.79 | |
| | | Transfers | | | (515.12) | 515.12 | 0.00 | |
| | | Total General Revenues | | | 1,349,560.37 | 50,377.41 | 1,399,937.78 | 6,241.62 |
| | | Change in Net Position | | | 884,822.72 | 233,702.20 | 1,118,524.92 | (299,758.38) |
| | | Net Position - Beginning | | | 9,068,701.59 | 4,275,849.15 | 13,344,550.74 | 320,600.56 |
| | | NET POSITION - ENDING | | | 9,953,524.31 | 4,509,551.35 | 14,463,075.66 | 20,842.18 |

*The Municipality does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

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

**MUNICIPALITY OF SALEM**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**December 31, 2023**

| | General Fund | Liquor, Lodging and Dining Fund | Street Assessment Fund | Storm Sewer Maintenance Fund | Total Governmental Funds |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Cash and Cash Equivalents | 4,106,890.27 | 87,689.70 | 413,376.98 | 605,131.24 | 5,213,088.19 |
| Taxes Receivable--Delinquent | 8,761.97 | | 7,615.00 | 190.40 | 16,567.37 |
| Accounts Receivable, Net | 3,532.05 | | | | 3,532.05 |
| Special Assessments Receivable--Current | 14,707.87 | | | | 14,707.87 |
| Special Assessments Receivable--Delinquent | 15,317.57 | | | | 15,317.57 |
| Special Assessments Receivable--Noncurrent | 34,735.44 | | | | 34,735.44 |
| Interest Receivable--Special Assessments | 1,096.49 | | | | 1,096.49 |
| Due from State & County Governments | 22,065.81 | 519.41 | 508.29 | | 23,093.51 |
| Inventory of Supplies | 14,042.90 | | | | 14,042.90 |
| Restricted Cash and Cash Equivalents | 2,627,298.65 | | | | 2,627,298.65 |
| TOTAL ASSETS | 6,848,449.02 | 88,209.11 | 421,500.27 | 605,321.64 | 7,963,480.04 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:** | | | | | |
| Liabilities: | | | | | |
| Claims Payable | 196,594.36 | | 4,999.07 | 198.90 | 201,792.33 |
| Contracts Payable | | | 52,524.80 | | 52,524.80 |
| Due to State Government | 591.86 | | | | 591.86 |
| Accrued Wages Payable | 5,185.69 | | | | 5,185.69 |
| Accrued Taxes Payable | 722.61 | | | | 722.61 |
| Unearned Revenue | 52.68 | | | 132.50 | 185.18 |
| Total Liabilities | 203,147.20 | 0.00 | 57,523.87 | 331.40 | 261,002.47 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue - Property Taxes | 8,761.97 | | 7,615.00 | | 16,376.97 |
| Unavailable Revenue - Special Assessments | 65,857.37 | | | | 65,857.37 |
| Total Deferred Inflows of Resources | 74,619.34 | 0.00 | 7,615.00 | 0.00 | 82,234.34 |
| Fund Balances: | | | | | |
| Nonspendable - Inventory | 14,042.90 | | | | 14,042.90 |
| Restricted for City Hall/Community Center | 2,627,298.65 | | | | 2,627,298.65 |
| Restricted for City Promotion | | 88,209.11 | | | 88,209.11 |
| Restricted for Street Maintenance Purposes | | | 356,361.40 | | 356,361.40 |
| Restricted for Debt Service Purposes | | | | 69,098.91 | 69,098.91 |
| Restricted for Storm Sewer Maintenance & Improvements | | | | 535,891.33 | 535,891.33 |
| Committed for Capital Improvements | 2,629,838.00 | | | | 2,629,838.00 |
| Assigned for Next Year's Budget | 300,000.00 | | | | 300,000.00 |
| Assigned for Capital Outlay Accumulation | 403,414.00 | | | | 403,414.00 |
| Unassigned | 596,088.93 | | | | 596,088.93 |
| Total Fund Balances | 6,570,682.48 | 88,209.11 | 356,361.40 | 604,990.24 | 7,620,243.23 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | 6,848,449.02 | 88,209.11 | 421,500.27 | 605,321.64 | 7,963,480.04 |

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, 2023**

| | |
|---|---|
| Total Fund Balances - Governmental Funds | 7,620,243.23 |
| 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. | 738.73 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 5,066,415.98 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 56,199.60 |
| 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. | (2,836,471.83) |
| 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. | 82,234.34 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | (35,835.74) |
| Net Position - Governmental Activities | 9,953,524.31 |

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, 2023**

| | General Fund | Liquor, Lodging, & Dining Fund | Street Assessment Fund | Storm Sewer Maintenance Fund | Federal ARPA Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Taxes: | | | | | | |
| General Property Taxes | 387,198.60 | | | | | 387,198.60 |
| General Sales and Use Taxes | 627,293.63 | 21,594.39 | | | | 648,888.02 |
| Gross Receipts Business Taxes | 1,605.82 | | | | | 1,605.82 |
| Penalties and Interest on Delinquent Taxes | 1,020.02 | | | | | 1,020.02 |
| Licenses and Permits | 18,435.00 | | | | | 18,435.00 |
| Intergovernmental Revenue: | | | | | | |
| Federal Grants | 137,316.82 | | | 211,348.37 | | 348,665.19 |
| State Grants | 5,266.48 | | | | | 5,266.48 |
| State Shared Revenue: | | | | | | |
| Bank Franchise Tax | 2,788.71 | | | | | 2,788.71 |
| Prorate License Fees | 4,505.61 | | | | | 4,505.61 |
| Liquor Tax Reversion | 9,160.58 | | | | | 9,160.58 |
| Motor Vehicle Licenses | 21,731.20 | | | | | 21,731.20 |
| Local Government Highway and Bridge Fund | 17,506.70 | | | | | 17,506.70 |
| County Shared Revenue: | | | | | | |
| County Road Tax | 2,674.43 | | | | | 2,674.43 |
| County Wheel Tax | 8,074.45 | | | | | 8,074.45 |
| Charges for Goods and Services: | | | | | | |
| General Government | 50.00 | | | | | 50.00 |
| Highways and Streets | 9,000.00 | | | | | 9,000.00 |
| Sanitation | 116,803.33 | | | | | 116,803.33 |
| Culture and Recreation | 27,200.75 | | | | | 27,200.75 |
| Fines and Forfeits: | | | | | | |
| Parking Meter Fines | 1,555.00 | | | | | 1,555.00 |

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, 2023**

| | 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 | 258,276.91 | 1,795.77 | 11,188.15 | 10,632.55 | | 281,893.38 |
| Rentals | 13,152.81 | | | | | 13,152.81 |
| Maintenance Assessments | | | 170,176.54 | 79,776.07 | | 249,952.61 |
| Contributions and Donations from Private Sources | 348,015.74 | 10,520.00 | | | | 358,535.74 |
| Liquor Operating Agreement Income | 35,878.22 | | | | | 35,878.22 |
| Other | 16,494.46 | | | | | 16,494.46 |
| Total Revenue | 2,071,005.27 | 33,910.16 | 181,364.69 | 301,756.99 | 0.00 | 2,588,037.11 |
| **Expenditures:** | | | | | | |
| General Government: | | | | | | |
| Legislative | 7,589.18 | | | | | 7,589.18 |
| Executive | 24,592.83 | | | | | 24,592.83 |
| Financial Administration | 156,523.18 | | | | | 156,523.18 |
| Other | 131,478.47 | | | | | 131,478.47 |
| Total General Government | 320,183.66 | 0.00 | 0.00 | 0.00 | 0.00 | 320,183.66 |
| Public Safety: | | | | | | |
| Police | 87,880.00 | | | | | 87,880.00 |
| Fire | 2,413.42 | | | | | 2,413.42 |
| Other Protection | 494.34 | | | | | 494.34 |
| Total Public Safety | 90,787.76 | 0.00 | 0.00 | 0.00 | 0.00 | 90,787.76 |
| Public Works: | | | | | | |
| Highways and Streets | 331,414.51 | | 197,140.40 | 12,777.49 | | 541,332.40 |
| Sanitation | 95,545.19 | | | | | 95,545.19 |
| Total Public Works | 426,959.70 | 0.00 | 197,140.40 | 12,777.49 | 0.00 | 636,877.59 |
| Health and Welfare: | | | | | | |
| Health | 15,180.13 | | | | | 15,180.13 |
| Total Health and Welfare | 15,180.13 | 0.00 | 0.00 | 0.00 | 0.00 | 15,180.13 |

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, 2023**

| | 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 | 93,031.42 | | | | | 93,031.42 |
| Parks | 111,235.91 | | | | | 111,235.91 |
| Libraries | 600.00 | | | | | 600.00 |
| Auditorium | 356.91 | | | | | 356.91 |
| Total Culture and Recreation | 205,224.24 | 0.00 | 0.00 | 0.00 | 0.00 | 205,224.24 |
| Conservation and Development: | | | | | | |
| Economic Development and Assistance | 80,131.86 | 9,606.50 | | | | 89,738.36 |
| Total Conservation and Development | 80,131.86 | 9,606.50 | 0.00 | 0.00 | 0.00 | 89,738.36 |
| Debt Service | 197,500.00 | 0.00 | 0.00 | 14,093.31 | 0.00 | 211,593.31 |
| Capital Outlay | 496,103.66 | 33,288.03 | 100,933.54 | 67,368.19 | | 697,693.42 |
| Total Expenditures | 1,832,071.01 | 42,894.53 | 298,073.94 | 94,238.99 | 0.00 | 2,267,278.47 |
| Excess of Revenue Over (Under) Expenditures | 238,934.26 | (8,984.37) | (116,709.25) | 207,518.00 | 0.00 | 320,758.64 |
| **Other Financing Sources (Uses):** | | | | | | |
| Sale of Municipal Property | 25.00 | | | | | 25.00 |
| Compensation for Loss or Damage to Capital Assets | 98,719.25 | | | | | 98,719.25 |
| Transfers Out | | | | | (515.12) | (515.12) |
| Total Other Financing Sources (Uses) | 98,744.25 | 0.00 | 0.00 | 0.00 | (515.12) | 98,229.13 |
| Net Change in Fund Balances | 337,678.51 | (8,984.37) | (116,709.25) | 207,518.00 | (515.12) | 418,987.77 |
| Changes in Nonspendable | (368.52) | 0.00 | 0.00 | 0.00 | 0.00 | (368.52) |
| Fund Balance - Beginning | 6,233,372.49 | 97,193.48 | 473,070.65 | 397,472.24 | 515.12 | 7,201,623.98 |
| FUND BALANCE - ENDING | 6,570,682.48 | 88,209.11 | 356,361.40 | 604,990.24 | 0.00 | 7,620,243.23 |

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, 2023**

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | 418,987.77 |
| 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. | 697,693.42 |
| 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. | (308,035.42) |
| Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net assets. | 77,500.00 |
| 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". | 2,451.90 |
| 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. | 383.66 |
| 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. | (493.05) |
| 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) | (3,297.04) |
| 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. | (368.52) |
| Change in Net Position of Governmental Activities | 884,822.72 |

**MUNICIPALITY OF SALEM**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**December 31, 2023**

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **ASSETS:** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 829,822.71 | 946,380.05 | 1,776,202.76 |
| Accounts Receivable, Net | 1,916.07 | 808.35 | 2,724.42 |
| Special Assessments Receivable - Delinquent | | 1,761.20 | 1,761.20 |
| Inventory of Supplies | 58,170.44 | 20,861.88 | 79,032.32 |
| Total Current Assets | 889,909.22 | 969,811.48 | 1,859,720.70 |
| Noncurrent Assets: | | | |
| Net Pension Asset | 186.09 | 102.75 | 288.84 |
| Capital Assets: | | | |
| Land | 2,209.95 | 39,656.24 | 41,866.19 |
| Buildings | 1,540,104.74 | 241,500.00 | 1,781,604.74 |
| Improvements Other Than Buildings | | 4,962.13 | 4,962.13 |
| Machinery and Equipment | 1,161,759.17 | 36,157.28 | 1,197,916.45 |
| Infrastructure | 2,556,282.63 | 3,436,254.13 | 5,992,536.76 |
| Construction Work in Progress | 262,184.87 | 207,093.39 | 469,278.26 |
| Less: Accumulated Depreciation | (1,777,174.52) | (817,378.72) | (2,594,553.24) |
| Total Noncurrent Assets | 3,745,552.93 | 3,148,347.20 | 6,893,900.13 |
| TOTAL ASSETS | 4,635,462.15 | 4,118,158.68 | 8,753,620.83 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | | |
| Pension Related Deferred Outflows | 15,534.71 | 7,977.84 | 23,512.55 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 15,534.71 | 7,977.84 | 23,512.55 |
| **LIABILITIES:** | | | |
| Current Liabilities: | | | |
| Claims Payable | 145,412.87 | 132,336.73 | 277,749.60 |
| Accrued Wages Payable | 1,334.24 | 928.88 | 2,263.12 |
| Accrued Taxes Payable | 182.13 | 126.80 | 308.93 |
| Customer Deposits | 42,228.16 | | 42,228.16 |
| Unearned Revenue | 3,343.77 | 703.25 | 4,047.02 |
| Unearned Revenue - Grant | | 116,193.51 | 116,193.51 |
| Bonds Payable Current: | | | |
| Revenue | 71,246.78 | 86,780.93 | 158,027.71 |
| Compensated Absences Payable -- Current | 1,393.28 | 482.48 | 1,875.76 |
| Total Current Liabilities | 265,141.23 | 337,552.58 | 602,693.81 |
| Noncurrent Liabilities: | | | |
| Bonds Payable: | | | |
| Compensated Absences Payable | 564.93 | 181.20 | 746.13 |
| Revenue | 1,331,674.22 | 2,314,967.99 | 3,646,642.21 |
| Total Noncurrent Liabilities | 1,332,239.15 | 2,315,149.19 | 3,647,388.34 |
| TOTAL LIABILITIES | 1,597,380.38 | 2,652,701.77 | 4,250,082.15 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | |
| Pension Related Deferred Inflows | 10,517.13 | 5,221.55 | 15,738.68 |
| Other Deferred Outflows of Resources | | 1,761.20 | 1,761.20 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 10,517.13 | 6,982.75 | 17,499.88 |
| **NET POSITION:** | | | |
| Net Investment in Capital Assets | 2,342,445.84 | 746,495.53 | 3,088,941.37 |
| Restricted For: | | | |
| Revenue Bond Debt Service | 275,903.88 | 324,412.23 | 600,316.11 |
| Equipment Repair and/or Replacement | 357,503.35 | 278,650.21 | 636,153.56 |
| SDRS Pension Purposes | 5,203.67 | 2,859.04 | 8,062.71 |
| Unrestricted Net Position | 62,042.61 | 114,034.99 | 176,077.60 |
| TOTAL NET POSITION | 3,043,099.35 | 1,466,452.00 | 4,509,551.35 |

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, 2023**

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **Operating Revenue:** | | | |
| Surcharge as Security for Debt | 96,044.90 | 132,129.29 | 228,174.19 |
| Charges for Goods and Services | 407,434.59 | 183,863.19 | 591,297.78 |
| Total Operating Revenue | 503,479.49 | 315,992.48 | 819,471.97 |
| **Operating Expenses:** | | | |
| Personal Services | 82,400.92 | 42,337.90 | 124,738.82 |
| Other Current Expense | 189,587.16 | 78,079.25 | 267,666.41 |
| Depreciation | 115,881.82 | 75,909.42 | 191,791.24 |
| Total Operating Expenses | 387,869.90 | 196,326.57 | 584,196.47 |
| Operating Income (Loss) | 115,609.59 | 119,665.91 | 235,275.50 |
| **Nonoperating Revenue (Expense):** | | | |
| Operating Grants | 10,000.00 | | 10,000.00 |
| Investment Earnings | 19,751.02 | 21,805.94 | 41,556.96 |
| Rental Revenue | 7,935.00 | | 7,935.00 |
| Interest Expense | (37,605.30) | (57,649.91) | (95,255.21) |
| Other | 71.36 | 298.97 | 370.33 |
| Total Nonoperating Revenue (Expense) | 152.08 | (35,545.00) | (35,392.92) |
| Income (Loss) Before Contributions, Special Items, Extraordinary Items and Transfers | 115,761.67 | 84,120.91 | 199,882.58 |
| Capital Contributions | 10,376.50 | 22,928.00 | 33,304.50 |
| Transfers In | | 515.12 | 515.12 |
| Change in Net Position | 126,138.17 | 107,564.03 | 233,702.20 |
| Net Position - Beginning | 2,916,961.18 | 1,358,887.97 | 4,275,849.15 |
| NET POSITION - ENDING | 3,043,099.35 | 1,466,452.00 | 4,509,551.35 |

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, 2023**

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Cash Receipts from Customers | 504,120.94 | 432,876.54 | 936,997.48 |
| Cash Payments to Employees for Services | (82,990.34) | (41,623.02) | (124,613.36) |
| Cash Payments to Suppliers of Goods and Services | (84,752.50) | 38,962.91 | (45,789.59) |
| Other Operating Cash Payments | 1,448.16 | | 1,448.16 |
| Net Cash Provided (Used) by Operating Activities | 337,826.26 | 430,216.43 | 768,042.69 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | |
| Other | 8,006.36 | 298.97 | 8,305.33 |
| Transfers In | | 515.12 | 515.12 |
| Operating Grants | 10,000.00 | | 10,000.00 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 18,006.36 | 814.09 | 18,820.45 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | |
| Proceeds from Capital Debt | 204,440.00 | 173,452.00 | 377,892.00 |
| Capital Contributions | 10,376.50 | 22,928.00 | 33,304.50 |
| Purchase of Capital Assets | (597,403.25) | (450,509.39) | (1,047,912.64) |
| Principal Paid on Capital Debt | (69,053.38) | (93,110.69) | (162,164.07) |
| Interest Paid on Capital Debt | (37,605.30) | (57,649.91) | (95,255.21) |
| Net Cash (Used) by Capital and Related Financing Activities | (489,245.43) | (404,889.99) | (894,135.42) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Cash Received for Interest | 19,751.02 | 21,805.94 | 41,556.96 |
| Net Cash Provided by Investing Activities | 19,751.02 | 21,805.94 | 41,556.96 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (113,661.79) | 47,946.47 | (65,715.32) |
| Balances - Beginning | 943,484.50 | 898,433.58 | 1,841,918.08 |
| Balances - Ending | 829,822.71 | 946,380.05 | 1,776,202.76 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** | | | |
| Operating Income (Loss) | 115,609.59 | 119,665.91 | 235,275.50 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 115,881.82 | 75,909.42 | 191,791.24 |
| (Increase) decrease in Receivables | (130.05) | 194.67 | 64.62 |
| (Increase) decrease in Inventories | (6,003.72) | (14,132.88) | (20,136.60) |
| (Increase) decrease in Net Pension Asset | (8.77) | (4.39) | (13.16) |
| (Increase) decrease in Pension Related Deferred Outflows | 2,087.79 | 1,043.90 | 3,131.69 |
| (Decrease) increase in Accounts and Other Payables | 110,838.38 | 131,175.04 | 242,013.42 |
| (Decrease) increase in Accrued Wages Payable | (801.84) | 322.55 | (479.29) |
| (Decrease) increase in Accrued Leave Payable | (710.57) | (69.16) | (779.73) |
| (Decrease) increase in Pension Related Deferred Inflows | (1,156.03) | (578.02) | (1,734.05) |
| (Decrease) increase in Customer Deposits | 1,448.16 | | 1,448.16 |
| (Decrease) increase in Unearned Revenue | 771.50 | 116,689.39 | 117,460.89 |
| Net Cash Provided (Used) by Operating Activities | 337,826.26 | 430,216.43 | 768,042.69 |

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

**MUNICIPALITY OF SALEM**
**STATEMENT OF NET POSITION**
**December 31, 2022**

| | Primary Government | | | Component Unit |
|---|---|---|---|---|
| | Governmental Activities | Business-Type Activities | Total | |
| **ASSETS:** | | | | |
| Cash and Cash Equivalents | 4,828,252.97 | 1,841,918.08 | 6,670,171.05 | 320,600.56 |
| Accounts Receivable, Net | 203,304.04 | 4,550.24 | 207,854.28 | |
| Inventories | 14,411.42 | 58,895.72 | 73,307.14 | |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 2,500,000.00 | | 2,500,000.00 | |
| Net Pension Asset | 708.03 | 275.68 | 983.71 | |
| Capital Assets: | | | | |
| Land and Construction Work in Progress | 1,019,063.58 | 41,866.19 | 1,060,929.77 | |
| Other Capital Assets, Net of Depreciation | 3,657,694.40 | 5,995,623.70 | 9,653,318.10 | |
| TOTAL ASSETS | 12,223,434.44 | 7,943,129.61 | 20,166,564.05 | 320,600.56 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | | | |
| Pension Related Deferred Outflows | 63,573.43 | 26,644.24 | 90,217.67 | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 63,573.43 | 26,644.24 | 90,217.67 | 0.00 |
| **LIABILITIES :** | | | | |
| Accounts Payable | 94,443.44 | 35,736.18 | 130,179.62 | |
| Other Current Liabilities | 54,205.97 | 43,831.34 | 98,037.31 | |
| Unearned Revenue | 116,296.26 | 2,779.64 | 119,075.90 | |
| Noncurrent Liabilities: | | | | |
| Due Within One Year | 98,076.40 | 164,651.49 | 262,727.89 | |
| Due in More than One Year | 2,815,402.38 | 3,427,692.12 | 6,243,094.50 | |
| TOTAL LIABILITIES | 3,178,424.45 | 3,674,690.77 | 6,853,115.22 | 0.00 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | | |
| Pension Related Deferred Inflows | 39,881.83 | 17,472.73 | 57,354.56 | |
| Other Deferred Outflows of Resources | | 1,761.20 | 1,761.20 | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 39,881.83 | 19,233.93 | 59,115.76 | 0.00 |
| **NET POSITION:** | | | | |
| Net Investment in Capital Assets | 1,778,106.98 | 2,448,547.90 | 4,226,654.88 | |
| Restricted for: | | | | |
| Equipment Repair and Replacement Purposes | | 756,402.26 | 756,402.26 | |
| City Hall/Community Center Purpose | 2,500,000.00 | | 2,500,000.00 | |
| City Promotion Purposes | 97,193.48 | | 97,193.48 | |
| Street Maintenance Purposes | 479,234.65 | | 479,234.65 | |
| Storm Sewer Maint/Improv Purposes | 356,015.64 | | 356,015.64 | |
| Debt Service Purposes | 41,456.60 | 570,457.38 | 611,913.98 | |
| SDRS Pension Purposes | 24,399.63 | 9,447.19 | 33,846.82 | |
| Unrestricted (Deficit) | 3,792,294.61 | 490,994.42 | 4,283,289.03 | 320,600.56 |
| TOTAL NET POSITION | 9,068,701.59 | 4,275,849.15 | 13,344,550.74 | 320,600.56 |

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, 2022

| 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 | 317,412.85 | 17,362.74 | | 2,100.00 | (297,950.11) | | (297,950.11) | |
| Public Safety | 98,410.13 | 550.00 | | | (97,860.13) | | (97,860.13) | |
| Public Works | 516,482.88 | 113,093.05 | 88,109.76 | 936,349.41 | 621,069.34 | | 621,069.34 | |
| Health and Welfare | 15,061.52 | | 1,112.17 | | (13,949.35) | | (13,949.35) | |
| Culture and Recreation | 314,636.41 | 29,979.72 | 14,615.00 | 738,317.84 | 468,276.15 | | 468,276.15 | |
| Conservation and Development | 55,968.90 | | | | (55,968.90) | | (55,968.90) | |
| Miscellaneous | | 36,817.41 | | | 36,817.41 | | 36,817.41 | |
| Total Governmental Activities | 1,317,972.69 | 197,802.92 | 103,836.93 | 1,676,767.25 | 660,434.41 | | 660,434.41 | |
| Business-type Activities: | | | | | | | | |
| Water | 414,250.74 | 482,796.96 | | | | 68,546.22 | 68,546.22 | |
| Sewer | 221,233.98 | 314,569.10 | | | | 93,335.12 | 93,335.12 | |
| Total Business-type Activities | 635,484.72 | 797,366.06 | 0.00 | 0.00 | | 161,881.34 | 161,881.34 | |
| Total Primary Government | 1,953,457.41 | 995,168.98 | 103,836.93 | 1,676,767.25 | 660,434.41 | 161,881.34 | 822,315.75 | |
| **Component Units:** | | | | | | | | |
| Housing and Redevelopment Commission | 62,973.59 | 122,089.41 | | 388,290.43 | | | | 447,406.25 |
| **General Revenues:** | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes | | | | | 375,242.43 | | 375,242.43 | |
| Sales Taxes | | | | | 672,206.03 | | 672,206.03 | |
| State Shared Revenues | | | | | 11,822.45 | | 11,822.45 | |
| Unrestricted Investment Earnings | | | | | 42,490.71 | 14,120.26 | 56,610.97 | 161.61 |
| Miscellaneous Revenue | | | | | 35,790.21 | 8,307.48 | 44,097.69 | |
| Total General Revenues | | | | | 1,137,551.83 | 22,427.74 | 1,159,979.57 | 161.61 |
| Change in Net Position | | | | | 1,797,986.24 | 184,309.08 | 1,982,295.32 | 447,567.86 |
| Net Position - Beginning | | | | | 7,270,715.35 | 4,091,540.07 | 11,362,255.42 | (126,967.30) |
| NET POSITION - ENDING | | | | | 9,068,701.59 | 4,275,849.15 | 13,344,550.74 | 320,600.56 |

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

**MUNICIPALITY OF SALEM**
**BALANCE SHEET**
**GOVERNMENTAL FUNDS**
**December 31, 2022**

| | 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 | 3,774,698.67 | 114,873.67 | 472,050.54 | 349,921.46 | 116,708.63 | 4,828,252.97 |
| Taxes Receivable--Delinquent | 7,761.07 | | 6,164.00 | | | 13,925.07 |
| Accounts Receivable, Net | 11,251.42 | | | 247.50 | | 11,498.92 |
| Special Assessments Receivable--Current | 8,654.72 | | | | | 8,654.72 |
| Special Assessments Receivable--Delinquent | 13,804.12 | | | | | 13,804.12 |
| Special Assessments Receivable--Noncurrent | 41,753.31 | | | | | 41,753.31 |
| Interest Receivable--Special Assessments | 1,261.56 | | | | | 1,261.56 |
| Due from State & County Governments | 14,040.19 | 41.78 | 1,020.11 | 97,304.26 | | 112,406.34 |
| Inventory of Supplies | 14,411.42 | | | | | 14,411.42 |
| Restricted Cash and Cash Equivalents | 2,500,000.00 | | | | | 2,500,000.00 |
| TOTAL ASSETS | 6,387,636.48 | 114,915.45 | 479,234.65 | 447,473.22 | 116,708.63 | 7,545,968.43 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:** | | | | | | |
| Liabilities: | | | | | | |
| Claims Payable | 75,422.77 | 17,721.97 | | 1,298.70 | | 94,443.44 |
| Contracts Payable | | | | 48,645.78 | | 48,645.78 |
| Due to State Government | 562.46 | | | | | 562.46 |
| Accrued Wages Payable | 4,380.87 | | | | | 4,380.87 |
| Accrued Taxes Payable | 616.86 | | | | | 616.86 |
| Unearned Revenue | 46.25 | | | 56.50 | 116,193.51 | 116,296.26 |
| Total Liabilities | 81,029.21 | 17,721.97 | 0.00 | 50,000.98 | 116,193.51 | 264,945.67 |
| Deferred Inflows of Resources: | | | | | | |
| Unavailable Revenue - Property Taxes | 7,761.07 | | 6,164.00 | | | 13,925.07 |
| Unavailable Revenue - Special Assessments | 65,473.71 | | | | | 65,473.71 |
| Total Deferred Inflows of Resources | 73,234.78 | 0.00 | 6,164.00 | 0.00 | 0.00 | 79,398.78 |
| Fund Balances: | | | | | | |
| Nonspendable - Inventory | 14,411.42 | | | | | 14,411.42 |
| Restricted for City Hall/Community Center Project | 2,500,000.00 | | | | | 2,500,000.00 |
| Restricted for City Promotion | | 97,193.48 | | | | 97,193.48 |
| Restricted for Street Maintenance Purposes | | | 473,070.65 | | | 473,070.65 |
| Restricted for Debt Service Purposes | | | | 41,456.60 | | 41,456.60 |
| Restricted for Storm Sewer Maintenance & Improvements | | | | 356,015.64 | | 356,015.64 |
| Committed for Capital Improvements | 1,408,658.85 | | | | | 1,408,658.85 |
| Assigned for Next Year's Budget | 500,000.00 | | | | | 500,000.00 |
| Assigned for Capital Outlay | 193,414.00 | | | | | 193,414.00 |
| Unassigned | 1,616,888.22 | | | | 515.12 | 1,617,403.34 |
| Total Fund Balances | 6,233,372.49 | 97,193.48 | 473,070.65 | 397,472.24 | 515.12 | 7,201,623.98 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | 6,387,636.48 | 114,915.45 | 479,234.65 | 447,473.22 | 116,708.63 | 7,545,968.43 |

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, 2022**

| | | |
|---|---|---|
| Total Fund Balances - Governmental Funds | | 7,201,623.98 |
| 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. | 708.03 |
| | Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | 4,676,757.98 |
| | Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | 63,573.43 |
| | 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. | (2,913,478.78) |
| | 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. | 79,398.78 |
| | Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | (39,881.83) |
| Net Position - Governmental Activities | | 9,068,701.59 |

**MUNICIPALITY OF SALEM**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**GOVERNMENTAL FUNDS**
**For the Year Ended December 31, 2022**

| | General Fund | Liquor, Lodging, & Dining Fund | Street Assessment Fund | Storm Sewer Maintenance Fund | Federal ARPA Fund | Total Governmental Funds |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Taxes: | | | | | | |
| General Property Taxes | 372,659.68 | | | | | 372,659.68 |
| General Sales and Use Taxes | 646,471.74 | 25,734.29 | | | | 672,206.03 |
| Gross Receipts Business Taxes | 2,012.08 | | | | | 2,012.08 |
| Penalties and Interest on Delinquent Taxes | 960.23 | | | | | 960.23 |
| Licenses and Permits | 17,312.74 | | | | | 17,312.74 |
| Intergovernmental Revenue: | | | | | | |
| Federal Grants | 6,448.72 | | | 302,763.15 | | 309,211.87 |
| State Grants | 2,831.83 | | | | | 2,831.83 |
| State Shared Revenue: | | | | | | |
| Bank Franchise Tax | 2,612.96 | | | | | 2,612.96 |
| Prorate License Fees | 4,340.88 | | | | | 4,340.88 |
| Liquor Tax Reversion | 9,209.49 | | | | | 9,209.49 |
| Motor Vehicle Licenses | 20,667.23 | | | | | 20,667.23 |
| Local Government Highway and Bridge Fund | 16,883.57 | | | | | 16,883.57 |
| County Shared Revenue: | | | | | | |
| County Road Tax | 2,674.43 | | | | | 2,674.43 |
| County Wheel Tax | 7,610.10 | | | | | 7,610.10 |
| Charges for Goods and Services: | | | | | | |
| General Government | 10.00 | | | | | 10.00 |
| Highways and Streets | 4,500.00 | | | | | 4,500.00 |
| Sanitation | 108,593.05 | | | | | 108,593.05 |
| Culture and Recreation | 27,359.22 | | | | | 27,359.22 |
| Fines and Forfeits: | | | | | | |
| Parking Meter Fines | 550.00 | | | | | 550.00 |
| Other | 40.00 | | | | | 40.00 |

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, 2022**

| | 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 | 34,810.38 | 842.64 | 3,603.84 | 2,718.73 | 515.12 | 42,490.71 |
| Rentals | 2,620.50 | | | | | 2,620.50 |
| Special Assessments | 9,879.18 | | | | | 9,879.18 |
| Maintenance Assessments | | | 170,736.53 | 79,449.35 | | 250,185.88 |
| Contributions and Donations from Private Sources | 8,235.00 | 9,480.00 | | | | 17,715.00 |
| Liquor Operating Agreement Income | 36,817.41 | | | | | 36,817.41 |
| Other | 24,814.21 | | | | | 24,814.21 |
| Total Revenue | 1,370,924.63 | 36,056.93 | 174,340.37 | 384,931.23 | 515.12 | 1,966,768.28 |
| **Expenditures:** | | | | | | |
| General Government: | | | | | | |
| Legislative | 7,976.17 | | | | | 7,976.17 |
| Executive | 23,236.96 | | | | | 23,236.96 |
| Financial Administration | 153,126.35 | | | | | 153,126.35 |
| Other | 132,492.01 | | | | | 132,492.01 |
| Total General Government | 316,831.49 | 0.00 | 0.00 | 0.00 | 0.00 | 316,831.49 |
| Public Safety: | | | | | | |
| Police | 87,880.00 | | | | | 87,880.00 |
| Fire | 2,513.88 | | | | | 2,513.88 |
| Other Protection | 448.02 | | | | | 448.02 |
| Total Public Safety | 90,841.90 | 0.00 | 0.00 | 0.00 | 0.00 | 90,841.90 |
| Public Works: | | | | | | |
| Highways and Streets | 218,960.39 | | 33,275.23 | 15,800.09 | | 268,035.71 |
| Sanitation | 101,349.60 | | | | | 101,349.60 |
| Total Public Works | 320,309.99 | 0.00 | 33,275.23 | 15,800.09 | 0.00 | 369,385.31 |
| Health and Welfare: | | | | | | |
| Health | 14,758.80 | | | | | 14,758.80 |
| Total Health and Welfare | 14,758.80 | 0.00 | 0.00 | 0.00 | 0.00 | 14,758.80 |

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, 2022**

| | 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 | 84,835.16 | | | | | 84,835.16 |
| Parks | 88,661.38 | | | | | 88,661.38 |
| Libraries | 600.00 | | | | | 600.00 |
| Auditorium | 240,171.31 | | | | | 240,171.31 |
| Total Culture and Recreation | 414,267.85 | 0.00 | 0.00 | 0.00 | 0.00 | 414,267.85 |
| Conservation and Development: | | | | | | |
| Economic Development and Assistance | 44,946.82 | 11,042.88 | | | | 55,989.70 |
| Total Conservation and Development | 44,946.82 | 11,042.88 | 0.00 | 0.00 | 0.00 | 55,989.70 |
| Capital Outlay | 309,617.67 | 21,461.97 | 0.00 | 342,407.77 | 0.00 | 673,487.41 |
| Total Expenditures | 1,511,574.52 | 32,504.85 | 33,275.23 | 358,207.86 | 0.00 | 1,935,562.46 |
| Excess of Revenue Over (Under) Expenditures | (140,649.89) | 3,552.08 | 141,065.14 | 26,723.37 | 515.12 | 31,205.82 |
| **Other Financing Sources (Uses):** | | | | | | |
| Transfers In | | | | 56.82 | | 56.82 |
| Sale of Municipal Property | 10,976.00 | | | | | 10,976.00 |
| Compensation for Loss or Damage to Capital Assets | 1,000,237.65 | | | 398,651.00 | | 1,398,888.65 |
| Long-Term Debt Issued | 2,500,000.00 | | | | | 2,500,000.00 |
| Transfers Out | | | | | (56.82) | (56.82) |
| Total Other Financing Sources (Uses) | 3,511,213.65 | 0.00 | 0.00 | 398,707.82 | (56.82) | 3,909,864.65 |
| Net Change in Fund Balances | 3,370,563.76 | 3,552.08 | 141,065.14 | 425,431.19 | 458.30 | 3,941,070.47 |
| Changes in Nonspendable | 8,276.60 | 0.00 | 0.00 | 0.00 | 0.00 | 8,276.60 |
| Fund Balance - Beginning | 2,854,532.13 | 93,641.40 | 332,005.51 | (27,958.95) | 56.82 | 3,252,276.91 |
| FUND BALANCE - ENDING | 6,233,372.49 | 97,193.48 | 473,070.65 | 397,472.24 | 515.12 | 7,201,623.98 |

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, 2022**

| | |
|---|---|
| Net Change in Fund Balances - Total Governmental Funds | 3,941,070.47 |
| 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. | 673,487.41 |
| 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. | (239,770.71) |
| The receipt of donated capital assets is not reported on the fund statements, but is reported as a program revenue on the government wide statements. | 319,408.77 |
| The refunding of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government-wide statements. | (2,898,651.00) |
| 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". | 558.75 |
| 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. | (7,224.72) |
| 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. | (3,329.82) |
| 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) | 4,160.49 |
| 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. | 8,276.60 |
| Change in Net Position of Governmental Activities | 1,797,986.24 |

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

**MUNICIPALITY OF SALEM**
**STATEMENT OF NET POSITION**
**PROPRIETARY FUNDS**
**December 31, 2022**

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **ASSETS:** | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | 943,484.50 | 898,433.58 | 1,841,918.08 |
| Accounts Receivable, Net | 1,786.02 | 1,003.02 | 2,789.04 |
| Special Assesements Receivable - Current | | 1,761.20 | 1,761.20 |
| Inventory of Supplies | 52,166.72 | 6,729.00 | 58,895.72 |
| Total Current Assets | 997,437.24 | 907,926.80 | 1,905,364.04 |
| Noncurrent Assets: | | | |
| Net Pension Asset | 177.32 | 98.36 | 275.68 |
| 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 | 1,158,870.18 | 36,157.28 | 1,195,027.46 |
| Infrastructure | 2,465,453.24 | 3,434,338.13 | 5,899,791.37 |
| Less: Accumulated Depreciation | (1,661,292.70) | (741,469.30) | (2,402,762.00) |
| Total Noncurrent Assets | 3,264,022.73 | 2,773,742.84 | 6,037,765.57 |
| TOTAL ASSETS | 4,261,459.97 | 3,681,669.64 | 7,943,129.61 |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | | |
| Pension Related Deferred Outflows | 17,622.50 | 9,021.74 | 26,644.24 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 17,622.50 | 9,021.74 | 26,644.24 |
| **LIABILITIES:** | | | |
| Current Liabilities: | | | |
| Claims Payable | 34,574.49 | 1,161.69 | 35,736.18 |
| Accrued Wages Payable | 2,039.77 | 645.07 | 2,684.84 |
| Accrued Taxes Payable | 278.44 | 88.06 | 366.50 |
| Customer Deposits | 40,780.00 | | 40,780.00 |
| Unearned Revenue | 2,572.27 | 207.37 | 2,779.64 |
| Bonds Payable Current: | | | |
| Revenue | 69,053.38 | 93,110.69 | 162,164.07 |
| Compensated Absences Payable -- Current | 1,931.52 | 555.90 | 2,487.42 |
| Total Current Liabilities | 151,229.87 | 95,768.78 | 246,998.65 |
| Noncurrent Liabilities: | | | |
| Bonds Payable: | | | |
| Revenue | 1,198,481.00 | 2,228,296.92 | 3,426,777.92 |
| Accrued Leave Payable | 737.26 | 176.94 | 914.20 |
| Total Noncurrent Liabilities | 1,199,218.26 | 2,228,473.86 | 3,427,692.12 |
| TOTAL LIABILITIES | 1,350,448.13 | 2,324,242.64 | 3,674,690.77 |
| **DEFERRED INFLOWS OF RESOURCES:** | | | |
| Pension Related Deferred Inflows | 11,673.16 | 5,799.57 | 17,472.73 |
| Other Deferred Outflows of Resources | | 1,761.20 | 1,761.20 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 11,673.16 | 7,560.77 | 19,233.93 |
| **NET POSITION:** | | | |
| Net Investment in Capital Assets | 1,996,311.03 | 452,236.87 | 2,448,547.90 |
| Restricted For: | | | |
| Revenue Bond Debt Service | 263,887.04 | 306,570.34 | 570,457.38 |
| Equipment Repair and/or Replacement | 492,366.98 | 264,035.28 | 756,402.26 |
| SDRS Pension Purposes | 6,126.66 | 3,320.53 | 9,447.19 |
| Unrestricted Net Position | 158,269.47 | 332,724.95 | 490,994.42 |
| TOTAL NET POSITION | 2,916,961.18 | 1,358,887.97 | 4,275,849.15 |

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, 2022

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **Operating Revenue:** | | | |
| Surcharge as Security for Debt | 94,634.75 | 131,195.74 | 225,830.49 |
| Charges for Goods and Services | 388,162.21 | 183,373.36 | 571,535.57 |
| Total Operating Revenue | 482,796.96 | 314,569.10 | 797,366.06 |
| **Operating Expenses:** | | | |
| Personal Services | 64,000.59 | 35,095.39 | 99,095.98 |
| Other Current Expense | 201,376.77 | 55,168.88 | 256,545.65 |
| Depreciation | 109,142.86 | 70,696.22 | 179,839.08 |
| Total Operating Expenses | 374,520.22 | 160,960.49 | 535,480.71 |
| Operating Income (Loss) | 108,276.74 | 153,608.61 | 261,885.35 |
| **Nonoperating Revenue (Expense):** | | | |
| Investment Earnings | 7,061.43 | 7,058.83 | 14,120.26 |
| Rental Revenue | 7,935.00 | | 7,935.00 |
| Interest Expense | (39,730.52) | (60,273.49) | (100,004.01) |
| Other | 74.39 | 298.09 | 372.48 |
| Total Nonoperating Revenue (Expense) | (24,659.70) | (52,916.57) | (77,576.27) |
| Change in Net Position | 83,617.04 | 100,692.04 | 184,309.08 |
| Net Position - Beginning | 2,833,344.14 | 1,258,195.93 | 4,091,540.07 |
| NET POSITION - ENDING | 2,916,961.18 | 1,358,887.97 | 4,275,849.15 |

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, 2022**

| | Enterprise Funds | | |
|---|---|---|---|
| | Water Fund | Sewer Fund | Totals |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | | |
| Cash Receipts from Customers | 483,640.83 | 314,057.11 | 797,697.94 |
| Cash Payments to Employees for Services | (64,163.35) | (35,701.73) | (99,865.08) |
| Cash Payments to Suppliers of Goods and Services | (169,796.89) | (62,728.76) | (232,525.65) |
| Other Operating Cash Payments | 1,585.00 | | 1,585.00 |
| Net Cash Provided (Used) by Operating Activities | 251,265.59 | 215,626.62 | 466,892.21 |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:** | | | |
| Other | 8,009.39 | 298.09 | 8,307.48 |
| Net Cash Provided (Used) by Noncapital Financing Activities | 8,009.39 | 298.09 | 8,307.48 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | | |
| Purchase of Capital Assets | (864.63) | | (864.63) |
| Principal Paid on Capital Debt | (66,928.16) | (90,487.11) | (157,415.27) |
| Interest Paid on Capital Debt | (39,730.52) | (60,273.49) | (100,004.01) |
| Net Cash (Used) by Capital and Related Financing Activities | (107,523.31) | (150,760.60) | (258,283.91) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | | |
| Cash Received for Interest | 7,061.43 | 7,058.83 | 14,120.26 |
| Net Cash Provided by Investing Activities | 7,061.43 | 7,058.83 | 14,120.26 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 158,813.10 | 72,222.94 | 231,036.04 |
| Balances - Beginning | 784,671.40 | 826,210.64 | 1,610,882.04 |
| Balances - Ending | 943,484.50 | 898,433.58 | 1,841,918.08 |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** | | | |
| Operating Income (Loss) | 108,276.74 | 153,608.61 | 261,885.35 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | | |
| Depreciation Expense | 109,142.86 | 70,696.22 | 179,839.08 |
| (Increase) decrease in Receivables | 690.66 | (119.36) | 571.30 |
| (Increase) decrease in Inventories | 5,132.65 | (6,729.00) | (1,596.35) |
| (Increase) decrease in Net Pension Asset | 16,672.93 | 8,336.47 | 25,009.40 |
| (Increase) decrease in Pension Related Deferred Outflows | 3,383.36 | 1,691.68 | 5,075.04 |
| (Decrease) increase in Accounts and Other Payables | 26,447.23 | (830.88) | 25,616.35 |
| (Decrease) increase in Accrued Wages Payable | 1,131.99 | (72.88) | 1,059.11 |
| (Decrease) increase in Accrued Leave Payable | (106.04) | 60.90 | (45.14) |
| (Decrease) increase in Pension Related Deferred Inflows | (21,245.00) | (10,622.51) | (31,867.51) |
| (Decrease) increase in Customer Deposits | 1,585.00 | | 1,585.00 |
| (Decrease) increase in Unearned Revenue | 153.21 | (392.63) | (239.42) |
| Net Cash Provided (Used) by Operating Activities | 251,265.59 | 215,626.62 | 466,892.21 |

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. This fund was closed in 2023.

**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 fund types 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, 2022 and 2023 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 fund types 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 acquisition 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, 2022 and 2023 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."

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities 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, certificates of participation, 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 liabilities 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 or 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 Financial 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 12/31/22 | Amount 12/31/23 | Action |
|---|---|---|---|
| Capital Improvements | $ 1,408,658.85 | $ 2,629,838.00 | 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: |
|---|---|
| Liquor, Lodging, and Dining Fund | Sales Tax |
| Street Assessment Fund | Front Foot Tax Assessment |
| Storm Sewer Maintenance 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, 2023 and 2022, 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. RESTRICTED CASH

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

| 2022 | 2023 | Purpose |
|---|---|---|
| $2,500,000.00 | $2,627,298.65 | For City Hall/Community Center |

## 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 and become due and payable 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, 2023, is as follows:

| | Balance 01/01/2022 | Increases | Decreases | Balance 12/31/2023 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital Assets, not being Depreciated: | | | | |
| Land | 60,590.82 | | | 60,590.82 |
| Construction Work in Progress | 498,718.26 | 1,594,790.48 | (1,459,869.72) | 633,639.02 |
| Total, not being depreciated | 559,309.08 | 1,594,790.48 | (1,459,869.72) | 694,229.84 |
| Capital Assets, being Depreciated: | | | | |
| Buildings | 962,808.35 | 239,562.75 | (16,130.91) | 1,186,240.19 |
| Improvements Other Than Buildings | 3,220,688.39 | 1,231,415.00 | (6,755.00) | 4,445,348.39 |
| Machinery and Equipment | 1,113,683.24 | 82,143.79 | (60,613.12) | 1,135,213.91 |
| Total, being Depreciated | 5,297,179.98 | 1,553,121.54 | (83,499.03) | 6,766,802.49 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (388,018.55) | (98,111.71) | 16,130.91 | (469,999.35) |
| Improvements Other Than Buildings | (1,107,273.78) | (293,321.63) | 6,755.00 | (1,393,840.41) |
| Machinery and Equipment | (437,564.22) | (156,372.79) | 63,160.42 | (530,776.59) |
| Total Accumulated Depreciation | (1,932,856.55) | (547,806.13) | 86,046.33 | (2,394,616.35) |
| Total Capital Assets, being Depreciated, Net | 3,364,323.43 | 1,005,315.41 | 2,547.30 | 4,372,186.14 |
| Governmental Activity Capital Assets, Net | 3,923,632.51 | 2,600,105.89 | (1,457,322.42) | 5,066,415.98 |

Depreciation expense was charged to functions as follows:

| Governmental Activities: | 2022 | 2023 |
|---|---|---|
| General Government | 6,390.60 | 4,922.96 |
| Public Safety | 7,568.23 | 7,568.23 |
| Public Works | 171,712.19 | 192,959.14 |
| Culture and Recreation | 53,420.46 | 101,905.86 |
| Health and Wellness | 679.23 | 679.23 |
| Total Depreciation Expense - Governmental Activities | 239,770.71 | 308,035.42 |

## NOTES TO THE FINANCIAL STATEMENTS
(Continued)

| | Balance 01/01/2022 | Increases | Decreases | Balance 12/31/2023 |
|---|---|---|---|---|
| Business-Type Activities: | | | | |
| Capital Assets, not being Depreciated: | | | | |
| Land | 41,866.19 | 0.00 | 0.00 | 41,866.19 |
| Construction Work in Progress | 0.00 | 469,278.26 | 0.00 | 469,278.26 |
| Total Capital Assets, not being Depreciated | 41,866.19 | 469,278.26 | 0.00 | 511,144.45 |
| Capital Assets, being Depreciated: | | | | |
| Buildings | 1,298,604.74 | 483,000.00 | 0.00 | 1,781,604.74 |
| Improvements Other Than Buildings | 5,948,243.24 | 92,745.39 | (43,489.74) | 5,997,498.89 |
| Machinery and Equipment | 1,194,162.83 | 3,753.62 | 0.00 | 1,197,916.45 |
| Total, being Depreciated | 8,441,010.81 | 579,499.01 | (43,489.74) | 8,977,020.08 |
| Less Accumulated Depreciation for: | | | | |
| Buildings | (337,637.17) | (61,604.18) | 0.00 | (399,241.35) |
| Improvements Other Than Buildings | (1,527,053.94) | (247,935.85) | 43,489.74 | (1,731,500.05) |
| Machinery and Equipment | (401,721.55) | (62,090.29) | 0.00 | (463,811.84) |
| Total Accumulated Depreciation | (2,266,412.66) | (371,630.32) | 43,489.74 | (2,594,553.24) |
| Total Business-Type Activities Capital Assets, being Depreciated, Net | 6,174,598.15 | 207,868.69 | 0.00 | 6,382,466.84 |
| Business-Type Activity Capital Assets, Net | 6,216,464.34 | 677,146.95 | 0.00 | 6,893,611.29 |

Depreciation expense was charged to functions as follows:

| Business-Type Activities: | 2022 | 2023 |
|---|---|---|
| Water | 109,142.86 | 115,881.82 |
| Sewer | 70,696.22 | 75,909.42 |
| Total Depreciation Expense - Business-Type Activities | 179,839.08 | 191,791.24 |

Construction Work in Progress at December 31, 2023 is composed of the following:

| Project Name | Project Authorization | Expended through 12/31/2023 | Committed | Required Future Financing |
|---|---|---|---|---|
| City Hall | 4,623,341.00 | 266,864.82 | 1,856,476.18 | 2,500,000.00 |
| 2022 Street Project | 517,188.86 | 340,889.46 | 176,299.40 | 0.00 |
| Baseball Improvement Project | 62,002.16 | 25,884.74 | 36,117.42 | 0.00 |
| Industrial Area Project | 4,598,561.79 | 469,278.26 | 0.00 | 4,129,283.53 |
| Totals | 9,801,093.81 | 1,102,917.28 | 2,068,893.00 | 6,629,283.53 |

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, 2023, is as follows:

| | Balance 1/1/2022 | Additions | Deletions | Balance 12/31/2023 |
|---|---|---|---|---|
| Land | 56,293.45 | | 56,293.45 | 0.00 |
| Buildings | 1,320,130.37 | | 1,320,130.37 | 0.00 |
| Organization Costs | 52,000.00 | | 52,000.00 | 0.00 |
| Accumulated Depreciation | (697,257.57) | | (697,257.57) | 0.00 |
| TOTAL | 731,166.25 | 0.00 | 731,166.25 | 0.00 |

## 9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

| | Beginning Balance 1/1/2022 | Additions | Deletions | Ending Balance 12/31/2023 | Due Within One Year |
|---|---|---|---|---|---|
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Certificates of Participation - Series 2022 | | 2,500,000.00 | 77,500.00 | 2,422,500.00 | 81,200.00 |
| Clean Water SRF Loan #5 | | 398,651.00 | | 398,651.00 | 9,610.08 |
| Total Debt | 0.00 | 2,898,651.00 | 77,500.00 | 2,821,151.00 | 90,810.08 |
| Accrued Compensated Absences-Governmental Funds | 11,497.96 | 3,822.87 | | 15,320.83 | 11,497.96 |
| Total Governmental Activities | 11,497.96 | 2,902,473.87 | 77,500.00 | 2,836,471.83 | 102,308.04 |
| Business-Type Activities: | | | | | |
| Clean Water SRF Loan # 1 | 94,320.18 | | 67,693.94 | 26,626.24 | 26,626.24 |
| Clean Water SRF Loan # 3 | 2,317,574.54 | | 115,903.86 | 2,201,670.68 | 60,154.69 |
| Clean Water SRF Loan # 6 | | 173,452.00 | | 173,452.00 | 0.00 |
| Drinking Water SRF Loan # 2 | 112,568.45 | | 38,635.44 | 73,933.01 | 20,276.14 |
| Drinking Water SRF Loan # 3 | 936,177.51 | | 82,165.48 | 854,012.03 | 43,121.01 |
| Drinking Water SRF Loan # 4 | 285,716.58 | | 15,180.62 | 270,535.96 | 7,849.63 |
| Drinking Water SRF Loan # 6 | | 204,440.00 | | 204,440.00 | 0.00 |
| Total Debt | 3,746,357.26 | 377,892.00 | 319,579.34 | 3,804,669.92 | 158,027.71 |
| Accrued Compensated Absences - Business-Type Funds | 3,446.76 | | 824.87 | 2,621.89 | 1,875.76 |
| Total Business-Type Activities | 3,749,804.02 | 377,892.00 | 320,404.21 | 3,807,291.81 | 159,903.47 |
| TOTAL PRIMARY GOVERNMENT | 3,761,301.98 | 3,280,365.87 | 397,904.21 | 6,643,763.64 | 262,211.51 |

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Debt payable at December 31, 2023, is comprised of the following:

| | |
|---|---|
| Certificates of Participation: | |
| Certificates of Participation – Series 2022 for City Hall/Community Center Project, 4.8% to 8.80% Interest; Final Maturity 12-1-2044, Payable from General Fund | $ 2,422,500.00 |
| Clean Water SRF Loan #1: | |
| Clean Water State Revolving Fund Loan for Sewer Improvements, 3.5% Interest; Final Maturity 7-15-2024, Payable from Sewer Fund | $ 26,626.24 |
| Clean Water SRF Loan #3: | |
| Clean Water State Revolving Fund Loan for Sewer Improvements, 2.5% Interest; Final Maturity 2-15-2050, Payable from Sewer Fund | $ 2,201,670.68 |
| Clean Water SRF Loan #5: | |
| Clean Water State Revolving Fund Loan for Sewer Improvements, 2.125% Interest; Final Maturity 11-15-2053, Payable from Sewer Fund | $ 398,651.00 |
| Clean Water SRF Loan #6: | |
| Clean Water State Revolving Fund Loan for Sewer Improvements, 2.125% Interest; Final Maturity 8-15-2053, Payable from Sewer Fund | $ 173,452.00 |
| Drinking Water SRF Loan #2: | |
| Drinking Water State Revolving Fund Loan for Water Line Improvements; 3.25% Interest; Final Maturity 4-15-2027, Payable from Water Fund | $ 73,933.01 |
| Drinking Water SRF Loan #3: | |
| Drinking Water State Revolving Fund Loan for Water Treatment Plant; 3.25% Interest; Final Maturity 4-15-2039, Payable from Water Fund | $ 854,012.03 |
| Drinking Water SRF Loan #4: | |
| Drinking Water State Revolving Fund Loan for Water Treatment Plant; 2.25% Interest; Final Maturity 8-15-2049, Payable from Water Fund | $ 270,535.96 |
| Drinking Water SRF Loan #6: | |
| Drinking Water State Revolving Fund Loan for Water Treatment Plant; 1.875% Interest; Final Maturity 8-15-2055, Payable from Water Fund | $ 204,440.00 |

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Compensated Absences:

Vacation and Sick Leave for eligible employees:

| | | |
|---|---|---|
| General Fund | $ | 15,320.83 |
| Water Fund | $ | 1,958.21 |
| Sewer Fund | $ | 663.68 |

Payment to be made by the fund that the payroll expenditures are charged to.

The annual requirements to amortize all long-term liabilities outstanding as of December 31, 2023, except for compensated absences, are as follows:

Annual Requirements to Maturity for Long-Term Liabilities
December 31, 2023

| Year Ending | Certificates of Participation Series 2022 | | SRF Loan Clean Water #1 | | SRF Loan Clean Water #3 | |
|---|---|---|---|---|---|---|
| December 31, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | 81,200.00 | 116,280.00 | 26,626.24 | 467.64 | 60,154.69 | 54,480.75 |
| 2025 | 85,100.00 | 112,382.40 | | | 61,672.72 | 52,962.72 |
| 2026 | 89,200.00 | 108,297.60 | | | 63,229.05 | 51,406.39 |
| 2027 | 93,500.00 | 104,016.00 | | | 64,824.67 | 49,810.77 |
| 2028 | 98,000.00 | 99,528.00 | | | 66,460.54 | 48,174.90 |
| 2029-2033 | 534,500.00 | 453,088.80 | | | 358,322.65 | 214,854.55 |
| 2034-2038 | 549,900.00 | 437,523.20 | | | 405,874.86 | 167,302.34 |
| 2039-2043 | 709,600.00 | 277,684.00 | | | 459,737.57 | 113,439.63 |
| 2044-2048 | 181,500.00 | 15,972.00 | | | 520,748.32 | 52,528.88 |
| 2049-2053 | | | | | 140,645.61 | 2,648.71 |
| Totals | 2,422,500.00 | 1,724,772.00 | 26,626.24 | 467.64 | 2,201,670.68 | 807,609.64 |

| Year Ending | SRF Loan Clean Water #5 | | SRF Loan Drinking Water #6 | | SRF Loan Drinking Water #2 | |
|---|---|---|---|---|---|---|
| December 31, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | 9,610.08 | 8,395.08 | 0.00 | 0.00 | 20,276.14 | 2,157.38 |
| 2025 | 9,815.92 | 8,189.24 | 1,037.04 | 921.46 | 20,943.20 | 1,490.32 |
| 2026 | 10,026.18 | 7,978.98 | 4,203.53 | 3,630.47 | 21,632.19 | 801.33 |
| 2027 | 10,240.93 | 7,764.23 | 4,293.57 | 3,540.43 | 11,081.48 | 135.28 |
| 2028 | 10,460.29 | 7,544.87 | 4,385.53 | 3,448.47 | | |
| 2029-2033 | 55,759.88 | 34,265.92 | 23,377.68 | 15,492.32 | | |
| 2034-2038 | 61,993.10 | 28,032.70 | 25,991.01 | 13,178.99 | | |
| 2039-2043 | 68,923.17 | 21,102.63 | 28,896.43 | 10,273.57 | | |
| 2044-2048 | 76,627.86 | 13,397.94 | 32,126.69 | 7,043.31 | | |
| 2049-2053 | 85,193.59 | 4,832.21 | 35,718.03 | 3,451.97 | | |
| 2054-2058 | | | 13,422.49 | 287.01 | | |
| Totals | 398,651.00 | 141,503.80 | 173,452.00 | 61,268.00 | 73,933.01 | 4,584.31 |

## NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Annual Requirements to Maturity for Long-Term Liabilities
December 31, 2023

| Year Ending | SFF Loan Drinking Water #3 | | SRF Loan Drinking Water #4 | | SRF Loan Clean Water #6 | |
|---|---|---|---|---|---|---|
| December 31, | Principal | Interest | Principal | Interest | Principal | Interest |
| 2024 | 43,121.01 | 27,233.39 | 7,849.63 | 6,021.13 | 0.00 | 0.00 |
| 2025 | 44,539.61 | 25,814.79 | 8,027.73 | 5,843.03 | 1,273.09 | 958.31 |
| 2026 | 46,004.88 | 34,349.52 | 8,209.89 | 5,660.87 | 5,152.31 | 3,773.29 |
| 2027 | 47,518.37 | 22,836.03 | 8,396.18 | 5,474.58 | 5,249.60 | 3,676.00 |
| 2028 | 49,081.63 | 21,272.77 | 8,586.69 | 5,284.07 | 5,348.71 | 3,576.89 |
| 2029-2033 | 270,717.64 | 81,054.36 | 45,945.93 | 23,407.87 | 28,297.22 | 16,330.78 |
| 2034-2038 | 318,276.27 | 33,495.73 | 51,400.62 | 17,953.18 | 31,071.59 | 13,556.41 |
| 2039-2043 | 34,752.62 | 424.57 | 57,502.85 | 11,850.95 | 34,118.00 | 10,510.00 |
| 2044-2048 | | | 64,329.60 | 5,024.21 | 37,463.08 | 7,164.92 |
| 2049-2053 | | | 10,286.84 | 116.23 | 41,136.13 | 3,491.87 |
| 2054-2058 | | | | | 15,330.27 | 289.53 |
| Totals | 854,012.03 | 246,481.16 | 270,535.96 | 86,636.12 | 204,440.00 | 63,328.00 |

| Year Ending | Totals | |
|---|---|---|
| December 31, | Principal | Interest |
| 2024 | 248,837.79 | 215,035.36 |
| 2025 | 232,409.31 | 208,562.27 |
| 2026 | 247,658.03 | 205,898.45 |
| 2027 | 245,104.80 | 197,253.32 |
| 2028 | 242,323.39 | 188,829.97 |
| 2029-2033 | 1,316,921.00 | 838,794.60 |
| 2034-2038 | 1,444,507.45 | 711,042.55 |
| 2039-2043 | 1,393,530.64 | 445,285.35 |
| 2044-2048 | 912,795.55 | 101,131.26 |
| 2049-2053 | 312,980.20 | 14,541.00 |
| 2054-2058 | 28,752.76 | 289.53 |
| Totals | 6,625,820.92 | 3,126,663.66 |

## 10. COMPONENT UNIT LONG-TERM LIABILITIES

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

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Component Unit | | | | | |
| Bonds Payable: | | | | | |
| Refunding Revenue - Series 2018 | 917,479.37 | | 917,479.37 | 0.00 | 0.00 |
| TOTAL COMPONENT UNIT | 917,479.37 | 0.00 | 917,479.37 | 0.00 | 0.00 |

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

## 11. INTERFUND TRANSFERS

Interfund transfers for the year ended December 31, 2023 and December 31, 2022, were as follows:

| | 2023 Transfers to: | 2022 Transfers to: |
|---|---|---|
| Transfers From: | Sewer Fund | Storm Sewer Fund |
| Federal ARPA Fund | 515.12 | 56.82 |

The Municipality transferred from the Federal ARPA Fund to the Sewer Fund in 2023 to close the Federal ARPA Fund. In 2022, the Municipality transferred from the Federal ARPA Fund to the Storm Sewer Fund to transfer interest earned.

## 12. RESTRICTED NET POSITION

Restricted net position for the years ended December 31, 2022 and 2023 were as follows:

| Purpose | 12/31/2022 | 12/31/2023 |
|---|---|---|
| Major Purposes: | | |
| Equipment Repair/Replacement Purposes | $ 756,402.26 | $ 636,153.56 |
| Street Maintenance Purposes | 479,234.65 | 363,976.40 |
| City Promotion Purposes | 97,193.48 | 88,209.11 |
| Storm Sewer Maintenance Purposes | 356,015.64 | 535,891.33 |
| Debt Service Purposes | 611,913.98 | 669,415.02 |
| SDRS Pension Purposes | 33,846.82 | 29,165.30 |
| City Hall/Community Center | 2,500,000.00 | 2,627,298.65 |
| Total Restricted Net Position | $ 4,834,606.83 | $ 4,950,109.37 |

## 13. 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

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

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.

Legislation enacted in 2021 reduced the minimum COLA from 0.5 percent to 0.0 percent.

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, 2023, 2022, and 2021, were $16,427.60, $15,891.24, and $15,087.20, 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, 2023, SDRS is 100.1% 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, 2023 and reported by the Municipality as of December 31, 2023 are as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

| | |
|---|---|
| Proportionate share of pension liability | $ 1,525,580.13 |
| Less proportionate share of net pension restricted for pension benefits | $ 1,526,607.70 |
| Proportionate share of net pension liability (asset) | $ (1,027.57) |

At December 31, 2023, the Municipality reported a liability (asset) of $(1,027.57) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2023 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, 2023, the Municipality's proportion was 0.01052800%, which is an increase (decrease) of 0.0001190% from its proportion measured as of June 30, 2022.

At June 30, 2022, SDRS is 100.1% 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, 2022 and reported by the Municipality as of December 31, 2022 are as follows:

| | |
|---|---|
| Proportionate share of pension liability | $ 1,469,398.90 |
| Less proportionate share of net pension restricted for pension benefits | $ 1,470,382.61 |
| Proportionate share of net pension liability (asset) | $ (983.71) |

At December 31, 2022, the Municipality reported a liability (asset) of $(983.71) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2022 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, 2022, the Municipality's proportion was 0.01040900%, which is an increase (decrease) of (0.0006050%) from its proportion measured as of June 30, 2021.

For the year ended December 31, 2023, the Municipality recognized pension expense (reduction of expense) of $4,681.52. At December 31, 2023 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|---|
| Difference between expected and actual experience. | $ 29,127.25 | |
| Changes in assumption. | $ 35,160.09 | $ 51,354.45 |
| Net difference between projected and actual earnings on pension plan investments. | $ 6,841.27 | |
| Changes in proportion and difference between Municipality contributions and proportionate share of contributions. | $ 652.74 | $ 219.97 |
| Municipality contributions subsequent to the measurement date. | $ 7,930.80 | |
| TOTAL | $ 79,712.15 | $ 51,574.42 |

$7,930.80 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, 2024. 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:

| Year Ended December 31: | |
|---|---|
| 2024 | $ 14,206.83 |
| 2025 | $ (15,378.95) |
| 2026 | $ 19,926.99 |
| 2027 | $ 1,452.06 |
| TOTAL | $ 20,206.93 |

For the year ended December 31, 2022, the Municipality recognized pension expense (reduction of expense) of ($5,943.56). At December 31, 2022 the Municipality reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

| | Deferred Outflows Of Resources | Deferred Inflows Of Resources |
|---|---|---|
| Difference between expected and actual experience. | $ 18,725.78 | $ 63.86 |
| Changes in assumption. | $ 62,521.99 | $ 54,792.14 |
| Net difference between projected and actual earnings on pension plan investments. | | $ 2,357.45 |
| Changes in proportion and difference between Municipality contributions and proportionate share of contributions. | $ 943.99 | $ 141.11 |
| Municipality contributions subsequent to the measurement date. | $ 8,025.91 | |
| TOTAL | $ 90,217.67 | $ 57,354.56 |

$8,025.91 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, 2023. 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:

| Year Ended December 31: | |
|---|---|
| 2023 | $ 6,613.94 |
| 2024 | $ 13,940.39 |
| 2025 | $ (15,311.08) |
| 2026 | $ 19,593.95 |
| TOTAL | $ 24,837.20 |

Actuarial Assumptions:
The total pension liability (asset) in the June 30, 2023 and June 30, 2022 actuarial valuation were 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 7.66% at entry to 3.15% after 25 years of service |
| Discount Rate | 6.50% net of plan investment expense. This is composed of an average inflation rate of 2.50% and real returns of 4.00% |
| Future COLAs | 2.10% - 2022<br>1.91% - 2023 |

Mortality Rates:
All mortality rates based on Pub-2010 amount-weighted mortality tables, projected generationally with improvement scale MP-2020
Active and Terminated Vested Members:
Teachers, Certified Regents, and Judicial: PubT-2010
Other Class A Members: PubG-2010

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Public Safety Members: PubS-2010
Retired Members:
Teachers, Certified Regents, and Judicial Retirees: PubT-2010, 108% of rates above age 65
Other Class A Retirees: PubG-2010, 93% of rates through age 74, increasing by 2% per year until 111% of rates at age 83 and above
Public Safety Retirees: PubS-2010, 102% of rates at all ages
Beneficiaries:
PubG-2010 contingent survivor mortality table
Disabled Members:
Public Safety: PubS-2010 disabled member mortality table
Others: PubG-2010 disabled member mortality table

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2022.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2016 to June 30, 2021.

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, 2023 (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 | 56.3% | 4.3% |
| Fixed Income | 22.8% | 1.6% |
| High Yield Debt | 7.0% | 2.7% |
| Real Estate | 12.0% | 3.5% |
| Cash | 1.9% | 0.8% |
| 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, 2022 (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% | 3.7% |
| Fixed Income | 30.0% | 1.1% |
| Real Estate | 10.0% | 2.6% |
| Cash | 2.0% | 0.4% |
| Total | 100% | |

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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, 2023, 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) | $210,617.80 | $(1,027.57) | $(174,113.12) |

At December 31, 2022, 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) | $204,259.54 | $(983.71) | $(168,721.68) |

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

## 14. SIGNIFICANT CONTINGENCIES - LITIGATION

At December 31, 2023 and 2022, the Municipality was not involved in any significant litigation.

## 15. 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, 2023 and 2022, 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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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.

16. SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through March 5, 2025, the date on which the financial statements were available to be issued.

A subsequent will be disclosed for the following:

On June 30, 2023, the Municipality closed on a clean water project revenue borrower bond and a drinking water project revenue borrower bond for $1,892,800.00 and $637,650.00, respectively. At December 31, 2023, the Municipality had draw-downs and were liable for $173,452.00 and $204,440.00, respectively on those bonds.

During the July 11, 2023 board meeting, the board approved a resolution to authorize the issuance of drinking water revenue bonds and clean water revenue bonds not to exceed $1,400,000.00 and $1,400,000.00, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**GENERAL FUND**
**For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| General Property Taxes | 386,379.00 | 386,379.00 | 387,198.60 | 819.60 |
| General Sales and Use Taxes | 520,621.00 | 520,621.00 | 627,293.63 | 106,672.63 |
| Gross Receipts Business Taxes | 2,000.00 | 2,000.00 | 1,605.82 | (394.18) |
| Penalties and Interest on Delinquent Taxes | 0.00 | 0.00 | 1,020.02 | 1,020.02 |
| Licenses and Permits | 9,500.00 | 9,500.00 | 18,435.00 | 8,935.00 |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 0.00 | 137,316.82 | 137,316.82 |
| State Grants | 0.00 | 0.00 | 5,266.48 | 5,266.48 |
| State Shared Revenue: | | | | |
| Bank Franchise Tax | 1,600.00 | 1,600.00 | 2,788.71 | 1,188.71 |
| Prorate License Fees | 3,500.00 | 3,500.00 | 4,505.61 | 1,005.61 |
| Liquor Tax Reversion | 8,000.00 | 8,000.00 | 9,160.58 | 1,160.58 |
| Motor Vehicle Licenses | 19,000.00 | 19,000.00 | 21,731.20 | 2,731.20 |
| Local Government Highway and Bridge Fund | 15,000.00 | 15,000.00 | 17,506.70 | 2,506.70 |
| County Shared Revenue: | | | | |
| County Road Tax | 2,600.00 | 2,600.00 | 2,674.43 | 74.43 |
| County Wheel Tax | 6,000.00 | 6,000.00 | 8,074.45 | 2,074.45 |
| Charges for Goods and Services: | | | | |
| General Government | 4,500.00 | 4,500.00 | 50.00 | (4,450.00) |
| Highways and Streets | 114,600.00 | 114,600.00 | 9,000.00 | (105,600.00) |
| Sanitation | 20,000.00 | 20,000.00 | 116,673.33 | 96,673.33 |
| Culture and Recreation | 0.00 | 0.00 | 27,200.75 | 27,200.75 |
| Fines and Forfeits: | | | | |
| Parking Meter Fines | 0.00 | 0.00 | 1,555.00 | 1,555.00 |
| Other | 0.00 | 0.00 | 130.00 | 130.00 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 7,200.00 | 7,200.00 | 258,276.91 | 251,076.91 |
| Special Assessments | 7,980.00 | 7,980.00 | 13,152.81 | 5,172.81 |
| Contributions and Donations from Private Sources | 500.00 | 3,500.00 | 348,015.74 | 344,515.74 |
| Liquor Operating Agreement Income | 30,000.00 | 30,000.00 | 35,878.22 | 5,878.22 |
| Other | 9,500.00 | 9,500.00 | 16,494.46 | 6,994.46 |
| Total Revenue | 1,168,480.00 | 1,171,480.00 | 2,071,005.27 | 899,525.27 |
| **Expenditures:** | | | | |
| General Government: | | | | |
| Legislative | 14,000.00 | 14,000.00 | 7,589.18 | 6,410.82 |
| Contingency | 40,000.00 | 40,000.00 | | |
| Amount Transferred | | (34,000.00) | | 6,000.00 |
| Executive | 28,000.00 | 28,000.00 | 24,592.83 | 3,407.17 |
| Elections | 1,000.00 | 1,000.00 | 0.00 | 1,000.00 |
| Financial Administration | 165,000.00 | 165,000.00 | 156,523.18 | 8,476.82 |
| Other | 37,000.00 | 4,234,500.00 | 541,093.29 | 3,693,406.71 |
| Total General Government | 285,000.00 | 4,448,500.00 | 729,798.48 | 3,718,701.52 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**GENERAL FUND**
**For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Expenditures (Continued):** | | | | |
| Public Safety: | | | | |
| Police | 88,000.00 | 88,000.00 | 87,880.00 | 120.00 |
| Fire | 5,000.00 | 5,000.00 | 2,413.42 | 2,586.58 |
| Other Protection | 2,000.00 | 2,000.00 | 494.34 | 1,505.66 |
| Total Public Safety | 95,000.00 | 95,000.00 | 90,787.76 | 4,212.24 |
| Public Works: | | | | |
| Highways and Streets | 201,000.00 | 749,610.00 | 589,518.61 | 160,091.39 |
| Sanitation | 105,000.00 | 105,000.00 | 95,545.19 | 9,454.81 |
| Total Public Works | 306,000.00 | 854,610.00 | 685,063.80 | 169,546.20 |
| Health and Welfare: | | | | |
| Health | 74,000.00 | 74,000.00 | 15,180.13 | 58,819.87 |
| Total Health and Welfare | 74,000.00 | 74,000.00 | 15,180.13 | 58,819.87 |
| Culture and Recreation: | | | | |
| Recreation | 98,300.00 | 101,400.00 | 93,031.42 | 8,368.58 |
| Parks | 95,600.00 | 141,336.00 | 137,120.65 | 4,215.35 |
| Libraries | 600.00 | 600.00 | 600.00 | 0.00 |
| Auditorium | 2,400.00 | 2,400.00 | 356.91 | 2,043.09 |
| Total Culture and Recreation | 196,900.00 | 245,736.00 | 231,108.98 | 14,627.02 |
| Conservation and Development: | | | | |
| Economic Development and Assistance | 81,380.00 | 81,380.00 | 80,131.86 | 1,248.14 |
| Total Conservation and Development | 81,380.00 | 81,380.00 | 80,131.86 | 1,248.14 |
| Total Expenditures | 1,038,280.00 | 5,799,226.00 | 1,832,071.01 | 3,967,154.99 |
| Excess of Revenue Over (Under) Expenditures | 130,200.00 | (4,627,746.00) | 238,934.26 | 4,866,680.26 |
| **Other Financing Sources (Uses):** | | | | |
| Sale of Municipal Property | 0.00 | 0.00 | 25.00 | 25.00 |
| Compensation for Loss or Damage to Capital Assets | 7,800.00 | 17,536.00 | 98,719.25 | 81,183.25 |
| Total Other Financing Sources (Uses) | 7,800.00 | 17,536.00 | 98,744.25 | 81,208.25 |
| Net Change in Fund Balances | 138,000.00 | (4,610,210.00) | 337,678.51 | 4,947,888.51 |
| Changes in Nonspendable | 0.00 | 0.00 | (368.52) | (368.52) |
| Fund Balance - Beginning | 6,233,372.49 | 6,233,372.49 | 6,233,372.49 | 0.00 |
| FUND BALANCE - ENDING | 6,371,372.49 | 1,623,162.49 | 6,570,682.48 | 4,947,519.99 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**LIQUOR, LODGING & DINING SALES TAX FUND**
**For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| General Sales and Use Taxes | 20,500.00 | 20,500.00 | 21,594.39 | 1,094.39 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 0.00 | 0.00 | 1,795.77 | 1,795.77 |
| Contributions and Donations from Private Sources | 0.00 | 0.00 | 10,520.00 | 10,520.00 |
| Total Revenue | 20,500.00 | 20,500.00 | 33,910.16 | 13,410.16 |
| **Expenditures:** | | | | |
| General Government: | | | | |
| Other | 0.00 | 44,483.75 | 33,288.03 | 11,195.72 |
| Total General Government | 0.00 | 44,483.75 | 33,288.03 | 11,195.72 |
| Conservation and Development: | | | | |
| Economic Development and Assistance | 9,700.00 | 9,700.00 | 9,606.50 | 93.50 |
| Total Conservation and Development | 9,700.00 | 9,700.00 | 9,606.50 | 93.50 |
| Total Expenditures | 9,700.00 | 54,183.75 | 42,894.53 | 11,289.22 |
| Net Change in Fund Balances | 10,800.00 | (33,683.75) | (8,984.37) | 2,120.94 |
| Fund Balance - Beginning | 97,193.48 | 97,193.48 | 97,193.48 | 0.00 |
| FUND BALANCE - ENDING | 107,993.48 | 63,509.73 | 88,209.11 | 2,120.94 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**STREET ASSESSMENT FUND**
**For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 500.00 | 500.00 | 11,188.15 | 10,688.15 |
| Maintenance Assessments | 171,413.00 | 171,413.00 | 170,176.54 | (1,236.46) |
| Total Revenue | 171,913.00 | 171,913.00 | 181,364.69 | 9,451.69 |
| **Expenditures:** | | | | |
| Public Works: | | | | |
| Highways and Streets | 170,000.00 | 350,000.00 | 298,073.94 | 51,926.06 |
| Total Public Works | 170,000.00 | 350,000.00 | 298,073.94 | 51,926.06 |
| Total Expenditures | 170,000.00 | 350,000.00 | 298,073.94 | 51,926.06 |
| Net Change in Fund Balances | 1,913.00 | (178,087.00) | (116,709.25) | 61,377.75 |
| Fund Balance - Beginning | 473,070.65 | 473,070.65 | 473,070.65 | 0.00 |
| FUND BALANCE - ENDING | 474,983.65 | 294,983.65 | 356,361.40 | 61,377.75 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**STORM SEWER MAINTENANCE FUND**
**For the Year Ended December 31, 2023**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Miscellaneous Revenue: | | | | |
| Federal Grants | 0.00 | 0.00 | 211,348.37 | 211,348.37 |
| Investment Earnings | 0.00 | 0.00 | 10,632.55 | 10,632.55 |
| Maintenance Assessments | 79,280.00 | 79,280.00 | 79,776.07 | 496.07 |
| Total Revenue | 79,280.00 | 79,280.00 | 301,756.99 | 222,476.99 |
| **Expenditures:** | | | | |
| Public Works: | | | | |
| Highways and Streets | 70,000.00 | 151,150.00 | 94,238.99 | 56,911.01 |
| Total Public Works | 70,000.00 | 151,150.00 | 94,238.99 | 56,911.01 |
| Total Expenditures | 70,000.00 | 151,150.00 | 94,238.99 | 56,911.01 |
| Excess of Revenue Over (Under) Expenditures | 9,280.00 | (71,870.00) | 207,518.00 | 279,388.00 |
| Fund Balance - Beginning | 397,472.24 | 397,472.24 | 397,472.24 | 0.00 |
| FUND BALANCE - ENDING | 406,752.24 | 325,602.24 | 604,990.24 | 279,388.00 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**GENERAL FUND**
**For the Year Ended December 31, 2022**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Taxes: | | | | |
| General Property Taxes | 372,969.00 | 372,969.00 | 372,659.68 | (309.32) |
| General Sales and Use Taxes | 440,101.00 | 440,101.00 | 646,471.74 | 206,370.74 |
| Gross Receipts Business Taxes | 2,070.00 | 2,070.00 | 2,012.08 | (57.92) |
| Penalties and Interest on Delinquent Taxes | 0.00 | 0.00 | 960.23 | 960.23 |
| Licenses and Permits | 10,350.00 | 10,350.00 | 17,312.74 | 6,962.74 |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 0.00 | 6,448.72 | 6,448.72 |
| State Grants | 0.00 | 0.00 | 2,831.83 | 2,831.83 |
| State Shared Revenue: | | | | |
| Bank Franchise Tax | 1,600.00 | 1,600.00 | 2,612.96 | 1,012.96 |
| Prorate License Fees | 3,500.00 | 3,500.00 | 4,340.88 | 840.88 |
| Liquor Tax Reversion | 8,000.00 | 8,000.00 | 9,209.49 | 1,209.49 |
| Motor Vehicle Licenses | 19,000.00 | 19,000.00 | 20,667.23 | 1,667.23 |
| Local Government Highway and Bridge Fund | 15,000.00 | 15,000.00 | 16,883.57 | 1,883.57 |
| County Shared Revenue: | | | | |
| County Road Tax | 2,600.00 | 2,600.00 | 2,674.43 | 74.43 |
| County Wheel Tax | 6,000.00 | 6,000.00 | 7,610.10 | 1,610.10 |
| Charges for Goods and Services: | | | | |
| General Government | 0.00 | 0.00 | 10.00 | 10.00 |
| Highways and Streets | 4,500.00 | 4,500.00 | 4,500.00 | 0.00 |
| Sanitation | 106,800.00 | 106,800.00 | 108,593.05 | 1,793.05 |
| Culture and Recreation | 20,000.00 | 20,000.00 | 27,359.22 | 7,359.22 |
| Fines and Forfeits: | | | | |
| Court Fines and Costs | 0.00 | 0.00 | 550.00 | 550.00 |
| Other | 0.00 | 0.00 | 40.00 | 40.00 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 7,200.00 | 7,200.00 | 34,810.38 | 27,610.38 |
| Rentals | 4,000.00 | 4,000.00 | 2,620.50 | (1,379.50) |
| Special Assessments | 8,530.00 | 8,530.00 | 9,879.18 | 1,349.18 |
| Contributions and Donations from Private Sources | 500.00 | 5,500.00 | 8,235.00 | 2,735.00 |
| Liquor Operating Agreement Income | 29,000.00 | 29,000.00 | 36,817.41 | 7,817.41 |
| Other | 10,000.00 | 10,000.00 | 24,814.21 | 14,814.21 |
| Total Revenue | 1,071,720.00 | 1,076,720.00 | 1,370,924.63 | 294,204.63 |
| **Expenditures:** | | | | |
| General Government: | | | | |
| Legislative | 11,000.00 | 11,000.00 | 7,976.17 | 3,023.83 |
| Contingency | 40,000.00 | 40,000.00 | | |
| Amount Transferred | | 0.00 | | 40,000.00 |
| Executive | 29,800.00 | 29,800.00 | 23,236.96 | 6,563.04 |
| Elections | 1,000.00 | 1,000.00 | 0.00 | 1,000.00 |
| Financial Administration | 168,900.00 | 168,900.00 | 153,126.35 | 15,773.65 |
| Other | 87,650.00 | 159,015.89 | 140,318.82 | 18,697.07 |
| Total General Government | 338,350.00 | 409,715.89 | 324,658.30 | 85,057.59 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**GENERAL FUND**
**For the Year Ended December 31, 2022**

| | 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 | 4,000.00 | 4,000.00 | 2,513.88 | 1,486.12 |
| Other Protection | 1,750.00 | 1,750.00 | 448.02 | 1,301.98 |
| Total Public Safety | 93,630.00 | 93,630.00 | 90,841.90 | 2,788.10 |
| Public Works: | | | | |
| Highways and Streets | 213,700.00 | 802,844.73 | 483,732.55 | 319,112.18 |
| Sanitation | 96,000.00 | 103,000.00 | 101,349.60 | 1,650.40 |
| Total Public Works | 309,700.00 | 905,844.73 | 585,082.15 | 320,762.58 |
| Health and Welfare: | | | | |
| Health | 43,500.00 | 43,500.00 | 14,758.80 | 28,741.20 |
| Total Health and Welfare | 43,500.00 | 43,500.00 | 14,758.80 | 28,741.20 |
| Culture and Recreation: | | | | |
| Recreation | 87,730.00 | 93,418.30 | 84,835.16 | 8,583.14 |
| Parks | 96,200.00 | 126,966.64 | 123,132.78 | 3,833.86 |
| Libraries | 600.00 | 600.00 | 600.00 | 0.00 |
| Auditorium | 79,600.00 | 257,635.44 | 242,718.61 | 14,916.83 |
| Total Culture and Recreation | 264,130.00 | 478,620.38 | 451,286.55 | 27,333.83 |
| Conservation and Development: | | | | |
| Economic Development and Assistance (Industrial Development) | 47,650.00 | 47,650.00 | 44,946.82 | 2,703.18 |
| Total Conservation and Development | 47,650.00 | 47,650.00 | 44,946.82 | 2,703.18 |
| Total Expenditures | 1,096,960.00 | 1,978,961.00 | 1,511,574.52 | 467,386.48 |
| Excess of Revenue Over (Under) Expenditures | (25,240.00) | (902,241.00) | (140,649.89) | 761,591.11 |
| **Other Financing Sources (Uses):** | | | | |
| Proceeds of General Long-Term Debt Issued | 0.00 | 0.00 | 2,500,000.00 | 2,500,000.00 |
| Sale of Municipal Property | 0.00 | 278,070.00 | 10,976.00 | (267,094.00) |
| Compensation for Loss or Damage to Capital Assets | 0.00 | 0.00 | 1,000,237.65 | 1,000,237.65 |
| Total Other Financing Sources (Uses) | 0.00 | 278,070.00 | 3,511,213.65 | 3,233,143.65 |
| Net Change in Fund Balances | (25,240.00) | (624,171.00) | 3,370,563.76 | 3,994,734.76 |
| Changes in Nonspendable | 0.00 | 0.00 | 8,276.60 | 8,276.60 |
| Fund Balance - Beginning | 2,854,532.13 | 2,854,532.13 | 2,854,532.13 | 0.00 |
| FUND BALANCE - ENDING | 2,829,292.13 | 2,230,361.13 | 6,233,372.49 | 4,003,011.36 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**LIQUOR, LODGING & DINING SALES TAX FUND**
**For the Year Ended December 31, 2022**

| | 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 | 25,734.29 | 6,734.29 |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 0.00 | 0.00 | 842.64 | 842.64 |
| Contributions and Donations from Private Sources | 0.00 | 0.00 | 9,480.00 | 9,480.00 |
| Total Revenue | 19,000.00 | 19,000.00 | 36,056.93 | 17,056.93 |
| **Expenditures:** | | | | |
| General Government: | | | | |
| Other | 0.00 | 50,000.00 | 21,461.97 | 28,538.03 |
| Total Culture and Recreation | 0.00 | 50,000.00 | 21,461.97 | 28,538.03 |
| Conservation and Development: | | | | |
| Economic Development and Assistance | 12,200.00 | 12,200.00 | 11,042.88 | 1,157.12 |
| Total Conservation and Development | 12,200.00 | 12,200.00 | 11,042.88 | 1,157.12 |
| Total Expenditures | 12,200.00 | 62,200.00 | 32,504.85 | 29,695.15 |
| Net Change in Fund Balances | 6,800.00 | (43,200.00) | 3,552.08 | 46,752.08 |
| Fund Balance - Beginning | 93,641.40 | 93,641.40 | 93,641.40 | 0.00 |
| FUND BALANCE - ENDING | 100,441.40 | 50,441.40 | 97,193.48 | 46,752.08 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**STREET ASSESSMENT FUND**
**For the Year Ended December 31, 2022**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 500.00 | 500.00 | 3,603.84 | 3,103.84 |
| Maintenance Assessments | 171,413.00 | 171,413.00 | 170,736.53 | (676.47) |
| Total Revenue | 171,913.00 | 171,913.00 | 174,340.37 | 2,427.37 |
| **Expenditures:** | | | | |
| Public Works: | | | | |
| Highways and Streets | 170,000.00 | 170,000.00 | 33,275.23 | 136,724.77 |
| Total Public Works | 170,000.00 | 170,000.00 | 33,275.23 | 136,724.77 |
| Total Expenditures | 170,000.00 | 170,000.00 | 33,275.23 | 136,724.77 |
| Net Change in Fund Balances | 1,913.00 | 1,913.00 | 141,065.14 | 139,152.14 |
| Fund Balance - Beginning | 332,005.51 | 332,005.51 | 332,005.51 | 0.00 |
| FUND BALANCE - ENDING | 333,918.51 | 333,918.51 | 473,070.65 | 139,152.14 |

**REQUIRED SUPPLEMENTARY INFORMATION**
**MUNICIPALITY OF SALEM**
**BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS**
**STORM SEWER MAINTENANCE FUND**
**For the Year Ended December 31, 2022**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget - |
|---|---|---|---|---|
| | Original | Final | (Budgetary Basis) | Positive (Negative) |
| **Revenues:** | | | | |
| Intergovernmental Revenue: | | | | |
| Federal Grants | 0.00 | 466,702.00 | 302,763.15 | (163,938.85) |
| Miscellaneous Revenue: | | | | |
| Investment Earnings | 0.00 | 0.00 | 2,718.73 | 2,718.73 |
| Maintenance Assessments | 79,280.00 | 79,280.00 | 79,449.35 | 169.35 |
| Contributions and Donations from Private Sources | 0.00 | 118,798.00 | 0.00 | (118,798.00) |
| Total Revenue | 79,280.00 | 664,780.00 | 384,931.23 | (279,848.77) |
| **Expenditures:** | | | | |
| Public Works: | | | | |
| Highways and Streets | 62,400.00 | 647,900.00 | 358,207.86 | 289,692.14 |
| Total Public Works | 62,400.00 | 647,900.00 | 358,207.86 | 289,692.14 |
| Total Expenditures | 62,400.00 | 647,900.00 | 358,207.86 | 289,692.14 |
| Excess of Revenue Over (Under) Expenditures | 16,880.00 | 16,880.00 | 26,723.37 | 9,843.37 |
| **Other Financing Sources (Uses):** | | | | |
| Transfers In | 0.00 | 0.00 | 56.82 | 56.82 |
| Proceeds of General Long-Term Debt Issued | 0.00 | 0.00 | 398,651.00 | 398,651.00 |
| Total Other Financing Sources (Uses) | 0.00 | 0.00 | 398,707.82 | 398,707.82 |
| Net Change in Fund Balances | 16,880.00 | 16,880.00 | 425,431.19 | 408,551.19 |
| Fund Balance - Beginning | (27,958.95) | (27,958.95) | (27,958.95) | 0.00 |
| FUND BALANCE - ENDING | (11,078.95) | (11,078.95) | 397,472.24 | 408,551.19 |

## 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.

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 Nine Years *

| | Municipality's proportion of the net pension liability/asset | Municipality's proportionate share of net pension liability (asset) | Municipality's covered payroll | Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | Plan fiduciary net position as a percentage of the total pension liability (asset) |
|---|---|---|---|---|---|
| 2023 | 0.0105280% | (1,027.57) | 275,378.13 | 0.37% | 100.10% |
| 2022 | 0.0104090% | (983.71) | 248,550.91 | 0.40% | 100.10% |
| 2021 | 0.0110140% | (84,348.39) | 249,924.59 | 33.75% | 105.52% |
| 2020 | 0.0103718% | (450.45) | 227,630.41 | 0.20% | 100.04% |
| 2019 | 0.0104116% | (1,103.34) | 221,370.56 | 0.50% | 100.09% |
| 2018 | 0.0100486% | (234.36) | 208,902.14 | 0.11% | 100.02% |
| 2017 | 0.0097180% | (881.92) | 197,442.31 | 0.45% | 100.10% |
| 2016 | 0.0096804% | 32,699.44 | 184,072.60 | 17.76% | 96.89% |
| 2015 | 0.0096839% | (41,072.19) | 176,798.76 | 23.23% | 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 compiled, 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 Nine Years *

| | Contractually required contribution | Contributions in relation to the contractually required contribution | Contribution deficiency (excess) | Municipality's covered payroll | Contributions as a percentage of covered payroll |
|---|---|---|---|---|---|
| 2023 | 16,427.60 | 16,427.60 | $ - | 282,342.99 | 5.82% |
| 2022 | 15,891.24 | 15,891.24 | $ - | 264,853.60 | 6.00% |
| 2021 | 15,087.20 | 15,087.20 | $ - | 251,451.25 | 6.00% |
| 2020 | 13,916.60 | 13,916.60 | $ - | 231,943.48 | 6.00% |
| 2019 | 13,573.01 | 13,573.01 | $ - | 226,217.46 | 6.00% |
| 2018 | 12,862.17 | 12,862.17 | $ - | 214,367.55 | 6.00% |
| 2017 | 12,092.90 | 12,092.90 | $ - | 201,547.17 | 6.00% |
| 2016 | 11,414.53 | 11,414.53 | $ - | 190,240.26 | 6.00% |
| 2015 | 10,817.33 | 10,817.33 | $ - | 180,288.54 | 6.00% |

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

**NOTES TO SUPPLEMENTARY INFORMATION**
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Schedule of the Proportionate Share of the Net Pension Liability (Asset) and
Schedule of Pension Contributions

**Changes from Prior Valuation**

The June 30, 2023 Actuarial Valuation reflects no changes to the plan provisions or actuarial methods and one change in actuarial assumptions from the June 30, 2022 Actuarial Valuation.

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

**Benefit Provision Changes**

During the 2023 Legislative Session no significant SDRS benefit changes were made and emergency medical services personnel prospectively became Class B Public Safety members.

**Actuarial Method Changes**

No changes in actuarial methods were made since the prior valuation

**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% 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%.

As of June 30, 2022, the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (2.25%) was less than 100% and the July 2023 SDRS COLA was limited to a restricted maximum of 2.10%. For the June 30, 2022 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA assumption of 2.10%.

As of June 30, 2023, the FVFR assuming future COLAs equal to the baseline COLA assumption of 2.25% is again less than 100% and the July 2024 SDRS COLA is limited to a restricted maximum of 1.91%. The July 2024 SDRS COLA will equal inflation, between 0% and 1.91%. For this June 30, 2023 Actuarial Valuation, future COLAs were assumed to equal the restricted maximum COLA of 1.91%.

Actuarial assumptions are reviewed for reasonability annually and reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2027 Actuarial Valuation and any recommended changes approved by the Board of Trustees are anticipated to be first implemented in the June 30, 2027 Actuarial Valuation.