

City of Salem

2023 ANNUAL REPORT

MUNICIPALITY OF SALEM
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government			Component Units
	Governmental	Business-Type	Total	
	Activities	Activities		
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, Improvements and Construction/Development in Progress	1,436,917.31	511,144.45	1,948,061.76	
Other Capital Assets, Net of Depreciation/Amortization	3,631,028.96	6,382,466.84	10,013,495.80	
TOTAL ASSETS	13,032,165.04	8,753,620.83	21,785,785.87	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	104,830.71	159,903.44	264,734.15	
Due in More than One Year	2,731,641.12	3,647,388.37	6,379,029.49	0.00
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 Inflows 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	2,246,795.27	3,088,941.37	5,335,736.64	
Restricted For:				
Equiq Repair and Replace 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	21,102.58	8,062.71	29,165.29	
Unrestricted (Deficit)	4,002,682.34	176,077.60	4,178,759.94	20,842.18
TOTAL NET POSITION	9,955,054.59	4,509,551.35	14,464,605.94	20,842.18

MUNICIPALITY OF SALEM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Salem HRC Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	313,532.84	18,485.00	1,875.00	414,000.00	120,827.16		120,827.16	
Public Safety	96,825.70	1,555.00	0.00	0.00	(95,270.70)		(95,270.70)	
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	0.00	1,787.00	0.00	(15,224.10)		(15,224.10)	
Culture and Recreation	238,593.06	27,200.75	3,261.00	38,799.74	(169,331.57)		(169,331.57)	
Conservation and Development	89,754.84	0.00	0.00	0.00	(89,754.84)		(89,754.84)	
Miscellaneous		35,878.22	5,000.00	0.00	40,878.22		40,878.22	
**Interest on Long-term Debt	134,093.31	0.00	0.00	0.00	(134,093.31)		(134,093.31)	
Total Governmental Activities	1,704,029.55	208,922.30	102,811.69	929,088.19	(463,207.37)		(463,207.37)	
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	2,383,481.23	1,028,394.27	112,811.69	962,392.69		183,324.79	(279,882.58)	
Component Units:								
Housing and Redevelopment Commission								HRC Dontaion to Community Ctr (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	
Grants and Contributions not Restricted to Specific Programs					0.00		0.00	
Unrestricted Investment Earnings					281,893.38	41,556.96	323,450.34	
Miscellaneous Revenue					16,519.46	8,305.33	24,824.79	
Total General Revenues, Special Items, Extraordinary Items and Transfers					1,350,075.49	49,862.29	1,399,937.78	6,241.62
Change in Net Position					886,868.12	233,187.08	1,120,055.20	(299,758.38)
Net Position - Beginning					9,068,701.59	4,275,849.15	13,344,550.74	320,600.56
ADJ to Beginnin Bal - ARPA \$ TO SEWER					(515.12)	515.12	0.00	0.00
NET POSITION - ENDING					9,955,054.59	4,509,551.35	14,464,605.94	20,842.18

Charges for Services

- Liquor & Dog Licenses
- Permits (dog, liquor, vendor)
- Motor Vehicle Prorate
- Sale of Junk
- Street Sweeping
- Garbage & Rubble Site Fees
- Parking Fines
- Pool & Rec Fees
- Rentals
- Operating Agreements
- Water & Sewer Fees

Operating Grants & Contributions

- Vehicle Licenses
- Local Hwy/Bridge Fund
- County Road & Wheel Tax
- Contributions
- Compensation for Loss

Capital Grants & Contributions

- Street Assessments
- Storm Sewer Fees
- Contributions
- Grants
- Compensation for Loss

Taxes

- Property Taxes
- Sales Tax

Revenue State Sources

- Bank Franchise Tax
- Liquor Tax Reversion

Unrestricted Investment Earnings

- Interest earned

Miscellaneous Revenue

- Sale of Capital Assets
- Cable Franchise
- Dividends
- Recovery of Prior Year Expenses



REVENUE CATEGORIES

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

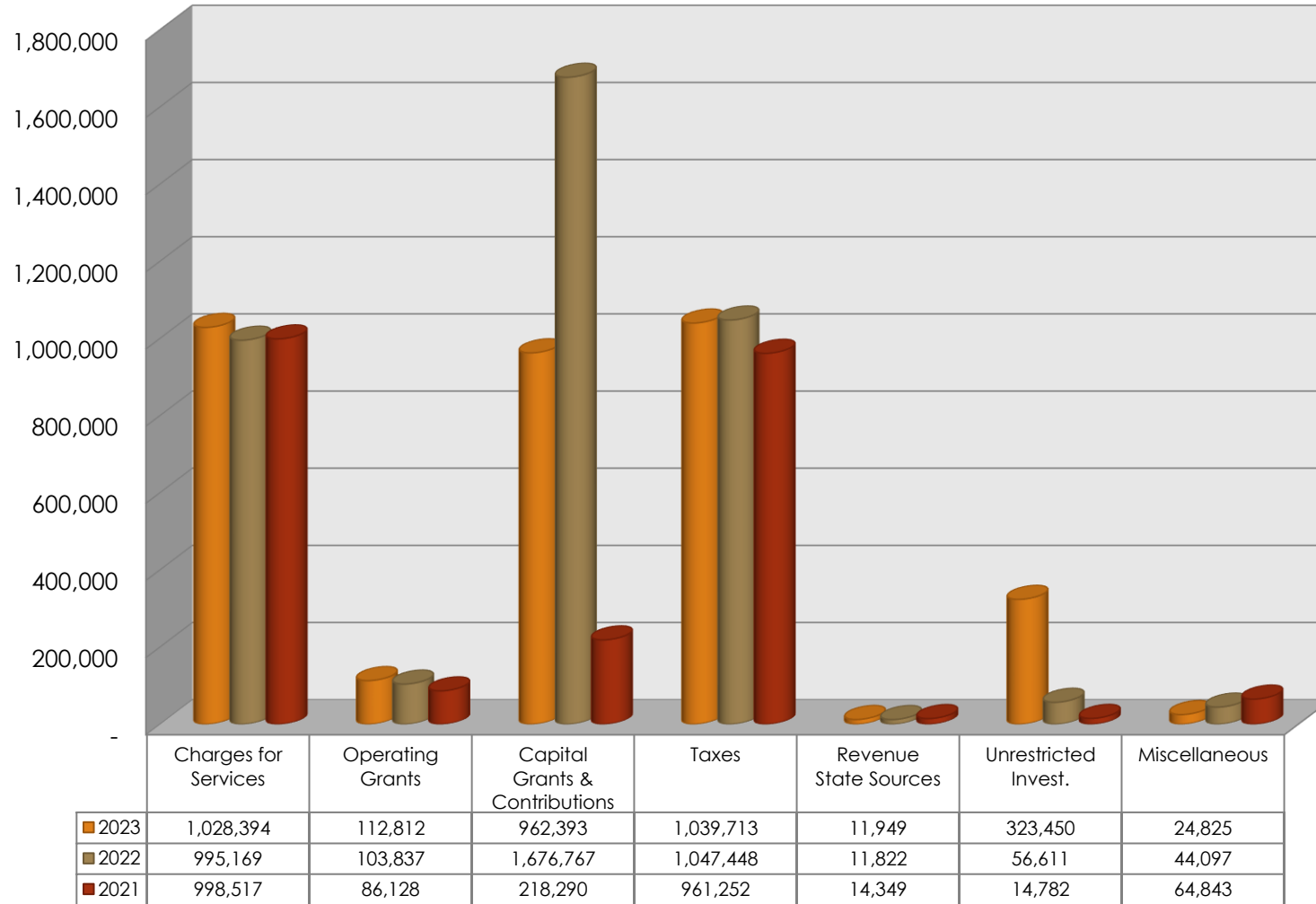
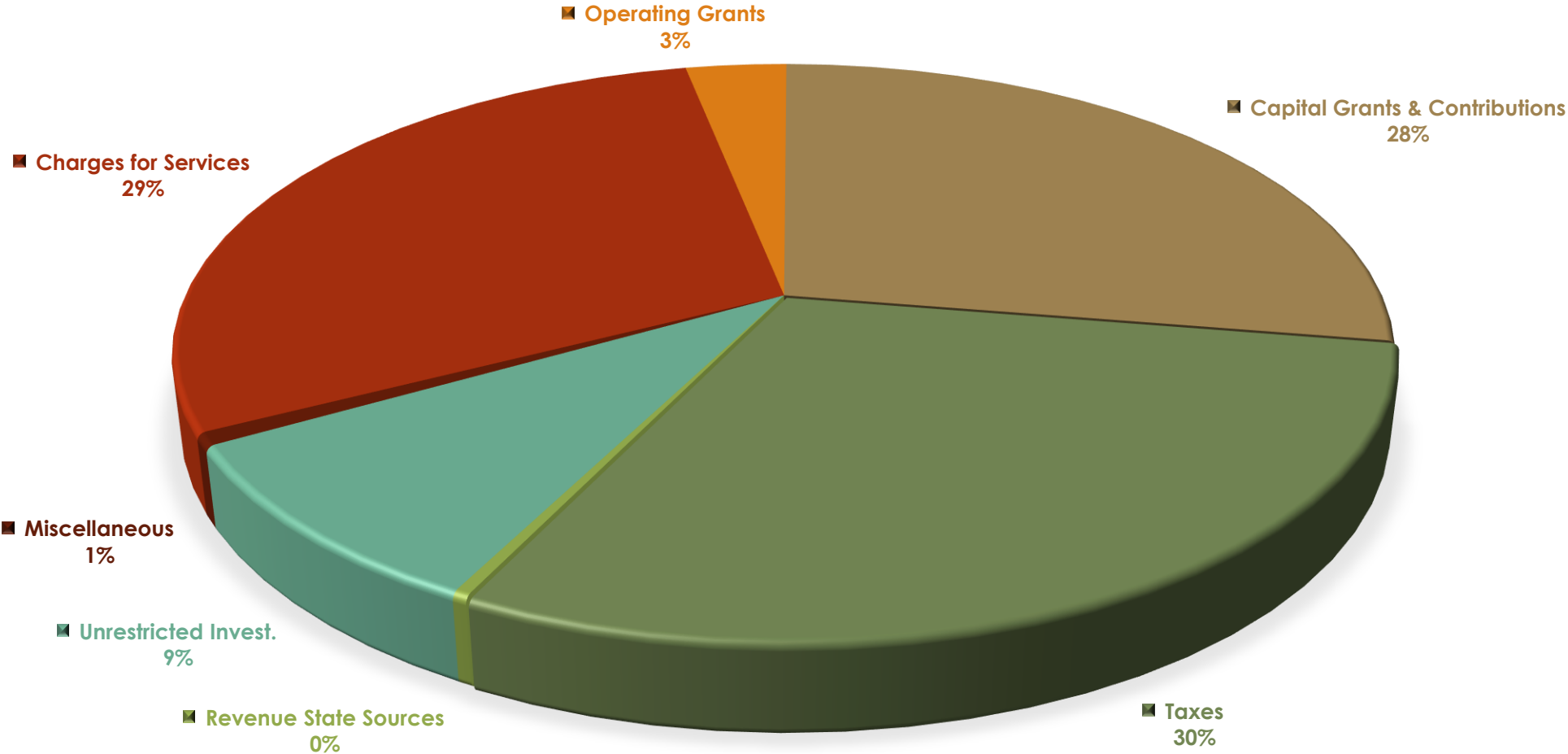


FIGURE A-4, CITY OF SALEM SOURCES OF REVENUE FOR FISCAL YEAR 2023



EXPENDITURE CATEGORIES

General Government

- Publications
- Council & Elections
- Attorney
- Finance Office
- City Hall

Public Safety

- Police
- Volunteer Fire Dept
- Civil Defense

Public Works

- Streets
- Storm Sewer
- Street Lighting
- Snow Removal
- Solid Waste Collection
- Solid Waste Rubble

Health

- Health Inspector
- Mosquito Control

Recreation

- Baseball/Softball
- Pool
- Senior Citizen/Library
- Park

Conservation & Development

- Planning & Zoning
- Promoting Salem
- SMGA – Professional Service

Miscellaneous

- Operating Agreement

Water & Sewer Services

Figure A-3, City of Salem, Functional Expenses, Fiscal Year 2021-2023

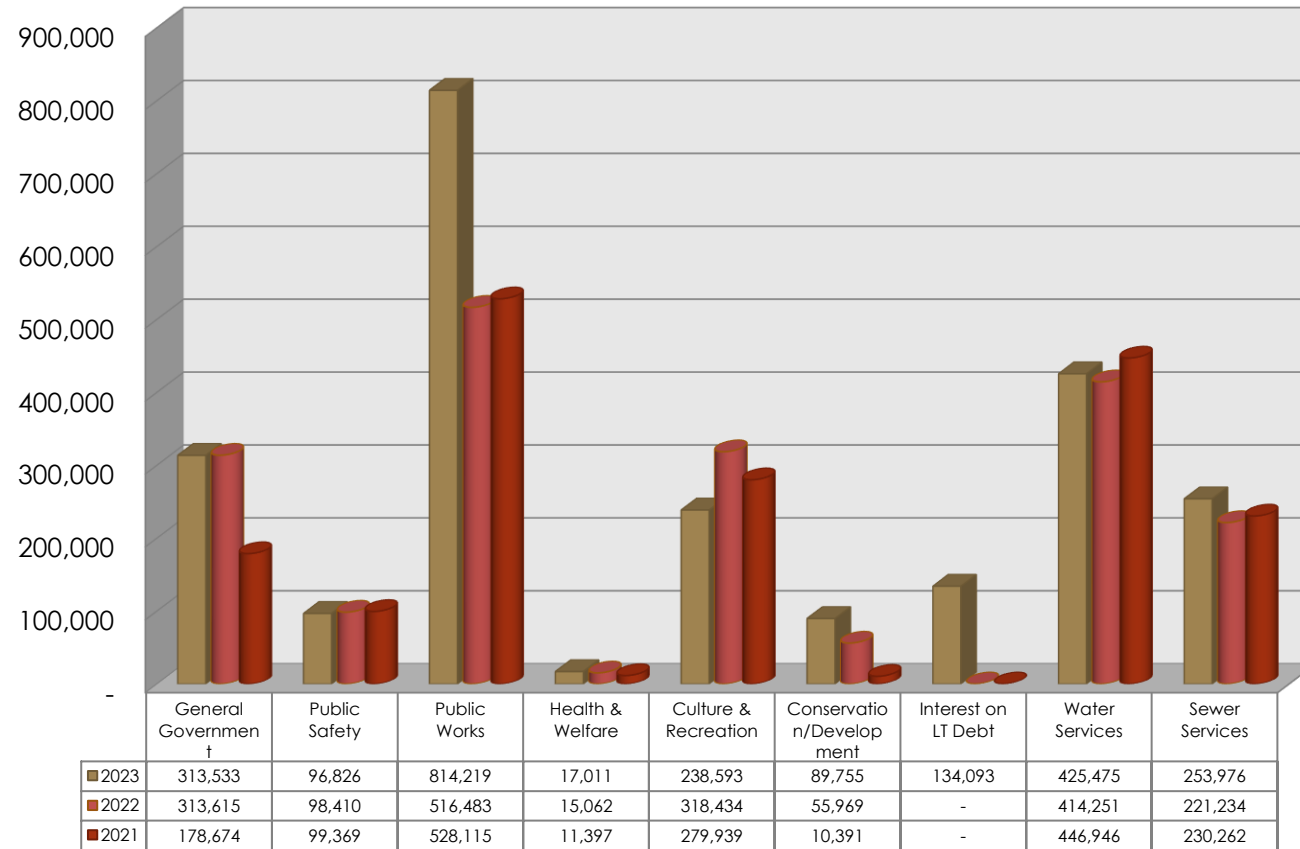
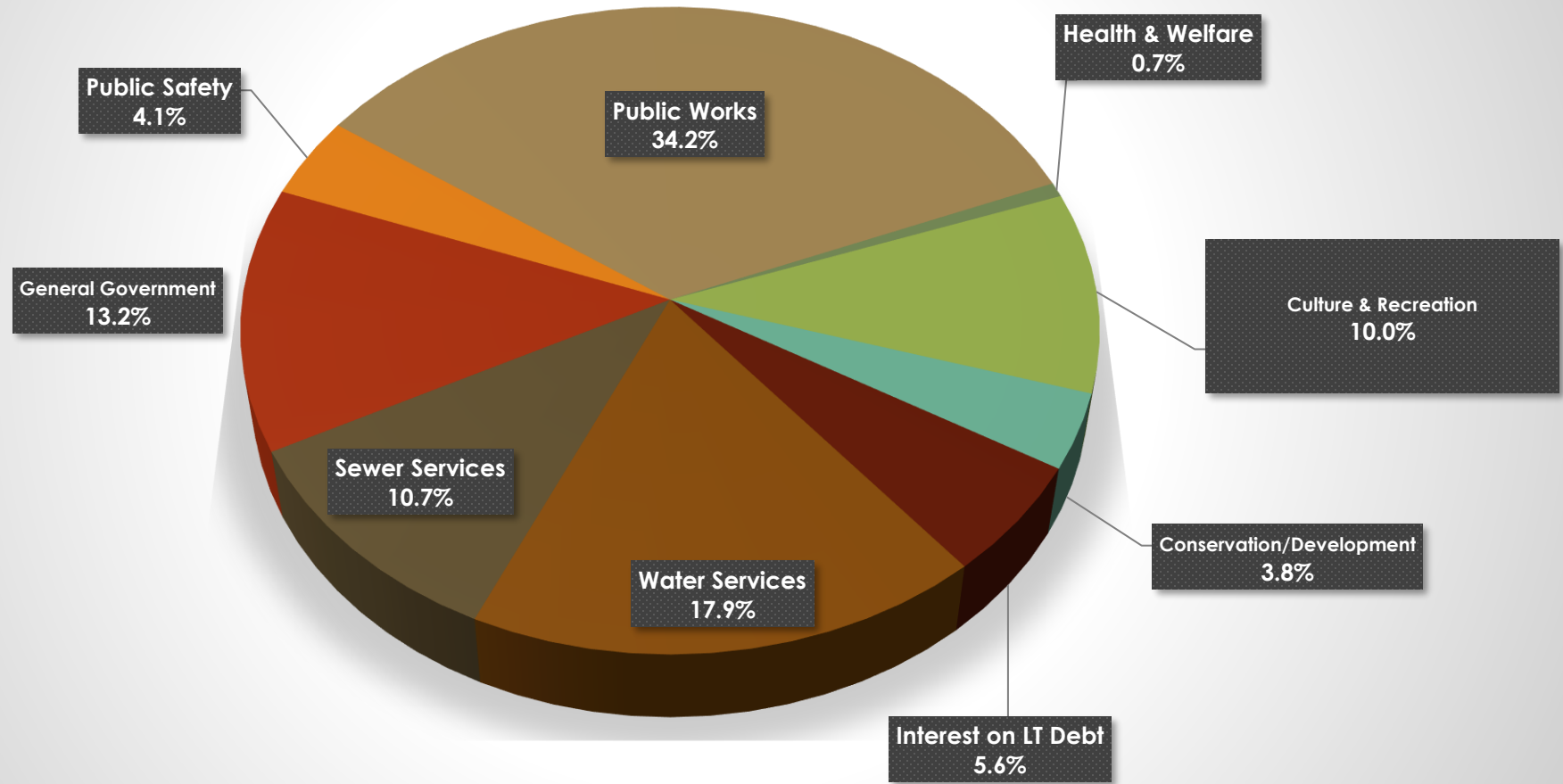


Figure A-7, City of Salem, Functional Expenses for Fiscal Year 2023



OUTSTANDING DEBT & OBLIGATIONS

TABLE A-4

CITY OF SALEM - OUTSTANDING DEBT & OBLIGATIONS

	Governmental Activities			Business-Type Activities			TOTAL CITY CAPITAL 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 Obligat	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 after a 90-day probationary period, which is reflected in the Compensated Absences – the fluctuation between years is typically due to the varying time worked in the funds.

REVENUE BONDS:

- Revenues. \$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) – 3.25% for 2005 Street and Utility Project extended storm sewer on George Ave and replaced storm sewer on Essex Ave. Payment made from Sewer
➤ **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) - 2.25% 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**
- \$637,650 – **2023 Water Utility Revenue Bond** – 30 year (FY2055) – 2.125% 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 - \$202,440**
- \$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**

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 Council decided to demo the old and build a new building to fit the needs of the community. City will budget annually for the payments of this bond.
➤ **Principal balance, as of 12/31/2023 - \$2,422,500.00**

CAPITAL ASSET ADMINISTRATION

By the end of 2023, the City had \$11,961,558 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 \$1,247,310, an 11.64% increase over the last year.

TABLE A-3
CITY OF SALEM - CAPITAL ASSETS - (net of depreciation)

	Governmental Activities			Business-Type Activities			TOTAL CITY CAPITAL ASSETS		
	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	717,771	960,968	934,995	1,382,363	1,535,757	1,490,733	2,100,135
Improvements Other Than Buildings	288,895	684,431	639,489	992	744	496	289,887	685,176	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	6,677,521
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	5,067,946	6,216,464	6,037,490	6,893,611	10,140,097	10,714,248	11,961,558
Increase/(Decrease)	619,768	753,125	391,188	(271,512)	(178,974)	856,121	348,256	574,151	1,247,310
Percentage +/- Capital Assets	18.76%	19.19%	8.36%	-4.18%	-2.88%	14.18%	3.43%	5.66%	11.64%

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

ECONOMIC FACTORS

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 \$621,232.
- 2022 taxable sales base increase – 11.26% - \$3,281,013 with tax revenues of \$653,481.
- 2021 taxable sales base increased – 5.947% - \$1,635,608 with tax revenues of \$579,455.

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 \$22,393.76 a decrease of 4.07% from 2022.
- 2022 tax revenues were \$25,273.54 an increase of 4.115% from 2021.
- 2021 tax revenues were \$24,274.65 an increase of 22.369% from 2020.