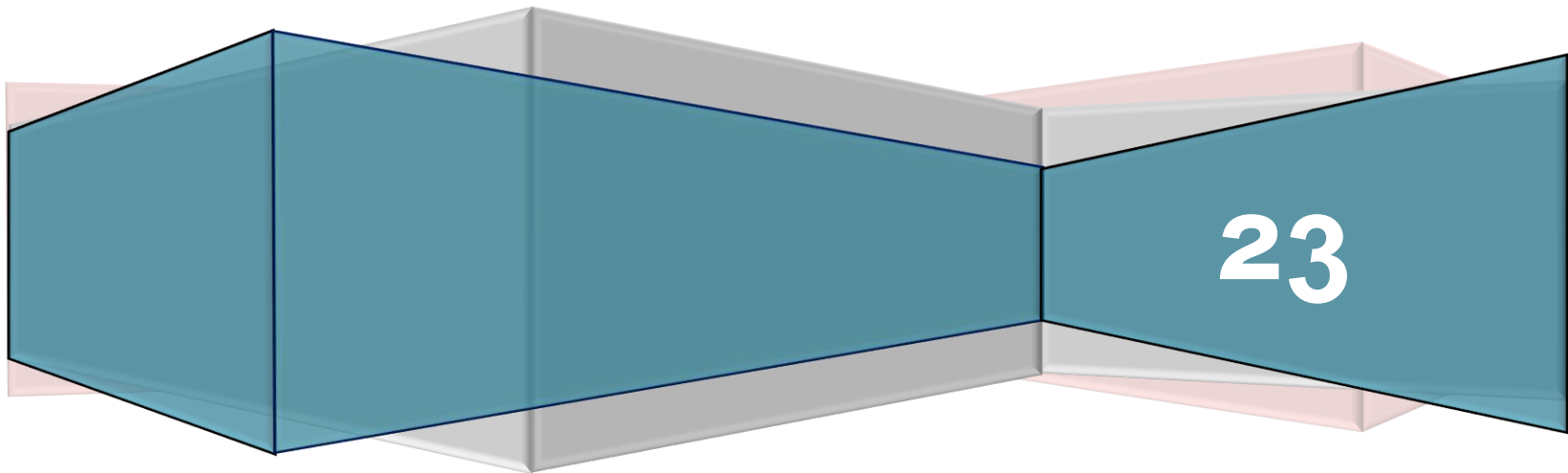


# CITY OF SALEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2023



**CITY OF SALEM  
400 N MAIN STREET  
PO BOX 249  
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 \$1,120,055 more than the \$2,383,481 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**

<b>Major Features of the City of Salem’s Government-wide and Fund Financial Statements</b>			
	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
<b>Scope</b>	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.
<b>Required Financial Statements</b>	*Statement of Net Position *Statement of Activities	*Balance Sheet *Statement of Revenues, Expenditures and Changes in Fund Balances	*Balance Sheet *Statement of Revenues, Expenses and Changes in Net Position *Statement of Cash Flows
<b>Accounting Basis and Measurement Focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<b>Type of Asset/Liability Information</b>	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
<b>Type of Inflow/Outflow Information</b>	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**

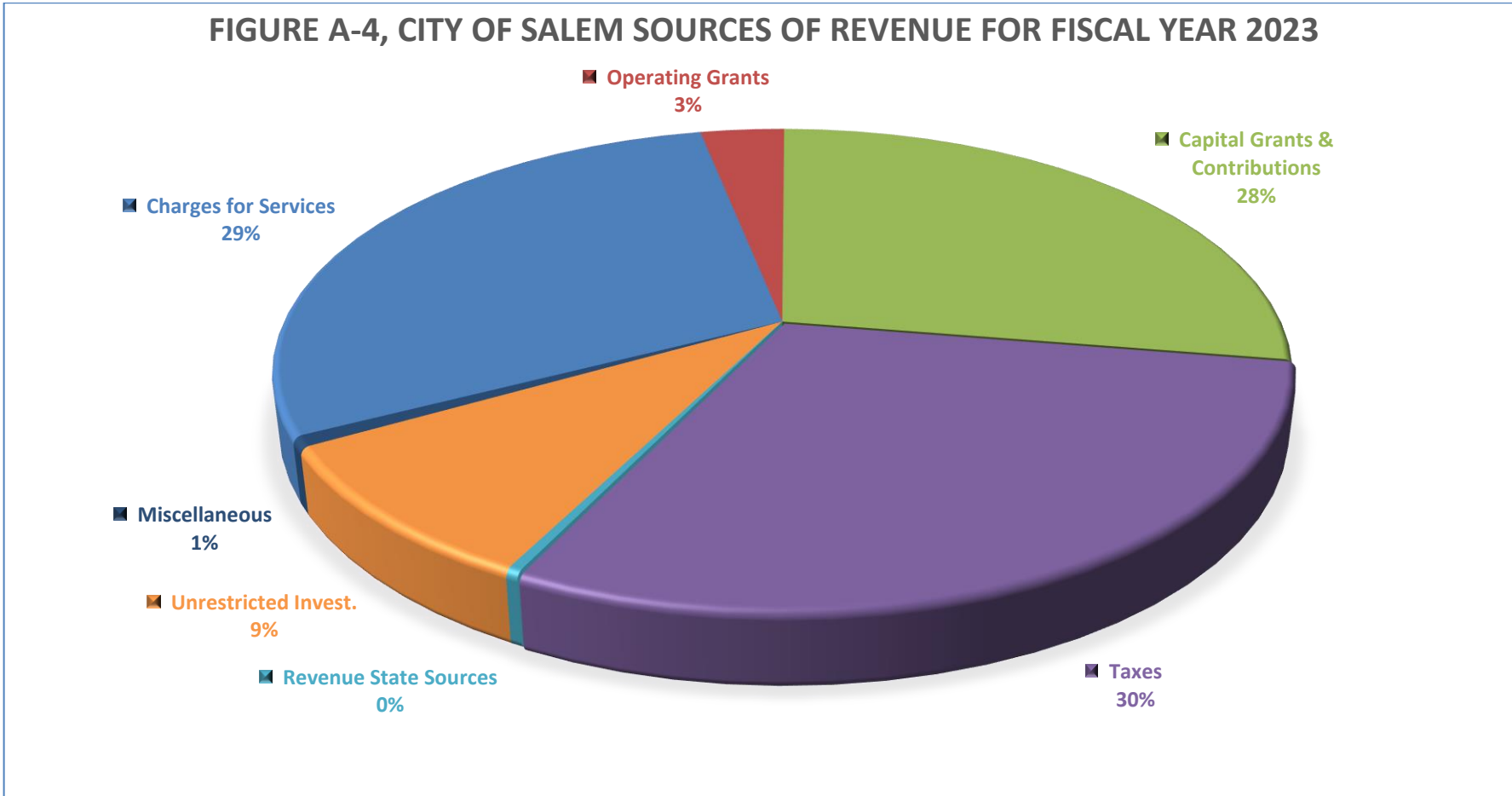
	Governmental Activities			Business-Type Activities			Total		
	2021	2022	2023	2021	2022	2022	2021	2022	2023
	<b>Current and Other Assets</b>	\$ 3,517,061	\$ 7,545,968	\$ 7,963,480	\$ 1,671,542	\$ 1,905,364	\$ 1,859,721	\$ 5,188,603	\$ 9,451,332
<b>Net Pension Asset</b>	59,063	708	739	25,285	276	289	84,348	984	1,028
<b>Capital Assets</b>	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
<b>Total Assets</b>	<u>7,499,757</u>	<u>12,223,434</u>	<u>13,032,165</u>	<u>7,913,291</u>	<u>7,943,129</u>	<u>8,753,621</u>	<u>15,413,048</u>	<u>20,166,564</u>	<u>21,785,786</u>
<b>Def Outflows of Resources</b>	46,003	63,573	56,200	19,114	26,644	23,513	65,117	90,218	79,712
<b>LT Debt Outstanding</b>	1,436	2,815,402	2,836,472	3,589,938	3,427,692	3,807,292	3,591,374	6,243,095	6,643,764
<b>Other Liabilities</b>	188,781	363,022	261,002	214,192	246,999	442,790	402,973	610,021	703,793
<b>Total Liabilities</b>	<u>190,218</u>	<u>3,178,424</u>	<u>3,097,474</u>	<u>3,804,130</u>	<u>3,674,691</u>	<u>4,250,082</u>	<u>3,994,348</u>	<u>6,853,115</u>	<u>7,347,556</u>
<b>Def Inflows of Resources</b>	42,623	39,882	35,836	18,372	19,234	17,500	60,995	59,116	53,336
<b>Assets Net of Related Debt</b>	3,923,633	1,778,107	2,246,795	2,470,107	2,448,548	3,088,941	6,393,740	4,226,655	5,335,737
<b>Restricted</b>	423,200	3,498,300	3,705,577	1,165,977	1,336,307	1,244,532	1,589,176	4,834,607	4,950,109
<b>Unrestricted</b>	2,923,883	3,792,295	4,002,682	455,456	490,994	176,078	3,379,339	4,283,289	4,178,760
<b>Total Net Position</b>	<u>\$ 7,270,715</u>	<u>\$ 9,068,702</u>	<u>\$ 9,955,055</u>	<u>\$ 4,091,540</u>	<u>\$ 4,275,849</u>	<u>\$ 4,509,551</u>	<u>\$ 11,362,255</u>	<u>\$ 13,344,551</u>	<u>\$ 14,464,606</u>
<b>Beginning Net Position</b>	\$ 6,828,546	\$ 7,270,715	\$ 9,068,186	\$ 3,960,642	\$ 4,091,540	\$ 4,276,364	\$ 10,789,188	\$ 11,362,255	\$ 13,344,551
<b>Increase (Decrease in Net Position)</b>	<u>\$ 442,169</u>	<u>\$ 1,797,987</u>	<u>\$ 886,868</u>	<u>\$ 130,898</u>	<u>\$ 184,309</u>	<u>\$ 233,187</u>	<u>\$ 573,067</u>	<u>\$ 1,982,296</u>	<u>\$ 1,120,055</u>
<b>Percentage +/- Net Position</b>	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 and 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 and liabilities is its net position.

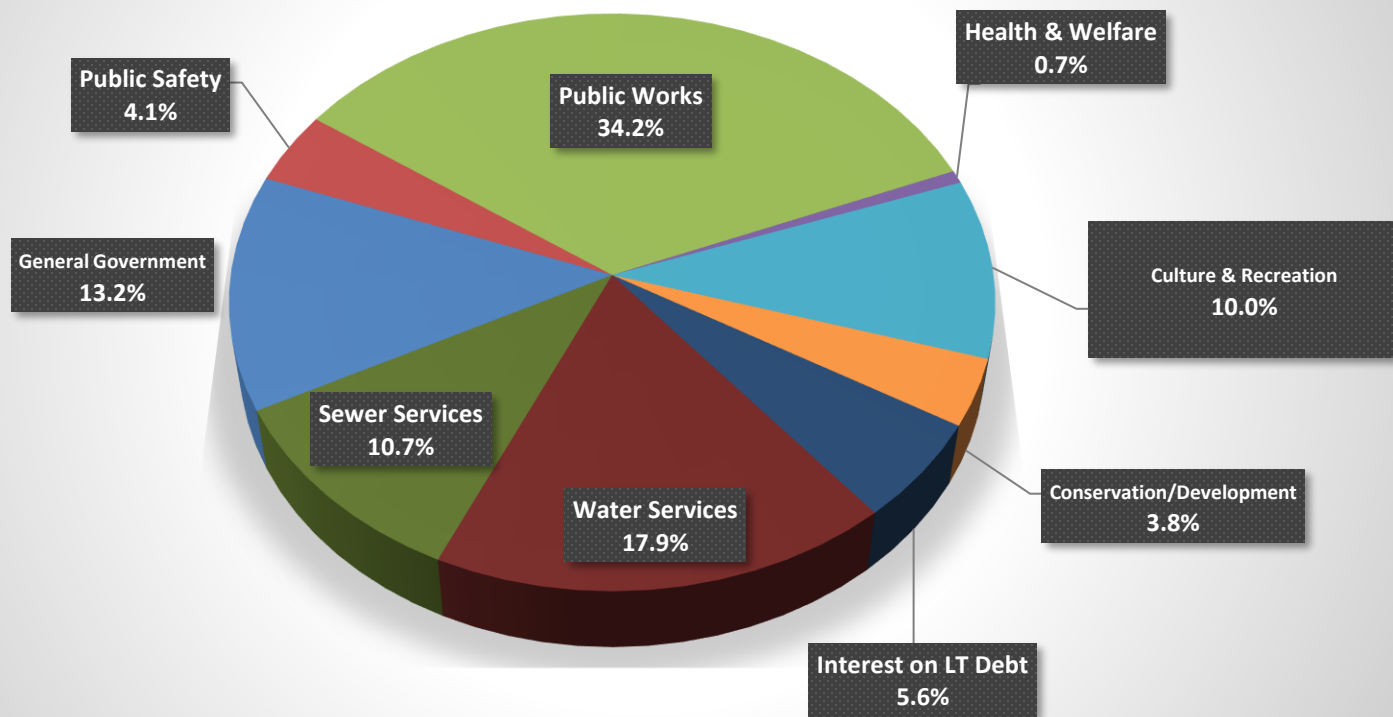
**CHANGES IN NET POSITION**

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**



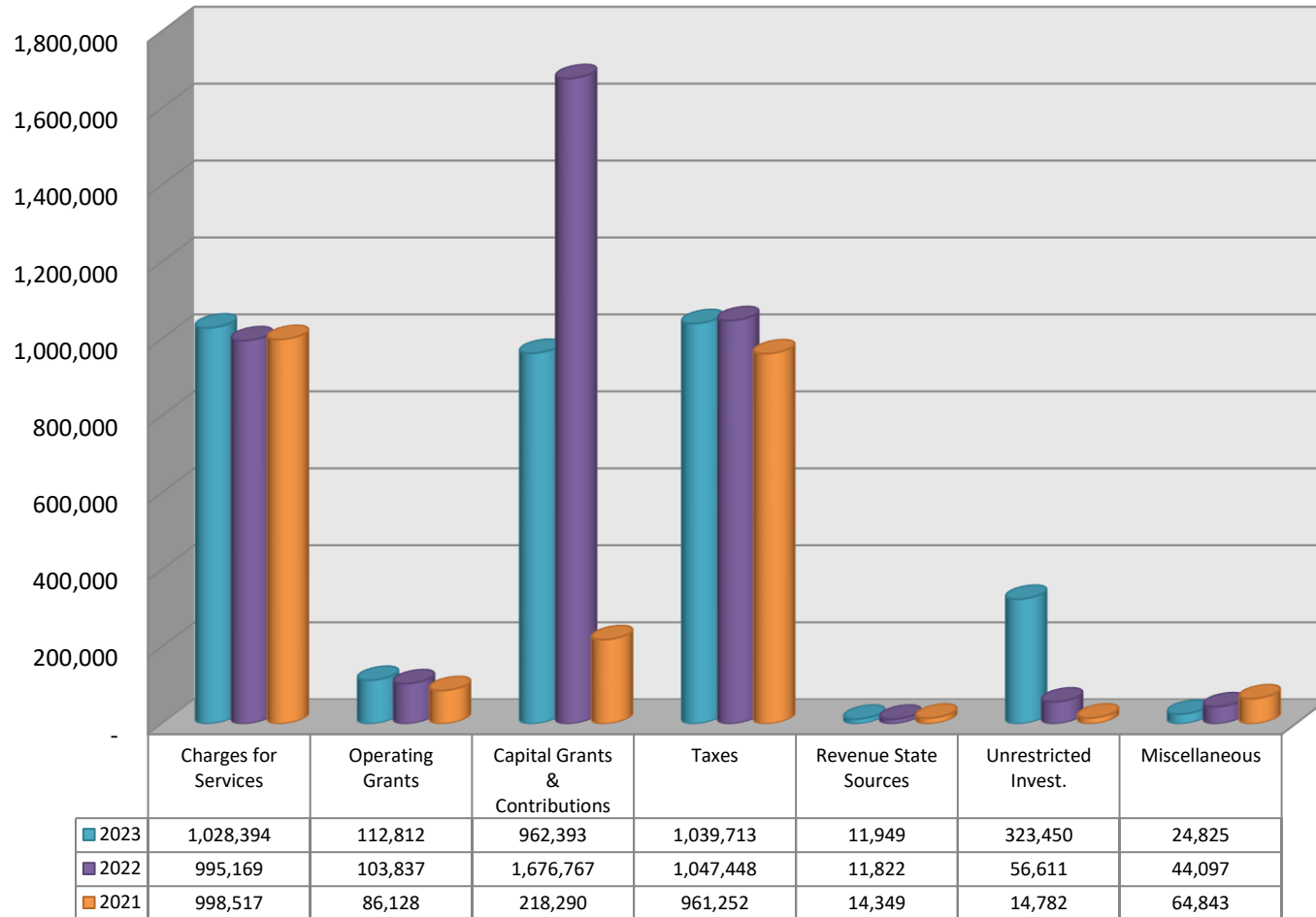


REVENUE COMPARISON, TABLE A-2

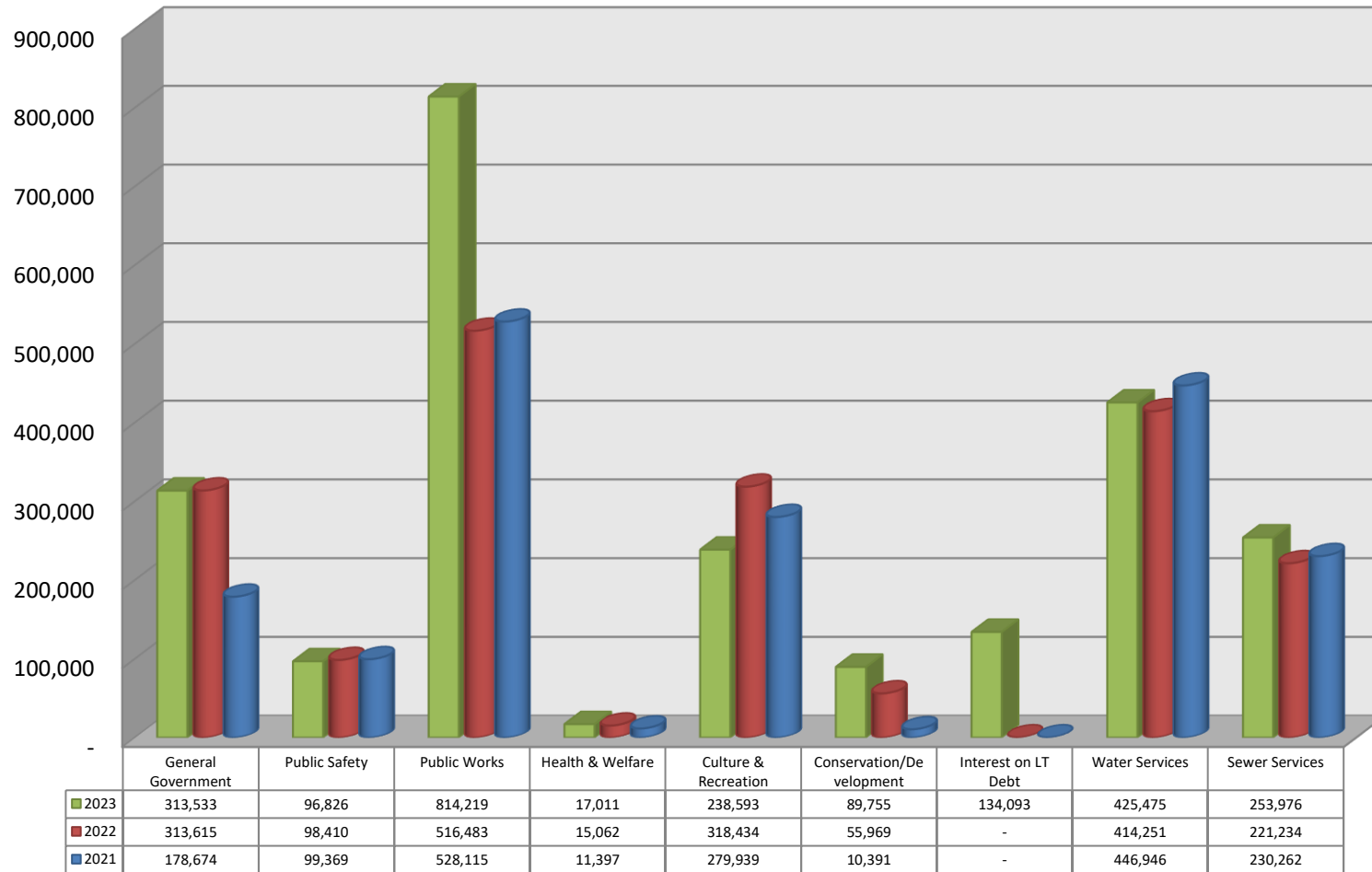
TABLE A-2									
MUNICIPALITY OF SALEM									
Changes in Net Position 12/31/2023									
	Governmental Activities			Business-Type Activities			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
<b>Revenue:</b>									
<b>Program Revenues</b>									
<b>Charges for Services</b>	203,754	197,803	208,922	794,762	797,366	819,472	998,517	995,169	1,028,394
<b>Operating Grants</b>	86,128	103,837	102,812	-	-	10,000	86,128	103,837	112,812
<b>Capital Grants &amp; Contributions</b>	218,290	1,676,767	929,088	-	-	33,305	218,290	1,676,767	962,393
<b>General Revenues</b>									
<b>Taxes</b>	961,252	1,047,448	1,039,713	-	-	-	961,252	1,047,448	1,039,713
<b>Revenue State Sources</b>	14,349	11,822	11,949	-	-	-	14,349	11,822	11,949
<b>Unrestricted Invest.</b>	10,043	42,491	281,893	4,739	14,120	41,557	14,782	56,611	323,450
<b>Miscellaneous</b>	56,238	35,790	16,519	8,605	8,307	8,305	64,843	44,097	24,825
<b>TOTAL REVENUES</b>	<b>1,550,055</b>	<b>3,115,959</b>	<b>2,590,898</b>	<b>808,106</b>	<b>819,793</b>	<b>912,639</b>	<b>2,358,161</b>	<b>3,935,752</b>	<b>3,503,536</b>
<b>Expenses</b>									
<b>General Government</b>	178,674	313,615	313,533				178,674	313,615	313,533
<b>Public Safety</b>	99,369	98,410	96,826				99,369	98,410	96,826
<b>Public Works</b>	528,115	516,483	814,219				528,115	516,483	814,219
<b>Health &amp; Welfare</b>	11,397	15,062	17,011				11,397	15,062	17,011
<b>Culture &amp; Recreation</b>	279,939	318,434	238,593				279,939	318,434	238,593
<b>Conservation/Development</b>	10,391	55,969	89,755				10,391	55,969	89,755
<b>Interest on LT Debt</b>	-	-	134,093				-	-	134,093
<b>Water Services</b>	-	-	-	446,946	414,251	425,475	446,946	414,251	425,475
<b>Sewer Services</b>	-	-	-	230,262	221,234	253,976	230,262	221,234	253,976
<b>TOTAL EXPENSES</b>	<b>1,107,886</b>	<b>1,317,973</b>	<b>1,704,030</b>	<b>677,208</b>	<b>635,485</b>	<b>679,452</b>	<b>1,785,094</b>	<b>1,953,457</b>	<b>2,383,481</b>
<b>Change in Net Position</b>	<b>442,169</b>	<b>1,797,986</b>	<b>886,868</b>	<b>130,898</b>	<b>184,309</b>	<b>233,187</b>	<b>573,067</b>	<b>1,982,295</b>	<b>1,120,055</b>
<b>Net Position Beginning</b>	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
<b>Adj to Beginning Net Position</b>	-	-	(515)	-	-	515	-	-	-
<b>NET POSITION ENDING</b>	<b>\$ 7,270,715</b>	<b>\$ 9,068,701</b>	<b>\$ 9,955,054</b>	<b>\$ 4,091,540</b>	<b>\$ 4,275,849</b>	<b>\$ 4,509,551</b>	<b>\$ 11,362,255</b>	<b>\$ 13,344,550</b>	<b>\$ 14,464,605</b>

FY2020 – FY2022 REVENUE & EXPENSE COMPARISONS FIRGUE A-2 & A-3

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



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



## 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; 3<sup>rd</sup> 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 \$11,961,558 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.

	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
<b>Total Capital Assets (Net)</b>	<b>3,923,633</b>	<b>4,676,758</b>	<b>5,067,946</b>	<b>6,216,464</b>	<b>6,037,490</b>	<b>6,893,611</b>	<b>10,140,097</b>	<b>10,714,248</b>	<b>11,961,558</b>
<b>Increase/(Decrease)</b>	<b>619,768</b>	<b>753,125</b>	<b>391,188</b>	<b>(271,512)</b>	<b>(178,974)</b>	<b>856,121</b>	<b>348,256</b>	<b>574,151</b>	<b>1,247,310</b>
<b>Percentage +/- Capital Assets</b>	<b>18.76%</b>	<b>19.19%</b>	<b>8.36%</b>	<b>-4.18%</b>	<b>-2.88%</b>	<b>14.18%</b>	<b>3.43%</b>	<b>5.66%</b>	<b>11.64%</b>

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 12<sup>th</sup> storm and the Armory severely damaged in the July 5<sup>th</sup> 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 \$4,029,869 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.

	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
<b>Total Outstanding Debt Obligat</b>	<b>11,498</b>	<b>2,913,479</b>	<b>2,836,472</b>	<b>3,749,804</b>	<b>3,592,344</b>	<b>3,807,292</b>	<b>3,761,302</b>	<b>6,505,822</b>	<b>6,643,764</b>
<b>Increase/(Decrease)</b>	(1,274)	2,901,981	(77,007)	(299,098)	(157,461)	214,948	(300,372)	2,744,520	137,941
<b>Percentage +/- (-) Debt</b>	-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 borrowed \$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) – 3.25% 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) - 2.25% 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 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 24.2% 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.

## **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 requires a minimum rate on 5,000 gallons to be \$75.00 for water and \$75.00 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.