



Salem City Corporation

**Financial Statements
June 30, 2023**

Allred Jackson, PC
50 East 2500 North, Suite 200
North Logan, UT 84341
(P) 435.752.6441
(F) 435.752.6451
www.allredjackson.com

SALEM CITY CORPORATION
Table of Contents

Introductory Section

Letter of transmittal	3
-----------------------------	---

Financial Section

Independent auditor's report	7
Management's discussion and analysis	11
Basic financial statements:	
Statement of net position	23
Statement of activities.....	25
Balance sheet – governmental funds.....	26
Reconciliation of the balance sheet to the statement of net position – governmental funds	28
Statement of revenues, expenditures and changes in fund balances – governmental funds.....	29
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	31
Schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund.....	32
Statement of net position – proprietary funds.....	33
Statement of revenues, expenses and changes in fund net position – proprietary funds.....	35
Statement of cash flows – proprietary funds.....	37
Notes to the financial statements.....	41

SALEM CITY CORPORATION

Table of Contents

Required Supplementary Information

Schedule of the proportionate share of the net pension liability	77
Schedule of contributions	79
Notes to the required supplementary information	81

Supplementary Information

Governmental funds:

Combining balance sheet – nonmajor governmental funds	85
Combining statement of revenues, expenditures and changes in fund balances – nonmajor governmental funds	86

Enterprise funds:

Combining statement of net position – nonmajor enterprise funds	87
Combining statement of revenues, expenditures and changes in fund net position – nonmajor enterprise funds	88
Combining statement of cash flows – nonmajor enterprise funds	90

Supplemental Section

Report on internal control over financial reporting and on compliance	95
Report on state compliance	97

Schedule of Findings and Recommendations

Schedule of findings and recommendations - current year	103
Schedule of findings and recommendations - prior year	104

INTRODUCTORY SECTION

This page intentionally left blank.



Salem City Corporation

"City of Peace"

November 15, 2023

Salem City Council
Salem, Utah

It is with great pleasure that the financial statements for the City of Salem for the year ended June 30, 2023, are presented.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2023, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City of Salem. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the City from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the City's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Salem's financial statements have been audited by Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Salem for the fiscal year ended June 30, 2023, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Salem's financial statements for the fiscal year ended June 30, 2023, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The financial reporting entity includes all funds of the primary government (i.e., the City of Salem, as legally defined).

I wish to express my appreciation to all members of the City who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Kurt Christensen
City of Salem

FINANCIAL SECTION

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
Salem City Corporation
Salem, Utah

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Salem City, Utah (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, and the internal service fund type of the City as of and for the year ended June 30, 2023, as displayed in the City's basic financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, as well as of the aggregate nonmajor governmental funds, the aggregate nonmajor enterprise funds, the internal service fund type, as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City 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 audit opinions.

Responsibilities of Management for the Financial Statements

The City's 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 City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise 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. 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 GAAS 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, 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 City'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 City'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 and pension schedules as listed in the table of contents 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 the Governmental Accounting Standards Board who considers it to be an essential part of financial

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section and combining nonmajor fund financial statements but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the 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 November 15, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive style with a large, stylized 'A' and 'J'.

North Logan, UT
November 15, 2023

This page intentionally left blank.

SALEM CITY CORPORATION **Management's Discussion and Analysis**

For the Year Ended June 30, 2023

As management of Salem City, we offer readers of Salem City's financial statements this narrative overview and analysis of the financial activities of Salem City for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The total net position of Salem City increased 10% to \$112,348,521.
- The total net position of \$112,348,521 is made up of \$78,579,579 in capital assets net of any related debt, \$22,713,982 of restricted net position, and \$11,054,960 in unrestricted net position.
- Total capital assets increased \$9,382,381.
- Business-type activities total net position increased \$5,491,376.
- Governmental activities total net position increased \$4,377,341.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of the following components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business.

- The Statement of Net Position presents information on all of Salem City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Salem City is improving or deteriorating. However, users should also consider other nonfinancial factors.
- The Statement of Activities presents information showing how the City's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of Salem City that are principally supported by taxes and intergovernmental revenues (governmental activities) and functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 23-25 of this report.

SALEM CITY CORPORATION

Management's Discussion and Analysis

Continued

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Salem City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

- **Governmental Funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on the flow of resources and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services provided. Governmental fund information helps users determine whether there are more or fewer financial resources available to spend in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental funds (as determined by generally accepted accounting principles) are the General Fund and the Capital Projects Fund. The rest of the governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary Funds** – Salem City maintains two types of proprietary funds.
 - Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Salem City uses enterprise funds to account for its water, sewer, electric, pressurized irrigation, fiber utility, waste, and storm water activities.
 - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service funds consist of a motor pool fund and a data processing fund.
- **Fiduciary Funds** – Salem City maintains one type of fiduciary fund. Trust funds are used to account for assets held by the City as trustee for individuals. The City holds one trust fund for cemetery perpetual care. This a trust fund used to account for monies received for the perpetual care of cemetery lots.

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As stated previously, net position may serve over time as a useful indicator of a government's financial position. In the case of Salem City, assets exceeded liabilities by \$112,348,521.

The largest portion of Salem City's net position reflects its investment in capital assets (e.g., land, buildings, infrastructure, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

The following table summarizes the City's net position as of June 30, 2023:

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Current and other assets	\$ 35,173,595	\$ 22,857,954	\$ 18,970,153	\$ 16,110,202
Capital assets	36,504,319	32,554,674	88,106,407	82,673,671
Deferred outflow of resources	906,095	575,801	286,136	212,968
Total assets and deferred outflow of resources	72,584,009	55,988,429	107,362,696	98,996,841
Long-term debt outstanding	16,329,280	3,579,027	35,450,213	32,105,564
Other liabilities	12,539,648	12,014,721	1,677,856	1,544,668
Deferred inflow of resources	1,598,417	2,655,358	2,770	606,128
Total liabilities and deferred inflow of resources	30,467,345	18,249,106	37,130,839	34,256,360
Net position:				
Net investment in capital assets	20,014,863	28,956,171	58,564,716	53,724,054
Restricted	17,489,691	4,980,033	5,224,291	4,465,744
Unrestricted	4,612,110	3,803,119	6,442,850	6,550,683
Total net position	\$ 42,116,664	\$ 37,739,323	\$ 70,231,857	\$ 64,740,481

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Governmental activities increased Salem City's net position by \$4,377,341 and business-type activities increased net position by \$5,491,376. The elements of these increases for the fiscal year ended June 30, 2023 were as follows:

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Revenues:				
Program revenues:				
Charges for services	\$ 3,277,766	\$ 4,350,898	\$ 13,155,903	\$ 12,724,252
Operating grants & contributions	1,207,679	1,239,085	-	-
Capital grants & contributions	4,300,707	4,753,295	6,860,266	4,988,830
General revenues:				
Property taxes	1,521,409	1,046,662	-	-
Other taxes	2,858,864	2,549,821	-	-
Investment income	923,564	113,450	185,694	24,485
Other revenues	300	-	-	-
Total revenues	<u>\$ 14,090,289</u>	<u>\$ 14,053,211</u>	<u>\$ 20,201,863</u>	<u>\$ 17,737,567</u>

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

	Governmental Activities		Business-type Activities	
	2023	2022	2023	2022
Expenses:				
General government	\$ 1,682,563	\$ 903,680	\$ -	\$ -
Public safety	2,886,582	2,663,764	-	-
Highways/public improvements	3,356,905	1,719,745	-	-
Parks & recreation	1,356,698	1,936,830	-	-
Interest on long-term debt	325,196	82,463	-	-
Water Utility	-	-	1,531,130	1,455,746
Sewer Utility	-	-	2,918,164	1,946,761
Electric Utility	-	-	5,920,037	6,758,874
Pressurized Irrigation	-	-	2,321,828	1,706,539
Fiber Utility	-	-	884,447	792,574
Waste Utility	-	-	741,025	627,857
Storm Water Utility	-	-	498,860	362,692
Total expenses	9,607,944	7,306,482	14,815,491	13,651,043
Change in net position	4,482,345	6,746,729	5,386,372	4,086,524
Transfers	(105,004)	(54,968)	105,004	54,968
Net change in net position	4,377,341	6,691,761	5,491,376	4,141,492
Net position, beginning	37,739,323	31,047,562	64,740,481	60,598,989
Net position, ending	\$ 42,116,664	\$ 37,739,323	\$ 70,231,857	\$ 64,740,481

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

At the end of the current fiscal year, the City's governmental funds reported combined fund balances of \$22,462,195. Of this total amount \$4,972,504 constitutes unreserved fund balance (committed, assigned and unassigned), which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved and assigned fund balance of the General Fund was \$2,153,783, while total fund balance reached \$6,525,057. The General Fund unreserved fund balance ended at 18 percent of total general fund revenue, which complies with the state requirement limits of 35 percent or less.

The City maintains enterprise funds to account for the business-type activities of the city. Information regarding these activities can be found in the government-wide financial statements but is also reported in greater detail in the separate fund financial statements included within this report.

Unrestricted net position of the Water Utility, Sewer Utility, Electrical Utility, Pressurized Irrigation Utility, Fiber Utility, Waste Utility, and Storm Water Utility Funds at the end of the year amounted to \$6,201,893. Revenues and expenditures from normal operations remained fairly stable with some increases in both areas.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund's original budget was amended from an original budget expense total of \$10,837,089 to a final budget of \$16,127,268, an increase of \$5,290,179. Major changes are summarized as follows:

- | | |
|-----------------------------|-----------|
| • Parks and recreation | 3,465,201 |
| • Highways and public works | 1,675,240 |

SALEM CITY CORPORATION

Management's Discussion and Analysis

Continued

Capital Asset and Debt Administration

Salem City's investment in capital assets for its governmental and proprietary fund activities as of June 30, 2023 amounts to \$124,610,726 (net of accumulated depreciation). The investments in capital assets include land, buildings, improvements, machinery and equipment, and infrastructure. There was a total increase in the City's investment in fixed assets for the current year of \$9,382,381.

Major capital asset events during the current fiscal year including improvements to new subdivisions were as follows:

• Road, sidewalk and park improvements	\$4,889,286
• Sewer line improvements	2,054,825
• Water line improvements	1,208,460
• Storm drain improvements	941,685
• Electrical improvements	1,505,723
• Pressurized irrigation improvements	622,042
• Fiber utility improvements	1,073,268
• Vehicles and equipment	990,075
• Buildings	443,211
• Water rights	310,536

Total capital assets as of June 30, 2023 were as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,029,477	\$ 1,899,567	\$ 5,929,044
Buildings	5,320,740	2,126,217	7,446,957
Improvements	8,857,331	98,662,020	107,519,351
Equipment	5,451,118	2,231,480	7,682,598
Infrastructure	40,049,055	1,277,903	41,326,958
Water rights	-	1,567,917	1,567,917
Construction in progress	88,580	1,299,355	1,387,935
Accumulated depreciation	(27,291,982)	(20,958,052)	(48,250,034)
Total assets	\$ 36,504,319	\$ 88,106,407	\$ 124,610,726

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Long-Term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of \$50,243,742. All of this amount is debt that is secured by specific revenue sources (i.e., revenue bonds).

During the current fiscal year, the City's total bonded debt increased by \$15,991,000 due to new bond issuances.

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ -	\$ -	\$ -
Revenue bonds	16,093,000	34,150,742	50,243,742
Total bonds	<u>\$ 16,093,000</u>	<u>\$ 34,150,742</u>	<u>\$ 50,243,742</u>

Additional information on the City's long-term debt can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The General Fund budget for the fiscal year ending June 30, 2024 reflects a decrease of 16 percent in expenditures over the final fiscal year ending June 30, 2023 due to the increased amount of capital projects in 2023.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of Salem City's finances for all those with an interest in the City's financials. Questions concerning any information provided in this report or requests for additional information should be addressed to: Salem City, Attn: Finance Director, P.O. Box 901, Salem, Utah, 84653.

This page intentionally left blank.

BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

SALEM CITY CORPORATION
Statement of Net Position

As of June 30, 2023

	Governmental Activities	Business-type Activities	Total 2023	Memorandum 2022
Assets				
Cash and investments	\$ 15,495,676	\$ 5,984,876	\$ 21,480,552	\$ 22,040,099
Cash - restricted	17,611,122	11,132,813	28,743,935	12,723,155
Receivables - net	2,066,797	1,001,464	3,068,261	2,052,826
Inventories	-	503,617	503,617	442,177
Total current assets	35,173,595	18,622,770	53,796,365	37,258,257
Equity in joint venture	-	347,383	347,383	345,272
Capital assets				
Land	4,029,477	1,899,567	5,929,044	5,929,044
Buildings	5,320,740	2,126,217	7,446,957	7,109,891
Improvements	8,857,331	98,662,020	107,519,351	97,674,347
Equipment	5,451,118	2,231,480	7,682,598	6,755,660
Infrastructure	40,049,055	1,277,903	41,326,958	38,876,673
Water rights	-	1,567,917	1,567,917	1,257,381
Construction in progress	88,580	1,299,355	1,387,935	1,281,790
Accumulated depreciation	(27,291,982)	(20,958,052)	(48,250,034)	(43,656,441)
Pension asset	-	-	-	1,364,627
Total assets	71,677,914	107,076,560	178,754,474	154,196,501
Deferred outflow of resources - pensions	906,095	286,136	1,192,231	788,769
Total assets and deferred outflows	\$ 72,584,009	\$ 107,362,696	\$ 179,946,705	\$ 154,985,270

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Statement of Net Position

Continued

	Governmental Activities	Business-type Activities	Total 2023	Memorandum 2022
Liabilities and deferred inflows of resources				
Accounts payable and accrued liabilities	\$ 11,424,797	\$ 1,456,729	\$ 12,881,526	\$ 13,310,260
Bond interest payable	160,176	236,700	396,876	249,129
Notes payable	74,551	308,725	383,276	141,612
Bonds payable - current	649,000	1,070,865	1,719,865	1,190,865
Internal balances	240,957	(240,957)	-	-
Net pension liability	713,718	225,384	939,102	-
Notes payable - noncurrent	161,729	625,615	787,344	904,241
Bonds payable - noncurrent	15,444,000	33,445,008	48,889,008	33,447,873
Total liabilities	28,868,928	37,128,069	65,996,997	49,243,980
Deferred inflows of resources - pensions	8,772	2,770	11,542	2,244,919
Deferred inflows of resources - property taxes	1,589,645	-	1,589,645	1,016,567
Total liabilities and deferred inflows of resources	30,467,345	37,130,839	67,598,184	52,505,466
Net position				
Net investment in capital assets	20,014,863	58,564,716	78,579,579	82,680,225
Restricted for debt and capital improvements	17,489,691	5,224,291	22,713,982	9,445,777
Unrestricted	4,612,110	6,442,850	11,054,960	10,353,802
Total net position	\$ 42,116,664	\$ 70,231,857	\$ 112,348,521	\$ 102,479,804

SALEM CITY CORPORATION
Statement of Activities

For the Year Ended June 30, 2023

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total 2023	Memorandum 2022
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		
Governmental activities:								
General government	\$ 1,682,563	\$ 2,088,517	\$ 554,385	\$ -	\$ 960,339	\$ -	\$ 960,339	\$ 2,880,391
Public safety	2,886,582	391,106	26,170	376,503	(2,092,803)	-	(2,092,803)	(1,727,630)
Highways and public works	3,356,905	-	565,945	3,317,141	526,181	-	526,181	2,039,313
Parks and recreation	1,356,698	798,143	61,179	607,063	109,687	-	109,687	(72,815)
Interest on long-term debt	325,196	-	-	-	(325,196)	-	(325,196)	(82,463)
Total governmental activities	9,607,944	3,277,766	1,207,679	4,300,707	(821,792)	-	(821,792)	3,036,796
Business-type activities:								
Water utility	1,531,130	1,547,129	-	1,486,506	-	1,502,505	1,502,505	707,681
Sewer utility	2,918,164	2,288,798	-	2,086,942	-	1,457,576	1,457,576	1,831,201
Electric utility	5,920,037	6,059,952	-	1,444,473	-	1,584,388	1,584,388	1,665,580
Pressurized irrigation	2,321,828	1,392,675	-	900,660	-	(28,493)	(28,493)	356,579
Fiber utility	884,447	719,464	-	-	-	(164,983)	(164,983)	(631,086)
Waste utility	741,025	795,125	-	-	-	54,100	54,100	393,841
Storm water utility	498,860	352,760	-	941,685	-	795,585	795,585	(261,757)
Total business-type activities	\$ 14,815,491	\$ 13,155,903	\$ -	\$ 6,860,266	-	5,200,678	5,200,678	4,062,039
General Revenues:								
Property taxes					1,521,409	-	1,521,409	1,046,662
General sales and use tax					2,047,613	-	2,047,613	1,886,993
Franchise tax and other taxes					811,251	-	811,251	662,828
Unrestricted investment earnings					923,564	185,694	1,109,258	137,935
Sale of capital assets					300	-	300	-
Transfers					(105,004)	105,004	-	-
Total general revenues and transfers					5,199,133	290,698	5,489,831	3,734,418
Change in net position					4,377,341	5,491,376	9,868,717	10,833,253
Net position, beginning					37,739,323	64,740,481	102,479,804	91,646,551
Net position, ending					\$ 42,116,664	\$ 70,231,857	\$ 112,348,521	\$ 102,479,804

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Balance Sheet
Governmental Funds

As of June 30, 2023

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total 2023	Memorandum 2022
Assets					
Cash and investments	\$ 12,584,748	\$ 2,910,928	\$ -	\$ 15,495,676	\$ 15,559,703
Restricted cash	4,492,705	-	13,118,417	17,611,122	5,101,464
Receivables (net):					
Property tax	1,610,542	-	-	1,610,542	1,026,006
Other	456,255	-	-	456,255	174,603
Due from other funds	-	9,111	-	9,111	-
Total assets	<u>\$ 19,144,250</u>	<u>\$ 2,920,039</u>	<u>\$ 13,118,417</u>	<u>\$ 35,182,706</u>	<u>\$ 21,861,776</u>

SALEM CITY CORPORATION
Balance Sheet
Governmental Funds

Continued

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total 2023	Memorandum 2022
Liabilities, deferred inflows of resources and fund balance					
Liabilities:					
Accounts payable and accrued liabilities	\$ 11,029,548	\$ 23,671	\$ 68,536	\$ 11,121,755	\$ 11,621,690
Due to other funds	-	-	9,111	9,111	-
Total liabilities	11,029,548	23,671	77,647	11,130,866	11,621,690
Deferred inflows of resources	1,589,645	-	-	1,589,645	1,016,567
Total liabilities and deferred inflows of resources	12,619,193	23,671	77,647	12,720,511	12,638,257
Fund balance:					
Restricted for:					
Roads and recreational activities	3,633,137	-	-	3,633,137	3,766,435
Perpetual care fund	-	-	77,068	77,068	72,577
Building/subdivision fees, unexpended	738,137	-	-	738,137	1,141,021
Debt reserves and unexpended bond proceeds	-	-	13,041,349	13,041,349	-
Assigned for:					
Library	-	-	-	-	-
Capital projects	136,000	2,896,368	-	3,032,368	1,956,852
Municipal building authority	-	-	(77,647)	(77,647)	12,119
Unassigned for:					
General fund	2,017,783	-	-	2,017,783	2,274,515
Total fund balances	6,525,057	2,896,368	13,040,770	22,462,195	9,223,519
Total liabilities, deferred inflow of resources and fund balances	<u>\$ 19,144,250</u>	<u>\$ 2,920,039</u>	<u>\$ 13,118,417</u>	<u>\$ 35,182,706</u>	<u>\$ 21,861,776</u>

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds

As of June 30, 2023

Total fund balances for governmental funds	\$ 22,462,195
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Consolidation of internal service funds	(240,957)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,504,319
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the funds.	183,605
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,792,498)</u>
Net position of governmental activities	<u>\$ 42,116,664</u>

SALEM CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2023

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total 2023	Memorandum 2022
Revenues:					
Taxes	\$ 4,380,273	\$ -	\$ -	\$ 4,380,273	\$ 3,596,482
Licenses and permits	1,535,941	-	-	1,535,941	2,710,490
Intergovernmental	1,739,113	-	354,267	2,093,380	1,604,227
Charges for services	2,541,320	-	-	2,541,320	3,156,021
Investment earnings	879,432	-	44,132	923,564	113,450
Fines and forfeitures	41,681	-	-	41,681	20,620
Miscellaneous revenues	123,545	-	-	123,545	87,839
Total revenues	11,241,305	-	398,399	11,639,704	11,289,129
Expenditures:					
Current:					
General government	1,734,266	25,321	-	1,759,587	1,414,694
Public safety	3,343,391	-	88,580	3,431,971	2,450,493
Highways and public works	2,108,553	-	-	2,108,553	1,521,193
Parks and recreation	3,561,970	-	-	3,561,970	3,369,756
Debt service:					
Principal retirement	72,747	-	284,000	356,747	309,722
Interest and fiscal charges	7,751	-	176,745	184,496	76,004
Total expenditures	10,828,678	25,321	549,325	11,403,324	9,141,862
Excess (deficiency) of revenues over expenditures	\$ 412,627	\$ (25,321)	\$ (150,926)	\$ 236,380	\$ 2,147,267

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Continued

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total 2023	Memorandum 2022
Other financing sources (uses):					
Transfers in	\$ 613,046	\$ 1,862,887	\$ -	\$ 2,475,933	\$ 2,065,910
Transfers out	(1,862,887)	(718,050)	-	(2,580,937)	(2,120,878)
Proceeds from loan	-	-	13,107,000	13,107,000	221,665
Sale of assets	300	-	-	300	-
Total other financing sources (uses)	(1,249,541)	1,144,837	13,107,000	13,002,296	166,697
Net change in fund balance	(836,914)	1,119,516	12,956,074	13,238,676	2,313,964
Fund balances, beginning	7,361,971	1,776,852	84,696	9,223,519	6,909,555
Fund balances, ending	<u>\$ 6,525,057</u>	<u>\$ 2,896,368</u>	<u>\$ 13,040,770</u>	<u>\$ 22,462,195</u>	<u>\$ 9,223,519</u>

SALEM CITY CORPORATION
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2023

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances-total governmental funds	\$ 13,238,676
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	1,499,360
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.	2,450,285
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(12,811,677)
Internal service funds are used by management to charge the cost of the motor pool and data processing to individual funds. The net asset decrease of the internal service funds are reposted with governmental funds.	(109,020)
Pension (expense) benefit	250,417
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.	(140,700)
Change in net position of governmental activities	<u>\$ 4,377,341</u>

SALEM CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund

For the Year Ended June 30, 2023

	Budget Amounts		General Fund	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 3,865,830	\$ 4,315,586	\$ 4,380,273	\$ 64,687
Licenses and permits	877,437	666,937	1,535,941	869,004
Intergovernmental	1,040,286	2,502,000	1,739,113	(762,887)
Charges for services	5,011,822	5,176,022	2,541,320	(2,634,702)
Fines and forfeitures	20,000	40,000	41,681	1,681
Miscellaneous revenues	381,242	2,822,138	1,002,977	(1,819,161)
Total revenues	11,196,617	15,522,683	11,241,305	(4,281,378)
Expenditures:				
Current:				
General government	2,551,059	2,636,502	1,734,266	902,236
Public safety	3,077,362	3,093,078	3,343,391	(250,313)
Highways and public works	2,676,001	4,351,241	2,108,553	2,242,688
Parks and recreation	2,319,681	5,784,882	3,561,970	2,222,912
Debt Service	212,986	261,565	80,498	181,067
Total expenditures	10,837,089	16,127,268	10,828,678	5,298,590
Excess of expenditures over revenues	359,528	(604,585)	412,627	1,017,212
Other financing sources (uses):				
Sale of assets	2,000	2,000	300	(1,700)
Proceeds from loan	-	-	-	-
Transfers in	445,000	485,000	613,046	128,046
Transfers out	-	(1,852,887)	(1,862,887)	(10,000)
Net change in fund balance	806,528	(1,970,472)	(836,914)	1,133,558
Fund balance, beginning	7,361,971	7,361,971	7,361,971	-
Fund balance, ending	\$ 8,168,499	\$ 5,391,499	\$ 6,525,057	\$ 1,133,558

SALEM CITY CORPORATION
Statement of Net Position
Proprietary Funds

As of June 30, 2023

	Business-Type Activities - Enterprise					Nonmajor		Governmental
	Water Utility	Sewer Utility	Electric Utility	Pressurized	Fiber Utility	Enterprise	Total	Activities
	Fund	Fund	Fund	Irrigation Fund	Fund	Funds		Internal
								Services Fund
Assets								
Current assets:								
Cash and investments	\$ 1,667,264	\$ 2,287,932	\$ 1,236,828	\$ -	\$ 264,840	\$ 528,012	\$ 5,984,876	\$ 185,262
Accounts receivable, net	95,944	194,672	442,789	108,640	75,090	84,329	1,001,464	-
Inventories	147,842	-	195,174	160,601	-	-	503,617	-
Due from other funds	582,399	-	-	-	-	-	582,399	-
Total current assets	2,493,449	2,482,604	1,874,791	269,241	339,930	612,341	8,072,356	185,262
Noncurrent assets:								
Restricted cash and cash equivalents	396,980	2,605,064	5,112,638	2,179,093	839,038	-	11,132,813	-
Net pension asset	-	-	-	-	-	-	-	-
Land, equipment, buildings, and improv.	18,134,179	40,662,049	18,854,022	18,390,799	4,558,610	6,896,883	107,496,542	2,542,340
Less accumulated depreciation	(5,395,274)	(6,435,458)	(4,244,059)	(3,706,016)	(474,995)	(702,250)	(20,958,052)	(1,938,743)
Water rights and stock	1,239,075	-	-	328,842	-	-	1,567,917	-
Right-of-use assets - vehicles	-	-	-	-	-	-	-	70,957
Equity in joint venture	-	-	-	-	-	347,383	347,383	-
Total noncurrent assets	14,374,960	36,831,655	19,722,601	17,192,718	4,922,653	6,542,016	99,586,603	674,554
Total assets	16,868,409	39,314,259	21,597,392	17,461,959	5,262,583	7,154,357	107,658,959	859,816
Deferred outflow of resources - pensions	23,845	59,612	131,145	23,845	35,767	11,922	286,136	-
Total assets and deferred outflows	\$ 16,892,254	\$ 39,373,871	\$ 21,728,537	\$ 17,485,804	\$ 5,298,350	\$ 7,166,279	\$ 107,945,095	\$ 859,816

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Statement of Net Position
Proprietary Funds

Continued

	Business-Type Activities - Enterprise					Nonmajor		Governmental
	Water Utility	Sewer Utility	Electric Utility	Pressurized	Fiber Utility	Enterprise	Total	Activities
	Fund	Fund	Fund	Irrigation Fund	Fund	Funds		Internal
								Services Fund
Liabilities								
Current liabilities:								
Accounts payable and accrued liabilities	\$ 41,536	\$ 153,145	\$ 1,154,065	\$ 102,290	\$ 131,682	\$ 110,711	\$ 1,693,429	\$ 21,628
Due to other funds	-	-	-	582,399	-	-	582,399	-
Loans payable	36,841	252,865	-	-	19,019	-	308,725	-
Lease liability - vehicles	-	-	-	-	-	-	-	41,651
Bonds payable	-	580,000	137,000	333,000	20,865	-	1,070,865	-
Total current liabilities	78,377	986,010	1,291,065	1,017,689	171,566	110,711	3,655,418	63,279
Noncurrent liabilities:								
Net pension liability	18,782	46,955	103,301	18,782	28,173	9,391	225,384	-
Loans payable	130,093	-	-	-	81,451	414,071	625,615	-
Lease liability - vehicles	-	-	-	-	-	-	-	18,516
Bonds payable	-	17,720,000	3,917,000	6,178,742	5,629,266	-	33,445,008	-
Total long-term liabilities	148,875	17,766,955	4,020,301	6,197,524	5,738,890	423,462	34,296,007	18,516
Total liabilities	227,252	18,752,965	5,311,366	7,215,213	5,910,456	534,173	37,951,425	81,795
Deferred inflows of resources - pensions	231	577	1,270	231	346	115	2,770	-
Total liabilities and deferred inflows of resources	\$ 227,483	\$ 18,753,542	\$ 5,312,636	\$ 7,215,444	\$ 5,910,802	\$ 534,288	\$ 37,954,195	\$ 81,795
Net Position								
Net investment in capital assets	\$ 13,811,046	\$ 15,673,726	\$ 14,417,565	\$ 9,710,057	\$ (828,240)	\$ 5,780,562	\$ 58,564,716	\$ 603,597
Restricted for debt and impact fees	396,980	2,605,064	1,251,036	970,919	292	-	5,224,291	-
Unrestricted	2,456,745	2,341,539	747,300	(410,616)	215,496	851,429	6,201,893	174,424
Total net position	\$ 16,664,771	\$ 20,620,329	\$ 16,415,901	\$ 10,270,360	\$ (612,452)	\$ 6,631,991	69,990,900	\$ 778,021
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund							240,957	
Net position from business-type activities							<u>\$ 70,231,857</u>	

SALEM CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise					Nonmajor		Governmental
	Water Utility	Sewer Utility	Electric	Pressurized	Fiber Utility	Enterprise	Total	Internal
	Fund	Fund	Utility Fund	Irrigation	Fund	Funds		Service Fund
Operating revenues:								
Charges for services	\$ 1,473,314	\$ 2,288,448	\$ 6,051,895	\$ 1,327,381	\$ 693,797	\$ 1,011,625	\$ 12,846,460	\$ 917,893
Fees and miscellaneous	73,815	350	8,057	65,294	25,667	136,260	309,443	52,839
Total operating revenues	1,547,129	2,288,798	6,059,952	1,392,675	719,464	1,147,885	13,155,903	970,732
Operating expenses:								
Purchased power	-	-	3,504,550	-	-	-	3,504,550	-
Salaries and wages	147,977	366,198	769,005	106,348	168,340	78,150	1,636,018	20,286
Employee benefits	53,199	115,539	254,561	37,184	50,232	16,767	527,482	3,043
Contractual services	104,424	131,456	170,630	245,913	120,909	751,214	1,524,546	439,818
Supplies and materials	217,850	308,347	158,743	967,625	116,575	88,080	1,857,220	61,233
Administrative services	582,444	415,656	602,784	487,176	67,212	197,820	2,353,092	-
Utilities and telephone	91,319	178,565	-	24,274	9,652	-	303,810	-
Depreciation	350,893	1,205,905	357,276	364,105	244,457	119,631	2,642,267	188,398
Total operating expenses	1,548,106	2,721,666	5,817,549	2,232,625	777,377	1,251,662	14,348,985	712,778
Operating income (loss)	\$ (977)	\$ (432,868)	\$ 242,403	\$ (839,950)	\$ (57,913)	\$ (103,777)	\$ (1,193,082)	\$ 257,954

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Continued

	Business-Type Activities - Enterprise					Nonmajor Enterprise Funds	Total	Governmental Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund			
Non-operating revenue (expense):								
Interest revenue	\$ -	\$ -	\$ 60,580	\$ 66,035	\$ 59,079	\$ -	\$ 185,694	\$ -
Impact fees	278,046	1,145,782	534,874	278,618	-	-	2,237,320	-
Increase (decrease) equity in joint venture	-	-	-	-	-	2,111	2,111	-
Gain (loss) on sale of investment	-	-	-	-	-	-	-	5,501
Interest expense and fiscal charges	-	(214,295)	(145,352)	(101,753)	(116,237)	-	(577,637)	(1,821)
Total non-operating revenue (expense)	278,046	931,487	450,102	242,900	(57,158)	2,111	1,847,488	3,680
Net income before contributions & transfers	277,069	498,619	692,505	(597,050)	(115,071)	(101,666)	654,406	261,634
Transfers in (out)	(89,824)	(29,290)	193,668	(88,267)	155,713	(36,996)	105,004	-
Developer's contributions	1,208,460	941,160	909,599	622,042	-	941,685	4,622,946	-
Change in net position	1,395,705	1,410,489	1,795,772	(63,275)	40,642	803,023	5,382,356	261,634
Net position, beginning	15,269,066	19,209,840	14,620,129	10,333,635	(653,094)	5,828,968	64,608,544	516,387
Net position, ending	<u>\$ 16,664,771</u>	<u>\$ 20,620,329</u>	<u>\$ 16,415,901</u>	<u>\$ 10,270,360</u>	<u>\$ (612,452)</u>	<u>\$ 6,631,991</u>	69,990,900	<u>\$ 778,021</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund							109,020	
Change in net position of business-type activities							<u>\$ 5,491,376</u>	

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise					Nonmajor		Governmental
	Water Utility	Sewer Utility	Electric Utility	Pressurized	Fiber	Enterprise Funds	Total	Internal-Service
	Fund	Fund	Fund	Irrigation Fund	Utility Fund			Fund
Cash Flows From Operating Activities								
Receipts from customers and users	\$ 1,556,242	\$ 2,720,339	\$ 6,114,094	\$ 1,403,626	\$ 765,263	\$ 1,157,954	\$ 13,717,518	\$ 970,732
Payments to suppliers	(1,144,668)	(1,186,321)	(4,286,987)	(690,209)	(404,189)	(843,405)	(8,555,779)	(470,505)
Payments to general fund for services	(582,444)	(415,656)	(602,784)	(487,176)	(67,212)	(197,820)	(2,353,092)	-
Payments to employees	(147,977)	(366,198)	(769,005)	(106,348)	(168,340)	(78,150)	(1,636,018)	(20,286)
Net cash provided by (used in) operating activities	(318,847)	752,164	455,318	119,893	125,522	38,579	1,172,629	479,941
Cash Flows From Noncapital Financing Activities								
Interfund activity	(89,824)	(29,290)	193,668	(88,267)	155,713	(36,996)	105,004	-
Net cash provided (used) by noncapital financing activities	(89,824)	(29,290)	193,668	(88,267)	155,713	(36,996)	105,004	-
Cash Flows From Capital and Related Financing Activities								
Impact fees	278,046	1,145,782	534,874	278,618	-	-	2,237,320	-
Purchases of capital assets	(349,714)	(126,242)	(624,302)	1	(1,073,268)	-	(2,173,525)	(372,336)
Proceeds from sale of assets	-	-	-	-	-	-	-	5,501
Proceeds from issuance of debt	-	-	3,861,602	-	-	-	3,861,602	-
Principal paid on debt	(36,841)	(1,406,269)	-	(313,000)	(18,510)	-	(1,774,620)	(42,238)
Interest paid on capital debt	-	(214,295)	(145,352)	(101,753)	(137,102)	-	(598,502)	(1,821)
Net cash provided (used) in capital and financing activities	(108,509)	(601,024)	3,626,822	(136,134)	(1,228,880)	-	1,552,275	(410,894)
Cash Flows From Investing Activities								
Interest and dividends received	-	-	60,580	66,035	59,079	-	185,694	-
Net cash provided by investing activities	-	-	60,580	66,035	59,079	-	185,694	-
Net increase (decrease) in cash and cash equivalents	(517,180)	121,850	4,336,388	(38,473)	(888,566)	1,583	3,015,602	69,047
Cash and equivalents, beginning of year	2,581,424	4,771,146	2,013,078	2,217,566	1,992,444	526,429	14,102,087	116,215
Cash and equivalents, end of year	\$ 2,064,244	\$ 4,892,996	\$ 6,349,466	\$ 2,179,093	\$ 1,103,878	\$ 528,012	\$ 17,117,689	\$ 185,262
Shown in the Statement of Net Position as:								
Cash and cash equivalents	\$ 1,667,264	\$ 2,287,932	\$ 1,236,828	\$ -	\$ 264,840	\$ 528,012	\$ 5,984,876	\$ 185,262
Restricted cash equivalents, end of year	396,980	2,605,064	5,112,638	2,179,093	839,038	-	11,132,813	-
	\$ 2,064,244	\$ 4,892,996	\$ 6,349,466	\$ 2,179,093	\$ 1,103,878	\$ 528,012	\$ 17,117,689	\$ 185,262

See accompanying notes to the financial statements and independent auditor's report.

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

Continued

	Business-Type Activities - Enterprise					Nonmajor		Governmental
	Water Utility	Sewer Utility	Electric Utility	Pressurized	Fiber	Enterprise Funds	Total	Internal-Service
	Fund	Fund	Fund	Irrigation Fund	Utility Fund			Fund
Reconciliation of operating income to net cash provided by operating activities:								
Operating income (loss)	\$ (977)	\$ (432,868)	\$ 242,403	\$ (839,950)	\$ (57,913)	\$ (103,777)	\$ (1,193,082)	\$ 257,954
Adjustments to reconcile operating income to net cash provided by operating activities:								
Depreciation expense	350,893	1,205,905	357,276	364,105	244,457	119,631	2,642,267	221,534
(Increase) decrease in accounts receivable	(9,113)	(19,173)	(54,142)	(10,951)	(45,799)	(10,069)	(149,247)	-
(Increase) decrease in inventory	(81,497)	-	(36,778)	56,835	-	-	(61,440)	-
(Increase) decrease in due from other funds	(573,405)	-	-	-	-	-	(573,405)	-
(Increase) decrease in net pension asset	40,939	81,878	163,755	13,646	54,585	13,646	368,449	-
(Increase) decrease in deferred outflow	(182)	(12,286)	(36,493)	(15,957)	(4,216)	(4,034)	(73,168)	-
Increase (decrease) in accounts payable	2,830	15,871	(15,884)	(26,798)	4,680	36,125	16,824	453
Increase (decrease) in pension liability	18,782	46,955	103,301	18,782	28,173	9,391	225,384	-
Increase (decrease) in deferred inflow	(67,117)	(134,118)	(268,120)	(22,218)	(89,451)	(22,334)	(603,358)	-
Increase (decrease) in due to other funds	-	-	-	582,399	(8,994)	-	573,405	-
Total adjustments	(317,870)	1,185,032	212,915	959,843	183,435	142,356	2,365,711	221,987
Net cash provided by (used in) operating activities	\$ (318,847)	\$ 752,164	\$ 455,318	\$ 119,893	\$ 125,522	\$ 38,579	\$ 1,172,629	\$ 479,941
Supplementary information								
Non-cash items from capital and related financing activities include contributions by developers	\$ 1,208,460	\$ 941,160	\$ 909,599	\$ 622,042	\$ -	\$ 941,685	\$ 4,622,946	\$ -
Non-cash purchase of assets through debt	\$ -	\$ 1,086,134	\$ 192,398	\$ -	\$ -	\$ -	\$ 1,278,532	\$ 55,575

NOTES TO THE FINANCIAL STATEMENTS

This page intentionally left blank.

SALEM CITY CORPORATION
Notes to the Financial Statements

For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salem City Corporation's (the "City") financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

Salem City Corporation was incorporated under laws of the State of Utah. Under the present form of government, administrative and legislative powers are vested in a governing body, consisting of the Mayor and City Council. They are assisted by a finance director who is currently responsible for the financial matters of the City, including money management, accounts payable, financial statements, and accounts receivable.

The City provides the following services as mandated by law: public safety, judicial services, highways and streets, sanitation, parks, cemetery, water, sewer, electric, pressurized irrigation, fiber utility, waste removal, storm water, public improvements, planning and zoning, and general administrative services

Blended Component Units

The Municipal Building Authority was created by the City during fiscal year 2002 and is governed by the City's Mayor and Council. The authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of general capital assets for the City. The bonds are secured by a lease agreement with the City and will be retired through lease payments from the City. The financial statements of the Municipal Building Authority are included in the accompanying financial statements as a blended component unit.

The Municipal Building Authority is considered a blended component unit since the governing board is the same governing board of the City.

The Redevelopment Agency was created by the City during fiscal year 2009 and is governed by the City's Mayor and Council. The financial statements of the Redevelopment Agency are included in the accompanying financial statements as a blended component unit.

The Municipal Building Authority and Redevelopment Agency are presented as special revenue funds in the financial statements.

Complete financial statements for each of the individual component units may be obtained at the City's administrative offices.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. Most of the effects of interfund activities have been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified basis of accounting. Revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after yearend. Expenditures are recorded when the related fund liability is incurred, except for non-matured interest on general long-term debt as well as expenditures related to compensated absences, claims, and judgments, which are recorded only when payment is due.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Measurement Focus, Basis of Accounting, and Presentation – *Continued*

Property taxes, sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- *General Fund* – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- *Capital Projects Fund* – The Capital Projects Fund is used to account for the construction of community projects.

The government reports the following major proprietary funds:

- *Water Fund* – The Water Fund accounts for the activities of the City's water operations.
- *Sewer Fund* – The Sewer Fund accounts for the activities of the City's sewer operations.
- *Electric Fund* – The Electric Fund accounts for the activities in the City's electric operations.
- *Pressurized Irrigation Fund* – The Pressurized Irrigation Fund accounts for the activities of the City's pressurized irrigation system.
- *Fiber Utility Fund* – The Fiber Utility Fund accounts for the activities of the City's fiber operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations.

Additionally, the government reports the following fund types:

- *Special Revenue Funds:*
 - *Municipal Building Authority* – This fund accounts for the activities of the Municipal Building Authority.
 - *Redevelopment Agency* – This fund accounts for the activities of the Redevelopment Agency.
- *Permanent Funds:*
 - *Perpetual Care* – This fund accounts for the perpetual care of the cemetery.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Measurement Focus, Basis of Accounting, and Presentation – *Continued*

- *Internal Service Funds:*
 - *Motor Pool Fund* – This fund accounts for the activities of the City motor pool.
 - *Data Processing Fund* – This fund accounts for the activities of the data processing services.
- *Proprietary Funds:*
 - *Waste Utility* – This fund accounts for the activities of waste removal.
 - *Storm Water Utility* – This fund accounts for the activities of storm water collection.

Cash & Cash Equivalents and Investments

The City considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Utah Public Treasurers' Investment Fund (PTIF).

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/due from other funds".

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services, unused impact fees, escrow account, and state restricted funds.

Restricted resources rather than unrestricted resources are used first to fund related appropriations.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost.

Donated capital assets are recorded at estimated fair market value at the date of donation. The infrastructure assets consist of the estimated value of the City's streets and roads at July 1, 2003, plus the costs of additions since that date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and structures	25-50
Improvements other than buildings	20-50
Infrastructure	20
Machinery and equipment	5-10

Compensated Absences

Employees may accumulate vacation and sick leave. Those with accumulated leave hours may be compensated.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Taxes

In Utah, county governments assess, levy, collect and disburse two principal types of tax: 1) personal property tax which is assessed on business assets other than real estate, and 2) tax on real estate and improvements. Business personal property and real estate taxes attach as an enforceable lien on property as of January 1. Taxes are levied on all business personal property on January 1 and real estate and improvement taxes are levied on January 1 and are payable by November 30. The real property taxes that are due in November are reported as a receivable from property taxes on the financial statements. Because these taxes are not considered available to liquidate liabilities of the current period, they are offset by unearned revenue.

The City Council is authorized by state statute to levy a tax against all real and personal property located within its boundaries. The Council must set a tax rate by June 22 each year. The County Treasurer, acting as tax collector, must settle and disburse all tax collections to all taxing entities on a routine basis.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Issuance costs are expensed in the year incurred. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Position/Fund Balances

In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally constrained due to state or federal laws, or externally imposed conditions by grantors or creditors. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City Council. Assigned fund balance is constrained by the City Council's intent to be used for specific purposes. Unassigned are residual balances in the General Fund.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred outflows of resources related to pensions includes 1) net difference between projected and actual earnings on pension plan investments, 2) changes in proportion and differences between contributions and proportionate share of contributions, and 3) City contributions subsequent to the measurement date of December 31, 2022.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period or periods and therefore will not be recognized as an inflow of resources (revenue) until then.

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, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Memorandum Totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund Balance Sheet includes reconciliation between total fund balance of governmental funds and total net position of governmental activities as reported in the government-wide Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet.

Capital-related Items

When capital assets (property, plant, and equipment) that are to be used in governmental activities are purchased or constructed, the costs of these assets are reported as expenditures in governmental funds. However, the Statement of Net Position includes those capital assets among the assets of the city as a whole.

Cost of capital assets	\$ 63,796,301
Accumulated depreciation	<u>(27,291,982)</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 36,504,319</u>

Long-term Debt Transactions

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements. All liabilities (both current and long term) are reported in the Statement of Net Position.

Bonds and notes payable	\$ 16,329,280
Bond interest payable	160,176
Other long-term payables	<u>303,042</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 16,792,498</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – *Continued*

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position – *Continued*

Pension transactions

Pension accounts applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities in the fund statements.

Pension asset	\$ -
Deferred outflow of resources	906,095
Pension liability	(713,718)
Deferred inflow of resources	(8,772)
	<u>(8,772)</u>
Net adjustment to reduce fund balances	<u>\$ 183,605</u>

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense."

Capital outlay	\$ 3,513,823
Depreciation expense	(2,014,463)
	<u>(2,014,463)</u>
Net capital outlay	1,499,360
Capital contribution by developers	2,450,285
Loss on disposal of assets	-
	<u>-</u>
Net adjustment to increase net changes in fund balance-total governmental fund to arrive at changes in net position of governmental activities	<u>\$ 3,949,645</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – *Continued*

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities – *Continued*

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities."

Change in long-term debt:

Principal paid on bonds and notes payable	\$ 356,747
Loan proceeds	(13,107,000)
Compensated absence change	<u>(61,424)</u>
	(12,811,677)
Accrued interest change	<u>(140,700)</u>
Total change in long-term debt	<u><u>\$ (12,952,377)</u></u>

3. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are prepared and adopted in accordance with the Uniform Fiscal Procedures Act adopted by the State of Utah. Once a budget has been adopted, it remains in effect until it has been formally revised. Furthermore, in accordance with state law, all appropriations lapse at the end of the budget year. If any obligations are contracted for and are in excess of adopted budget, they are not a valid or enforceable claim against the City. Budgets are adopted on a basis consistent with generally accepted accounting principles. All funds of the City have legally adopted budgets.

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- A. On or before the first regularly scheduled meeting of the City Council in May, the City Administrator, authorized under state statute to be appointed budget officer, submits a proposed operating budget. The operating budget includes proposed expenditures and the means of financing them.
- B. A public hearing is held at which time the taxpayers' comments are heard. Notice of the hearing is given in the local newspaper at least seven days prior to the hearing. Copies of the proposed budget are made available for public inspection 10 days prior to the public hearing.
- C. On or before June 30, a final balanced budget must be adopted through passage of a resolution for the subsequent fiscal year beginning July 1.
- D. Control of budgeted expenditures is exercised, under state law, at the departmental level. The City Administrator, however, acting as budget officer, has the authority to transfer budget appropriations between line items within any department of any budgetary fund. The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.
- E. Budget appropriations for any department may be reduced by resolution.
- F. A public hearing, as required in B) above, must be held to increase the total appropriations of any one governmental fund type; however, after the original public hearing, operating and capital budgets of proprietary fund types may be increased by resolution without an additional hearing.
- G. Encumbrances lapse at year end. Encumbered amounts carry over to the following year and are subject to re-appropriation. Therefore, no encumbrances are presented in the financial statements.

During the budget year, the City modified the budget on several occasions using the above procedures.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7, the “Act”) in handling its depository and investing transactions. The City considers these actions to be necessary and sufficient for adequate protection of its uninsured bank deposits. City funds are deposited in qualified depositories as defined by the Act. The City does not have a deposit policy for custodial credit risk. As of June 30, 2023, \$19,295,042 of the local government's bank balances of \$20,413,666 was uninsured and uncollateralized.

Investments

The Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the Utah Money Management Act (“the Act”) that relate to the deposit and investment of public funds.

The City follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of City funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for the City's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the City to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers' Investment Fund.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Utah Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

Fair Value of Investments

The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

At June 30, 2023 the City had the following recurring fair value measurements.

Investments by fair value level	6/30/2023	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers' Investment Fund	\$ 31,139,676	\$ -	\$ 31,139,676	\$ -
Total investments measured at fair value	\$ 31,139,676	\$ -	\$ 31,139,676	\$ -

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

- Utah Public Treasurers' Investment Fund: application of the June 30, 2023 fair value factor, as calculated by the Utah State Treasurer, to the City's average daily balance in the Fund;

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to five years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

4. CASH, CASH EQUIVALENTS, AND INVESTMENTS – *Continued*

As of June 30, 2023, the City's investments had the following maturities:

Investment Type	Fair Value	Investment Maturities (in years)		
		Less than 1	1-5	6-10
Debt Securities				
Utah Public Treasurers'				
Investment Fund	\$ 31,139,676	\$ 31,139,676	\$ -	\$ -
Total investments				
measured at fair value	\$ 31,139,676	\$ 31,139,676	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed.

For the year ended June 30, 2023, the City had investments of \$31,139,676 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City policy for reducing this risk of loss is to comply with the rules of the Utah Money Management Council. Rule 17 of the Utah Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10 percent depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

5. RECEIVABLES

Receivables as of year-end for the government's individual major fund and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, were as follows:

	<u>General</u>	
Accounts receivable	\$ 314,970	
Property Tax	1,610,542	
Intergovernmental	144,204	
Allowance for uncollectible accounts	<u>(2,919)</u>	
Total		2,066,797
	<u>Water Utility</u>	
Accounts receivable	101,440	
Allowance for uncollectible accounts	<u>(5,496)</u>	
Total		95,944
	<u>Sewer Utility</u>	
Accounts receivable	205,822	
Allowance for uncollectible accounts	<u>(11,150)</u>	
Total		194,672
	<u>Electric Utility</u>	
Accounts receivable	468,150	
Allowance for uncollectible accounts	<u>(25,361)</u>	
Total		442,789
	<u>Pressurized Irrigation</u>	
Accounts receivable	114,862	
Allowance for uncollectible accounts	<u>(6,222)</u>	
Total		108,640
	<u>Fiber Utility</u>	
Accounts receivable	79,391	
Allowance for uncollectible accounts	<u>(4,301)</u>	
Total		75,090
	<u>Waste Utility</u>	
Accounts receivable	67,751	
Allowance for uncollectible accounts	<u>(3,670)</u>	
Total		64,081
	<u>Storm Water Utility</u>	
Accounts receivable	21,408	
Allowance for uncollectible accounts	<u>(1,160)</u>	
Total		20,248
Grand total		<u><u>\$ 3,068,261</u></u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023 was as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount	Description
Water Utility	Pressurized Irrigation	\$ 582,399	Cash advance
Capital Projects	Municipal Building Authority	\$ 9,111	Cash advance

Interfund Transfers:

	Transfer Out			
	General	Capital	Business Type	Total
Transfer in:				
General	\$ -	\$ 168,050	\$ 444,996	\$ 613,046
Capital	1,862,887	-	-	1,862,887
Business type	-	550,000	-	550,000
Motor Pool	-	-	-	-
Total transfer in	<u>\$ 1,862,887</u>	<u>\$ 718,050</u>	<u>\$ 444,996</u>	<u>\$ 3,025,933</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 4,029,477	\$ -	\$ -	\$ 4,029,477
Construction in progress	-	88,580	-	88,580
Total capital assets not being depreciated	4,029,477	88,580	-	4,118,057
Capital assets being depreciated:				
Buildings	4,983,674	337,066	-	5,320,740
Improvements	6,418,329	2,439,002	-	8,857,331
Machinery and equipment	4,865,080	649,175	63,137	5,451,118
Infrastructure	37,598,770	2,450,285	-	40,049,055
Total capital assets being depreciated	53,865,853	5,875,528	63,137	59,678,244
Less accumulated depreciation	(25,340,656)	(2,014,463)	(63,137)	(27,291,982)
Total capital assets, being depreciated, net	28,525,197	3,861,065	-	32,386,262
Governmental activities capital assets, net	<u>\$ 32,554,674</u>	<u>\$ 3,949,645</u>	<u>\$ -</u>	<u>\$ 36,504,319</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS – Continued

	Business-Type Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 1,899,567	\$ -	\$ -	\$ 1,899,567
Construction in progress	1,281,790	17,565	-	1,299,355
Water rights and stock	1,257,381	310,536	-	1,567,917
Total capital assets not being depreciated	4,438,738	328,101	-	4,766,839
Capital assets being depreciated:				
Buildings	2,126,217	-	-	2,126,217
Improvements	91,256,018	7,406,002	-	98,662,020
Machinery and equipment	1,890,580	340,900	-	2,231,480
Infrastructure	1,277,903	-	-	1,277,903
Total capital assets being depreciated	96,550,718	7,746,902	-	104,297,620
Less accumulated depreciation	(18,315,785)	(2,642,267)	-	(20,958,052)
Total capital assets, being depreciated, net	78,234,933	5,104,635	-	83,339,568
Business-type activities capital assets, net	<u>\$ 82,673,671</u>	<u>\$ 5,432,736</u>	<u>\$ -</u>	<u>\$ 88,106,407</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS – *Continued*

Depreciation has been charged to the departments as follows:

General government	\$ 86,795
Public safety	295,383
Highway and public works	1,330,917
Parks and recreation	301,368
Total depreciation	<u>\$ 2,014,463</u>

8. FINANCING LEASES AND RIGHT-OF-USE ASSETS

The City has various financing leases for vehicles as outlined below:

Description	Amount
Financing lease of \$27,782 (net of \$75,000 residual) for 2021 John Deere Backhoe Loader. Due in annual installments of \$9,620 through August 2023, including interest of 3.9 percent. As of June 30, 2023 the following values were included on the government-wide financial statements: right-of-use asset \$27,782; accumulated amortization \$17,750; amortization expense \$9,261.	\$ 9,256
Financing lease of \$43,838 (net of \$125,000 residual) for 2021 John Deere Loader. Due in annual installments of \$15,710 through July 2023, including interest of 3.8 percent. As of June 30, 2023 the following values were included on the government-wide financial statements: right-of-use asset \$43,838; accumulated amortization \$29,225; amortization expense \$14,613.	14,605
Financing lease of \$55,575 (net of \$39,393 residual) for 2023 John Deere Excavator. Due in annual installments of \$19,269 through December 2024, including interest of 4 percent. As of June 30, 2023 the following values were included on the government-wide financial statements: right-of-use asset \$55,575; accumulated amortization \$9,262; amortization expense \$9,262.	36,306
Total	<u>\$ 60,167</u>

The future required lease payments are as follows:

	Principal	Interest	Lease payment
2024	\$ 41,651	\$ 2,407	\$ 44,058
2025	18,516	753	19,269
	<u>\$ 60,167</u>	<u>\$ 3,160</u>	<u>\$ 63,327</u>

No impairments on the leases were noted as of June 30, 2023.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT

Revenue bonds at June 30, 2023, were comprised of the following:

Description	Amount
<i>Secondary Water Revenue Bond</i> – Series 2007: \$7,500,000 secondary water revenue bond due in annual principal and interest payments through September 2037 with an interest rate of 1.70 percent	\$ 5,149,742
<i>Sewer Revenue Bond</i> – Series 2018: \$20,000,000 sewer revenue bonds due in annual principal and interest payments through February 2050 with an interest rate of 1.15 percent	18,300,000
<i>Fiber Revenue Bond</i> – Series 2020: \$5,285,000 fiber revenue bonds due in annual principal and interest payments through February 2041 with an interest rate of 1.89 percent	5,285,000
<i>Pressurized Irrigation Revenue Bond</i> – Series 2020: \$1,530,000 lease due in annual principal and interest payments through September 2035 with an interest rate of 1 percent	1,362,000
<i>Electric Revenue Bond</i> – Series 2022: \$4,054,000 electric revenue bonds due in annual principal and interest payments through December 2042 with interest rates ranging from 3-5 percent	4,054,000
<i>Lease Revenue Bond</i> – Series 2023: \$13,107,000 lease revenue bond due in annual principal and semi-annual interest payments through March 1, 2053 with interest rates from 2-5 percent	13,107,000
<i>Lease Revenue and Refunding Bond</i> – Series 2020: \$3,884,000 lease revenue and refunding bond due in annual principal and semi-annual interest payments through September 1, 2039 with an interest rate of 2.53 percent	2,986,000
Total	<u>\$ 50,243,742</u>

The future annual requirements for all outstanding bonds as of June 30, 2023 were as follows:

Fiscal Year	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2024	\$ 649,000	\$ 465,610	\$ 1,050,000	\$ 634,224
2025	560,000	558,908	1,314,000	613,238
2026	570,000	550,661	1,357,000	586,694
2027	582,000	542,538	1,403,000	558,978
2028	594,000	533,120	1,469,000	528,745
2029-2033	2,133,000	2,522,875	8,174,000	2,132,613
2033-2038	2,474,000	2,219,448	8,073,742	1,333,672
2038-2043	2,472,000	1,775,323	6,003,000	641,816
2043-2048	2,673,000	1,271,384	3,747,000	219,972
2048-2053	3,386,000	558,974	1,560,000	26,956
Total	<u>\$ 16,093,000</u>	<u>\$ 10,998,841</u>	<u>\$ 34,150,742</u>	<u>\$ 7,276,908</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT – *Continued*

Notes Payable

Description	Amount
During 2010, the City acquired a note for \$525,575 from a developer to be used for water system improvements. This interest free note is paid back to the developer based on a percentage of water impact fees collected by the City.	\$ 166,934
During 2022, the City entered into a note agreement for \$6,005,048 to be used for storm water system improvements. This interest free note is paid back to the Central Utah Water Conservancy District.	414,071
During 2023, the City acquired a note for \$1,086,134 from a developer to be used for sewer system improvements. This interest free note is paid back to the developer based on a percentage of sewer impact fees collected by the City.	252,865
During fiscal year 2018, the City entered into a note agreement for \$208,326 for a dump truck payable in annual installments until November 2024 with an interest rate of 2.59 percent. As of June 30, 2023, the \$208,326 asset had accumulated depreciation of \$202,076 and current amortization expense of \$26,944.	56,870
During fiscal year 2022, the City entered into a note agreement for \$118,980 for a skid steer/mini excavator payable in annual installments until January 2028 with an interest rate of 2.75 percent. As of June 30, 2023, the \$118,980 asset had accumulated depreciation of \$35,694 and current amortization expense of \$23,796.	100,470
During fiscal year 2022, the City entered into a note agreement for \$221,665 for a dump truck payable in annual installments until March 2027 with an interest rate of 2.4 percent. As of June 30, 2023, the \$221,665 asset had accumulated depreciation of \$59,111 and current amortization expense of \$44,333.	179,410
Total	<u>\$ 1,170,620</u>

The future annual requirements for all outstanding notes payable as of June 30, 2023 were as follows:

Fiscal Year	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2024	\$ 74,551	\$ 5,948	\$ 308,725	\$ 3,272
2025	69,897	4,098	56,383	2,763
2026	45,372	2,204	56,920	2,240
2027	46,460	1,115	57,472	1,703
2028	-	-	454,840	583
Total	<u>\$ 236,280</u>	<u>\$ 13,365</u>	<u>\$ 934,340</u>	<u>\$ 10,561</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT – Continued

The future annual requirements for all outstanding bond and note obligations as of June 30, 2023 were as follows:

Fiscal Year	All Bonds and Notes		
	Principal	Interest	Total
2024	\$ 2,082,276	\$ 1,108,545	\$ 3,190,821
2025	2,000,280	1,178,484	3,178,764
2026	2,029,292	1,141,262	3,170,554
2027	2,088,932	1,103,780	3,192,712
2028	2,517,840	1,062,448	3,580,288
2029-2033	10,307,000	4,655,488	14,962,488
2033-2038	10,547,742	3,553,119	14,100,861
2038-2043	8,475,000	2,417,139	10,892,139
2043-2048	6,420,000	1,491,356	7,911,356
2048-2052	4,946,000	585,930	5,531,930
Total	<u>\$ 51,414,362</u>	<u>\$ 18,297,551</u>	<u>\$ 69,711,913</u>

Long-term debt activity during the year consisted of the following:

Governmental Activities					
	July 1, 2022	Additions	Reductions	June 30, 2023	Due in One Year
Bonds payable:					
Excise tax bonds	\$ 3,270,000	\$ 13,107,000	\$ 284,000	\$ 16,093,000	\$ 649,000
Notes payable	309,027	-	72,747	236,280	74,551
Compensated absences	241,618	61,424	-	303,042	-
Total	<u>\$ 3,820,645</u>	<u>\$ 13,168,424</u>	<u>\$ 356,747</u>	<u>\$ 16,632,322</u>	<u>\$ 723,551</u>
Business-Type Activities					
	July 1, 2022	Additions	Reductions	June 30, 2023	Due in One Year
Bonds payable:					
Revenue bonds	\$ 30,982,742	\$ 4,054,000	\$ 886,000	\$ 34,150,742	\$ 1,050,000
Deferred amount for issuance premium	385,996	-	20,865	365,131	20,865
Notes payable	736,826	1,086,134	888,620	934,340	308,725
Total	<u>\$ 32,105,564</u>	<u>\$ 5,140,134</u>	<u>\$ 1,795,485</u>	<u>\$ 35,450,213</u>	<u>\$ 1,379,590</u>

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

10. PENSION PLANS

General Information about the Pension Plan

Plan description – eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following pension trust funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple employer, cost sharing, public employee retirement system.
- The Public Safety Retirement System (Public Safety System) is a cost-sharing, multiple-employer public employee retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighters System); are multiple employer, cost sharing, public employee retirement systems.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (URS or Systems) are established and governed by the respective sections of Title 49 of the *Utah Code* Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues a publicly available financial report that can be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by visiting the website: www.urs.org/general/publications.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Benefits provided – URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.00% per year over 20 years	Up to 2.5% to 4% depending on employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Tier 2 Public Safety and Firefighter	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year to June 2020; 2% per year July 2020 to present	Up to 2.5%

*actuarial reductions are applied

**all post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Contribution Rate Summary – As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023 were as follows:

<u>Utah Retirement Systems</u>	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Contributory System			
111- Local Governmental Division Tier 2	N/A	16.01%	0.18%
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	17.97%	N/A
Public Safety Retirement System			
Contributory			
122 - Tier 2 DB Hybrid Public Safety	2.59%	26.99%	N/A
Noncontributory			
75 - Other Division A with 4% COLA	N/A	35.71%	N/A
Tier 2 DC Only			
211- Local Government	N/A	6.19%	10.00%
222- Public Safety	N/A	12.99%	14.00%

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2023, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 354,663	N/A
Public Safety System	196,957	-
Tier 2 Public Employees System	272,790	-
Tier 2 Public Safety and Firefighter	69,742	6,663
Tier 2 DC Only System	5,813	N/A
Tier 2 DC Public Safety and Firefighter System	9,439	N/A
Total contributions	<u>\$ 909,404</u>	<u>\$ 6,663</u>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the City reported a net pension asset of \$939,102 and a net pension liability of \$350,416.

(Measurement Date): December 31, 2022					
	Net Pension Asset	Net Pension Liability	Proportionate Share 12/31/2022	Proportionate Share 12/31/2021	Change (Decrease)
Noncontributory System	\$ -	\$ 381,418	0.2226939%	0.1875457%	0.0351482%
Public Safety System	-	474,663	0.3670809%	0.3254570%	0.0416239%
Tier 2 Public Employees System	-	76,231	0.0700073%	0.0531339%	0.0168734%
Tier 2 Public Safety and Firefighter System	-	6,790	0.0813970%	0.0737542%	0.0076428%
Total net pension asset/liability	<u>\$ -</u>	<u>\$ 939,102</u>			

The net pension asset and liability were measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions – *Continued*

For the year ended June 30, 2023, the City recognized pension expense of \$575,063. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 160,498	\$ 5,277
Changes in assumptions	104,283	2,397
Net difference between projected and actual earnings on pension plan investments	399,388	-
Changes in proportion and differences between contributions and proportionate share of contributions	98,184	3,868
Contributions subsequent to the measurement date	429,878	-
Total	<u>\$ 1,192,231</u>	<u>\$ 11,542</u>

\$429,878 was reported as deferred outflows of resources related to pensions resulting from contributions made by the City prior to the fiscal year end, but subsequent to the measurement date of December 31, 2022.

These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	\$ (65,733)
2024	15,240
2025	163,836
2026	598,187
2027	7,241
Thereafter	32,040

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Actuarial assumptions – The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25-9.25% average, including inflation
Investment rate of return	6.85% net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

The long term expected rate of return on pension plan investments was determined using a building-block 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 and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long term expected portfolio real rate of return
Equity securities	35%	6.58%	2.30%
Debt securities	20%	1.08%	0.22%
Real assets	18%	5.72%	1.03%
Private equity	12%	9.80%	1.18%
Absolute return	15%	2.91%	0.44%
Cash and cash equivalents	0%	-0.11%	0.00%
Totals	100%		5.17%
Inflation			2.50%
Expected arithmetic nominal return			7.67%

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

The 6.85 percent assumed investment rate of return is comprised of an inflation rate of 2.50 percent and a real return of 4.35 percent that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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. The discount rate does not use the Municipal Bond Index Rate.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate – The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.85 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.85 percent) or one-percentage-point higher (7.85 percent) than the current rate:

System	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	\$ 2,403,829	\$ 381,418	\$ (1,308,411)
Public Safety System	1,528,655	474,663	(382,481)
Tier 2 Public Employees System	333,086	76,231	(121,644)
Tier 2 Public Safety and Firefighter	54,356	6,790	(31,013)
Total	<u>\$ 4,319,926</u>	<u>\$ 939,102</u>	<u>\$ (1,843,549)</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits for the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b), and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

The City participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

- 401(k) Plan
- 457(b) Plan
- Roth IRA Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	2023	2022	2021
401(k) Plan			
Employer Contributions	\$ 128,719	\$ 110,763	\$ 92,307
Employee Contributions	137,887	93,787	76,128
457 Plan			
Employee Contributions	13,680	2,014	-
Roth IRA Plan			
Employee Contributions	49,670	44,980	36,735

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

11. RISK MANAGEMENT

The City 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. It is the policy of the City to purchase commercial insurance for these risks. Various policies are purchased through an insurance agency to cover liability, theft, damages, and other losses. A minimal deductible applies to these policies which the City pays in the event of any loss. The City also has purchased a workers' compensation policy. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

12. JOINT VENTURES

South Utah Valley Solid Waste District – Salem City joined in a joint venture with several other municipalities to create the South Utah Valley Solid Waste District (the “District”). The District was created for the purpose of building a landfill and transfer station and operating the same for the benefit of member municipalities. The majority of the District's sanitation service revenue comes from these governmental entities.

Additional information is as follows:

a. Participants and their percentage shares:

Spanish Fork City Corporation	11.75%
Provo City Corporation	69.75%
Springville City Corporation	15.00%
Mapleton City Corporation	2.00%
Salem City Corporation	1.50%
Goshen City (Landfill participant only)	0.00%
Woodland Hills City Corporation (Landfill participant only)	0.00%

- b. The District is governed by a Board of Directors which is comprised of seven directors. The Mayor and City Council of each member City appoints one director. All decisions of the Board are by majority vote, except in the case of a tie. In a tie, the votes would be taken by tonnage. For Provo to prevail in a tie vote they would need one additional city to vote with them.
- c. The District's Board of Directors governs the operations of the District through management employed by the Board. Since the District is subject to the same laws as the creating entities, it must follow State law for cities in the areas of fiscal management, budgeting, and financing.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

12. JOINT VENTURES - *Continued*

- d. Salem contributes annually for its percentage share of ownership for debt service as well as membership revenues. Salem recognizes its percentage of net income (loss) of the joint venture on an annual basis which can be seen as equity in a joint venture. Salem recognized \$2,111 of income in the current year leaving an investment balance of \$347,383 as of June 30, 2023.
- e. Audited financial statements for South Utah Valley Solid Waste District are available at the District's office.

13. RESTRICTED FUND BALANCES

The City had the following restricted equity balances as of June 30, 2023:

	General	Municipal Building Authority	Perpetual Care	Water Utility	Sewer Utility	Pressurized Irrigation	Electric Utility	Fiber Utility
Impact fees, unexpended	\$ 3,068,332	\$ -	\$ -	\$ 396,980	\$ 1,420,907	\$ 101,908	\$ 1,180,979	\$ -
B&C roads	561,463	-	-	-	-	-	-	-
Liquor law	3,342	-	-	-	-	-	-	-
Subdivision/building fees, unexpended	738,137	-	-	-	-	-	-	-
Capital projects	-	13,037,838	-	-	-	-	-	-
Perpetual care	-	-	77,068	-	-	-	-	-
Debt sinking and reserves	-	3,511	-	-	1,184,157	869,011	70,057	292
Total	<u>\$ 4,371,274</u>	<u>\$ 13,041,349</u>	<u>\$ 77,068</u>	<u>\$ 396,980</u>	<u>\$ 2,605,064</u>	<u>\$ 970,919</u>	<u>\$ 1,251,036</u>	<u>\$ 292</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

14. SEGMENT INFORMATION FOR INTERNAL SERVICE FUNDS

The City maintains Internal Service Funds which provide motor pool and data processing services.

Selected unaudited information for these funds for the year ended June 30, 2023 is as follows:

	Motor Pool	Data Processing	Total
Operating revenues	\$ 970,732	\$ -	\$ 970,732
Depreciation and amortization	(188,398)	-	(188,398)
Other operating expenses	(524,380)	-	(524,380)
Operating income (loss)	257,954	-	257,954
Non-operating revenue (expense)	3,680	-	3,680
Transfers in (out)	-	-	-
Net increase (decrease) in net position	<u>\$ 261,634</u>	<u>\$ -</u>	<u>\$ 261,634</u>
Total assets	\$ 859,816	\$ -	\$ 859,816
Total liabilities	\$ 81,795	\$ -	\$ 81,795
Total net position	\$ 778,021	\$ -	\$ 778,021

15. REDEVELOPMENT AGENCY

The Redevelopment Agency of Salem City is established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2023 no activity occurred in the City's Redevelopment Agency.

16. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 15, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank.

SALEM CITY CORPORATION
Schedule of the Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2023

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Noncontributory System	2015	0.1479474%	\$ 642,422	\$ 1,273,706	50.44%	90.20%
	2016	0.1518143%	859,039	1,314,969	65.33%	87.80%
	2017	0.1602394%	1,028,933	1,428,572	72.03%	87.30%
	2018	0.1697310%	743,642	1,492,528	49.82%	91.90%
	2019	0.1692616%	1,246,396	1,475,451	84.48%	87.00%
	2020	0.1656748%	624,407	1,440,578	43.34%	93.70%
	2021	0.1669750%	85,648	1,424,338	6.01%	99.20%
	2022	0.1875457%	(1,074,093)	1,661,072	-64.66%	108.70%
	2023	0.2226939%	381,418	2,044,851	18.65%	97.50%
Public Safety System	2015	0.2549217%	\$ 320,585	\$ 430,972	74.39%	90.50%
	2016	0.2652626%	475,152	460,549	103.17%	87.10%
	2017	0.3068477%	622,679	537,422	115.86%	86.50%
	2018	0.2990184%	469,058	507,081	92.50%	90.20%
	2019	0.3115569%	801,507	528,876	151.55%	84.70%
	2020	0.2967654%	476,492	516,102	92.33%	90.90%
	2021	0.3042607%	252,610	517,854	48.78%	95.50%
	2022	0.3254570%	(264,318)	544,621	-48.53%	104.20%
	2023	0.3670809%	474,663	640,674	74.09%	93.60%

SALEM CITY CORPORATION

Schedule of the Proportionate Share of the Net Pension Liability

Continued

	As of fiscal year ended June 30,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of its covered- employee payroll
Tier 2 Public Employees System*	2015	0.0147889%	\$ (448)	\$ 72,725	-0.62%	103.50%
	2016	0.0162981%	(36)	105,304	-0.03%	100.20%
	2017	0.0178777%	1,994	146,611	1.36%	95.10%
	2018	0.0236725%	2,087	231,453	0.90%	97.40%
	2019	0.0308109%	13,196	359,266	3.67%	90.80%
	2020	0.0354284%	7,968	490,487	1.62%	96.50%
	2021	0.0420430%	6,046	671,800	0.90%	98.30%
	2022	0.0531339%	(22,488)	985,060	-2.28%	103.80%
	2023	0.0700073%	76,321	1,524,028	5.01%	92.30%
Tier 2 Public Safety and Firefighter System*	2015	0.1008848%	\$ (1,492)	\$ 41,680	-3.58%	120.50%
	2016	0.0560458%	(819)	33,323	-2.46%	110.70%
	2017	0.0131367%	(114)	10,854	-1.05%	103.60%
	2018	0.0735608%	(851)	77,681	-1.10%	103.00%
	2019	0.0343344%	860	45,962	1.87%	95.60%
	2020	0.0384288%	3,615	63,317	5.71%	89.60%
	2021	0.0681389%	6,112	135,033	4.53%	93.10%
	2022	0.0737542%	(3,728)	176,377	-2.11%	102.80%
	2023	0.0813970%	6,790	250,443	2.71%	96.40%

Note: In accordance with paragraph 81.a of GASB 68, employers will need to disclose a 10-year history of their proportionate share of the net pension liability (asset) in their RSI. This schedule will be built prospectively.

SALEM CITY CORPORATION
Schedule of Contributions

For the Year Ended June 30, 2023

	As of fiscal year ended June 30,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Noncontributory System	2014	\$ 215,213	\$ 215,213	\$ -	\$ 1,244,724	17.29%
	2015	236,973	236,973	-	1,284,175	18.45%
	2016	255,139	255,139	-	1,381,370	18.47%
	2017	272,455	272,455	-	1,475,123	18.47%
	2018	274,347	274,347	-	1,490,505	18.41%
	2019	270,808	270,808	-	1,468,383	18.44%
	2020	261,061	261,061	-	1,413,434	18.47%
	2021	268,517	268,517	-	1,492,029	18.00%
	2022	295,436	295,436	-	1,775,621	16.64%
	2023	354,663	354,663	-	2,165,864	16.38%
Public Safety System	2014	\$ 114,371	\$ 114,371	\$ -	\$ 418,023	27.36%
	2015	123,823	123,823	-	434,140	28.52%
	2016	149,366	149,366	-	512,161	29.16%
	2017	152,244	152,244	-	521,451	29.20%
	2018	150,957	150,957	-	516,365	29.23%
	2019	155,123	155,123	-	533,306	29.09%
	2020	145,767	145,767	-	511,535	28.50%
	2021	150,899	150,899	-	528,514	28.55%
	2022	160,439	160,439	-	563,873	28.45%
	2023	196,957	196,957	-	677,487	29.07%
Tier 2 Public Employees System*	2014	\$ 5,561	\$ 5,561	\$ -	\$ 39,751	13.99%
	2015	14,061	14,061	-	94,115	14.94%
	2016	18,553	18,553	-	124,436	14.91%
	2017	26,679	26,679	-	178,932	14.91%
	2018	44,379	44,379	-	293,705	15.11%
	2019	65,146	65,146	-	419,214	15.54%
	2020	89,613	89,613	-	567,934	15.78%
	2021	126,557	126,557	-	800,846	15.80%
	2022	194,542	194,542	-	1,209,529	16.08%
	2023	272,790	272,790	-	1,703,654	16.01%

SALEM CITY CORPORATION
Schedule of Contributions

Continued

	As of fiscal year ended June 30,	Actuarial determined contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
Tier 2 Public Safety and Firefighter System*	2014	\$ 9,013	\$ 9,013	\$ -	\$ 40,290	22.37%
	2015	10,129	10,129	-	42,720	23.71%
	2016	2,872	2,872	-	12,138	23.66%
	2017	12,344	12,344	-	52,173	23.66%
	2018	15,608	15,608	-	65,774	23.73%
	2019	11,416	11,416	-	47,075	24.25%
	2020	25,007	25,007	-	102,951	24.29%
	2021	38,875	38,875	-	144,566	26.89%
	2022	58,102	58,102	-	215,273	26.99%
	2023	69,742	69,742	-	258,402	26.99%
Tier 2 Public Safety and Firefighter System DC Only System*	2016	\$ -	\$ -	\$ -	-	0.00%
	2017	-	-	-	-	0.00%
	2018	2,887	2,887	-	22,225	12.99%
	2019	6,115	6,115	-	47,075	12.99%
	2020	6,423	6,423	-	49,447	12.99%
	2021	6,889	6,889	-	53,031	12.99%
	2022	8,182	8,182	-	62,987	12.99%
	2023	9,439	9,439	-	72,666	12.99%
Tier 2 Public Employees DC Only System*	2021	\$ 580	\$ 580	\$ -	\$ 8,671	6.69%
	2022	5,489	5,489	-	82,041	6.69%
	2023	5,813	5,813	-	93,603	6.21%

*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Note: In accordance with paragraph 81.b of GASB 68, employers will need to disclose a 10-year history of contributions in their RSI. Contributions as a percentage of covered payroll may be different than the board-certified rate due to rounding and other administrative practices. This schedule will be built prospectively.

SALEM CITY CORPORATION
Notes to the Required Supplementary Information

For the year Ended June 30, 2023

1. CHANGES IN ASSUMPTIONS

No changes were made in actuarial assumptions from the prior year's valuation.

This page intentionally left blank.

SUPPLEMENTARY INFORMATION

This page intentionally left blank.

SALEM CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds

As of June 30, 2023

	Special Revenue Funds		Permanent Fund		
	Redevelopment Agency	Municipal Building Authority	Perpetual Care	Total 2023	Memorandum 2022
Assets					
Cash & investments	\$ -	\$ -	\$ -	\$ -	\$ 12,119
Restricted cash	-	13,041,349	77,068	13,118,417	72,577
Due from other funds	-	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 13,041,349</u>	<u>\$ 77,068</u>	<u>\$ 13,118,417</u>	<u>\$ 84,696</u>
Liabilities					
Due to other funds	\$ -	\$ 9,111	\$ -	\$ 9,111	\$ -
Accounts payable	-	68,536	-	68,536	-
Total liabilities	<u>-</u>	<u>77,647</u>	<u>-</u>	<u>77,647</u>	<u>-</u>
Fund balance:					
Restricted	-	13,041,349	77,068	13,118,417	72,577
Assigned: MBA	-	(77,647)	-	(77,647)	12,119
Unassigned	-	-	-	-	-
Total fund balance	<u>-</u>	<u>12,963,702</u>	<u>77,068</u>	<u>13,040,770</u>	<u>84,696</u>
Total liabilities & fund balance	<u>\$ -</u>	<u>\$ 13,041,349</u>	<u>\$ 77,068</u>	<u>\$ 13,118,417</u>	<u>\$ 84,696</u>

SALEM CITY CORPORATION

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended June 30, 2023

	Special Revenue Funds		Permanent Fund		
	Redevelopment Agency	Municipal Building Authority	Perpetual Care	Total 2023	Memorandum 2022
Revenues:					
Intergovernmental	\$ -	\$ 352,560	\$ 1,707	\$ 354,267	\$ 365,493
Investment earnings	-	41,348	2,784	44,132	351
Total revenues	-	393,908	4,491	398,399	365,844
Expenditures:					
Capital outlay	-	88,580	-	88,580	-
Debt Service:					
Principal retirement	-	284,000	-	284,000	280,000
Interest and fiscal charges	-	176,745	-	176,745	72,803
Total expenditures	-	549,325	-	549,325	352,803
Excess of revenues over expenditures	-	(155,417)	4,491	(150,926)	13,041
Other financing sources (uses):					
Proceeds from bonds	-	13,107,000	-	13,107,000	-
Transfers in (out)	-	-	-	-	-
Net change in fund balances	-	12,951,583	4,491	12,956,074	13,041
Fund balances, beginning	-	12,119	72,577	84,696	71,655
Fund balances, ending	\$ -	\$ 12,963,702	\$ 77,068	\$ 13,040,770	\$ 84,696

SALEM CITY CORPORATION
Combining Statement of Net Position
Nonmajor Enterprise Funds

As of June 30, 2023

	Waste Utility Fund	Storm Water Utility Fund	Total 2023	Memorandum 2022
Assets				
Current assets:				
Cash and investments	\$ 269,032	\$ 258,980	\$ 528,012	\$ 526,429
Accounts receivable, net	64,081	20,248	84,329	74,260
Total current assets	333,113	279,228	612,341	600,689
Noncurrent assets:				
Net pension asset	-	-	-	13,646
Land, equipment, buildings, and improvements	23,000	6,873,883	6,896,883	5,955,198
Less accumulated depreciation	(18,687)	(683,563)	(702,250)	(582,619)
Equity in joint venture	347,383	-	347,383	345,272
Total noncurrent assets	351,696	6,190,320	6,542,016	5,731,497
Total assets	684,809	6,469,548	7,154,357	6,332,186
Deferred outflow of resources - pensions	-	11,922	11,922	7,888
Total assets and deferred outflows	\$ 684,809	\$ 6,481,470	\$ 7,166,279	\$ 6,340,074
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 35,067	\$ 75,644	\$ 110,711	\$ 74,586
Total current liabilities	35,067	75,644	110,711	74,586
Noncurrent liabilities:				
Net pension liability	-	9,391	9,391	-
Loans payable	-	414,071	414,071	414,071
Total long-term liabilities	-	423,462	423,462	414,071
Total liabilities	35,067	499,106	534,173	488,657
Deferred inflows of resources - pensions	-	115	115	22,449
Total liabilities and deferred inflows of resources	\$ 35,067	\$ 499,221	\$ 534,288	\$ 511,106
Net position				
Net investment in capital assets	\$ 4,313	\$ 5,776,249	\$ 5,780,562	\$ 4,958,508
Unrestricted	645,429	206,000	851,429	870,460
Total net position	\$ 649,742	\$ 5,982,249	\$ 6,631,991	\$ 5,828,968

SALEM CITY CORPORATION**Combining Statement of Revenues, Expenditures and Changes in Fund Net Position****Nonmajor Enterprise Funds****For the Year Ended June 30, 2023**

	<u>Waste Utility Fund</u>	<u>Storm Water Utility Fund</u>	<u>Total 2023</u>	<u>Memorandum 2022</u>
Operating revenues:				
Charges for services	\$ 762,471	\$ 249,154	\$ 1,011,625	\$ 897,938
Fees and miscellaneous	<u>32,654</u>	<u>103,606</u>	<u>136,260</u>	<u>123,760</u>
Total operating revenues	<u>795,125</u>	<u>352,760</u>	<u>1,147,885</u>	<u>1,021,698</u>
Operating expenses:				
Salaries and wages	9,095	69,055	78,150	71,434
Employee benefits	6,177	10,590	16,767	19,264
Contractual services	548,561	202,653	751,214	604,062
Supplies and materials	43,277	44,803	88,080	44,354
Administrative services	138,300	59,520	197,820	182,916
Depreciation and amortization	<u>575</u>	<u>119,056</u>	<u>119,631</u>	<u>111,514</u>
Total operating expenses	<u>745,985</u>	<u>505,677</u>	<u>1,251,662</u>	<u>1,033,544</u>
Operating income (loss)	<u>\$ 49,140</u>	<u>\$ (152,917)</u>	<u>\$ (103,777)</u>	<u>\$ (11,846)</u>

SALEM CITY CORPORATION
Combining Statement of Revenues, Expenditures and Changes in Fund Net Position
Nonmajor Enterprise Funds

Continued

	Waste Utility Fund	Storm Water Utility Fund	Total 2023	Memorandum 2022
Non-operating revenue (expense):				
Interest revenue	\$ -	\$ -	\$ -	\$ -
Increase (decrease) equity in joint venture	2,111	-	2,111	42,780
Loss on sale of asset	-	-	-	-
Total non-operating revenue (expense)	2,111	-	2,111	42,780
Net income before contributions & transfers	51,251	(152,917)	(101,666)	30,934
Transfers in (out)	(25,500)	(11,496)	(36,996)	(37,008)
Developers contributions	-	941,685	941,685	100,935
Change in net position	25,751	777,272	803,023	94,861
Net position, beginning	623,991	5,204,977	5,828,968	5,734,107
Net position, ending	\$ 649,742	\$ 5,982,249	\$ 6,631,991	\$ 5,828,968

SALEM CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Enterprise Funds

For the Year Ended June 30, 2023

	Waste Utility Fund	Storm Water Utility Fund	Total	Memorandum 2022
Cash Flows From Operating Activities				
Receipts from customers and users	\$ 802,167	\$ 355,787	\$ 1,157,954	\$ 1,027,180
Payments to suppliers	(625,368)	(218,037)	(843,405)	(653,282)
Payments to general fund for services	(138,300)	(59,520)	(197,820)	(182,916)
Payments to employees	(9,095)	(69,055)	(78,150)	(71,434)
Net cash provided by (used for) operating activities	29,404	9,175	38,579	119,548
Cash Flows From Noncapital Financing Activities				
Interfund Activity	(25,500)	(11,496)	(36,996)	(37,008)
Net cash used by noncapital financing activities	(25,500)	(11,496)	(36,996)	(37,008)
Cash Flows From Capital and Related Financing Activities				
Purchase of capital assets	-	-	-	(316,970)
Proceeds from issuance of debt	-	-	-	414,071
Net cash used for capital and financing activities	-	-	-	97,101
Net increase (decrease) in cash and cash equivalents	3,904	(2,321)	1,583	179,641
Cash and equivalents, beginning	265,128	261,301	526,429	346,788
Cash and equivalents, ending	<u>\$ 269,032</u>	<u>\$ 258,980</u>	<u>\$ 528,012</u>	<u>\$ 526,429</u>
Shown in the Statement of Net Position as:				
Cash and cash equivalents	\$ 269,032	\$ 258,980	\$ 528,012	\$ 526,429
Restricted cash equivalents at end of year	-	-	-	-
	<u>\$ 269,032</u>	<u>\$ 258,980</u>	<u>\$ 528,012</u>	<u>\$ 526,429</u>

SALEM CITY CORPORATION
Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Continued

	Waste Utility Fund	Storm Water Utility Fund	Total	Memorandum 2022
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ 49,140	\$ (152,917)	\$ (103,777)	\$ (11,846)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	575	119,056	119,631	111,514
(Increase) decrease in accounts receivable	(7,042)	(3,027)	(10,069)	(5,482)
(Increase) decrease in net pension asset	-	13,646	13,646	(13,646)
(Increase) decrease in deferred outflow	-	(4,034)	(4,034)	(2,783)
Increase (decrease) in accounts payable	(13,269)	49,394	36,125	32,984
Increase (decrease) in pension liability	-	9,391	9,391	(3,504)
Increase (decrease) in deferred inflows	-	(22,334)	(22,334)	12,311
Total adjustments	(19,736)	162,092	142,356	131,394
Net cash provided by operating activities	<u>\$ 29,404</u>	<u>\$ 9,175</u>	<u>\$ 38,579</u>	<u>\$ 119,548</u>
Supplementary information				
Non-cash items from capital and related financing activities include contributions by developers	<u>\$ -</u>	<u>\$ 941,685</u>	<u>\$ 941,685</u>	<u>\$ 100,935</u>
Non-cash purchase of assets through debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This page intentionally left blank.

SUPPLEMENTAL SECTION

This page intentionally left blank.



**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**

Honorable Mayor and City Council
Salem City
Salem, Utah

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Salem (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Salem's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Salem's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Recommendations as items 2023-01 and 2023-02.

City of Salem's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our engagement and described in the accompanying Schedule of Findings and Recommendations. The City'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 entity'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.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive, flowing style.

North Logan, UT
November 15, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE STATE
COMPLIANCE AUDIT GUIDE**

Honorable Mayor and City Council
City of Salem
Salem, Utah

Report on Compliance with State Requirements

We have audited the City of Salem (the "City")'s compliance with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2023.

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Other Related Restricted Revenue
- Fraud Risk Assessment
- Governmental Fees
- Cash Management
- Open and Public Meetings Act

Qualified Opinion on Budgetary Compliance and Cash Management

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the City's compliance with applicable regulations and statutes for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other State Compliance Areas

In our opinion, the City of Salem complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the City's compliance with applicable regulations and statutes for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements outlined in the *State Compliance Audit Guide* (Guide), issued by the Office of the State Auditor. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each requirement identified above. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on Budgetary Compliance and Cash Management

As described in the accompanying Schedule of Findings and Recommendations, the City did not comply with requirements regarding budgetary compliance and fund balance as detailed in findings 2023-01 and 2023-02.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to Budgetary Compliance and Cash Management.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's government programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the government program as a whole as referred to above.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-02 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and recommendations. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Alfred Jackson". The signature is written in a cursive, flowing style.

North Logan, UT
November 15, 2023

This page intentionally left blank.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

This page intentionally left blank.

SALEM CITY
Schedule of Findings and Recommendations
Current Year

For the Year Ended June 30, 2023

2023-01: State Compliance – Budgetary Compliance

Criteria: City management is responsible to determine that internal controls ensure that compliance requirements described in the *State Compliance Audit Guide* are met.

Condition: The Municipal Building Authority Fund expenditures exceeded the amounts appropriated in the final budget.

Cause: The City did not budget for all of the expenditures incurred during the year.

Effect: The City was not in compliance with State regulations on Budgetary Compliance.

Recommendation: We recommend that the City review all budgets and amendments to budget for all expenses incurred, including invoices that have not yet been received by June 30, 2023.

Views of Responsible Officials: City Management agrees with the auditor recommendations and will review all budgets and amendments, including invoices that have not yet been received by year end.

2023-02: State Compliance – Cash Management

Criteria: City management is responsible to determine that internal controls ensure that compliance requirements described in the *State Compliance Audit Guide* are met.

Condition: The City prepared the Deposit and Investment Report, as required by State law, but did not include all bank accounts on the report.

Cause: The escrow cash accounts were inadvertently left off of the Deposit and Investment Report.

Effect: The City was not in compliance with State regulations on Cash Management.

Recommendation: We recommend that the City review the bank balances for all accounts and include them on the Deposit and Investment Report.

Views of Responsible Officials: City Management agrees with the auditor recommendations and will review all the bank balances and investment balances to be included in the Deposit and Investment Report.

SALEM CITY
Schedule of Findings and Recommendations
Prior Year

For the Year Ended June 30, 2023

2022-01: State Compliance – Budgetary Compliance

Criteria: City management is responsible to determine that internal controls ensure that compliance requirements described in the *State Compliance Audit Guide* are met.

Condition: The Capital Projects Fund expenditures exceeded the amounts appropriated in the final budget.

Cause: A \$200,000 transfer was intended from the Capital Projects Fund to the Electric Utility Fund. The transfer was shown in the budget amendment coming into the Electric Utility Fund but failed to get recorded in the Capital Projects Fund's budget.

Effect: The City was not in compliance with State regulations on Budgetary Compliance.

Recommendation: We recommend that the City review all budgets and amendments to correctly reflect the City's intentions on budget transfers.

Views of Responsible Officials: City Management agrees with the auditor recommendations and will ensure the amendments to the budget will reflect the intended amounts of the amended budget.

Status: The Capital Projects Fund expenditures were within budgeted amounts for FY 2023.

SALEM CITY
Schedule of Findings and Recommendations
Prior Year

Continued

2022-02: State Compliance – Fund Balance

Criteria: City management is responsible to determine that internal controls ensure that compliance requirements described in the *State Compliance Audit Guide* are met.

Condition: The Fiber Utility Fund had a negative unreserved fund balance at the end of the year and did not budget to decrease the deficit by 5% of the fund's current year revenue in the fiscal year 2023 budget.

Cause: The Fiber Utility Fund is a new fund that just started charging fees during the current year and had more costs than revenue for the current year.

Effect: The City was not in compliance with State regulations on Fund Balance.

Recommendation: We recommend that the City review the needs of the Fiber Utility Fund and work on reducing the deficit unreserved fund balance. At a minimum, the City needs to budget to reduce the fund balance deficit by at least five percent of the fund's total actual current year revenue.

Views of Responsible Officials: City Management agrees with the auditor recommendations and will work on the deficit fund balance in the Fiber fund and will ensure that a minimum of five percent be budgeted to reduce the deficit.

Status: The City budgeted more than five percent of the fund's total actual current year revenue and was compliant for FY 2023.