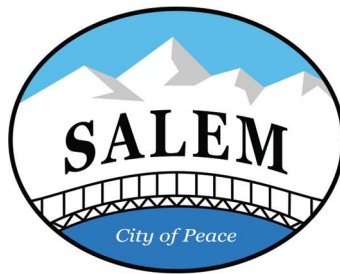


RICHEY MAY



**Financial Statements
For the Year Ended
June 30, 2025**

**Richey, May & Co., LLP
50 East 2500 North, # 200
North Logan, UT 84341
(435) 752-6441
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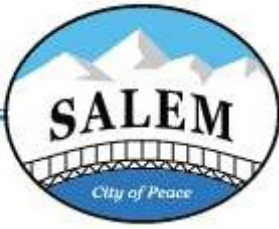
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INTRODUCTORY SECTION

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November 26, 2025

Salem City Council
Salem, Utah

It is with great pleasure that the financial statements for Salem City ("City") for the year ended June 30, 2025, 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, 2025, in accordance with these requirements.

This report consists of management's representations concerning the finances of the City. 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. This internal control structure is subject to periodic evaluation by management.

The City's financial statements have been audited by Richey, May & Co., LLP, 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 for the fiscal year ended June 30, 2025, 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's financial statements for the fiscal year ended June 30, 2025 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, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The Municipal Building Authority and Redevelopment Agency are component units and reported as special revenue funds in the governmental funds.

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
Salem City

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Salem City, Utah

Report on the Audit of the Financial Statements***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salem City ("City") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information, as of June 30, 2025 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* (GAS), 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.

Other Matter***Report on Summarized Comparative Information***

We have previously audited the City's 2024 financial statements, and we expressed an unmodified opinion on the respective financial statements in our report dated December 4, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ending June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement issuance 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 and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2025 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 "Diana Cannell". The signature is written in a cursive, flowing style.

Richey, May & Co., LLP
North Logan, Utah
November 26, 2025

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

For the Year Ended June 30, 2025

As management of Salem City ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2025. 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 the City increased 32% to \$194,707,098.
- The total net position of \$194,707,098 is made up of \$142,702,893 in capital assets net of any related debt, \$32,304,990 of restricted net position, and \$19,699,215 in unrestricted net position.
- Total capital assets, net of accumulated depreciation, increased \$41,862,704.
- Business-type activities total net position increased \$27,165,052.
- Governmental activities total net position increased \$19,763,098.

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 the 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 the City is improving or deteriorating. However, users should also consider other nonfinancial factors when evaluating the financial statements of the City.
- 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.

The government-wide financial statements distinguish functions of the 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. The 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 reconciliations included with the fund financial statements.

Major governmental funds are the General Fund, Capital Projects Fund, Municipal Building Authority (MBA), and the Engineering and Development Fund. The remaining governmental funds are determined to be nonmajor and are included in the combining statements within this report.

- **Proprietary Funds** – The 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. The City uses enterprise funds to account for its water, sewer, electric, pressurized irrigation, fiber utility, waste, and storm water funds.
 - 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 fund consists of a motor pool fund.

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$194,707,098.

The largest portion of the City's net position reflects its investment in capital assets (e.g., land, buildings, improvements, machinery and equipment, infrastructure, water rights and stock, and construction in progress), 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:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Current assets	\$ 46,602,140	\$ 35,547,890	\$ 48,503,106	\$ 25,483,950
Equity in joint venture	-	-	243,501	261,473
Capital assets, net	71,719,289	48,632,756	123,540,596	104,764,425
Deferred outflows of resources	1,106,668	1,137,073	545,075	510,859
Total assets and deferred outflows of resources	119,428,097	85,317,719	172,832,278	131,020,707
Long-term debt outstanding	14,975,832	15,604,968	37,581,160	34,073,844
Other liabilities	26,618,510	11,979,891	16,287,623	5,154,221
Deferred inflows of resources	2,080,541	1,742,744	9,611	3,810
Total liabilities and deferred inflows of resources	43,674,883	29,327,603	53,878,394	39,231,875
Net position:				
Net investment in capital assets	56,743,457	32,837,971	85,959,436	73,537,324
Restricted for debt and capital improvements	13,318,022	17,320,017	18,986,968	7,816,132
Unrestricted	5,691,735	5,832,128	14,007,480	10,435,376
Total net position	\$ 75,753,214	\$ 55,990,116	\$ 118,953,884	\$ 91,788,832

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

Governmental activities increased the City's net position by \$19,763,098 and business-type activities increased net position by \$27,165,052. The elements of these increases for the fiscal year ended June 30, 2025 were as follows:

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Revenues:				
Program revenues:				
Charges for services	\$ 8,315,228	\$ 7,242,179	\$ 19,790,418	\$ 16,403,128
Operating grants and contributions	854,728	841,057	-	-
Capital grants and contributions	18,725,075	10,399,966	25,731,007	18,892,279
General revenues:				
Property taxes	1,946,351	1,619,785	-	-
Other taxes	3,282,435	3,134,220	-	-
Investment income	2,569,904	2,175,516	337,396	405,914
Gain (loss) on sale of assets	45	(5,012)	(7,784)	-
Total revenues	<u>\$ 35,693,766</u>	<u>\$ 25,407,711</u>	<u>\$ 45,851,037</u>	<u>\$ 35,701,321</u>

SALEM CITY CORPORATION
Management's Discussion and Analysis

Continued

	Governmental Activities		Business-type Activities	
	2025	2024	2025	2024
Expenses:				
General government	\$ 4,923,923	\$ 3,816,274	\$ -	\$ -
Public safety	4,114,488	3,251,630	-	-
Highways and public works	4,026,711	2,225,274	-	-
Parks and recreation	2,618,402	2,453,436	-	-
Interest on long-term debt	584,144	524,645	-	-
Water utility	-	-	2,046,736	1,241,830
Sewer utility	-	-	3,391,315	2,980,111
Electric utility	-	-	7,300,422	5,426,789
Pressurized irrigation	-	-	2,612,068	1,718,357
Fiber utility	-	-	1,716,120	812,013
Waste utility	-	-	878,703	840,046
Storm water utility	-	-	403,621	388,200
Total expenses	<u>16,267,668</u>	<u>12,271,259</u>	<u>18,348,985</u>	<u>13,407,346</u>
Change in net position	19,426,098	13,136,452	27,502,052	22,293,975
Transfers	<u>337,000</u>	<u>737,000</u>	<u>(337,000)</u>	<u>(737,000)</u>
Net change in net position	19,763,098	13,873,452	27,165,052	21,556,975
Net position, beginning	<u>55,990,116</u>	<u>42,116,664</u>	<u>91,788,832</u>	<u>70,231,857</u>
Net position, ending	<u>\$ 75,753,214</u>	<u>\$ 55,990,116</u>	<u>\$ 118,953,884</u>	<u>\$ 91,788,832</u>

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 \$19,911,061. Of this total amount \$5,593,861 constitutes unreserved fund balance (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 reserved.

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 \$1,705,676, while total fund balance reached \$11,013,033. The General Fund unreserved fund balance ended at seven 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 fund financial statements included within this report.

Unrestricted net position of the Water Utility, Sewer Utility, Electrical Utility, Pressurized Irrigation, Fiber Utility, Waste Utility, and Storm Water Utility Funds at the end of the year amounted to \$13,589,539. Revenues and expenditures from normal operations are increasing rapidly due to unprecedented growth due to new subdivisions that have been approved.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, the General Fund's original budget was amended from an original budget expense total of \$12,267,610 to a final budget of \$26,055,211, an increase of \$13,787,601. Major changes are summarized as follows:

• General government	\$ 247,050
• Highways and public works	10,489,000
• Parks and recreation	2,875,261
• Public Safety	176,290

SALEM CITY CORPORATION

Management's Discussion and Analysis

Continued

Capital Asset and Debt Administration

The City's capital assets for its governmental and proprietary fund activities as of June 30, 2025 amounts to \$195,259,885 (net of accumulated depreciation). The investments in capital assets include land, buildings, improvements, machinery and equipment, infrastructure, water rights and stock, and construction in progress. There was a total increase in the City's capital assets for the current year of \$41,862,704.

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

• Road, sidewalk and park improvements	\$14,786,914
• Sewer line improvements	4,339,194
• Water line improvements	2,338,140
• Storm drain improvements	6,462,703
• Electrical improvements	5,032,003
• Pressurized irrigation improvements	1,469,411
• Fiber utility improvements	390,246
• Vehicles and equipment	1,425,792
• Water rights	1,904,950
• Land	1,184,174
• Buildings	18,611,658

Total capital assets as of June 30, 2025 were as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 5,024,316	\$ 1,510,203	\$ 6,534,519
Buildings	17,800,718	6,739,964	24,540,682
Improvements	18,847,592	133,925,594	152,773,186
Machinery and equipment	7,141,871	2,776,921	9,918,792
Infrastructure	53,880,323	2,161,791	56,042,114
Water rights and stock	-	3,517,171	3,517,171
Construction in progress	1,191,553	10,365	1,201,918
Less: accumulated depreciation	(32,167,084)	(27,101,413)	(59,268,497)
Total assets	\$ 71,719,289	\$ 123,540,596	\$ 195,259,885

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 \$46,670,742. 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 decreased by \$1,874,000 due to regular principal payments.

	Governmental Activities	Business-type Activities	Total
Revenue bonds	\$ 14,884,000	\$ 31,786,742	\$ 46,670,742
Total bonds	<u>\$ 14,884,000</u>	<u>\$ 31,786,742</u>	<u>\$ 46,670,742</u>

Additional information on the City's long-term debt, including the deferred amount for issuance premium, can be found in the footnotes to this financial report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The General Fund budget for the fiscal year ending June 30, 2026 reflects an increase of 13 percent in expenditures over the original budget for fiscal year ending June 30, 2025 due to the increased amount of capital projects in 2026 as a result of the continued addition of new housing projects within the City.

REQUESTS FOR INFORMATION

This report is designed to provide a general overview of the 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.

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BASIC FINANCIAL STATEMENTS

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SALEM CITY CORPORATION
Statement of Net Position

As of June 30, 2025

	Governmental Activities	Business-type Activities	Total 2025	Memorandum 2024
Assets				
Cash and cash equivalents	\$ 30,702,189	\$ 16,552,112	\$ 47,254,301	\$ 27,678,954
Restricted cash and cash equivalents	13,439,453	29,821,829	43,261,282	28,104,323
Receivables, net	2,460,498	1,337,022	3,797,520	4,505,196
Inventories	-	792,143	792,143	743,367
Total current assets	46,602,140	48,503,106	95,105,246	61,031,840
Equity in joint venture	-	243,501	243,501	261,473
Capital assets				
Land	5,024,316	1,510,203	6,534,519	5,804,209
Buildings	17,800,718	6,739,964	24,540,682	7,446,957
Improvements	18,847,592	133,925,594	152,773,186	124,490,554
Machinery and equipment	7,141,871	2,776,921	9,918,792	8,604,393
Infrastructure	53,880,323	2,161,791	56,042,114	49,417,555
Water rights and stock	-	3,517,171	3,517,171	1,612,221
Construction in progress	1,191,553	10,365	1,201,918	9,364,972
Less: accumulated depreciation	(32,167,084)	(27,101,413)	(59,268,497)	(53,343,680)
Total assets	118,321,429	172,287,203	290,608,632	214,690,494
Deferred outflows of resources - pensions	1,106,668	545,075	1,651,743	1,647,932
Total assets and deferred outflows	\$ 119,428,097	\$ 172,832,278	\$ 292,260,375	\$ 216,338,426

See accompanying notes to the financial statements.

SALEM CITY CORPORATION
Statement of Net Position

Continued

	Governmental Activities	Business-type Activities	Total 2025	Memorandum 2024
Liabilities and deferred inflows of resources				
Accounts payable and accrued liabilities	\$ 24,817,150	\$ 15,867,617	\$ 40,684,767	\$ 15,209,621
Bond interest payable	192,475	216,022	408,497	417,163
Notes payable - current	45,372	20,079	65,451	122,299
Bonds payable - current	570,000	1,377,865	1,947,865	1,894,865
Internal balances	417,941	(417,941)	-	-
Net pension liability	1,003,842	494,430	1,498,272	1,253,205
Compensated absences - noncurrent	187,102	127,495	314,597	254,123
Notes payable - noncurrent	46,460	5,450,938	5,497,398	667,505
Bonds payable - noncurrent	14,314,000	30,732,278	45,046,278	46,994,143
Total liabilities	41,594,342	53,868,783	95,463,125	66,812,924
Deferred inflows of resources - pensions	19,510	9,611	29,121	12,287
Deferred inflows of resources - property taxes	2,061,031	-	2,061,031	1,734,267
Total liabilities and deferred inflows of resources	43,674,883	53,878,394	97,553,277	68,559,478
Net position				
Net investment in capital assets	56,743,457	85,959,436	142,702,893	106,375,295
Restricted for debt and capital improvements	13,318,022	18,986,968	32,304,990	25,136,149
Unrestricted	5,691,735	14,007,480	19,699,215	16,267,504
Total net position	\$ 75,753,214	\$ 118,953,884	\$ 194,707,098	\$ 147,778,948

SALEM CITY CORPORATION
Statement of Activities

For the Year Ended June 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Total 2025	Memorandum 2024
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 4,923,923	\$ 7,052,541	\$ 47,321	\$ -	\$ 2,175,939	\$ -	\$ 2,300,617
Public safety	4,114,488	422,494	17,281	1,576,646	(2,098,067)	-	(2,252,055)
Highways and public works	4,026,711	-	753,262	13,765,517	10,492,068	-	7,306,097
Parks and recreation	2,618,402	840,193	36,864	3,382,912	1,641,567	-	(618,071)
Interest on long-term debt	584,144	-	-	-	(584,144)	-	(524,645)
Total governmental activities	16,267,668	8,315,228	854,728	18,725,075	11,627,363	-	6,211,943
Business-type activities:							
Water utility	2,046,736	3,477,712	-	3,074,076	-	4,505,052	5,120,444
Sewer utility	3,391,315	2,824,644	-	8,849,799	-	8,283,128	3,714,734
Electric utility	7,300,422	8,104,619	-	7,109,160	-	7,913,357	5,802,472
Pressurized irrigation	2,612,068	2,138,338	-	3,849,155	-	3,375,425	4,417,555
Fiber utility	1,716,120	1,625,151	-	-	-	(90,969)	427,499
Waste utility	878,703	938,455	-	-	-	59,752	35,849
Storm water utility	403,621	681,499	-	2,848,817	-	3,126,695	2,369,508
Total business-type activities	\$ 18,348,985	\$ 19,790,418	\$ -	\$ 25,731,007	-	27,172,440	21,888,061
General Revenues:							
Property taxes					1,946,351	-	1,619,785
General sales and use tax					2,352,193	-	2,268,133
Franchise tax and other taxes					930,242	-	866,087
Unrestricted investment earnings					2,569,904	337,396	2,581,430
Gain (loss) on sale of assets					45	(7,784)	(5,012)
Transfers					337,000	(337,000)	-
Total general revenues and transfers					8,135,735	(7,388)	7,330,423
Change in net position					19,763,098	27,165,052	35,430,427
Net position, beginning					55,990,116	91,788,832	112,348,521
Net position, ending					<u>\$ 75,753,214</u>	<u>\$ 118,953,884</u>	<u>\$ 147,778,948</u>

See accompanying notes to the financial statements.

SALEM CITY CORPORATION
Balance Sheet
Governmental Funds

As of June 30, 2025

	General Fund	Capital Projects Fund	Municipal Building Authority Fund	Engineering and Development Fund	Nonmajor Governmental Funds	Total 2025	Memorandum 2024
Assets							
Cash and cash equivalents	\$ 24,783,222	\$ 4,887,363	\$ 290,289	\$ 685,860	\$ 55,455	\$ 30,702,189	\$ 15,854,152
Restricted cash and cash equivalents	9,428,788	-	888,581	1,687,322	1,434,762	13,439,453	17,441,448
Receivables, net:							
Property tax	2,078,256	-	-	-	-	2,078,256	1,753,185
Other	382,242	-	-	-	-	382,242	499,105
Due from other funds	678,295	-	-	-	-	678,295	620,839
Total assets	<u>\$ 37,350,803</u>	<u>\$ 4,887,363</u>	<u>\$ 1,178,870</u>	<u>\$ 2,373,182</u>	<u>\$ 1,490,217</u>	<u>\$ 47,280,435</u>	<u>\$ 36,168,729</u>

SALEM CITY CORPORATION
Balance Sheet
Governmental Funds

Continued

	General Fund	Capital Projects Fund	Municipal Building Authority	Engineering and Development Fund	Nonmajor Governmental Funds	Total 2025	Memorandum 2024
Liabilities, deferred inflows of resources and fund balance							
Liabilities:							
Accounts payable and accrued liabilities	\$ 24,040,112	\$ -	\$ 72,966	\$ 177,942	\$ 55,455	\$ 24,346,475	\$ 10,052,903
Retainage payable	236,627	-	46,946	-	-	283,573	231,508
Due to other funds	-	-	170,377	507,918	-	678,295	620,839
Total liabilities	24,276,739	-	290,289	685,860	55,455	25,308,343	10,905,250
Deferred inflows of resources	2,061,031	-	-	-	-	2,061,031	1,734,267
Total liabilities and deferred inflows of resources	26,337,770	-	290,289	685,860	55,455	27,369,374	12,639,517
Fund balance:							
Restricted for:							
Roads and recreational activities	8,996,745	-	-	-	-	8,996,745	4,744,584
Perpetual care fund	-	-	-	-	87,608	87,608	83,038
Building and subdivision fees, unexpended	310,612	-	-	1,687,322	1,347,154	3,345,088	2,876,615
Debt reserves and unexpended bond proceeds	-	-	888,581	-	-	888,581	9,397,247
Assigned for:							
Capital projects	-	4,887,363	-	-	-	4,887,363	3,241,200
Unassigned for:							
General fund	1,705,676	-	-	-	-	1,705,676	3,186,528
Total fund balances	11,013,033	4,887,363	888,581	1,687,322	1,434,762	19,911,061	23,529,212
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 37,350,803</u>	<u>\$ 4,887,363</u>	<u>\$ 1,178,870</u>	<u>\$ 2,373,182</u>	<u>\$ 1,490,217</u>	<u>\$ 47,280,435</u>	<u>\$ 36,168,729</u>

See accompanying notes to the financial statements.

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

As of June 30, 2025

Total fund balances for governmental funds	\$ 19,911,061
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Adjustment for internal service funds	(417,941)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	71,719,289
Pension related assets, liabilities, deferred inflows and deferred outflows are not payable in the current period, so are not reported in the governmental funds.	83,316
Long-term liabilities, including bonds payable and bond interest payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(15,542,511)</u>
Net position of governmental activities	<u>\$ 75,753,214</u>

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

For the Year Ended June 30, 2025

	General Fund	Capital Projects Fund	Municipal Building Authority Fund	Engineering and Development Fund	Nonmajor Governmental Funds	Total 2025	Memorandum 2024
Revenues:							
Taxes	\$ 5,228,786	\$ -	\$ -	\$ -	\$ -	\$ 5,228,786	\$ 4,754,006
Licenses and permits	122,252	-	-	-	-	122,252	146,389
Intergovernmental	7,640,749	-	-	-	-	7,640,749	3,032,046
Charges for services	7,793,870	1,113,327	1,142,232	2,267,182	2,196,939	14,513,550	7,014,064
Investment earnings	2,170,868	-	394,873	-	4,163	2,569,904	2,175,516
Fines and forfeitures	24,282	-	-	-	-	24,282	33,021
Miscellaneous revenues	98,912	-	-	-	-	98,912	208,200
Total revenues	<u>23,079,719</u>	<u>1,113,327</u>	<u>1,537,105</u>	<u>2,267,182</u>	<u>2,201,102</u>	<u>30,198,435</u>	<u>17,363,242</u>
Expenditures:							
Current:							
General government	1,447,053	354,436	1,175,456	2,258,844	1,027,632	6,263,421	4,487,516
Public safety	3,472,905	-	7,732,927	-	-	11,205,832	7,387,606
Highways and public works	11,658,711	-	-	-	-	11,658,711	1,132,372
Parks and recreation	3,630,045	-	-	-	-	3,630,045	2,926,238
Debt service:							
Principal retirement	69,136	-	560,000	-	-	629,136	724,312
Interest expense	4,098	-	577,388	-	-	581,486	495,004
Total expenditures	<u>20,281,948</u>	<u>354,436</u>	<u>10,045,771</u>	<u>2,258,844</u>	<u>1,027,632</u>	<u>33,968,631</u>	<u>17,153,048</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,797,771</u>	<u>\$ 758,891</u>	<u>\$ (8,508,666)</u>	<u>\$ 8,338</u>	<u>\$ 1,173,470</u>	<u>\$ (3,770,196)</u>	<u>\$ 210,194</u>

See accompanying notes to the financial statements.

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

Continued

	General Fund	Capital Projects Fund	Municipal Building Authority	Engineering and Development Fund	Nonmajor Governmental Funds	Total 2025	Memorandum 2024
Other financing sources (uses):							
Transfers in	\$ 1,880,483	\$ 2,047,868	\$ -	\$ -	\$ -	\$ 3,928,351	\$ 3,609,398
Transfers out	(2,047,868)	(1,728,483)	-	-	-	(3,776,351)	(2,872,398)
Gain on sale of assets	45	-	-	-	-	45	119,823
Total other financing sources (uses)	(167,340)	319,385	-	-	-	152,045	856,823
Net change in fund balance	2,630,431	1,078,276	(8,508,666)	8,338	1,173,470	(3,618,151)	1,067,017
Fund balances, beginning	8,382,602	3,809,087	9,397,247	1,678,984	261,292	23,529,212	22,462,195
Fund balances, ending	<u>\$ 11,013,033</u>	<u>\$ 4,887,363</u>	<u>\$ 888,581</u>	<u>\$ 1,687,322</u>	<u>\$ 1,434,762</u>	<u>\$ 19,911,061</u>	<u>\$ 23,529,212</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, 2025

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

Net change in fund balances-total governmental funds	\$ (3,618,151)
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.	17,591,248
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and capital contributions by developers) is to increase net position.	5,495,285
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.	577,062
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.	(99,120)
Pension expense	(180,568)
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.	<u>(2,658)</u>
Change in net position of governmental activities	<u><u>\$ 19,763,098</u></u>

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

For the Year Ended June 30, 2025

	Budget Amounts		General Fund	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 4,999,202	\$ 5,189,360	\$ 5,228,786	\$ 39,426
Licenses and permits	121,149	121,149	122,252	1,103
Intergovernmental	745,300	7,677,319	7,640,749	(36,570)
Charges for services	7,710,454	7,893,354	7,793,870	(99,484)
Fines and forfeitures	36,000	25,000	24,282	(718)
Other revenues	462,500	2,220,650	2,269,780	49,130
Total revenues	14,074,605	23,126,832	23,079,719	(47,113)
Expenditures:				
Current:				
General government	3,726,345	3,973,395	1,447,053	2,526,342
Public safety	3,773,404	3,949,694	3,472,905	476,789
Highways and public works	1,666,353	12,155,353	11,658,711	496,642
Parks and recreation	3,021,009	5,896,270	3,630,045	2,266,225
Debt service	80,499	80,499	73,234	7,265
Total expenditures	12,267,610	26,055,211	20,281,948	5,773,263
Excess of revenues over (expenditures)	1,806,995	(2,928,379)	2,797,771	5,726,150
Other financing sources (uses):				
Sale of assets	1,000	1,000	45	(955)
Transfers in	1,226,000	4,220,242	1,880,483	(2,339,759)
Transfers out	-	(2,047,868)	(2,047,868)	-
Net change in fund balance	3,033,995	(755,005)	2,630,431	3,385,436
Fund balance, beginning	8,382,602	8,382,602	8,382,602	-
Fund balance, ending	\$ 11,416,597	\$ 7,627,597	\$ 11,013,033	\$ 3,385,436

SALEM CITY CORPORATION
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Municipal Building Authority

For the Year Ended June 30, 2025

	Budget Amounts		Municipal Building Authority	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Charges for services	\$ 1,142,195	\$ 1,142,195	\$ 1,142,232	\$ 37
Investment earnings	-	-	394,873	394,873
Total revenues	1,142,195	1,142,195	1,537,105	394,910
Expenditures:				
Current:				
General government	-	1,820,000	1,175,456	644,544
Public safety	-	8,604,000	7,732,927	871,073
Debt service	1,142,195	1,142,195	1,137,388	4,807
Total expenditures	1,142,195	11,566,195	10,045,771	1,520,424
Net change in fund balance	-	(10,424,000)	(8,508,666)	1,915,334
Fund balance, beginning	9,397,247	9,397,247	9,397,247	-
Fund balance, ending	\$ 9,397,247	\$ (1,026,753)	\$ 888,581	\$ 1,915,334

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

For the Year Ended June 30, 2025

	Budget Amounts		Engineering and	Variance with
	Original	Final	Development	Final Budget
	Budget	Budget	Fund	Positive
				(Negative)
Revenues:				
Charges for services	\$ 3,782,217	\$ 3,912,040	\$ 2,267,182	\$ (1,644,858)
Total revenues	<u>3,782,217</u>	<u>3,912,040</u>	<u>2,267,182</u>	<u>(1,644,858)</u>
Expenditures:				
Current:				
General government	2,801,869	2,896,919	2,258,844	638,075
Total expenditures	<u>2,801,869</u>	<u>2,896,919</u>	<u>2,258,844</u>	<u>638,075</u>
Net change in fund balance	980,348	1,015,121	8,338	(1,006,783)
Fund balance, beginning	<u>1,678,984</u>	<u>1,678,984</u>	<u>1,678,984</u>	<u>-</u>
Fund balance, ending	<u>\$ 2,659,332</u>	<u>\$ 2,694,105</u>	<u>\$ 1,687,322</u>	<u>\$ (1,006,783)</u>

SALEM CITY CORPORATION
Statement of Net Position
Proprietary Funds

As of June 30, 2025

	Business-Type Activities - Enterprise								Governmental Activities
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund	Waste Utility Fund	Storm Water Utility Fund	Total	Internal Services Fund
Assets									
Current assets:									
Cash and cash equivalents	\$ 2,007,317	\$ 3,293,786	\$ 8,725,136	\$ 798,459	\$ 666,553	\$ 356,419	\$ 704,442	\$ 16,552,112	\$ 445,894
Receivable, net	115,613	253,474	569,876	155,685	141,842	75,824	24,708	1,337,022	-
Inventories	231,347	-	331,211	229,585	-	-	-	792,143	-
Total current assets	2,354,277	3,547,260	9,626,223	1,183,729	808,395	432,243	729,150	18,681,277	445,894
Noncurrent assets:									
Restricted cash and cash equivalents	2,456,600	16,653,986	4,216,487	4,658,926	261	-	1,835,569	29,821,829	-
Land, equipment, buildings, and improvements	24,412,329	48,064,260	31,159,832	22,140,376	6,068,117	23,000	15,256,924	147,124,838	3,064,335
Less: accumulated depreciation	(6,235,847)	(9,005,595)	(5,213,422)	(4,534,455)	(1,094,541)	(19,837)	(997,716)	(27,101,413)	(2,345,445)
Water rights and stock	3,188,329	-	-	328,842	-	-	-	3,517,171	-
Right-of-use assets - vehicle, net	-	-	-	-	-	-	-	-	9,262
Equity in joint venture	-	-	-	-	-	243,501	-	243,501	-
Total noncurrent assets	23,821,411	55,712,651	30,162,897	22,593,689	4,973,837	246,664	16,094,777	153,605,926	728,152
Total assets	26,175,688	59,259,911	39,789,120	23,777,418	5,782,232	678,907	16,823,927	172,287,203	1,174,046
Deferred outflows of resources - pensions	49,552	82,587	214,727	49,552	132,140	-	16,517	545,075	-
Total assets and deferred outflows	\$ 26,225,240	\$ 59,342,498	\$ 40,003,847	\$ 23,826,970	\$ 5,914,372	\$ 678,907	\$ 16,840,444	\$ 172,832,278	\$ 1,174,046

See accompanying notes to the financial statements.

SALEM CITY CORPORATION
Statement of Net Position
Proprietary Funds

Continued

	Business-Type Activities - Enterprise								Governmental Activities Internal Services Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund	Waste Utility Fund	Storm Water Utility Fund	Total	
Liabilities and Deferred Inflows of Resources									
Current liabilities:									
Accounts payable and accrued liabilities	\$ 455,940	\$ 175,560	\$ 5,821,999	\$ 139,502	\$ 152,644	\$ 37,120	\$ 2,396	\$ 6,785,161	\$ 15,487
Unearned revenue	-	9,425,973	-	-	-	-	-	9,425,973	-
Notes payable	-	-	-	-	20,079	-	-	20,079	-
Bonds payable	-	594,000	147,000	376,000	260,865	-	-	1,377,865	-
Total current liabilities	455,940	10,195,533	5,968,999	515,502	433,588	37,120	2,396	17,609,078	15,487
Noncurrent liabilities:									
Net pension liability	44,948	74,914	194,775	44,948	119,862	-	14,983	494,430	-
Notes payable	-	-	-	-	41,830	-	5,409,108	5,450,938	-
Bonds payable	-	16,538,000	3,628,000	5,448,742	5,117,536	-	-	30,732,278	-
Total long-term liabilities	44,948	16,612,914	3,822,775	5,493,690	5,279,228	-	5,424,091	36,677,646	-
Total liabilities	500,888	26,808,447	9,791,774	6,009,192	5,712,816	37,120	5,426,487	54,286,724	15,487
Deferred inflows of resources - pensions	874	1,456	3,786	874	2,330	-	291	9,611	-
Total liabilities and deferred inflows of resources	\$ 501,762	\$ 26,809,903	\$ 9,795,560	\$ 6,010,066	\$ 5,715,146	\$ 37,120	\$ 5,426,778	\$ 54,296,335	\$ 15,487
Net Position									
Net investment in capital assets	\$ 21,364,811	\$ 21,926,665	\$ 22,171,410	\$ 12,110,021	\$ (466,734)	\$ 3,163	\$ 8,850,100	\$ 85,959,436	\$ 728,152
Restricted for debt and capital improvements	2,456,600	7,417,046	3,956,885	3,320,607	261	-	1,835,569	18,986,968	-
Unrestricted	1,902,067	3,188,884	4,079,992	2,386,276	665,699	638,624	727,997	13,589,539	430,407
Total net position	\$ 25,723,478	\$ 32,532,595	\$ 30,208,287	\$ 17,816,904	\$ 199,226	\$ 641,787	\$ 11,413,666	118,535,943	\$ 1,158,559
Adjustment to reflect the allocation of the internal service fund activities to the enterprise fund								417,941	
Net position from business-type activities								\$ 118,953,884	

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

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise							Governmental
	Pressurized						Total	Activities
	Water Utility	Sewer Utility	Electric	Irrigation	Fiber Utility	Waste Utility	Storm Water	Internal
	Fund	Fund	Utility Fund	Fund	Fund	Fund	Utility Fund	Service Fund
Operating revenues:								
Charges for services	\$ 3,078,199	\$ 2,781,366	\$ 7,899,839	\$ 1,829,902	\$ 1,545,410	\$ 898,671	\$ 293,434	\$ 18,326,821
Fees and miscellaneous	399,513	43,278	204,780	308,436	79,741	39,784	388,065	4,789
Total operating revenues	3,477,712	2,824,644	8,104,619	2,138,338	1,625,151	938,455	681,499	19,790,418
Operating expenses:								
Purchased power	-	-	4,944,826	-	-	-	-	4,944,826
Salaries and wages	209,075	448,799	291,385	198,417	576,821	11,280	61,915	1,797,692
Employee benefits	111,694	174,071	452,235	100,596	285,390	6,980	14,729	1,145,695
Contractual services	176,207	400,456	97,845	416,364	165,024	675,330	91,550	2,022,776
Supplies and materials	602,218	203,700	352,553	907,880	136,778	43,536	2,287	2,248,952
Administrative services	425,592	397,476	471,804	416,556	90,600	125,748	60,480	1,988,256
Utilities and telephone	80,141	263,716	-	46,433	12,463	-	-	402,753
Depreciation	464,869	1,324,437	542,985	452,638	332,158	575	176,122	3,293,784
Total operating expenses	2,069,796	3,212,655	7,153,633	2,538,884	1,599,234	863,449	407,083	17,844,734
Operating income (loss)	\$ 1,407,916	\$ (388,011)	\$ 950,986	\$ (400,546)	\$ 25,917	\$ 75,006	\$ 274,416	\$ 1,945,684

See accompanying notes to the financial statements.

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

Continued

	Business-Type Activities - Enterprise							Governmental Activities Internal Service Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund	Waste Utility Fund	Storm Water Utility Fund	
Non-operating revenue (expense):								
Interest revenue	\$ -	\$ 161,749	\$ 65,876	\$ 109,024	\$ 747	\$ -	\$ -	\$ 337,396
Impact fees	1,824,325	4,819,293	2,452,465	2,219,313	-	-	1,430,627	12,746,023
Grant revenue	-	-	-	299,849	-	-	-	299,849
Decrease of equity in joint venture	-	-	-	-	-	(17,972)	-	(17,972)
Gain (loss) on sale of assets	-	-	-	(7,784)	-	-	-	(7,784)
Interest expense	-	(200,905)	(165,310)	(91,363)	(127,821)	-	-	(585,399)
Total non-operating revenue (expense)	1,824,325	4,780,137	2,353,031	2,529,039	(127,074)	(17,972)	1,430,627	12,772,113
Net income (loss) before contributions and transfers	3,232,241	4,392,126	3,304,017	2,128,493	(101,157)	57,034	1,705,043	14,717,797
Transfers in (out)	(240,000)	(121,500)	(6,496)	(189,996)	300,000	(49,500)	(29,508)	(337,000)
Developer's contributions	1,249,751	4,030,506	4,656,695	1,329,993	-	-	1,418,190	12,685,135
Change in net position	4,241,992	8,301,132	7,954,216	3,268,490	198,843	7,534	3,093,725	27,065,932
Net position, beginning	21,481,486	24,231,463	22,254,071	14,548,414	383	634,253	8,319,941	91,470,011
Net position, ending	<u>\$25,723,478</u>	<u>\$32,532,595</u>	<u>\$30,208,287</u>	<u>\$17,816,904</u>	<u>\$ 199,226</u>	<u>\$ 641,787</u>	<u>\$11,413,666</u>	<u>118,535,943</u>
Adjustment to reflect the allocation of the internal service fund activities to the enterprise fund								99,120
Change in net position of business-type activities								<u>\$27,165,052</u>

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise							Governmental Activities Internal-Service Fund
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund	Waste Utility Fund	Storm Water Utility Fund	Total
Cash Flows From Operating Activities								
Receipts from customers and users	\$ 3,489,236	\$ 12,296,934	\$ 8,164,905	\$ 2,168,558	\$ 1,651,717	\$ 945,006	\$ 684,253	\$ 29,400,609
Payments to suppliers	(539,840)	(1,071,554)	(4,852,225)	(1,462,523)	(603,004)	(762,028)	(112,906)	(9,404,080)
Payments to general fund for services	(425,592)	(397,476)	(471,804)	(416,556)	(90,600)	(125,748)	(60,480)	(1,988,256)
Payments to employees	(209,075)	(448,799)	(291,385)	(198,417)	(576,821)	(11,280)	(61,915)	(1,797,692)
Net cash flows from operating activities	2,314,729	10,379,105	2,549,491	91,062	381,292	45,950	448,952	16,210,581
Cash Flows From Noncapital Financing Activities								
Proceeds (payments) from due to/due from Interfund activity	629,232 (240,000)	- (121,500)	- (6,496)	(629,232) (189,996)	- 300,000	- (49,500)	- (29,508)	- (337,000)
Net cash flows from noncapital financing activities	389,232	(121,500)	(6,496)	(819,228)	300,000	(49,500)	(29,508)	(337,000)
Cash Flows From Capital and Related Financing Activities								
Impact fees	1,824,325	4,819,293	2,452,465	2,219,313	-	-	1,430,627	12,746,023
Purchases of capital assets	(3,109,270)	(453,065)	(649,133)	(192,457)	(390,245)	-	(49,476)	(4,843,646)
Proceeds from sale of assets	-	-	-	446,080	-	-	-	446,080
Proceeds from grants	-	-	-	1,399,951	-	-	-	1,399,951
Principal paid on debt	(133,314)	(588,000)	(142,000)	(354,000)	(249,543)	-	-	(1,466,857)
Interest paid on capital debt	-	(200,905)	(165,310)	(91,363)	(148,686)	-	-	(606,264)
Net cash flows from capital and related financing activities	(1,418,259)	3,577,323	1,496,022	3,427,524	(788,474)	-	1,381,151	7,675,287
Cash Flows From Investing Activities								
Interest and dividends received	-	161,749	65,876	109,024	747	-	-	337,396
Net cash flows from investing activities	-	161,749	65,876	109,024	747	-	-	337,396
Net increase (decrease) in cash, cash equivalents and restricted cash	1,285,702	13,996,677	4,104,893	2,808,382	(106,435)	(3,550)	1,800,595	23,886,264
Cash, cash equivalents, and restricted cash beginning of year	3,178,215	5,951,095	8,836,730	2,649,003	773,249	359,969	739,416	22,487,677
Cash, cash equivalents, and restricted cash end of year	\$ 4,463,917	\$ 19,947,772	\$ 12,941,623	\$ 5,457,385	\$ 666,814	\$ 356,419	\$ 2,540,011	\$ 46,373,941
Shown in the Statement of Net Position as:								
Cash and cash equivalents	\$ 2,007,317	\$ 3,293,786	\$ 8,725,136	\$ 798,459	\$ 666,553	\$ 356,419	\$ 704,442	\$ 16,552,112
Restricted cash and cash equivalents	2,456,600	16,653,986	4,216,487	4,658,926	261	-	1,835,569	29,821,829
Total cash, cash equivalents, and restricted cash	\$ 4,463,917	\$ 19,947,772	\$ 12,941,623	\$ 5,457,385	\$ 666,814	\$ 356,419	\$ 2,540,011	\$ 46,373,941

See accompanying notes to the financial statements.

SALEM CITY CORPORATION
Statement of Cash Flows
Proprietary Funds

Continued

	Business-Type Activities - Enterprise							Governmental Activities	
	Water Utility Fund	Sewer Utility Fund	Electric Utility Fund	Pressurized Irrigation Fund	Fiber Utility Fund	Waste Utility Fund	Storm Water Utility Fund	Total	Internal-Service Fund
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Operating income (loss)	\$ 1,407,916	\$ (388,011)	\$ 950,986	\$ (400,546)	\$ 25,917	\$ 75,006	\$ 274,416	\$ 1,945,684	\$ 22,038
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:									
Depreciation expense	464,869	1,324,437	542,985	452,638	332,158	575	176,122	3,293,784	286,891
(Increase) decrease in accounts receivable	(11,524)	(46,317)	(60,286)	(30,220)	(26,566)	(6,551)	(2,754)	(184,218)	-
(Increase) decrease in inventory	25,493	-	(95,325)	21,056	-	-	-	(48,776)	-
(Increase) decrease in deferred outflows of resources	(114)	(190)	(33,455)	(16,593)	16,174	-	(38)	(34,216)	-
Increase (decrease) in accounts payable	420,232	50,117	1,329,054	44,215	25,311	(23,080)	(1,413)	1,844,436	10,616
Increase (decrease) in unearned revenue	-	9,425,973	-	-	-	-	-	9,425,973	-
Increase (decrease) in retention payable	-	-	(143,824)	-	-	-	-	(143,824)	-
Increase (decrease) in pension liability	7,352	12,254	56,922	19,884	7,074	-	2,451	105,937	-
Increase (decrease) in deferred inflows of resources	505	842	2,434	628	1,224	-	168	5,801	-
Net cash flows from operating activities	<u>\$ 2,314,729</u>	<u>\$ 10,379,105</u>	<u>\$ 2,549,491</u>	<u>\$ 91,062</u>	<u>\$ 381,292</u>	<u>\$ 45,950</u>	<u>\$ 448,952</u>	<u>\$ 16,210,581</u>	<u>\$ 319,545</u>
Supplementary information									
Non-cash items from capital and related financing activities include contributions by developers	<u>\$ 1,249,751</u>	<u>\$ 4,030,506</u>	<u>\$ 4,656,695</u>	<u>\$ 1,329,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,418,190</u>	<u>\$ 12,685,135</u>	<u>\$ -</u>
Non-cash purchase of assets through debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,995,038</u>	<u>\$ 4,995,038</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS

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SALEM CITY CORPORATION
Notes to the Financial Statements

For the Year Ended June 30, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salem City ("City")'s 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 under GAAP and used by the City are discussed below.

Reporting Entity

The City 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

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 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 and proprietary funds. 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 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.
- *Municipal Building Authority* – This fund accounts for the activities of the Municipal Building Authority.
- *Engineering and Development Fund* -This fund accounts for activities related to engineering and the development of projects within the city.

The government reports the following major proprietary funds:

- *Water Utility Fund* – The Water Fund accounts for the activities of the City's water operations.
- *Sewer Utility Fund* – The Sewer Fund accounts for the activities of the City's sewer operations.
- *Electric Utility 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.
- *Waste Utility Fund* – The Waste Utility Fund accounts for the activities of the City's waste removal.
- *Storm Water Utility Fund* – The Storm Water Utility Fund accounts for the activities of the City's storm water collections.

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.

SALEM CITY CORPORATION

Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

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

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.
 - *Engineering and Development Fund* -This fund accounts for activities related to engineering and the development of projects within the city.
 - *Building Fund* – This fund accounts for activities related to building permits and costs.
 - *Perpetual Care* – This fund accounts for the perpetual care of the cemetery.
- *Internal Service Funds:*
 - *Motor Pool Fund* – This fund accounts for the activities of the City motor pool.

Cash and 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.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

Restricted Assets

Restricted assets are comprised of cash restricted for future payments of principal and interest on debt services, unused impact fees, escrow accounts, and state restricted funds. Restricted resources rather than unrestricted resources are used first to fund related appropriations.

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 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 accumulate vacation and sick leave each month based on the employee's current length of service. The maximum amount of vacation leave that may be carried over to a new year is 240 hours. Employees with 200 or more hours of vacation may sell up to 80 hours of vacation hours back to the City. The rate at which the City will buy back vacation days range from 50 to 100 percent based on an employee's length of service. Upon separation, all unused vacation hours will be paid out at the employee's wage at the time of separation. Sick leave will accumulate indefinitely with no carryover limitations. Unused sick leave may be sold back to the City at 50 percent of the employee's current wage. Only sick leave in excess of 80 hours may be sold. Employees may only sell up to 96 hours per year. Upon employee separation, sick leave will be paid out at 25 or 33 percent based on the employee's length of service.

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, 2024.

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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

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	\$ 103,886,373
Accumulated depreciation	<u>(32,167,084)</u>
Net adjustment to increase fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 71,719,289</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	\$ 14,975,832
Bond interest payable	192,475
Compensated absences	<u>374,204</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ 15,542,511</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.

Deferred outflows of resources - pensions	\$ 1,106,668
Net pension liability	(1,003,842)
Deferred inflows of resources - pensions	<u>(19,510)</u>
Net adjustment to reduce fund balances	<u><u>\$ 83,316</u></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	\$ 20,333,673
Depreciation expense	<u>(2,742,425)</u>
Net capital outlay	17,591,248
Capital contributions by developers	<u>5,495,285</u>
Net adjustment to increase net changes in fund balance-total governmental fund to arrive at changes in net position of governmental activities	<u><u>\$ 23,086,533</u></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."

Principal paid on bonds and notes payable	\$ 629,136
Compensated absence change	<u>(52,074)</u>
	577,062
Accrued interest change	<u>(2,658)</u>
Total change in long-term debt	<u><u>\$ 574,404</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 the 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, 2025, \$14,337,394 of the local government’s bank balances of \$15,263,568 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, 2025 the City had the following recurring fair value measurements.

Investments by fair value level	6/30/2025	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt Securities				
Utah Public Treasurers' Investment Fund	\$ 77,365,432	\$ -	\$ 77,365,432	\$ -
Total investments measured at fair value	\$ 77,365,432	\$ -	\$ 77,365,432	\$ -

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, 2025 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 or 15 months or less (depending on the type of investment). 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, 2025, 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	\$ 77,365,432	\$ 77,365,432	\$ -	\$ -
Total investments				
measured at fair value	\$ 77,365,432	\$ 77,365,432	\$ -	\$ -

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, 2025, the City had investments of \$77,365,432 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 funds, including the applicable allowances for uncollectible accounts, were as follows:

	General	
Accounts receivable	\$ 229,541	
Property tax	2,078,256	
Intergovernmental	156,063	
Allowance for uncollectible accounts	(3,362)	
Total		2,460,498
	Water Utility	
Accounts receivable	121,855	
Allowance for uncollectible accounts	(6,242)	
Total		115,613
	Sewer Utility	
Accounts receivable	267,159	
Allowance for uncollectible accounts	(13,685)	
Total		253,474
	Electric Utility	
Accounts receivable	600,644	
Allowance for uncollectible accounts	(30,768)	
Total		569,876
	Pressurized Irrigation	
Accounts receivable	164,090	
Allowance for uncollectible accounts	(8,405)	
Total		155,685
	Fiber Utility	
Accounts receivable	149,500	
Allowance for uncollectible accounts	(7,658)	
Total		141,842
	Waste Utility	
Accounts receivable	79,918	
Allowance for uncollectible accounts	(4,094)	
Total		75,824
	Storm Water Utility	
Accounts receivable	26,042	
Allowance for uncollectible accounts	(1,334)	
Total		24,708
Total receivables		<u>\$ 3,797,520</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, 2025 was as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Description</u>
General Fund	Municipal Building Authority	\$ 170,377	Cash advance
General Fund	Engineering and Development Fund	507,918	Cash advance

Interfund Transfers:

	<u>Transfer Out</u>			
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Proprietary Funds</u>	<u>Total Transfers Out</u>
Transfer in:				
General Fund	\$ -	\$ 743,483	\$ 1,137,000	\$ 1,880,483
Capital Projects Fund	2,047,868	-	-	2,047,868
Proprietary Funds	-	800,000	-	800,000
Internal Service Fund	-	185,000	-	185,000
Total transfer in	<u>\$ 2,047,868</u>	<u>\$ 1,728,483</u>	<u>\$ 1,137,000</u>	<u>\$ 4,913,351</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS

	Governmental Activities			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 3,904,642	\$ 1,119,674	\$ -	\$ 5,024,316
Construction in progress	4,868,085	1,418,988	5,095,520	1,191,553
Total capital assets not being depreciated	<u>8,772,727</u>	<u>2,538,662</u>	<u>5,095,520</u>	<u>6,215,869</u>
Capital assets being depreciated:				
Buildings	5,320,740	12,479,978	-	17,800,718
Improvements	9,744,381	9,103,211	-	18,847,592
Machinery and equipment	6,208,523	1,030,344	96,996	7,141,871
Infrastructure	48,108,040	5,772,283	-	53,880,323
Total capital assets being depreciated	<u>69,381,684</u>	<u>28,385,816</u>	<u>96,996</u>	<u>97,670,504</u>
Less accumulated depreciation	<u>(29,521,655)</u>	<u>(2,742,425)</u>	<u>(96,996)</u>	<u>(32,167,084)</u>
Total capital assets, being depreciated, net	<u>39,860,029</u>	<u>25,643,391</u>	<u>-</u>	<u>65,503,420</u>
Governmental activities capital assets, net	<u>\$ 48,632,756</u>	<u>\$ 28,182,053</u>	<u>\$ 5,095,520</u>	<u>\$ 71,719,289</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

7. CAPITAL ASSETS – *Continued*

	Business-Type Activities			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,899,567	\$ 64,500	\$ 453,864	\$ 1,510,203
Construction in progress	4,496,887	10,365	4,496,887	10,365
Water rights and stock	1,612,221	1,904,950	-	3,517,171
Total capital assets not being depreciated	<u>8,008,675</u>	<u>1,979,815</u>	<u>4,950,751</u>	<u>5,037,739</u>
Capital assets being depreciated:				
Buildings	2,126,217	4,613,747	-	6,739,964
Improvements	113,893,897	20,031,697	-	133,925,594
Machinery and equipment	2,395,870	395,447	14,396	2,776,921
Infrastructure	2,161,791	-	-	2,161,791
Total capital assets being depreciated	<u>120,577,775</u>	<u>25,040,891</u>	<u>14,396</u>	<u>145,604,270</u>
Less accumulated depreciation	<u>(23,822,025)</u>	<u>(3,293,784)</u>	<u>(14,396)</u>	<u>(27,101,413)</u>
Total capital assets, depreciated, net	<u>96,755,750</u>	<u>21,747,107</u>	<u>-</u>	<u>118,502,857</u>
Business-type activities capital assets, net	<u>\$ 104,764,425</u>	<u>\$ 23,726,922</u>	<u>\$ 4,950,751</u>	<u>\$ 123,540,596</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	\$ 53,290
Public safety	459,534
Highway and public works	1,632,909
Parks and recreation	<u>596,692</u>
Total depreciation	<u>\$ 2,742,425</u>

8. FINANCING LEASES AND RIGHT-OF-USE ASSETS

The City had a financing lease for a vehicle that was paid off during the year. The activity for the financing lease and right-of-use asset was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due in one year</u>
Right-of-use asset, vehicle	\$ 55,575	\$ -	\$ -	\$ 55,575	\$ -
Accumulated amortization	(27,016)	(19,297)	-	(46,313)	-
Lease liability - vehicle	<u>(18,515)</u>	<u>-</u>	<u>(18,515)</u>	<u>-</u>	<u>-</u>
	<u>\$ 10,044</u>	<u>\$ (19,297)</u>	<u>\$ (18,515)</u>	<u>\$ 9,262</u>	<u>\$ -</u>

No impairments on the leases were noted as of June 30, 2025.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT

Revenue bonds at June 30, 2025, were comprised of the following:

Description	Amount	Due in one year
<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	\$ 4,633,742	\$ 289,000
<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	17,132,000	594,000
<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	5,055,000	240,000
<i>Secondary Water Revenue Bond</i> – Series 2020: \$1,530,000 secondary water revenue bond due in annual principal and interest payments through September 2035 with an interest rate of 1.00 percent	1,191,000	87,000
<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 3.00 to 5.00 percent	3,775,000	147,000
<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 2.00 to 5.00 percent	12,477,000	274,000
<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	2,407,000	296,000
Total	<u>\$ 46,670,742</u>	<u>\$ 1,927,000</u>

In accordance with GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, the City has reported separately below the debt obligations, including direct placements. Direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. All bonds presented in the summary below are direct placement. The annual requirements for long-term debt outstanding as of June 30, 2025, were as follows:

Fiscal Year	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2026	\$ 570,000	\$ 571,364	\$ 1,357,000	\$ 586,694
2027	582,000	559,811	1,403,000	558,978
2028	594,000	547,408	1,469,000	528,745
2029	404,000	535,798	1,524,000	495,584
2030	414,000	525,396	1,580,000	460,759
2031-2035	2,257,000	2,443,268	8,706,000	1,802,554
2036-2040	2,647,000	2,051,608	7,063,742	1,045,982
2041-2045	2,357,000	1,585,296	4,850,000	416,864
2046-2050	2,926,000	1,018,472	3,834,000	133,286
2051-2055	2,133,000	234,490	-	-
Total	<u>\$ 14,884,000</u>	<u>\$ 10,072,911</u>	<u>\$ 31,786,742</u>	<u>\$ 6,029,446</u>

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

9. LONG-TERM DEBT – *Continued*

Notes Payable

Description	Amount	Due in one year
During 2022, the City entered into a note agreement for \$7,509,108 to be used for storm water system improvements. This interest free note is to be paid back to the Central Utah Water Conservancy District by June 30, 2030.	\$ 5,409,108	\$ -
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, 2025, the \$118,980 asset had accumulated depreciation of \$83,286 and current amortization expense of \$23,796.	61,909	20,079
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 2.40 percent. As of June 30, 2025, the \$221,665 asset had accumulated depreciation of \$147,777 and current amortization expense of \$44,333.	91,832	45,372
Total	<u>\$ 5,562,849</u>	<u>\$ 65,451</u>

The future annual requirements for all outstanding notes payable as of June 30, 2025 were as follows:

Fiscal Year	Governmental		Business-Type	
	Principal	Interest	Principal	Interest
2026	\$ 45,372	\$ 2,204	\$ 20,079	\$ 1,703
2027	46,460	1,115	20,631	1,150
2028	-	-	21,199	583
2029	-	-	-	-
2030	-	-	5,409,108	-
Total	<u>\$ 91,832</u>	<u>\$ 3,319</u>	<u>\$ 5,471,017</u>	<u>\$ 3,436</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, 2025 were as follows:

Fiscal Year	All Bonds and Notes		
	Principal	Interest	Total
2026	\$ 1,992,451	\$ 1,161,965	\$ 3,154,416
2027	2,052,091	1,121,054	3,173,145
2028	2,084,199	1,076,736	3,160,935
2029	1,928,000	1,031,382	2,959,382
2030	7,403,108	986,155	8,389,263
2031-2035	10,963,000	4,245,822	15,208,822
2036-2040	9,710,742	3,097,590	12,808,332
2041-2045	7,207,000	2,002,160	9,209,160
2046-2050	6,760,000	1,151,758	7,911,758
2051-2055	2,133,000	234,490	2,367,490
Total	<u>\$ 52,233,591</u>	<u>\$ 16,109,112</u>	<u>\$ 68,342,703</u>

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

	Governmental Activities				Due in One Year
	July 1, 2024	Additions	Reductions	June 30, 2025	
Bonds payable:					
Revenue bonds	\$ 15,444,000	\$ -	\$ 560,000	\$ 14,884,000	\$ 570,000
Notes payable	160,968	-	69,136	91,832	45,372
Compensated absences*	322,130	52,074	-	374,204	187,102
Total	<u>\$ 15,927,098</u>	<u>\$ 52,074</u>	<u>\$ 629,136</u>	<u>\$ 15,350,036</u>	<u>\$ 802,474</u>

*The change in compensated absences is presented as a net change

	Business-Type Activities				Due in One Year
	July 1, 2024	Additions	Reductions	June 30, 2025	
Bonds payable:					
Revenue bonds	\$ 33,100,742	\$ -	\$ 1,314,000	\$ 31,786,742	\$ 1,357,000
Deferred amount for issuance premium	344,266	-	20,865	323,401	20,865
Notes payable	628,836	4,995,038	152,857	5,471,017	20,079
Compensated absences*	186,116	68,874	-	254,990	127,495
Total	<u>\$ 34,073,844</u>	<u>\$ 5,063,912</u>	<u>\$ 1,487,722</u>	<u>\$ 37,836,150</u>	<u>\$ 1,525,439</u>

*The change in compensated absences is presented as a net change

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, retirement system.
- Public Safety Retirement System (Public Safety System) is a mixed agent and 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, Utah 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	2.00% per year all years	Up to 4.00%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.50% per year up to 20 years; 2.00% per year over 20 years	Up to 2.50% to 4.00% 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	1.50% per year all years	Up to 2.50%
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	1.50% per year to June 2020; 2.00% per year July 2020 to present	Up to 2.50%

*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, 2025 were as follows:

<u>Utah Retirement Systems</u>	<u>Employee</u>	<u>Employer</u>	<u>Employer 401(k)</u>
Noncontributory System			
15- Local Governmental Division Tier 1	N/A	16.97%	N/A
111- Local Governmental Division Tier 2	0.70%	15.19%	0.18%
211- Local Government Tier 2 401k option	N/A	5.19%	10.00%
Public Safety Retirement System			
Noncontributory			
75 - Other Division A with 4.00% COLA	N/A	35.21%	N/A
122 - Tier 2 DB Hybrid Public Safety	4.73%	26.49%	N/A
222- Public Safety Tier 2 401k option	N/A	12.49%	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, 2025, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 360,942	N/A
Public Safety System	138,848	-
Tier 2 Public Employees System	357,651	15,778
Tier 2 Public Safety and Firefighter	128,590	22,961
Tier 2 DC Only System	11,702	N/A
Tier 2 DC Public Safety and Firefighter System	10,149	N/A
Total contributions	<u>\$ 1,007,882</u>	<u>\$ 38,739</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, 2025, the City reported a net pension asset of \$0 and a net pension liability of \$1,498,272.

(Measurement Date): December 31, 2024					
	Net Pension Asset	Net Pension Liability	Proportionate Share 12/31/2024	Proportionate Share 12/31/2023	Change (Decrease)
Noncontributory					
System	\$ -	\$ 751,588	0.2370105%	0.2368332%	0.0001773%
Public Safety					
System	-	496,771	0.3210566%	0.3732356%	-0.0521790%
Tier 2 Public					
Employees System	-	207,949	0.0697256%	0.0727463%	-0.0030207%
Tier 2 Public					
Safety and					
Firefighter System	-	41,964	0.0927824%	0.0755921%	0.0171903%
Total net pension asset/liability	\$ -	\$ 1,498,272			

The net pension asset and liability were measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2024 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, 2025, the City recognized pension expense of \$1,265,719. At June 30, 2025, 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	\$ 615,636	\$ 3,637
Changes in assumptions	155,157	680
Net difference between projected and actual earnings on pension plan investments	328,378	-
Changes in proportion and differences between contributions and proportionate share of contributions	38,013	24,804
Contributions subsequent to the measurement date	514,559	-
Total	<u>\$ 1,651,743</u>	<u>\$ 29,121</u>

As of June 30, 2025, \$514,559 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, 2024.

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
2025	\$ 496,768
2026	579,464
2027	(107,995)
2028	558
2029	55,829
Thereafter	83,441

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

10. PENSION PLANS – *Continued*

Actuarial assumptions – The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.50-9.50% 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, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale 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, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

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%	7.01%	2.45%
Debt securities	20%	2.54%	0.51%
Real assets	18%	5.45%	0.98%
Private equity	12%	10.05%	1.21%
Absolute return	15%	4.36%	0.65%
Cash and cash equivalents	0%	0.49%	0.00%
Totals	100%		5.80%
Inflation			2.50%
Expected arithmetic nominal return			8.30%

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	\$ 3,178,600	\$ 751,588	\$ (1,283,890)
Public Safety System	1,526,153	496,771	(343,188)
Tier 2 Public Employees System	621,093	207,949	(113,436)
Tier 2 Public Safety and Firefighter	143,095	41,964	(38,891)
Total	<u>\$ 5,468,941</u>	<u>\$ 1,498,272</u>	<u>\$ (1,779,405)</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:

	2025	2024	2023
401(k) Plan			
Employer Contributions	\$ 164,586	\$ 152,825	\$ 128,719
Employee Contributions	207,240	196,404	137,887
457 Plan			
Employee Contributions	33,184	39,032	13,680
Roth IRA Plan			
Employee Contributions	44,890	44,762	49,670

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 – The 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. The City contributes annually for its percentage share of ownership for debt service as well as membership revenues. The City 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. The City recognized \$17,972 of loss in the current year leaving an investment balance of \$243,501 as of June 30, 2025.
- 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, 2025:

	Impact fees, unexpended	B&C roads	Subdivision/ building fees, unexpended	Capital projects	Perpetual care	Debt sinking and reserves	Liquor law	Total
General Fund	\$ 7,434,881	\$ 1,558,486	\$ 310,612	\$ -	\$ -	\$ -	\$ 3,378	\$ 9,307,357
Municipal Building Authority	-	-	-	886,616	-	1,965	-	888,581
Perpetual Care Fund	-	-	-	-	87,608	-	-	87,608
Building Fund	-	-	1,347,154	-	-	-	-	1,347,154
Engineering and Development Fund	-	-	1,687,322	-	-	-	-	1,687,322
Water Utility Fund	2,456,600	-	-	-	-	-	-	2,456,600
Sewer Utility Fund	5,981,491	-	-	-	-	1,435,555	-	7,417,046
Pressurized Irrigation Fund	2,297,443	-	-	-	-	1,023,164	-	3,320,607
Electric Utility Fund	3,843,807	-	-	-	-	113,078	-	3,956,885
Fiber Utility Fund	-	-	-	-	-	261	-	261
Storm Water Fund	1,835,569	-	-	-	-	-	-	1,835,569
Total	<u>\$ 23,849,791</u>	<u>\$ 1,558,486</u>	<u>\$ 3,345,088</u>	<u>\$ 886,616</u>	<u>\$ 87,608</u>	<u>\$ 2,574,023</u>	<u>\$ 3,378</u>	<u>\$ 32,304,990</u>

14. REDEVELOPMENT AGENCY

The Redevelopment Agency of the City is established to further public purposes in the redevelopment of certain City areas. For the year ended June 30, 2025 no activity occurred in the City's Redevelopment Agency.

15. MEMORANDUM TOTALS

Prior year 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, result of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is also not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Certain reclassifications have taken place in the prior year to conform to current year presentation.

SALEM CITY CORPORATION
Notes to the Financial Statements

Continued

16. SEGMENT INFORMATION FOR INTERNAL SERVICE FUNDS

The City maintains an Internal Service Fund which provides motor pool services to the other funds. Costs including vehicle purchases, insurance, fuel, repairs, and maintenance are allocated based on the vehicles used by each specific fund.

Selected unaudited information for these funds for the year ended June 30, 2025 is as follows:

	Motor Pool
Operating revenues	\$ 786,865
Depreciation and amortization	(267,594)
Other operating expenses	(497,233)
Operating income	22,038
Non-operating revenue	3,997
Transfers in	185,000
Net increase in net position	\$ 211,035
Total assets	\$ 1,174,046
Total liabilities	\$ 15,487
Total net position	\$ 1,158,559

17. CHANGE IN ACCOUNTING PRINCIPLES

In 2025 the City adopted *GASB Statement No. 101– Compensated Absences*, which introduces a new model for recording obligations that arise from compensated absences. The new model focuses on recognizing liabilities for unused leave when it's more likely than not to be used or paid out. This was effective for the City as of July 1, 2024, and had no material impact on the City's financial statements.

The City also adopted *GASB Statement No. 102 – Certain Risk Disclosures*. This Statement establishes requirements to disclose certain risks faced by governments and defines concentrations and constraints. Risk disclosure under the new standard will provide timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make the City vulnerable to a substantial impact. This was effective for the city as of July 1, 2024, and had no material impact on the City's financial statements.

18. SUBSEQUENT EVENTS

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 26, 2025, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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SALEM CITY CORPORATION
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

For the Year Ended June 30, 2025

	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	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%
	2024	0.2368332%	549,350	2,247,393	24.44%	96.90%
	2025	0.2370105%	751,588	2,276,253	33.02%	96.02%
Public Safety System	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%
	2024	0.3732356%	533,788	694,544	76.85%	93.44%
	2025	0.3210566%	496,771	589,989	84.20%	93.30%

SALEM CITY CORPORATION
Schedule of the Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years

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*	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%
	2024	0.0727463%	141,592	1,880,742	7.53%	89.58%
	2025	0.0697256%	207,949	2,064,722	10.07%	87.44%
Tier 2 Public Safety and Firefighter System*	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%
	2024	0.0755921%	28,475	286,422	9.94%	89.10%
	2025	0.0927824%	41,964	423,526	9.91%	90.10%

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.

SALEM CITY CORPORATION
Schedule of Contributions
Last 10 Fiscal Years

For the Year Ended June 30, 2025

	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	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%
	2024	385,515	385,515	-	2,365,114	16.30%
	2025	360,942	360,942	-	2,320,978	15.55%
Public Safety System	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%
	2024	193,281	193,281	-	681,164	28.38%
	2025	138,848	138,848	-	542,883	25.58%
Tier 2 Public Employees System*	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%
	2024	320,345	320,345	-	2,000,909	16.01%
	2025	357,651	357,651	-	2,354,516	15.19%

SALEM CITY CORPORATION
Schedule of Contributions
Last 10 Fiscal Years

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*	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%
	2024	96,440	96,440	-	357,318	26.99%
	2025	128,590	128,590	-	485,428	26.49%
Tier 2 Public Safety and Firefighter System DC Only System*	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%
	2024	10,480	10,480	-	80,676	12.99%
	2025	10,149	10,149	-	81,258	12.49%
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%
	2024	10,838	10,838	-	175,083	6.19%
	2025	11,702	11,702	-	225,465	5.19%

*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-employee payroll may be different than the board-certified rate due to rounding and other administrative practices.

SALEM CITY CORPORATION
Notes to the Required Supplementary Information

For the year Ended June 30, 2025

1. CHANGES IN ASSUMPTIONS

June 30, 2025 -There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

June 30, 2024 - Changes include updates to the mortality improvement assumption, salary increase assumption, assumed retirement rates, and assumed termination rates, as recommended with the January 1, 2023 actuarial experience study.

June 30, 2023 -There were no changes in the actuarial assumptions or methods since the prior actuarial valuation.

June 30, 2022 -The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a \$509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability as of December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

June 30, 2021 -There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be assessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and States" tab.

June 30, 2020 – As a result of the passage of SB 129, the retirement rates for members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighters Systems, except for a 10 percent load at first eligibility for unreduced retirement prior to age 65.

June 30, 2019 – The assumptions and methods used to calculate the Total Pension Liability remain unchanged from the prior year.

June 30, 2018 -As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.2 percent to 6.95 percent, a reduction in the price inflation assumption from 2.6 percent to 2.5 percent (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00 percent annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

June 30, 2017 and 2016– The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75 percent to 3.5 percent. Also, there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5 percent to 3.25 percent. There was an improvement in the post-retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption. There were additional changes to certain demographic assumptions that generally resulted in: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

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SUPPLEMENTARY INFORMATION

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SALEM CITY CORPORATION
Combining Balance Sheet
Nonmajor Governmental Funds

As of June 30, 2025

	Special Revenue Funds			
	Building Fund	Perpetual Care	Total 2025	Memorandum 2024
Assets				
Cash and cash equivalents	\$ 55,455	\$ -	\$ 55,455	\$ 14,049
Restricted cash and cash equivalents	1,347,154	87,608	1,434,762	284,320
Total assets	<u>\$ 1,402,609</u>	<u>\$ 87,608</u>	<u>\$ 1,490,217</u>	<u>\$ 298,369</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 55,455	\$ -	\$ 55,455	\$ 37,077
Total liabilities	<u>55,455</u>	<u>-</u>	<u>55,455</u>	<u>37,077</u>
Fund balance:				
Restricted	<u>1,347,154</u>	<u>87,608</u>	<u>1,434,762</u>	<u>261,292</u>
Total fund balance	<u>1,347,154</u>	<u>87,608</u>	<u>1,434,762</u>	<u>261,292</u>
Total liabilities and fund balance	<u>\$ 1,402,609</u>	<u>\$ 87,608</u>	<u>\$ 1,490,217</u>	<u>\$ 298,369</u>

SALEM CITY CORPORATION**Combining Statement of Revenues, Expenditures and Changes in Fund Balances****Nonmajor Governmental Funds****For the Year Ended June 30, 2025**

	Special Revenue Funds			
	Building Fund	Perpetual Care	Total 2025	Memorandum 2024
Revenues:				
Charges for services	\$ 2,196,532	\$ 407	\$ 2,196,939	\$ 796,573
Investment earnings	-	4,163	4,163	4,340
Total revenues	2,196,532	4,570	2,201,102	800,913
Expenditures:				
General government	1,027,632	-	1,027,632	616,689
Total expenditures	1,027,632	-	1,027,632	616,689
Net change in fund balances	1,168,900	4,570	1,173,470	184,224
Fund balances, beginning	178,254	83,038	261,292	77,068
Fund balances, ending	\$ 1,347,154	\$ 87,608	\$ 1,434,762	\$ 261,292

**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, 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 (*Governmental Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Salem City (“City”), as of and for the year ended June 30, 2025, 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 26, 2025.

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’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be a material weakness. However, material weaknesses or significant deficiencies may exist that were not identified.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 "Diana Cannell". The signature is written in a cursive, flowing style.

Richey, May & Co., LLP
North Logan, Utah
November 26, 2025

**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
Salem City, Utah

Report on Compliance

We have audited Salem City (“City”)’s compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2025.

State compliance requirements were tested for the year ended June 30, 2025 in the following areas:

- Budgetary Compliance
- Fund Balance
- Restricted Taxes and Other Related Restricted Revenue
- Fraud Risk Assessment
- Governmental Fees
- Cash Management
- Utah Retirement Systems
- Crime Insurance for Public Treasurers

Opinion on Compliance

In our opinion, Salem City complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2025.

Basis for Opinion

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 *State Compliance Audit Guide* (Guide), issued by the Office of the Utah State Auditor. Our responsibilities under those standards and the *State Compliance Audit 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. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

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.

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

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 to detect and correct noncompliance with a state compliance requirement on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a state compliance requirement will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a state compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control and 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. However, pursuant to *Utah Code* Title 63G, Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.



Richey, May & Co., LLP
North Logan, Utah
November 26, 2025

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SCHEDULE OF FINDINGS AND RECOMMENDATIONS

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SALEM CITY
Schedule of Findings and Recommendations
Current Year

For the Year Ended June 30, 2025

Our audit disclosed no findings that are required to be reported under generally accepted auditing standards or *Government Auditing Standards*.

SALEM CITY
Schedule of Findings and Recommendations
Prior Year

For the Year Ended June 30, 2025

2024-01: 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 and Building Funds 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, 2024.

Views of Responsible Officials: City management acknowledges the auditors' recommendations and is committed to improving financial oversight. We will enhance our review processes by thoroughly examining budgets, amendments, and outstanding invoices before year-end to ensure accurate financial reporting.

Status: The City was in compliance as of June 30, 2025.

2024-02: 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 sinking 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 acknowledges the auditors' recommendations and will strengthen its review of bank and investment balances to ensure accurate inclusion in the deposit and investment report.

Status: The City was in compliance as of June 30, 2025.