

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
CITY OF SALEM
WASHINGTON COUNTY, INDIANA
January 1, 2008 to December 31, 2008



FILED
10/15/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information: Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5-6
Supplementary Information: Schedule of Capital Assets.....	7
Schedule of Long-Term Debt	8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Patricia E. Persinger	01-01-08 to 12-31-11
Mayor	David L. Bower	01-01-08 to 12-31-11
President of the Common Council	Waldo Terkhorn	01-01-08 to 12-31-09
President of the Board of Public Works	David L. Bower	01-01-08 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF SALEM, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the City of Salem (City), for the period of January 1, 2008 to December 31, 2008. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 23, 2009

CITY OF SALEM
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 657,943	\$ 2,812,599	\$ 3,045,029	\$ 425,513
Motor Vehicle Highway	127,282	316,243	434,936	8,589
Local Road and Street	22,643	25,221	24,918	22,946
Park and Recreation	102,244	129,973	166,471	65,746
Cemetery Operating	100,413	111,350	110,340	101,423
Aviation	15,384	47,849	44,876	18,357
Airport Grant - Federal	-	152,219	152,219	-
Airport Grant - State	-	247	247	-
Cemetery Stone Repair Donation	306	-	-	306
Cemetery Chapel Donation	900	200	-	1,100
City Hall Mural	-	4,250	-	4,250
Salem Sidewalk	577	-	577	-
EDIT Fund	254,132	327,777	215,492	366,417
Salem Microloan	96,349	-	3,849	92,500
Animal Shelter Donation	9,981	3,816	1,349	12,448
Fire Unappropriated Donation	152	-	-	152
Police Seizures - Federal	355	-	347	8
Law Enforcement Continuing Education	3,643	3,239	3,713	3,169
Police Donation	60	-	-	60
Cemetery Perpetual Maintenance	68,442	5,746	12,202	61,986
Urban Beautification	-	1,350	850	500
Salem Housing Rehabilitation	18,671	6,343	-	25,014
Unsafe Building	15,939	1,173	15,986	1,126
Riverboat	89,680	58,844	19,805	128,719
Rainy Day	355,448	110,617	462,646	3,419
Storm Water Plan Grant	3,500	-	-	3,500
Cumulative Capital Improvement	14,717	20,072	17,278	17,511
Police Grant	10	-	-	10
Cumulative Capital Development	62,888	106,622	85,000	84,510
Airport Improvement	252	9,847	5,750	4,349
Levy Excess	31,178	-	31,178	-
Proprietary Funds:				
Water Utility - Operating	63,152	1,850,067	1,877,021	36,198
Water Utility - Bond and Interest	100	299,800	299,875	25
Water Utility - Depreciation	20,633	92,620	56,601	56,652
Water Utility - Nonreverting	4,086	7,465	2,209	9,342
Water Utility - Debt Service	117,500	52,300	150,000	19,800
Water Utility - 56 W Water Line Extension	2,625	-	2,625	-
Water Utility - Water Works BAN 2004	18,867	-	18,867	-
Wastewater Utility - Operating	1,100	1,247,678	1,235,554	13,224
Wastewater Utility - Bond and Interest	20,843	443,850	428,592	36,101
Wastewater Utility - Depreciation	127,548	23,950	88,292	63,206
Wastewater Utility - Debt Service	259,374	11,400	250,000	20,774
Wastewater Utility - Customer Deposit	-	9,570	-	9,570
Solid Waste Utility - Operating	128,030	314,229	344,535	97,724
Self-Insurance	6,832	56,902	47,542	16,192
Fiduciary Funds:				
Sinclair Memorial Mausoleum	15,825	15,319	15,083	16,061
Payroll	68,017	4,150,524	4,148,092	70,449
Firefighters' Pension	44,769	107,979	119,339	33,409
Police Officers' Pension	72,235	80,336	78,543	74,028
Totals	\$ 3,024,625	\$ 13,019,586	\$ 14,017,828	\$ 2,026,383

The accompanying notes are an integral part of the financial information.

CITY OF SALEM
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, solid waste disposal, and urban redevelopment and housing.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

CITY OF SALEM
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

The City approved Ordinance No. 1322, effective July 10, 2009, removing the municipally owned Salem Water Utility from the jurisdiction of the Indiana Utility Regulatory Commission.

CITY OF SALEM
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 470,659
Infrastructure	7,000
Buildings	903,214
Improvements other than buildings	913,967
Machinery and equipment	1,486,920
Construction in progress	<u>57,646</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,839,406</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 833,132
Construction in progress	5,407
Buildings	151,878
Improvements other than buildings	2,457,863
Machinery and equipment	<u>3,661,297</u>
 Total Water Utility capital assets	 <u>7,109,577</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	159,265
Buildings	4,910,702
Improvements other than buildings	2,972,133
Machinery and equipment	<u>1,957,048</u>
 Total Wastewater Utility capital assets	 <u>9,999,148</u>
 Solid Waste Utility:	
Capital assets, not being depreciated:	
Buildings	10,722
Machinery and equipment	<u>229,505</u>
 Total Solid Waste Utility capital assets	 <u>240,227</u>
 Total business-type activities capital assets	 <u>\$ 17,348,952</u>

CITY OF SALEM
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2004 City Hall	\$ 1,300,000	\$ 120,919
Business-type activities:		
Water Utility:		
Revenue bonds:		
2006 Waterworks improvements	\$ 3,405,000	\$ 258,118
Wastewater Utility:		
Capital leases:		
Vactor truck	64,089	33,514
Revenue bonds:		
1998 Sewage expansion	645,000	82,205
2005 Sewage improvements	2,375,000	197,695
2006 Sewage refunding	940,000	152,842
Total Wastewater Utility	4,024,089	466,256
Total business-type activities debt	\$ 7,429,089	\$ 724,374

CITY OF SALEM
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2009, with David L. Bower, Mayor; Waldo Terkhorn, President of the Common Council; and Patricia E. Persinger, Clerk-Treasurer. Our examination disclosed no material items that warrant comment at this time.