



CITY OF SALEM, MISSOURI

AUDIT REPORT

JUNE 30, 2017

**K DELUCA AUDIT SERVICES LLC
CERTIFIED PUBLIC ACCOUNTANT
PO BOX 132
ST. JAMES, MISSOURI 65559**



CITY OF SALEM, MISSOURI
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Governmental and Non-Profit Audit & Consulting Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
City of Salem, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Missouri (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above 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 of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, 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 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 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.

K DeLuca Audit Services LLC

K DeLuca Audit Services LLC
St. James, Missouri
December 18, 2017

BASIC FINANCIAL STATEMENTS

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2017

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,607,645	\$ 2,278,996	\$ 3,886,641
Restricted assets	577,942	6,969,022	7,546,964
Certificates of deposit	104,113	719,991	824,104
Accounts receivable, net	385,724	1,891,829	2,277,553
Grants receivable	-	1,291	1,291
Due from external parties	-	26,257	26,257
Inventories	-	324,903	324,903
Prepaid expenses	-	263,671	263,671
Capital assets---			
Land and construction in progress	117,894	359,564	477,458
Other capital assets, net of depreciation	4,047,648	2,673,861	6,721,509
Total assets	<u>6,840,966</u>	<u>15,509,385</u>	<u>22,350,351</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related resources	341,148	202,229	543,377
Total deferred outflows of resources	<u>341,148</u>	<u>202,229</u>	<u>543,377</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	54,410	364,130	418,540
Internal balances	43,230	(43,230)	-
Post-closure liability	-	230,671	230,671
Net pension liability	196,945	115,494	312,439
Long-term liabilities			
Due within one year	81,385	-	81,385
Due in more than one year	135,711	7,182,228	7,317,939
Total liabilities	<u>511,681</u>	<u>7,849,293</u>	<u>8,360,974</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related resources	270,436	165,457	435,893
Total deferred inflows of resources	<u>270,436</u>	<u>165,457</u>	<u>435,893</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	4,068,236	3,033,425	7,101,661
Restricted			
Expendable	286,181	-	286,181
Nonexpendable	291,761	-	291,761
Unrestricted	1,753,819	4,663,439	6,417,258
Total net position	<u>\$ 6,399,997</u>	<u>\$ 7,696,864</u>	<u>\$ 14,096,861</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SALEM, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Primary government			
Governmental activities---			
Safety services	\$ 1,341,563	\$ 17,078	\$ 7,631
Health and social services	63,353	-	-
Leisure services	331,827	43,310	-
Utility	137,678	-	-
Transportation services	936,018	-	484
Administrative services	708,228	21,178	-
Interest on long-term debt	3,145	-	-
Total governmental activities	<u>3,521,812</u>	<u>81,566</u>	<u>8,115</u>
Business-type activities---			
Electric	4,818,178	6,091,822	-
Water	632,660	690,682	-
Airport	115,404	17,196	33,804
Sewerage system	680,683	657,536	-
Nonmajor enterprise funds	386,734	274,977	-
Total business-type activities	<u>6,633,659</u>	<u>7,732,213</u>	<u>33,804</u>
Total primary government	<u>\$ 10,155,471</u>	<u>\$ 7,813,779</u>	<u>\$ 41,919</u>
General revenues---			
Taxes---			
Property taxes			
Sales taxes			
Sur taxes			
Franchise taxes			
Other taxes			
Interest and investment earnings			
Miscellaneous income			
Capital contributions			
Transfers			
Total general revenues and transfers			
Change in net position			
Net position --- beginning (restated)			
Net position --- ending			

The accompanying notes are an integral part of these financial statements.

**Net (Expenses) Revenue and
Changes in Net Position**

Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,316,854)	\$ -	\$ (1,316,854)
(63,353)	-	(63,353)
(288,517)	-	(288,517)
(137,678)	-	(137,678)
(935,534)	-	(935,534)
(687,050)	-	(687,050)
(3,145)	-	(3,145)
<u>(3,432,131)</u>	<u>-</u>	<u>(3,432,131)</u>
-	1,273,644	1,273,644
-	58,022	58,022
-	(64,404)	(64,404)
-	(23,147)	(23,147)
-	(111,757)	(111,757)
-	<u>1,132,358</u>	<u>1,132,358</u>
<u>(3,432,131)</u>	<u>1,132,358</u>	<u>(2,299,773)</u>
314,651	-	314,651
2,307,125	-	2,307,125
50,958	-	50,958
171,593	-	171,593
2,418	-	2,418
9,533	17,865	27,398
35,763	73,012	108,775
(51,253)	51,253	-
974,300	(974,300)	-
<u>3,815,088</u>	<u>(832,170)</u>	<u>2,982,918</u>
382,957	300,188	683,145
6,017,040	7,396,676	13,413,716
<u>\$ 6,399,997</u>	<u>\$ 7,696,864</u>	<u>\$ 14,096,861</u>

**CITY OF SALEM, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

	General Fund	Capital Improvements	Other Governmental Funds	Permanent Fund
<u>ASSETS</u>				
Cash	\$ 44,152	\$ 657,144	\$ 873,533	\$ -
Restricted assets	-	-	-	577,942
Receivables, net	20	4,071	1,260	-
Due from other funds	-	20,493	-	-
Taxes receivable	211,978	96,363	72,032	-
Total assets	<u>256,150</u>	<u>778,071</u>	<u>946,825</u>	<u>577,942</u>
<u>LIABILITIES</u>				
Accounts payable	12,772	973	20,483	-
Accrued payroll	14,045	1,209	1,093	-
Building permit deposit	-	-	4,700	-
Due to other funds	51,341	9,637	2,745	-
Total liabilities	<u>78,158</u>	<u>11,819</u>	<u>29,021</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue	19,252	-	-	-
Total deferred inflows of resources	<u>19,252</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	291,761
Restricted	-	766,252	749,252	286,181
Assigned	-	-	168,552	-
Unassigned	158,740	-	-	-
Total fund balances	<u>\$ 158,740</u>	<u>\$ 766,252</u>	<u>\$ 917,804</u>	<u>\$ 577,942</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Statement 3

	Total Governmental Fund Balances	\$ 2,420,738
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$ 1,574,829		
577,942		
5,351	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	4,165,542
20,493		
380,373		
<u>2,558,988</u>	Net pension liability and deferred outflows/inflows of pension related resources are not recognized in the fund statements because they are not financial resources.	(126,233)
34,228		
16,347	Revenue that is deferred in the fund financial statement because it is not available and recognized as revenue in the government-wide financial statements.	19,252
4,700		
63,723		
<u>118,998</u>	Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:	
	Capital lease payable	(97,306)
	Accrued compensated absences	(119,790)
19,252		
<u>19,252</u>	Internal services funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>137,794</u>
291,761		
1,801,685		
168,552		
158,740		
<u>\$ 2,420,738</u>	<i>Net Position of Governmental Funds</i>	<u><u>\$ 6,399,997</u></u>

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Permanent Fund</u>
Revenues---				
Taxes	\$ 1,669,273	\$ 562,538	\$ 619,524	\$ -
Intergovernmental	-	484	7,631	-
Charges for services	-	-	50,602	-
Interest and investment earnings	483	2,829	3,353	2,868
Licenses and permits	30,964	-	-	-
Miscellaneous	26,158	-	9,605	-
	<u>1,726,878</u>	<u>565,851</u>	<u>690,715</u>	<u>2,868</u>
Expenditures---				
Current operations:				
Safety services	1,239,425	6,376	10,374	-
Health and social services	50,675	-	-	-
Leisure services	-	-	274,163	-
Utility services	71,325	64,706	-	-
Transportation services	554,062	133,870	14,761	-
Administrative services	611,824	4,221	25,434	-
Capital outlay	13,000	51,966	257,224	-
Debt service:				
Principal	46,698	-	70,941	-
Interest	728	-	2,417	-
	<u>2,587,737</u>	<u>261,139</u>	<u>655,314</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>(860,859)</u>	<u>304,712</u>	<u>35,401</u>	<u>2,868</u>
Other Financing Sources (Uses)---				
Transfers in	1,180,207	-	147,602	-
Transfers out	(289,528)	(115,234)	-	-
	<u>890,679</u>	<u>(115,234)</u>	<u>147,602</u>	<u>-</u>
Net change in fund balance	29,820	189,478	183,003	2,868
Fund balances at beginning of year, restated	<u>128,920</u>	<u>576,774</u>	<u>734,801</u>	<u>575,074</u>
Fund balances at end of year	<u>\$ 158,740</u>	<u>\$ 766,252</u>	<u>\$ 917,804</u>	<u>\$ 577,942</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
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, 2017

Total Governmental Funds	Net Change in Fund Balances---Total Governmental Funds	\$ 405,169
	Amounts reported for governmental activities in the statement of activities are different because:	
\$ 2,851,335		
8,115	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 depreciation exceeded capital outlays in the current period:	
50,602	Capital outlay	322,190
9,533	Depreciation expense	<u>(397,507)</u>
30,964		(75,317)
35,763		
<u>2,986,312</u>		
	Some revenues not collected as of the year end are not considered available revenues in the governmental funds. This is the change in the amounts that were not considered available in the current year.	(4,590)
1,256,175		
50,675		
274,163	Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	117,639
136,031		
702,693		
641,479	Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	5,778
322,190		
117,639		
3,145		
<u>3,504,190</u>	Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities are:	
(517,878)	Compensated absences	(11,823)
	Pension costs	<u>(53,899)</u>
1,327,809		
(404,762)	Changes in Net Position of Governmental Activities:	<u>\$ 382,957</u>
<u>923,047</u>		
405,169		
<u>2,015,569</u>		
<u>\$ 2,420,738</u>		

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

Statement 5

	Business-type			
	Electric	Water	Airport	Sewer
<u>Assets</u>				
Current Assets--				
Cash and cash equivalents	\$ 989,764	\$ 650,857	\$ 30,821	\$ 410,678
Restricted assets	-	-	-	6,969,022
Certificates of deposit	2,358	466,781	-	-
Accounts receivable, net	1,404,636	222,134	-	211,068
Grants receivable	-	-	1,291	-
Due from external parties	19,990	5,015	-	-
Due from other funds	47,566	60,476	3,115	-
Inventories	146,925	129,144	-	48,834
Total Current Assets	2,611,239	1,534,407	35,227	7,639,602
Noncurrent Assets--				
Prepaid expenses	263,671	-	-	-
Capital assets				
Land and construction in progress	95,440	20,000	28,427	132,496
Other capital assets, net of depreciation	222,102	669,685	752,428	1,024,252
Total Noncurrent Assets	581,213	689,685	780,855	1,156,748
Total Assets	3,192,452	2,224,092	816,082	8,796,350
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources--				
Pension related resources	81,226	66,665	-	44,930
Total Deferred Outflows of Resources	81,226	66,665	-	44,930
<u>Liabilities</u>				
Current Liabilities--				
Accounts payable	337,202	16,211	(37)	5,543
Accrued payroll	1,231	1,325	-	240
Due to other funds	3,115	69,095	69	2,180
Post closure liability	-	-	-	-
Total Current Liabilities	341,548	86,631	32	7,963
Noncurrent Liabilities--				
Compensated absences	17,601	16,803	-	3,566
Net pension liability	41,335	42,915	-	30,417
Certificates of participation payable	-	-	-	7,142,480
Total Noncurrent Liabilities	58,936	59,718	-	7,176,463
Total Liabilities	400,484	146,349	32	7,184,426
<u>Deferred Inflows of Resources</u>				
Deferred Inflows of Resources--				
Pension related resources	76,443	45,426	-	27,989
Total Deferred Inflows of Resources	76,443	45,426	-	27,989
<u>Net Position</u>				
Net Position--				
Invested in capital assets, net of related debt	317,542	689,685	780,855	1,156,748
Unrestricted	2,479,209	1,409,297	35,195	472,117
Total Net Position	\$ 2,796,751	\$ 2,098,982	\$ 816,050	\$ 1,628,865

The accompanying notes are an integral part of these financial statements.

**CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017**

Statement 5

<u>Activities</u>		<u>Governmental</u>
<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Activities</u>
		<u>Internal Service Funds</u>
\$ 196,876	\$ 2,278,996	\$ 32,816
-	6,969,022	-
250,852	719,991	104,113
53,991	1,891,829	-
-	1,291	-
1,252	26,257	-
8,859	120,016	-
-	324,903	-
<u>511,830</u>	<u>12,332,305</u>	<u>136,929</u>
-	263,671	-
83,201	359,564	-
5,394	2,673,861	-
<u>88,595</u>	<u>3,297,096</u>	<u>-</u>
<u>600,425</u>	<u>15,629,401</u>	<u>136,929</u>
9,408	202,229	-
<u>9,408</u>	<u>202,229</u>	<u>-</u>
2,052	360,971	(865)
363	3,159	-
2,327	76,786	-
<u>230,671</u>	<u>230,671</u>	<u>-</u>
<u>235,413</u>	<u>671,587</u>	<u>(865)</u>
1,778	39,748	-
827	115,494	-
-	7,142,480	-
<u>2,605</u>	<u>7,297,722</u>	<u>-</u>
<u>238,018</u>	<u>7,969,309</u>	<u>(865)</u>
15,599	165,457	-
<u>15,599</u>	<u>165,457</u>	<u>-</u>
88,595	3,033,425	-
267,621	4,663,439	137,794
<u>\$ 356,216</u>	<u>\$ 7,696,864</u>	<u>\$ 137,794</u>

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement 6

	Business-type			
	Electric	Water	Airport	Sewer
Operating Revenues---				
Charges for services	\$ 6,091,822	\$ 690,682	\$ 17,196	\$ 657,536
Intergovernmental	-	-	33,804	-
Other	4,392	53,812	21	434
	6,096,214	744,494	51,021	657,970
Operating Expenses---				
Personnel services	568,236	297,923	-	203,719
Operations and maintenance	4,180,548	240,108	33,586	370,875
Depreciation and amortization	69,050	94,629	81,818	106,089
	4,817,834	632,660	115,404	680,683
Operating Income (Loss)	1,278,380	111,834	(64,383)	(22,713)
Non-operating Revenue (Expense)---				
Interest revenue	4,434	5,546	44	5,599
Interest expense	(344)	-	-	-
	4,090	5,546	44	5,599
Income (Loss) Before Capital Contributions and Transfers	1,282,470	117,380	(64,339)	(17,114)
Capital contributions	-	-	11,947	39,306
Transfers in (out)	(1,104,581)	10,158	-	-
Change in Net Position	177,889	127,538	(52,392)	22,192
Net position at beginning of year	2,618,862	1,971,444	868,442	1,606,673
Net position at end of year	\$ 2,796,751	\$ 2,098,982	\$ 816,050	\$ 1,628,865

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement 6

Activities	Governmental	
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 274,977	\$ 7,732,213	\$ -
-	33,804	-
14,353	73,012	13,829
<u>289,330</u>	<u>7,839,029</u>	<u>13,829</u>
122,004	1,191,882	-
261,664	5,086,781	8,648
3,066	354,652	-
<u>386,734</u>	<u>6,633,315</u>	<u>8,648</u>
<u>(97,404)</u>	<u>1,205,714</u>	<u>5,181</u>
2,242	17,865	597
-	(344)	-
<u>2,242</u>	<u>17,521</u>	<u>597</u>
(95,162)	1,223,235	5,778
-	51,253	-
<u>120,123</u>	<u>(974,300)</u>	<u>-</u>
24,961	300,188	5,778
331,255	7,396,676	132,016
<u>\$ 356,216</u>	<u>\$ 7,696,864</u>	<u>\$ 137,794</u>

CITY OF SALEM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

Statement 7

	<u>Electric</u>	<u>Water</u>	<u>Airport</u>
Cash Flows from Operating Activities---			
Cash received from customers	\$ 6,011,139	\$ 654,219	\$ 52,222
Cash payments to suppliers	(4,199,841)	(235,568)	(37,747)
Cash payments to employees	(546,046)	(277,826)	-
Other receipts (payments)	10,740	3,900	-
Net Cash Provided (Used) by Operating Activities	<u>1,275,992</u>	<u>144,725</u>	<u>14,475</u>
Cash Flows from Noncapital Financing Activities---			
Transfers in (out)	<u>(1,104,581)</u>	10,158	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,104,581)</u>	<u>10,158</u>	-
Cash Flows from Capital and Related Financing Activities---			
Acquisition and construction of fixed assets	(22,118)	(96,637)	(28,427)
Proceeds from issuance of debt	-	-	-
Principal payment on capital debt	(23,599)	(10,389)	-
Interest paid on capital debt	(344)	-	-
Capital transfers from other funds	-	-	11,947
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(46,061)</u>	<u>(107,026)</u>	<u>(16,480)</u>
Cash Flows from Investing Activities---			
Interest receipts/purchase of investments	4,424	3,576	44
Proceeds from sale and maturity of investments	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>4,424</u>	<u>3,576</u>	<u>44</u>
Net Increase (Decrease) in cash and cash equivalents			
	129,774	51,433	(1,961)
Cash and Cash Equivalents at beginning of year	859,990	599,424	32,782
Cash and Cash Equivalents at end of year	<u>\$ 989,764</u>	<u>\$ 650,857</u>	<u>\$ 30,821</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,278,380	\$ 111,834	\$ (64,383)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	69,050	94,629	81,818
Changes in assets and liabilities---			
Accounts receivable	(85,075)	(90,275)	1,201
Inventory	-	(2,978)	-
Due from other governments	10,740	3,900	-
Pension accruals	15,649	8,693	-
Accounts payable	(19,293)	7,518	(4,161)
Accrued liabilities	6,541	11,404	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,275,992</u>	<u>\$ 144,725</u>	<u>\$ 14,475</u>

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Business-type</u>	<u>Activities</u>		<u>Governmental</u>
<u>Sewer</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 575,609	\$ 282,829	\$ 7,576,018	\$ -
(398,891)	(281,413)	(5,153,460)	-
(207,361)	(120,376)	(1,151,609)	-
-	1,826	16,466	4,316
<u>(30,643)</u>	<u>(117,134)</u>	<u>1,287,415</u>	<u>4,316</u>
-	120,123	(974,300)	-
-	120,123	(974,300)	-
(299,160)	-	(446,342)	-
7,142,480	-	7,142,480	-
-	(13,347)	(47,335)	-
-	-	(344)	-
39,306	-	51,253	-
<u>6,882,626</u>	<u>(13,347)</u>	<u>6,699,712</u>	<u>-</u>
5,599	1,067	14,710	597
326,158	-	326,158	26,977
<u>331,757</u>	<u>1,067</u>	<u>340,868</u>	<u>27,574</u>
7,183,740	(9,291)	7,353,695	31,890
195,960	206,167	1,894,323	926
<u>\$ 7,379,700</u>	<u>\$ 196,876</u>	<u>\$ 9,248,018</u>	<u>\$ 32,816</u>
\$ (22,713)	\$ (97,404)	\$ 1,205,714	\$ 5,181
106,089	3,066	354,652	-
(82,361)	(6,501)	(263,011)	-
(11,762)	-	(14,740)	-
-	1,826	16,466	-
5,215	3,477	33,034	-
(16,254)	(19,749)	(51,939)	(865)
(8,857)	(1,849)	7,239	-
<u>\$ (30,643)</u>	<u>\$ (117,134)</u>	<u>\$ 1,287,415</u>	<u>\$ 4,316</u>

CITY OF SALEM, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

Statement 8

	Deferred Compensation Trust Fund	Agency Fund
Assets:		
Cash	\$ -	\$ 82,389
Certificates of deposit	-	328,530
Investments	296,294	-
Other assets	-	1,109
Total assets	\$ 296,294	\$ 412,028
Liabilities:		
Accounts payable	\$ -	\$ 26,257
Utility deposits payable	-	229,893
Total liabilities	-	256,150
Net Position:		
Held in Trust	296,294	155,878
Unreserved	-	-
Total net position	296,294	155,878
Total liabilities and net position	\$ 296,294	\$ 412,028

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2017

Statement 9

	<u>Deferred Compensation Trust Fund</u>
ADDITIONS:	
Contributions	\$ 47,577
Net increase in the fair value of investments	32,260
Total additions	<u>79,837</u>
DEDUCTIONS:	
Distributions	<u>30,015</u>
Total deductions	<u>30,015</u>
Change in net position	49,822
Net position - beginning of year	<u>246,472</u>
Net position - end of year	<u><u>\$ 296,294</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Salem, Missouri (the “City”) is a fourth class city that operates under a Mayor-Board of Aldermen form of government and provides the following services: public safety (police), streets, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services. Other services include utility operations.

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the government-wide statement of net position and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item (b) below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a) All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b) The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.
- c) Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of operations and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

The Reporting Entity

The City, for financial purposes, includes all of the funds and account groups relevant to the operation of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Capital Improvement Fund

The Capital Improvement fund is used to account for the financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Permanent Fund

The Permanent fund is used to account for resources that are legally restricted by a formal agreement and only the earnings may be used for purposes that benefit the City's cemetery.

Proprietary Funds

Enterprise Funds

The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds include Electric, Water, Airport and Sewer funds.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Internal Service Fund

The Internal Service Fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's Internal Service Fund consists of a self-insurance fund.

Fiduciary Funds

Trust and Agency Funds are used to account for various assets held by the City in a trustee capacity or as an agent for individuals, other governments and/or other funds. The reporting entity includes the following fiduciary funds: Utility Deposits and Deferred Compensation Plan.

Internal Balances

On the fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "due to/from other funds." Internal balances are eliminated in the statement of net position.

Receivables

Taxes receivable consists of property, utility and real estate excise taxes. No allowance was considered necessary for taxes receivable as of June 30, 2017. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2017, net utility receivables include an allowance for doubtful accounts of \$550,000.

Inventories

Inventories at June 30, 2017, are recorded at the lower of cost or market on a first-in, first-out basis. Enterprise fund inventories are recorded with inventory variations included in the expense accounts.

Property and Equipment

Property, plant and equipment in the Enterprise Funds are recorded at historical cost or estimated historical cost if actual historical cost is not available.

The costs of normal maintenance and repairs are charged to operations as incurred. Renewals and betterments are capitalized.

Depreciation is provided on the straight-line basis over the estimated useful lives of the respective assets, which range from five to twenty years. Where actual acquisition dates were not available, estimates have been used.

Compensated Absences

The City's employees had an accumulation of unpaid compensated absences of \$159,537 at June 30, 2017.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent January 1 of the following year. Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and, therefore, no allowance for uncollectible taxes is provided.

The assessed valuation of the tangible property for the calendar year 2016 was \$46,497,461 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2016 was \$0.6484 for the general fund.

Deferred Outflows/Inflows or Resources

In addition to assets, the statement of financial position 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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category in the government-wide statement of net position. This amount is outflows related to the pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for reporting in this category. This item is deferred inflows related to the pension.

Equity Classifications

Government-wide Statements and Proprietary Fund Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position—Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position—All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Governmental Fund Statements

As of June 30, 2017, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen. The Board of Aldermen is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

As of June 30, 2017, fund balances are composed of the following:

	General	Capital Improvements	Other Governmental Funds	Permanent Fund	Total Governmental Funds
Nonspendable:					
Cemetery	\$ -	\$ -	\$ -	\$ 291,761	\$ 291,761
Restricted:					
Capital projects	-	766,252	-	-	766,252
Transportation	-	-	627,774	-	627,774
Leisure	-	-	121,478	-	121,478
Cemetery	-	-	-	286,181	286,181
Assigned:					
Leisure	-	-	92,618	-	92,618
Other gov't activities	-	-	75,934	-	75,934
Unassigned	158,740	-	-	-	158,740
	<u>\$ 158,740</u>	<u>\$ 766,252</u>	<u>\$ 917,804</u>	<u>\$ 577,942</u>	<u>\$ 2,420,738</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CASH AND CASH EQUIVALENTS

The City is authorized to invest funds in, among other things, financial institutions and direct obligations of the Federal Government. During fiscal year 2017, the City's cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less.

The City adopted an investment policy to establish the guidelines and requirements for investing of all City operating funds and other funds as appropriate. The risks identified in this policy are:

Interest rate risk: The City will minimize the risk that the market value of investments will fall due to changes in general interest rates by investing operating funds in shorter-term securities. Investments will be limited to a period of 12 months to assure cash requirements for ongoing operations will be readily available.

Custodial credit risk: The City shall have a depository contract and pledge agreement with each safekeeping bank that will comply with the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This will ensure that the City's security interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution. At June 30, 2017, the carrying amount of the City's deposits in cash and cash equivalents were fully insured.

Market risk: The City shall comply with state statutes as to the types of investments that will be made. The standard investment type will be Collateralized Public Deposits (certificates of deposit) but can also include United States treasury securities, United States agency securities, repurchase agreements and others as allowed by state statute.

NOTE 3 – CONTRACTS

The City has a contract in force for the right of a business in the Masters Industrial Park to use the City's land. The contract was initiated May 14, 1987, and under the terms of the contract, the business must pay the City \$1 per year on May 1 of each year. There is an option to renew the contract every two years and the contract's duration may not exceed 100 years. The City also has a contract in force with the local cable company. The contract was initiated December 20, 1985, and under the terms of the contract, the cable company must pay the City pole rental of \$1.50 per utility pole.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 – INTERFUND TRANSACTIONS

Occasionally, interfund transfers are needed to temporarily support operations of a particular fund. These transfers are to be paid back as the funds become available. Therefore, these transfers are reported as due to/from other funds in the financial statements. As of June 30, 2017, internal balances that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ -	\$ 51,341
Capital improvements	20,493	9,637
Non-major Gov't Funds	-	2,745
Electric	47,566	3,115
Water	60,476	69,095
Airport	3,115	69
Sewer	-	2,180
Non-major Bus-Type Funds	8,859	2,327
	<u>\$ 140,509</u>	<u>\$ 140,509</u>

Interfund transfers during the year ended June 30, 2017 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ 1,180,207	\$ 289,528
Capital Improvement Funds	-	115,234
Non-major Gov't Funds	147,602	-
Electric	-	1,104,581
Water	10,158	
Airport	11,947	-
Sewer	39,306	-
Non-major Bus-Type Funds	120,123	-
	<u>\$ 1,509,343</u>	<u>\$ 1,509,343</u>

NOTE 5 – SELF INSURANCE

The City has established a vehicle self-insurance fund. The purpose of this fund was to pay for damage to the City's vehicles. The City no longer self-insures its vehicles; however, the money transferred in the past for this purpose is still held in a certificate of deposit and is recorded in the internal service fund.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 6 – LONG-TERM DEBT

Series 2017 Certificates of Participation

In April 2017, the City issued \$7,335,000 of Series 2017 certificates of participation. The certificates of participation were issued to pay the costs of installation of automatic meter reading infrastructure, sewer system extensions and upgrades to the wastewater treatment facility. The certificates of participation bear interest from 1.2% to 3.7% and are due on November 1, 2037.

The annual debt service requirements on the Series 2017 certificates of participation at June 30, 2017 are as follows:

For the Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 219,601	\$ 219,601
2019	285,000	214,882	499,882
2020	290,000	211,142	501,142
2021	290,000	206,792	496,792
2022	295,000	201,817	496,817
2023-2027	1,610,000	903,889	2,513,889
2028-2032	1,860,000	652,818	2,512,818
2033-2037	2,210,000	301,695	2,511,695
2038	495,000	9,157	504,157
	<u>\$ 7,335,000</u>	<u>\$ 2,921,793</u>	<u>\$ 10,256,793</u>

Capital Leases

The City has property and equipment carried at approximately \$303,757, with approximately \$101,260 in accumulated depreciation, which are currently held under capital lease arrangements.

The City is obligated under capital lease agreements to make the following aggregate annual lease payments:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2018	83,168
2019	16,207
Total minimum lease payments	99,375
Less interest	2,069
Present value of minimum payments	<u>\$ 97,306</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

The following is a summary of long-term debt activity of the City for the year ended June 30, 2017:

	Long-term Obligations at 7/1/2016	Additions	Reductions	Long-term Obligations at 6/30/2017	Due Within One Year
Governmental Activities:					
Capital lease	\$ 214,945	\$ -	\$ 117,639	\$ 97,306	\$ 81,385
Compensated absences	107,967	11,823	-	119,790	-
	<u>\$ 202,060</u>	<u>\$ 11,823</u>	<u>\$ 117,639</u>	<u>\$ 217,096</u>	<u>\$ 81,385</u>
Business-Type Activities:					
Capital lease	\$ 33,988	\$ -	\$ 33,988	\$ -	\$ -
Certificates of participation	-	7,335,000	192,520	7,142,480	-
Compensated absences	32,509	7,239	-	39,748	-
	<u>\$ 54,421</u>	<u>\$ 7,342,239</u>	<u>\$ 226,508</u>	<u>\$ 7,182,228</u>	<u>\$ -</u>

NOTE 7 – FIXED ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 90,150	\$ -	\$ -	\$ 90,150
Construction in process	-	27,744	-	27,744
Total capital assets not being depreciated	<u>90,150</u>	<u>27,744</u>	<u>-</u>	<u>117,894</u>
Capital assets being depreciated:				
Buildings	753,269	-	-	753,269
Improvements	3,229,987	229,480	-	3,459,467
Equipment	1,781,782	64,966	-	1,846,748
Infrastructure	14,037,357	-	-	14,037,357
Total capital assets being depreciated	<u>19,802,395</u>	<u>294,446</u>	<u>-</u>	<u>20,096,841</u>
Less accumulated depreciation:				
Buildings	(202,970)	(21,032)	-	(224,002)
Improvements	(1,629,732)	(168,968)	-	(1,798,700)
Equipment	(1,291,150)	(133,879)	-	(1,425,029)
Infrastructure	(12,527,834)	(73,628)	-	(12,601,462)
Total accumulated depreciation	<u>(15,651,686)</u>	<u>(397,507)</u>	<u>-</u>	<u>(16,049,193)</u>
Total capital assets being depreciated, net	<u>4,150,709</u>	<u>(103,061)</u>	<u>-</u>	<u>4,047,648</u>
Governmental Activities Capital assets, net	<u>\$ 4,240,859</u>	<u>\$ (75,317)</u>	<u>\$ -</u>	<u>\$ 4,165,542</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 198,641	\$ 11,947	\$ -	\$ 210,588
Construction in process	23,156	125,820	-	148,976
Total capital assets not being depreciated	<u>221,797</u>	<u>137,767</u>	<u>-</u>	<u>359,564</u>
Capital assets being depreciated:				
Buildings	80,079	-	-	80,079
Improvements	6,739,605	141,940	-	6,881,545
Equipment	4,445,636	166,634	-	4,612,270
Infrastructure	2,121,762	-	-	2,121,762
Total capital assets being depreciated	<u>13,387,082</u>	<u>308,574</u>	<u>-</u>	<u>13,695,656</u>
Less accumulated depreciation:				
Buildings	(79,919)	(159)	-	(80,078)
Improvements	(4,928,435)	(208,338)	-	(5,136,773)
Equipment	(3,749,611)	(108,649)	-	(3,858,260)
Infrastructure	(1,909,178)	(37,506)	-	(1,946,684)
Total accumulated depreciation	<u>(10,667,143)</u>	<u>(354,652)</u>	<u>-</u>	<u>(11,021,795)</u>
Total capital assets being depreciated, net	<u>2,719,939</u>	<u>(46,078)</u>	<u>-</u>	<u>2,673,861</u>
Business-Type Activities Capital assets, net	<u>\$ 2,941,736</u>	<u>\$ 91,689</u>	<u>\$ -</u>	<u>\$ 3,033,425</u>

Depreciation expense was charged to programs of the primary government as follows:

Administrative	\$ 62,538
Street	223,010
Safety	49,066
Leisure	54,417
Health & Social Services	8,476
Total governmental activities	<u>\$ 397,507</u>

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

Plan description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees

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JUNE 30, 2017

consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	2017 Valuation
Benefit Multiplier	2.00%
Final Average Salary	3 years
Member Contributions	4.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	8
Active employees	55
	97

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 13.2% (General) and 11.3% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

CITY OF SALEM, MISSOURI
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Actuarial assumptions. The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2017 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension liability.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2016	10,807,882	9,640,767	1,167,115
Changes for the year:			
Service cost	286,391	-	286,391
Interest	782,037	-	782,037
Difference between expected and actual experience	(362,680)	-	(362,680)
Changes in assumptions	-	-	-
Contributions - employer	-	271,811	(271,811)
Contributions - employee	-	89,412	(89,412)
Net investment income	-	1,158,130	(1,158,130)
Benefit payments, including refunds	(329,500)	(329,500)	-
Administrative expense	-	(8,091)	8,091
Other changes	-	49,163	(49,163)
Net changes	376,248	1,230,925	(854,677)
Balances at 6/30/2017	11,184,130	10,871,692	312,438

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability(Asset) of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability(Asset) would be using a discount rate that is 1 percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

Current Single Discount		
1% Decrease	Rate Assumption	1% Increase
1,918,291	312,438	(1,014,233)

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2017, the employer recognized pension expense of \$361,062. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in experience	\$ 15,378	\$ (435,893)
Change in assumptions	261,054	-
Excess (deficit) investment returns	266,945	-
Total	<u>\$ 543,377</u>	<u>\$ (435,893)</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2018	\$ 122,349
2019	122,345
2020	22,240
2021	(140,725)
2022	(18,725)
Thereafter	-
Total	<u>\$ 107,484</u>

Payable to the Pension Plan

At June 30, 2017, the City reported a payable of \$27,025 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

NOTE 9 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan (the “Plan”), created in accordance with Internal Revenue Service Code Section 457. The Plan, available to all employees, permits the employees to defer a portion of their salary until future years. According to the Plan, all amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights, shall remain (until made available to the Participant or his Beneficiary) solely the property and rights of the City and shall be subject only to the claim of general creditors of the City. All assets and income of the Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable emergency.

NOTE 10 – LONG TERM CONTRACT

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). MJMEUC manages a power pool known as Mid-Missouri Municipal Power Energy Pool (“MMMPEP”), of which the City is a member. All MMMPEP members (including the City) have an agreement (the “MMMPEP Agreement”) with MJMEUC for the purchase of electric capacity and energy and transmission from MJMEUC. The MMMPEP Agreement requires MJMEUC to supply the full energy requirements of the City under the terms of a long term agreement expiring May 31, 2018.

MMMPEP operations are governed by a committee (“Pool Committee”) consisting of one representative from each MMMPEP member and is comprised of 12 members. The Pool Committee is charged with determining policy within the scope of the agreement; including setting rates for all services provided by MJMEUC to MMMPEP members. These rates must include recovery of all MJMEUC’s costs incurred in connection with acquiring, providing, arranging or financing the provision of full requirements service to MMMPEP members. These rates include capacity and energy charges MJMEUC incurs under supply and transmission agreements and MJMEUC’s related administrative costs.

The rates are established so as to charge each MMMPEP member its proportionate share of all costs associated with MJMEUC’s performance under the MMMPEP Agreement. Charges based on such rates are assessed and billed monthly.

MJMEUC billed the MMMPEP members, based upon their pro-rata share and an estimated monthly usage, a total of \$2,098,522 to fund working capital for MMMPEP activities. This amount is expected to be refunded to the members at the conclusion of the contract term upon final settlement of all charges.

To meet the power and energy requirements of the City and the other MMMPEP members, MJMEUC presently obtains power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit-contingent energy contracts and interruptible contracts; and (ii) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MMMPEP Agreement, but does not have any ownership interest in MJMEUC’s resources.

In the event a MMMPEP member would cancel or default on the MMMPEP Agreement without first assigning its rights and interest to a new member accepted by MJMEUC, the member would remain responsible for the unavoidable costs owed by MJMEUC under supply and transmission service agreements, including its share of all remaining fixed costs and its share of must-take or minimum-take energy (MTE). If possible, MJMEUC would utilize or sell the member’s MTE in exchange for providing the member a credit or offset equal to the fair value of the MTE up to the amount of the member’s obligation. As a result, the member would have a financial obligation after cancellation or default in the event that the fair value of the MTE is less than the member’s allocated share of MJMEUC’s unavoidable costs with respect to the resource obligations at the

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

time of cancellation or default. Since the amount of the cancelling or defaulting member's obligation would depend on MJMEUC's unavoidable costs after cancellation or default and the fair value of the MTE at such times in the future, the amount of the obligation is not reasonably determinable. Currently, the City has no plans or intentions to begin cancellation proceedings or expects to default on its obligation.

NOTE 11 – RESTRICTED ASSETS

The cemetery endowment fund is restricted for operation and maintenance of the cemetery and consists of a certificate of deposit and a checking account. At June 30, 2017, these two accounts totaled \$577,942 and are shown as restricted on the Statement of Net Position.

As of June 30, 2017, the Sewer fund had \$6,969,022 restricted for capital projects and debt service.

NOTE 12 – TAX COLLECTION AGREEMENT

The City has an agreement with the Dent County administration for the County Collector to provide tax collection services for the City. The City pays the County \$15,000 per tax year for the service. The agreement was renewed for tax years through 2019.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Pending Litigation

The City is not party to any litigation that, in the opinion of management, would have a material effect on the financial statements. However, any outstanding legal matters that arise would be handled by the City's insurance company.

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. Worker's compensation insurance premiums are retrospectively rated and could result in an amount due as a result of an audit of the insurance premiums. Adjustments from this audit cannot be reasonably estimated at this time and management estimates that any settlement amount would not materially affect the financial statements of the City.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 – LANDFILL POST-CLOSURE CARE COST

The City owned and operated a landfill site that stopped accepting waste on October 9, 1993. Upon the closure activities being completed, the post-closure period began. Initially, the post-closure costs were estimated at \$419,130 and have since been reduced to \$230,671. According to the post-closure contract, the estimated post-closure costs were to be updated in 1997 and every five years until the post-closure period ends in 2024. The post-closure contract can be terminated in one of the following ways:

- a. The City desires to terminate the contract prior to completing proper post-closure care for the solid waste disposal area. A written notice of termination must be delivered to the Missouri Department of Natural Resources within 120 days before the termination date and the City must post with the Missouri Department of Natural Resources an acceptable alternative financial assurance instrument as provided by law within 90 days following the written notice of termination. To be considered effective, the City must receive a written acknowledgement of the receipt of the acceptable alternative financial instrument.
- b. If the City fails to properly provide post-closure care for the solid waste disposal area, the Missouri Department of Natural Resources can request that the Department of Revenue and State Treasurer withhold funds up to the post-closure obligation from the City's tax remittances and the Department of Natural Resources will proceed with administrative and judicial review of the findings.
- c. Missouri Department of Natural Resources can terminate the agreement with written notice that the City is released from the requirements for a financial assurance instrument for post-closure.
- d. The post-closure period ends.

As of June 30, 2017, the contract was still in effect and a certificate of deposit in the amount of approximately \$248,000 has been set aside to cover such costs, if they should arise. These funds are not restricted by external parties, but have been designated by the Board of Aldermen to cover related costs. A liability of \$230,671 has also been recorded to reflect the estimated post-closure costs payable upon termination of this agreement.

NOTE 15 – PRIOR PERIOD ADJUSTMENT

The City realized that there is a two month lag between when sales tax revenue is earned and when it is received. This timing difference became material in fiscal year 2017 and a prior period adjustment was recorded to correct this issue. The adjustment resulted in an increase to the beginning fund balance in the General fund of \$75,851 and \$37,926 in the Capital Improvement fund.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
City taxes collected by county	\$ 292,000	\$ 292,000	\$ 311,367	\$ 19,367
Sales tax	1,100,000	1,100,000	1,103,265	3,265
Financial institution tax	8,500	8,500	1,249	(7,251)
Railroad & utility tax	2,000	2,000	1,169	(831)
Franchise tax	85,000	85,000	109,236	24,236
Telecommunications license tax	55,000	55,000	62,357	7,357
Sur tax	50,000	50,000	50,958	958
Penalties on delinquent taxes	7,200	7,200	7,874	674
Total taxes	<u>1,599,700</u>	<u>1,599,700</u>	<u>1,647,475</u>	<u>47,775</u>
Fines, licenses, permits				
Filing fees	100	100	100	-
Pit bull fee	500	500	500	-
Post commission reimbursement	500	500	500	-
Fines - municipal court	20,000	20,000	7,988	(12,012)
Liquor licenses	4,875	4,875	4,043	(832)
Board bills	5,500	5,500	10,947	5,447
Traffic fines	12,000	12,000	8,690	(3,310)
Impound fees	-	-	230	230
Merchants licenses	10,000	10,000	8,743	(1,257)
Total permits, fees and licenses	<u>53,475</u>	<u>53,475</u>	<u>41,741</u>	<u>(11,734)</u>
Miscellaneous:				
COPS grant	31,500	31,500	-	(31,500)
Rent - water tower	1,200	1,200	1,200	-
Sale of fixed assets	75,000	75,000	2,090	(72,910)
Special police services	2,200	2,200	425	(1,775)
Super NOW interest	763	763	482	(281)
Library service fee	1,000	1,000	1,000	-
Rents/royalties - City Hall	3,500	3,500	2,400	(1,100)
Miscellaneous income	3,250	3,250	7,267	4,017
Police copy money	800	800	990	190
Total miscellaneous	<u>119,213</u>	<u>119,213</u>	<u>15,854</u>	<u>(103,359)</u>
Operating transfers in	1,104,581	1,104,581	1,104,581	-
Amounts available	<u>2,876,969</u>	<u>2,876,969</u>	<u>2,809,651</u>	<u>(67,318)</u>
Charges (Outflows):				
Animal Control:				
Personnel	54,606	54,606	52,414	2,192
Maintenance	5,925	5,925	1,100	4,825
Supplies	3,450	3,450	740	2,710
Utilities	6,050	6,050	4,690	1,360
Miscellaneous	10,650	10,650	9,736	914
Total animal control	<u>80,681</u>	<u>80,681</u>	<u>68,680</u>	<u>12,001</u>
Attorney:				
Personnel	30,445	30,445	30,290	155
Office supplies	400	400	182	218
Maintenance	800	800	60	740
Miscellaneous	250	250	45	205
Total attorney	<u>31,895</u>	<u>31,895</u>	<u>30,577</u>	<u>1,318</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City Collector:				
Office supplies	250	250	1,240	(990)
Special services - Dent County	18,500	18,500	17,500	1,000
Total city collector	<u>18,750</u>	<u>18,750</u>	<u>18,740</u>	<u>10</u>
City Treasurer:				
Personnel	2,431	2,431	2,400	31
Miscellaneous	100	100	100	-
Total city treasurer	<u>2,531</u>	<u>2,531</u>	<u>2,500</u>	<u>31</u>
Civil Defense:				
Maintenance - equipment	5,000	5,000	2,632	2,368
Miscellaneous	1,000	1,000	-	1,000
Total civil defense	<u>6,000</u>	<u>6,000</u>	<u>2,632</u>	<u>3,368</u>
Municipal Court:				
Personnel	9,825	14,847	7,826	7,021
Miscellaneous	175	5,153	2,174	2,979
Total municipal court	<u>10,000</u>	<u>20,000</u>	<u>10,000</u>	<u>10,000</u>
City Administrator:				
Personnel	99,354	99,354	102,330	(2,976)
Supplies	700	700	521	179
Maintenance	500	500	-	500
Miscellaneous	3,050	3,050	1,968	1,082
Utilities	1,200	1,200	1,243	(43)
Total city administrator	<u>104,804</u>	<u>104,804</u>	<u>106,062</u>	<u>(1,258)</u>
City Clerk:				
Personnel	80,477	80,477	78,815	1,662
Maintenance	1,000	1,000	916	84
Supplies	1,150	1,150	1,537	(387)
Utilities	1,800	1,800	1,645	155
Miscellaneous	3,850	3,850	2,269	1,581
Total city clerk	<u>88,277</u>	<u>88,277</u>	<u>85,182</u>	<u>3,095</u>
Sidewalk Construction Department:				
Personnel	30,862	30,862	31,511	(649)
Maintenance	9,500	9,500	3,218	6,282
Supplies	5,550	5,550	4,687	863
Utilities	2,240	2,240	1,766	474
Miscellaneous	5,350	5,350	6,217	(867)
Total sidewalk construction dept	<u>53,502</u>	<u>53,502</u>	<u>47,399</u>	<u>6,103</u>
Maintenance Department:				
Personnel	64,862	64,862	61,826	3,036
Maintenance	1,400	1,400	850	550
Supplies	8,800	8,800	5,543	3,257
Utilities	900	900	884	16
Miscellaneous	2,000	2,000	2,218	(218)
Total maintenance dept	<u>77,962</u>	<u>77,962</u>	<u>71,321</u>	<u>6,641</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Mayor and Board:				
Personnel	38,720	38,720	37,882	838
Maintenance	5,000	5,000	110	4,890
Supplies	500	500	240	260
Utilities	600	600	1,589	(989)
Miscellaneous	2,700	2,700	-	2,700
Total mayor and board	<u>47,520</u>	<u>47,520</u>	<u>39,821</u>	<u>7,699</u>
Non-departmental:				
Personnel	98,129	98,129	89,392	8,737
Maintenance	7,750	7,750	12,216	(4,466)
Supplies	6,400	6,400	5,557	843
Utilities	30,975	30,975	29,071	1,904
Miscellaneous	145,670	145,670	131,112	14,558
Total non-departmental	<u>288,924</u>	<u>288,924</u>	<u>267,348</u>	<u>21,576</u>
Police				
Personnel	1,054,168	1,054,168	1,001,061	53,107
Maintenance	23,700	23,700	20,873	2,827
Supplies	9,100	9,100	6,725	2,375
Utilities	15,750	15,750	15,461	289
Miscellaneous	102,300	102,300	105,810	(3,510)
Capital improvements	-	-	13,380	(13,380)
Total police	<u>1,205,018</u>	<u>1,205,018</u>	<u>1,163,310</u>	<u>41,708</u>
Street				
Personnel	491,216	491,216	464,691	26,525
Maintenance	72,200	72,200	46,457	25,743
Supplies	11,400	11,400	12,797	(1,397)
Utilities	5,500	5,500	5,028	5,028
Miscellaneous	41,100	41,100	26,199	26,199
Total street	<u>621,416</u>	<u>621,416</u>	<u>555,172</u>	<u>66,244</u>
Freedom Center				
Supplies	2,000	2,000	2,192	(192)
Maintenance	5,000	5,000	4,056	944
Utilities	20,725	20,725	19,857	868
Miscellaneous	1,550	1,550	4,155	(2,605)
Total Freedom Center	<u>29,275</u>	<u>29,275</u>	<u>30,260</u>	<u>(985)</u>
Post Commission				
Travel	500	500	500	-
Total Post Commission	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic Development				
Personnel	60,439	50,439	5,033	45,406
Supplies	1,000	1,000	39	961
Maintenance	250	250	795	(545)
Utilities	1,500	1,500	743	757
Capital Improvements	1,250	1,250	-	1,250
Miscellaneous	16,350	16,350	15,911	439
Total Economic Development	<u>80,789</u>	<u>70,789</u>	<u>22,521</u>	<u>48,268</u>
Operating transfers out	<u>128,970</u>	<u>261,328</u>	<u>261,328</u>	<u>-</u>
Total charges	<u>2,876,314</u>	<u>3,008,672</u>	<u>2,782,853</u>	<u>225,819</u>
Excess Receipts Over/(Under) Expenses	<u>\$ 655</u>	<u>\$ (131,703)</u>	<u>\$ 26,798</u>	<u>\$ 158,501</u>

Explanation of differences between budgetary revenue and expenditures and GAAP revenue and expenditures.

Revenue:

Actual total revenue budgetary basis	\$ 2,809,651
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	21,808
Transfer in	<u>75,626</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 2,907,085</u>

Expenditures:

Actual total expenditures budgetary basis	\$ 2,782,853
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	66,212
Transfer out	<u>28,200</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 2,877,265</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Street Fund				
Resources (Inflows):				
Super NOW interest	\$ 1,600	\$ 1,600	\$ 2,993	\$ 1,393
Fee increase	20,000	20,000	21,461	1,461
Gas Tax	125,000	125,000	132,933	7,933
Reserve from prior year	265,362	265,362	-	(265,362)
Sales Tax	30,000	30,000	43,458	13,458
Total Resources	<u>441,962</u>	<u>441,962</u>	<u>200,845</u>	<u>(241,117)</u>
Charges (Outflows):				
Maintenance	325,000	325,000	244,241	80,759
Capital improvements	116,962	116,962	66,961	50,001
Total Charges	<u>441,962</u>	<u>441,962</u>	<u>311,202</u>	<u>130,760</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (110,357)</u>	<u>\$ (110,357)</u>
Park Fund				
Resources (Inflows):				
Sales tax	<u>\$ 375,000</u>	<u>\$ 375,000</u>	<u>\$ 413,334</u>	<u>\$ 38,334</u>
Charges for services:				
Al Brown concession	-	-	-	-
Ball sign-up fees	12,000	12,000	10,520	(1,480)
Little league concession	3,500	3,500	3,563	63
Little league field user fee	-	-	950	950
Little league sponsors	4,000	4,000	5,600	1,600
Pool concession	2,500	2,500	1,981	(519)
Al Brown field user fees	1,000	1,000	844	(156)
Basketball user fees	5,000	5,000	4,109	(891)
Ball team sponsor	-	-	-	-
Kickball user fee	250	250	125	(125)
Pavillion rentals	1,100	1,100	1,570	470
Pool receipts	12,500	12,500	7,363	(5,137)
Soccer user fees	3,000	3,000	4,825	1,825
Football donation - equipment	-	-	-	-
Flag football user fees	1,500	1,500	1,860	360
Flag football sponsor fee	1,000	1,000	-	(1,000)
Recycling Grant	-	-	-	-
Miscellaneous	100	100	1,116	1,016
Reserves from prior year	-	-	-	-
Insufficient check charge	60	60	-	(60)
Total charges for services	<u>47,510</u>	<u>47,510</u>	<u>44,426</u>	<u>(3,084)</u>
Transfers in	<u>-</u>	<u>115,005</u>	<u>115,005</u>	<u>-</u>
Amounts available	<u>422,510</u>	<u>537,515</u>	<u>572,765</u>	<u>35,250</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Park Fund (cont.)				
Charges (Outflows):				
Capital improvements	\$ 75,000	\$ 75,000	\$ 5,315	\$ 69,685
Personnel	208,831	208,831	191,947	16,884
Maintenance	48,300	48,300	26,975	21,325
Supplies	13,650	13,650	5,747	7,903
Utilities	17,750	17,750	14,577	3,173
Miscellaneous	29,000	29,000	23,505	5,495
Total Outflows	<u>392,531</u>	<u>392,531</u>	<u>268,066</u>	<u>124,465</u>
Increase (Decrease) in Fund	<u>\$ 29,979</u>	<u>\$ 144,984</u>	<u>\$ 304,699</u>	<u>\$ 159,715</u>
Police Dept Law Enforcement Fund				
Resources (Inflows):				
Breathalyzer reimbursement cost	\$ 4,000	\$ 4,000	\$ 2,259	\$ (1,741)
Reserves from prior year	7,500	7,500	-	(7,500)
Super NOW interest	5	5	10	5
Total Resources	<u>11,505</u>	<u>11,505</u>	<u>2,269</u>	<u>(9,236)</u>
Charges (Outflows):				
Travel & training	11,305	11,305	1,214	10,091
Miscellaneous	200	200	1,138	(938)
Total Outflows	<u>11,505</u>	<u>11,505</u>	<u>2,352</u>	<u>9,153</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83)</u>	<u>\$ (83)</u>
Officers Training Fund				
Resources (Inflows):				
Special police services	\$ 700	\$ 700	\$ 713	\$ 13
Reserves from prior year	2,500	2,500	-	(2,500)
Speical NOW interest	5	5	1	(4)
Total Resources	<u>3,205</u>	<u>3,205</u>	<u>714</u>	<u>(2,491)</u>
Charges (Outflows):				
Memberships	300	300	-	300
Travel	2,905	2,905	1,388	1,517
Total Outflows	<u>3,205</u>	<u>3,205</u>	<u>1,388</u>	<u>1,817</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (674)</u>	<u>\$ (674)</u>
Salem Fireworks Fund				
Resources (Inflows):				
Donations	\$ 8,000	\$ 8,000	\$ 5,500	\$ (2,500)
Super NOW interest	3	3	2	(1)
Total Resources	<u>8,003</u>	<u>8,003</u>	<u>5,502</u>	<u>(2,501)</u>
Transfers In:	<u>7,097</u>	<u>7,097</u>	<u>7,097</u>	<u>-</u>
Amount Available	<u>15,100</u>	<u>15,100</u>	<u>12,599</u>	<u>(2,501)</u>
Charges (Outflows):				
Fireworks	16,000	23,919	24,600	(681)
Miscellaneous	750	750	169	581
Advertising	100	100	-	100
Total Outflows	<u>16,850</u>	<u>24,769</u>	<u>24,769</u>	<u>-</u>
Increase (Decrease) in Funds	<u>\$ (1,750)</u>	<u>\$ (9,669)</u>	<u>\$ (12,170)</u>	<u>\$ (2,501)</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Building Permit				
Resources (Inflows):				
Building permits	\$ 5,500	\$ 5,500	\$ 6,582	\$ 1,082
Building permit deposit	-	-	8,650	8,650
Inspection fees	900	900	1,860	960
Super NOW interest	240	240	345	105
Reserve from prior year	6,222	6,222	-	(6,222)
Total Resources	<u>12,862</u>	<u>12,862</u>	<u>17,437</u>	<u>4,575</u>
Charges (Outflows):				
Supplies	200	200	56	144
Miscellaneous	12,660	12,660	14,110	(1,450)
Utilities	2	2	-	2
Total Outflows	<u>12,862</u>	<u>12,862</u>	<u>14,166</u>	<u>(1,304)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,271</u>	<u>\$ 3,271</u>
Inmate Security Fund				
Resources (Inflows):				
Inmate security fees	\$ 650	\$ 650	\$ 400	\$ (250)
Reserve from prior year	200	200	-	(200)
Super NOW interest	10	10	2	(8)
Total Resources	<u>860</u>	<u>860</u>	<u>402</u>	<u>(458)</u>
Charges (Outflows):				
Prisoner Sub.	860	860	480	380
Total Outflows	<u>860</u>	<u>860</u>	<u>480</u>	<u>380</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (78)</u>	<u>\$ (78)</u>
Local Law Enforcement Grant				
Resources (Inflows):				
Local law enforcement grant funds	\$ 600	\$ 600	\$ 7,631	\$ 7,031
Super NOW interest	-	-	13	13
Total Resources	<u>600</u>	<u>600</u>	<u>7,644</u>	<u>7,044</u>
Charges (Outflows):				
Equipment maintenance	600	600	2,013	(1,413)
Capital Improvements	-	-	4,141	(4,141)
Total Outflows	<u>600</u>	<u>600</u>	<u>6,154</u>	<u>(5,554)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,490</u>	<u>\$ 1,490</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Police Contribution Fund				
Resources (Inflows):				
Contributions	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Interest	15	15	2	(13)
Total Resources	<u>1,015</u>	<u>1,015</u>	<u>2</u>	<u>(1,013)</u>
Charges (Outflows):				
Miscellaneous	1,015	1,015	-	1,015
Total Outflows	<u>1,015</u>	<u>1,015</u>	<u>-</u>	<u>1,015</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>

Explanation of differences between budgetary revenue and expenditures and GAAP revenue and expenditures.

Revenue:

Actual total revenue budgetary basis	\$ 814,677
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	(1,860)
Transfer in	<u>25,500</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 838,317</u>

Expenditures:

Actual total expenditures budgetary basis	\$ 628,577
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	<u>26,737</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 655,314</u>

CITY OF SALEM, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2017

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to July 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings and open meetings of the Board of Aldermen are held to obtain taxpayer comments.
3. Prior to July 1, the Board of Aldermen adopts the budget, which provides for legally adopted budget for funds of the City.

The budget is prepared on the basis of cash receipts and disbursements. The budgetary comparison schedules presented as required supplementary information are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and generally accepted accounting principles (GAAP) are as follows:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

CITY OF SALEM, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

Fiscal year ending June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability			
Service Cost	\$ 286,391	\$ 290,776	\$ 283,978
Interest on Total Pension Liability	782,037	717,657	669,795
Difference between expected and actual experience	(362,680)	(206,963)	10,891
Changes in assumptions	-	409,466	-
Benefit payments, including refunds	<u>(329,500)</u>	<u>(312,388)</u>	<u>(303,445)</u>
Net change in total pension liability	376,248	898,548	661,219
Total pension liability - beginning	<u>10,807,882</u>	<u>9,909,334</u>	<u>9,248,115</u>
Total pension liability - ending	<u><u>\$ 11,184,130</u></u>	<u><u>\$ 10,807,882</u></u>	<u><u>\$ 9,909,334</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 271,811	\$ 299,388	\$ 322,783
Contributions - employee	89,412	91,764	91,238
Net investment income	1,158,130	(24,019)	178,898
Benefit payments, including refunds	(329,500)	(312,388)	(303,445)
Pension Plan Administrative Expense	(8,091)	(7,908)	(8,947)
Other (Net Transfer)	<u>49,163</u>	<u>7,915</u>	<u>42,141</u>
Net change in plan fiduciary net position	1,230,925	54,752	322,668
Plan fiduciary net position - beginning	<u>9,640,767</u>	<u>9,586,015</u>	<u>9,263,347</u>
Plan fiduciary net position - ending	<u><u>\$ 10,871,692</u></u>	<u><u>\$ 9,640,767</u></u>	<u><u>\$ 9,586,015</u></u>
Net pension liability(asset) - ending	\$ 312,438	\$ 1,167,115	\$ 323,319
Plan fiduciary net position as a percentage of the total pension liability	97.21%	89.20%	96.74%
Covered-employee payroll	\$ 2,273,894	\$ 2,215,410	\$ 2,297,016
Net pension liability as a percentage of covered employee payroll	13.74%	52.68%	14.08%

Notes:

Required supplemental information is not available for fiscal years prior to 2015.
The amounts noted above are as of the measurement date which is June 30th.

**CITY OF SALEM, MISSOURI
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	For the Years Ended February 28									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined pension contribution	271,812	299,389	322,783	328,997	311,551	302,901	330,933	262,748	182,391	183,270
Contribution in relation to the actuarially determined contribution	271,812	299,389	322,783	319,840	303,238	292,271	282,092	262,748	182,391	183,270
Contribution deficiency (excess)	-	-	-	9,157	8,313	10,630	48,841	-	-	-
Covered employee payroll	2,235,315	2,294,095	2,280,963	2,179,746	1,946,965	1,870,364	1,935,040	1,932,741	1,886,006	1,901,516
Covered employee payroll contributions as a percentage of covered employee payroll	12.16%	13.05%	14.15%	14.67%	15.57%	15.63%	14.58%	13.59%	9.67%	9.64%

Notes to schedule:

Valuation date:

Actuarially determined contribution rates are calculated as of February 28 prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percent of payroll, closed
Remaining amortization period	Multiple bases from 15 to 21 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other information	None