



CITY OF SALEM, MISSOURI

AUDIT REPORT

JUNE 30, 2018

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



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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, 2018, 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, 2018, 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 January 30, 2019, 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
January 30, 2019

BASIC FINANCIAL STATEMENTS

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2018

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,712,962	\$ 2,675,818	\$ 4,388,780
Restricted assets	712,323	6,806,285	7,518,608
Certificates of deposit	104,634	657,571	762,205
Accounts receivable, net	416,446	1,536,432	1,952,878
Grants receivable	-	276,060	276,060
Due from external parties	-	26,257	26,257
Inventories	-	316,378	316,378
Prepaid expenses	-	375,726	375,726
Net pension asset	209,845	113,324	323,169
Capital assets---			
Land and construction in progress	100,183	1,108,411	1,208,594
Other capital assets, net of depreciation	6,116,785	2,634,472	8,751,257
Total assets	<u>9,373,178</u>	<u>16,526,734</u>	<u>25,899,912</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related resources	160,044	100,359	260,403
Total deferred outflows of resources	<u>160,044</u>	<u>100,359</u>	<u>260,403</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	259,179	539,729	798,908
Internal balances	43,231	(43,231)	-
Post-closure liability	-	216,867	216,867
Long-term liabilities			
Due within one year	35,921	285,000	320,921
Due in more than one year	1,867,365	7,049,388	8,916,753
Total liabilities	<u>2,205,696</u>	<u>8,047,753</u>	<u>10,253,449</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related resources	445,863	264,133	709,996
Total deferred inflows of resources	<u>445,863</u>	<u>264,133</u>	<u>709,996</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	6,201,047	2,780,611	8,981,658
Restricted			
Expendable	420,562	-	420,562
Nonexpendable	291,761	-	291,761
Unrestricted	(31,707)	5,534,596	5,502,889
Total net position	<u>\$ 6,881,663</u>	<u>\$ 8,315,207</u>	<u>\$ 15,196,870</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, 2018**

<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	\$ 1,369,807	\$ 13,388	\$ -
Health and social services	57,234	-	-
Leisure services	528,500	79,768	157,923
Utility	92,444	-	-
Transportation services	895,367	-	-
Administrative services	770,635	22,740	-
Interest on long-term debt	35,100	-	-
Total governmental activities	<u>3,749,087</u>	<u>115,896</u>	<u>157,923</u>
Business-type activities---			
Electric	4,910,499	6,071,762	-
Water	648,671	657,291	-
Airport	113,061	23,371	341,662
Sewerage system	573,768	568,158	-
Nonmajor enterprise funds	455,478	325,752	-
Total business-type activities	<u>6,701,477</u>	<u>7,646,334</u>	<u>341,662</u>
Total primary government	<u>\$ 10,450,564</u>	<u>\$ 7,762,230</u>	<u>\$ 499,585</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
\$ (1,356,419)	\$ -	\$ (1,356,419)
(57,234)	-	(57,234)
(290,809)	-	(290,809)
(92,444)	-	(92,444)
(895,367)	-	(895,367)
(747,895)	-	(747,895)
(35,100)	-	(35,100)
<u>(3,475,268)</u>	<u>-</u>	<u>(3,475,268)</u>
-	1,161,263	1,161,263
-	8,620	8,620
-	251,972	251,972
-	(5,610)	(5,610)
-	(129,726)	(129,726)
<u>-</u>	<u>1,286,519</u>	<u>1,286,519</u>
<u>(3,475,268)</u>	<u>1,286,519</u>	<u>(2,188,749)</u>
322,159	-	322,159
2,384,667	-	2,384,667
52,094	-	52,094
164,268	-	164,268
3,391	-	3,391
22,356	88,129	110,485
247,350	38,365	285,715
(347,833)	347,833	-
1,100,456	(1,100,456)	-
<u>3,948,908</u>	<u>(626,129)</u>	<u>3,322,779</u>
473,640	660,390	1,134,030
6,408,023	7,654,817	14,062,840
<u>\$ 6,881,663</u>	<u>\$ 8,315,207</u>	<u>\$ 15,196,870</u>

**CITY OF SALEM, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	<u>Permanent Fund</u>
<u>ASSETS</u>					
Cash	\$ 286,624	\$ 222,200	\$ 533,836	\$ 643,388	\$ -
Restricted assets	-	129,559	-	-	582,764
Receivables, net	20	17,210	4,071	-	-
Due from other funds	-	-	20,493	-	-
Taxes receivable	219,282	75,352	100,511	-	-
Total assets	<u>505,926</u>	<u>444,321</u>	<u>658,911</u>	<u>643,388</u>	<u>582,764</u>
<u>LIABILITIES</u>					
Accounts payable	28,332	26,459	8,211	136,490	-
Accrued payroll	14,045	3,050	1,209	-	-
Building permit deposit	-	-	-	7,930	-
Due to other funds	51,341	2,745	9,637	-	-
Total liabilities	<u>93,718</u>	<u>32,254</u>	<u>19,057</u>	<u>144,420</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	18,260	-	-	-	-
Total deferred inflows of resources	<u>18,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	291,761
Restricted	-	129,559	639,854	423,170	291,003
Assigned	-	282,508	-	75,896	-
Unassigned	393,948	-	-	(98)	-
Total fund balances	<u>\$ 393,948</u>	<u>\$ 412,067</u>	<u>\$ 639,854</u>	<u>\$ 498,968</u>	<u>\$ 582,764</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, 2018

Statement 3

Total Governmental Funds	Total Governmental Fund Balances	\$ 2,527,601
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$ 1,686,048		
712,323		
21,301	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	6,216,968
20,493		
395,145		
2,835,310	Net pension asset (liability) and deferred outflows/inflows of pension related resources are not recognized in the fund statements because they are not financial resources.	(75,975)
199,492		
18,304	Revenue that is deferred in the fund financial statement because it is not available and recognized as revenue in the government-wide financial statements.	18,260
7,930		
63,723		
289,449	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	(15,921)
	Accrued interest	(33,453)
18,260	Certificates of participation	(1,780,000)
18,260	Accrued compensated absences	(107,365)
291,761	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.	
1,483,586		
358,404		
393,850		
\$ 2,527,601		131,548
	<i>Net Position of Governmental Funds</i>	\$ 6,881,663

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Park Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>
Revenues---				
Taxes	\$ 1,713,144	\$ 429,528	\$ 585,119	\$ 199,780
Intergovernmental	-	157,923	-	-
Charges for services	-	79,768	-	9,735
Interest and investment earnings	964	6,788	4,183	5,599
Licenses and permits	26,393	-	-	-
Miscellaneous	34,266	184,704	400	27,980
	<u>1,774,767</u>	<u>858,711</u>	<u>589,702</u>	<u>243,094</u>
Expenditures---				
Current operations:				
Safety services	1,280,627	-	39,551	7,377
Health and social services	52,381	-	-	-
Leisure services	-	458,987	4,439	-
Utility services	74,146	-	27,644	-
Transportation services	589,052	-	131,404	560
Administrative services	636,388	-	46,676	38,573
Capital outlay	-	2,014,961	82,534	336,550
Debt service:				
Principal	15,642	-	-	65,743
Interest	440	-	-	1,207
	<u>2,648,676</u>	<u>2,473,948</u>	<u>332,248</u>	<u>450,010</u>
Excess Revenues Over (Under) Expenditures	<u>(873,909)</u>	<u>(1,615,237)</u>	<u>257,454</u>	<u>(206,916)</u>
Other Financing Sources (Uses)---				
Proceeds from debt issuance	-	1,780,000	-	-
Transfers in	1,289,196	19,937	-	7,421
Transfers out	(180,079)	-	(383,852)	-
	<u>1,109,117</u>	<u>1,799,937</u>	<u>(383,852)</u>	<u>7,421</u>
Net change in fund balance	235,208	184,700	(126,398)	(199,495)
Fund balances at beginning of year, restated	<u>158,740</u>	<u>227,367</u>	<u>766,252</u>	<u>698,463</u>
Fund balances at end of year	<u>\$ 393,948</u>	<u>\$ 412,067</u>	<u>\$ 639,854</u>	<u>\$ 498,968</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, 2018

Statement 4

Permanent Fund	Total Governmental Funds		
		Net Change in Fund Balances---Total Governmental Funds	\$ 98,837
		Amounts reported for governmental activities in the statement of activities are different because:	
\$ -	\$ 2,927,571	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:	
-	157,923	Capital outlay	2,434,045
-	89,503	Depreciation expense	<u>(382,620)</u>
4,822	22,356		2,051,425
-	26,393		
-	247,350		
<u>4,822</u>	<u>3,471,096</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.	(992)
-	1,327,555		
-	52,381		
-	463,426	Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	81,385
-	101,790		
-	721,016		
-	721,637	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.	(6,246)
-	2,434,045		
-	81,385		
-	1,647		
<u>-</u>	<u>5,904,882</u>	The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This is the net effect of these differences in the treatment of long-term debt and related items.	(1,780,000)
4,822	(2,433,786)		
-	1,780,000		
-	1,316,554	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:	
-	(563,931)	Accrued interest	(33,453)
<u>-</u>	<u>2,532,623</u>	Compensated absences	12,425
4,822	98,837	Pension costs	<u>50,259</u>
577,942	2,428,764		
<u>\$ 582,764</u>	<u>\$ 2,527,601</u>	Changes in Net Position of Governmental Activities	<u>\$ 473,640</u>

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

Statement 5

	<u>Business-type</u>			
	<u>Electric</u>	<u>Water</u>	<u>Airport</u>	<u>Sewer</u>
<u>Assets</u>				
Current Assets--				
Cash and cash equivalents	\$ 1,107,804	\$ 824,077	\$ 40,573	\$ 478,493
Restricted assets	-	-	-	6,806,285
Certificates of deposit	2,371	402,731	-	-
Accounts receivable, net	1,164,548	164,982	-	148,043
Grants receivable	-	-	226,060	50,000
Due from external parties	19,990	5,015	-	-
Due from other funds	84,076	96,986	3,115	-
Inventories	146,925	120,619	-	48,834
Total Current Assets	<u>2,525,714</u>	<u>1,614,410</u>	<u>269,748</u>	<u>7,531,655</u>
Noncurrent Assets--				
Prepaid expenses	263,671	-	-	112,055
Net pension asset	60,362	27,002	-	7,719
Capital assets				
Land and construction in progress	95,440	20,000	238,025	671,745
Other capital assets, net of depreciation	217,959	578,860	751,716	1,074,897
Total Noncurrent Assets	<u>637,432</u>	<u>625,862</u>	<u>989,741</u>	<u>1,866,416</u>
Total Assets	<u>3,163,146</u>	<u>2,240,272</u>	<u>1,259,489</u>	<u>9,398,071</u>
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources--				
Pension related resources	35,950	35,538	-	27,952
Total Deferred Outflows of Resources	<u>35,950</u>	<u>35,538</u>	<u>-</u>	<u>27,952</u>
<u>Liabilities</u>				
Current Liabilities--				
Accounts payable	312,833	2,541	15,245	142,799
Accrued payroll	1,231	1,325	-	240
Accrued interest	-	-	-	35,314
Due to other funds	3,115	69,095	69	75,199
Post closure liability	-	-	-	-
Current portion of noncurrent liabilities	-	-	-	285,000
Total Current Liabilities	<u>317,179</u>	<u>72,961</u>	<u>15,314</u>	<u>538,552</u>
Noncurrent Liabilities--				
Compensated absences	7,541	5,107	-	14,660
Certificates of participation payable	-	-	-	7,019,924
Total Noncurrent Liabilities	<u>7,541</u>	<u>5,107</u>	<u>-</u>	<u>7,034,584</u>
Total Liabilities	<u>324,720</u>	<u>78,068</u>	<u>15,314</u>	<u>7,573,136</u>
<u>Deferred Inflows of Resources</u>				
Deferred Inflows of Resources--				
Pension related resources	120,299	75,577	-	44,435
Total Deferred Inflows of Resources	<u>120,299</u>	<u>75,577</u>	<u>-</u>	<u>44,435</u>
<u>Net Position</u>				
Net Position--				
Invested in capital assets, net of related debt	313,399	625,862	989,741	739,127
Unrestricted	2,440,678	1,496,303	254,434	1,069,325
Total Net Position	<u>\$ 2,754,077</u>	<u>\$ 2,122,165</u>	<u>\$ 1,244,175</u>	<u>\$ 1,808,452</u>

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

**CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018**

Statement 5

Activities		Governmental
Nonmajor Enterprise Funds	Totals	Activities Internal Service Funds
\$ 224,871	\$ 2,675,818	\$ 26,914
-	6,806,285	-
252,469	657,571	104,634
58,859	1,536,432	-
-	276,060	-
1,252	26,257	-
8,859	193,036	-
-	316,378	-
<u>546,310</u>	<u>12,487,837</u>	<u>131,548</u>
-	375,726	-
18,241	113,324	-
83,201	1,108,411	-
11,040	2,634,472	-
<u>112,482</u>	<u>4,231,933</u>	<u>-</u>
<u>658,792</u>	<u>16,719,770</u>	<u>131,548</u>
919	100,359	-
<u>919</u>	<u>100,359</u>	<u>-</u>
27,838	501,256	-
363	3,159	-
-	35,314	-
2,327	149,805	-
216,867	216,867	-
-	285,000	-
<u>247,395</u>	<u>1,191,401</u>	<u>-</u>
2,156	29,464	-
-	7,019,924	-
<u>2,156</u>	<u>7,049,388</u>	<u>-</u>
<u>249,551</u>	<u>8,240,789</u>	<u>-</u>
23,822	264,133	-
<u>23,822</u>	<u>264,133</u>	<u>-</u>
112,482	2,780,611	-
273,856	5,534,596	131,548
<u>\$ 386,338</u>	<u>\$ 8,315,207</u>	<u>\$ 131,548</u>

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Statement 6

	Business-type			
	Electric	Water	Airport	Sewer
Operating Revenues---				
Charges for services	\$ 6,071,762	\$ 657,291	\$ 23,371	\$ 568,158
Intergovernmental	-	-	291,662	50,000
Other	18,335	5,472	-	218
	<u>6,090,097</u>	<u>662,763</u>	<u>315,033</u>	<u>618,376</u>
Operating Expenses---				
Personnel services	502,572	316,880	-	196,719
Operations and maintenance	4,342,384	232,616	44,728	210,893
Depreciation and amortization	65,543	99,175	68,333	105,290
	<u>4,910,499</u>	<u>648,671</u>	<u>113,061</u>	<u>512,902</u>
Operating Income (Loss)	<u>1,179,598</u>	<u>14,092</u>	<u>201,972</u>	<u>105,474</u>
Non-operating Revenue (Expense)---				
Interest revenue	9,658	9,091	75	64,924
Interest expense	-	-	-	(60,866)
	<u>9,658</u>	<u>9,091</u>	<u>75</u>	<u>4,058</u>
Income (Loss) Before Capital Contributions and Transfers	1,189,256	23,183	202,047	109,532
Capital contributions	-	-	226,078	112,102
Transfers in (out)	<u>(1,231,930)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(42,674)	23,183	428,125	221,634
Net position at beginning of year, restated	2,796,751	2,098,982	816,050	1,586,818
Net position at end of year	<u>\$ 2,754,077</u>	<u>\$ 2,122,165</u>	<u>\$ 1,244,175</u>	<u>\$ 1,808,452</u>

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, 2018

Statement 6

Activities	Governmental	
Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ 325,752	\$ 7,646,334	\$ -
-	341,662	-
14,340	38,365	8,648
<u>340,092</u>	<u>8,026,361</u>	<u>8,648</u>
128,466	1,144,637	-
323,004	5,153,625	15,697
4,008	342,349	-
<u>455,478</u>	<u>6,640,611</u>	<u>15,697</u>
<u>(115,386)</u>	<u>1,385,750</u>	<u>(7,049)</u>
4,381	88,129	803
-	(60,866)	-
<u>4,381</u>	<u>27,263</u>	<u>803</u>
(111,005)	1,413,013	(6,246)
9,653	347,833	-
<u>131,474</u>	<u>(1,100,456)</u>	<u>-</u>
30,122	660,390	(6,246)
356,216	7,654,817	137,794
<u>\$ 386,338</u>	<u>\$ 8,315,207</u>	<u>\$ 131,548</u>

CITY OF SALEM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Statement 7

	<u>Business-type</u>			
	<u>Electric</u>	<u>Water</u>	<u>Airport</u>	<u>Sewer</u>
Cash Flows from Operating Activities---				
Cash received from customers	\$ 6,330,185	\$ 719,915	\$ 90,264	\$ 631,401
Cash payments to suppliers	(4,366,753)	(237,761)	(29,446)	(69,527)
Cash payments to employees	(525,197)	(337,215)	-	(190,337)
Other receipts (payments)	(36,510)	(36,510)	-	73,020
Net Cash Provided (Used) by Operating Activities	<u>1,401,725</u>	<u>108,429</u>	<u>60,818</u>	<u>444,557</u>
Cash Flows from Noncapital Financing Activities---				
Transfers in (out)	(1,231,930)	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,231,930)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities---				
Acquisition and construction of fixed assets	(61,400)	(8,350)	(51,141)	(658,083)
Interest paid on capital debt	-	-	-	(58,422)
Capital transfers from other funds	-	-	-	112,102
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(61,400)</u>	<u>(8,350)</u>	<u>(51,141)</u>	<u>(604,403)</u>
Cash Flows from Investing Activities---				
Interest receipts/purchase of investments	9,645	9,091	75	64,924
Proceeds from sale and maturity of investments	-	64,050	-	-
Net Cash Provided (Used) by Investing Activities	<u>9,645</u>	<u>73,141</u>	<u>75</u>	<u>64,924</u>
Net Increase (Decrease) in cash and cash equivalents	118,040	173,220	9,752	(94,922)
Cash and Cash Equivalents at beginning of year	989,764	650,857	30,821	7,379,700
Cash and Cash Equivalents at end of year	<u>\$ 1,107,804</u>	<u>\$ 824,077</u>	<u>\$ 40,573</u>	<u>\$ 7,284,778</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,179,598	\$ 14,092	\$ 201,972	\$ 105,474
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization	65,543	99,175	68,333	105,290
Changes in assets and liabilities---				
Accounts receivable	240,088	57,152	(224,769)	13,025
Inventory	-	8,525	-	-
Due from other funds	(36,510)	(36,510)	-	73,020
Prepaid expenses	-	-	-	5,898
Pension accruals	(12,565)	(8,639)	-	(4,712)
Accounts payable	(24,369)	(13,670)	15,282	137,255
Accrued liabilities	(10,060)	(11,696)	-	9,307
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,401,725</u>	<u>\$ 108,429</u>	<u>\$ 60,818</u>	<u>\$ 444,557</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, 2018

<u>Activities</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Totals</u>	<u>Service</u>
<u>Funds</u>		<u>Funds</u>
\$ 321,419	\$ 8,093,184	\$ -
(297,218)	(5,000,705)	(14,832)
(130,444)	(1,183,193)	-
-	-	8,648
<u>(106,243)</u>	<u>1,909,286</u>	<u>(6,184)</u>
131,474	(1,100,456)	-
<u>131,474</u>	<u>(1,100,456)</u>	<u>-</u>
-	(778,974)	-
-	(58,422)	-
-	112,102	-
-	(725,294)	-
2,764	86,499	282
-	64,050	-
<u>2,764</u>	<u>150,549</u>	<u>282</u>
27,995	234,085	(5,902)
196,876	9,248,018	32,816
<u>\$ 224,871</u>	<u>\$ 9,482,103</u>	<u>\$ 26,914</u>
\$ (115,386)	\$ 1,385,750	\$ (7,049)
4,008	342,349	-
(4,869)	80,627	-
-	8,525	-
-	-	-
-	5,898	-
(2,356)	(28,272)	-
25,786	140,284	865
(13,426)	(25,875)	-
<u>\$ (106,243)</u>	<u>\$ 1,909,286</u>	<u>\$ (6,184)</u>

CITY OF SALEM, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

Statement 8

	<u>Deferred Compensation Trust Fund</u>	<u>Agency Fund</u>
Assets:		
Cash	\$ -	\$ 94,556
Certificates of deposit	-	330,604
Investments	314,734	-
Other assets	-	5
Total assets	<u>\$ 314,734</u>	<u>\$ 425,165</u>
Liabilities:		
Accounts payable	\$ -	\$ 26,257
Utility deposits payable	-	240,253
Total liabilities	<u>-</u>	<u>266,510</u>
Net Position:		
Held in Trust	314,734	158,655
Unreserved	-	-
Total net position	<u>314,734</u>	<u>158,655</u>
Total liabilities and net position	<u>\$ 314,734</u>	<u>\$ 425,165</u>

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, 2018

Statement 9

	Deferred Compensation Trust Fund
ADDITIONS:	
Contributions	\$ 116,804
Net increase in the fair value of investments	30,974
Total additions	147,778
DEDUCTIONS:	
Distributions	129,339
Total deductions	129,339
Change in net position	18,439
Net position - beginning of year	296,295
Net position - end of year	\$ 314,734

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2018, net utility receivables include an allowance for doubtful accounts of \$630,000.

Inventories

Inventories at June 30, 2018, 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 \$136,829 at June 30, 2018.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 2017 was \$47,515,607 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2017 was \$0.6533 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, 2018

Governmental Fund Statements

As of June 30, 2018, 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, 2018, fund balances are composed of the following:

	General	Park	Capital Improvements	Other Governmental Funds	Permanent Fund	Total Governmental Funds
Nonspendable:						
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ 291,761	\$ 291,761
Restricted:						
Capital projects	-	-	639,854	-	-	639,854
Debt service	-	129,559	-	-	-	129,559
Transportation	-	-	-	423,170	-	423,170
Cemetery	-	-	-	-	291,003	291,003
Assigned:						
Leisure	-	282,508	-	-	-	282,508
Other gov't activities	-	-	-	75,896	-	75,896
Unassigned	393,948	-	-	(98)	-	393,850
	<u>\$ 393,948</u>	<u>\$ 412,067</u>	<u>\$ 639,854</u>	<u>\$ 498,968</u>	<u>\$ 582,764</u>	<u>\$ 2,527,601</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 assigned funds, and finally unassigned funds, as needed unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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 2018, 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, 2018, 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, 2018

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, 2018, 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
Park	-	2,745
Capital improvements	10,856	-
Electric	80,961	-
Water	27,891	-
Airport	3,046	-
Sewer	-	75,199
Non-major Bus-Type Funds	6,531	-
	<u>\$ 129,285</u>	<u>\$ 129,285</u>

Interfund transfers during the year ended June 30, 2018 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ 1,289,196	\$ 180,079
Park	19,937	-
Capital Improvement Funds	-	383,852
Non-major Gov't Funds	7,421	-
Electric	-	1,231,930
Airport	226,078	-
Sewer	112,102	-
Non-major Bus-Type Funds	131,474	-
	<u>\$ 1,786,208</u>	<u>\$ 1,795,861</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, 2018

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, 2018 are as follows:

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 285,000	\$ 214,882	\$ 499,882
2020	290,000	211,142	501,142
2021	290,000	206,793	496,793
2022	295,000	201,817	496,817
2023	305,000	195,960	500,960
2024-2028	1,655,000	861,579	2,516,579
2029-2033	1,920,000	591,258	2,511,258
2034-2038	2,295,000	218,763	2,513,763
	<u>\$ 7,335,000</u>	<u>\$ 2,702,194</u>	<u>\$ 10,037,194</u>

Series 2017B Certificates of Participation

In December 2017, the City issued \$1,780,000 of Series 2017B certificates of participation. The certificates of participation were issued to pay for pool renovations. The certificates of participation bear interest from 2.0% to 3.8% and are due on November 1, 2041.

The annual debt service requirements on the Series 2017B certificates of participation at June 30, 2018 are as follows:

For the Year Ending June 30	Principal	Interest	Total
2019	\$ 20,000	\$ 85,260	\$ 105,260
2020	45,000	61,007	106,007
2021	45,000	59,973	104,973
2022	50,000	58,782	108,782
2023	50,000	57,458	107,458
2024-2028	270,000	264,247	534,247
2029-2033	320,000	214,790	534,790
2034-2038	385,000	150,457	535,457
2039-2043	595,000	67,735	662,735
	<u>\$ 1,780,000</u>	<u>\$ 1,019,709</u>	<u>\$ 2,799,709</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Capital Leases

The City has property and equipment carried at approximately \$52,330, with approximately \$23,549 in accumulated depreciation, which are currently held under capital lease arrangements.

The City is obligated under capital lease agreements to make the final lease payment of \$16,082 on October 1, 2018, which includes \$161 of interest.

Summary of Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2018:

	Long-term Obligations at 7/1/2017	Additions	Reductions	Long-term Obligations at 6/30/2018	Due Within One Year
<u>Governmental Activities:</u>					
Capital lease	\$ 97,306	\$ -	\$ 81,385	\$ 15,921	\$ 15,921
Certificates of participation	-	1,780,000	-	1,780,000	20,000
Compensated absences	119,790	-	12,425	107,365	-
	<u>\$ 202,060</u>	<u>\$ 1,780,000</u>	<u>\$ 93,810</u>	<u>\$ 1,903,286</u>	<u>\$ 35,921</u>
<u>Business-Type Activities:</u>					
Certificates of participation	\$ 7,302,480	\$ 2,444	\$ -	\$ 7,304,924	\$ 285,000
Compensated absences	39,748	-	10,284	29,464	-
	<u>\$ 54,421</u>	<u>\$ 2,444</u>	<u>\$ 10,284</u>	<u>\$ 7,334,388</u>	<u>\$ 285,000</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 – FIXED ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 90,150	\$ -	\$ -	\$ 90,150
Construction in process	27,744	-	(17,711)	10,033
Total capital assets not being depreciated	117,894	-	(17,711)	100,183
Capital assets being depreciated:				
Buildings	753,269	-	-	753,269
Improvements	3,459,467	1,959,606	-	5,419,073
Equipment	1,846,748	492,151	-	2,338,899
Infrastructure	14,037,357	-	-	14,037,357
Total capital assets being depreciated	20,096,841	2,451,757	-	22,548,598
Less accumulated depreciation:				
Buildings	(224,002)	(21,032)	-	(245,034)
Improvements	(1,798,700)	(143,989)	-	(1,942,689)
Equipment	(1,425,029)	(143,971)	-	(1,569,000)
Infrastructure	(12,601,462)	(73,628)	-	(12,675,090)
Total accumulated depreciation	(16,049,193)	(382,620)	-	(16,431,813)
Total capital assets being depreciated, net	4,047,648	2,069,137	-	6,116,785
Governmental Activities Capital assets, net	\$ 4,165,542	\$ 2,069,137	\$ (17,711)	\$ 6,216,968

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 210,588	\$ 226,078	\$ -	\$ 436,666
Construction in process	186,077	502,147	(16,480)	671,744
Total capital assets not being depreciated	<u>396,665</u>	<u>728,225</u>	<u>(16,480)</u>	<u>1,108,410</u>
Capital assets being depreciated:				
Buildings	80,079	-	-	80,079
Improvements	6,881,545	242,569	-	7,124,114
Equipment	4,612,270	60,392	-	4,672,662
Infrastructure	2,121,762	-	-	2,121,762
Total capital assets being depreciated	<u>13,695,656</u>	<u>302,961</u>	<u>-</u>	<u>13,998,617</u>
Less accumulated depreciation:				
Buildings	(80,078)	-	-	(80,078)
Improvements	(5,136,773)	(195,811)	-	(5,332,584)
Equipment	(3,858,260)	(121,384)	-	(3,979,644)
Infrastructure	(1,946,684)	(25,155)	-	(1,971,839)
Total accumulated depreciation	<u>(11,021,795)</u>	<u>(342,350)</u>	<u>-</u>	<u>(11,364,145)</u>
Total capital assets being depreciated, net	<u>2,673,861</u>	<u>(39,389)</u>	<u>-</u>	<u>2,634,472</u>
Business-Type Activities Capital assets, net	<u>\$ 3,070,526</u>	<u>\$ 688,836</u>	<u>\$ (16,480)</u>	<u>\$ 3,742,882</u>

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

Administrative	\$ 55,722
Street	192,357
Safety	58,162
Leisure	67,903
Health & Social Services	8,476
Total governmental activities	<u>\$ 382,620</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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

	2018 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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	37
Inactive employees entitled to but not yet receiving benefits	8
Active employees	54
	99

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 11.9% (General) and 8.8% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Actuarial assumptions. The total pension liability in the February 28, 2018 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 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, 2018 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%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

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, 2018

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2017	11,184,130	10,871,692	312,438
Changes for the year:			
Service cost	294,549	-	294,549
Interest	809,214	-	809,214
Difference between expected and actual experience	34,404	-	34,404
Changes in assumptions	-	-	-
Contributions - employer	-	289,759	(289,759)
Contributions - employee	-	91,036	(91,036)
Net investment income	-	1,369,194	(1,369,194)
Benefit payments, including refunds	(340,474)	(340,474)	-
Administrative expense	-	(8,366)	8,366
Other changes	-	32,152	(32,152)
Net changes	797,693	1,433,301	(635,608)
Balances at 6/30/2018	11,981,823	12,304,993	(323,170)

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
1,379,214	(323,170)	(1,729,760)

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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

For the year ended June 30, 2018, the employer recognized pension expense of \$211,216. 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	\$ 73,555	\$ (361,361)
Change in assumptions	186,848	-
Excess (deficit) investment returns	-	(348,635)
Total	\$ 260,403	\$ (709,996)

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
2019	\$ 12,764
2020	(87,341)
2021	(250,306)
2022	(127,505)
2023	2,795
Thereafter	-
Total	\$ (449,593)

Payable to the Pension Plan

At June 30, 2018, the City reported a payable of \$27,591 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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, 2018

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, 2028.

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, 2018

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, 2018, these two accounts totaled \$582,764 and are shown as restricted on the Statement of Net Position.

As of June 30, 2018, the Park fund had \$129,559 restricted for debt service and the Sewer fund had \$6,806,285 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, 2018

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 \$216,867. 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, 2018, the contract was still in effect and a certificate of deposit in the amount of approximately \$250,000 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 \$216,867 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 project costs were incurred in the prior year, which are reimbursable by a State grant. Therefore, a receivable should have been recorded as of June 30, 2017. A prior period adjustment was recorded in the current year resulting in an increase to the beginning fund balance in the Park fund of \$8,026.

During the current year, the City also corrected an error related to the issuance of the 2017 Certificates of Participation. This prior period adjustment resulted in a net increase to the beginning fund balance in the Sewer fund of \$42,047.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Resources (Inflows):				
Taxes:				
City taxes collected by county	\$ 300,000	\$ 300,000	\$ 315,925	\$ 15,925
Sales tax	1,100,000	1,100,000	1,161,943	61,943
Financial institution tax	1,000	1,000	1,879	879
Railroad & utility tax	2,000	2,000	1,512	(488)
Franchise tax	95,000	95,000	111,868	16,868
Telecommunications license tax	55,000	55,000	52,400	(2,600)
Sur tax	50,000	50,000	52,094	2,094
Penalties on delinquent taxes	7,200	7,200	7,226	26
Total taxes	<u>1,610,200</u>	<u>1,610,200</u>	<u>1,704,847</u>	<u>94,647</u>
Fines, licenses, permits				
Filing fees	100	100	150	50
Pit bull fee	400	400	-	(400)
Post commission reimbursement	500	500	500	-
Fines - municipal court	10,000	10,000	7,963	(2,037)
Liquor licenses	4,875	4,875	2,885	(1,990)
Board bills	5,500	5,500	11,046	5,546
Traffic fines	10,000	10,000	5,123	(4,877)
Impound fees	-	-	190	190
Merchants licenses	10,000	10,000	9,422	(578)
Total permits, fees and licenses	<u>41,375</u>	<u>41,375</u>	<u>37,279</u>	<u>(4,096)</u>
Miscellaneous:				
COPS grant	31,500	31,500	-	(31,500)
Rent - water tower	1,200	1,200	1,200	-
Sale of fixed assets	60,000	60,000	-	(60,000)
K-9 donations	-	-	5,418	5,418
Special police services	1,000	1,000	807	(193)
Super NOW interest	763	763	965	202
Library service fee	1,000	1,000	1,000	-
Rents/royalties - City Hall	3,500	3,500	2,196	(1,304)
Miscellaneous income	6,500	6,500	2,686	(3,814)
Police copy money	800	800	845	45
Cobra insurance reimbursement	-	-	9,223	9,223
Total miscellaneous	<u>106,263</u>	<u>106,263</u>	<u>24,340</u>	<u>(81,923)</u>
Operating transfers in	1,231,930	1,231,930	1,231,930	-
Amounts available	<u>2,989,768</u>	<u>2,989,768</u>	<u>2,998,396</u>	<u>8,628</u>
Charges (Outflows):				
Animal Control:				
Personnel	55,830	55,830	53,733	2,097
Maintenance	3,425	3,425	568	2,857
Supplies	3,450	3,450	813	2,637
Utilities	5,750	5,750	6,267	(517)
Miscellaneous	11,587	11,587	8,712	2,875
Total animal control	<u>80,042</u>	<u>80,042</u>	<u>70,093</u>	<u>9,949</u>
Attorney:				
Personnel	30,445	30,445	30,301	144
Office supplies	400	400	303	97
Maintenance	800	800	45	755
Miscellaneous	250	250	45	205
Total attorney	<u>31,895</u>	<u>31,895</u>	<u>30,694</u>	<u>1,201</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<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	184	66
Special services - Dent County	18,500	18,500	18,568	(68)
Total city collector	<u>18,750</u>	<u>18,750</u>	<u>18,752</u>	<u>(2)</u>
City Treasurer:				
Personnel	2,442	2,442	1,818	624
Miscellaneous	100	100	100	-
Total city treasurer	<u>2,542</u>	<u>2,542</u>	<u>1,918</u>	<u>624</u>
Civil Defense:				
Maintenance - equipment	3,000	3,000	2,677	323
Miscellaneous	1,000	1,000	-	1,000
Total civil defense	<u>4,000</u>	<u>4,000</u>	<u>2,677</u>	<u>1,323</u>
Municipal Court:				
Personnel	13,590	13,590	16,211	(2,621)
Miscellaneous	6,410	6,410	-	6,410
Utilities	-	-	-	-
Total municipal court	<u>20,000</u>	<u>20,000</u>	<u>16,211</u>	<u>3,789</u>
City Administrator:				
Personnel	101,134	101,134	101,330	(196)
Supplies	700	700	751	(51)
Maintenance	500	500	1,735	(1,235)
Miscellaneous	3,051	3,051	894	2,157
Utilities	1,200	1,200	1,224	(24)
Total city administrator	<u>106,585</u>	<u>106,585</u>	<u>105,934</u>	<u>651</u>
City Clerk:				
Personnel	82,294	82,294	79,521	2,773
Maintenance	1,000	1,000	589	411
Supplies	1,250	1,250	1,216	34
Utilities	1,800	1,800	1,500	300
Miscellaneous	3,850	3,850	1,648	2,202
Total city clerk	<u>90,194</u>	<u>90,194</u>	<u>84,474</u>	<u>5,720</u>
Sidewalk Construction Department:				
Personnel	42,118	42,118	34,004	8,114
Maintenance	8,000	8,000	3,774	4,226
Supplies	5,550	5,550	3,103	2,447
Utilities	2,325	2,325	2,077	248
Miscellaneous	7,295	7,295	7,391	(96)
Total sidewalk construction dept	<u>65,288</u>	<u>65,288</u>	<u>50,349</u>	<u>14,939</u>
Maintenance Department:				
Personnel	67,114	67,114	65,399	1,715
Maintenance	1,400	1,400	499	901
Supplies	7,600	7,600	5,115	2,485
Utilities	900	900	1,022	(122)
Miscellaneous	3,070	3,070	2,111	959
Total maintenance dept	<u>80,084</u>	<u>80,084</u>	<u>74,146</u>	<u>5,938</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<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	38,768	38,768	38,344	424
Maintenance	1,000	1,000	-	1,000
Supplies	500	500	-	500
Utilities	1,750	1,750	1,257	493
Miscellaneous	2,700	2,700	-	2,700
Total mayor and board	<u>44,718</u>	<u>44,718</u>	<u>39,601</u>	<u>5,117</u>
Non-departmental:				
Personnel	100,502	100,502	86,781	13,721
Maintenance	8,750	8,750	11,323	(2,573)
Supplies	7,400	7,400	8,119	(719)
Utilities	32,100	32,100	38,382	(6,282)
Miscellaneous	158,990	158,990	134,761	24,229
Total non-departmental	<u>307,742</u>	<u>307,742</u>	<u>279,366</u>	<u>28,376</u>
Police				
Personnel	1,085,846	1,085,846	1,046,503	39,343
Maintenance	24,200	30,940	24,878	6,062
Supplies	8,200	8,200	6,448	1,752
Utilities	16,500	16,500	15,448	1,052
Miscellaneous	106,306	106,306	111,901	(5,595)
Total police	<u>1,241,052</u>	<u>1,247,792</u>	<u>1,205,178</u>	<u>42,614</u>
Street				
Personnel	510,133	510,133	475,119	35,014
Maintenance	61,100	61,100	65,107	(4,007)
Supplies	11,400	11,400	10,234	1,166
Utilities	5,600	5,600	7,490	(1,890)
Miscellaneous	38,015	38,015	32,072	5,943
Total street	<u>626,248</u>	<u>626,248</u>	<u>590,022</u>	<u>36,226</u>
Freedom Center				
Supplies	2,000	2,000	4,043	(2,043)
Maintenance	5,000	5,000	4,566	434
Utilities	22,000	22,000	23,198	(1,198)
Miscellaneous	5,109	5,109	3,769	1,340
Total Freedom Center	<u>34,109</u>	<u>34,109</u>	<u>35,576</u>	<u>(1,467)</u>
Post Commission				
Travel	500	500	500	-
Total Post Commission	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Personnel	-	19,162	-	19,162
Supplies	-	3,300	-	3,300
Maintenance	-	300	-	300
Miscellaneous	-	900	938	(38)
Utilities	-	500	-	500
Total Public Works	<u>-</u>	<u>24,162</u>	<u>938</u>	<u>23,224</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2018**

	<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	77,657	37,058	21,127	15,931
Supplies	1,000	1,000	233	767
Maintenance	1,000	1,000	-	1,000
Miscellaneous	16,385	16,385	17,122	(737)
Utilities	1,500	1,500	749	751
Total Economic Development	<u>97,542</u>	<u>56,943</u>	<u>39,231</u>	<u>17,712</u>
Operating transfers out	<u>138,321</u>	<u>138,895</u>	<u>138,895</u>	<u>-</u>
Total charges	<u>2,989,112</u>	<u>2,979,989</u>	<u>2,784,055</u>	<u>195,934</u>
Excess Receipts Over/(Under) Expenses	<u>\$ 656</u>	<u>\$ 9,779</u>	<u>\$ 214,341</u>	<u>\$ 204,562</u>

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

Revenue:

Actual total revenue budgetary basis	\$ 2,998,396
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	8,301
Transfer in	57,266
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 3,063,963</u>

Expenditures:

Actual total expenditures budgetary basis	\$ 2,784,055
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	3,516
Transfer out	41,184
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 2,828,755</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
Street Fund				
Resources (Inflows):				
Super NOW interest	\$ 1,600	\$ 1,600	\$ 4,921	\$ 3,321
Fee increase	20,000	20,000	22,342	2,342
Gas Tax	115,000	115,000	132,651	17,651
Reserve from prior year	250,362	250,362	-	(250,362)
Sales Tax	30,000	30,000	44,787	14,787
Total Resources	<u>416,962</u>	<u>416,962</u>	<u>204,701</u>	<u>(212,261)</u>
Charges (Outflows):				
Maintenance	325,000	325,000	97,170	227,830
Capital improvements	91,962	91,962	178,502	(86,540)
Total Charges	<u>416,962</u>	<u>416,962</u>	<u>275,672</u>	<u>141,290</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (70,971)</u>	<u>\$ (70,971)</u>
 Park Fund				
Resources (Inflows):				
Sales tax	<u>\$ 422,000</u>	<u>\$ 422,000</u>	<u>\$ 426,208</u>	<u>\$ 4,208</u>
Charges for services:				
Al Brown concession	2,500	2,500	-	(2,500)
Ball sign-up fees	11,000	11,000	10,765	(235)
Little league concession	4,500	4,500	3,393	(1,107)
Little league field user fee	2,000	2,000	940	(1,060)
Little league sponsors	2,500	2,500	7,200	4,700
Pool concession	4,000	4,000	6,148	2,148
Al Brown field user fees	1,500	1,500	1,700	200
Basketball user fees	4,500	4,500	4,483	(17)
Ball team sponsor	1,000	1,000	1,104	104
Pavillion rentals	1,100	1,100	1,640	540
Pool receipts	12,500	12,500	30,252	17,752
Soccer user fees	5,500	5,500	6,735	1,235
Summer camp sign-up fee	-	-	2,453	2,453
Flag football user fees	1,500	1,500	2,955	1,455
Flag football sponsor fee	250	250	-	(250)
ACC Playground grant	-	150,000	150,000	-
Miscellaneous	-	-	7,618	7,618
Donations	-	163,000	163,000	-
Super NOW interest	-	-	899	899
Insufficient check charge	-	-	20	20
Total charges for services	<u>54,350</u>	<u>367,350</u>	<u>401,305</u>	<u>33,955</u>
Amounts available	<u>476,350</u>	<u>789,350</u>	<u>827,513</u>	<u>38,163</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	<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	\$ 110,000	\$ 410,000	\$ 437,120	\$ (27,120)
Personnel	241,184	241,184	230,842	10,342
Maintenance	51,500	64,769	66,822	(2,053)
Supplies	14,750	14,750	8,599	6,151
Utilities	23,500	23,500	12,862	10,638
Miscellaneous	28,850	28,850	26,808	2,042
Total Outflows	<u>469,784</u>	<u>783,053</u>	<u>783,053</u>	<u>-</u>
Increase (Decrease) in Fund	<u>\$ 6,566</u>	<u>\$ 6,297</u>	<u>\$ 44,460</u>	<u>\$ 38,163</u>
Police Dept Law Enforcement Fund				
Resources (Inflows):				
Breathalyzer reimbursement cost	\$ 4,000	\$ 4,000	\$ 1,416	\$ (2,584)
Reserves from prior year	7,500	7,500	-	(7,500)
Super NOW interest	5	5	-	(5)
Total Resources	<u>11,505</u>	<u>11,505</u>	<u>1,416</u>	<u>(10,089)</u>
Charges (Outflows):				
Travel & training	11,305	11,305	5,128	6,177
Miscellaneous	200	200	-	200
Total Outflows	<u>11,505</u>	<u>11,505</u>	<u>5,128</u>	<u>6,377</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,712)</u>	<u>\$ (3,712)</u>
Officers Training Fund				
Resources (Inflows):				
Special police services	\$ 700	\$ 700	\$ 286	\$ (414)
Reserves from prior year	2,500	2,500	-	(2,500)
Super NOW interest	5	5	-	(5)
Total Resources	<u>3,205</u>	<u>3,205</u>	<u>286</u>	<u>(2,919)</u>
Charges (Outflows):				
Memberships	300	300	-	300
Travel	2,905	2,905	340	2,565
Total Outflows	<u>3,205</u>	<u>3,205</u>	<u>340</u>	<u>2,865</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (54)</u>	<u>\$ (54)</u>
Salem Fireworks Fund				
Resources (Inflows):				
Donations	\$ 10,000	\$ 10,000	\$ 6,138	\$ (3,862)
Super NOW interest	3	3	-	(3)
Total Resources	<u>10,003</u>	<u>10,003</u>	<u>6,138</u>	<u>(3,865)</u>
Transfers In:	<u>6,847</u>	<u>7,421</u>	<u>7,421</u>	<u>-</u>
Amount Available	<u>16,850</u>	<u>17,424</u>	<u>13,559</u>	<u>(3,865)</u>
Charges (Outflows):				
Fireworks	16,000	16,000	16,800	(800)
Miscellaneous	750	750	20	730
Advertising	100	100	-	100
Total Outflows	<u>16,850</u>	<u>16,850</u>	<u>16,820</u>	<u>30</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ 574</u>	<u>\$ (3,261)</u>	<u>\$ (3,835)</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	<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	\$ 7,998	\$ 2,498
Building permit deposit	7,500	7,500	8,230	730
25% insurance - fire	-	-	20,000	20,000
Inspection fees	1,000	1,000	1,435	435
Super NOW interest	240	240	678	438
Reserve from prior year	6,522	6,522	-	(6,522)
Total Resources	<u>20,762</u>	<u>20,762</u>	<u>38,341</u>	<u>17,579</u>
Charges (Outflows):				
Supplies	200	200	61	139
Miscellaneous	20,560	20,560	26,691	(6,131)
Utilities	2	2	1	1
Total Outflows	<u>20,762</u>	<u>20,762</u>	<u>26,753</u>	<u>(5,991)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,588</u>	<u>\$ 11,588</u>
Inmate Security Fund				
Resources (Inflows):				
Inmate security fees	\$ 650	\$ 650	\$ 302	\$ (348)
Reserve from prior year	200	200	-	(200)
Super NOW interest	10	10	-	(10)
Total Resources	<u>860</u>	<u>860</u>	<u>302</u>	<u>(558)</u>
Charges (Outflows):				
Prisoner Sub.	860	860	280	580
Total Outflows	<u>860</u>	<u>860</u>	<u>280</u>	<u>580</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 22</u>
Local Law Enforcement Grant				
Resources (Inflows):				
Local law enforcement grant funds	\$ 1,000	\$ 1,000	\$ 140	\$ (860)
Super NOW interest	-	-	3	3
Total Resources	<u>1,000</u>	<u>1,000</u>	<u>143</u>	<u>(857)</u>
Charges (Outflows):				
Equipment maintenance	1,000	1,000	-	1,000
Capital Improvements	-	-	1,629	(1,629)
Total Outflows	<u>1,000</u>	<u>1,000</u>	<u>1,629</u>	<u>(629)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,486)</u>	<u>\$ (1,486)</u>

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2018**

	<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	-	(15)
Total Resources	<u>1,015</u>	<u>1,015</u>	<u>-</u>	<u>(1,015)</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>\$ -</u>	<u>\$ -</u>

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

Revenue:

Actual total revenue budgetary basis	\$ 1,086,261
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	(11,814)
Proceeds from debt issuance	1,780,000
Transfer in	<u>27,358</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 2,881,805</u>

Expenditures:

Actual total expenditures budgetary basis	\$ 1,109,675
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	201,131
Capital outlay from debt proceeds	<u>1,613,152</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 2,923,958</u>

CITY OF SALEM, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2018

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service Cost	\$ 294,549	\$ 286,391	\$ 290,776	\$ 283,978
Interest on Total Pension Liability	809,214	782,037	717,657	669,795
Difference between expected and actual experience	34,404	(362,680)	(206,963)	10,891
Changes in assumptions	-	-	409,466	-
Benefit payments, including refunds	<u>(340,474)</u>	<u>(329,500)</u>	<u>(312,388)</u>	<u>(303,445)</u>
Net change in total pension liability	797,693	376,248	898,548	661,219
Total pension liability - beginning	<u>11,184,130</u>	<u>10,807,882</u>	<u>9,909,334</u>	<u>9,248,115</u>
Total pension liability - ending	<u><u>\$ 11,981,823</u></u>	<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	\$ 289,759	\$ 271,811	\$ 299,388	\$ 322,783
Contributions - employee	91,036	89,412	91,764	91,238
Net investment income	1,369,194	1,158,130	(24,019)	178,898
Benefit payments, including refunds	(340,474)	(329,500)	(312,388)	(303,445)
Pension Plan Administrative Expense	(8,366)	(8,091)	(7,908)	(8,947)
Other (Net Transfer)	<u>32,152</u>	<u>49,163</u>	<u>7,915</u>	<u>42,141</u>
Net change in plan fiduciary net position	1,433,301	1,230,925	54,752	322,668
Plan fiduciary net position - beginning	<u>10,871,692</u>	<u>9,640,767</u>	<u>9,586,015</u>	<u>9,263,347</u>
Plan fiduciary net position - ending	<u><u>\$ 12,304,993</u></u>	<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	\$ (323,170)	\$ 312,438	\$ 1,167,115	\$ 323,319
Plan fiduciary net position as a percentage of the total pension liability	102.70%	97.21%	89.20%	96.74%
Covered-employee payroll	\$ 2,345,679	\$ 2,273,894	\$ 2,215,410	\$ 2,297,016
Net pension liability as a percentage of covered employee payroll	-13.78%	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined pension contribution	289,759	271,812	299,389	322,783	328,997	311,551	302,901	330,933	262,748	182,391
Contribution in relation to the actuarially determined contribution	289,760	271,812	299,389	322,783	319,840	303,238	292,271	282,092	262,748	182,391
Contribution deficiency (excess)	(1)	-	-	-	9,157	8,313	10,630	48,841	-	-
Covered employee payroll	2,275,912	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
Covered employee payroll contributions as a percentage of covered employee payroll	12.73%	12.16%	13.05%	14.15%	14.67%	15.57%	15.63%	14.58%	13.59%	9.67%

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 20 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