



**CITY OF SALEM, MISSOURI**

**AUDIT REPORT**

**JUNE 30, 2019**

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



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

## INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen  
City of Salem, Missouri

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Salem, Missouri (the "City"), as of and for the year ended June 30, 2019, 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, 2019, 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 17, 2020, 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 17, 2020

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,705,784	\$ 3,173,601	\$ 4,879,385
Restricted assets	704,855	5,091,398	5,796,253
Certificates of deposit	-	663,918	663,918
Accounts receivable, net	350,964	1,387,989	1,738,953
Grants receivable	-	47,477	47,477
Due from external parties	-	26,257	26,257
Inventories	-	328,206	328,206
Prepaid expenses	-	369,829	369,829
Net pension asset	370,157	207,476	577,633
Capital assets---			
Land and construction in progress	338,384	3,334,336	3,672,720
Other capital assets, net of depreciation	6,062,240	2,826,836	8,889,076
Total assets	<u>9,532,384</u>	<u>17,457,323</u>	<u>26,989,707</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related resources	99,921	65,048	164,969
Total deferred outflows of resources	<u>99,921</u>	<u>65,048</u>	<u>164,969</u>
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	71,764	597,374	669,138
Internal balances	(4,383)	4,383	-
Post-closure liability	-	216,867	216,867
Long-term liabilities			
Due within one year	56,906	301,025	357,931
Due in more than one year	1,866,014	6,757,837	8,623,851
Total liabilities	<u>1,990,301</u>	<u>7,877,486</u>	<u>9,867,787</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related resources	485,900	287,647	773,547
Total deferred inflows of resources	<u>485,900</u>	<u>287,647</u>	<u>773,547</u>
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	4,585,859	4,219,229	8,805,088
Restricted			
Expendable	413,094	-	413,094
Nonexpendable	291,761	-	291,761
Unrestricted	1,865,390	5,094,269	6,959,659
Total net position	<u>\$ 7,156,104</u>	<u>\$ 9,313,498</u>	<u>\$ 16,469,602</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, 2019**

<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	\$ 1,369,965	\$ 12,342	\$ -
Health and social services	79,388	-	-
Leisure services	562,305	90,836	5,739
Utility	82,998	-	-
Transportation services	992,906	-	-
Administrative services	825,921	51,655	-
Interest on long-term debt	61,974	-	-
Total governmental activities	<u>3,975,457</u>	<u>154,833</u>	<u>5,739</u>
Business-type activities---			
Electric	4,460,375	6,154,821	-
Water	704,254	919,749	-
Airport	120,793	16,828	162,666
Sewerage system	634,652	833,424	-
Nonmajor enterprise funds	484,845	351,381	-
Total business-type activities	<u>6,404,919</u>	<u>8,276,203</u>	<u>162,666</u>
Total primary government	<u>\$ 10,380,376</u>	<u>\$ 8,431,036</u>	<u>\$ 168,405</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			
Net position --- ending			

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

<b>Net (Expenses) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,357,623)	\$ -	\$ (1,357,623)
(79,388)	-	(79,388)
(465,730)	-	(465,730)
(82,998)	-	(82,998)
(992,906)	-	(992,906)
(774,266)	-	(774,266)
(61,974)	-	(61,974)
<u>(3,814,885)</u>	<u>-</u>	<u>(3,814,885)</u>
-	1,694,446	1,694,446
-	215,495	215,495
-	58,701	58,701
-	198,772	198,772
-	(133,464)	(133,464)
<u>-</u>	<u>2,033,950</u>	<u>2,033,950</u>
<u>(3,814,885)</u>	<u>2,033,950</u>	<u>(1,780,935)</u>
326,332	-	326,332
2,213,363	-	2,213,363
50,758	-	50,758
151,350	-	151,350
5,159	-	5,159
32,941	176,670	209,611
69,294	27,800	97,094
(294,735)	294,735	-
1,534,864	(1,534,864)	-
<u>4,089,326</u>	<u>(1,035,659)</u>	<u>3,053,667</u>
274,441	998,291	1,272,732
6,881,663	8,315,207	15,196,870
<u>\$ 7,156,104</u>	<u>\$ 9,313,498</u>	<u>\$ 16,469,602</u>



**CITY OF SALEM, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	<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	\$ 507,094	\$ 150,486	\$ 462,669	\$ 441,578	\$ -
Restricted assets	-	113,831	-	-	591,024
Receivables, net	20	14,155	9,810	-	-
Due from other funds	-	3,055	65,052	-	-
Taxes receivable	183,499	61,491	81,989	-	-
Total assets	<u>690,613</u>	<u>343,018</u>	<u>619,520</u>	<u>441,578</u>	<u>591,024</u>
<u>LIABILITIES</u>					
Accounts payable	21,780	6,402	2,464	166	-
Accrued payroll	14,832	4,003	1,209	-	-
Building permit deposit	-	-	-	10,880	-
Due to other funds	51,341	2,745	9,637	-	-
Total liabilities	<u>87,953</u>	<u>13,150</u>	<u>13,310</u>	<u>11,046</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	19,521	-	-	-	-
Total deferred inflows of resources	<u>19,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	291,761
Restricted	-	113,831	606,210	307,666	299,263
Assigned	-	216,037	-	122,866	-
Unassigned	583,139	-	-	-	-
Total fund balances	<u>\$ 583,139</u>	<u>\$ 329,868</u>	<u>\$ 606,210</u>	<u>\$ 430,532</u>	<u>\$ 591,024</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, 2019**

Statement 3

<b>Total Governmental Funds</b>	Total Governmental Fund Balances	\$ 2,540,773
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$ 1,561,827		
704,855		
23,985	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	6,400,624
68,107		
326,979		
<u>2,685,753</u>	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.	(15,823)
30,812		
20,044	Revenue that is deferred in the fund financial statement because it is not available and recognized as revenue in the government-wide financial statements.	19,521
10,880		
63,723		
<u>125,459</u>	Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:	
	Capital lease payable	(54,765)
	Accrued interest	(10,028)
19,521	Certificates of participation	(1,760,000)
<u>19,521</u>	Accrued compensated absences	(108,155)
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.	143,957
1,326,970		
338,903		
583,139		
<u>\$ 2,540,773</u>		
	<i>Net Position of Governmental Funds</i>	<u>\$ 7,156,104</u>

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Park Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>
Revenues---				
Taxes	\$ 1,606,921	\$ 403,203	\$ 537,292	\$ 198,285
Intergovernmental	-	-	5,739	-
Charges for services	-	90,836	-	22,828
Interest and investment earnings	1,774	6,311	9,060	7,536
Licenses and permits	28,760	-	-	-
Miscellaneous	64,663	1,249	1,949	1,433
	<u>1,702,118</u>	<u>501,599</u>	<u>554,040</u>	<u>230,082</u>
Expenditures---				
Current operations:				
Safety services	1,334,127	-	8,633	6,125
Health and social services	75,169	-	-	-
Leisure services	-	415,170	-	-
Utility services	66,870	-	16,684	-
Transportation services	659,128	-	153,131	3,240
Administrative services	698,760	-	31,046	40,897
Capital outlay	-	63,368	267,395	102,668
Debt service:				
Principal	15,921	20,000	-	-
Interest	139	85,260	-	-
	<u>2,850,114</u>	<u>583,798</u>	<u>476,889</u>	<u>152,930</u>
Excess Revenues Over (Under) Expenditures	<u>(1,147,996)</u>	<u>(82,199)</u>	<u>77,151</u>	<u>77,152</u>
Other Financing Sources (Uses)---				
Proceeds from debt issuance	-	-	-	54,765
Transfers in	1,594,731	-	200,000	13,737
Transfers out	(257,544)	-	(310,795)	-
	<u>1,337,187</u>	<u>-</u>	<u>(110,795)</u>	<u>68,502</u>
Net change in fund balance	189,191	(82,199)	(33,644)	145,654
Fund balances at beginning of year, restated	<u>393,948</u>	<u>412,067</u>	<u>639,854</u>	<u>284,878</u>
Fund balances at end of year	<u>\$ 583,139</u>	<u>\$ 329,868</u>	<u>\$ 606,210</u>	<u>\$ 430,532</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, 2019**

Statement 4

<b>Permanent Fund</b>	<b>Total Governmental Funds</b>		
		Net Change in Fund Balances---Total Governmental Funds	\$ 227,262
		Amounts reported for governmental activities in the statement of activities are different because:	
\$ -	\$ 2,745,701	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:	
-	5,739	Capital outlay	433,431
-	113,664	Depreciation expense	<u>(463,865)</u>
8,260	32,941		(30,434)
-	28,760		
-	69,294		
<u>8,260</u>	<u>2,996,099</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.	1,261
-	1,348,885		
-	75,169		
-	415,170	Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	35,921
-	83,554		
-	815,499		
-	770,703	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.	12,409
-	433,431		
-	35,921		
-	85,399		
<u>-</u>	<u>4,063,731</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.	(54,765)
8,260	(1,067,632)		
-	54,765		
-	1,808,468	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:	
-	(568,339)	Accrued interest	23,425
<u>-</u>	<u>1,294,894</u>	Compensated absences	(790)
8,260	227,262	Pension costs	<u>60,152</u>
582,764	2,313,511		
<u>\$ 591,024</u>	<u>\$ 2,540,773</u>	Changes in Net Position of Governmental Activities	<u>\$ 274,441</u>

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2019**

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	\$ 1,497,773	\$ 839,756	\$ 27,574	\$ 589,805
Restricted assets	-	-	-	5,091,398
Certificates of deposit	2,410	407,397	-	-
Accounts receivable, net	1,000,342	171,395	-	157,851
Grants receivable	-	-	47,477	-
Due from external parties	19,990	5,015	-	-
Due from other funds	117,957	194,507	3,115	-
Inventories	146,925	132,447	-	48,834
Total Current Assets	<u>2,785,397</u>	<u>1,750,517</u>	<u>78,166</u>	<u>5,887,888</u>
Noncurrent Assets--				
Prepaid expenses	263,671	-	-	106,158
Net pension asset	95,987	54,993	-	28,076
Capital assets				
Land and construction in progress	95,440	20,000	238,025	2,897,670
Other capital assets, net of depreciation	162,488	791,193	837,646	984,423
Total Noncurrent Assets	<u>617,586</u>	<u>866,186</u>	<u>1,075,671</u>	<u>4,016,327</u>
Total Assets	<u>3,402,983</u>	<u>2,616,703</u>	<u>1,153,837</u>	<u>9,904,215</u>
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources--				
Pension related resources	22,589	25,040	-	20,317
Total Deferred Outflows of Resources	<u>22,589</u>	<u>25,040</u>	<u>-</u>	<u>20,317</u>
<u>Liabilities</u>				
Current Liabilities--				
Accounts payable	242,138	4,225	2,663	301,068
Accrued payroll	7,447	1,263	-	563
Accrued interest	-	-	-	34,756
Due to other funds	3,115	69,095	47,683	206,601
Post closure liability	-	-	-	-
Current portion of noncurrent liabilities	-	11,025	-	290,000
Total Current Liabilities	<u>252,700</u>	<u>85,608</u>	<u>50,346</u>	<u>832,988</u>
Noncurrent Liabilities--				
Compensated absences	5,459	16,026	-	1,870
Capital lease	-	43,740	-	-
Certificates of participation payable	-	-	-	6,732,316
Total Noncurrent Liabilities	<u>5,459</u>	<u>59,766</u>	<u>-</u>	<u>6,734,186</u>
Total Liabilities	<u>258,159</u>	<u>145,374</u>	<u>50,346</u>	<u>7,567,174</u>
<u>Deferred Inflows of Resources</u>				
Deferred Inflows of Resources--				
Pension related resources	129,196	82,568	-	49,519
Total Deferred Inflows of Resources	<u>129,196</u>	<u>82,568</u>	<u>-</u>	<u>49,519</u>
<u>Net Position</u>				
Net Position--				
Invested in capital assets, net of related debt	257,928	800,168	1,075,671	1,951,175
Unrestricted	2,780,289	1,613,633	27,820	356,664
Total Net Position	<u>\$ 3,038,217</u>	<u>\$ 2,413,801</u>	<u>\$ 1,103,491</u>	<u>\$ 2,307,839</u>

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

**CITY OF SALEM, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2019**

Statement 5

<b>Activities</b>		<b>Governmental</b>
<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Activities Internal Service Funds</b>
\$ 218,693	\$ 3,173,601	\$ 143,957
-	5,091,398	-
254,111	663,918	-
58,401	1,387,989	-
-	47,477	-
1,252	26,257	-
8,859	324,438	-
-	328,206	-
<u>541,316</u>	<u>11,043,284</u>	<u>143,957</u>
-	369,829	-
28,420	207,476	-
83,201	3,334,336	-
51,086	2,826,836	-
<u>162,707</u>	<u>6,738,477</u>	<u>-</u>
<u>704,023</u>	<u>17,781,761</u>	<u>143,957</u>
(2,898)	65,048	-
<u>(2,898)</u>	<u>65,048</u>	<u>-</u>
1,827	551,921	-
1,424	10,697	-
-	34,756	-
2,327	328,821	-
216,867	216,867	-
-	301,025	-
<u>222,445</u>	<u>1,444,087</u>	<u>-</u>
2,166	25,521	-
-	43,740	-
-	6,732,316	-
<u>2,166</u>	<u>6,801,577</u>	<u>-</u>
<u>224,611</u>	<u>8,245,664</u>	<u>-</u>
26,364	287,647	-
<u>26,364</u>	<u>287,647</u>	<u>-</u>
134,287	4,219,229	-
315,863	5,094,269	143,957
<u>\$ 450,150</u>	<u>\$ 9,313,498</u>	<u>\$ 143,957</u>

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Statement 6

	<b>Business-type</b>			
	<b>Electric</b>	<b>Water</b>	<b>Airport</b>	<b>Sewer</b>
Operating Revenues---				
Charges for services	\$ 6,154,821	\$ 919,749	\$ 16,828	\$ 833,424
Intergovernmental	-	-	162,666	-
Other	20,334	6,485	400	162
	<u>6,175,155</u>	<u>926,234</u>	<u>179,894</u>	<u>833,586</u>
Operating Expenses---				
Personnel services	484,614	345,653	-	213,345
Operations and maintenance	3,920,290	254,579	50,680	197,501
Depreciation and amortization	55,471	104,022	70,113	112,920
	<u>4,460,375</u>	<u>704,254</u>	<u>120,793</u>	<u>523,766</u>
Operating Income (Loss)	<u>1,714,780</u>	<u>221,980</u>	<u>59,101</u>	<u>309,820</u>
Non-operating Revenue (Expense)---				
Interest revenue	28,782	21,470	215	119,447
Interest expense	-	-	-	(110,886)
	<u>28,782</u>	<u>21,470</u>	<u>215</u>	<u>8,561</u>
Income (Loss) Before Capital Contributions and Transfers	1,743,562	243,450	59,316	318,381
Capital contributions	16,597	48,186	-	181,006
Transfers in (out)	<u>(1,476,019)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
Change in Net Position	284,140	291,636	(140,684)	499,387
Net position at beginning of year	2,754,077	2,122,165	1,244,175	1,808,452
Net position at end of year	<u>\$ 3,038,217</u>	<u>\$ 2,413,801</u>	<u>\$ 1,103,491</u>	<u>\$ 2,307,839</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, 2019**

Statement 6

<b>Activities</b>	<b>Governmental</b>	
<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
\$ 351,381	\$ 8,276,203	\$ -
-	162,666	-
419	27,800	15,698
<u>351,800</u>	<u>8,466,669</u>	<u>15,698</u>
135,382	1,178,994	-
340,564	4,763,614	6,000
8,899	351,425	-
<u>484,845</u>	<u>6,294,033</u>	<u>6,000</u>
<u>(133,045)</u>	<u>2,172,636</u>	<u>9,698</u>
6,756	176,670	2,711
-	(110,886)	-
<u>6,756</u>	<u>65,784</u>	<u>2,711</u>
(126,289)	2,238,420	12,409
48,946	294,735	-
<u>141,155</u>	<u>(1,534,864)</u>	<u>-</u>
63,812	998,291	12,409
<u>386,338</u>	<u>8,315,207</u>	<u>131,548</u>
<u>\$ 450,150</u>	<u>\$ 9,313,498</u>	<u>\$ 143,957</u>



**CITY OF SALEM, MISSOURI**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Statement 7

	<b>Business-type</b>			
	<b>Electric</b>	<b>Water</b>	<b>Airport</b>	<b>Sewer</b>
<b>Cash Flows from Operating Activities---</b>				
Cash received from customers	\$ 6,339,361	\$ 919,821	\$ 358,477	\$ 873,778
Cash payments to suppliers	(3,990,985)	(264,723)	(63,262)	(33,335)
Cash payments to employees	(493,847)	(345,298)	-	(233,450)
Other receipts (payments)	(33,881)	(97,521)	47,614	131,402
Net Cash Provided (Used) by Operating Activities	<u>1,820,648</u>	<u>212,279</u>	<u>342,829</u>	<u>738,395</u>
<b>Cash Flows from Noncapital Financing Activities---</b>				
Transfers in (out)	(1,476,019)	-	(200,000)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,476,019)</u>	<u>-</u>	<u>(200,000)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities---</b>				
Acquisition and construction of fixed assets	-	(316,355)	(156,043)	(2,248,371)
Proceeds from issuance of debt	-	54,765	-	-
Principal payment on capital debt	-	-	-	(285,000)
Interest paid on capital debt	-	-	-	(109,052)
Capital transfers from other funds	16,597	48,186	-	181,006
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>16,597</u>	<u>(213,404)</u>	<u>(156,043)</u>	<u>(2,461,417)</u>
<b>Cash Flows from Investing Activities---</b>				
Interest receipts/purchase of investments	28,743	16,804	215	119,447
Proceeds from sale and maturity of investments	-	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>28,743</u>	<u>16,804</u>	<u>215</u>	<u>119,447</u>
<b>Net Increase (Decrease) in cash and cash equivalents</b>				
	389,969	15,679	(12,999)	(1,603,575)
Cash and Cash Equivalents at beginning of year	1,107,804	824,077	40,573	7,284,778
Cash and Cash Equivalents at end of year	<u>\$ 1,497,773</u>	<u>\$ 839,756</u>	<u>\$ 27,574</u>	<u>\$ 5,681,203</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,714,780	\$ 221,980	\$ 59,101	\$ 309,820
<b>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</b>				
Depreciation and amortization	55,471	104,022	70,113	112,920
<b>Changes in assets and liabilities---</b>				
Accounts receivable	164,206	(6,413)	178,583	40,192
Inventory	-	(11,828)	-	-
Due from other funds	(33,881)	(97,521)	47,614	131,402
Prepaid expenses	-	-	-	5,897
Pension accruals	(13,367)	(10,502)	-	(7,638)
Accounts payable	(70,695)	1,684	(12,582)	158,269
Accrued liabilities	4,134	10,857	-	(12,467)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,820,648</u>	<u>\$ 212,279</u>	<u>\$ 342,829</u>	<u>\$ 738,395</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, 2019**

Statement 7

<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>
\$ 352,258	\$ 8,843,695	\$ -
(366,575)	(4,718,880)	(6,000)
(138,131)	(1,210,726)	-
-	47,614	15,698
<u>(152,448)</u>	<u>2,961,703</u>	<u>9,698</u>
141,155	(1,534,864)	-
<u>141,155</u>	<u>(1,534,864)</u>	<u>-</u>
(48,945)	(2,769,714)	-
-	54,765	-
-	(285,000)	-
-	(109,052)	-
<u>48,946</u>	<u>294,735</u>	<u>-</u>
1	(2,814,266)	-
5,114	170,323	2,711
-	-	104,634
<u>5,114</u>	<u>170,323</u>	<u>107,345</u>
(6,178)	(1,217,104)	117,043
224,871	9,482,103	26,914
<u>\$ 218,693</u>	<u>\$ 8,264,999</u>	<u>\$ 143,957</u>
\$ (133,045)	\$ 2,172,636	\$ 9,698
8,899	351,425	-
458	377,026	-
-	(11,828)	-
-	47,614	-
-	5,897	-
(3,820)	(35,327)	-
(26,011)	50,665	-
1,071	3,595	-
<u>\$ (152,448)</u>	<u>\$ 2,961,703</u>	<u>\$ 9,698</u>

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2019**

Statement 8

	<b>Deferred Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Cash	\$ -	\$ 104,941
Certificates of deposit	-	333,269
Investments	350,874	-
Other assets	-	5
Total assets	\$ 350,874	\$ 438,215
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 26,257
Utility deposits payable	-	247,438
Total liabilities	-	273,695
<b>Net Position:</b>		
Held in Trust	350,874	164,520
Unreserved	-	-
Total net position	350,874	164,520
Total liabilities and net position	\$ 350,874	\$ 438,215

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, 2019**

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Statement 9

	<b>Deferred Compensation Trust Fund</b>
<b>ADDITIONS:</b>	
Contributions	\$ 17,800
Net increase in the fair value of investments	21,584
Total additions	39,384
<b>DEDUCTIONS:</b>	
Distributions	3,244
Total deductions	3,244
Change in net position	36,140
Net position - beginning of year	314,734
Net position - end of year	\$ 350,874

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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, 2019**

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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, 2019**

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*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.

*Special Revenue Fund*

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The City's major special revenue fund is the Park Fund.

*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.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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.

*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, 2019. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2019, net utility receivables include an allowance for doubtful accounts of \$700,000.

**Inventories**

Inventories at June 30, 2019, 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.



**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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 \$133,676 at June 30, 2019.

**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 2018 was \$48,069,732 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2018 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.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**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.”

*Governmental Fund Statements*

As of June 30, 2019, 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.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

As of June 30, 2019, 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	-	-	606,210	-	-	606,210
Debt service	-	113,831	-	-	-	113,831
Transportation	-	-	-	307,666	-	307,666
Cemetery	-	-	-	-	299,263	299,263
Assigned:						
Leisure	-	216,037	-	-	-	216,037
Other gov't activities	-	-	-	122,866	-	122,866
Unassigned	583,139	-	-	-	-	583,139
	<u>\$ 583,139</u>	<u>\$ 329,868</u>	<u>\$ 606,210</u>	<u>\$ 430,532</u>	<u>\$ 591,024</u>	<u>\$ 2,540,773</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.

**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 2019, 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.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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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, 2019, 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.

**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, 2019, internal balances that resulted from various interfund transactions were as follows:

	Due From Other Funds	Due To Other Funds
General	\$ -	\$ 51,342
Park	310	-
Capital improvements	55,415	-
Electric	114,843	-
Water	125,412	-
Airport	-	44,569
Sewer	-	206,601
Non-major Bus-Type Funds	6,532	-
	<u>\$ 302,512</u>	<u>\$ 302,512</u>

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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Interfund transfers during the year ended June 30, 2019 were as follows:

	Transfer From Other Funds	Transfer To Other Funds
General Fund	\$ 1,659,473	\$ 154,892
Park	100,000	-
Capital Improvement Funds	200,000	578,189
Non-major Gov't Funds	13,737	-
Electric	16,597	1,476,019
Water	48,186	-
Airport	-	200,000
Sewer	181,006	-
Non-major Bus-Type Funds	190,101	-
	\$ 2,409,100	\$ 2,409,100

**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.

**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.

**CITY OF SALEM, MISSOURI**  
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The annual debt service requirements on the Series 2017 certificates of participation at June 30, 2019 are as follows:

For the Year Ending June 30	Principal	Interest	Total
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	315,000	189,214	504,214
2025-2029	1,700,000	815,245	2,515,245
2030-2034	1,985,000	525,490	2,510,490
2035-2038	1,870,000	141,710	2,011,710
	<u>\$ 7,050,000</u>	<u>\$ 2,487,371</u>	<u>\$ 9,537,371</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, 2019 are as follows:

For the Year Ending June 30	Principal	Interest	Total
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	50,000	56,057	106,057
2025-2029	280,000	255,559	535,559
2030-2034	330,000	203,157	533,157
2035-2039	400,000	135,717	535,717
2040-2043	510,000	46,740	556,740
	<u>\$ 1,760,000</u>	<u>\$ 934,450</u>	<u>\$ 2,694,450</u>

**CITY OF SALEM, MISSOURI**  
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**Capital Leases**

The City has property and equipment carried at approximately \$109,531, with approximately \$7,824 in accumulated depreciation, which are currently held under capital lease arrangements.

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2020	11,906	11,906
2021	11,908	11,909
2022	11,909	11,908
2023	11,908	11,909
2024	11,909	11,908
Total minimum lease payments	59,540	59,540
Less interest	4,775	4,775
Present value of minimum payments	<u>\$ 54,765</u>	<u>\$ 54,765</u>

**Summary of Long-term Debt**

The following is a summary of long-term debt activity of the City for the year ended June 30, 2019:

	<u>Long-term Obligations at 7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Long-term Obligations at 6/30/2019</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Capital lease	\$ 15,921	\$ 54,765	\$ 15,921	\$ 54,765	\$ 11,906
Certificates of participation	1,780,000	-	20,000	1,760,000	45,000
Compensated absences	107,365	790	-	108,155	-
	<u>\$ 1,903,286</u>	<u>\$ 55,555</u>	<u>\$ 35,921</u>	<u>\$ 1,922,920</u>	<u>\$ 56,906</u>
<b><u>Business-Type Activities:</u></b>					
Capital lease	\$ -	\$ 54,765	\$ -	\$ 54,765	\$ 11,906
Certificates of participation	7,304,924	2,392	285,000	7,022,316	290,000
Compensated absences	29,464	-	3,943	25,521	-
	<u>\$ 7,334,388</u>	<u>\$ 57,157</u>	<u>\$ 288,943</u>	<u>\$ 7,102,602</u>	<u>\$ 301,906</u>

**CITY OF SALEM, MISSOURI**  
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**NOTE 7 – FIXED ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 90,150	\$ 150,000	\$ -	\$ 240,150
Construction in process	10,033	88,201	-	98,234
Total capital assets not being depreciated	<u>100,183</u>	<u>238,201</u>	<u>-</u>	<u>338,384</u>
Capital assets being depreciated:				
Buildings	753,269	-	-	753,269
Improvements	5,633,163	53,455	-	5,686,618
Equipment	2,338,899	141,774	-	2,480,673
Infrastructure	14,037,357	-	-	14,037,357
Total capital assets being depreciated	<u>22,762,688</u>	<u>195,229</u>	<u>-</u>	<u>22,957,917</u>
Less accumulated depreciation:				
Buildings	(245,034)	(21,032)	-	(266,066)
Improvements	(1,942,689)	(216,483)	-	(2,159,172)
Equipment	(1,569,000)	(152,721)	-	(1,721,721)
Infrastructure	(12,675,090)	(73,628)	-	(12,748,718)
Total accumulated depreciation	<u>(16,431,813)</u>	<u>(463,864)</u>	<u>-</u>	<u>(16,895,677)</u>
Total capital assets being depreciated, net	<u>6,330,875</u>	<u>(268,635)</u>	<u>-</u>	<u>6,062,240</u>
Governmental Activities Capital assets, net	<u>\$ 6,431,058</u>	<u>\$ (30,434)</u>	<u>\$ -</u>	<u>\$ 6,400,624</u>



**CITY OF SALEM, MISSOURI**  
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	Balance 6/30/2018	Increases	Decreases	Balance 6/30/2019
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 436,666	\$ -	\$ -	\$ 436,666
Construction in process	671,744	2,234,478	-	2,906,222
Total capital assets not being depreciated	<u>1,108,410</u>	<u>2,234,478</u>	<u>-</u>	<u>3,342,888</u>
Capital assets being depreciated:				
Buildings	80,079	-	-	80,079
Improvements	7,124,114	402,543	-	7,526,657
Equipment	4,672,662	132,693	-	4,805,355
Infrastructure	2,121,762	-	-	2,121,762
Total capital assets being depreciated	<u>13,998,617</u>	<u>535,236</u>	<u>-</u>	<u>14,533,853</u>
Less accumulated depreciation:				
Buildings	(80,078)	-	-	(80,078)
Improvements	(5,332,584)	(198,190)	-	(5,530,774)
Equipment	(3,979,644)	(129,961)	-	(4,109,605)
Infrastructure	(1,971,839)	(23,274)	-	(1,995,113)
Total accumulated depreciation	<u>(11,364,145)</u>	<u>(351,425)</u>	<u>-</u>	<u>(11,715,570)</u>
Total capital assets being depreciated, net	<u>2,634,472</u>	<u>183,811</u>	<u>-</u>	<u>2,818,283</u>
Business-Type Activities Capital assets, net	<u>\$ 3,742,882</u>	<u>\$ 2,418,289</u>	<u>\$ -</u>	<u>\$ 6,161,171</u>

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

Administrative	\$ 56,900
Street	190,924
Safety	52,557
Leisure	155,007
Health & Social Services	8,476
Total governmental activities	<u>\$ 463,864</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**  
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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](http://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.

	<b>2019 Valuation</b>
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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	8
Active employees	52
	101

*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 11.2% (General) and 9.7% (Police) of annual covered payroll.

*Net Pension Liability.* The employer’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*Actuarial assumptions.* The total pension liability in the February 28, 2019 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, 2019 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

*Discount rate.* The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

**CITY OF SALEM, MISSOURI**  
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	<b>Increase (Decrease)</b>		
	<b>Total Pension</b>	<b>Plan Fiduciary</b>	<b>Net Pension</b>
	<b>Liability</b>	<b>Net Position</b>	<b>Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at 6/30/2018</b>	11,981,823	12,304,993	(323,170)
<b>Changes for the year:</b>			
Service cost	292,995	-	292,995
Interest	861,804	-	861,804
Difference between expected and actual experience	(242,497)	-	(242,497)
Changes in assumptions	-	-	-
Contributions - employer	-	254,158	(254,158)
Contributions - employee	-	91,385	(91,385)
Net investment income	-	827,209	(827,209)
Benefit payments, including refunds	(486,103)	(486,103)	-
Administrative expense	-	(12,678)	12,678
Other changes	-	6,692	(6,692)
Net changes	426,199	680,663	(254,464)
<b>Balances at 6/30/2019</b>	12,408,022	12,985,656	(577,634)

*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.

<b>Current Single Discount</b>		
<b>1% Decrease</b>	<b>Rate Assumption</b>	<b>1% Increase</b>
1,139,177	(577,634)	(1,998,829)

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended June 30, 2019, the employer recognized pension expense of \$158,679. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in experience	\$ 52,327	\$ (435,796)
Change in assumptions	112,642	-
Excess (deficit) investment returns	-	(337,751)
Total	<u>\$ 164,969</u>	<u>\$ (773,547)</u>

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

<b>Year Ending June 30</b>	<b>Net Deferred Outflows of Resources</b>
2020	\$ (123,933)
2021	(286,898)
2022	(164,097)
2023	(26,909)
2024	(6,741)
Thereafter	-
<b>Total</b>	<u>\$ (608,578)</u>

**Payable to the Pension Plan**

At June 30, 2019, the City reported a payable of \$27,098 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**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**  
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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**  
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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, 2019, these two accounts totaled \$591,024 and are shown as restricted on the Statement of Net Position.

As of June 30, 2019, the Park fund had \$113,831 restricted for debt service and the Sewer fund had \$5,091,398 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**  
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**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, 2019, the contract was still in effect and a certificate of deposit in the amount of approximately \$252,000 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 of \$214,090 should have been capitalized and accrued in accounts payable in the prior year. A prior period adjustment was recorded in the current year resulting in a decrease of \$214,090 to the beginning fund balance in the Other Governmental Funds in the Statement of Revenues, Expenditures and Changes in Fund Balances.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Resources (Inflows):</b>				
Taxes	\$ 1,460,200	\$ 1,460,200	\$ 1,492,615	\$ 32,415
Fines, licenses, permits	190,975	190,975	191,571	596
Charges for services	66,700	66,700	30,368	(36,332)
Intergovernmental	31,500	31,500	410	(31,090)
Miscellaneous	13,463	13,463	24,204	10,741
Operating transfers in	1,476,019	1,476,019	1,476,019	-
<b>Amounts available</b>	<u>3,238,857</u>	<u>3,238,857</u>	<u>3,215,187</u>	<u>(23,670)</u>
<b>Charges (Outflows):</b>				
<b>Animal Control:</b>				
Personnel	57,428	57,428	42,540	14,888
Maintenance	3,375	3,375	1,184	2,191
Supplies	2,350	2,350	638	1,712
Utilities	6,903	6,903	5,102	1,801
Miscellaneous	11,587	11,587	9,920	1,667
Total animal control	<u>81,643</u>	<u>81,643</u>	<u>59,384</u>	<u>22,259</u>
<b>Attorney:</b>				
Personnel	30,489	30,489	30,364	125
Supplies	400	400	474	(74)
Maintenance	800	800	-	800
Miscellaneous	250	250	2,780	(2,530)
Total attorney	<u>31,939</u>	<u>31,939</u>	<u>33,618</u>	<u>(1,679)</u>
<b>City Collector:</b>				
Supplies	250	250	168	82
Miscellaneous	19,000	19,000	18,622	378
Utilities	-	-	1	(1)
Total city collector	<u>19,250</u>	<u>19,250</u>	<u>18,791</u>	<u>459</u>
<b>City Treasurer:</b>				
Personnel	2,424	2,424	1,338	1,086
Miscellaneous	100	100	100	-
Total city treasurer	<u>2,524</u>	<u>2,524</u>	<u>1,438</u>	<u>1,086</u>
<b>Civil Defense:</b>				
Maintenance	5,000	5,000	809	4,191
Miscellaneous	1,000	1,000	-	1,000
Total civil defense	<u>6,000</u>	<u>6,000</u>	<u>809</u>	<u>5,191</u>
<b>Municipal Court:</b>				
Personnel	17,035	17,035	16,178	857
Miscellaneous	5,000	5,000	1,050	3,950
Utilities	-	-	-	-
Total municipal court	<u>22,035</u>	<u>22,035</u>	<u>17,228</u>	<u>4,807</u>
<b>City Administrator:</b>				
Personnel	101,825	101,825	97,771	4,054
Supplies	1,000	1,000	420	580
Maintenance	500	500	213	287
Miscellaneous	3,051	3,051	1,498	1,553
Utilities	1,200	1,200	1,137	63
Total city administrator	<u>107,576</u>	<u>107,576</u>	<u>101,039</u>	<u>6,537</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
City Clerk:				
Personnel	83,158	83,158	78,808	4,350
Maintenance	500	500	30	470
Supplies	1,250	1,250	480	770
Utilities	1,800	1,800	1,652	148
Miscellaneous	3,850	3,850	1,591	2,259
Total city clerk	<u>90,558</u>	<u>90,558</u>	<u>82,561</u>	<u>7,997</u>
Sidewalk Construction Department:				
Personnel	60,939	60,939	55,297	5,642
Maintenance	6,500	6,500	2,866	3,634
Supplies	5,550	5,550	4,123	1,427
Utilities	2,420	2,420	2,157	263
Miscellaneous	7,975	7,975	8,364	(389)
Total sidewalk construction dept	<u>83,384</u>	<u>83,384</u>	<u>72,807</u>	<u>10,577</u>
Maintenance Department:				
Personnel	56,143	56,143	52,859	3,284
Maintenance	3,400	3,400	3,327	73
Supplies	7,600	7,600	7,551	49
Utilities	900	900	929	(29)
Miscellaneous	3,170	3,170	3,380	(210)
Total maintenance dept	<u>71,213</u>	<u>71,213</u>	<u>68,046</u>	<u>3,167</u>
Mayor and Board:				
Personnel	38,768	38,768	38,677	91
Maintenance	1,000	1,000	99	901
Supplies	500	500	605	(105)
Utilities	1,500	1,500	1,268	232
Miscellaneous	2,700	2,700	-	2,700
Total mayor and board	<u>44,468</u>	<u>44,468</u>	<u>40,649</u>	<u>3,819</u>
Non-departmental:				
Personnel	103,273	103,273	81,976	21,297
Maintenance	9,750	9,750	22,186	(12,436)
Supplies	8,400	8,400	6,738	1,662
Utilities	41,124	41,124	38,250	2,874
Miscellaneous	171,115	171,115	157,848	13,267
Total non-departmental	<u>333,662</u>	<u>333,662</u>	<u>306,998</u>	<u>26,664</u>
Police				
Personnel	1,161,691	1,161,691	1,097,342	64,349
Maintenance	26,700	26,700	28,376	(1,676)
Supplies	9,400	9,400	6,653	2,747
Utilities	18,058	18,058	16,505	1,553
Miscellaneous	117,106	117,106	103,088	14,018
Total police	<u>1,332,955</u>	<u>1,332,955</u>	<u>1,251,964</u>	<u>80,991</u>
Street				
Personnel	552,290	552,290	507,314	44,976
Maintenance	69,200	69,200	66,672	2,528
Supplies	14,900	14,900	11,712	3,188
Utilities	6,156	6,156	5,884	272
Miscellaneous	38,615	38,615	41,348	(2,733)
Total street	<u>681,161</u>	<u>681,161</u>	<u>632,930</u>	<u>48,231</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Freedom Center				
Supplies	3,000	3,000	2,990	10
Maintenance	5,000	5,000	1,691	3,309
Utilities	25,638	25,638	23,216	2,422
Miscellaneous	5,109	5,109	4,831	278
Total Freedom Center	<u>38,747</u>	<u>38,747</u>	<u>32,728</u>	<u>6,019</u>
Post Commission				
Miscellaneous	500	500	500	-
Total Post Commission	<u>500</u>	<u>500</u>	<u>500</u>	<u>-</u>
Public Works				
Personnel	20,539	20,539	18,021	2,518
Supplies	1,000	1,000	360	640
Maintenance	2,500	2,500	2,014	486
Miscellaneous	4,885	4,885	2,050	2,835
Utilities	1,500	1,500	765	735
Total Public Works	<u>30,424</u>	<u>30,424</u>	<u>23,210</u>	<u>7,214</u>
Economic Development				
Personnel	90,777	90,777	50,379	40,398
Supplies	1,000	1,000	983	17
Maintenance	1,000	1,000	693	307
Miscellaneous	16,885	16,885	22,013	(5,128)
Utilities	1,500	1,500	1,714	(214)
Capital improvements	1,500	1,500	1,782	(282)
Total Economic Development	<u>112,662</u>	<u>112,662</u>	<u>77,564</u>	<u>35,098</u>
Operating transfers out	<u>257,544</u>	<u>257,544</u>	<u>257,544</u>	<u>-</u>
<b>Total charges</b>	<u>3,347,745</u>	<u>3,347,745</u>	<u>3,079,308</u>	<u>268,437</u>
<b>Excess Receipts Over/(Under) Expenses</b>	<u>\$ (108,888)</u>	<u>\$ (108,888)</u>	<u>\$ 135,879</u>	<u>\$ (292,107)</u>
<b>Explanation of differences between budgetary revenue and expenditures and GAAP revenue and expenditures.</b>				
<b>Revenue:</b>				
Actual total revenue budgetary basis			\$ 3,215,187	
Differences - Budget to GAAP				
Change in accounts receivable and other adjustments			(37,050)	
Transfer in			118,712	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund			<u>\$ 3,296,849</u>	
<b>Expenditures:</b>				
Actual total expenditures budgetary basis			\$ 3,079,308	
Differences - Budget to GAAP				
Change in accrued liabilities and other adjustments			28,350	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund			<u>\$ 3,107,658</u>	

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUND  
YEAR ENDED JUNE 30, 2019**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
<b>Park Fund</b>				
Resources (Inflows):				
Sales tax	\$ 422,000	\$ 422,000	\$ 417,064	\$ (4,936)
Charges for services	79,200	79,200	90,837	11,637
Miscellaneous	-	-	4,944	4,944
	<u>501,200</u>	<u>501,200</u>	<u>512,845</u>	<u>11,645</u>
<b>Amounts available</b>				
Charges (Outflows):				
Capital improvements	\$ 207,051	\$ 207,051	\$ 202,167	\$ 4,884
Personnel	263,854	263,854	286,285	(22,431)
Maintenance	47,000	47,000	27,767	19,233
Supplies	12,500	12,500	14,623	(2,123)
Utilities	36,270	36,270	27,707	8,563
Miscellaneous	32,650	32,650	28,679	3,971
Total Outflows	<u>599,325</u>	<u>599,325</u>	<u>587,228</u>	<u>12,097</u>
Increase (Decrease) in Fund	<u>\$ (98,125)</u>	<u>\$ (98,125)</u>	<u>\$ (74,383)</u>	<u>\$ 23,742</u>

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

**Revenue:**

Actual total revenue budgetary basis	\$ 512,845
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	(11,246)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 501,599</u>

**Expenditures:**

Actual total expenditures budgetary basis	\$ 587,228
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	(3,430)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 583,798</u>

**CITY OF SALEM, MISSOURI**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2019**

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**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,	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>					
Service Cost	\$ 292,995	\$ 294,549	\$ 286,391	\$ 290,776	\$ 283,978
Interest on Total Pension Liability	861,804	809,214	782,037	717,657	669,795
Difference between expected and actual experience	(242,497)	34,404	(362,680)	(206,963)	10,891
Changes in assumptions	-	-	-	409,466	-
Benefit payments, including refunds	(486,103)	(340,474)	(329,500)	(312,388)	(303,445)
Net change in total pension liability	426,199	797,693	376,248	898,548	661,219
Total pension liability - beginning	11,981,823	11,184,130	10,807,882	9,909,334	9,248,115
Total pension liability - ending	<u>\$ 12,408,022</u>	<u>\$ 11,981,823</u>	<u>\$ 11,184,130</u>	<u>\$ 10,807,882</u>	<u>\$ 9,909,334</u>
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 254,158	\$ 289,759	\$ 271,811	\$ 299,388	\$ 322,783
Contributions - employee	91,385	91,036	89,412	91,764	91,238
Net investment income	827,209	1,369,194	1,158,130	(24,019)	178,898
Benefit payments, including refunds	(486,103)	(340,474)	(329,500)	(312,388)	(303,445)
Pension Plan Administrative Expense	(12,678)	(8,366)	(8,091)	(7,908)	(8,947)
Other (Net Transfer)	6,692	32,152	49,163	7,915	42,141
Net change in plan fiduciary net position	680,663	1,433,301	1,230,925	54,752	322,668
Plan fiduciary net position - beginning	12,304,993	10,871,692	9,640,767	9,586,015	9,263,347
Plan fiduciary net position - ending	<u>\$ 12,985,656</u>	<u>\$ 12,304,993</u>	<u>\$ 10,871,692</u>	<u>\$ 9,640,767</u>	<u>\$ 9,586,015</u>
<b>Net pension liability(asset) - ending</b>	<b>\$ (577,634)</b>	<b>\$ (323,170)</b>	<b>\$ 312,438</b>	<b>\$ 1,167,115</b>	<b>\$ 323,319</b>
Plan fiduciary net position as a percentage of the total pension liability	104.66%	102.70%	97.21%	89.20%	96.74%
Covered-employee payroll	\$ 2,196,956	\$ 2,345,679	\$ 2,273,894	\$ 2,215,410	\$ 2,297,016
Net pension liability as a percentage of covered employee payroll	-26.29%	-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									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined pension contribution	253,724	290,193	271,812	299,389	322,783	328,997	311,551	302,901	330,933	262,748
Contribution in relation to the actuarially determined contribution	253,724	290,194	271,812	299,389	322,783	319,840	303,238	292,271	282,092	262,748
Contribution deficiency (excess)	-	(1)	-	-	-	9,157	8,313	10,630	48,841	-
Covered employee payroll	2,281,334	2,279,203	2,235,315	2,294,095	2,280,963	2,179,746	1,946,965	1,870,364	1,935,040	1,932,741
Covered employee payroll contributions as a percentage of covered employee payroll	11.12%	12.73%	12.16%	13.05%	14.15%	14.67%	15.57%	15.63%	14.58%	13.59%

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