
CITY OF SALEM, MISSOURI

AUDIT REPORT

JUNE 30, 2020

**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, 2020, 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, 2020, 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 November 2, 2021, 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
November 2, 2021

BASIC FINANCIAL STATEMENTS

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2020

Statement 1

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Cash and cash equivalents	\$ 759,050	\$ 3,172,607	\$ 3,931,657
Restricted assets	715,764	2,921,127	3,636,891
Certificates of deposit	-	485,160	485,160
Accounts receivable, net	396,523	2,313,239	2,709,762
Grants receivable	212,515	444,544	657,059
Due from external parties	-	10,357	10,357
Inventories	-	349,867	349,867
Prepaid expenses	-	363,931	363,931
Capital assets---			
Land and construction in progress	513,483	5,954,670	6,468,153
Other capital assets, net of depreciation	6,430,623	3,113,820	9,544,443
Total assets	9,027,958	19,129,322	28,157,280
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension related resources	294,815	174,678	469,493
Total deferred outflows of resources	294,815	174,678	469,493
<u>LIABILITIES</u>			
Accounts payable and accrued expenses	138,621	901,693	1,040,314
Internal balances	(9,631)	9,631	-
Post-closure liability	-	216,867	216,867
Net pension liability	106,998	60,924	167,922
Long-term liabilities			
Due within one year	55,378	300,377	355,755
Due in more than one year	1,814,668	6,498,441	8,313,109
Total liabilities	2,106,034	7,987,933	10,093,967
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Pension related resources	163,328	106,201	269,529
Total deferred inflows of resources	163,328	106,201	269,529
<u>NET POSITION</u>			
Invested in capital assets, net of related debt	5,185,366	5,244,574	10,429,940
Restricted			
Expendable	424,003	-	424,003
Nonexpendable	291,761	-	291,761
Unrestricted	1,152,281	5,965,292	7,117,573
Total net position	\$ 7,053,411	\$ 11,209,866	\$ 18,263,277

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

**CITY OF SALEM, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions
Primary government			
Governmental activities---			
Safety services	\$ 1,387,561	\$ 10,636	\$ -
Health and social services	53,779	-	-
Leisure services	547,669	90,217	-
Utility	70,675	-	-
Transportation services	1,061,383	-	199,128
Administrative services	894,467	24,971	-
Interest on long-term debt	61,728	-	-
Total governmental activities	<u>4,077,262</u>	<u>125,824</u>	<u>199,128</u>
Business-type activities---			
Electric	4,097,079	5,524,609	-
Water	700,828	808,283	-
Airport	123,115	6,332	510,624
Sewerage system	628,193	758,643	500,000
Nonmajor enterprise funds	451,862	328,976	-
Total business-type activities	<u>6,001,077</u>	<u>7,426,843</u>	<u>1,010,624</u>
Total primary government	<u>\$ 10,078,339</u>	<u>\$ 7,552,667</u>	<u>\$ 1,209,752</u>
General revenues---			
Taxes---			
Property taxes			
Sales taxes			
Sur taxes			
Franchise taxes			
Other taxes			
Interest and investment earnings			
Miscellaneous income			
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.

Net (Expenses) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	
\$ (1,376,925)	\$ -	\$ (1,376,925)	
(53,779)	-	(53,779)	
(457,452)	-	(457,452)	
(70,675)	-	(70,675)	
(862,255)	-	(862,255)	
(869,496)	-	(869,496)	
(61,728)	-	(61,728)	
(3,752,310)	-	(3,752,310)	
-	1,427,530	1,427,530	
-	107,455	107,455	
-	393,841	393,841	
-	630,450	630,450	
-	(122,886)	(122,886)	
-	2,436,390	2,436,390	
(3,752,310)	2,436,390	(1,315,920)	
332,547	-	332,547	
2,369,239	-	2,369,239	
53,443	-	53,443	
122,699	-	122,699	
5,058	-	5,058	
16,471	90,387	106,858	
111,001	8,750	119,751	
639,159	(639,159)	-	
3,649,617	(540,022)	3,109,595	
(102,693)	1,896,368	1,793,675	
7,156,104	9,313,498	16,469,602	
\$ 7,053,411	\$ 11,209,866	\$ 18,263,277	

CITY OF SALEM, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Park Fund	Capital Improvements	Other Governmental Funds	Permanent Fund
<u>ASSETS</u>					
Cash	\$ 46,316	\$ 167,444	\$ 186,889	\$ 212,254	\$ -
Restricted assets	-	113,143	-	-	602,621
Receivables, net	20	14,155	203,691	-	-
Due from other funds	-	3,055	70,300	-	-
Taxes receivable	217,735	74,330	99,107	-	-
Total assets	264,071	372,127	559,987	212,254	602,621
<u>LIABILITIES</u>					
Accounts payable	49,403	7,423	22,974	(1,005)	-
Accrued payroll	25,455	9,572	1,209	194	-
Building permit deposit	-	-	-	13,530	-
Due to other funds	46,583	7,503	9,637	-	-
Total liabilities	121,441	24,498	33,820	12,719	-
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	19,521	-	-	-	-
Total deferred inflows of resources	19,521	-	-	-	-
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	291,761
Restricted	-	113,143	526,167	156,655	310,860
Assigned	-	234,486	-	42,880	-
Unassigned	123,109	-	-	-	-
Total fund balances	\$ 123,109	\$ 347,629	\$ 526,167	\$ 199,535	\$ 602,621

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

Total Governmental Funds	Total Governmental Fund Balances
\$ 612,903	\$ 1,799,061
715,764	
217,866	
73,355	6,944,106
391,172	
<u>2,011,060</u>	
78,795	24,488
36,430	
13,530	19,521
63,723	
<u>192,478</u>	
19,521	(43,740)
<u>19,521</u>	(9,866)
	(1,715,000)
	(111,306)
291,761	
1,106,825	
277,366	
123,109	146,147
<u>\$ 1,799,061</u>	
	<u>\$ 7,053,411</u>

Net Position of Governmental Funds

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Park Fund	Capital Improvements	Other Governmental Funds
Revenues---				
Taxes	\$ 1,673,223	\$ 434,798	\$ 579,738	\$ 195,227
Intergovernmental	-	-	199,128	-
Charges for services	-	90,217	-	8,032
Interest and investment earnings	203	2,145	4,454	(1,928)
Licenses and permits	25,385	-	-	-
Miscellaneous	74,606	533	10,900	24,962
	<u>1,773,417</u>	<u>527,693</u>	<u>794,220</u>	<u>226,293</u>
Expenditures---				
Current operations:				
Safety services	1,338,574	-	8,925	911
Health and social services	48,221	-	-	-
Leisure services	-	396,491	-	-
Utility services	72,535	-	-	-
Transportation services	657,356	-	164,669	33,076
Administrative services	732,872	-	29,621	79,897
Capital outlay	-	7,432	671,052	354,546
Debt service:				
Principal	-	45,000	-	11,025
Interest	-	61,008	-	882
	<u>2,849,558</u>	<u>509,931</u>	<u>874,267</u>	<u>480,337</u>
Excess Revenues Over (Under) Expenditures	<u>(1,076,141)</u>	<u>17,762</u>	<u>(80,047)</u>	<u>(254,044)</u>
Other Financing Sources (Uses)---				
Transfers in	738,010	-	-	23,049
Transfers out	(121,900)	-	-	-
	<u>616,110</u>	<u>-</u>	<u>-</u>	<u>23,049</u>
Net change in fund balance	(460,031)	17,762	(80,047)	(230,995)
Fund balances at beginning of year	583,140	329,867	606,214	430,530
Fund balances at end of year	<u>\$ 123,109</u>	<u>\$ 347,629</u>	<u>\$ 526,167</u>	<u>\$ 199,535</u>

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

FOR THE YEAR ENDED JUNE 30, 2020

Permanent Fund	Governmental Funds	Net Change in Fund Balances---Total Governmental Funds
\$ -	\$ 2,882,986	Amounts reported for governmental activities in the statement of activities are different because: 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: Capital outlay 1,033,030 Depreciation expense (489,547) Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 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. 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: Accrued interest 162 Compensated absences (3,149) Pension costs 40,310 Changes in Net Position of Governmental Activities \$ (102,693)
-	199,128	
-	98,249	
11,597	16,471	
-	25,385	
-	111,001	
11,597	3,333,220	
-	1,348,410	
-	48,221	
-	396,491	
-	72,535	
-	855,101	
-	842,390	
-	1,033,030	
-	56,025	
-	61,890	
-	4,714,093	
11,597	(1,380,873)	
-	761,059	
-	(121,900)	
-	639,159	
11,597	(741,714)	
591,024	2,540,775	
\$ 602,621	\$ 1,799,061	

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

Statement 5

	Business-type			
	Electric	Water	Airport	Sewer
<u>Assets</u>				
Current Assets--				
Cash and cash equivalents	\$ 1,257,662	\$ 924,067	\$ 509,823	\$ 270,947
Restricted assets	-	-	-	2,921,127
Certificates of deposit	2,457	223,735	-	-
Accounts receivable, net	1,912,105	179,047	-	166,094
Grants receivable	-	-	419,544	25,000
Due from external parties	7,740	1,365	-	-
Due from other funds	216,077	388,280	3,115	379,347
Inventories	174,962	159,393	-	15,512
Total Current Assets	3,571,003	1,875,887	932,482	3,778,027
Noncurrent Assets--				
Prepaid expenses	263,671	-	-	100,260
Capital assets				
Land and construction in progress	95,440	20,000	238,025	5,518,004
Other capital assets, net of depreciation	110,969	763,682	1,315,335	881,119
Total Noncurrent Assets	470,080	783,682	1,553,360	6,499,383
Total Assets	4,041,083	2,659,569	2,485,842	10,277,410
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources--				
Pension related resources	68,268	58,538	-	41,634
Total Deferred Outflows of Resources	68,268	58,538	-	41,634
<u>Liabilities</u>				
Current Liabilities--				
Accounts payable	276,221	9,485	460,425	106,890
Accrued payroll	5,740	1,423	-	902
Accrued interest	-	-	-	34,094
Due to other funds	3,115	69,095	527,931	402,841
Post closure liability	-	-	-	-
Net pension liability	15,846	27,018	-	24,113
Current portion of noncurrent liabilities	-	10,377	-	290,000
Total Current Liabilities	300,922	117,398	988,356	858,840
Noncurrent Liabilities--				
Compensated absences	7,989	4,772	-	3,842
Capital lease	-	33,363	-	-
Certificates of participation payable	-	-	-	6,444,666
Total Noncurrent Liabilities	7,989	38,135	-	6,448,508
Total Liabilities	308,911	155,533	988,356	7,307,348
<u>Deferred Inflows of Resources</u>				
Deferred Inflows of Resources--				
Pension related resources	53,594	27,126	-	14,238
Total Deferred Inflows of Resources	53,594	27,126	-	14,238
<u>Net Position</u>				
Net Position--				
Invested in capital assets, net of related debt	206,409	773,305	1,553,360	2,585,584
Unrestricted	3,540,437	1,762,143	(55,874)	411,874
Total Net Position	\$ 3,746,846	\$ 2,535,448	\$ 1,497,486	\$ 2,997,458

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

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

Activities	Governmental Activities	
	Nonmajor Enterprise Funds	Internal Service Funds
	Totals	
\$ 210,108	\$ 3,172,607	\$ 146,147
-	2,921,127	-
258,968	485,160	-
55,993	2,313,239	-
-	444,544	-
1,252	10,357	-
8,859	995,678	-
-	349,867	-
535,180	10,692,579	146,147
-	363,931	-
83,201	5,954,670	-
42,715	3,113,820	-
125,916	9,432,421	-
661,096	20,125,000	146,147
6,238	174,678	-
6,238	174,678	-
5,239	858,260	-
1,274	9,339	-
-	34,094	-
2,327	1,005,309	-
216,867	216,867	-
(6,053)	60,924	-
-	300,377	-
219,654	2,485,170	-
3,809	20,412	-
-	33,363	-
-	6,444,666	-
3,809	6,498,441	-
223,463	8,983,611	-
11,243	106,201	-
11,243	106,201	-
125,916	5,244,574	-
306,712	5,965,292	146,147
\$ 432,628	\$ 11,209,866	\$ 146,147

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Business-type			
	Electric	Water	Airport	Sewer
Operating Revenues---				
Charges for services	\$ 5,524,609	\$ 808,283	\$ 6,332	\$ 758,643
Intergovernmental	-	-	510,624	500,000
Other	3,400	4,706	-	214
	<u>5,528,009</u>	<u>812,989</u>	<u>516,956</u>	<u>1,258,857</u>
Operating Expenses---				
Personnel services	507,545	339,867	-	238,531
Operations and maintenance	3,538,015	236,909	42,599	220,443
Depreciation and amortization	51,519	124,052	80,516	113,244
	<u>4,097,079</u>	<u>700,828</u>	<u>123,115</u>	<u>572,218</u>
Operating Income (Loss)	<u>1,430,930</u>	<u>112,161</u>	<u>393,841</u>	<u>686,639</u>
Non-operating Revenue (Expense)---				
Interest revenue	15,708	9,487	154	58,954
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,975)</u>
	<u>15,708</u>	<u>9,487</u>	<u>154</u>	<u>2,979</u>
Income (Loss) Before Capital Contributions and Transfers	1,446,638	121,648	393,995	689,618
Transfers in (out)	<u>(738,010)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	708,628	121,648	393,995	689,618
Net position at beginning of year	3,038,218	2,413,800	1,103,491	2,307,840
Net position at end of year	<u>\$ 3,746,846</u>	<u>\$ 2,535,448</u>	<u>\$ 1,497,486</u>	<u>\$ 2,997,458</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, 2020

Activities	Governmental Activities	
	Nonmajor Enterprise Funds	Internal Service Funds
	Totals	
\$ 328,976	\$ 7,426,843	\$ -
-	1,010,624	-
430	8,750	6,000
329,406	8,446,217	6,000
135,478	1,221,421	-
308,013	4,345,979	4,500
8,371	377,702	-
451,862	5,945,102	4,500
(122,456)	2,501,115	1,500
6,084	90,387	690
-	(55,975)	-
6,084	34,412	690
(116,372)	2,535,527	2,190
98,851	(639,159)	-
(17,521)	1,896,368	2,190
450,149	9,313,498	143,957
\$ 432,628	\$ 11,209,866	\$ 146,147

CITY OF SALEM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Statement 7

	Business-type		
	Electric	Water	Airport Sewer
Cash Flows from Operating Activities---			
Cash received from customers	\$ 4,628,496	\$ 808,986	\$ - \$ 1,225,615
Cash payments to suppliers	(3,531,969)	(258,595)	(42,599) (375,401)
Cash payments to employees	(516,170)	(357,890)	- (240,629)
Other receipts (payments)	(98,120)	(193,773)	625,137 (183,107)
Net Cash Provided (Used) by Operating Activities	<u>482,237</u>	<u>(1,272)</u>	<u>582,538</u> <u>426,478</u>
Cash Flows from Noncapital Financing Activities---			
Transfers in (out)	(738,010)	-	- -
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(738,010)</u>	<u>-</u>	<u>-</u> <u>-</u>
Cash Flows from Capital and Related Financing Activities---			
Acquisition and construction of fixed assets	-	(96,541)	(100,443) (2,630,274)
Principal payment on capital debt	-	(11,025)	- (287,650)
Interest paid on capital debt	-	-	- (56,637)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>(107,566)</u>	<u>(100,443)</u> <u>(2,974,561)</u>
Cash Flows from Investing Activities---			
Interest receipts/purchase of investments	15,662	9,487	154 58,954
Proceeds from sale and maturity of investments	-	183,662	- -
Net Cash Provided (Used) by Investing Activities	<u>15,662</u>	<u>193,149</u>	<u>154</u> <u>58,954</u>
Net Increase (Decrease) in cash and cash equivalents	(240,111)	84,311	482,249 (2,489,129)
Cash and Cash Equivalents at beginning of year	1,497,773	839,756	27,574 5,681,203
Cash and Cash Equivalents at end of year	<u>\$ 1,257,662</u>	<u>\$ 924,067</u>	<u>\$ 509,823</u> <u>\$ 3,192,074</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,430,930	\$ 112,161	\$ 393,841 \$ 686,639
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	51,519	124,052	80,516 113,244
Changes in assets and liabilities---			
Accounts receivable	(899,513)	(4,002)	(372,067) (33,243)
Inventory	(28,037)	(26,946)	- 33,322
Due to (from) other funds	(98,120)	(193,773)	480,248 (183,107)
Prepaid expenses	-	-	- 5,898
Pension accruals	(9,448)	(6,929)	- (4,409)
Accounts payable	34,083	5,260	- (194,178)
Accrued liabilities	823	(11,095)	- 2,312
Net Cash Provided (Used) by Operating Activities	<u>\$ 482,237</u>	<u>\$ (1,272)</u>	<u>\$ 582,538</u> <u>\$ 426,478</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, 2020**

Activities	Governmental		
	Nonmajor Enterprise Funds	Totals	Activities Internal Service Funds
\$ 331,813	\$ 6,994,910	\$ -	-
(304,601)	(4,513,165)	(4,500)	(4,500)
(135,875)	(1,250,564)	-	-
-	150,137	6,000	6,000
<u>(108,663)</u>	<u>1,381,318</u>	<u>1,500</u>	<u>1,500</u>
98,851	(639,159)	-	-
98,851	(639,159)	-	-
-	(2,827,258)	-	-
-	(298,675)	-	-
-	(56,637)	-	-
-	(3,182,570)	-	-
1,227	85,484	690	690
-	183,662	-	-
1,227	269,146	690	690
(8,585)	(2,171,265)	2,190	2,190
218,693	8,264,999	143,957	143,957
<u>\$ 210,108</u>	<u>\$ 6,093,734</u>	<u>\$ 146,147</u>	<u>\$ 146,147</u>
\$ (122,456)	\$ 2,501,115	\$ 1,500	1,500
8,371	377,702	-	-
2,408	(1,306,417)	-	-
-	(21,661)	-	-
-	5,248	-	-
-	5,898	-	-
(1,890)	(22,676)	-	-
3,412	(151,423)	-	-
1,492	(6,468)	-	-
<u>\$ (108,663)</u>	<u>\$ 1,381,318</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>

CITY OF SALEM, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

Statement 8

	Deferred Compensation Trust Fund	Agency Fund
Assets:		
Cash	\$ -	\$ 120,559
Certificates of deposit	-	339,658
Investments	393,324	-
Other assets	-	5
Total assets	<u>\$ 393,324</u>	<u>\$ 460,222</u>
Liabilities:		
Accounts payable	\$ -	\$ 10,357
Utility deposits payable	-	278,126
Total liabilities	<u>-</u>	<u>288,483</u>
Net Position:		
Held in Trust	393,324	171,739
Unreserved	-	-
Total net position	<u>393,324</u>	<u>171,739</u>
Total liabilities and net position	<u>\$ 393,324</u>	<u>\$ 460,222</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, 2020

Statement 9

	Deferred Compensation Trust Fund
ADDITIONS:	
Contributions	\$ 62,520
Net increase in the fair value of investments	25,816
Total additions	<u>88,336</u>
DEDUCTIONS:	
Distributions	44,812
Fees	1,074
Total deductions	<u>45,886</u>
Change in net position	42,450
Net position - beginning of year	<u>350,874</u>
Net position - end of year	<u><u>\$ 393,324</u></u>

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020

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, 2020

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, 2020

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, 2020. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2020, net utility receivables include an allowance for doubtful accounts of \$726,214.

Inventories

Inventories at June 30, 2020, 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.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 \$131,718 at June 30, 2020.

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 2019 was \$49,852,823 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2019 was \$0.6522 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.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

- 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, 2020, 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, 2020, 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	-	-	526,167	-	-	526,167
Debt service	-	113,143	-	-	-	113,143
Transportation	-	-	-	156,655	-	156,655
Cemetery	-	-	-	-	310,860	310,860
Assigned:						
Leisure	-	234,486	-	-	-	234,486
Other gov't activities	-	-	-	42,880	-	42,880
Unassigned	123,109	-	-	-	-	123,109
	<u>\$ 123,109</u>	<u>\$ 347,629</u>	<u>\$ 526,167</u>	<u>\$ 199,535</u>	<u>\$ 602,621</u>	<u>\$ 1,799,061</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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 2020, 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, 2020, approximately \$116,000 of the carrying amount of the City's deposits in cash and cash equivalents were uninsured.

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.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – FIXED ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance 6/30/2019	Increases	Decreases	Balance 6/30/2020
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 240,150	\$ 273,333	\$ -	\$ 513,483
Construction in process	98,234	-	(98,234)	-
Total capital assets not being depreciated	338,384	273,333	(98,234)	513,483
Capital assets being depreciated:				
Buildings	753,269	18,261	-	771,530
Improvements	5,686,618	658,097	-	6,344,715
Equipment	2,480,673	181,572	-	2,662,245
Infrastructure	14,037,357	-	-	14,037,357
Total capital assets being depreciated	22,957,917	857,930	-	23,815,847
Less accumulated depreciation:				
Buildings	(266,066)	(21,652)	-	(287,718)
Improvements	(2,159,172)	(230,430)	-	(2,389,602)
Equipment	(1,721,721)	(164,426)	-	(1,886,147)
Infrastructure	(12,748,718)	(73,039)	-	(12,821,757)
Total accumulated depreciation	(16,895,677)	(489,547)	-	(17,385,224)
Total capital assets being depreciated, net	6,062,240	368,383	-	6,430,623
Governmental Activities				
Capital assets, net	\$ 6,400,624	\$ 641,716	\$ (98,234)	\$ 6,944,106

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

Administrative	\$ 59,588
Street	215,797
Safety	53,485
Leisure	151,903
Health & Social Services	8,774
Total governmental activities	<u>\$ 489,547</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

	Balance 6/30/2019	Increases	Decreases	Balance 6/30/2020
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 436,666	\$ -	\$ -	\$ 436,666
Construction in process	2,906,222	2,620,334	-	5,526,556
Total capital assets not being depreciated	3,342,888	2,620,334	-	5,963,222
Capital assets being depreciated:				
Buildings	80,079	-	-	80,079
Improvements	7,526,657	558,205	-	8,084,862
Equipment	4,805,355	106,482	-	4,911,837
Infrastructure	2,121,762	-	-	2,121,762
Total capital assets being depreciated	14,533,853	664,687	-	15,198,540
Less accumulated depreciation:				
Buildings	(80,078)	-	-	(80,078)
Improvements	(5,530,774)	(224,811)	-	(5,755,585)
Equipment	(4,109,605)	(130,566)	-	(4,240,171)
Infrastructure	(1,995,113)	(22,325)	-	(2,017,438)
Total accumulated depreciation	(11,715,570)	(377,702)	-	(12,093,272)
Total capital assets being depreciated, net	2,818,283	286,985	-	3,105,268
Business-Type Activities				
Capital assets, net	\$ 6,161,171	\$ 2,907,319	\$ -	\$ 9,068,490

NOTE 4 – LONG-TERM DEBT

Capital Leases

The City has property and equipment carried at approximately \$109,531, with approximately \$23,470 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:

Fiscal Year	Governmental Activities	Business-Type Activities
2021	11,908	11,909
2022	11,909	11,908
2023	11,908	11,909
2024	11,909	11,908
2025	-	-
Total minimum lease payments	47,634	47,634
Less interest	3,894	3,894
Present value of minimum payments	\$ 43,740	\$ 43,740

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020 are as follows:

For the Year Ending June 30	Principal	Interest	Total
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	320,000	181,670	501,670
2026-2030	1,750,000	764,835	2,514,835
2031-2035	2,055,000	455,220	2,510,220
2036-2040	1,430,000	80,660	1,510,660
	<u>\$ 6,760,000</u>	<u>\$ 2,276,169</u>	<u>\$ 9,036,169</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, 2020 are as follows:

For the Year Ending June 30	Principal	Interest	Total
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	50,000	54,582	104,582
2026-2030	290,000	246,272	536,272
2031-2035	345,000	189,875	534,875
2036-2040	415,000	120,371	535,371
2041-2045	420,000	29,070	449,070
	<u>\$ 1,715,000</u>	<u>\$ 872,440</u>	<u>\$ 2,587,440</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Summary of Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2020:

	Long-term Obligations at 7/1/2019	Additions	Reductions	Long-term Obligations at 6/30/2020	Due Within One Year
<u>Governmental Activities:</u>					
Capital lease	\$ 54,765	\$ -	\$ 11,025	\$ 43,740	\$ 10,378
Certificates of participation	1,760,000	-	45,000	1,715,000	45,000
Compensated absences	108,155	3,151	-	111,306	-
	<u>\$ 1,922,920</u>	<u>\$ 3,151</u>	<u>\$ 56,025</u>	<u>\$ 1,870,046</u>	<u>\$ 55,378</u>
<u>Business-Type Activities:</u>					
Capital lease	\$ 54,765	\$ -	\$ 11,025	\$ 43,740	\$ 10,377
Certificates of participation	7,022,316	2,350	290,000	6,734,666	290,000
Compensated absences	25,521	-	5,109	20,412	-
	<u>\$ 7,102,602</u>	<u>\$ 2,350</u>	<u>\$ 306,134</u>	<u>\$ 6,798,818</u>	<u>\$ 300,377</u>

NOTE 5 – 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, 2020, these two accounts totaled \$602,621 and are shown as restricted on the Statement of Net Position.

As of June 30, 2020, the Park fund had \$113,143 restricted for debt service and the Sewer fund had \$2,921,127 restricted for capital projects and debt service.

NOTE 6 – OPERATING LEASE COMMITMENTS

The City is committed under a noncancelable operating lease for equipment in the Other Governmental funds. Future minimum operating lease commitments are as follows:

For the Year Ending June 30	
2021	\$ 14,668
2022	14,668
2023	14,668
2024	14,668
2025	3,667
	<u>\$ 62,339</u>

Rent expenditures were \$11,050 for the year ended June 30, 2020.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 – 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 8 – 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, 2020, internal balances that resulted from various interfund transactions were as follows:

	Due From	Due To
	Other Funds	Other Funds
General	\$ -	\$ 46,584
Park	-	4,448
Capital improvements	60,663	-
Electric	212,962	-
Water	319,185	-
Airport	-	524,816
Sewer	-	23,494
Non-major Bus-Type Funds	6,532	-
	<u>\$ 599,342</u>	<u>\$ 599,342</u>

Interfund transfers during the year ended June 30, 2020 were as follows:

	Transfer From	Transfer To
	Other Funds	Other Funds
General Fund	\$ 738,010	\$ 121,900
Non-major Gov't Funds	23,049	-
Electric	-	738,010
Non-major Bus-Type Funds	98,851	-
	<u>\$ 859,910</u>	<u>\$ 859,910</u>

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – 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 10 – 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 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.

	<u>2020 Valuation</u>
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.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

Employees covered by benefit terms. At June 30, 2020, 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	11
Active employees	53
	<u>105</u>

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 11.6% (General) and 8.9% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2020.

Actuarial assumptions. The total pension liability in the February 29, 2020 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 29, 2020 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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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>
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

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.

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2019	12,408,022	12,985,656	(577,634)
Changes for the year:			
Service cost	283,663	-	283,663
Interest	887,429	-	887,429
Difference between expected and actual experience	113,090	-	113,090
Changes in assumptions	-	-	-
Contributions - employer	-	269,563	(269,563)
Contributions - employee	-	99,380	(99,380)
Net investment income	-	187,227	(187,227)
Benefit payments, including refunds	(624,898)	(624,898)	-
Administrative expense	-	(14,250)	14,250
Other changes	-	(3,293)	3,293
Net changes	659,284	(86,271)	745,555
Balances at 6/30/2020	13,067,306	12,899,385	167,921

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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
1,986,273	167,921	(1,333,328)

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

For the year ended June 30, 2020, the employer recognized pension expense of \$206,041. 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	\$ 122,454	\$ (269,529)
Change in assumptions	38,436	-
Excess (deficit) investment returns	308,603	-
Total	<u>\$ 469,493</u>	<u>\$ (269,529)</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2021	\$ (113,925)
2022	8,876
2023	146,064
2024	158,949
2025	-
Thereafter	-
Total	<u>\$ 199,964</u>

Payable to the Pension Plan

At June 30, 2020, the City reported a payable of approximately \$17,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 11 – 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 deferred compensation is not available to employees until termination, retirement, disability, death or unforeseeable emergency.

NOTE 12 – 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.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

In the event a MIMPEP member would cancel or default on the MIMPEP 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 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 13 – 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.

NOTE 14 – 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.

NOTE 15 – 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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

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, 2020, the contract was still in effect and a certificate of deposit in the amount of approximately \$256,000 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
Resources (Inflows):				
Taxes	\$ 1,458,000	\$ 1,458,000	\$ 1,516,288	\$ 58,288
Fines, licenses, permits	181,875	181,875	147,960	(33,915)
Charges for services	23,200	23,200	16,100	(7,100)
Miscellaneous	50,960	50,960	58,828	7,868
Operating transfers in	1,476,019	1,476,019	738,010	(738,009)
Amounts available	3,190,054	3,190,054	2,477,186	(712,868)
Charges (Outflows):				
Animal Control:				
Personnel	46,098	46,098	34,969	11,129
Maintenance	3,250	3,250	2,710	540
Supplies	2,350	2,350	603	1,747
Utilities	6,700	6,700	3,766	2,934
Miscellaneous	11,587	11,587	14,241	(2,654)
Total animal control	69,985	69,985	56,289	13,696
Attorney:				
Personnel	45,473	45,473	12,713	32,760
Supplies	400	400	726	(326)
Maintenance	2,500	2,500	-	2,500
Miscellaneous	10,250	10,250	18,433	(8,183)
Total attorney	58,623	58,623	31,872	26,751
City Collector:				
Supplies	250	250	1,245	(995)
Miscellaneous	19,000	19,000	17,500	1,500
Utilities	-	-	67	(67)
Total city collector	19,250	19,250	18,812	438
City Treasurer:				
Personnel	2,417	2,417	80	2,337
Miscellaneous	100	100	100	-
Total city treasurer	2,517	2,517	180	2,337
Civil Defense:				
Maintenance	5,000	5,000	112	4,888
Miscellaneous	500	500	-	500
Total civil defense	5,500	5,500	112	5,388
Municipal Court:				
Personnel	16,977	16,977	15,356	1,621
Miscellaneous	5,000	5,000	6,590	(1,590)
Utilities	-	-	-	-
Total municipal court	21,977	21,977	21,946	31
City Administrator:				
Personnel	102,869	102,869	106,773	(3,904)
Supplies	1,250	1,250	61	1,189
Maintenance	500	500	99	401
Miscellaneous	3,051	3,051	1,137	1,914
Utilities	1,200	1,200	1,304	(104)
Total city administrator	108,870	108,870	109,374	(504)

**CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
City Clerk:				
Personnel	85,256	85,256	84,549	707
Maintenance	500	500	394	106
Supplies	1,250	1,250	1,135	115
Utilities	1,800	1,800	1,579	221
Miscellaneous	3,850	3,850	(28)	3,878
Total city clerk	92,656	92,656	87,629	5,027
Sidewalk Construction Department:				
Personnel	47,888	47,888	30,537	17,351
Maintenance	6,500	6,500	4,202	2,298
Supplies	5,550	5,550	3,025	2,525
Utilities	2,420	2,420	2,358	62
Miscellaneous	8,225	8,225	7,657	568
Total sidewalk construction dept	70,583	70,583	47,779	22,804
Maintenance Department:				
Personnel	55,114	55,114	55,781	(667)
Maintenance	8,650	8,650	7,345	1,305
Supplies	9,400	9,400	5,523	3,877
Utilities	900	900	1,006	(106)
Miscellaneous	3,270	3,270	2,810	460
Total maintenance dept	77,334	77,334	72,465	4,869
Mayor and Board:				
Personnel	38,707	38,707	37,785	922
Maintenance	5,000	5,000	199	4,801
Supplies	500	500	-	500
Utilities	1,500	1,500	1,221	279
Miscellaneous	2,700	2,700	-	2,700
Total mayor and board	48,407	48,407	39,205	9,202
Non-departmental:				
Personnel	138,287	138,287	79,334	58,953
Maintenance	9,750	9,750	10,676	(926)
Supplies	8,400	8,400	9,001	(601)
Utilities	40,950	40,950	27,523	13,427
Miscellaneous	181,890	181,890	153,641	28,249
Capital outlay	-	-	6,825	(6,825)
Total non-departmental	379,277	379,277	287,000	92,277
Police				
Personnel	1,168,854	1,168,854	1,125,813	43,041
Maintenance	27,800	27,800	31,937	(4,137)
Supplies	9,400	9,400	6,731	2,669
Utilities	18,058	18,058	14,486	3,572
Miscellaneous	112,806	112,806	83,715	29,091
Total police	1,336,918	1,336,918	1,262,682	74,236
Street				
Personnel	525,694	525,694	494,108	31,586
Maintenance	75,300	75,300	66,822	8,478
Supplies	20,000	20,000	18,686	1,314
Utilities	6,156	6,156	5,393	763
Miscellaneous	39,590	39,590	32,915	6,675
Total street	666,740	666,740	617,924	48,816

CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Freedom Center				
Supplies	3,000	3,000	796	2,204
Maintenance	5,000	5,000	1,776	3,224
Utilities	23,733	23,733	19,859	3,874
Miscellaneous	5,109	5,109	3,942	1,167
Total Freedom Center	36,842	36,842	26,373	10,469
Post Commission				
Miscellaneous	500	500	500	-
Total Post Commission	500	500	500	-
Public Works				
Personnel	18,108	18,108	20,511	(2,403)
Supplies	1,000	1,000	211	789
Maintenance	1,250	1,250	672	578
Miscellaneous	4,885	4,885	1,491	3,394
Utilities	1,500	1,500	1,249	251
Total Public Works	26,743	26,743	24,134	2,609
Economic Development				
Personnel	81,191	81,191	80,264	927
Supplies	1,000	1,000	139	861
Maintenance	1,000	1,000	-	1,000
Miscellaneous	39,250	39,250	41,039	(1,789)
Utilities	1,500	1,500	2,033	(533)
Capital improvements	750	750	-	750
Total Economic Development	124,691	124,691	123,475	1,216
Operating transfers out	163,798	163,798	121,900	41,898
Total charges	3,310,711	3,310,711	2,949,151	361,560
Excess Receipts Over/(Under) Expenses	\$ (120,657)	\$ (120,657)	\$ (471,965)	\$ (351,308)
Explanation of differences between budgetary revenue and expenditures and				
GAAP revenue and expenditures.				
Revenue:				
Actual total revenue budgetary basis				\$ 2,477,186
Differences - Budget to GAAP				
Change in accounts receivable and other adjustments				34,241
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund				<u>\$ 2,511,427</u>
Expenditures:				
Actual total expenditures budgetary basis				\$ 2,949,151
Differences - Budget to GAAP				
Change in accrued liabilities and other adjustments				22,307
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund				<u>\$ 2,971,458</u>

CITY OF SALEM, MISSOURI
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2020

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Park Fund				
Resources (Inflows):				
Sales tax	\$ 422,000	\$ 422,000	\$ 421,958	\$ (42)
Charges for services	89,150	89,150	90,217	1,067
Miscellaneous	-	-	949	949
Amounts available	511,150	511,150	513,124	1,974
Charges (Outflows):				
Capital improvements	\$ 211,008	\$ 211,008	\$ 151,648	\$ 59,360
Personnel	254,141	254,141	251,593	2,548
Maintenance	43,000	43,000	34,983	8,017
Supplies	24,600	24,600	21,955	2,645
Utilities	40,500	40,500	18,268	22,232
Miscellaneous	31,600	31,600	23,727	7,873
Total Outflows	604,849	604,849	502,174	102,675
Excess Receipts Over/(Under) Expenses	\$ (93,699)	\$ (93,699)	\$ 10,950	\$ 104,649

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

Revenue:

Actual total revenue budgetary basis	\$ 513,124
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	14,569
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	\$ 527,693

Expenditures:

Actual total expenditures budgetary basis	\$ 502,174
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	7,757
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	\$ 509,931

CITY OF SALEM, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES
JUNE 30, 2020

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,	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service Cost	\$ 283,663	\$ 292,995	\$ 294,549	\$ 286,391	\$ 290,776	\$ 283,978
Interest on Total Pension Liability	887,429	861,804	809,214	782,037	717,657	669,795
Difference between expected and actual experience	113,090	(242,497)	34,404	(362,680)	(206,963)	10,891
Changes in assumptions	-	-	-	-	409,466	-
Benefit payments, including refunds	(624,898)	(486,103)	(340,474)	(329,500)	(312,388)	(303,445)
Net change in total pension liability	659,284	426,199	797,693	376,248	898,548	661,219
Total pension liability - beginning	12,408,022	11,981,823	11,184,130	10,807,882	9,909,334	9,248,115
Total pension liability - ending	<u>\$ 13,067,306</u>	<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>
Plan Fiduciary Net Position						
Contributions - employer	\$ 269,563	\$ 254,158	\$ 289,759	\$ 271,811	\$ 299,388	\$ 322,783
Contributions - employee	99,380	91,385	91,036	89,412	91,764	91,238
Net investment income	187,227	827,209	1,369,194	1,158,130	(24,019)	178,898
Benefit payments, including refunds	(624,898)	(486,103)	(340,474)	(329,500)	(312,388)	(303,445)
Pension Plan Administrative Expense	(14,250)	(12,678)	(8,366)	(8,091)	(7,908)	(8,947)
Other (Net Transfer)	(3,293)	6,692	32,152	49,163	7,915	42,141
Net change in plan fiduciary net position	(86,271)	680,663	1,433,301	1,230,925	54,752	322,668
Plan fiduciary net position - beginning	12,985,656	12,304,993	10,871,692	9,640,767	9,586,015	9,263,347
Plan fiduciary net position - ending	<u>\$ 12,899,385</u>	<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>
Net pension liability(asset) - ending	\$ 167,921	\$ (577,634)	\$ (323,170)	\$ 312,438	\$ 1,167,115	\$ 323,319
Plan fiduciary net position as a percentage of the total pension liability	98.71%	104.66%	102.70%	97.21%	89.20%	96.74%
Covered-employee payroll	\$ 2,313,890	\$ 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	7.26%	-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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined pension contribution	269,563	253,724	290,193	271,812	299,389	322,783	328,997	311,551	302,901	330,933
Contribution in relation to the actuarially determined contribution	269,564	253,724	290,194	271,812	299,389	322,783	319,840	303,238	292,271	282,092
Contribution deficiency (excess)	(1)	-	(1)	-	-	-	9,157	8,313	10,630	48,841
Covered employee payroll	2,484,476	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
Covered employee payroll contributions as a percentage of covered employee payroll	10.85%	11.12%	12.73%	12.16%	13.05%	14.15%	14.67%	15.57%	15.63%	14.58%

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 14 to 18 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