



CITY OF SALEM, MISSOURI

AUDIT REPORT

JUNE 30, 2023

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



CITY OF SALEM, MISSOURI
TABLE OF CONTENTS

| | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT | 1-3 |
| BASIC FINANCIAL STATEMENTS: | 4 |
| <u>Statement</u> | |
| <i>Government-wide Financial Statements:</i> | |
| 1 Statement of Net Position | 5 |
| 2 Statement of Activities | 6-7 |
| <i>Fund Financial Statements:</i> | |
| 3 Balance Sheet - Governmental Funds | 8-9 |
| 4 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 10-11 |
| 5 Statement of Net Position - Proprietary Funds | 12-13 |
| 6 Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | 14-15 |
| 7 Statement of Cash Flows - Proprietary Funds | 16-17 |
| 8 Statement of Fiduciary Net Position | 18 |
| 9 Statement of Changes in Fiduciary Net Position | 19 |
| Notes to Basic Financial Statements | 20-39 |
| REQUIRED SUPPLEMENTARY INFORMATION: | 40 |
| Schedule of Changes in Net Pension Liability and Related Ratios | 41 |
| Schedule of Pension Contributions | 42 |



Governmental and Non-Profit Audit & Consulting Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
City of Salem, Missouri

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 and budgetary comparison schedules 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 February 16, 2024, 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
February 16, 2024

BASIC FINANCIAL STATEMENTS

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
JUNE 30, 2023

Statement 1

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents | \$ 2,642,687 | \$ 4,065,150 | \$ 6,707,837 |
| Restricted assets | 832,415 | 1,234,586 | 2,067,001 |
| Accounts receivable, net | 570,438 | 2,073,830 | 2,644,268 |
| Grants receivable | 12,895 | - | 12,895 |
| Due from external parties | - | 10,232 | 10,232 |
| Inventories | - | 337,666 | 337,666 |
| Prepaid expenses | 4,988 | 346,238 | 351,226 |
| Net pension asset | 622,244 | 349,331 | 971,575 |
| Capital assets--- | | | |
| Land and construction in progress | 566,471 | 476,531 | 1,043,002 |
| Other capital assets, net of depreciation | 7,287,173 | 10,108,133 | 17,395,306 |
| Total assets | <u>12,539,311</u> | <u>19,001,697</u> | <u>31,541,008</u> |
| <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | | |
| Pension related resources | 275,772 | 166,522 | 442,294 |
| Total deferred outflows of resources | <u>275,772</u> | <u>166,522</u> | <u>442,294</u> |
| <u>LIABILITIES</u> | | | |
| Accounts payable and accrued expenses | 77,409 | 427,894 | 505,303 |
| Internal balances | (260,594) | 260,594 | - |
| Post-closure liability | - | 216,867 | 216,867 |
| Long-term liabilities | | | |
| Due within one year | 170,298 | 634,293 | 804,591 |
| Due in more than one year | 3,084,533 | 6,343,656 | 9,428,189 |
| Total liabilities | <u>3,071,646</u> | <u>7,883,304</u> | <u>10,954,950</u> |
| <u>DEFERRED INFLOWS OF RESOURCES</u> | | | |
| Pension related resources | 100,127 | 56,913 | 157,040 |
| Total deferred inflows of resources | <u>100,127</u> | <u>56,913</u> | <u>157,040</u> |
| <u>NET POSITION</u> | | | |
| Invested in capital assets, net of related debt | 4,744,353 | 5,956,349 | 10,700,702 |
| Restricted | | | |
| Expendable | 540,654 | - | 540,654 |
| Nonexpendable | 291,761 | - | 291,761 |
| Unrestricted | 4,066,542 | 5,271,653 | 9,338,195 |
| Total net position | <u>\$ 9,643,310</u> | <u>\$ 11,228,002</u> | <u>\$ 20,871,312</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, 2023**

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities--- | | | | |
| Safety services | \$ 1,369,008 | \$ 11,267 | \$ - | \$ 12,140 |
| Health and social services | 52,512 | - | - | - |
| Leisure services | 556,029 | 159,746 | - | - |
| Utility | 64,950 | - | - | - |
| Transportation services | 975,397 | - | - | - |
| Administrative services | 954,955 | 28,953 | 12,500 | - |
| Interest on long-term debt | 101,446 | - | - | - |
| Total governmental activities | <u>4,074,297</u> | <u>199,966</u> | <u>12,500</u> | <u>12,140</u> |
| Business-type activities--- | | | | |
| Electric | 5,316,352 | 7,451,659 | - | - |
| Water | 803,390 | 917,119 | - | - |
| Airport | 148,783 | 7,814 | - | - |
| Sewerage system | 1,035,839 | 1,057,191 | - | - |
| Nonmajor enterprise funds | 471,460 | 389,916 | - | - |
| Total business-type activities | <u>7,775,824</u> | <u>9,823,699</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 11,850,121</u> | <u>\$ 10,023,665</u> | <u>\$ 12,500</u> | <u>\$ 12,140</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 |
|------------------------------------|-------------------------------------|----------------------|
| \$ (1,345,601) | \$ - | \$ (1,345,601) |
| (52,512) | - | (52,512) |
| (396,283) | - | (396,283) |
| (64,950) | - | (64,950) |
| (975,397) | - | (975,397) |
| (913,502) | - | (913,502) |
| (101,446) | - | (101,446) |
| <u>(3,849,691)</u> | <u>-</u> | <u>(3,849,691)</u> |
| - | 2,135,307 | 2,135,307 |
| - | 113,729 | 113,729 |
| - | (140,969) | (140,969) |
| - | 21,352 | 21,352 |
| - | (81,544) | (81,544) |
| <u>-</u> | <u>2,047,875</u> | <u>2,047,875</u> |
| <u>(3,849,691)</u> | <u>2,047,875</u> | <u>(1,801,816)</u> |
| 372,064 | - | 372,064 |
| 3,160,393 | - | 3,160,393 |
| 55,964 | - | 55,964 |
| 119,708 | - | 119,708 |
| 2,391 | - | 2,391 |
| 91,865 | 146,595 | 238,460 |
| 95,952 | 83,325 | 179,277 |
| 604,542 | (604,542) | - |
| <u>4,502,879</u> | <u>(374,622)</u> | <u>4,128,257</u> |
| 653,188 | 1,673,253 | 2,326,441 |
| 8,990,122 | 9,554,749 | 18,544,871 |
| <u>\$ 9,643,310</u> | <u>\$ 11,228,002</u> | <u>\$ 20,871,312</u> |

**CITY OF SALEM, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023**

| | General Fund | Park Fund | Capital Improvements | Other Governmental Funds | Permanent Fund |
|---|-------------------------|----------------------|---------------------------------|---|---------------------------|
| <u>ASSETS</u> | | | | | |
| Cash | \$ 603,615 | \$ 563,270 | \$ 803,075 | \$ 529,055 | \$ - |
| Restricted assets | - | 114,322 | 92,017 | - | 626,076 |
| Receivables, net | 54,013 | 14,155 | 4,071 | - | - |
| Due from other funds | - | 19,361 | 304,957 | - | - |
| Taxes receivable | 278,917 | 99,504 | 132,673 | - | - |
| Prepaid assets | - | - | 2,494 | 2,494 | - |
| Total assets | <u>936,545</u> | <u>810,612</u> | <u>1,339,287</u> | <u>531,549</u> | <u>626,076</u> |
| <u>LIABILITIES</u> | | | | | |
| Accounts payable | 11,278 | 9,145 | 2,341 | 154 | - |
| Accrued payroll | 14,436 | 4,209 | - | - | - |
| Building permit deposit | - | - | - | 21,110 | - |
| Due to other funds | 40,816 | 10,053 | 9,637 | 3,217 | - |
| Total liabilities | <u>66,530</u> | <u>23,407</u> | <u>11,978</u> | <u>24,481</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 | - | - | 2,494 | 2,494 | 291,761 |
| Restricted | - | 114,322 | 1,324,815 | 440,009 | 334,315 |
| Assigned | - | 672,883 | - | 64,565 | - |
| Unassigned | 850,494 | - | - | - | - |
| Total fund balances | <u>\$ 850,494</u> | <u>\$ 787,205</u> | <u>\$ 1,327,309</u> | <u>\$ 507,068</u> | <u>\$ 626,076</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, 2023**

Statement 3

| | | |
|---|---|---------------------|
| Total Governmental Funds | Total Governmental Fund Balances | \$ 4,098,152 |
| | <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | |
| \$ 2,499,015 | | |
| 832,415 | | |
| 72,239 | Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. | 7,853,644 |
| 324,318 | | |
| 511,094 | | |
| 4,988 | | |
| <u>4,244,069</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. | 797,888 |
| 22,918 | | |
| 18,645 | 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 |
| 21,110 | | |
| 63,723 | | |
| <u>126,396</u> | Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds: | |
| | Financed purchases and note payable | (1,542,675) |
| | Accrued interest | (14,736) |
| 19,521 | Certificates of participation | (1,570,000) |
| <u>19,521</u> | Accrued compensated absences | (142,156) |
| | | |
| 296,749 | Internal services funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. | <u>143,672</u> |
| 2,213,461 | | |
| 737,448 | | |
| 850,494 | | |
| <u>\$ 4,098,152</u> | <i>Net Position of Governmental Funds</i> | <u>\$ 9,643,310</u> |

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

| | <u>General Fund</u> | <u>Park Fund</u> | <u>Capital Improvements</u> | <u>Other Governmental Funds</u> |
|--|-------------------------|----------------------|---------------------------------|---|
| Revenues--- | | | | |
| Taxes | \$ 2,108,450 | \$ 584,354 | \$ 779,162 | \$ 238,554 |
| Intergovernmental | - | - | 20,890 | 3,750 |
| Charges for services | - | 159,746 | - | 8,374 |
| Interest and investment earnings | 13,546 | 18,317 | 22,126 | 15,069 |
| Licenses and permits | 31,846 | - | - | - |
| Miscellaneous | 77,052 | 13,142 | 2,049 | 3,709 |
| | <u>2,230,894</u> | <u>775,559</u> | <u>824,227</u> | <u>269,456</u> |
| Expenditures--- | | | | |
| Current operations: | | | | |
| Safety services | 1,360,747 | - | 8,388 | 336 |
| Health and social services | 56,696 | - | - | - |
| Leisure services | - | 411,646 | - | - |
| Utility services | 70,928 | - | - | - |
| Transportation services | 558,051 | - | 183,121 | 20,921 |
| Administrative services | 789,118 | - | 63,051 | 26,430 |
| Capital outlay | - | - | 304,651 | 132,557 |
| Debt service: | | | | |
| Principal | - | 50,000 | 99,647 | 17,076 |
| Interest | - | 59,108 | 39,807 | 3,311 |
| | <u>2,835,540</u> | <u>520,754</u> | <u>698,665</u> | <u>200,631</u> |
| Excess Revenues Over (Under) Expenditures | <u>(604,646)</u> | <u>254,805</u> | <u>125,562</u> | <u>68,825</u> |
| Other Financing Sources (Uses)--- | | | | |
| Transfers in | 750,000 | - | 25,000 | 9,213 |
| Transfers out | (129,779) | (25,000) | (24,892) | - |
| | <u>620,221</u> | <u>(25,000)</u> | <u>108</u> | <u>9,213</u> |
| Net change in fund balance | 15,575 | 229,805 | 125,670 | 78,038 |
| Fund balances at beginning of year | <u>834,919</u> | <u>557,400</u> | <u>1,201,639</u> | <u>429,030</u> |
| Fund balances at end of year | <u>\$ 850,494</u> | <u>\$ 787,205</u> | <u>\$ 1,327,309</u> | <u>\$ 507,068</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, 2023

Statement 4

| <u>Permanent Fund</u> | <u>Total Governmental Funds</u> | | |
|---------------------------|---|--|-------------------|
| | | Net Change in Fund Balances---Total Governmental Funds | \$ 467,751 |
| | | Amounts reported for governmental activities in the statement of activities are different because: | |
| \$ - | \$ 3,710,520 | 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 capital outlays exceeded depreciation in the current period: | |
| - | 24,640 | Capital outlay | 437,208 |
| - | 168,120 | Depreciation expense | <u>(595,024)</u> |
| 18,663 | 87,721 | | (157,815) |
| - | 31,846 | | |
| - | 95,952 | | |
| <u>18,663</u> | <u>4,118,799</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 difference in the treatment of long-term debt and related items. | 166,723 |
| - | 1,369,471 | 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. | 4,144 |
| - | 56,696 | 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: | |
| - | 411,646 | Accrued interest | 780 |
| - | 70,928 | Compensated absences | (2,378) |
| - | 762,093 | Pension costs | <u>173,983</u> |
| - | 878,599 | | |
| - | 437,208 | | |
| - | 166,723 | | |
| - | 102,226 | | |
| <u>-</u> | <u>4,255,590</u> | | |
| 18,663 | (136,791) | Changes in Net Position of Governmental Activities | <u>\$ 653,188</u> |
| - | 784,213 | | |
| - | (179,671) | | |
| <u>-</u> | <u>604,542</u> | | |
| 18,663 | 467,751 | | |
| 607,413 | 3,630,401 | | |
| <u>\$ 626,076</u> | <u>\$ 4,098,152</u> | | |

CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

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 | \$ 1,244,191 | \$ 1,656,481 | \$ 195,098 | \$ 471,454 |
| Restricted assets | - | - | - | 1,234,586 |
| Accounts receivable, net | 1,590,760 | 157,243 | - | 257,030 |
| Due from external parties | 7,615 | 1,365 | - | - |
| Due from other funds | 514,052 | 590,601 | 3,115 | - |
| Inventories | 206,797 | 115,357 | - | 15,512 |
| Total Current Assets | <u>3,563,415</u> | <u>2,521,047</u> | <u>198,213</u> | <u>1,978,582</u> |
| Noncurrent Assets-- | | | | |
| Prepaid expenses | 263,671 | - | - | 82,567 |
| Net pension asset | 225,075 | 33,228 | - | 29,599 |
| Capital assets | | | | |
| Land and construction in progress | 114,665 | 40,640 | 238,025 | - |
| Other capital assets, net of depreciation | 459,647 | 487,896 | 1,066,605 | 8,064,353 |
| Total Noncurrent Assets | <u>1,063,058</u> | <u>561,764</u> | <u>1,304,630</u> | <u>8,176,519</u> |
| Total Assets | <u>4,626,473</u> | <u>3,082,811</u> | <u>1,502,843</u> | <u>10,155,101</u> |
| <u>Deferred Outflows of Resources</u> | | | | |
| Deferred Outflows of Resources-- | | | | |
| Pension related resources | 59,843 | 59,894 | - | 41,630 |
| Total Deferred Outflows of Resources | <u>59,843</u> | <u>59,894</u> | <u>-</u> | <u>41,630</u> |
| <u>Liabilities</u> | | | | |
| Current Liabilities-- | | | | |
| Accounts payable | 359,712 | (1,082) | (13) | 36,483 |
| Accrued payroll | 1,026 | (256) | - | 256 |
| Accrued interest | - | - | - | 31,428 |
| Due to other funds | 3,115 | 69,095 | 303,894 | 998,790 |
| Post closure liability | - | - | - | - |
| Current portion of noncurrent liabilities | 307,787 | 11,506 | - | 315,000 |
| Total Current Liabilities | <u>671,640</u> | <u>79,263</u> | <u>303,881</u> | <u>1,381,957</u> |
| Noncurrent Liabilities-- | | | | |
| Compensated absences | 12,350 | 7,431 | - | 7,561 |
| MMMPEP payable | 469,741 | - | - | - |
| Leases payable | 307,395 | - | - | - |
| Certificates of participation payable | - | - | - | 5,536,395 |
| Total Noncurrent Liabilities | <u>789,486</u> | <u>7,431</u> | <u>-</u> | <u>5,543,956</u> |
| Total Liabilities | <u>1,461,126</u> | <u>86,694</u> | <u>303,881</u> | <u>6,925,913</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| Deferred Inflows of Resources-- | | | | |
| Pension related resources | 87,905 | (28,811) | - | (24,161) |
| Total Deferred Inflows of Resources | <u>87,905</u> | <u>(28,811)</u> | <u>-</u> | <u>(24,161)</u> |
| <u>Net Position</u> | | | | |
| Net Position-- | | | | |
| Invested in capital assets, net of related debt | 574,312 | 517,030 | 1,304,630 | 3,447,544 |
| Unrestricted | 2,562,973 | 2,567,792 | (105,668) | (152,565) |
| Total Net Position | <u>\$ 3,137,285</u> | <u>\$ 3,084,822</u> | <u>\$ 1,198,962</u> | <u>\$ 3,294,979</u> |

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

**CITY OF SALEM, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023**

Statement 5

| Activities | | Governmental Activities | |
|--|----------------------|---------------------------------------|--|
| Nonmajor Enterprise Funds | Totals | Internal Service Funds | |
| \$ 497,926 | \$ 4,065,150 | \$ 143,672 | |
| - | 1,234,586 | - | |
| 68,797 | 2,073,830 | - | |
| 1,252 | 10,232 | - | |
| 8,859 | 1,116,627 | - | |
| - | 337,666 | - | |
| <u>576,834</u> | <u>8,838,091</u> | <u>143,672</u> | |
| - | 346,238 | - | |
| 61,429 | 349,331 | - | |
| 83,201 | 476,531 | - | |
| 29,632 | 10,108,133 | - | |
| <u>174,262</u> | <u>11,280,233</u> | <u>-</u> | |
| <u>751,096</u> | <u>20,118,324</u> | <u>143,672</u> | |
| 5,155 | 166,522 | - | |
| <u>5,155</u> | <u>166,522</u> | <u>-</u> | |
| 340 | 395,440 | - | |
| - | 1,026 | - | |
| - | 31,428 | - | |
| 2,327 | 1,377,221 | - | |
| 216,867 | 216,867 | - | |
| - | 634,293 | - | |
| <u>219,534</u> | <u>2,656,275</u> | <u>-</u> | |
| 2,783 | 30,125 | - | |
| - | 469,741 | - | |
| - | 307,395 | - | |
| - | 5,536,395 | - | |
| <u>2,783</u> | <u>6,343,656</u> | <u>-</u> | |
| <u>222,317</u> | <u>8,999,931</u> | <u>-</u> | |
| 21,980 | 56,913 | - | |
| <u>21,980</u> | <u>56,913</u> | <u>-</u> | |
| 112,833 | 5,956,349 | - | |
| 399,121 | 5,271,653 | 143,672 | |
| <u>\$ 511,954</u> | <u>\$ 11,228,002</u> | <u>\$ 143,672</u> | |

CITY OF SALEM, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Statement 6

| | Business-type | | | |
|---|----------------------|---------------------|---------------------|---------------------|
| | Electric | Water | Airport | Sewer |
| Operating Revenues--- | | | | |
| Charges for services | \$ 7,451,659 | \$ 917,119 | \$ 7,814 | \$ 1,057,191 |
| Other | 52,890 | 1,212 | 132 | 28,718 |
| | <u>7,504,549</u> | <u>918,331</u> | <u>7,946</u> | <u>1,085,909</u> |
| Operating Expenses--- | | | | |
| Personnel services | 427,032 | 316,941 | - | 294,237 |
| Operations and maintenance | 4,848,854 | 370,864 | 22,161 | 322,876 |
| Depreciation and amortization | 37,973 | 114,795 | 126,622 | 218,879 |
| | <u>5,313,859</u> | <u>802,600</u> | <u>148,783</u> | <u>835,992</u> |
| Operating Income (Loss) | <u>2,190,690</u> | <u>115,731</u> | <u>(140,837)</u> | <u>249,917</u> |
| Non-operating Revenue (Expense)--- | | | | |
| Interest revenue | 33,170 | 46,337 | 11 | 53,805 |
| Interest expense | (2,493) | (790) | - | (199,847) |
| | <u>30,677</u> | <u>45,547</u> | <u>11</u> | <u>(146,042)</u> |
| Income (Loss) Before Capital Contributions and Transfers | 2,221,367 | 161,278 | (140,826) | 103,875 |
| Transfers in (out) | <u>(750,000)</u> | <u>-</u> | <u>12,446</u> | <u>-</u> |
| Change in Net Position | 1,471,367 | 161,278 | (128,380) | 103,875 |
| Net position at beginning of year | 1,665,918 | 2,923,544 | 1,327,342 | 3,191,104 |
| Net position at end of year | <u>\$ 3,137,285</u> | <u>\$ 3,084,822</u> | <u>\$ 1,198,962</u> | <u>\$ 3,294,979</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, 2023

Statement 6

| Activities | | Governmental Activities |
|--|----------------------|---------------------------------------|
| Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| \$ 389,916 | \$ 9,823,699 | \$ - |
| 373 | 83,325 | - |
| <u>390,289</u> | <u>9,907,024</u> | <u>-</u> |
| 89,893 | 1,128,103 | - |
| 372,781 | 5,937,536 | - |
| 8,786 | 507,055 | - |
| <u>471,460</u> | <u>7,572,694</u> | <u>-</u> |
| <u>(81,171)</u> | <u>2,334,330</u> | <u>-</u> |
| 13,272 | 146,595 | 4,144 |
| - | (203,130) | - |
| <u>13,272</u> | <u>(56,535)</u> | <u>4,144</u> |
| (67,899) | 2,277,795 | 4,144 |
| <u>133,012</u> | <u>(604,542)</u> | <u>-</u> |
| 65,113 | 1,673,253 | 4,144 |
| 446,841 | 9,554,749 | 139,528 |
| <u>\$ 511,954</u> | <u>\$ 11,228,002</u> | <u>\$ 143,672</u> |

CITY OF SALEM, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

Statement 7

| | Business-type | | | |
|---|----------------------|---------------------|--------------------|---------------------|
| | Electric | Water | Airport | Sewer |
| Cash Flows from Operating Activities--- | | | | |
| Cash received from customers | \$ 7,561,004 | \$ 982,973 | \$ 10,985 | \$ 1,026,903 |
| Cash payments to suppliers | (4,940,485) | (374,862) | (25,535) | (285,413) |
| Cash payments to employees | (465,073) | (346,844) | - | (318,703) |
| Other receipts (payments) | (100,320) | (100,320) | - | 200,640 |
| Net Cash Provided (Used) by Operating Activities | <u>2,055,126</u> | <u>160,947</u> | <u>(14,550)</u> | <u>623,427</u> |
| Cash Flows from Noncapital Financing Activities--- | | | | |
| Principal payment on noncapital debt | (234,871) | - | - | - |
| Transfers in (out) | (750,000) | - | 12,446 | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(984,871)</u> | <u>-</u> | <u>12,446</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities--- | | | | |
| Acquisition and construction of fixed assets | (413,283) | (17,800) | (12,447) | (295,922) |
| Proceeds from issuance of debt | 394,059 | - | - | - |
| Principal payment on capital debt | (13,748) | (11,117) | - | (302,819) |
| Interest paid on capital debt | (2,493) | (790) | - | (200,891) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(35,465)</u> | <u>(29,707)</u> | <u>(12,447)</u> | <u>(799,632)</u> |
| Cash Flows from Investing Activities--- | | | | |
| Interest receipts/purchase of investments | 33,170 | 46,337 | 11 | 53,805 |
| Net Cash Provided (Used) by Investing Activities | <u>33,170</u> | <u>46,337</u> | <u>11</u> | <u>53,805</u> |
| Net Increase (Decrease) in cash and cash equivalents | 1,067,960 | 177,577 | (14,540) | (122,400) |
| Cash and Cash Equivalents at beginning of year | 176,231 | 1,478,904 | 209,638 | 1,828,440 |
| Cash and Cash Equivalents at end of year | <u>\$ 1,244,191</u> | <u>\$ 1,656,481</u> | <u>\$ 195,098</u> | <u>\$ 1,706,040</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | |
| Operating income (loss) | \$ 2,190,690 | \$ 115,731 | \$ (140,837) | \$ 249,917 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | | | |
| Depreciation and amortization | 37,973 | 114,795 | 126,622 | 218,879 |
| Changes in assets and liabilities--- | | | | |
| Accounts receivable | 56,455 | 64,642 | 3,039 | (59,006) |
| Due to (from) other funds | (100,320) | (100,320) | - | 200,640 |
| Prepaid expenses | - | - | - | 5,898 |
| Pension accruals | (38,057) | (29,903) | - | (24,466) |
| Accounts payable | (91,631) | (3,998) | (3,374) | 31,565 |
| Accrued liabilities | 16 | - | - | - |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 2,055,126</u> | <u>\$ 160,947</u> | <u>\$ (14,550)</u> | <u>\$ 623,427</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, 2023**

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> |
| \$ 387,309 | \$ 9,969,174 | \$ - |
| (374,669) | (6,000,964) | - |
| (95,331) | (1,225,951) | - |
| - | - | - |
| <u>(82,691)</u> | <u>2,742,259</u> | <u>-</u> |
| - | (234,871) | - |
| <u>133,012</u> | <u>(604,542)</u> | <u>-</u> |
| <u>133,012</u> | <u>(839,413)</u> | <u>-</u> |
| (12,446) | (751,898) | - |
| - | 394,059 | - |
| - | (327,684) | - |
| - | (204,174) | - |
| <u>(12,446)</u> | <u>(889,697)</u> | <u>-</u> |
| <u>13,272</u> | <u>146,595</u> | <u>4,144</u> |
| <u>13,272</u> | <u>146,595</u> | <u>4,144</u> |
| 51,147 | 1,159,744 | 4,144 |
| <u>446,779</u> | <u>4,139,992</u> | <u>139,528</u> |
| <u>\$ 497,926</u> | <u>\$ 5,299,736</u> | <u>\$ 143,672</u> |
| | | |
| \$ (81,171) | \$ 2,334,330 | \$ - |
| 8,786 | 507,055 | - |
| (2,980) | 62,150 | - |
| - | - | - |
| - | 5,898 | - |
| (5,438) | (97,864) | - |
| (1,888) | (69,326) | - |
| - | 16 | - |
| <u>\$ (82,691)</u> | <u>\$ 2,742,259</u> | <u>\$ -</u> |

CITY OF SALEM, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

Statement 8

| | Deferred Compensation Trust Fund | Agency Fund |
|------------------------------------|---|------------------------|
| Assets: | | |
| Cash | \$ - | \$ 475,430 |
| Investments | 279,187 | - |
| Other assets | - | 5 |
| Total assets | \$ 279,187 | \$ 475,435 |
| Liabilities: | | |
| Accounts payable | \$ - | \$ 10,357 |
| Utility deposits payable | - | 285,649 |
| Total liabilities | - | 296,006 |
| Net Position: | | |
| Held in Trust | 279,187 | 179,429 |
| Unreserved | - | - |
| Total net position | 279,187 | 179,429 |
| Total liabilities and net position | \$ 279,187 | \$ 475,435 |

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, 2023

Statement 9

| | <u>Deferred Compensation Trust Fund</u> |
|---|---|
| ADDITIONS: | |
| Contributions | \$ 23,857 |
| Net increase in the fair value of investments | <u>31,404</u> |
| Total additions | <u>55,261</u> |
| | |
| DEDUCTIONS: | |
| Distributions | <u>37,855</u> |
| Total deductions | <u>37,855</u> |
| Change in net position | 17,406 |
| Net position - beginning of year | <u>261,781</u> |
| Net position - end of year | <u>\$ 279,187</u> |

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2023, net utility receivables include an allowance for doubtful accounts of \$977,266.

Inventories

Inventories at June 30, 2023, 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, 2023

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 \$172,281 at June 30, 2023.

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 2022 was \$52,999,625 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2022 was \$0.6746 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, 2023

- 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, 2023, 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, 2023, 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 |
| Prepaid assets | - | - | 2,494 | 2,494 | - | 4,988 |
| Restricted: | | | | | | |
| Capital projects | - | - | 1,324,815 | - | - | 1,324,815 |
| Debt service | - | 114,322 | - | - | - | 114,322 |
| Transportation | - | - | - | 440,009 | - | 440,009 |
| Cemetery | - | - | - | - | 334,315 | 334,315 |
| Assigned: | | | | | | |
| Leisure | - | 672,883 | - | - | - | 672,883 |
| Other gov't activities | - | - | - | 64,565 | - | 64,565 |
| Unassigned | 850,494 | - | - | - | - | 850,494 |
| | <u>\$ 850,494</u> | <u>\$ 787,205</u> | <u>\$ 1,327,309</u> | <u>\$ 507,068</u> | <u>\$ 626,076</u> | <u>\$ 4,098,152</u> |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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 2023, 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, 2023, 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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

deposit) but can also include United States treasury securities, United States agency securities, repurchase agreements and others as allowed by state statute.

NOTE 3 – FIXED ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

| | Balance 6/30/2022 | Increases | Decreases | Balance 6/30/2023 |
|--|----------------------|-------------------|-----------------------|----------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 553,654 | \$ - | \$ - | \$ 553,654 |
| Construction in process | 1,142,935 | 12,817 | (1,142,935) | 12,817 |
| Total capital assets not being depreciated | 1,696,589 | 12,817 | (1,142,935) | 566,471 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,020,196 | - | - | 1,020,196 |
| Improvements | 6,568,974 | 1,428,933 | - | 7,997,907 |
| Equipment | 3,128,064 | 138,394 | - | 3,266,458 |
| Infrastructure | 14,037,357 | - | - | 14,037,357 |
| Total capital assets being depreciated | 24,754,591 | 1,567,327 | - | 26,321,918 |
| Less accumulated depreciation: | | | | |
| Buildings | (347,671) | (37,243) | - | (384,914) |
| Improvements | (2,902,619) | (296,507) | - | (3,199,126) |
| Equipment | (2,224,373) | (201,236) | - | (2,425,609) |
| Infrastructure | (12,965,058) | (60,038) | - | (13,025,096) |
| Total accumulated depreciation | (18,439,721) | (595,024) | - | (19,034,745) |
| Total capital assets being depreciated, net | 6,314,870 | 972,303 | - | 7,287,173 |
| Governmental Activities Capital assets, net | <u>\$ 8,011,459</u> | <u>\$ 985,120</u> | <u>\$ (1,142,935)</u> | <u>\$ 7,853,644</u> |

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

| | |
|-------------------------------|-------------------|
| Administrative | \$ 105,053 |
| Street | 246,488 |
| Safety | 74,918 |
| Leisure | 156,518 |
| Health & Social Services | 12,047 |
| Total governmental activities | <u>\$ 595,024</u> |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

| | Balance 6/30/2022 | Increases | Decreases | Balance 6/30/2023 |
|--|----------------------|--------------|----------------|----------------------|
| Business-Type Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 457,306 | \$ - | \$ - | \$ 457,306 |
| Construction in process | 7,289,382 | 19,225 | (7,289,382) | 19,225 |
| Total capital assets not being depreciated | 7,746,688 | 19,225 | (7,289,382) | 476,531 |
| Capital assets being depreciated: | | | | |
| Buildings | 80,079 | - | - | 80,079 |
| Improvements | 8,243,815 | 7,520,199 | - | 15,764,014 |
| Equipment | 5,009,521 | 107,798 | - | 5,117,319 |
| Intangible Right to Use Lease-Equip | - | 394,059 | - | 394,059 |
| Infrastructure | 2,121,762 | - | - | 2,121,762 |
| Total capital assets being depreciated | 15,455,177 | 8,022,056 | - | 23,477,233 |
| Less accumulated depreciation: | | | | |
| Buildings | (80,078) | - | - | (80,078) |
| Improvements | (6,235,981) | (360,634) | - | (6,596,615) |
| Equipment | (4,509,467) | (121,887) | - | (4,631,354) |
| Intangible Right to Use Lease-Equip | - | (15,141) | - | (15,141) |
| Infrastructure | (2,036,518) | (9,394) | - | (2,045,912) |
| Total accumulated depreciation | (12,862,044) | (507,056) | - | (13,369,100) |
| Total capital assets being depreciated, net | 2,593,133 | 7,515,000 | - | 10,108,133 |
| Business-Type Activities Capital assets, net | \$ 10,339,821 | \$ 7,534,225 | \$ (7,289,382) | \$ 10,584,664 |

NOTE 4 – LONG-TERM DEBT

Note Payable

In September 2021, the City obtained a loan for \$115,548 from the Missouri Department of Natural Resources to implement energy conservation measures. This loan requires semi-annual payments of \$6,684.50 for 10 years, which includes interest at a rate of 2.75%. As of June 30, 2023, the remaining payments are to be made as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|-----------------------------------|------------------|------------------|-------------------|
| 2024 | \$ 10,818 | \$ 2,551 | \$ 13,369 |
| 2025 | 11,118 | 2,251 | 13,369 |
| 2026 | 11,426 | 1,943 | 13,369 |
| 2027 | 11,742 | 1,627 | 13,369 |
| 2028 | 12,067 | 1,302 | 13,369 |
| 2029-2032 | 38,230 | 1,862 | 43,256 |
| | <u>\$ 95,401</u> | <u>\$ 11,536</u> | <u>\$ 110,101</u> |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Financed Purchases

The City has entered into several financed purchase agreements through November 2036 to purchase equipment and capital improvements throughout the city with interest rates ranging from 2.57% - 6.00%. The net book value of capital assets under financed purchase obligations was \$1,424,381 at June 30, 2023. The future minimum financed purchase obligations and net present value of the minimum financed purchase payments as of June 30, 2023 were as follows:

| For the Year Ending June 30 | Governmental Activities | Business-Type Activities |
|---|----------------------------|-----------------------------|
| 2024 | \$ 148,269 | \$ 11,908 |
| 2025 | 136,360 | - |
| 2026 | 136,360 | - |
| 2027 | 157,951 | - |
| 2028 | 119,400 | - |
| 2029-2033 | 596,989 | - |
| 2034-2037 | 447,909 | - |
| Total minimum financed purchase payments | <u>1,743,238</u> | <u>11,908</u> |
| Less amounts representing interest | <u>(295,964)</u> | <u>(402)</u> |
| Present value of minimum financed purchase payments | <u><u>\$ 1,447,274</u></u> | <u><u>\$ 11,506</u></u> |

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, 2023 are as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|-----------------------------------|----------------------------|----------------------------|----------------------------|
| 2024 | \$ 315,000 | \$ 189,214 | \$ 504,214 |
| 2025 | 320,000 | 181,670 | 501,670 |
| 2026 | 330,000 | 173,215 | 503,215 |
| 2027 | 340,000 | 163,830 | 503,830 |
| 2028 | 350,000 | 153,650 | 503,650 |
| 2029-2033 | 1,920,000 | 591,257 | 2,511,257 |
| 2034-2038 | 2,295,000 | 218,763 | 2,513,763 |
| | <u><u>\$ 5,870,000</u></u> | <u><u>\$ 1,671,599</u></u> | <u><u>\$ 7,541,599</u></u> |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 are as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|-----------------------------------|---------------------|-------------------|---------------------|
| 2024 | \$ 50,000 | \$ 56,058 | \$ 106,058 |
| 2025 | 50,000 | 54,583 | 104,583 |
| 2026 | 55,000 | 52,980 | 107,980 |
| 2027 | 55,000 | 51,248 | 106,248 |
| 2028 | 60,000 | 49,378 | 109,378 |
| 2029-2033 | 320,000 | 214,790 | 534,790 |
| 2034-2038 | 385,000 | 134,652 | 519,652 |
| 2039-2043 | 595,000 | 67,735 | 662,735 |
| | <u>\$ 1,570,000</u> | <u>\$ 681,424</u> | <u>\$ 2,251,424</u> |

MMMPEP Payable

In February 2021, severe winter weather caused extraordinary short term increases in energy prices. Under the terms of the Municipal Utility Emergency Loan Program offered by the Missouri Department of Natural Resources, the City is allowed to pay the approximate \$1.4 million of the energy costs incurred in February 2021 within 5 years. As of June 30, 2023, three annual payments of \$234,871 remain.

Leases Payable

Intangible right to use leases of \$394,059 have been recorded in the Electric Fund capital assets. Due to the implementation of GASB Statement No. 87, these leases for equipment met the criteria of a lease thus requiring it to be recorded by the City. This asset will be amortized over the lease term since it is shorter than the useful life and the City is not taking ownership of the truck. There are no residual value guarantees in the lease provisions. The leases will end in 2028. A summary of the principal and interest amounts for the remaining leases is as follows:

| For the Year Ending June 30 | Principal | Interest |
|-----------------------------------|-------------------|------------------|
| 2024 | \$ 72,916 | \$ 13,885 |
| 2025 | 75,887 | 10,914 |
| 2026 | 78,978 | 7,823 |
| 2027 | 82,196 | 4,606 |
| 2028 | 70,334 | 1,292 |
| | <u>\$ 380,311</u> | <u>\$ 38,520</u> |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Summary of Long-term Debt

The following is a summary of long-term debt activity of the City for the year ended June 30, 2023:

| | Long-term Obligations at 7/1/2022 | Additions | Reductions | Long-term Obligations at 6/30/2023 | Due Within One Year |
|---|---|-------------------|-------------------|--|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Financed purchases | \$ 1,553,471 | \$ - | \$ 106,197 | \$ 1,447,274 | \$ 109,480 |
| Note payable | 105,927 | - | 10,526 | 95,401 | 10,818 |
| Certificates of participation | 1,620,000 | - | 50,000 | 1,570,000 | 50,000 |
| Compensated absences | 139,778 | 2,378 | - | 142,156 | - |
| | <u>\$ 3,419,176</u> | <u>\$ 2,378</u> | <u>\$ 166,723</u> | <u>\$ 3,254,831</u> | <u>\$ 170,298</u> |
| <u>Business-Type Activities:</u> | | | | | |
| Financed purchases | \$ 22,623 | \$ - | \$ 11,117 | \$ 11,506 | \$ 11,506 |
| Leases payable | - | 394,059 | 13,748 | 380,311 | 72,916 |
| Certificates of participation | 6,154,214 | - | 302,819 | 5,851,395 | 315,000 |
| MMMPEP payable | 939,483 | - | 234,871 | 704,612 | 234,871 |
| Compensated absences | 30,125 | - | - | 30,125 | - |
| | <u>\$ 7,146,445</u> | <u>\$ 394,059</u> | <u>\$ 562,555</u> | <u>\$ 6,977,949</u> | <u>\$ 634,293</u> |

NOTE 5 – RESTRICTED ASSETS

The cemetery endowment fund is restricted for operation and maintenance of the cemetery and consists of a checking account. At June 30, 2023, the balance totaled \$626,076 and is shown as restricted on the Statement of Net Position.

As of June 30, 2023, the Park fund had \$114,322 restricted for debt service, the Capital Improvement fund had \$92,017 restricted for capital improvements, and the Sewer fund had \$1,234,586 restricted for capital projects and debt service.

NOTE 6 – 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 recorded in the internal service fund.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – 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, 2023, internal balances that resulted from various interfund transactions were as follows:

| | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|--------------------------|---------------------------------|-------------------------------|
| General | \$ - | \$ 40,817 |
| Park | 9,308 | - |
| Capital improvements | 295,320 | - |
| Other governmental funds | - | 3,217 |
| Electric | 510,937 | - |
| Water | 521,506 | - |
| Airport | - | 300,779 |
| Sewer | - | 998,790 |
| Non-major Bus-Type Funds | 6,532 | - |
| | <u>\$ 1,343,603</u> | <u>\$ 1,343,603</u> |

Interfund transfers during the year ended June 30, 2023 were as follows:

| | <u>Transfer From Other Funds</u> | <u>Transfer To Other Funds</u> |
|---------------------------|--------------------------------------|------------------------------------|
| General Fund | \$ 750,000 | \$ 129,779 |
| Park | - | 25,000 |
| Capital Improvement Funds | 25,000 | 24,892 |
| Other governmental funds | 9,213 | - |
| Electric | - | 750,000 |
| Airport | 12,446 | - |
| Non-major Bus-Type Funds | 133,012 | - |
| | <u>\$ 929,671</u> | <u>\$ 929,671</u> |

NOTE 8 – PENSION PLAN

General Information about the Pension Plan

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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.

| | 2023 Valuation |
|----------------------|-----------------------|
| Benefit Multiplier | 2.00% |
| Final Average Salary | 3 years |
| Member Contributions | 4.00% |

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

Employees covered by benefit terms. At June 30, 2023, the following employees were covered by the benefit terms:

| | |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 49 |
| Inactive employees entitled to but not yet receiving benefits | 15 |
| Active employees | 51 |
| | 115 |

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 12.7% (General) and 10.9% (Police) of annual covered payroll.

Net Pension Liability(Asset). The employer’s net pension liability(asset) was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability(asset) was determined by an actuarial valuation as of February 28, 2023.

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

Actuarial assumptions. The total pension liability in the February 28, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75% wage inflation; 2.25% price inflation |
| Salary increase | 2.75% to 6.75% including wage inflation |
| Investment rate of return | 7.00%, net of investment expenses |

The healthy retiree mortality tables, for post-retirement mortality, were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were 115% of the PUBNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of general groups and 75% of the PubS-2010 Employee Mortality Table for males and females of police, fire, and public safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2023 valuation were based on the results of an actuarial experience study for the period March 1, 2015 through February 29, 2020.

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> |
|--------------------|--------------------------|---|
| 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 7.00%. 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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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(Asset) |
| | (a) | (b) | (a) - (b) |
| Balances at 6/30/2022 | 14,262,457 | 15,723,848 | (1,461,391) |
| Changes for the year: | | | |
| Service cost | 337,187 | - | 337,187 |
| Interest | 984,165 | - | 984,165 |
| Difference between expected and actual experience | 163,853 | - | 163,853 |
| Contributions - employer | - | 293,227 | (293,227) |
| Contributions - employee | - | 99,114 | (99,114) |
| Net investment income | - | 553,865 | (553,865) |
| Benefit payments, including refunds | (750,079) | (750,079) | - |
| Administrative expense | - | (16,895) | 16,895 |
| Other changes | - | 66,078 | (66,078) |
| Net changes | 735,126 | 245,310 | 489,816 |
| Balances at 6/30/2023 | 14,997,583 | 15,969,158 | (971,575) |

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 7.00%, as well as what the employer's Net Pension Liability(Asset) would be using a discount rate that is 1 percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

| Current Single Discount | | |
|--------------------------------|------------------------|--------------------|
| 1% Decrease | Rate Assumption | 1% Increase |
| 1,068,911 | (971,575) | (2,655,897) |

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

For the year ended June 30, 2023, the employer recognized pension expense of \$21,383. 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 | \$ 426,171 | \$ (63,253) |
| Change in assumptions | - | (93,788) |
| Excess (deficit) investment returns | 16,122 | - |
| Total | <u>\$ 442,293</u> | <u>\$ (157,041)</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 |
|--------------------------------|---|
| 2024 | \$ (48,734) |
| 2025 | (207,389) |
| 2026 | 398,844 |
| 2027 | 135,960 |
| 2028 | 6,571 |
| Thereafter | - |
| Total | <u>\$ 285,252</u> |

Payable to the Pension Plan

At June 30, 2023, the City reported a payable of approximately \$1,800 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

NOTE 9 – DEFERRED COMPENSATION PLAN

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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

NOTE 10 – LONG TERM CONTRACT

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). MJMEUC manages a power pool known as Mid-Missouri Municipal Power Energy Pool (“MMMPEP”), of which the City is a member. All MMMPEP members (including the City) have an agreement (the “MMMPEP Agreement”) with MJMEUC for the purchase of electric capacity and energy and transmission from MJMEUC. The MMMPEP Agreement requires MJMEUC to supply the full energy requirements of the City under the terms of a long term agreement expiring May 31, 2028.

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

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

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

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

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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 – 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 12 – 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

CITY OF SALEM, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, the contract was still in effect and approximately \$408,000 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
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

| Fiscal year ending June 30, | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|----------------------|-----------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| Total Pension Liability | | | | | | | | | |
| Service Cost | \$ 337,187 | \$ 327,681 | \$ 302,786 | \$ 283,663 | \$ 292,995 | \$ 294,549 | \$ 286,391 | \$ 290,776 | \$ 283,978 |
| Interest on Total Pension Liability | 984,165 | 934,212 | 935,213 | 887,429 | 861,804 | 809,214 | 782,037 | 717,657 | 669,795 |
| Difference between expected and actual experience | 163,853 | 258,461 | 216,228 | 113,090 | (242,497) | 34,404 | (362,680) | (206,963) | 10,891 |
| Changes in assumptions | - | - | (264,344) | - | - | - | - | 409,466 | - |
| Benefit payments, including refunds | (750,079) | (870,700) | (644,386) | (624,898) | (486,103) | (340,474) | (329,500) | (312,388) | (303,445) |
| Net change in total pension liability | 735,126 | 649,654 | 545,497 | 659,284 | 426,199 | 797,693 | 376,248 | 898,548 | 661,219 |
| Total pension liability - beginning | 14,262,457 | 13,612,803 | 13,067,306 | 12,408,022 | 11,981,823 | 11,184,130 | 10,807,882 | 9,909,334 | 9,248,115 |
| Total pension liability - ending | <u>\$ 14,997,583</u> | <u>\$ 14,262,457</u> | <u>\$ 13,612,803</u> | <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 | \$ 293,227 | \$ 295,362 | \$ 260,721 | \$ 269,563 | \$ 254,158 | \$ 289,759 | \$ 271,811 | \$ 299,388 | \$ 322,783 |
| Contributions - employee | 99,114 | 107,442 | 100,638 | 99,380 | 91,385 | 91,036 | 89,412 | 91,764 | 91,238 |
| Net investment income | 553,865 | 12,021 | 4,016,297 | 187,227 | 827,209 | 1,369,194 | 1,158,130 | (24,019) | 178,898 |
| Benefit payments, including refunds | (750,079) | (870,700) | (644,386) | (624,898) | (486,103) | (340,474) | (329,500) | (312,388) | (303,445) |
| Pension Plan Administrative Expense | (16,895) | (12,595) | (11,091) | (14,250) | (12,678) | (8,366) | (8,091) | (7,908) | (8,947) |
| Other (Net Transfer) | 66,078 | (507,495) | 78,249 | (3,293) | 6,692 | 32,152 | 49,163 | 7,915 | 42,141 |
| Net change in plan fiduciary net position | 245,310 | (975,965) | 3,800,428 | (86,271) | 680,663 | 1,433,301 | 1,230,925 | 54,752 | 322,668 |
| Plan fiduciary net position - beginning | 15,723,848 | 16,699,813 | 12,899,385 | 12,985,656 | 12,304,993 | 10,871,692 | 9,640,767 | 9,586,015 | 9,263,347 |
| Plan fiduciary net position - ending | <u>\$ 15,969,158</u> | <u>\$ 15,723,848</u> | <u>\$ 16,699,813</u> | <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 | \$ (971,575) | \$ (1,461,391) | \$ (3,087,010) | \$ 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 | 106.48% | 110.25% | 122.68% | 98.71% | 104.66% | 102.70% | 97.21% | 89.20% | 96.74% |
| Covered-employee payroll | \$ 2,459,324 | \$ 2,581,560 | \$ 2,455,892 | \$ 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 | -39.51% | -56.61% | -125.70% | 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 | | | | | | | | | |
|--|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Actuarially determined pension contribution | 300,521 | 300,295 | 265,623 | 269,563 | 253,724 | 290,193 | 271,812 | 299,389 | 322,783 | 328,997 |
| Contribution in relation to the actuarially determined contribution | 293,227 | 290,453 | 265,623 | 269,564 | 253,724 | 290,194 | 271,812 | 299,389 | 322,783 | 319,840 |
| Contribution deficiency (excess) | 7,294 | 9,842 | - | (1) | - | (1) | - | - | - | 9,157 |
| Covered employee payroll | 2,477,851 | 2,638,657 | 2,563,284 | 2,484,476 | 2,281,334 | 2,279,203 | 2,235,315 | 2,294,095 | 2,280,963 | 2,179,746 |
| Covered employee payroll contributions as a percentage of covered employee payroll | 11.83% | 11.01% | 10.36% | 10.85% | 11.12% | 12.73% | 12.16% | 13.05% | 14.15% | 14.67% |

Notes to schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age normal and modified terminal funding |
| Amortization method | Level percent of payroll, closed |
| Remaining amortization period | Multiple bases from 11 to 15 years |
| Asset valuation method | 5-year smoothed market; 20% corridor |
| Inflation | 2.75% wage inflation; 2.25% price inflation |
| Salary increases | 2.75% to 6.75% including wage inflation |
| Investment rate of return | 7.00%, 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, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire, and Public Safety groups. Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables. |

Other information

None