



**CITY OF SALEM, MISSOURI**

**AUDIT REPORT**

**JUNE 30, 2016**

**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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*K DeLuca Audit Services LLC*

K DeLuca Audit Services LLC  
St. James, Missouri  
December 9, 2016

## **BASIC FINANCIAL STATEMENTS**

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

Statement 1

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 726,426	\$ 1,894,323	\$ 2,620,749
Certificates of deposit	131,090	1,042,994	1,174,084
Restricted assets	1,062,241	-	1,062,241
Accounts receivable, net	235,501	1,627,617	1,863,118
Grants receivable	-	2,492	2,492
Due from external parties	-	42,723	42,723
Inventories	-	310,163	310,163
Prepaid expenses	-	263,671	263,671
Capital assets---			
Land and construction in progress	90,150	414,398	504,548
Other capital assets, net of depreciation	4,150,709	2,527,338	6,678,047
Total assets	<u>6,396,117</u>	<u>8,125,719</u>	<u>14,521,836</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension related resources	768,516	464,164	1,232,680
Total deferred outflows of resources	<u>768,516</u>	<u>464,164</u>	<u>1,232,680</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued expenses	54,378	416,070	470,448
Internal balances	43,230	(43,230)	-
Post-closure liability	-	244,018	244,018
Net pension liability	726,845	440,271	1,167,116
Long-term liabilities			
Due within one year	117,639	33,988	151,627
Due in more than one year	205,273	32,509	237,782
Total liabilities	<u>1,147,365</u>	<u>1,123,626</u>	<u>2,270,991</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension related resources	114,005	69,581	183,586
Total deferred inflows of resources	<u>114,005</u>	<u>69,581</u>	<u>183,586</u>
<b><u>NET POSITION</u></b>			
Invested in capital assets, net of related debt	4,025,914	2,907,748	6,933,662
Restricted			
Expendable	770,480	-	770,480
Nonexpendable	291,761	-	291,761
Unrestricted	815,108	4,488,928	5,304,036
Total net position	<u>\$ 5,903,263</u>	<u>\$ 7,396,676</u>	<u>\$ 13,299,939</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, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Capital Grants and Contributions</u>
Primary government			
Governmental activities---			
Safety services	\$ 1,357,368	\$ -	\$ -
Health and social services	59,030	-	-
Leisure services	348,088	59,309	17,273
Utility	243,092	-	-
Transportation services	962,801	-	-
Administrative services	703,104	33,242	-
Interest on long-term debt	3,593	-	-
Total governmental activities	<u>3,677,076</u>	<u>92,551</u>	<u>17,273</u>
Business-type activities---			
Electric	4,688,583	6,176,227	-
Water	602,327	611,219	-
Airport	112,456	23,657	43,643
Sewerage system	560,389	582,197	-
Landfill	229	-	-
Nonmajor enterprise funds	385,103	282,358	-
Total business-type activities	<u>6,349,087</u>	<u>7,675,658</u>	<u>43,643</u>
Total primary government	<u>\$ 10,026,163</u>	<u>\$ 7,768,209</u>	<u>\$ 60,916</u>

General revenues---

Taxes---

  Property taxes

  Sales taxes

  Sur taxes

  Franchise taxes

  Other taxes

Interest and investment earnings

Miscellaneous income

Capital contributions

Transfers

  Total general revenues and transfers

  Change in net position

Net position --- beginning (restated)

Net position --- ending

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

<b>Net (Expenses) Revenue and Changes in Net Position</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,357,368)	\$ -	\$ (1,357,368)
(59,030)	-	(59,030)
(271,506)	-	(271,506)
(243,092)	-	(243,092)
(962,801)	-	(962,801)
(669,862)	-	(669,862)
(3,593)	-	(3,593)
<u>(3,567,252)</u>	<u>-</u>	<u>(3,567,252)</u>
-	1,487,644	1,487,644
-	8,892	8,892
-	(45,156)	(45,156)
-	21,808	21,808
-	(229)	(229)
-	(102,745)	(102,745)
<u>-</u>	<u>1,370,214</u>	<u>1,370,214</u>
<u>(3,567,252)</u>	<u>1,370,214</u>	<u>(2,197,038)</u>
306,232	-	306,232
2,160,116	-	2,160,116
50,325	-	50,325
166,814	-	166,814
1,823	-	1,823
7,274	10,941	18,215
35,499	6,109	41,608
(104,537)	104,537	-
865,476	(865,476)	-
<u>3,489,022</u>	<u>(743,889)</u>	<u>2,745,133</u>
<u>(78,230)</u>	<u>626,325</u>	<u>548,095</u>
5,981,493	6,770,351	12,751,844
<u>\$ 5,903,263</u>	<u>\$ 7,396,676</u>	<u>\$ 13,299,939</u>



**CITY OF SALEM, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<b>General Fund</b>	<b>Street</b>	<b>Capital Improvements</b>	<b>Other Governmental Funds</b>	<b>Permanent Fund</b>
<u>ASSETS</u>					
Cash	\$ 37,744	\$ 687,756	\$ -	\$ -	\$ -
Restricted assets	-	-	487,167	-	575,074
Receivables, net	20	-	4,071	1,260	-
Due from other funds	-	45,129	20,493	-	-
Taxes receivable	118,918	-	47,538	63,694	-
Total assets	<u>\$ 156,682</u>	<u>\$ 732,885</u>	<u>\$ 559,269</u>	<u>\$ 64,954</u>	<u>\$ 575,074</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 21,673	\$ -	\$ 9,575	\$ 14,071	\$ -
Accrued payroll	6,757	-	1,209	1,093	-
Due to other funds	51,341	-	9,637	47,874	-
Total liabilities	<u>79,771</u>	<u>-</u>	<u>20,421</u>	<u>63,038</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue	23,842	-	-	-	-
Total deferred inflows of resources	<u>23,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	291,761
Restricted	-	-	538,848	-	283,313
Assigned	-	732,885	-	-	-
Unassigned	53,069	-	-	1,916	-
Total fund balances	<u>53,069</u>	<u>732,885</u>	<u>538,848</u>	<u>1,916</u>	<u>575,074</u>
Total liabilities and fund balances	<u>\$ 156,682</u>	<u>\$ 732,885</u>	<u>\$ 559,269</u>	<u>\$ 64,954</u>	<u>\$ 575,074</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, 2016**

Statement 3

<b>Total Governmental Funds</b>		
	Total Governmental Fund Balances	\$ 1,901,792
	<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
\$ 725,500		
1,062,241		
5,351	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.	4,240,859
65,622		
230,150		
<u>\$ 2,088,864</u>	Net pension liability and deferred outflows/inflows of pension related resources are not recognized in the fund statements because they are not financial resources.	(72,334)
\$ 45,319		
9,059	Revenue that is deferred in the fund financial statement because it is not available and recognized as revenue in the government-wide financial statements.	23,842
108,852		
<u>163,230</u>		
	Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:	
	Capital lease payable	(214,945)
	Accrued compensated absences	(107,967)
23,842		
<u>23,842</u>		
	Internal services funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>132,016</u>
291,761		
822,161		
732,885		
54,985		
<u>1,901,792</u>	<i>Net Position of Governmental Funds</i>	<u>\$ 5,903,263</u>
<u>\$ 2,088,864</u>		

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Street	Capital Improvements	Other Governmental Funds	Permanent Fund
Revenues---					
Taxes	\$ 1,632,908	\$ 194,825	\$ 554,714	\$ 301,149	\$ -
Intergovernmental	-	-	435	16,838	-
Charges for services	-	-	-	59,309	-
Interest and investment earnings	250	2,820	1,841	283	2,080
Licenses and permits	33,242	-	-	-	-
Miscellaneous	20,907	-	614	13,978	-
	<u>1,687,307</u>	<u>197,645</u>	<u>557,604</u>	<u>391,557</u>	<u>2,080</u>
Expenditures---					
Current operations:					
Safety services	1,228,644	-	4,169	13,599	-
Health and social services	44,245	-	-	-	-
Leisure services	-	-	-	281,305	-
Utility services	69,421	-	169,782	-	-
Transportation services	580,265	6,753	121,108	-	-
Administrative services	562,781	-	-	37,428	-
Capital outlay/fixed assets	52,330	207,065	53,209	7,962	-
Debt service:					
Principal	36,089	77,786	-	-	-
Interest	1,233	2,360	-	-	-
	<u>2,575,008</u>	<u>293,964</u>	<u>348,268</u>	<u>340,294</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>(887,701)</u>	<u>(96,319)</u>	<u>209,336</u>	<u>51,263</u>	<u>2,080</u>
Other Financing Sources (Uses)---					
Proceeds from debt issuance	52,330	76,107	-	-	-
Transfers in	1,047,025	6,905	-	7,097	-
Transfers out	(119,124)	-	(180,964)	-	-
	<u>980,231</u>	<u>83,012</u>	<u>(180,964)</u>	<u>7,097</u>	<u>-</u>
Net change in fund balance	92,530	(13,307)	28,372	58,360	2,080
Fund balances at beginning of year, restated	(39,461)	746,192	510,476	(56,444)	572,994
Fund balances at end of year	<u>\$ 53,069</u>	<u>\$ 732,885</u>	<u>\$ 538,848</u>	<u>\$ 1,916</u>	<u>\$ 575,074</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, 2016**

<b>Total</b>			
<b>Governmental</b>	Net Change in Fund Balances---Total Governmental Funds		\$ 168,035
<b>Funds</b>			
	Amounts reported for governmental activities in the statement of activities are different because:		
\$ 2,683,596			
17,273	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:		
59,309	Capital outlay	320,566	
7,274	Depreciation expense	<u>(401,871)</u>	(81,305)
33,242			
35,499			
<u>2,836,193</u>			
	Some revenues not collected as of the year end are not considered available revenues in the governmental funds. This is the change in the amounts that were not considered available in the current year.		1,714
1,246,412			
44,245			
281,305	Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		113,875
239,203			
708,126			
600,209	Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		(128,437)
320,566			
113,875	Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.		(12,493)
3,593			
<u>3,557,534</u>			
(721,341)	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:		
128,437	Compensated absences		(14,417)
1,061,027	Pension costs		<u>(125,202)</u>
(300,088)			
<u>889,376</u>			
168,035	Changes in Net Position of Governmental Activities:		<u>\$ (78,230)</u>
1,733,757			
<u>\$ 1,901,792</u>			

**CITY OF SALEM, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	<u>Business-type</u>			
	<u>Electric</u>	<u>Water</u>	<u>Airport</u>	<u>Sewer</u>
<u>Assets</u>				
Current Assets--				
Cash	\$ 859,990	\$ 599,424	\$ 32,782	\$ 195,960
Certificates of deposit	2,348	464,811	-	326,158
Accounts receivable, net	1,319,561	131,859	-	128,707
Grants receivable	-	-	2,492	-
Due from external parties	30,730	8,915	-	-
Due from other funds	47,566	60,476	3,115	-
Inventories	146,925	126,166	-	37,072
Total Current Assets	<u>2,407,120</u>	<u>1,391,651</u>	<u>38,389</u>	<u>687,897</u>
Noncurrent Assets--				
Prepaid expenses	263,671	-	-	-
Capital assets				
Land and construction in progress	95,440	20,000	215,757	-
Other capital assets, net of depreciation	269,034	667,677	618,489	963,677
Total Noncurrent Assets	<u>628,145</u>	<u>687,677</u>	<u>834,246</u>	<u>963,677</u>
Total Assets	<u>3,035,265</u>	<u>2,079,328</u>	<u>872,635</u>	<u>1,651,574</u>
<u>Deferred Outflows of Resources</u>				
Deferred Outflows of Resources--				
Pension related resources	205,301	135,595	-	86,288
Total Deferred Outflows of Resources	<u>205,301</u>	<u>135,595</u>	<u>-</u>	<u>86,288</u>
<u>Liabilities</u>				
Current Liabilities--				
Accounts payable	356,495	8,693	4,124	21,798
Accrued payroll	1,231	1,325	-	240
Due to other funds	3,115	69,095	69	2,179
Post closure liability	-	-	-	-
Current portion of noncurrent liabilities	23,599	10,389	-	-
Total Current Liabilities	<u>384,440</u>	<u>89,502</u>	<u>4,193</u>	<u>24,217</u>
Noncurrent Liabilities--				
Compensated absences	11,060	5,399	-	12,423
Net pension liability	195,176	128,383	-	81,698
Total Noncurrent Liabilities	<u>206,236</u>	<u>133,782</u>	<u>-</u>	<u>94,121</u>
Total Liabilities	<u>590,676</u>	<u>223,284</u>	<u>4,193</u>	<u>118,338</u>
<u>Deferred Inflows of Resources</u>				
Deferred Inflows of Resources--				
Pension related resources	31,028	20,195	-	12,851
Total Deferred Inflows of Resources	<u>31,028</u>	<u>20,195</u>	<u>-</u>	<u>12,851</u>
<u>Net Position</u>				
Net Position--				
Invested in capital assets, net of related debt	340,875	677,288	834,246	963,677
Unrestricted	2,277,987	1,294,156	34,196	642,996
Total Net Position	<u>\$ 2,618,862</u>	<u>\$ 1,971,444</u>	<u>\$ 868,442</u>	<u>\$ 1,606,673</u>

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

**CITY OF SALEM, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

Statement 5

<b>Activities</b>			<b>Governmental</b>
<b>Landfill</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Activities</b>
			<b>Internal Service Funds</b>
\$ 130,865	\$ 75,302	\$ 1,894,323	\$ 926
247,182	2,495	1,042,994	131,090
-	47,490	1,627,617	-
-	-	2,492	-
-	3,078	42,723	-
-	8,858	120,015	-
-	-	310,163	-
<u>378,047</u>	<u>137,223</u>	<u>5,040,327</u>	<u>132,016</u>
-	-	263,671	-
-	83,201	414,398	-
-	8,461	2,527,338	-
-	91,662	3,205,407	-
<u>378,047</u>	<u>228,885</u>	<u>8,245,734</u>	<u>132,016</u>
-	36,980	464,164	-
-	36,980	464,164	-
-	21,801	412,911	-
-	363	3,159	-
-	2,327	76,785	-
244,018	-	244,018	-
-	-	33,988	-
<u>244,018</u>	<u>24,491</u>	<u>770,861</u>	<u>-</u>
-	3,627	32,509	-
-	35,014	440,271	-
-	38,641	472,780	-
<u>244,018</u>	<u>63,132</u>	<u>1,243,641</u>	<u>-</u>
-	5,507	69,581	-
-	5,507	69,581	-
-	91,662	2,907,748	-
134,029	105,564	4,488,928	132,016
<u>\$ 134,029</u>	<u>\$ 197,226</u>	<u>\$ 7,396,676</u>	<u>\$ 132,016</u>

**CITY OF SALEM, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Business-type</b>			
	<b>Electric</b>	<b>Water</b>	<b>Airport</b>	<b>Sewer</b>
Operating Revenues---				
Charges for services	\$ 6,176,227	\$ 611,219	\$ 23,657	\$ 582,197
Intergovernmental	-	-	43,643	-
Other	4,071	1,280	-	96
	<u>6,180,298</u>	<u>612,499</u>	<u>67,300</u>	<u>582,293</u>
Operating Expenses---				
Personnel services	563,756	310,310	-	237,581
Operations and maintenance	4,034,053	194,077	21,632	213,648
Depreciation and amortization	90,071	97,539	90,824	109,160
	<u>4,687,880</u>	<u>601,926</u>	<u>112,456</u>	<u>560,389</u>
Operating Income (Loss)	<u>1,492,418</u>	<u>10,573</u>	<u>(45,156)</u>	<u>21,904</u>
Non-operating Revenue (Expense)---				
Interest revenue	4,174	3,094	109	1,840
Interest expense	(703)	(401)	-	-
	<u>3,471</u>	<u>2,693</u>	<u>109</u>	<u>1,840</u>
Income (Loss) Before Capital Contributions and Transfers	1,495,889	13,266	(45,047)	23,744
Capital contributions	-	104,537	-	-
Transfers in (out)	(996,313)	-	32,200	-
Change in Net Position	499,576	117,803	(12,847)	23,744
Net Position at beginning of year (restated)	2,119,286	1,853,641	881,289	1,582,929
Net Position at end of year	<u>\$ 2,618,862</u>	<u>\$ 1,971,444</u>	<u>\$ 868,442</u>	<u>\$ 1,606,673</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, 2016**

Statement 6

Activities			Governmental Activities
Landfill	Nonmajor Enterprise Funds	Totals	Internal Service Funds
\$ -	\$ 282,358	\$ 7,675,658	\$ -
-	-	43,643	-
-	662	6,109	6,000
-	283,020	7,725,410	6,000
-	127,570	1,239,217	-
229	252,372	4,716,011	18,829
-	5,161	392,755	-
229	385,103	6,347,983	18,829
(229)	(102,083)	1,377,427	(12,829)
1,428	296	10,941	336
-	-	(1,104)	-
1,428	296	9,837	336
1,199	(101,787)	1,387,264	(12,493)
-	-	104,537	-
-	98,637	(865,476)	-
1,199	(3,150)	626,325	(12,493)
132,830	200,376	6,770,351	144,509
<u>\$ 134,029</u>	<u>\$ 197,226</u>	<u>\$ 7,396,676</u>	<u>\$ 132,016</u>



**CITY OF SALEM, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Electric</u>	<u>Water</u>	<u>Airport</u>
Cash Flows from Operating Activities---			
Cash received from customers	\$ 5,893,082	\$ 581,683	\$ 107,360
Cash payments to suppliers	(3,978,446)	(190,633)	(78,713)
Cash payments to employees	(528,386)	(286,091)	-
Other receipts (payments)	-	-	-
Net Cash Provided (Used) by Operating Activities	<u>1,386,250</u>	<u>104,959</u>	<u>28,647</u>
Cash Flows from Noncapital Financing Activities---			
Transfers in (out)	(996,313)	-	32,200
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(996,313)</u>	<u>-</u>	<u>32,200</u>
Cash Flows from Capital and Related Financing Activities---			
Acquisition and construction of fixed assets	-	(94,377)	(48,251)
Principal payment on capital debt	(23,301)	(9,759)	-
Interest paid on capital debt	(703)	(401)	-
Capital transfers from other funds	-	104,537	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(24,004)</u>	<u>-</u>	<u>(48,251)</u>
Cash Flows from Investing Activities---			
Interest receipts/purchase of investments	4,170	2,190	109
Proceeds from sale and maturity of investments	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>4,170</u>	<u>2,190</u>	<u>109</u>
Net Increase (Decrease) in cash and cash equivalents	370,103	107,149	12,705
Cash and Cash Equivalents at beginning of year	489,887	492,275	20,077
Cash and Cash Equivalents at end of year	<u>\$ 859,990</u>	<u>\$ 599,424</u>	<u>\$ 32,782</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 1,492,418	\$ 10,573	\$ (45,156)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization	90,071	97,539	90,824
Changes in assets and liabilities---			
Accounts receivable	(287,216)	(30,816)	40,060
Inventory	30,704	-	-
Pension accruals	34,330	22,214	-
Accounts payable	24,903	3,444	(57,081)
Accrued liabilities	1,040	2,005	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,386,250</u>	<u>\$ 104,959</u>	<u>\$ 28,647</u>

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



**CITY OF SALEM, MISSOURI**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2016**

Statement 8

	<b>Deferred Compensation Trust Fund</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Cash	\$ -	\$ 81,571
Certificates of deposit	-	327,022
Investments	246,472	-
Other assets	-	3,817
Total assets	\$ 246,472	\$ 412,410
<b>Liabilities:</b>		
Accounts payable	\$ -	\$ 42,722
Utility deposits payable	-	213,048
Total liabilities	-	255,770
<b>Net Position:</b>		
Held in Trust	246,472	156,640
Unreserved	-	-
Total net position	246,472	156,640
Total liabilities and net position	\$ 246,472	\$ 412,410

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, 2016**

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Statement 9

	<b>Deferred Compensation Trust Fund</b>
<b>ADDITIONS:</b>	
Contributions	\$ 18,944
Total additions	18,944
 <b>DEDUCTIONS:</b>	
Distributions	10,000
Net decrease in the fair value of investments	4,950
Total deductions	14,950
Change in net position	3,994
Net position - beginning of year	242,478
Net position - end of year	\$ 246,472

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**Measurement Focus**

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

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

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

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

**Basis of Accounting**

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

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

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

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

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

**The Reporting Entity**

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

**Basis of Presentation**

*Government-wide Financial Statements:*

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Fund Financial Statements:*

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

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

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

**Governmental Funds**

*General Fund*

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

*Special Revenue Fund*

The Street fund is used to account for the proceeds of special revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

*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.

**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, Sewer and Landfill funds.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*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, 2016. Customer accounts receivable consists of amounts owed from private individuals or organizations for goods and services. As of June 30, 2016, net utility receivables include an allowance for doubtful accounts of \$495,000.

**Inventories**

Inventories at June 30, 2016, are recorded at the lower of cost or market on a first-in, first-out basis. Enterprise fund inventories are recorded with inventory variations included in the expense accounts.

**Property and Equipment**

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

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

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

**Compensated Absences**

The City's employees had an accumulation of unpaid compensated absences of \$140,476 at June 30, 2016.



**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**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 receivable 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 2015 was \$47,173,766 for real estate and personal property. The tax levy per \$100 assessed valuation of tangible taxable property for the calendar year 2015 was \$0.6374 for the general fund.

**Deferred Outflows/Inflows or Resources**

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

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

**Equity Classifications**

*Government-wide Statements and Proprietary Fund Statements*

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

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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*Governmental Fund Statements*

As of June 30, 2016, 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, 2016, fund balances are composed of the following:

	General	Street	Capital Improvements	Other Governmental Funds	Permanent Fund	Total Governmental Funds
Nonspendable:						
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ 291,761	\$ 291,761
Restricted:						
Capital projects	-	-	538,848	-	-	538,848
Cemetery	-	-	-	-	283,313	283,313
Assigned:						
Transportation	-	732,885	-	-	-	732,885
Unassigned	53,069	-	-	1,916	-	54,985
	<u>\$ 53,069</u>	<u>\$ 732,885</u>	<u>\$ 538,848</u>	<u>\$ 1,916</u>	<u>\$ 575,074</u>	<u>\$ 1,901,792</u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed unless the Board of Aldermen has provided otherwise in its commitment or assignment actions.

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**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 2016, 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, 2016, the carrying amount of the City's deposits in cash and cash equivalents were fully insured.

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

**NOTE 3 – CONTRACTS**

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 4 – INTERFUND TRANSACTIONS**

Occasionally, interfund transfers are needed to temporarily support operations of a particular fund. These transfers are to be paid back as the funds become available. Therefore, these transfers are reported as due to/from other funds in the financial statements. As of June 30, 2016, internal balances that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ -	\$ 51,341
Street	45,129	-
Capital improvements	10,856	-
Non-major Gov't Funds	-	47,874
Electric	44,451	-
Water	-	8,619
Airport	3,046	-
Sewer	-	2,179
Non-major Bus-Type Funds	6,531	-
	<u>\$ 110,013</u>	<u>\$ 110,013</u>

Interfund transfers during the year ended June 30, 2016 were as follows:

	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General Fund	\$ 927,901	\$ -
Street	6,905	-
Capital Improvement Funds	-	180,964
Non-major Gov't Funds	7,097	-
Electric	-	996,313
Water	104,537	-
Airport	32,200	-
Non-major Bus-Type Funds	98,637	-
	<u>\$ 1,177,277</u>	<u>\$ 1,177,277</u>

**NOTE 5 – SELF INSURANCE**

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 6 – LONG-TERM DEBT**

The following is a summary of long-term debt activity of the City for the year ended June 30, 2016:

	Long-term Obligations at 7/1/2015	Additions	Reductions	Long-term Obligations at 6/30/2016	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Capital lease	\$ 200,383	\$ 128,437	\$ 113,875	\$ 214,945	\$ 117,639
Compensated absences	93,550	14,417	-	107,967	-
	<u>\$ 202,060</u>	<u>\$ 142,854</u>	<u>\$ 113,875</u>	<u>\$ 322,912</u>	<u>\$ 117,639</u>
<b><u>Business-Type Activities:</u></b>					
Capital lease	\$ 67,048	\$ -	\$ 33,060	\$ 33,988	\$ 33,988
Compensated absences	24,704	7,805	-	32,509	-
	<u>\$ 54,421</u>	<u>\$ 7,805</u>	<u>\$ 33,060</u>	<u>\$ 66,497</u>	<u>\$ 33,988</u>

**Capital Leases**

The City has property and equipment carried at approximately \$454,254, with approximately \$132,633 in accumulated depreciation, which are currently held under capital lease arrangements.

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

<u>Fiscal Year</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	121,646	34,573
2018	83,168	-
2019	16,206	-
Total minimum lease payments	221,020	34,573
Less interest	6,075	585
Present value of minimum payments	<u>\$ 214,945</u>	<u>\$ 33,988</u>

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 7 – FIXED ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance 6/30/2015	Increases	Decreases	Balance 6/30/2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 90,150	\$ -	\$ -	\$ 90,150
Total capital assets not being depreciated	90,150	-	-	90,150
Capital assets being depreciated:				
Buildings	753,269	-	-	753,269
Improvements	3,099,029	130,958	-	3,229,987
Equipment	1,592,175	189,607	-	1,781,782
Infrastructure	14,037,357	-	-	14,037,357
Total capital assets being depreciated	19,481,830	320,565	-	19,802,395
Less accumulated depreciation:				
Buildings	(181,938)	(21,032)	-	(202,970)
Improvements	(1,449,131)	(180,601)	-	(1,629,732)
Equipment	(1,164,540)	(126,610)	-	(1,291,150)
Infrastructure	(12,454,206)	(73,628)	-	(12,527,834)
Total accumulated depreciation	(15,249,815)	(401,871)	-	(15,651,686)
Total capital assets being depreciated, net	4,232,015	(81,306)	-	4,150,709
Governmental Activities Capital assets, net	\$ 4,322,165	\$ (81,306)	\$ -	\$ 4,240,859

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

Administrative	\$ 66,186
Street	226,927
Safety	41,803
Leisure	58,479
Health & Social Services	8,476
Total governmental activities	<u>\$ 401,871</u>

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	Balance 6/30/2015	Increases	Decreases	Balance 6/30/2016
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 198,641	\$ -	\$ -	\$ 198,641
Construction in process	215,757	23,156	(215,757)	23,156
Total capital assets not being depreciated	414,398	23,156	(215,757)	221,797
Capital assets being depreciated:				
Buildings	80,079	-	-	80,079
Improvements	6,381,219	358,386	-	6,739,605
Equipment	4,440,351	5,285	-	4,445,636
Infrastructure	2,121,762	-	-	2,121,762
Total capital assets being depreciated	13,023,411	363,671	-	13,387,082
Less accumulated depreciation:				
Buildings	(79,553)	(366)	-	(79,919)
Improvements	(4,693,906)	(234,529)	-	(4,928,435)
Equipment	(3,629,878)	(119,733)	-	(3,749,611)
Infrastructure	(1,871,050)	(38,128)	-	(1,909,178)
Total accumulated depreciation	(10,274,387)	(392,756)	-	(10,667,143)
Total capital assets being depreciated, net	2,749,024	(29,085)	-	2,719,939
Business-Type Activities Capital assets, net	\$ 3,163,422	\$ (5,929)	\$ (215,757)	\$ 2,941,736

**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 consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

*Benefits provided.* LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<b>2016 Valuation</b>
Benefit Multiplier	2.00%
Final Average Salary	3 years
Member Contributions	4.00%

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

*Employees covered by benefit terms.* At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	9
Active employees	55
	98

*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 10.4% (Police) of annual covered payroll.

*Net Pension Liability.* The employer's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2016.

*Actuarial assumptions.* The total pension liability in the February 28, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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



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

The actuarial assumptions used in the February 28, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
<b>Balances at 6/30/2015</b>	9,909,334	9,586,015	323,319
<b>Changes for the year:</b>			
Service cost	290,776	-	290,776
Interest	717,657	-	717,657
Difference between expected and actual experience	(206,963)	-	(206,963)
Changes in assumptions	409,466		409,466
Contributions - employer	-	299,388	(299,388)
Contributions - employee	-	91,764	(91,764)
Net investment income	-	(24,019)	24,019
Benefit payments, including refunds	(312,388)	(312,388)	-
Administrative expense	-	(7,908)	7,908
Other changes	-	7,915	(7,915)
Net changes	898,548	54,752	843,796
<b>Balances at 6/30/2016</b>	10,807,882	9,640,767	1,167,115

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

<b>Current Single Discount</b>		
<b>1% Decrease</b>	<b>Rate Assumption</b>	<b>1% Increase</b>
2,760,624	1,167,115	(144,734)

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

For the year ended June 30, 2016, the employer recognized pension expense of \$501,327. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference in experience	\$ 21,284	\$ (183,586)
Change in assumptions	335,260	-
Excess (deficit) investment returns	876,136	-
Total	\$ 1,232,680	\$ (183,586)

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

<b>Year Ending June 30</b>	<b>Net Deferred Outflows of Resources</b>
2017	\$ 282,456
2018	282,456
2019	282,452
2020	182,347
2021	19,383
Thereafter	-
<b>Total</b>	<b>\$ 1,049,094</b>

**Payable to the Pension Plan**

At June 30, 2016, the City reported a payable of \$34,922 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

**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, 2016**

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

**NOTE 10 – LONG TERM CONTRACT**

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

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

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

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

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

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

**CITY OF SALEM, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

**NOTE 11 – RESTRICTED CASH AND FUND BALANCE**

The Capital Improvement Sales Tax fund is restricted for capital expenditures and the account had a balance of \$487,167 as of June 30, 2016.

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 year-end, these two accounts totaled \$575,074 and are shown as restricted on the Statement of Net Position.

**NOTE 12 – TAX COLLECTION AGREEMENT**

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

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

**Pending Litigation**

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

**Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and, natural disasters. Worker's compensation insurance premiums are retrospectively rated and could result in an amount due as a result of an audit of the insurance premiums. Adjustments from this audit cannot be reasonably estimated at this time and management estimates that any settlement amount would not materially affect the financial statements of the City.

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

**NOTE 14 – LANDFILL POST-CLOSURE CARE COST**

The City owned and operated a landfill site that stopped accepting waste on October 9, 1993. Upon the closure activities being completed, the post-closure period began. Initially, the post-closure costs were estimated at \$419,130 and have since been reduced to \$244,018. 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, 2016**

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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, 2016, the contract was still in effect and a certificate of deposit in the amount of approximately \$247,000 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 \$244,018 has also been recorded to reflect the estimated post-closure costs payable upon termination of this agreement.

**NOTE 15 – PRIOR PERIOD ADJUSTMENT**

The City reached an agreement with the Missouri Department of Transportation (MoDOT) during August 2015, which changed the original agreement from fiscal year 2015 regarding the MacArthur/Route J street improvement project. The amended agreement resulted in MoDOT assuming responsibility for Route J rather than turning the street over to the City. A prior period adjustment was recorded to correct this issue, resulting in a decrease to the beginning net position in the Governmental funds of \$63,904 and \$289,296 in the Water fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SALEM, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Resources (Inflows):</b>				
Taxes:				
City taxes collected by county	\$ 292,000	\$ 292,000	\$ 298,619	\$ 6,619
Sales tax	1,100,000	1,100,000	1,114,802	14,802
Financial institution tax	8,500	8,500	12	(8,488)
Railroad & utility tax	2,000	2,000	1,811	(189)
Franchise tax	85,000	85,000	112,284	27,284
Telecommunications license tax	150,000	150,000	54,530	(95,470)
Sur tax	50,000	50,000	50,325	325
Penalties on delinquent taxes	7,200	7,200	5,899	(1,301)
Total taxes	<u>1,694,700</u>	<u>1,694,700</u>	<u>1,638,282</u>	<u>(56,418)</u>
Fines, licenses, permits				
Filing fees	100	100	175	75
Pit bull fee	500	500	200	(300)
Post commission reimbursement	500	500	500	-
Fines - municipal court	20,000	20,000	9,866	(10,134)
Liquor licenses	4,875	4,875	4,613	(262)
Board bills	5,500	5,500	8,782	3,282
Traffic fines	12,000	12,000	8,695	(3,305)
Impound fees	-	-	200	200
Merchants licenses	10,000	10,000	8,868	(1,132)
Total permits, fees and licenses	<u>53,475</u>	<u>53,475</u>	<u>41,899</u>	<u>(11,576)</u>
Miscellaneous:				
Rent - water tower	1,200	1,200	-	(1,200)
Sale of fixed assets	75,000	75,000	-	(75,000)
Special police services	2,200	2,200	362	(1,838)
Super NOW interest	613	613	99	(514)
Library service fee	1,000	1,000	1,000	-
Rents/royalties - City Hall	3,500	3,500	2,325	(1,175)
Miscellaneous income	3,400	3,400	7,943	4,543
Police copy money	800	800	770	(30)
Total miscellaneous	<u>87,713</u>	<u>87,713</u>	<u>12,499</u>	<u>(75,214)</u>
Operating transfers in	1,009,703	1,009,703	1,009,703	-
<b>Amounts available</b>	<u>2,845,591</u>	<u>2,845,591</u>	<u>2,702,383</u>	<u>(143,208)</u>
<b>Charges (Outflows):</b>				
Animal Control:				
Personnel	53,902	53,902	53,260	642
Maintenance	5,925	5,925	4,437	1,488
Supplies	3,450	3,450	2,668	782
Utilities	5,900	5,900	4,798	1,102
Miscellaneous	9,650	9,650	9,682	(32)
Total animal control	<u>78,827</u>	<u>78,827</u>	<u>74,845</u>	<u>3,982</u>
Attorney:				
Personnel	30,451	30,451	30,410	41
Office supplies	200	200	136	64
Maintenance	800	800	-	800
Miscellaneous	250	250	-	250
Total attorney	<u>31,701</u>	<u>31,701</u>	<u>30,546</u>	<u>1,155</u>



**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
City Collector:				
Office supplies	250	250	200	50
Special services - Dent County	16,000	16,000	18,469	(2,469)
Total city collector	<u>16,250</u>	<u>16,250</u>	<u>18,669</u>	<u>(2,419)</u>
City Treasurer:				
Personnel	2,428	2,428	2,438	(10)
Miscellaneous	100	100	100	-
Total city treasurer	<u>2,528</u>	<u>2,528</u>	<u>2,538</u>	<u>(10)</u>
Civil Defense:				
Maintenance - equipment	4,000	4,000	1,624	2,376
Miscellaneous	600	600	-	600
Total civil defense	<u>4,600</u>	<u>4,600</u>	<u>1,624</u>	<u>2,976</u>
Municipal Court:				
Personnel	9,825	9,825	10,011	(186)
Miscellaneous	175	175	-	175
Total municipal court	<u>10,000</u>	<u>10,000</u>	<u>10,011</u>	<u>(11)</u>
City Administrator:				
Personnel	98,199	98,199	91,930	6,269
Supplies	700	700	68	632
Maintenance	500	500	-	500
Miscellaneous	2,885	2,885	1,974	911
Utilities	1,000	1,000	1,298	(298)
Total city administrator	<u>103,284</u>	<u>103,284</u>	<u>95,270</u>	<u>8,014</u>
City Clerk:				
Personnel	79,588	79,588	81,380	(1,792)
Maintenance	2,500	2,500	1,779	721
Supplies	1,150	1,150	1,690	(540)
Utilities	1,800	1,800	1,622	178
Miscellaneous	3,765	3,765	3,798	(33)
Total city clerk	<u>88,803</u>	<u>88,803</u>	<u>90,269</u>	<u>(1,466)</u>
Sidewalk Construction Department:				
Personnel	30,733	30,733	27,545	3,188
Maintenance	9,500	9,500	3,944	5,556
Supplies	4,550	4,550	4,541	9
Utilities	2,240	2,240	1,596	644
Miscellaneous	5,300	5,300	4,995	305
Total sidewalk construction dept	<u>52,323</u>	<u>52,323</u>	<u>42,621</u>	<u>9,702</u>
Maintenance Department:				
Personnel	63,928	63,928	63,541	387
Maintenance	1,400	1,400	94	1,306
Supplies	7,800	7,800	3,116	4,684
Utilities	900	900	896	4
Miscellaneous	2,000	2,000	1,773	227
Total maintenance dept	<u>76,028</u>	<u>76,028</u>	<u>69,420</u>	<u>6,608</u>

**CITY OF SALEM, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Mayor and Board:</b>				
Personnel	37,859	37,859	38,841	(982)
Maintenance	200	200	226	(26)
Supplies	200	200	694	(494)
Utilities	500	500	613	(113)
Miscellaneous	2,000	2,000	3,228	(1,228)
Total mayor and board	<u>40,759</u>	<u>40,759</u>	<u>43,602</u>	<u>(2,843)</u>
<b>Non-departmental:</b>				
Personnel	97,241	97,241	95,666	1,575
Maintenance	5,200	5,200	11,280	(6,080)
Supplies	6,150	6,150	5,945	205
Utilities	30,875	30,875	28,115	2,760
Miscellaneous	145,170	145,170	126,417	18,753
Total non-departmental	<u>284,636</u>	<u>284,636</u>	<u>267,423</u>	<u>17,213</u>
<b>Police</b>				
Personnel	996,118	996,118	1,019,629	(23,511)
Maintenance	22,200	22,200	18,713	3,487
Supplies	8,300	8,300	7,786	514
Utilities	15,675	15,675	16,830	(1,155)
Miscellaneous	88,800	88,800	74,503	14,297
Total police	<u>1,131,093</u>	<u>1,131,093</u>	<u>1,137,461</u>	<u>(6,368)</u>
<b>Street</b>				
Personnel	471,895	471,895	467,251	4,644
Maintenance	72,200	72,200	67,566	4,634
Supplies	11,400	11,400	11,419	(19)
Utilities	5,450	5,450	4,851	599
Miscellaneous	41,100	41,100	27,083	14,017
Capital improvements	-	-	11	(11)
Total street	<u>602,045</u>	<u>602,045</u>	<u>578,181</u>	<u>23,864</u>
<b>Freedom Center</b>				
Supplies	2,000	2,000	2,004	(4)
Maintenance	5,000	5,000	1,696	3,304
Utilities	20,625	20,625	17,858	2,767
Miscellaneous	1,550	1,550	2,345	(795)
Total Freedom Center	<u>29,175</u>	<u>29,175</u>	<u>23,903</u>	<u>5,272</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Economic Development				
Utilities	600	600	689	(89)
Miscellaneous	11,850	11,850	12,971	(1,121)
Total Freedom Center	<u>12,450</u>	<u>12,450</u>	<u>13,660</u>	<u>(1,210)</u>
Operating transfers out	<u>127,036</u>	<u>127,036</u>	<u>119,124</u>	<u>7,912</u>
<b>Total charges</b>	<u>2,691,538</u>	<u>2,691,538</u>	<u>2,619,167</u>	<u>72,371</u>
<b>Excess Receipts Over/(Under) Expenses</b>	<u>\$ 154,053</u>	<u>\$ 154,053</u>	<u>\$ 83,216</u>	<u>\$ (70,837)</u>

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

**Revenue:**

Actual total revenue budgetary basis	\$ 2,702,383
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	46,957
Transfer in	<u>37,322</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 2,786,662</u>

**Expenditures:**

Actual total expenditures budgetary basis	\$ 2,619,167
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	<u>74,965</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	<u>\$ 2,694,132</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Street Fund</b>				
Resources (Inflows):				
Super NOW interest	\$ 1,600	\$ 1,600	\$ 2,819	\$ 1,219
Fee increase	20,000	20,000	21,833	1,833
Gas Tax	125,000	125,000	131,089	6,089
Reserve from prior year	100,000	100,000	-	(100,000)
Sales Tax	30,000	30,000	41,903	11,903
Total Resources	<u>276,600</u>	<u>276,600</u>	<u>197,644</u>	<u>(78,956)</u>
Charges (Outflows):				
Maintenance	152,000	152,000	136,490	15,510
Capital improvements	123,241	123,241	74,462	48,779
Total Charges	<u>275,241</u>	<u>275,241</u>	<u>210,952</u>	<u>64,289</u>
Increase (Decrease) in Fund	<u>\$ 1,359</u>	<u>\$ 1,359</u>	<u>\$ (13,308)</u>	<u>\$ (14,667)</u>
 <b>Park Fund</b>				
Resources (Inflows):				
Sales tax	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 237,455</u>	<u>\$ (12,545)</u>
Charges for services:				
Al Brown concession	750	750	-	(750)
Ball sign-up fees	12,000	12,000	10,540	(1,460)
Little league concession	5,500	5,500	3,796	(1,704)
Little league field user fee	-	-	400	400
Little league sponsors	2,000	2,000	6,200	4,200
Pool concession	4,000	4,000	3,964	(36)
Al Brown field user fees	2,000	2,000	860	(1,140)
Basketball user fees	2,000	2,000	5,095	3,095
Ball team sponsor	-	-	532	532
Kickball user fee	-	-	375	375
Pavillion rentals	1,100	1,100	1,125	25
Pool receipts	15,000	15,000	15,370	370
Soccer user fees	2,500	2,500	3,580	1,080
Football donation - equipment	-	-	2,000	2,000
Flag football user fees	1,500	1,500	-	(1,500)
Flag football sponsor fee	1,000	1,000	-	(1,000)
Recycling Grant	20,000	20,000	6,423	(13,577)
Miscellaneous	100	100	4,062	3,962
Reserves from prior year	15,000	15,000	-	(15,000)
Insufficient check charge	60	60	-	(60)
Total charges for services	<u>84,510</u>	<u>84,510</u>	<u>64,322</u>	<u>(20,188)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Amounts available</b>	<u>334,510</u>	<u>334,510</u>	<u>301,777</u>	<u>(32,733)</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Park Fund (cont.)</b>				
Charges (Outflows):				
Capital improvements	\$ 20,000	\$ 20,000	\$ 13,291	\$ 6,709
Personnel	212,052	212,052	197,433	14,619
Maintenance	28,600	28,600	31,047	(2,447)
Supplies	12,700	12,700	9,710	2,990
Utilities	16,000	16,000	16,039	(39)
Miscellaneous	26,050	26,050	29,636	(3,586)
Total Outflows	<u>315,402</u>	<u>315,402</u>	<u>297,156</u>	<u>18,246</u>
Increase (Decrease) in Fund	<u>\$ 19,108</u>	<u>\$ 19,108</u>	<u>\$ 4,621</u>	<u>\$ (14,487)</u>
<b>Police Dept Law Enforcement Fund</b>				
Resources (Inflows):				
Breathalyzer reimbursement cost	\$ 4,000	\$ 4,000	\$ 3,185	\$ (815)
Reserves from prior year	7,500	7,500	-	(7,500)
Super NOW interest	5	5	35	30
Total Resources	<u>11,505</u>	<u>11,505</u>	<u>3,220</u>	<u>(8,285)</u>
Charges (Outflows):				
Travel & training	11,305	11,305	2,115	9,190
Miscellaneous	200	200	500	(300)
Total Outflows	<u>11,505</u>	<u>11,505</u>	<u>2,615</u>	<u>8,890</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 605</u>	<u>\$ 605</u>
<b>Officers Training Fund</b>				
Resources (Inflows):				
Special police services	\$ 700	\$ 700	\$ 713	\$ 13
Reserves from prior year	2,500	2,500	-	(2,500)
Speical NOW interest	5	5	10	5
Total Resources	<u>3,205</u>	<u>3,205</u>	<u>723</u>	<u>(2,482)</u>
Charges (Outflows):				
Memberships	300	300	-	300
Travel	2,905	2,905	661	2,244
Total Outflows	<u>3,205</u>	<u>3,205</u>	<u>661</u>	<u>2,544</u>
Increase (Decrease) in Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 62</u>
<b>Salem Fireworks Fund</b>				
Resources (Inflows):				
Donations	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Super NOW interest	3	3	-	(3)
Total Resources	<u>1,003</u>	<u>1,003</u>	<u>-</u>	<u>(1,003)</u>
Transfers In:	<u>7,097</u>	<u>7,097</u>	<u>7,097</u>	<u>-</u>
<b>Amount Available</b>	<u>8,100</u>	<u>8,100</u>	<u>7,097</u>	<u>(1,003)</u>
Charges (Outflows):				
Fireworks	8,000	8,000	24,000	(16,000)
Miscellaneous	-	-	1,836	(1,836)
Advertising	100	100	-	100
Total Outflows	<u>8,100</u>	<u>8,100</u>	<u>25,836</u>	<u>(17,736)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,739)</u>	<u>\$ (18,739)</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Building Permit</b>				
Resources (Inflows):				
Building permits	\$ 5,500	\$ 5,500	\$ 4,509	\$ (991)
Building permit deposit	-	-	2,900	2,900
Special assessments	-	-	3,980	3,980
Inspection fees	900	900	931	31
Miscellaneous	-	-	29	29
Super NOW interest	240	240	238	(2)
Reserve from prior year	6,222	6,222	-	(6,222)
Total Resources	<u>12,862</u>	<u>12,862</u>	<u>12,587</u>	<u>(275)</u>
Charges (Outflows):				
Supplies	200	200	328	(128)
Maintenance	-	-	112	(112)
Miscellaneous	12,660	12,660	4,502	8,158
Utilities	2	2	-	2
Total Outflows	<u>12,862</u>	<u>12,862</u>	<u>4,942</u>	<u>7,920</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,645</u>	<u>\$ 7,645</u>
<b>Inmate Security Fund</b>				
Resources (Inflows):				
Inmate security fees	\$ 650	\$ 650	\$ 482	\$ (168)
Reserve from prior year	200	200	-	(200)
Super NOW interest	10	10	1	(9)
Total Resources	<u>860</u>	<u>860</u>	<u>483</u>	<u>(377)</u>
Charges (Outflows):				
Prisoner Sub.	860	860	400	460
Total Outflows	<u>860</u>	<u>860</u>	<u>400</u>	<u>460</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83</u>	<u>\$ 83</u>
<b>Local Law Enforcement Grant</b>				
Resources (Inflows):				
Local law enforcement grant funds	\$ 600	\$ 600	\$ 10,415	\$ 9,815
Super NOW interest	-	-	9	9
Total Resources	<u>600</u>	<u>600</u>	<u>10,424</u>	<u>9,824</u>
Charges (Outflows):				
Equipment maintenance	600	600	2,318	(1,718)
Capital Improvements	-	-	8,105	(8,105)
Total Outflows	<u>600</u>	<u>600</u>	<u>10,423</u>	<u>(9,823)</u>
Increase (Decrease) in Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

**CITY OF SALEM, MISSOURI  
BUDGETARY COMPARISON SCHEDULE  
SPECIAL REVENUE FUNDS  
YEAR ENDED JUNE 30, 2016**

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

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

**Revenue:**

Actual total revenue budgetary basis	\$ 533,957
Differences - Budget to GAAP	
Change in accounts receivable and other adjustments	(12,415)
Proceeds from debt issuance	76,107
Transfer in	<u>6,905</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 604,554</u>

**Expenditures:**

Actual total expenditures budgetary basis	\$ 552,985
Differences - Budget to GAAP	
Change in accrued liabilities and other adjustments	<u>7,609</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - Special Revenue Funds	<u>\$ 560,594</u>

**CITY OF SALEM, MISSOURI**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**JUNE 30, 2016**

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**Budgets and Budgetary Accounting**

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

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

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

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



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

Fiscal year ending June 30,	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>		
Service Cost	\$ 290,776	\$ 283,978
Interest on Total Pension Liability	717,657	669,795
Difference between expected and actual experience	(206,963)	10,891
Changes in assumptions	409,466	-
Benefit payments, including refunds	<u>(312,388)</u>	<u>(303,445)</u>
Net change in total pension liability	898,548	661,219
Total pension liability - beginning	<u>9,909,334</u>	<u>9,248,115</u>
Total pension liability - ending	<u><u>\$ 10,807,882</u></u>	<u><u>\$ 9,909,334</u></u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 299,388	\$ 322,783
Contributions - employee	91,764	91,238
Net investment income	(24,019)	178,898
Benefit payments, including refunds	(312,388)	(303,445)
Pension Plan Administrative Expense	(7,908)	(8,947)
Other (Net Transfer)	<u>7,915</u>	<u>42,141</u>
Net change in plan fiduciary net position	54,752	322,668
Plan fiduciary net position - beginning	<u>9,586,015</u>	<u>9,263,347</u>
Plan fiduciary net position - ending	<u><u>\$ 9,640,767</u></u>	<u><u>\$ 9,586,015</u></u>
<b>Net pension liability(asset) - ending</b>	<b>\$ 1,167,115</b>	<b>\$ 323,319</b>
Plan fiduciary net position as a percentage of the total pension liability	89.20%	96.74%
Covered-employee payroll	\$ 2,215,410	\$ 2,297,016
Net pension liability as a percentage of covered employee payroll	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined pension contribution	299,389	322,783	328,997	311,551	302,901	330,933	262,748	182,391	183,270	191,538
Contribution in relation to the actuarially determined contribution	299,389	322,783	319,840	303,238	292,271	282,092	262,748	182,391	183,270	191,538
Contribution deficiency (excess)	-	-	9,157	8,313	10,630	48,841	-	-	-	-
Covered employee payroll	2,294,095	2,280,963	2,179,746	1,946,965	1,870,364	1,935,040	1,932,741	1,886,006	1,901,516	1,818,267
Covered employee payroll contributions as a percentage of covered employee payroll	13.05%	14.15%	14.67%	15.57%	15.63%	14.58%	13.59%	9.67%	9.64%	10.53%

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 13 to 24 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	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.