

City of Republic, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2017

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Republic
Republic, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Republic, Missouri, as of and for the year ended December 31, 2017, 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.

Auditors' 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 auditors' 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 City'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 City'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.

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Honorable Mayor and City Council
City of Republic
Republic, Missouri

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, and each major fund of the City of Republic, Missouri, as of December 31, 2017, 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 Management's Discussion and Analysis, pension information, and budgetary comparison schedules 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2018, on our consideration of the City of Republic, Missouri's internal control over financial reporting and 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 the 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 of Republic, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

The management's discussion and analysis of the City of Republic's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2017. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities, which consists of General Fund, Street Fund, Stormwater Fund, Park Fund, Fire Sales Tax Fund, and Capital Improvement Sales Tax Fund, increased by \$1,794,510 for the year as a result of current year activities. The net position of the City's business-type activities increased by \$1,436,268 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2017, by \$37.3 million (net position). Of this amount \$8.2 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$1,597,018.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in it. The City's net position – the difference between assets, net deferred outflows/inflows of resources, and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.
- Proprietary Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2017, and 2016:

	Governmental Activities	Business-Type Activities	Total December 31, 2017	Total December 31, 2016
ASSETS				
Current and other assets	\$ 8,257,637	\$ 5,126,453	\$ 13,384,090	\$ 14,498,622
Capital assets	21,083,640	24,450,262	45,533,902	42,829,855
	<u>29,341,277</u>	<u>29,576,715</u>	<u>58,917,992</u>	<u>57,328,477</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	618,964	140,123	759,087	997,181
LIABILITIES				
Other liabilities	1,457,745	2,118,461	3,576,206	3,776,775
Long-term liabilities outstanding	7,287,682	8,461,786	15,749,468	17,346,486
Net pension liability	2,339,408	564,134	2,903,542	3,062,029
	<u>11,084,835</u>	<u>11,144,381</u>	<u>22,229,216</u>	<u>24,185,290</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	166,065	27,328	193,393	116,676
NET POSITION				
Net investment in capital assets	12,997,707	14,693,049	27,690,756	23,393,105
Restricted	-	1,361,857	1,361,857	2,100,809
Unrestricted	5,711,634	2,490,223	8,201,857	8,529,778
	<u>\$ 18,709,341</u>	<u>\$ 18,545,129</u>	<u>\$ 37,254,470</u>	<u>\$ 34,023,692</u>

Total net position of the City increased by \$3,230,778 for the year due to current year activity. Total liabilities for the City have decreased by \$1,956,074. During the year, the City decreased its long-term liabilities by \$1,597,018. Restricted net position of the City totaled \$1,361,857 as of December 31, 2017. This amount primarily represents monies that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2017	Total Year Ended December 31, 2016
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,317,627	\$ 5,093,995	\$ 6,411,622	\$ 6,159,655
Operating grants and contributions	5,860	-	5,860	15,311
Capital grants and contributions	552,528	-	552,528	196,396
General Revenues				
Sales taxes	7,133,016	-	7,133,016	6,761,943
Ad valorem taxes	1,164,398	-	1,164,398	1,097,709
Motor vehicle and gas taxes	596,519	-	596,519	585,394
Other taxes	49,880	-	49,880	31,400
Franchise fees	805,925	-	805,925	758,226
County reimbursements	109,956	-	109,956	106,464
Interest	77,127	232,302	309,429	279,469
Other revenue	121,885	285,373	407,258	440,052
Transfers	512,175	(512,175)	-	-
Special Item:				
Gain on asset disposal	-	2,111	2,111	138,049
TOTAL REVENUES AND TRANSFERS	12,446,896	5,101,606	17,548,502	16,570,068
EXPENSES				
Administrative	2,005,060	-	2,005,060	365,316
Information technology	-	-	-	245,274
Human resources	-	-	-	87,779
Finance	-	-	-	219,349
Municipal court	123,467	-	123,467	126,341
Economic development	370,206	-	370,206	402,510
Police	2,183,887	-	2,183,887	2,154,407
Fire	1,553,651	-	1,553,651	1,323,247
Emergency management	12,287	-	12,287	96,397
Animal control	77,737	-	77,737	74,259
Street	1,481,894	-	1,481,894	1,045,464
Stormwater	249	-	249	30,955
Parks and recreation	2,398,378	-	2,398,378	2,154,393
Land acquisition	-	-	-	411,054
Debt service	445,570	-	445,570	310,724
Water	-	1,864,682	1,864,682	2,364,241
Sewer	-	1,800,656	1,800,656	1,400,444
TOTAL EXPENSES	10,652,386	3,665,338	14,317,724	12,812,154
INCREASE IN NET POSITION	\$ 1,794,510	\$ 1,436,268	\$ 3,230,778	\$ 3,757,914

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017**

Governmental Activities

Governmental activities increased the net position of the City by \$1,794,510. Tax revenues for the City were \$9,749,738. Program revenues for the functions totaled \$1,876,015. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF REPUBLIC'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 2,005,060	\$ 1,950,843
Municipal court	123,467	(35,038)
Economic development	370,206	124,289
Police	2,183,887	2,157,730
Fire	1,553,651	1,553,651
Emergency management	12,287	(296,682)
Animal control	77,737	77,737
Street	1,481,894	1,236,861
Stormwater	249	249
Parks and recreation	2,398,378	1,561,161
Debt Service	445,570	445,570
	<u>\$ 10,652,386</u>	<u>\$ 8,776,371</u>

Business-Type Activities

Business-type activities increased the City's net position by \$1,436,268. This is down from the increase last year from the City's business-type activities of \$1,565,328.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017**

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2017, were \$7,883,529. The General Fund decreased by \$257,105. The Street Fund decreased by \$55,972. The Stormwater Fund increased by \$342,969. The Fire Sales Tax Fund decreased \$158,010. The Park Fund increased \$31,779. The City included a new fund in the current year, the Capital Improvement Sales Tax Fund, which increased \$187,715.

General Fund Budgetary Highlights

Differences between the original, the final amended budget, and the actual results can be summarized as follows:

- The City's General Fund budget was amended to actual for fiscal year 2017.
- The City budgeted revenues in the General Fund at \$5,734,618 and expenditures at \$6,738,292 for the year ended December 31, 2017.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$21,083,640 (net of accumulated depreciation) as of December 31, 2017. This represents a \$1,471,615 increase from the prior year. Net capital assets for business-type activities were \$24,450,262 as of December 31, 2017. This represents an increase of \$1,232,432 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2017, was \$8,359,853, which is down from \$8,814,966 in the prior year.

Total debt of business-type activities as of December 31, 2017, was \$9,831,481, which is down from \$10,974,315 in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

Economic Factors and Next Year's Budget

The following economic factors currently affect the City of Republic and were considered when developing the FY2018 budget.

Economic Factors

- The City is conveniently located a few miles from the City of Springfield, the third-largest city in Missouri, and benefits from Springfield's demographics, economic statistics, and strong workforce. Future growth is expected and was an important consideration for the FY 2018 Budget.
- Sales revenue has been steadily increasing since 2010. The FY2018 Budget includes three percent sales revenue growth.
- The City is investing in new integrated financial software that will benefit all departments. The total cost of this new software solution to the City will be \$220,673. This is funded out of the Capital Reserve set aside from the previous year and will improve many processes across the City and for the residents.
- The City is prepared for future growth with the development of the "One Stop Shop" to aid business and building growth inside city limits. The streamlining of the Community Development staff and Public Works staff to a "One Stop Shop" allows a quicker and more efficient process for the building and business community.

Next Year's Budget

- General Fund revenues for FY2018 are projected to be \$7,328,065.
- General Fund expenses for FY2018 are estimated to be \$7,657,494. General Fund Capital Reserves will cover the amount not covered by revenue.
- Health Insurance will see a decrease of one percent on the FY2018 premiums. A \$29,000 insurance rebate was also applied to the FY2018 health insurance premium.
- The City switched Dental Providers for a seven percent decrease in premiums for FY2018, while retaining the same level of benefit for the employees.
- The City focused on salary increases to help a regional salary inequity for the Police Department. Police Officers will receive a four percent salary increase effective January 1, 2018, for a total budgeted increase of \$53,000.
- The City focused on under staffing and wage suppression in the Fire Department. An additional FTE is authorized. Firefighters will receive a one percent wage increase; supervisors will receive a one and half percent increase to deal with wage compression effective January 1, 2018 for a total cost of \$65,250.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2017

- All step and grade employees will receive a one and half percent step increase. All employees will receive a one and half COLA for a total cost of \$79,099.
- The FY2018 budget includes the funding for Comprehensive Plans for the Water, Waste Water, Parks, Streets and Community Development Departments. These plans will set the foundation for smart infrastructure planning for future years. The total cost budgeted is \$738,300 across all funds.
- The residents of Republic approved the continuation of a ¼-cent sales tax designated for Capital Improvements. The City has budgeted the following capital projects to improve the community: Storm Sirens \$65,000, ADA Improvements \$70,000, three Police Vehicles \$114,000, New Animal Shelter \$250,000 and Gateway/Wayfinding Signs \$120,000.

Contacting the City's Financial Management

For additional information or questions, please contact:

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Debbie Parks, Finance Director
David Cameron, City Administrator
Jared Keeling, Assistant City Administrator

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 4,416,513	\$ 362,888	\$ 4,779,401
Ad valorem taxes receivable, net	1,128,177	-	1,128,177
Sales taxes receivable	1,045,879	-	1,045,879
Franchise taxes receivable	136,793	-	136,793
Utilities receivable, net	-	857,104	857,104
Intergovernmental receivable	51,380	-	51,380
Other receivables	9,596	-	9,596
Prepaid insurance	177,680	30,448	208,128
Noncurrent			
Restricted cash and cash equivalents	1,291,619	3,606,118	4,897,737
Restricted investments	-	269,895	269,895
Capital Assets:			
Non-depreciable	2,705,439	404,928	3,110,367
Depreciable, net	18,378,201	24,045,334	42,423,535
TOTAL ASSETS	<u>29,341,277</u>	<u>29,576,715</u>	<u>58,917,992</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	618,964	140,123	759,087

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable	160,825	171,081	331,906
Accrued expenses	168,002	47,925	215,927
Accrued interest payable	47,677	108,296	155,973
Court bonds payable	4,905	-	4,905
Police evidence payable	4,165	-	4,165
Deposits payable	-	421,464	421,464
Current maturities of long-term debt	1,072,171	1,369,695	2,441,866
	<u>1,457,745</u>	<u>2,118,461</u>	<u>3,576,206</u>
Noncurrent			
Revenue bonds payable, net	3,665,267	3,131,760	6,797,027
Capital lease payable	2,754,173	5,255,758	8,009,931
Loans payable	594,322	-	594,322
Compensated absences payable	273,920	74,268	348,188
Net pension liability	2,339,408	564,134	2,903,542
	<u>9,627,090</u>	<u>9,025,920</u>	<u>18,653,010</u>
TOTAL LIABILITIES	<u>11,084,835</u>	<u>11,144,381</u>	<u>22,229,216</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	166,065	27,328	193,393
	<u>166,065</u>	<u>27,328</u>	<u>193,393</u>
NET POSITION			
Net investment in capital assets	12,997,707	14,693,049	27,690,756
Restricted	-	1,361,857	1,361,857
Unrestricted	5,711,634	2,490,223	8,201,857
	<u>18,709,341</u>	<u>18,545,129</u>	<u>37,254,470</u>
TOTAL NET POSITION	<u><u>\$ 18,709,341</u></u>	<u><u>\$ 18,545,129</u></u>	<u><u>\$ 37,254,470</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
Administrative	\$ (2,005,060)	\$ 54,217	\$ -	\$ -	\$ (1,950,843)	\$ -	\$ (1,950,843)
Municipal court	(123,467)	158,505	-	-	35,038	-	35,038
Economic development	(370,206)	245,917	-	-	(124,289)	-	(124,289)
Police	(2,183,887)	20,297	5,860	-	(2,157,730)	-	(2,157,730)
Fire	(1,553,651)	-	-	-	(1,553,651)	-	(1,553,651)
Emergency management	(12,287)	-	-	308,969	296,682	-	296,682
Animal control	(77,737)	-	-	-	(77,737)	-	(77,737)
Street	(1,481,894)	1,474	-	243,559	(1,236,861)	-	(1,236,861)
Stormwater	(249)	-	-	-	(249)	-	(249)
Parks and recreation	(2,398,378)	837,217	-	-	(1,561,161)	-	(1,561,161)
Debt Service	(445,570)	-	-	-	(445,570)	-	(445,570)
TOTAL GOVERNMENTAL ACTIVITIES	(10,652,386)	1,317,627	5,860	552,528	(8,776,371)	-	(8,776,371)

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 1,634,114	\$ 677,005	\$ 1,294,561	\$ 176,415	\$ 556,815	\$ 77,603	\$ 4,416,513
Ad valorem taxes receivable, net	746,581	101,804	-	-	279,792	-	1,128,177
Sales taxes receivable	440,448	220,224	-	55,052	220,043	110,112	1,045,879
Franchise taxes receivable	136,793	-	-	-	-	-	136,793
Other receivables	989	8,607	-	-	-	-	9,596
Intergovernmental receivable	48,448	2,932	-	-	-	-	51,380
Prepaid insurance	130,010	15,145	-	-	32,525	-	177,680
Restricted cash and cash equivalents	797,450	434,169	-	-	60,000	-	1,291,619
TOTAL ASSETS	\$ 3,934,833	\$ 1,459,886	\$ 1,294,561	\$ 231,467	\$ 1,149,175	\$ 187,715	\$ 8,257,637
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 50,689	\$ 100,469	\$ -	\$ -	\$ 9,667	\$ -	\$ 160,825
Accrued expenses	124,522	12,573	-	-	30,907	-	168,002
Court bonds payable	4,905	-	-	-	-	-	4,905
Police evidence payable	4,165	-	-	-	-	-	4,165
TOTAL LIABILITIES	184,281	113,042	-	-	40,574	-	337,897

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
December 31, 2017

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
Deferred Inflows of Resources							
Deferred taxes	25,447	3,913	-	-	6,851	-	36,211
Fund Balances							
Nonspendable:							
Prepaid items	130,010	15,145	-	-	32,525	-	177,680
Assigned to:							
Street	-	1,327,786	-	-	-	-	1,327,786
Stormwater	-	-	1,294,561	-	-	-	1,294,561
Fire	-	-	-	231,467	-	-	231,467
Parks and recreation	-	-	-	-	1,069,225	-	1,069,225
Capital improvements	-	-	-	-	-	187,715	187,715
Unassigned	3,595,095	-	-	-	-	-	3,595,095
TOTAL FUND BALANCES	3,725,105	1,342,931	1,294,561	231,467	1,101,750	187,715	7,883,529
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,934,833	\$ 1,459,886	\$ 1,294,561	\$ 231,467	\$ 1,149,175	\$ 187,715	\$ 8,257,637

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2017

Fund balance - total governmental funds	\$ 7,883,529
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	29,839,921
Less accumulated depreciation	<u>(8,756,281)</u>
	21,083,640
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension liability and related deferred items:	
Net pension liability	(2,339,408)
Deferred outflows due to pensions	618,964
Deferred inflows due to pensions	<u>(166,065)</u>
	(1,886,509)
Adjustment of deferred taxes	36,211
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due	(47,677)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(8,359,853)</u>
Net position of governmental activities	<u><u>\$ 18,709,341</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
REVENUES							
Taxes	\$ 5,215,062	\$ 1,389,900	\$ 442,693	\$ 315,152	\$ 2,199,215	\$ 187,715	\$ 9,749,737
Licenses and permits	300,135	1,474	-	-	-	-	301,609
Intergovernmental revenues	316,470	346,614	-	-	-	-	663,084
Charges for services	-	-	-	-	837,217	-	837,217
Fines and forfeitures	178,802	-	-	-	-	-	178,802
Miscellaneous	255,322	33,447	14,045	2,989	41,336	-	347,139
TOTAL REVENUES	6,265,791	1,771,435	456,738	318,141	3,077,768	187,715	12,077,588
EXPENDITURES							
Current							
Administrative	1,982,819	-	-	-	-	-	1,982,819
Municipal court	118,845	-	-	-	-	-	118,845
Economic development	369,034	-	-	-	-	-	369,034
Police	1,914,161	-	-	-	-	-	1,914,161
Fire	1,615,299	-	-	1,038,043	-	-	2,653,342
Animal control	74,209	-	-	-	-	-	74,209
Street	-	2,205,907	-	-	-	-	2,205,907
Stormwater	-	-	75,985	-	-	-	75,985
Parks and recreation	-	-	-	-	2,073,615	-	2,073,615
Debt Service							
Principal and interest	5,263,285	197,687	-	135,287	741,110	-	6,337,369
TOTAL EXPENDITURES	11,337,652	2,403,594	75,985	1,173,330	2,814,725	-	17,805,286

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended December 31, 2017

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(5,071,861)	(632,159)	380,753	(855,189)	263,043	187,715	(5,727,698)
OTHER FINANCING SOURCES (USES)							
Lease proceeds	-	660,779	-	713,000	-	-	1,373,779
Bond proceeds	3,933,120	-	-	-	-	-	3,933,120
Operating transfers in	1,572,233	35,984	-	-	-	-	1,608,217
Operating transfers (out)	(690,597)	(120,576)	(37,784)	(15,821)	(231,264)	-	(1,096,042)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,814,756</u>	<u>576,187</u>	<u>(37,784)</u>	<u>697,179</u>	<u>(231,264)</u>	<u>-</u>	<u>5,819,074</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(257,105)	(55,972)	342,969	(158,010)	31,779	187,715	91,376
FUND BALANCE, January 1	<u>3,982,210</u>	<u>1,398,903</u>	<u>951,592</u>	<u>389,477</u>	<u>1,069,971</u>	<u>-</u>	<u>7,792,153</u>
FUND BALANCE, December 31	<u>\$ 3,725,105</u>	<u>\$ 1,342,931</u>	<u>\$ 1,294,561</u>	<u>\$ 231,467</u>	<u>\$ 1,101,750</u>	<u>\$ 187,715</u>	<u>\$ 7,883,529</u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 91,376

Amounts reported for governmental activities in the Statement of Activities
 are different because:

Governmental funds report capital outlays as expenditures. However, in
 the Statement of Activities the cost of these assets is allocated over their
 estimated useful lives on a straight line basis and reported as depreciation
 expense. The following is the net effect of these differences.

Capital outlay	2,251,802
Depreciation	(780,187)
	<u>1,471,615</u>

The issuance of long-term debt provides current financial resources to
 governmental funds. The repayment of the principal on long-term debt
 is a use of current financial resources of governmental funds. In the
 Statement of Activities, interest is accrued on outstanding debt whereas,
 in the governmental funds, an interest expenditures is reported when
 due. The following is the detail of the net effect of these differences:

Repayment of principal on bonds, loans and leases	5,871,049
Accrued interest payable	20,750
Bond proceeds	(3,933,120)
Premium on bonds	(142,867)
Lease proceeds	(1,373,779)
	<u>442,033</u>

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the Statement of
 Activities when incurred.

Change in pension related costs	(244,344)
Change in compensated absences	33,830
	<u>(210,514)</u>

Change in net position of governmental activities	<u>\$ 1,794,510</u>
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See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2017

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 362,888
Utilities receivable, net	857,104
Prepaid insurance	<u>30,448</u>
TOTAL CURRENT ASSETS	1,250,440
Restricted Assets	
Cash and cash equivalents	3,606,118
Investments	<u>269,895</u>
TOTAL RESTRICTED ASSETS	3,876,013
Property, Plant and Equipment	
Non-depreciable	404,928
Depreciable	36,555,775
Accumulated depreciation	<u>(12,510,441)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>24,450,262</u>
TOTAL ASSETS	29,576,715
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	140,123

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
December 31, 2017

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	171,081
Accrued expenses	47,925
Accrued interest payable	108,296
Utility deposits	421,464
Current maturities of long-term debt	<u>1,369,695</u>
TOTAL CURRENT LIABILITIES	2,118,461
Long-Term Liabilities	
Bonds payable	3,131,760
Capital lease payable	5,255,758
Compensated absences payable	74,268
Net pension liability	<u>564,134</u>
TOTAL LONG-TERM LIABILITIES	<u>9,025,920</u>
TOTAL LIABILITIES	11,144,381
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>27,328</u>
NET POSITION	
Net investment in capital assets	14,693,049
Restricted	1,361,857
Unrestricted	<u>2,490,223</u>
TOTAL NET POSITION	<u><u>\$ 18,545,129</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended December 31, 2017

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 5,074,634
Miscellaneous	19,361
	<u>5,093,995</u>
	TOTAL OPERATING REVENUES
OPERATING EXPENSES	
Water Services	
Wages and benefits	572,453
Professional services	14,803
Telephone and utilities	198,247
Insurance	33,461
Supplies	94,936
Travel, meetings and dues	17,000
Vehicle expense	12,697
Repairs and maintenance	125,699
Depreciation	256,638
General and administrative	6,048
Miscellaneous	5,750
Sewer Services	
Wages and benefits	553,544
Professional services	13,189
Telephone and utilities	323,891
Supplies	29,574
Travel, meetings and dues	3,431
Vehicle expense	17,402
Repairs and maintenance	280,859
Depreciation	556,213
General and administrative	6,718
Miscellaneous	15,689
	<u>3,138,242</u>
	TOTAL OPERATING EXPENSES
	OPERATING INCOME
	1,955,753
NONOPERATING REVENUES (EXPENSES)	
Interest income	232,302
Interest expense	(527,096)
Gain on disposal of equipment	2,111
Impact fees	215,818
Rental income	69,555
	<u>(7,310)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)
	INCOME BEFORE OPERATING TRANSFERS
	1,948,443
OPERATING TRANSFERS (OUT)	<u>(512,175)</u>
	NET INCOME
	1,436,268
NET POSITION, January 1	<u>17,108,861</u>
NET POSITION, December 31	<u>\$ 18,545,129</u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2017

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,964,519
Cash paid to suppliers	(1,299,473)
Cash paid to employees	(1,196,498)
	<u>2,468,548</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,468,548
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers (out)	(512,175)
Nonoperating revenues	285,373
	<u>285,373</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(226,802)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(2,025,312)
Proceeds from sale of equipment	(17,860)
Proceeds from bond issue	146,880
Proceeds from capital lease	228,511
Payment of bond principal	(1,127,250)
Payment of capital lease principal	(420,462)
Payment of interest expense	(553,073)
	<u>(3,768,566)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(3,768,566)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchase) of investments	(7,994)
Interest received on investments	232,302
	<u>224,308</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	224,308
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,302,512)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>5,271,518</u>
CASH AND CASH EQUIVALENTS, End of year	3,969,006
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>3,606,118</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 362,888</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended December 31, 2017

	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,955,753
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	812,851
(Increase) decrease in:	
Utilities receivable	(150,605)
Prepaid expense	1,954
Deferred pension outflows	80,990
Increase (decrease) in:	
Accounts payable	(102,033)
Accrued expenses	(11,968)
Utility deposits payable	21,129
Deferred pension inflows	3,053
Net pension liability	(172,063)
Compensated absences	29,487
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,468,548</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Republic, Missouri, (the “City”) was incorporated in 1871, under the provisions of the State of Missouri. The City operates under a Mayor-City Council form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include water and sewer operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected City Council. As required by accounting principles generally accepted in the United States of America, the City has evaluated the criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Street Fund: The Street Fund is a special revenue fund used to account for resources restricted, committed or assigned for street maintenance, improvements and indebtedness.

Stormwater Fund: The Stormwater Fund is a special revenue fund used to account for resources restricted, committed or assigned for stormwater maintenance, improvements and indebtedness.

Fire Sales Tax Fund: The Fire Sales Tax Fund is a special revenue fund used to account for resources restricted, committed or assigned for the purpose of funding fire department operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Park Fund: The Park Fund is a special revenue fund used to account for resources restricted, committed or assigned for the operations of the City parks.

Capital Improvement Sales Tax: The Capital Improvement Sales Tax is a special revenue fund used to account for resources restricted, committed for capital improvements to the City.

The City reports the following major proprietary fund:

Utility Fund: The Utility Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Distribution systems	20-50 years
Buildings and improvements	40 years
Infrastructure	20-40 years
Machinery and equipment	5-10 years
Vehicles	5 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are defined as deposits available on demand or with an original maturity of less than three months at the time of purchase.

Fair Value

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

Level 1 – Inputs using quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs using significant other observable inputs including quoted prices for similar assets or liabilities

Level 3 – Inputs are significant unobservable inputs

Revenue Recognition – Property Taxes

Real estate 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 after December 31 of that year.

Compensated Absences

Employees earn vacation time based on the number of years' service to the City. Outstanding vacation leave is payable upon termination of employment. Upon separation from the City's service, an employee is not entitled to receive payment for any accrued and unused sick leave. Compensated absences are recorded as a liability in the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal year.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenues and expenses are considered nonoperating.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Premium

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to the retirement plan on the Statement of Net Position and deferred amounts related to deferred taxes on the Balance Sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

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 B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2017, all bank balances on deposit are entirely insured or collateralized.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE C – INVESTMENTS

The City categorizes its investments within the fair value hierarchy as discussed in Note A. At December 31, 2017, the City had the following recurring investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Not Subject to Fair Value</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 2</u>	<u>Total</u>
Guaranteed Investment Contract	1/1/2020-6/30/2023	\$ 269,895	\$ -	\$ -	\$ 269,895

Guaranteed Investment Contracts

The City funds in Guaranteed Investments Contracts are for future debt service. The investments are held with United Bank of Missouri. The Guaranteed Investment Contracts are in accordance with section 165.051 of the Missouri Revised Statutes.

Custodial Risk

For an investment, custodial risk is that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City’s certificates of deposit are entirely insured or collateralized by the trust department of a bank that does not hold the collateralized deposits.

Interest Rate Risk

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Business-Type Activities

The 1999A Combined Waterworks and Sewerage System Revenue Bond ordinance and the 2001C Combined Waterworks and Sewerage System Revenue Bonds ordinance each established amounts required to be deposited in certain sinking and reserve funds. All required deposits to these funds have been made. These special reserves consist of cash and investments and are reported in the accompanying balance sheet as restricted cash and investments and restricted net position. Restricted assets also include cash restricted for customer deposits, equipment reserves, impact fees, and operating reserves. These restrictions are as follows:

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
UTILITY FUND		
Equipment reserves	\$ 248,571	\$ -
Impact fees	385,289	-
Operating reserves	1,460,236	-
Series 2001C principal account	287,500	287,500
Series 2001C interest account	28,304	28,304
Series 2001C reserves	165,500	165,500
Series 1999A principal account	420,000	420,000
Series 1999A interest account	19,247	19,247
Series 1999A rebate account	41,306	41,306
Series 1999A reserves	400,000	400,000
Customer Deposits	420,060	-
	<u>\$ 3,876,013</u>	<u>\$ 1,361,857</u>

Governmental Activities

Cash, investments and net position have been restricted as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
GENERAL FUND		
Police equipment reserves	\$ 34,217	\$ -
Fire equipment reserves	76,749	-
Court bonds	5,607	-
Emergency management equipment reserves	6,205	-
Police evidence	5,526	-
Impact fees	13,083	-
Operating reserves	656,063	-
	<u>\$ 797,450</u>	<u>\$ -</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE D – RESTRICTED ASSETS (continued)

	Restricted Cash and Cash Equivalents	Restricted Net Position
STREET FUND		
Barnes improvements	\$ 28,333	\$ -
Oak court development	75,000	-
Buyouts	15,470	-
Operating reserves	315,366	-
	<u>\$ 434,169</u>	<u>\$ -</u>
PARKS AND RECREATION FUND		
Equipment reserves	\$ 20,000	\$ -
Operating reserves	40,000	-
	<u>\$ 60,000</u>	<u>\$ -</u>

NOTE E – ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts as follows:

	Accounts Receivable	Allowance	Net Accounts Receivable
AD VALOREM TAXES RECEIVABLE			
General Fund	\$ 756,405	\$ (9,824)	\$ 746,581
Street Fund	104,448	(2,644)	101,804
Parks and Recreation Fund	281,303	(1,511)	279,792
	<u>\$ 1,142,156</u>	<u>\$ (13,979)</u>	<u>\$ 1,128,177</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE E – ACCOUNTS RECEIVABLE (continued)

	Accounts Receivable	Allowance	Net Accounts Receivable
FRANCHISE TAXES RECEIVABLE			
General Fund	\$ 136,793	\$ -	\$ 136,793
OTHER RECEIVABLE			
General Fund	\$ 989	\$ -	\$ 989
Street Fund	8,607	-	8,607
	<u>\$ 9,596</u>	<u>\$ -</u>	<u>\$ 9,596</u>
UTILITIES RECEIVABLE			
Utility Fund	\$ 857,104	\$ -	\$ 857,104
SALES TAX RECEIVABLE			
General Fund	\$ 440,448	\$ -	\$ 440,448
Street Fund	220,224	-	220,224
Fire Sales Tax Fund	55,052	-	55,052
Parks and Recreation Fund	220,043	-	220,043
Capital Improvement Sales Tax Fund	110,112	-	110,112
	<u>\$ 1,045,879</u>	<u>\$ -</u>	<u>\$ 1,045,879</u>
INTERGOVERNMENTAL RECEIVABLE			
General Fund	\$ 48,448	\$ -	\$ 48,448
Street Fund	2,932	-	2,932
	<u>\$ 51,380</u>	<u>\$ -</u>	<u>\$ 51,380</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

The governmental activities long-term liabilities at December 31, 2017, consists of the 2011 Special Obligation Bonds, the 2017 Special Obligation Refunding Bonds, the 2006 MAMU lease, the 2007 Certificates of Participation, four capital leases, one loan payable, and compensated absences payable.

2011 Special Obligation Bonds

On August 16, 2011, the City issued \$3,525,000 in Special Obligation Bonds for the purpose of refunding the 2003 and 2004 Certificates of Participation. The bonds bear interest ranging from 2.00% to 3.75% with principal payments due August 1 and interest payments due August 1 and December 1 each year. The bonds may be called for redemption under the provisions outlined in the bond ordinance.

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2017, are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	<u>\$ 360,000</u>	<u>\$ 56,173</u>	<u>\$ 416,173</u>

2017 Special Obligation Refunding Bonds

On October 19, 2017, the City issued \$4,080,000 in Special Obligation Refunding Bonds for the purpose of refunding the 2010 and a portion of the 2011 Special Obligation Bonds. 96.4% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities and 3.6% was recorded as long-term debt within the business-type activities. The bonds bear interest ranging from 2.0% to 3.0% with principal payments due May 1 and interest payments due November 1 and May 1 each year. The bonds may be called for redemption under the provisions outlined in the bond ordinance.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2017, are as follows:

Year Ended December 31,	Principal	Interest	Total
2018	\$ 420,000	\$ 109,983	\$ 529,983
2019	770,000	94,400	864,400
2020	795,000	74,775	869,775
2021	860,000	49,950	909,950
2022	770,000	25,500	795,500
2023	130,000	12,000	142,000
2024	135,000	8,025	143,025
2025	200,000	3,000	203,000
	<u>\$ 4,080,000</u>	<u>\$ 377,633</u>	<u>\$ 4,457,633</u>
Governmental Activities	\$ 3,933,120		
Business-Type Activities	146,880		
	<u>\$ 4,080,000</u>		

Capital Lease Agreement – 2006 MAMU

In February 2007, the City entered into a lease purchase agreement with Missouri Association of Municipal Utilities to finance the construction of the addition and renovation of Fire Station No. 1 and the acquisition of related furnishings and equipment in the amount of \$992,000. The lease requires various monthly payments with interest at 4.0%.

Capital Lease Agreement – 2007 Certificates of Participation

In March 2007, the City issued \$1,800,000 in Certificates of Participation for the purpose of acquiring, constructing, furnishing, and equipping Fire Station No. 2. The Certificates of Participation bear interest at 3.25% with monthly payments of \$9,201 due on the first of each month.

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

Loan Agreement – Missouri Transportation Finance Corporation

In August 2017, the City entered into a direct loan agreement to finance the City's cost share of the Hines and Oakwood intersection improvement project in the amount of \$660,779. The lease requires annual payments of \$76,375 with interest at 3.01%.

Capital Lease Agreement – Fire Pumper Trucks

In June 2013, the City entered into a lease purchase agreement to finance the purchase of two fire pumper trucks in the amount of \$600,000. The lease requires annual payments of \$45,579 with interest at 1.66%.

Capital Lease Agreement – Dump Truck

In October 2015, the City entered into a lease purchase agreement to finance the purchase of a dump truck in the amount of \$95,126. The lease requires annual payments of \$32,461 with interest at 1.57%.

Capital Lease Agreement – In Car Cameras

In February 2016, the City entered into a lease purchase agreement to finance the purchase of eight in car cameras and related equipment in the amount of \$84,525. The lease requires annual payments of \$16,905 with interest at 0.0%.

Capital Lease Agreement – Aerial Fire Truck

In June 2017, the City entered into a lease purchase agreement to finance the purchase of a 2017 Rosenbauer Firetruck in the amount of \$713,000. The lease requires semi-annual payments of \$41,128 with interest at 2.29%.

The City's lease/purchase agreements and loan agreement provide for the cancellation of the leases at the City's option on the renewal dates each year per State Statute, however the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with GASB Codification Section III – Specific Balance Sheet and Operating Statement Items – L20 *Leases*.

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The following is a schedule of future minimum lease payments under the lease agreements (assuming noncancellation):

Year Ended December 31,	2006 MAMU Lease	2007 COP Lease	Dump Truck Lease	Fire Pumpers Lease	In-Car Cameras Lease	Aerial Fire Trucks Lease	MTFC Loan	Total
2018	\$ 63,220	\$ 110,418	\$ 32,461	\$ 91,159	\$ 16,905	\$ 44,128	\$ 76,375	\$ 434,666
2019	61,780	110,418	-	91,159	16,905	88,256	76,374	444,892
2020	60,340	110,418	-	45,579	16,905	88,256	76,375	397,873
2021	58,900	110,418	-	-	-	88,256	76,374	333,948
2022	68,277	110,418	-	-	-	88,256	76,375	343,326
2023	67,360	110,418	-	-	-	88,256	76,374	342,408
2024	65,440	110,418	-	-	-	88,256	76,375	340,489
2025	63,520	110,418	-	-	-	88,256	76,374	338,568
2026	61,600	110,418	-	-	-	44,128	76,375	292,521
2027	67,587	110,418	-	-	-	-	76,374	254,379
2028	69,220	110,418	-	-	-	-	-	179,638
2029	66,820	110,418	-	-	-	-	-	177,238
2030	64,420	110,418	-	-	-	-	-	174,838
2031	67,970	110,418	-	-	-	-	-	178,388
2032	12,060	124,679	-	-	-	-	-	136,739
TOTAL MINIMUM LEASE PAYMENTS	918,514	1,670,531	32,461	227,897	50,715	706,048	763,745	4,369,911
LESS AMOUNT REPRESENTING INTEREST	(221,514)	(354,689)	(502)	(5,580)	-	(28,874)	(102,966)	(714,125)
PRINCIPAL BALANCE, DECEMBER 31, 2017	<u>\$ 697,000</u>	<u>\$ 1,315,842</u>	<u>\$ 31,959</u>	<u>\$ 222,317</u>	<u>\$ 50,715</u>	<u>\$ 677,174</u>	<u>\$ 660,779</u>	<u>\$ 3,655,786</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amounts Due Within One Year
Capital Leases Payable					
2006 MAMU	\$ 733,000	\$ -	\$ 36,000	\$ 697,000	\$ 36,000
2007 Certificates of Participation	1,379,905	-	64,063	1,315,842	68,147
Dump Truck	63,424	-	31,465	31,959	31,959
Fire Pumpers	308,697	-	86,380	222,317	87,823
In-Car Cameras	67,620	-	16,905	50,715	16,905
Aerial Fire Trucks	-	713,000	35,826	677,174	-
Loan Payable					
MTFC Loan - Hines	-	660,779	-	660,779	66,457
MTFC Loan - Oakwood	46,820	-	46,820	-	-
Bonds Payable					
Series 2017 Refunding Bonds	-	3,933,120	-	3,933,120	404,880
Premium on Series 2017 issuance	-	142,867	5,840	137,027	-
	-	4,075,987	5,840	4,070,147	404,880
Series 2011 Bonds	2,040,000	-	1,680,000	360,000	360,000
Series 2010 Bonds	3,867,750	-	3,867,750	-	-
Compensated Absences	307,750	-	33,830	273,920	-
	<u>\$ 8,814,966</u>	<u>\$ 5,449,766</u>	<u>\$ 5,904,879</u>	<u>\$ 8,359,853</u>	<u>\$ 1,072,171</u>

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

The business-type activities long-term liabilities at December 31, 2017 consists of the 1999A Combined Waterworks and Sewerage System Revenue Bonds, the 2001C Combined Waterworks and Sewerage System Revenue Bonds, the 2017 Refunding Bonds, the 2006 MAMU lease, one capital lease and compensated absences payable.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

1999A Combined Waterworks and Sewerage System Revenue Bonds

In May 1999, the City issued \$6,110,000 in Combined Waterworks and Sewerage System Revenue Bonds for the extending and improving the combined waterworks and sewerage system. The bonds bear interest ranging from 3.625% to 5.000% with principal payments due July 1 and interest payments due July 1 and January 1 each year. The bonds may be called for redemption under the provisions outlined in the bond ordinance.

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2017, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2018	\$ 420,000	\$ 56,000	\$ 6,497	\$ 482,497
2019	445,000	34,375	6,497	485,872
2020	465,000	11,625	6,319	482,944
	<u>\$ 1,330,000</u>	<u>\$ 102,000</u>	<u>\$ 19,313</u>	<u>\$ 1,451,313</u>

2001C Combined Waterworks and Sewerage System Revenue Bonds

In November 2001, the City issued \$8,190,000 in Combined Waterworks and Sewerage System Revenue Bonds for the extending and improving the combined waterworks and sewerage system. The bonds bear interest ranging from 3.0% to 5.0% with principal payments due July 1 and interest payments due July 1 and January 1 each year. The bonds may be called for redemption under the provisions outlined in the bond ordinance.

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2017, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2018	\$ 575,000	\$ 135,406	\$ 14,923	\$ 725,329
2019	600,000	104,500	14,923	719,423
2020	640,000	74,500	14,744	729,244
2021	850,000	42,500	14,459	906,959
	<u>\$ 2,665,000</u>	<u>\$ 356,906</u>	<u>\$ 59,049</u>	<u>\$ 3,080,955</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

2017 Special Obligation Refunding Bonds

On October 19, 2017, the City issued \$4,080,000 in Special Obligation Refunding Bonds for the purpose of refunding the 2010 and a portion of the 2011 Special Obligation Bonds. 96.4% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities and 3.6% was recorded as long-term debt within the business-type activities. The bonds bear interest ranging from 2.0% to 3.0% with principal payments due May 1 and interest payments due November 1 and May 1 each year. The bonds may be called for redemption under the provisions outlined in the bond ordinance. See Note F for payment schedule.

Capital Lease Agreement – 2006 MAMU lease

In December 2006, the City entered into a lease purchase agreement with Missouri Association of Municipal Utilities to finance the extension of the water and sanitary sewer system lines and the construction of a new well and elevated water storage tank in the amount of \$7,865,000. The lease requires various monthly payments with interest at 3.975%.

The following is a schedule of future minimum lease payments under the lease agreements (assuming noncancellation):

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 284,000	\$ 212,033	\$ 496,033
2019	298,000	200,469	498,469
2020	312,000	188,372	500,372
2021	327,000	175,705	502,705
2022	342,000	162,448	504,448
2023	357,000	148,566	505,566
2024	376,000	134,037	510,037
2025	392,000	118,800	510,800
2026	412,000	102,853	514,853
2027	430,000	86,158	516,158
2028	450,000	68,698	518,698
2029	472,000	50,426	522,426
2030	494,000	31,273	525,273
2031	517,000	11,210	528,210
	<u>\$ 5,463,000</u>	<u>\$ 1,691,048</u>	<u>\$ 7,154,048</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

Capital Lease Agreement – Two International Trucks

In January 2017, the City entered into a lease purchase agreement to finance the purchase of two International trucks in the amount of \$228,511. The lease requires annual payments of \$77,959 with interest at 1.554%.

The City’s lease/purchase agreements and loan agreement provide for the cancellation of the leases at the City’s option on the renewal dates each year per State Statute, however the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with GASB Codification Section III – Specific Balance Sheet and Operating Statement Items – L20 Leases.

The following is a schedule of future minimum lease payments under the lease agreements (assuming noncancellation):

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 75,575	\$ 2,383	\$ 476,000
2019	76,758	1,201	476,625
	<u>\$ 152,333</u>	<u>\$ 3,584</u>	<u>\$ 952,625</u>

The following table is a summary of the changes in the Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2017:

	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2017</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Capital Leases Payable					
2006 MAMU	\$ 5,735,000	\$ -	\$ 272,000	\$ 5,463,000	\$ 284,000
Screw Pump	72,284	-	72,284	-	-
Two International Trucks	-	228,511	76,178	152,333	75,575
Bonds Payable					
Series 2017 Refunding Bonds	-	146,880	-	146,880	15,120
Series 2010 Bonds	182,250	-	182,250	-	-
Series 2001C Bonds	3,210,000	-	545,000	2,665,000	575,000
Series 1999 Bonds	1,730,000	-	400,000	1,330,000	420,000
Compensated Absences	44,781	29,487	-	74,268	-
	<u>\$10,974,315</u>	<u>\$ 404,878</u>	<u>\$ 1,547,712</u>	<u>\$ 9,831,481</u>	<u>\$ 1,369,695</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,035,027	\$ -	\$ -	\$ 2,035,027
Construction in progress	252,725	417,687	-	670,412
Total Non-Depreciable Capital Assets	<u>2,287,752</u>	<u>\$ 417,687</u>	<u>\$ -</u>	2,705,439
Depreciable Capital Assets				
Building and improvements	16,692,709	\$ -	\$ -	16,692,709
Machinery and equipment	1,590,091	424,164	41,978	1,972,277
Vehicles	2,578,915	1,093,530	222,998	3,449,447
Infrastructure	4,438,652	581,397	-	5,020,049
Total Depreciable Capital Assets	<u>25,300,367</u>	<u>\$ 2,099,091</u>	<u>\$ 264,976</u>	27,134,482
Less Accumulated Depreciation				
Building and improvements	4,961,297	\$ 404,909	\$ -	5,366,206
Machinery and equipment	819,918	152,024	11,894	960,048
Vehicles	1,256,501	235,836	166,851	1,325,486
Infrastructure	938,378	166,163	-	1,104,541
Less Total Accumulated Depreciation	<u>7,976,094</u>	<u>\$ 958,932</u>	<u>\$ 178,745</u>	8,756,281
Total Depreciable Capital Assets, net	<u>17,324,273</u>			<u>18,378,201</u>
Total Capital Assets - Governmental Activities, net	<u>\$ 19,612,025</u>			<u>\$ 21,083,640</u>

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 20,983
Police	179,289
Fire	192,482
Streets	205,216
Planning	4,622
Parks	341,368
Emergency Management	12,287
Animal Control	2,685
	<u>\$ 958,932</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE I – CAPITAL ASSETS (continued)

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Business-Type Activities				
Water and Sewer				
Non-depreciable Capital Assets:				
Land	\$ 404,928	\$ -	\$ -	\$ 404,928
Construction in progress	370,818	1,340,288	1,711,106	-
	<u>775,746</u>	<u>\$ 1,340,288</u>	<u>\$ 1,711,106</u>	404,928
Depreciable Capital Assets:				
Water plant	7,512,673	148,399	-	7,661,072
Sewer plant	24,917,931	1,926,522	-	26,844,453
Buildings and improvements	57,492	20,685	-	78,177
Major moveable equipment	1,030,002	208,658	136,645	1,102,015
Vehicles	641,547	228,511	-	870,058
	<u>34,159,645</u>	<u>\$ 2,532,775</u>	<u>\$ 136,645</u>	36,555,775
Less Accumulated Depreciation:				
Water plant	2,764,135	150,165	-	2,914,300
Sewer plant	8,204,355	501,982	-	8,706,337
Buildings and improvements	42,954	1,450	-	44,404
Major moveable equipment	284,109	61,437	19,971	325,575
Vehicles	422,008	97,817	-	519,825
	<u>11,717,561</u>	<u>812,851</u>	<u>19,971</u>	12,510,441
Less Accumulated Depreciation	<u>11,717,561</u>	<u>812,851</u>	<u>19,971</u>	12,510,441
Depreciable Capital Assets, net	<u>22,442,084</u>			<u>24,045,334</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 23,217,830</u>			<u>\$ 24,450,262</u>

Depreciation expense for business-type activities was charged to functions as follows:

Water	\$ 256,638
Sewer	556,213
	<u>\$ 812,851</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE K – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	<u>2017</u>
Assessed Valuation	
Real estate	\$ 187,842,384
Personal property	<u>43,397,348</u>
TOTAL	<u>\$ 231,239,732</u>
 Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.4354
Park Fund	.1173
Street Fund	<u>.0670</u>
	<u>\$.6197</u>

The legal debt margin at December 31, 2017, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 23,123,973	\$ 23,123,973	\$ 46,247,946
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 23,123,973</u>	<u>\$ 23,123,973</u>	<u>\$ 46,247,946</u>

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

NOTE L – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

Plan Description. The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) 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 fire) and receive a reduced allowance.

	<u>2017 Valuation</u>
Benefit Multiplier	1.25% for life
Final Average Salary	3 Years
Member Contributions	4%

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, 2017, the following employees were covered by the benefit terms:

	<u>General Division</u>	<u>Police Division</u>	<u>Fire Division</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	19	4	3	26
Inactive employees entitled to but not yet receiving benefits	15	14	6	35
Active employees	69	22	19	110
	<u>103</u>	<u>40</u>	<u>28</u>	<u>171</u>

NOTE L – EMPLOYEE PENSION PLAN (continued)

Contributions. The City 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 City contribute 4% of gross pay to the pension plan. The City's contribution rates are 9.4% for General, 9.8% for Police, and 9.3% for Fire of annual covered payroll.

Net Pension Liability. The City's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions. The total pension liability in the February 28, 2017, 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 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.

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, 2017, 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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE L – EMPLOYEE PENSION PLAN (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset)/Liability (a) - (b)
<i>General Division</i>			
Balance at beginning of year	\$ 4,693,718	\$ 2,590,299	\$ 2,103,419
Changes for the year:			
Service cost	241,128	-	241,128
Interest	341,475	-	341,475
Difference between expected and actual experiences	75,314	-	75,314
Changes of assumptions	(46,438)	-	(46,438)
Contributions - employer	-	264,206	(264,206)
Contributions - employee	-	118,565	(118,565)
Net investment income	-	328,000	(328,000)
Benefits paid, including refunds	(127,995)	(127,995)	-
Administrative expenses	-	(7,587)	7,587
Other (net transfer)	-	(3,050)	3,050
Net Changes	483,484	572,139	(88,655)
Balance at end of year	5,177,202	3,162,438	2,014,764

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE L – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset)/Liability (a) - (b)
<i>Police Division</i>			
Balance at beginning of year	1,289,827	679,364	610,463
Changes for the year:			
Service cost	76,542	-	76,542
Interest	94,294	-	94,294
Difference between expected and actual experiences	(56,210)	-	(56,210)
Contributions - employer	-	88,475	(88,475)
Contributions - employee	-	38,095	(38,095)
Net investment income	-	78,384	(78,384)
Benefits paid, including refunds	(54,611)	(54,611)	-
Administrative expenses	-	(2,782)	2,782
Other (net transfer)	-	(63,444)	63,444
Net Changes	60,015	84,117	(24,102)
Balance at end of year	1,349,842	763,481	586,361
<i>Fire Division</i>			
Balance at beginning of year	1,082,873	734,726	348,147
Changes for the year:			
Service cost	71,749	-	71,749
Interest	80,128	-	80,128
Difference between expected and actual experiences	(6,191)	-	(6,191)
Contributions - employer	-	68,417	(68,417)
Contributions - employee	-	31,105	(31,105)
Net investment income	-	94,227	(94,227)
Benefits paid, including refunds	(26,267)	(26,267)	-
Administrative expenses	-	(1,939)	1,939
Other (net transfer)	-	(394)	394
Net Changes	119,419	165,149	(45,730)
Balance at end of year	1,202,292	899,875	302,417
Total Plan Balances at end of year	\$ 7,729,336	\$ 4,825,794	\$ 2,903,542
Governmental Activities			\$ 2,339,408
Business-Type Activities			564,134
			\$ 2,903,542

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE L – EMPLOYEE PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following present the Net Pension Liability of the City, calculated using the discount rate of 7.25%, as well as what the City’s Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 6,034,532	\$ 5,177,202	\$ 4,480,659
Plan Fiduciary Net Position	3,162,438	3,162,438	3,162,438
Net Pension Liability	2,872,094	2,014,764	1,318,221
<i>Police Division</i>			
Total Pension Liability	1,626,343	1,349,842	1,133,768
Plan Fiduciary Net Position	763,481	763,481	763,481
Net Pension Liability	862,862	586,361	370,287
<i>Fire Division</i>			
Total Pension Liability	1,426,952	1,202,292	1,024,160
Plan Fiduciary Net Position	899,875	899,875	899,875
Net Pension Liability	527,077	302,417	124,285
Total Net Pension Liability	\$ 4,262,033	\$ 2,903,542	\$ 1,812,793

NOTE L – EMPLOYEE PENSION PLAN (continued)

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

For the year ended December 31, 2017, the City recognized a pension expense of \$346,921 in the General Division, \$177,567 in the Police Division, and \$71,686 in the Fire Division. The City reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ 135,703	\$ (58,058)	\$ 77,645
Differences in assumptions	185,817	(39,543)	146,274
Excess (deficit) investment returns	43,459	-	43,459
Contributions subsequent to the measurement date*	135,459	-	135,459
	<u>500,438</u>	<u>(97,601)</u>	<u>402,837</u>
<i>Police Division</i>			
Differences in experiences	112,199	(47,238)	64,961
Differences in assumptions	19,581	-	19,581
Excess (deficit) investment returns	15,182	-	15,182
Contributions subsequent to the measurement date*	45,153	-	45,153
	<u>192,115</u>	<u>(47,238)</u>	<u>144,877</u>
<i>Fire Division</i>			
Differences in experiences	-	(48,554)	(48,554)
Differences in assumptions	25,310	-	25,310
Excess (deficit) investment returns	6,822	-	6,822
Contributions subsequent to the measurement date*	34,402	-	34,402
	<u>66,534</u>	<u>(48,554)</u>	<u>17,980</u>
Total	<u>\$ 759,087</u>	<u>\$ (193,393)</u>	<u>\$ 565,694</u>
Governmental Activities	\$ 618,964	\$ (166,065)	\$ 452,899
Business-Type Activities	140,123	(27,328)	112,795
	<u>\$ 759,087</u>	<u>\$ (193,393)</u>	<u>\$ 565,694</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the Net Pension Liability for the year ending December 31, 2018.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE L – EMPLOYEE PENSION PLAN (continued)

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

Year Ending June 30,	General Net Deferred Outflows of Resources	Police Net Deferred Outflows of Resources	Fire Net Deferred Outflows of Resources	Total Net Deferred Outflows of Resources
2018	\$ 68,738	\$ 28,058	\$ 4,375	\$ 101,171
2019	68,739	28,058	4,376	101,173
2020	46,081	22,296	(1,996)	66,381
2021	11,633	13,362	(10,269)	14,726
2022	37,933	5,785	(2,584)	41,134
Thereafter	34,254	2,165	(10,324)	26,095
Total	\$ 267,378	\$ 99,724	\$ (16,422)	\$ 350,680

Payable to the Pension Plan

At December 31, 2017, the City had \$23,317 of contributions to the pension plan required for the year ended December 31, 2017.

NOTE M – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE N – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2017, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE O – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2017, were as follows:

	Transfers In (Out)
General Fund	\$ 881,636
Street Fund	(84,592)
Fire Sales Tax Fund	(15,821)
Stormwater Fund	(37,784)
Park Fund	(231,264)
Utility Fund	(512,175)
	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE P – DEFERRED TAXES

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred taxes are to be collected over several years. All of the deferred taxes at December 31, 2017, are accounted for as follows:

General Fund	
Deferred taxes	<u>\$ 25,447</u>
Street Fund	
Deferred taxes	<u>\$ 3,913</u>
Park Fund	
Deferred taxes	<u>\$ 6,851</u>

NOTE Q – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 1999A and 2001C Combined Water and Sewer Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water customer net revenues and are payable through 2021. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal, interest and fees remaining to be paid on the bonds is \$4,532,268. Principal, interest and fees paid for the current year and total customer net revenues were \$1,213,220 and \$2,768,604, respectively.

NOTE R – COMMITMENTS

At December 31, 2017, the City had the following commitments:

- Olsson Associates for engineering services related to Republic Hine & Oakwood Transportation Improvements in the amount of \$155,464.

NOTE S – TAX ABATEMENTS

As of December 31, 2017, the City provides tax abatements through one program –The Enhanced Enterprise Zones Program.

- The Enhanced Enterprise Zones Program is designed to attract new or expanding businesses to the area. Under Sections 135.950-135.970, RSMo., in order for a manufacturer, distributor, or certain service industries to qualify for the 50% tax abatement for 10 years, the business must meet certain minimum criteria depending on the type of business facility. The City of Republic, Missouri voted for the qualifying business to include manufacturing, warehousing/distributions and supply chain, wholesale trade, processing wholesale material for wholesale trade, professional services, and any other business enterprise that creates and maintains 15 or more full time jobs, defined as 35 hours per week or more, excluding retail, eating and drinking establishments, and gaming operations. New or expanded business facilities must have \$100,000 in new investment. Replacement business facilities must have \$1,000,000 in new investment. Both types of business facilities must also offer health insurance to full time employees in Missouri, of which at least 50% is paid by the employer.

During the year ended December 31, 2017 the total amount abated through the City's Enhanced Enterprise Zones Program was \$35,736; this amount represents the total of five specific businesses qualifying for the Enhanced Enterprise Zones Program.

NOTE T – CURRENT YEAR DEBT REFUNDING

On October 19, 2017, the City issued \$4,080,000 in Series 2017 Special Obligation Refunding Bonds with interest rates ranging from 2.00% to 3.00%. The City deposited the proceeds and debt service reserve funds totaling \$5,106,615 to pay principal and accrued interest on the outstanding Special Obligation Bonds as follows: \$3,525,000 of Series 2010 with interest ranging from 2.00% to 4.00% and \$1,335,000 of Series 2011 with interest rates ranging from 2.00% to 3.75%. Principal payments on the defeased debt are due annually and interest payments are due semiannually beginning February 1, 2018, through August 1, 2018.

As a result of the refunding, the City reduced its debt service requirements by \$1,005,539, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$176,425.

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE U – DEBT DEFEASANCE

On October 19, 2017, the City issued Series 2017 Special Obligation Refunding Bonds in the amount of \$4,080,000. The proceeds of this issue were deposited into an irrevocable escrow account at UMB in the amount of \$4,128,088 along with debt service reserve funds of \$823,413 and \$45,000 from the City to earn interest and pay principal and accrued interest on the outstanding Special Obligation Bonds as follows: \$3,525,000 of Series 2010 and \$1,335,000 of Series 2011 beginning February 1, 2018, through August 1, 2018. At December 31, 2017, the refunding escrow account for the bonds held a balance of \$4,932,748 and had outstanding principal due of \$4,340,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2017

Missouri Local Government Employees Retirement System (LAGERS)

	2017	2016	2015
TOTAL PENSION LIABILITY			
Service Cost	\$ 389,419	\$ 354,360	\$ 301,679
Interest on the Total Pension Liability	515,897	440,338	341,126
Changes of Benefit Terms	-	-	873,448
Difference between expected and actual experience	12,913	139,457	(17,410)
Changes of Assumptions	(46,438)	309,808	-
Benefit Payments	(208,873)	(151,552)	(160,817)
NET CHANGE IN TOTAL PENSION LIABILITY	662,918	1,092,411	1,338,026
TOTAL PENSION LIABILITY, BEGINNING	7,066,418	5,974,007	4,635,981
TOTAL PENSION LIABILITY, ENDING	<u>\$ 7,729,336</u>	<u>\$ 7,066,418</u>	<u>\$ 5,974,007</u>
PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 421,098	\$ 378,325	\$ 348,612
Contributions - employee	187,765	179,855	180,245
Net Investment Income	500,611	18,844	74,200
Benefit Payments	(208,873)	(151,552)	(160,817)
Pension Plan Administrative Expense	(12,308)	(11,867)	(12,770)
Other (Net Transfer)	(66,888)	(74,047)	(25,775)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	821,405	339,558	403,695
PLAN FIDUCIARY NET POSITION, BEGINNING	4,004,389	3,664,831	3,261,136
PLAN FIDUCIARY NET POSITION, ENDING	<u>\$ 4,825,794</u>	<u>\$ 4,004,389</u>	<u>\$ 3,664,831</u>
EMPLOYER NET PENSION LIABILITY	<u>\$ 2,903,542</u>	<u>\$ 3,062,029</u>	<u>\$ 2,309,176</u>
Plan fiduciary net position as a percentage of the total pension liability	62.43%	56.67%	61.35%
Covered employee payroll	\$ 4,718,669	\$ 4,326,663	\$ 4,011,930
Employer's net pension liability as a percentage of covered employee payroll	61.53%	70.77%	57.56%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF REPUBLIC, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2017

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 9 fiscal years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 453,962	\$ 399,756	\$ 367,770	\$ 289,486	\$ 271,747	\$ 273,811	\$ 245,487	\$ 271,090	\$ 213,791
Contributions in relation to the actuarially determined contribution	<u>439,849</u>	<u>385,535</u>	<u>367,771</u>	<u>289,486</u>	<u>271,748</u>	<u>273,811</u>	<u>245,487</u>	<u>271,090</u>	<u>213,791</u>
Contribution deficiency (excess)	<u>\$ 14,113</u>	<u>\$ 14,221</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,646,938	\$ 4,553,397	\$ 4,394,159	\$ 4,414,900	\$ 4,488,691	\$ 4,609,723	\$ 4,377,341	\$ 4,495,441	\$ 3,542,676
Contributions as a percentage of covered-employee payroll	9.47%	8.47%	8.37%	6.56%	6.05%	5.94%	5.61%	6.03%	6.03%

See accompanying notes to the required schedules.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2017

Notes: The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of, (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period – Multiple bases from 13 to 27 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 and administrative expenses

Retirement Age – Experience-based table of rates that are specific to the type of eligibility condition

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

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

Other Information – None.

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 702,493	\$ 798,896	\$ 798,896	\$ -
Railroad and utility taxes	24,990	25,668	25,668	-
Motor vehicle tax	580,000	596,519	596,519	-
City sales tax	2,825,446	2,956,150	2,956,150	-
Franchise tax	776,861	805,925	805,925	-
Financial institution tax	1,500	3,253	3,253	-
Surtax	25,000	26,729	26,729	-
Payment in lieu of tax	1,833	1,922	1,922	-
	<u>4,938,123</u>	<u>5,215,062</u>	<u>5,215,062</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	45,000	49,730	49,730	-
Permits	134,300	250,405	250,405	-
	<u>179,300</u>	<u>300,135</u>	<u>300,135</u>	<u>-</u>
Intergovernmental Revenues				
Federal and state grants	319,524	316,470	316,470	-
Fines and Forfeitures				
City court fines	251,171	178,802	178,802	-
Miscellaneous				
Interest	20,000	179,431	179,431	-
Donations	-	5,260	5,260	-
Other	26,500	70,631	70,631	-
	<u>46,500</u>	<u>255,322</u>	<u>255,322</u>	<u>-</u>
TOTAL REVENUES	<u>5,734,618</u>	<u>6,265,791</u>	<u>6,265,791</u>	<u>-</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	1,773,494	1,982,819	1,982,819	-
Municipal court	123,177	118,845	118,845	-
Community development	455,661	369,034	369,034	-
Police	1,692,099	1,914,161	1,914,161	-
Fire	2,201,305	1,615,299	1,615,299	-
Animal control	90,154	74,209	74,209	-
Current				
Debt service	402,402	5,263,285	5,263,285	-
TOTAL EXPENDITURES	<u>6,738,292</u>	<u>11,337,652</u>	<u>11,337,652</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,003,674)	(5,071,861)	(5,071,861)	-
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	3,933,120	3,933,120	-
Operating transfers in	1,616,546	1,572,233	1,572,233	-
Operating transfers (out)	(610,859)	(690,597)	(690,597)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,005,687</u>	<u>4,814,756</u>	<u>4,814,756</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	2,013	(257,105)	(257,105)	-
FUND BALANCE, January 1	<u>3,982,210</u>	<u>3,982,210</u>	<u>3,982,210</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 3,984,223</u>	<u>\$ 3,725,105</u>	<u>\$ 3,725,105</u>	<u>\$ -</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 109,700	\$ 121,009	\$ 121,009	\$ -
Street sales taxes	1,175,626	1,260,822	1,260,822	-
Railroad and utility	3,700	3,953	3,953	-
Surtax	4,000	4,116	4,116	-
	<u>1,293,026</u>	<u>1,389,900</u>	<u>1,389,900</u>	-
Permits				
Street cuts	4,400	1,474	1,474	-
Street signs	100	-	-	-
	<u>4,500</u>	<u>1,474</u>	<u>1,474</u>	-
Intergovernmental Revenues				
Grants	1,893,849	236,658	236,658	-
County Reimbursements	108,000	109,956	109,956	-
	<u>2,001,849</u>	<u>346,614</u>	<u>346,614</u>	-
Miscellaneous				
Interest	16,000	15,100	15,100	-
Other	78,500	18,347	18,347	-
	<u>94,500</u>	<u>33,447</u>	<u>33,447</u>	-
TOTAL REVENUES	<u>3,393,875</u>	<u>1,771,435</u>	<u>1,771,435</u>	-

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND (continued)
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Street	1,953,176	2,205,907	2,205,907	-
Debt Service				
Principal and interest	2,621,833	197,687	197,687	-
TOTAL EXPENDITURES	<u>4,575,009</u>	<u>2,403,594</u>	<u>2,403,594</u>	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,181,134)	(632,159)	(632,159)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	161,417	(84,592)	(84,592)	-
Capital lease proceeds	660,779	660,779	660,779	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>822,196</u>	<u>576,187</u>	<u>576,187</u>	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(358,938)	(55,972)	(55,972)	-
FUND BALANCE, January 1	<u>1,398,903</u>	<u>1,398,903</u>	<u>1,398,903</u>	-
FUND BALANCE, December 31	<u>\$ 1,039,965</u>	<u>\$ 1,342,931</u>	<u>\$ 1,342,931</u>	<u>\$ -</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STORMWATER FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Stormwater sales tax	\$ 498,428	\$ 442,693	\$ 442,693	\$ -
Miscellaneous	8,000	14,045	14,045	-
TOTAL REVENUES	506,428	456,738	456,738	-
EXPENDITURES				
Current				
Stormwater	278,500	75,985	75,985	-
TOTAL EXPENDITURES	278,500	75,985	75,985	-
EXCESS OF REVENUES OVER EXPENDITURES	227,928	380,753	380,753	-
OTHER FINANCING (USES)				
Operating transfers (out)	(282,000)	(37,784)	(37,784)	-
TOTAL OTHER FINANCING (USES)	(282,000)	(37,784)	(37,784)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(54,072)	342,969	342,969	-
FUND BALANCE, January 1	951,592	951,592	951,592	-
FUND BALANCE, December 31	\$ 897,520	\$ 1,294,561	\$ 1,294,561	\$ -

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales tax	\$ 296,279	\$ 315,152	\$ 315,152	\$ -
Miscellaneous	2,700	2,989	2,989	-
TOTAL REVENUES	298,979	318,141	318,141	-
EXPENDITURES				
Current				
Fire	80,726	1,038,043	1,038,043	-
Debt Service				
Principal and interest	91,160	135,287	135,287	-
TOTAL EXPENDITURES	171,886	1,173,330	1,173,330	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	127,093	(855,189)	(855,189)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	-	(15,821)	(15,821)	-
Capital lease proceeds	-	713,000	713,000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	697,179	697,179	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	127,093	(158,010)	(158,010)	-
FUND BALANCE, January 1	389,477	389,477	389,477	-
FUND BALANCE, December 31	\$ 516,570	\$ 231,467	\$ 231,467	\$ -

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 175,440	\$ 214,871	\$ 214,871	\$ -
Sales taxes	1,895,210	1,970,484	1,970,484	-
Railroad and utility	6,400	-	-	-
Surtax	7,000	13,860	13,860	-
	<u>2,084,050</u>	<u>2,199,215</u>	<u>2,199,215</u>	<u>-</u>
Charges for Services				
Rental income	200,100	193,148	193,148	-
Adult and youth programs	245,000	243,649	243,649	-
Swim lessons	17,500	10,559	10,559	-
Special events	75,000	73,169	73,169	-
Concession	99,000	102,053	102,053	-
Admissions	209,000	214,639	214,639	-
	<u>845,600</u>	<u>837,217</u>	<u>837,217</u>	<u>-</u>
Miscellaneous				
Interest	7,500	8,428	8,428	-
Other	33,739	32,908	32,908	-
	<u>41,239</u>	<u>41,336</u>	<u>41,336</u>	<u>-</u>
TOTAL REVENUES	<u>2,970,889</u>	<u>3,077,768</u>	<u>3,077,768</u>	<u>-</u>
EXPENDITURES				
Current				
Parks and recreation	2,112,830	2,073,615	2,073,615	-
Debt Service				
Principal and interest	740,998	741,110	741,110	-
TOTAL EXPENDITURES	<u>2,853,828</u>	<u>2,814,725</u>	<u>2,814,725</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	117,061	263,043	263,043	-
OTHER FINANCING (USES)				
Operating transfer (out)	(231,262)	(231,264)	(231,264)	-
TOTAL OTHER FINANCING (USES)	<u>(231,262)</u>	<u>(231,264)</u>	<u>(231,264)</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(114,201)	31,779	31,779	-
FUND BALANCE, January 1	1,069,971	1,069,971	1,069,971	-
FUND BALANCE, December 31	<u>\$ 955,770</u>	<u>\$ 1,101,750</u>	<u>\$ 1,101,750</u>	<u>\$ -</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ -	\$ 187,715	\$ 187,715	\$ -
TOTAL REVENUES	<u>-</u>	<u>187,715</u>	<u>187,715</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	187,715	187,715	-
FUND BALANCE, January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ -</u></u>	<u><u>\$ 187,715</u></u>	<u><u>\$ 187,715</u></u>	<u><u>\$ -</u></u>

CITY OF REPUBLIC, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2017

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to January, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the City Council on approved budget adjustment forms.

OTHER REPORTING REQUIREMENTS



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Republic
Republic, Missouri

We have audited, 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, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Republic, Missouri, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Republic, Missouri's basic financial statements, and have issued our report thereon, dated May 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Republic, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Republic, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Mayor and City Council
City of Republic
Republic, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. It is identified as item 2017-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Republic, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Republic, Missouri's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Republic, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Republic, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 4, 2018

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2017

MATERIAL WEAKNESS

2017-001 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The City currently has personnel in place to handle the accounting needs of the City. There are some mitigating controls in place but it is not possible to have segregation in all areas.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: While the City has been able to increase accounting personnel levels, there is still a limited number of available personnel which prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.