

CITY OF REPUBLIC, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 June 12, 2017, 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
June 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2016

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, 2016. Please read it in conjunction with the City’s financial statements, which begin on page 14.

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 Special Project Fund, increased by \$2,192,586 for the year as a result of current year activities. The net position of the City’s business-type activities increased by \$1,565,328 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2016, by \$34.0 million (net position). Of this amount \$8.5 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,149,328.

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, 2016**

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, 2016**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2016, and 2015, as restated:

	Governmental Activities	Business-Type Activities	Total December 31, 2016	Total December 31, 2015
ASSETS				
Current and other assets	\$ 8,226,302	\$ 6,272,320	\$ 14,498,622	\$ 13,419,439
Capital assets	19,612,025	23,217,830	42,829,855	42,481,412
	<u>27,838,327</u>	<u>29,490,150</u>	<u>57,328,477</u>	<u>55,900,851</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	776,068	221,113	997,181	231,952
LIABILITIES				
Other liabilities	1,596,251	2,180,524	3,776,775	3,763,982
Long-term liabilities outstanding	7,685,080	9,661,406	17,346,486	19,495,814
Net pension liability	2,325,832	736,197	3,062,029	2,498,229
	<u>11,607,163</u>	<u>12,578,127</u>	<u>24,185,290</u>	<u>25,758,025</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	92,401	24,275	116,676	109,000
NET POSITION				
Net investment in capital assets	11,104,809	12,288,296	23,393,105	20,655,079
Restricted	765,724	1,335,085	2,100,809	1,501,156
Unrestricted	5,044,298	3,485,480	8,529,778	8,109,543
	<u>\$ 16,914,831</u>	<u>\$ 17,108,861</u>	<u>\$ 34,023,692</u>	<u>\$ 30,265,778</u>

Total net position of the City increased by \$3,757,914 for the year due to current year activity. Total liabilities for the City have decreased by \$1,572,735. During the year, the City decreased its long-term liabilities by \$2,149,328. Restricted net position of the City totaled \$2,100,809 as of December 31, 2016. This amount primarily represents monies that are restricted for debt service.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2016**

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2016	Total Year Ended December 31, 2015
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,160,562	\$ 4,999,093	\$ 6,159,655	\$ 5,978,586
Operating grants and contributions	15,311	-	15,311	192,464
Capital grants and contributions	196,396	-	196,396	203,939
General Revenues				
Sales taxes	6,761,943	-	6,761,943	6,301,405
Ad valorem taxes	1,097,709	-	1,097,709	1,094,675
Motor vehicle and gas taxes	585,394	-	585,394	564,960
Other taxes	31,400	-	31,400	4,505
Franchise fees	758,226	-	758,226	804,986
County reimbursements	106,464	-	106,464	-
Interest	58,105	221,364	279,469	264,446
Other revenue	233,198	206,854	440,052	136,817
Transfers	198,396	(198,396)	-	-
Special Item:				
Gain on asset disposal	36,951	101,098	138,049	-
TOTAL REVENUES AND TRANSERS	11,240,055	5,330,013	16,570,068	15,546,783
EXPENSES				
Administrative	365,316	-	365,316	523,812
Information technology	245,274	-	245,274	353,573
Human resources	87,779	-	87,779	117,858
Finance	219,349	-	219,349	314,287
Municipal court	126,341	-	126,341	431,392
Economic development	402,510	-	402,510	146,111
Police	2,154,407	-	2,154,407	1,894,423
Fire	1,323,247	-	1,323,247	1,454,865
Emergency management	96,397	-	96,397	104,148
Animal control	74,259	-	74,259	88,927
Street	1,045,464	-	1,045,464	1,215,395
Stormwater	30,955	-	30,955	-
Parks and recreation	2,154,393	-	2,154,393	2,188,273
Land acquisition	411,054	-	411,054	-
Debt service	310,724	-	310,724	311,881
Water	-	2,364,241	2,364,241	1,276,569
Sewer	-	1,400,444	1,400,444	2,918,423
TOTAL EXPENSES	9,047,469	3,764,685	12,812,154	13,339,937
INCREASE IN NET POSITION	\$ 2,192,586	\$ 1,565,328	\$ 3,757,914	\$ 2,206,846

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2016**

Governmental Activities

Governmental activities increased the net position of the City by \$2,192,586. Tax revenues for the City were \$9,234,672. Program revenues for the functions totaled \$1,372,269. 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	\$ 365,316	\$ 309,008
Information technology	245,274	245,274
Human resources	87,779	87,779
Finance	219,349	219,349
Municipal court	126,341	(80,331)
Economic development	402,510	224,798
Police	2,154,407	2,086,527
Fire	1,323,247	1,316,138
Emergency management	96,397	96,397
Animal control	74,259	74,259
Street	1,045,464	843,697
Stormwater	30,955	30,955
Parks and recreation	2,154,393	1,499,572
Land acquisition	411,054	411,054
Debt Service	310,724	310,724
	<u>\$ 9,047,469</u>	<u>\$ 7,675,200</u>

Business-Type Activities

Business-type activities increased the City's net position by \$1,565,328. This is up from the increase last year from the City's business-type activities of \$802,495.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2016**

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2016, were \$7,792,153. The General Fund decreased by \$116,705. The Street Fund decreased by \$138,985. The Stormwater Fund increased by \$365,335. The Fire Sales Tax Fund increased \$167,736. The Park Fund increased \$151,104.

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 not amended for fiscal year 2016.
- The City budgeted revenues in the General Fund at \$5,040,761 and expenditures at \$5,788,847 for the year ended December 31, 2016.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$19,612,025 (net of accumulated depreciation) as of December 31, 2016. This represents a \$512,376 increase from the prior year. Net capital assets for business-type activities were \$23,217,830 as of December 31, 2016. This represents a decrease of \$163,933 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2016, was \$8,814,966, which is down from \$9,932,807 in the prior year.

Total debt of business-type activities as of December 31, 2016, was \$10,974,315, which is down from \$12,222,781 in the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2016**

Economic Factors and Next Year's Budget

The following economic factors currently affect the City of Republic and were considered when developing the FY2017 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 FY2017 budget.
- Sales tax revenue has been steadily increasing since 2010.
- A new 2017 Platform Aerial Truck will be purchased. The annual debt payment will be funded out of the 1/8-cent fire sales tax beginning in FY2017.

Next Year's Budget

- The Budget format has been completely revised for the FY2017 Budget.
- General Fund revenues for FY2017 are projected to be \$7,351,164.
- General Fund expenditures for FY2017 are estimated at \$7,349,151.
- Health insurance costs remain the same for the City for FY2017.
- The City has undergone two audits and restructuring of the Finance Department. The City plans to continue working to ensure transparency and accuracy in financial reporting.
- Spending controls remain in place to minimize the impact of increasing cost of services.

Contacting the City's Financial Management

For additional information or questions, please contact:

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Jared Keeling, Assistant City Administrator

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 3,866,087	\$ 624,661	\$ 4,490,748
Ad valorem taxes receivable, net	989,358	-	989,358
Sales taxes receivable	967,995	-	967,995
Franchise taxes receiveable	136,793	-	136,793
Utilities receivable, net	-	706,499	706,499
Intergovernmental receivable	74,501	-	74,501
Other receivables	1,259	-	1,259
Prepaid insurance	120,945	32,402	153,347
Noncurrent			
Restricted cash and cash equivalents	1,569,388	4,646,857	6,216,245
Restricted investments	499,976	261,901	761,877
Capital Assets:			
Non-depreciable	2,287,752	775,746	3,063,498
Depreciable, net	17,324,273	22,442,084	39,766,357
TOTAL ASSETS	<u>27,838,327</u>	<u>29,490,150</u>	<u>57,328,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	776,068	221,113	997,181

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable	150,105	273,114	423,219
Accrued expenses	238,738	59,893	298,631
Accrued interest payable	68,427	134,273	202,700
Court bonds payable	4,930	-	4,930
Police evidence payable	4,165	-	4,165
Deposits payable	-	400,335	400,335
Current maturities of long-term debt	1,129,886	1,312,909	2,442,795
	<u>1,596,251</u>	<u>2,180,524</u>	<u>3,776,775</u>
Noncurrent			
Revenue bonds payable	5,061,375	3,971,375	9,032,750
Capital lease payable	2,315,955	5,645,250	7,961,205
Compensated absences payable	307,750	44,781	352,531
Net pension liability	2,325,832	736,197	3,062,029
	<u>10,010,912</u>	<u>10,397,603</u>	<u>20,408,515</u>
TOTAL LIABILITIES	11,607,163	12,578,127	24,185,290
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	92,401	24,275	116,676
	<u>92,401</u>	<u>24,275</u>	<u>116,676</u>
NET POSITION			
Net investment in capital assets	11,104,809	12,288,296	23,393,105
Restricted	765,724	1,335,085	2,100,809
Unrestricted	5,044,298	3,485,480	8,529,778
	<u>5,044,298</u>	<u>3,485,480</u>	<u>8,529,778</u>
TOTAL NET POSITION	<u>\$ 16,914,831</u>	<u>\$ 17,108,861</u>	<u>\$ 34,023,692</u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges	Operating	Capital	Primary Government		
		for	Grants and	Grants and	Governmental	Business-Type	Total
	Services	Contributions	Contributions	Activities	Activities		
Primary Government							
Governmental activities							
Administrative	\$ (365,316)	\$ 56,308	\$ -	\$ -	\$ (309,008)	\$ -	\$ (309,008)
Information technology	(245,274)	-	-	-	(245,274)	-	(245,274)
Human resources	(87,779)	-	-	-	(87,779)	-	(87,779)
Finance	(219,349)	-	-	-	(219,349)	-	(219,349)
Municipal court	(126,341)	206,672	-	-	80,331	-	80,331
Economic development	(402,510)	177,712	-	-	(224,798)	-	(224,798)
Police	(2,154,407)	52,569	15,311	-	(2,086,527)	-	(2,086,527)
Fire	(1,323,247)	7,109	-	-	(1,316,138)	-	(1,316,138)
Emergency management	(96,397)	-	-	-	(96,397)	-	(96,397)
Animal control	(74,259)	-	-	-	(74,259)	-	(74,259)
Street	(1,045,464)	5,371	-	196,396	(843,697)	-	(843,697)
Stormwater	(30,955)	-	-	-	(30,955)	-	(30,955)
Parks and recreation	(2,154,393)	654,821	-	-	(1,499,572)	-	(1,499,572)
Land acquisition	(411,054)	-	-	-	(411,054)	-	(411,054)
Debt Service	(310,724)	-	-	-	(310,724)	-	(310,724)
TOTAL GOVERNMENTAL ACTIVITIES	(9,047,469)	1,160,562	15,311	196,396	(7,675,200)	-	(7,675,200)

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended December 31, 2016

	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Business-type activities								
Water	(2,364,241)	1,748,760	-	-	(615,481)	(615,481)		
Sewer	(1,400,444)	3,250,333	-	-	1,849,889	1,849,889		
TOTAL BUSINESS-TYPE ACTIVITIES	(3,764,685)	4,999,093	-	-	1,234,408	1,234,408		
TOTAL PRIMARY GOVERNMENT	<u>\$ (12,812,154)</u>	<u>\$ 6,159,655</u>	<u>\$ 15,311</u>	<u>\$ 196,396</u>	(7,675,200)	1,234,408	(6,440,792)	
		General Revenues:						
					Sales taxes	6,761,943	-	6,761,943
					Ad valorem taxes	1,097,709	-	1,097,709
					Motor vehicle and gas taxes	585,394	-	585,394
					Other taxes	31,400	-	31,400
					Franchise fees	758,226	-	758,226
					County reimbursements	106,464	-	106,464
					Interest	58,105	221,364	279,469
					Other revenue	233,198	206,854	440,052
					Transfers	198,396	(198,396)	-
					Special Item:			
					Gain on asset disposal	36,951	101,098	138,049
					Total General Revenues, Transfers, and Special Item	9,867,786	330,920	10,198,706
					Changes in Net Position	2,192,586	1,565,328	3,757,914
					Net Position, Beginning of year, as restated	14,722,245	15,543,533	30,265,778
					Net Position, End of year	<u>\$ 16,914,831</u>	<u>\$ 17,108,861</u>	<u>\$ 34,023,692</u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Special Project Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 1,188,639	\$ 830,039	\$ 854,800	\$ 338,531	\$ 654,078	\$ -	\$ 3,866,087
Ad valorem taxes receivable, net	695,480	105,614	-	-	188,264	-	989,358
Sales taxes receivable	407,577	203,789	101,894	50,946	203,789	-	967,995
Franchise taxes receivable	136,793	-	-	-	-	-	136,793
Other receivables	1,259	-	-	-	-	-	1,259
Intergovernmental receivable	23,333	51,168	-	-	-	-	74,501
Prepaid insurance	88,246	9,550	-	-	23,149	-	120,945
Restricted cash and cash equivalents	1,164,022	345,366	-	-	60,000	-	1,569,388
Restricted investments	499,976	-	-	-	-	-	499,976
TOTAL ASSETS	\$ 4,205,325	\$ 1,545,526	\$ 956,694	\$ 389,477	\$ 1,129,280	\$ -	\$ 8,226,302
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 22,912	\$ 113,457	\$ 5,102	\$ -	\$ 8,634	\$ -	\$ 150,105
Accrued expenses	165,661	29,253	-	-	43,824	-	238,738
Court bonds payable	4,930	-	-	-	-	-	4,930
Police evidence payable	4,165	-	-	-	-	-	4,165
TOTAL LIABILITIES	197,668	142,710	5,102	-	52,458	-	397,938

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
December 31, 2016

	Special Revenue Funds					Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	
Deferred Outflows of Resources						
Deferred taxes	25,447	3,913	-	-	6,851	36,211
Fund Balances						
Nonspendable:						
Prepaid items	88,246	9,550	-	-	23,149	120,945
Restricted for:						
Debt service	765,724	-	-	-	-	765,724
Assigned to:						
Street	-	1,389,353	-	-	-	1,389,353
Stormwater	-	-	951,592	-	-	951,592
Fire	-	-	-	389,477	-	389,477
Parks and recreation	-	-	-	-	1,046,822	1,046,822
Unassigned	3,128,240	-	-	-	-	3,128,240
TOTAL FUND BALANCES	3,982,210	1,398,903	951,592	389,477	1,069,971	7,792,153
TOTAL LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES AND FUND BALANCES	\$ 4,205,325	\$ 1,545,526	\$ 956,694	\$ 389,477	\$ 1,129,280	\$ 8,226,302

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2016

Fund balance - total governmental funds	\$ 7,792,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	27,588,119
Less accumulated depreciation	<u>(7,976,094)</u>
	19,612,025
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 asset and related deferred items:	
Net pension liability	(2,325,832)
Deferred outflows due to pensions	776,068
Deferred inflows due to pensions	<u>(92,401)</u>
	(1,642,165)
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	(68,427)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(8,814,966)</u>
Net position of governmental activities	<u><u>\$ 16,914,831</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Special Project Fund	
REVENUES							
Taxes	\$ 4,648,252	\$ 1,601,541	\$ 593,884	\$ 296,798	\$ 2,096,031	\$ -	\$ 9,236,506
Licenses and permits	250,253	3,507	-	-	-	-	253,760
Intergovernmental revenues	10,861	302,860	-	-	-	-	313,721
Charges for services	-	-	-	-	809,875	-	809,875
Fines and forfeitures	215,353	-	-	-	-	-	215,353
Miscellaneous	92,497	15,106	11,793	3,654	52,441	-	175,491
TOTAL REVENUES	5,217,216	1,923,014	605,677	300,452	2,958,347	-	11,004,706
EXPENDITURES							
Current							
Administrative	780,061	-	-	-	-	-	780,061
Information technology	252,331	-	-	-	-	-	252,331
Human resources	98,398	-	-	-	-	-	98,398
Finance	230,631	-	-	-	-	-	230,631
Municipal court	135,087	-	-	-	-	-	135,087
Economic development	407,460	-	-	-	-	-	407,460
Police	2,132,799	-	-	-	-	-	2,132,799
Fire	1,186,116	-	-	41,530	-	-	1,227,646
Emergency management	89,407	-	-	-	-	-	89,407
Animal control	75,151	-	-	-	-	-	75,151
Street	-	1,636,047	-	-	-	-	1,636,047
Stormwater	-	-	35,822	-	-	-	35,822
Parks and recreation	-	-	-	-	2,047,130	-	2,047,130
Land acquisition	-	-	-	-	-	411,054	411,054
Debt Service							
Principal and interest	382,232	204,897	68,539	91,159	787,042	-	1,533,869
TOTAL EXPENDITURES	5,769,673	1,840,944	104,361	132,689	2,834,172	411,054	11,092,893

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended December 31, 2016

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Special Project Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(552,457)	82,070	501,316	167,763	124,175	(411,054)	(88,187)
OTHER FINANCING SOURCES (USES)							
Lease proceeds	84,525	-	-	-	-	-	84,525
Sale of assets	3,300	37,478	-	-	193,000	-	233,778
Operating transfers in	758,981	115,274	-	-	-	411,054	1,285,309
Operating transfers (out)	(411,054)	(373,807)	(135,981)	-	(166,071)	-	(1,086,913)
TOTAL OTHER FINANCING SOURCES (USES)	435,752	(221,055)	(135,981)	-	26,929	411,054	516,699
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(116,705)	(138,985)	365,335	167,763	151,104	-	428,512
FUND BALANCE, January 1, as restated	4,098,915	1,537,888	586,257	221,714	918,867	-	7,363,641
FUND BALANCE, December 31	<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>

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, 2016

Net change in fund balances - total governmental funds \$ 428,512

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	1,399,636
Depreciation	(883,435)
Gain on disposal of capital assets	(3,825)
	<u>512,376</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	1,225,485
Accrued interest payable	(2,340)
Lease proceeds	(84,525)
	<u>1,138,620</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	136,197
Change in compensated absences	(23,119)
	<u>113,078</u>

Change in net position of governmental activities	<u><u>\$ 2,192,586</u></u>
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See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2016

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 624,661
Utilities receivable, net	706,499
Prepaid insurance	<u>32,402</u>
TOTAL CURRENT ASSETS	1,363,562
Restricted Assets	
Cash and cash equivalents	4,646,857
Investments	<u>261,901</u>
TOTAL RESTRICTED ASSETS	4,908,758
Property, Plant and Equipment	
Non-depreciable	775,746
Depreciable	34,159,645
Accumulated depreciation	<u>(11,717,561)</u>
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>23,217,830</u>
TOTAL ASSETS	29,490,150
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	221,113

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
December 31, 2016

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	273,114
Accrued expenses	59,893
Accrued interest payable	134,273
Utility deposits	400,335
Current maturities of long-term debt	<u>1,312,909</u>
TOTAL CURRENT LIABILITIES	2,180,524
Long-Term Liabilities	
Bonds payable	3,971,375
Capital lease payable	5,645,250
Compensated absences payable	44,781
Net pension liability	<u>736,197</u>
TOTAL LONG-TERM LIABILITIES	<u>10,397,603</u>
TOTAL LIABILITIES	12,578,127
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>24,275</u>
NET POSITION	
Net investment in capital assets	12,288,296
Restricted	1,335,085
Unrestricted	<u>3,485,480</u>
TOTAL NET POSITION	<u><u>\$ 17,108,861</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended December 31, 2016

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	4,961,867
Miscellaneous	<u>37,226</u>
TOTAL OPERATING REVENUES	4,999,093
OPERATING EXPENSES	
Water Services	
Wages and benefits	1,050,237
Professional services	5,222
Telephone and utilities	190,511
Insurance	47,888
Supplies	53,813
Travel, meetings and dues	4,853
Vehicle expense	13,471
Repairs and maintenance	118,719
Depreciation	207,497
General and administrative	44,890
Miscellaneous	36,323
Sewer Services	
Wages and benefits	383,969
Professional services	32,437
Telephone and utilities	320,292
Insurance	103
Supplies	32,001
Travel, meetings and dues	2,457
Vehicle expense	9,899
Repairs and maintenance	59,851
Depreciation	550,658
General and administrative	7,436
Miscellaneous	<u>1,195</u>
TOTAL OPERATING EXPENSES	<u>3,173,722</u>
OPERATING INCOME	1,825,371
NONOPERATING REVENUES (EXPENSES)	
Interest income	221,364
Interest expense	(590,963)
Gain on disposal of equipment	101,098
Impact fees	137,494
Rental income	<u>69,360</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(61,647)</u>
INCOME BEFORE OPERATING TRANSFERS	1,763,724
OPERATING TRANSFERS (OUT)	<u>(198,396)</u>
NET INCOME	1,565,328
NET POSITION, January 1, as restated	<u>15,543,533</u>
NET POSITION, December 31	<u>\$ 17,108,861</u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2016

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,944,071
Cash paid to suppliers	(856,733)
Cash paid to employees	(1,472,584)
	<u>2,614,754</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,614,754
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfers (out)	(198,396)
Nonoperating revenues	206,854
	<u>8,458</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	8,458
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(586,542)
Proceeds from sale of equipment	93,418
Payment of bond principal	(917,500)
Payment of capital lease principal	(331,123)
Payment of interest expense	(615,224)
	<u>(2,356,971)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,356,971)
CASH FLOWS FROM INVESTING ACTIVITIES	
(Purchase) of investments	(261,901)
Interest received on investments	221,364
	<u>(40,537)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(40,537)
NET INCREASE IN CASH AND CASH EQUIVALENTS	225,704
CASH AND CASH EQUIVALENTS, Beginning of year	<u>5,045,814</u>
CASH AND CASH EQUIVALENTS, End of year	5,271,518
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>4,646,857</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 624,661</u></u>

See accompanying notes.

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended December 31, 2016

	<u>Utility Fund</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,825,371
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	758,155
(Increase) decrease in:	
Utilities receivable	(76,987)
Prepaid expense	(5,566)
Deferred pension outflows	(189,437)
Increase (decrease) in:	
Accounts payable	130,194
Accrued expenses	19,021
Utility deposits payable	21,965
Deferred pension inflows	(3,914)
Net pension liability	135,795
Compensated absences	157
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,614,754</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Republic, Missouri, (the “City”) was incorporated in April 2007, 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.

Special Projects Fund: The Special Projects Fund is a special revenue fund used to account for resources restricted, committed or assigned for specific major purchases or improvements of 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 \$1,000 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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Pronouncement

The City implemented GASB Statement No. 72 – *Fair Value Measurement and Application*, for the year ended December 31, 2016. The primary objective of this Statement is to address accounting and financial reporting issues relating to fair value measurements. This Statement provides guidance for determining fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The adoption of this Statement had no impact on the City’s financial statements, but did result in expanded note disclosures.

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, 2016, all bank balances on deposit are entirely insured or collateralized.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE C – INVESTMENTS

The City categorizes its investments within the fair value hierarchy as discussed in Note A. At December 31, 2016, 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	7/1/2020 - 6/30/2023	\$ 261,901	\$ -	\$ -	\$ 261,901
FNMA	12/20/2017	-	-	253,012	253,012
PEFCO	3/15/2020	-	-	246,964	246,964
		<u>\$ 261,901</u>	<u>\$ -</u>	<u>\$ 499,976</u>	<u>\$ 761,877</u>

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.

U.S. Agencies

The City funds in FNMA and PEFCO 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. The investments will be held to maturity.

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.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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:

	<u>Cash and Investments</u>	<u>Restricted Net Position</u>
UTILITY FUND		
Equipment reserves	\$ 248,571	\$ -
Impact fees	907,079	-
Operating reserves	2,017,688	-
Series 2001C principal account	272,500	272,500
Series 2001C interest account	33,334	33,334
Series 2001C reserves	165,500	165,500
Series 1999A principal account	400,000	400,000
Series 1999A interest account	22,182	22,182
Series 1999A rebate account	41,569	41,569
Series 1999A reserves	400,000	400,000
Customer Deposits	400,335	-
	<u>\$ 4,908,758</u>	<u>\$ 1,335,085</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE D – RESTRICTED ASSETS (continued)

Governmental Activities

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
GENERAL FUND		
Police equipment reserves	\$ 92,084	\$ -
Fire equipment reserves	121,744	-
Court bonds	4,930	-
Emergency management equipment reserves	6,205	-
Police evidence	4,165	-
Impact fees	13,083	-
Operating reserves	656,063	-
Series 2010 bond reserve	765,724	765,724
	<u>\$ 1,663,998</u>	<u>\$ 765,724</u>
STREET FUND		
Developer escrow	\$ 30,000	\$ -
Operating reserves	315,366	-
	<u>\$ 345,366</u>	<u>\$ -</u>
PARKS AND RECREATION FUND		
Equipment reserves	\$ 20,000	\$ -
Operating reserves	40,000	-
	<u>\$ 60,000</u>	<u>\$ -</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 705,304	\$ (9,824)	\$ 695,480
Street Fund	108,258	(2,644)	105,614
Parks and Recreation Fund	189,775	(1,511)	188,264
	<u>\$ 1,003,337</u>	<u>\$ (13,979)</u>	<u>\$ 989,358</u>
FRANCHISE TAXES RECEIVABLE			
General Fund	<u>\$ 136,793</u>	<u>\$ -</u>	<u>\$ 136,793</u>
OTHER RECEIVABLE			
General Fund	<u>\$ 1,259</u>	<u>\$ -</u>	<u>\$ 1,259</u>
UTILITIES RECEIVABLE			
Utility Fund	<u>\$ 706,499</u>	<u>\$ -</u>	<u>\$ 706,499</u>
SALES TAX RECEIVABLE			
General Fund	\$ 407,577	\$ -	\$ 407,577
Street Fund	203,789	-	203,789
Stormwater Improvement Fund	101,894	-	101,894
Fire Sales Tax Fund	50,946	-	50,946
Parks and Recreation Fund	203,789	-	203,789
	<u>\$ 967,995</u>	<u>\$ -</u>	<u>\$ 967,995</u>
INTERGOVERNMENTAL RECEIVABLE			
General Fund	\$ 23,333	\$ -	\$ 23,333
Street Fund	51,168	-	51,168
	<u>\$ 74,501</u>	<u>\$ -</u>	<u>\$ 74,501</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

The governmental activities long-term liabilities at December 31, 2016, consists of the 2010 Special Obligation Bonds, the 2011 Special Obligation Bonds, the 2006 MAMU lease, the 2007 Certificates of Participation, three capital leases, one loan payable, and compensated absences payable.

2010 Special Obligation Bonds

On September 9, 2010, the City issued \$7,165,000 in Special Obligation Bonds for the purpose of refunding the 1996, 2001, 2002A, 2002B, and 2002C Certificates of Participation. 95.5% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities and 4.5% was recorded as long-term debt within the business-type activities. The bonds bear interest ranging from 2.0% to 4.0% 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.

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 525,000	\$ 135,380	\$ 660,380
2018	520,000	119,315	639,315
2019	550,000	102,050	652,050
2020	575,000	82,912	657,912
2021	615,000	61,319	676,319
2022	650,000	37,194	687,194
2023	170,000	21,200	191,200
2024	175,000	14,300	189,300
2025	270,000	5,400	275,400
	<u>\$ 4,050,000</u>	<u>\$ 579,070</u>	<u>\$ 4,629,070</u>
Governmental Activities	\$ 3,867,750		
Business-Type Activities	182,250		
	<u>\$ 4,050,000</u>		

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

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, 2016, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 345,000	\$ 66,523	\$ 411,523
2018	360,000	56,173	416,173
2019	335,000	45,373	380,373
2020	350,000	34,988	384,988
2021	375,000	23,438	398,438
2022	275,000	10,313	285,313
	<u>\$ 2,040,000</u>	<u>\$ 236,808</u>	<u>\$ 2,276,808</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 February 2012, the City entered into a direct loan agreement to finance the City's cost share of the Route 60 and Oakwood intersection improvement project in the amount of \$221,019. The lease requires annual payments of \$48,207 with interest at 2.96%.

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%.

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, 2016

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	MTFC Loan	Total
2017	\$ 64,660	\$ 110,418	\$ 32,461	\$ 91,159	\$ 16,905	\$ 48,206	\$ 363,809
2018	63,220	110,418	32,461	91,159	16,905	-	314,163
2019	61,780	110,418	-	91,159	16,905	-	280,262
2020	60,340	110,418	-	45,579	16,905	-	233,242
2021	58,900	110,418	-	-	-	-	169,318
2022	68,277	110,418	-	-	-	-	178,695
2023	67,360	110,418	-	-	-	-	177,778
2024	65,440	110,418	-	-	-	-	175,858
2025	63,520	110,418	-	-	-	-	173,938
2026	61,600	110,418	-	-	-	-	172,018
2027	67,587	110,418	-	-	-	-	178,005
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	983,174	1,780,949	64,922	319,056	67,620	48,206	3,263,927
LESS AMOUNT REPRESENTING INTEREST	(250,174)	(401,044)	(1,498)	(10,359)	-	(1,386)	(664,461)
PRINCIPAL BALANCE, DECEMBER 31, 2016	<u>\$ 733,000</u>	<u>\$ 1,379,905</u>	<u>\$ 63,424</u>	<u>\$ 308,697</u>	<u>\$ 67,620</u>	<u>\$ 46,820</u>	<u>\$ 2,599,466</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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, 2016:

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
Capital Leases Payable					
2006 MAMU	\$ 769,000	\$ -	\$ 36,000	\$ 733,000	\$ 36,000
2007 Certificates of Participation	1,443,583	-	63,678	1,379,905	65,941
Dump Truck	95,126	-	31,702	63,424	31,465
Fire Pumpers	393,658	-	84,961	308,697	86,380
In-Car Cameras	-	84,525	16,905	67,620	16,905
204 N. Main	28,523	-	28,523	-	-
Loan Payable					
MTFC Loan	92,288	-	45,468	46,820	46,820
Park Land	110,748	-	110,748	-	-
Bonds Payable					
Series 2011 Bonds	2,370,000	-	330,000	2,040,000	345,000
Series 2010 Bonds	4,345,250	-	477,500	3,867,750	501,375
Compensated Absences	284,631	23,119	-	307,750	-
	<u>\$ 9,932,807</u>	<u>\$ 107,644</u>	<u>\$ 1,225,485</u>	<u>\$ 8,814,966</u>	<u>\$ 1,129,886</u>

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

The business-type activities long-term liabilities at December 31, 2016 consists of the 1999A Combined Waterworks and Sewerage System Revenue Bonds, the 2001C Combined Waterworks and Sewerage System Revenue Bonds, the 2010 Special Obligation Bonds, the 2006 MAMU lease, one capital lease and compensated absences payable.

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.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Administrative Fee	Total
2017	\$ 400,000	\$ 76,500	\$ 12,352	\$ 488,852
2018	420,000	56,000	9,496	485,496
2019	445,000	34,375	9,353	488,728
2020	465,000	11,625	9,175	485,800
	<u>\$ 1,730,000</u>	<u>\$ 178,500</u>	<u>\$ 40,376</u>	<u>\$ 1,948,876</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, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Administrative Fee	Total
2017	\$ 545,000	\$ 164,700	\$ 22,919	\$ 732,619
2018	575,000	135,406	19,028	729,434
2019	600,000	104,500	18,814	723,314
2020	640,000	74,500	18,635	733,135
2021	850,000	42,500	18,350	910,850
	<u>\$ 3,210,000</u>	<u>\$ 521,606</u>	<u>\$ 97,746</u>	<u>\$ 3,829,352</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

2010 Special Obligation Bonds

On September 9, 2010, the City issued \$7,165,000 in Special Obligation Bonds for the purpose of refunding the 1996, 2001, 2002A, 2002B, and 2002C Certificates of Participation. 95.5% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities and 4.5% was recorded as long-term debt within the business-type activities and 95.5% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities. The bonds bear interest ranging from 2.0% to 4.0% 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>
2017	\$ 272,000	\$ 223,064	\$ 495,064
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>\$ 5,735,000</u>	<u>\$ 1,914,112</u>	<u>\$ 7,649,112</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

Capital Lease Agreement – Screw Pump

In December 2012, the City entered into a lease purchase agreement to finance the purchase of a screw pump in the amount of \$350,000. The lease requires semi-annual payments of \$36,583 with interest at 1.63%.

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>
2017	<u>\$ 72,284</u>	<u>\$ 882</u>	<u>\$ 73,166</u>

The following table is a summary of the changes in the Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2016:

	<u>Balance</u> <u>December 31,</u> <u>2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>December 31,</u> <u>2016</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Capital Leases Payable					
2006 MAMU	\$ 5,995,000	\$ -	\$ 260,000	\$ 5,735,000	\$ 272,000
Screw Pump	143,407	-	71,123	72,284	72,284
Bonds Payable					
Series 2010 Bonds	204,750	-	22,500	182,250	23,625
Series 2001C Bonds	3,725,000	-	515,000	3,210,000	545,000
Series 1999 Bonds	2,110,000	-	380,000	1,730,000	400,000
Compensated Absences	44,624	157	-	44,781	-
	<u>\$12,222,781</u>	<u>\$ 157</u>	<u>\$ 1,248,623</u>	<u>\$10,974,315</u>	<u>\$ 1,312,909</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 1,816,708	\$ 411,319	\$ 193,000	\$ 2,035,027
Construction in progress	-	252,725	-	252,725
Total Non-Depreciable Capital Assets	1,816,708	<u>\$ 664,044</u>	<u>\$ 193,000</u>	2,287,752
Depreciable Capital Assets				
Building and improvements	16,692,709	\$ -	\$ -	16,692,709
Machinery and equipment	1,290,470	299,621	-	1,590,091
Vehicles	2,412,290	199,538	32,913	2,578,915
Infrastructure	4,009,219	429,433	-	4,438,652
Total Depreciable Capital Assets	24,404,688	<u>\$ 928,592</u>	<u>\$ 32,913</u>	25,300,367
Less Accumulated Depreciation				
Building and improvements	4,556,189	\$ 405,108	\$ -	4,961,297
Machinery and equipment	686,816	133,102	-	819,918
Vehicles	1,081,247	204,342	29,088	1,256,501
Infrastructure	797,495	140,883	-	938,378
Less Total Accumulated Depreciation	7,121,747	<u>\$ 883,435</u>	<u>\$ 29,088</u>	7,976,094
Total Depreciable Capital Assets, net	17,282,941			17,324,273
Total Capital Assets - Governmental Activities, net	<u>\$ 19,099,649</u>			<u>\$ 19,612,025</u>

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

Administrative	\$ 20,970
Police	177,260
Fire	143,811
Court	186
Streets	188,145
Planning	6,174
Parks	331,917
Emergency Management	12,287
Animal Control	2,685
	<u>\$ 883,435</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I – CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Business-Type Activities				
Water and Sewer				
Non-depreciable Capital Assets:				
Land	\$ 370,328	\$ 34,600	\$ -	\$ 404,928
Construction in progress	-	370,818	-	370,818
	<u>370,328</u>	<u>\$ 405,418</u>	<u>\$ -</u>	<u>775,746</u>
Depreciable Capital Assets:				
Water plant	7,513,180	-	507	7,512,673
Sewer plant	24,917,931	-	-	24,917,931
Buildings and improvements	57,492	-	-	57,492
Major moveable equipment	894,199	142,520	6,717	1,030,002
Vehicles	595,719	57,578	11,750	641,547
	<u>33,978,521</u>	<u>\$ 200,098</u>	<u>\$ 18,974</u>	<u>34,159,645</u>
Less Accumulated Depreciation:				
Water plant	2,614,123	150,012	-	2,764,135
Sewer plant	7,704,404	499,951	-	8,204,355
Buildings and improvements	41,711	1,243	-	42,954
Major moveable equipment	232,953	58,836	7,680	284,109
Vehicles	373,895	48,113	-	422,008
Less Accumulated Depreciation	<u>10,967,086</u>	<u>758,155</u>	<u>7,680</u>	<u>11,717,561</u>
Depreciable Capital Assets, net	<u>23,011,435</u>			<u>22,442,084</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 23,381,763</u>			<u>\$ 23,217,830</u>

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

Water	\$ 207,497
Sewer	<u>550,658</u>
	<u>\$ 758,155</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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>2016</u>
Assessed Valuation	
Real estate	\$ 174,405,643
Personal property	<u>38,748,828</u>
TOTAL	<u>\$ 213,154,471</u>
 Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.4478
Park Fund	.1206
Street Fund	<u>.0689</u>
	<u>\$.6373</u>

The legal debt margin at December 31, 2016, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 21,315,447	\$ 21,315,447	\$ 42,630,894
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 21,315,447</u>	<u>\$ 21,315,447</u>	<u>\$ 42,630,894</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>2016 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, 2016, 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	15	4	2	19
Inactive employees entitled to but not yet receiving benefits	16	14	6	30
Active employees	68	21	16	89
	<u>99</u>	<u>39</u>	<u>24</u>	<u>138</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 8.4% for General, 8.8% for Police, and 8.3% for Fire of annual covered payroll.

Net Pension Liability. The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions. The total pension liability in the February 28, 2015, 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 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best 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, 2016

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	\$ 3,918,363	\$ 2,389,528	\$ 1,528,835
Changes for the year:			
Service cost	223,490	-	223,490
Interest	289,033	-	289,033
Difference between expected and actual experiences	96,567	-	96,567
Changes of assumptions	250,711	-	250,711
Contributions - employer	-	239,630	(239,630)
Contributions - employee	-	114,800	(114,800)
Net investment income	-	7,865	(7,865)
Benefits paid, including refunds	(84,446)	(84,446)	-
Administrative expenses	-	(7,322)	7,322
Other (net transfer)	-	(69,756)	69,756
Net Changes	775,355	200,771	574,584
Balance at end of year	4,693,718	2,590,299	2,103,419

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	1,095,669	612,096	483,573
Changes for the year:			
Service cost	57,974	-	57,974
Interest	80,106	-	80,106
Difference between expected and actual experiences	66,199	-	66,199
Changes of assumptions	29,043	-	29,043
Contributions - employer	-	73,601	(73,601)
Contributions - employee	-	35,373	(35,373)
Net investment income	-	2,035	(2,035)
Benefits paid, including refunds	(39,164)	(39,164)	-
Administrative expenses	-	(2,609)	2,609
Other (net transfer)	-	(1,968)	1,968
Net Changes	194,158	67,268	126,890
Balance at end of year	1,289,827	679,364	610,463
<i>Fire Division</i>			
Balance at beginning of year	959,975	663,207	296,768
Changes for the year:			
Service cost	72,896	-	72,896
Interest	71,199	-	71,199
Difference between expected and actual experiences	(23,309)	-	(23,309)
Changes of assumptions	30,054	-	30,054
Contributions - employer	-	65,094	(65,094)
Contributions - employee	-	29,682	(29,682)
Net investment income	-	8,944	(8,944)
Benefits paid, including refunds	(27,942)	(27,942)	-
Administrative expenses	-	(1,936)	1,936
Other (net transfer)	-	(2,323)	2,323
Net Changes	122,898	71,519	51,379
Balance at end of year	1,082,873	734,726	348,147
Total Plan Balances at end of year	\$ 7,066,418	\$ 4,004,389	\$ 3,062,029

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 5,488,235	\$ 4,693,718	\$ 4,048,997
Plan Fiduciary Net Position	2,590,299	2,590,299	2,590,299
Net Pension Liability	2,897,936	2,103,419	1,458,698
<i>Police Division</i>			
Total Pension Liability	1,547,869	1,289,827	1,087,126
Plan Fiduciary Net Position	679,364	679,364	679,364
Net Pension Liability	868,505	610,463	407,762
<i>Fire Division</i>			
Total Pension Liability	1,283,401	1,082,873	923,299
Plan Fiduciary Net Position	734,726	734,726	734,726
Net Pension Liability	548,675	348,147	188,573
Total Net Pension Liability	\$ 4,315,116	\$ 3,062,029	\$ 2,055,033

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, the City recognized a pension expense of \$385,443 in the General Division, \$103,399 in the Police Division, and \$81,045 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	\$ 84,069	\$ (69,357)	\$ 14,712
Differences in assumptions	218,264	-	218,264
Excess (deficit) investment returns	205,772	-	205,772
Contributions subsequent to the measurement date*	123,645	-	123,645
	<u>631,750</u>	<u>(69,357)</u>	<u>562,393</u>
<i>Police Division</i>			
Differences in experiences	135,588	-	135,588
Differences in assumptions	24,312	-	24,312
Excess (deficit) investment returns	53,018	-	53,018
Contributions subsequent to the measurement date*	37,290	-	37,290
	<u>250,208</u>	<u>-</u>	<u>250,208</u>
<i>Fire Division</i>			
Differences in experiences	-	(47,319)	(47,319)
Differences in assumptions	27,682	-	27,682
Excess (deficit) investment returns	52,214	-	52,214
Contributions subsequent to the measurement date*	35,327	-	35,327
	<u>115,223</u>	<u>(47,319)</u>	<u>67,904</u>
Total	<u>\$ 997,181</u>	<u>\$ (116,676)</u>	<u>\$ 880,505</u>
Governmental Activities	\$ 776,068	\$ (92,401)	\$ 683,667
Business-Type Activities	221,113	(24,275)	196,838
	<u>\$ 997,181</u>	<u>\$ (116,676)</u>	<u>\$ 880,505</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, 2017.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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
2017	\$ 214,398	\$ 80,105	\$ 48,011	\$ 342,514
2018	90,753	42,815	12,684	146,252
2019	90,754	42,815	12,685	146,254
2020	68,096	37,053	6,313	111,462
2021	33,646	28,120	(1,962)	59,804
Thereafter	64,746	19,300	(9,827)	74,219
Total	\$ 562,393	\$ 250,208	\$ 67,904	\$ 880,505

Payable to the Pension Plan

At December 31, 2016, the City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2016, therefore no payable was reported.

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, 2016

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, 2016, 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, 2016, were as follows:

	Transfers In (Out)
General Fund	\$ 347,927
Street Fund	(258,533)
Stormwater Fund	(135,981)
Park Fund	(166,071)
Special Project Fund	411,054
Utility Fund	(198,396)
	<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.

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, 2016, 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 \$5,778,228. Principal, interest and fees paid for the current year and total customer net revenues were \$1,215,418 and \$2,583,526, respectively.

NOTE R – COMMITMENTS

At December 31, 2016, the City had the following commitments:

- G&G Construction for the Shyler Creek Lift Station upgrade in the amount of \$1,179,455
- Great River Engineering for engineering services related to Route 174 improvements in the amount of \$24,028
- Olsson Associates for engineering services related to stormwater improvements in the amount of \$38,358
- Olsson Associates for engineering services related to SCADA system improvements in the amount of \$36,700

NOTE S – SUBSEQUENT EVENTS

On January 6, 2017, the City signed a lease purchase agreement with US Bancorp for the purchase of two International trucks in the amount of \$228,511. The lease has a term of 3 years at an interest rate of 1.554%.

On February 1, 2017, the Missouri Transportation Finance Corporation (MTFC) approved the City's loan request of \$660,779 for East Hines Street and North Oakwood Avenue improvements. The loan has a term of 10 years at an interest rate of 3.01%.

NOTE T – TAX ABATEMENTS

As of December 31, 2016, 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, 2016 the total amount abated through the City's Enhanced Enterprise Zones Program was \$29,357; this amount represents the total of four specific businesses qualifying for the Enhanced Enterprise Zones Program.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE U – RESTATEMENT

Fund balances and net position as of January 1, 2016, has been restated for the establishment of new funds, the removal of compensated absences payable from governmental funds, adjustments to sales tax receivable, and interest payable, as follows:

General Fund

Fund Balance, as previously stated, December 31, 2015	\$ 4,108,049
Cash	(179,162)
Sales tax receivable	(42,552)
Compensated absences	212,580
Fund Balance, as restated, January 1, 2016	<u>\$ 4,098,915</u>

Street Fund

Fund Balance, as previously stated, December 31, 2015	\$ 2,091,715
Cash	(586,257)
Compensated absences	32,430
Fund Balance, as restated, January 1, 2016	<u>\$ 1,537,888</u>

Stormwater Fund

Fund Balance, as previously stated, December 31, 2015	\$ -
Cash	586,257
Fund Balance, as restated, January 1, 2016	<u>\$ 586,257</u>

Fire Sales Tax Fund

Fund Balance, as previously stated, December 31, 2015	\$ -
Cash	179,162
Sales tax receivable	42,552
Fund Balance, as restated, January 1, 2016	<u>\$ 221,714</u>

Park Fund

Fund Balance, as previously stated, December 31, 2015	\$ 879,246
Compensated absences	39,621
Fund Balance, as restated, January 1, 2016	<u>\$ 918,867</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE U – RESTATEMENT (continued)

Governmental Activities

Net Position, as previously stated, December 31, 2015	\$ 14,608,545
Bonds payable	<u>113,700</u>
Net Position, as restated, January 1, 2016	<u><u>\$ 14,722,245</u></u>

Water and Sewer Fund/Business-Type Activities

Net Position, as previously stated, December 31, 2015	\$ 15,765,469
Interest payable	(108,236)
Bonds payable	<u>(113,700)</u>
Net Position, as restated, January 1, 2016	<u><u>\$ 15,543,533</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2016

Missouri Local Government Employees Retirement System (LAGERS)

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

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 8 fiscal years

	<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	\$ 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>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>\$ 14,221</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$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	8.47%	8.37%	6.56%	6.05%	5.94%	5.61%	6.03%	6.03%

See accompanying notes to the required schedules.

CITY OF REPUBLIC, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, 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 – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 28 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 – New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 677,118	\$ 677,118	\$ 740,829	\$ 63,711
Railroad and utility taxes	24,500	24,500	25,668	1,168
Motor vehicle tax	290,000	290,000	292,697	2,697
City sales tax	2,634,420	2,634,420	2,804,260	169,840
Franchise tax	819,835	819,835	758,226	(61,609)
Financial institution tax	1,500	1,500	-	(1,500)
Surtax	25,000	25,000	24,739	(261)
Payment in lieu of tax	1,833	1,833	1,833	-
	<u>4,474,206</u>	<u>4,474,206</u>	<u>4,648,252</u>	<u>174,046</u>
Licenses and Permits				
Occupational licenses	44,000	44,000	41,954	(2,046)
Permits	164,330	164,330	208,299	43,969
	<u>208,330</u>	<u>208,330</u>	<u>250,253</u>	<u>41,923</u>
Intergovernmental Revenues				
Federal and state grants	29,000	29,000	10,861	(18,139)
Fines and Forfeitures				
City court fines	269,300	269,300	215,353	(53,947)
Miscellaneous				
Interest	13,500	13,500	26,964	13,464
Donations	100	100	4,450	4,350
Other	46,325	46,325	61,083	14,758
	<u>59,925</u>	<u>59,925</u>	<u>92,497</u>	<u>32,572</u>
TOTAL REVENUES	<u>5,040,761</u>	<u>5,040,761</u>	<u>5,217,216</u>	<u>176,455</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	798,022	798,022	780,061	17,961
Information technology	245,496	245,496	252,331	(6,835)
Human resources	104,729	104,729	98,398	6,331
Finance	201,306	201,306	230,631	(29,325)
Municipal court	142,155	142,155	135,087	7,068
Community development	413,386	413,386	407,460	5,926
Police	2,052,862	2,052,862	2,132,799	(79,937)
Fire	1,263,484	1,263,484	1,186,116	77,368
Emergency management	101,996	101,996	89,407	12,589
Animal control	84,448	84,448	75,151	9,297
Current				
Debt service	380,963	380,963	382,232	(1,269)
TOTAL EXPENDITURES	5,788,847	5,788,847	5,769,673	19,174
(DEFICIT) OF REVENUES				
OVER EXPENDITURES				
	(748,086)	(748,086)	(552,457)	195,629
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	84,525	84,525
Sale of assets	-	-	3,300	3,300
Operating transfers in	758,981	758,981	758,981	-
Operating transfers (out)	-	-	(411,054)	(411,054)
TOTAL OTHER FINANCING				
SOURCES (USES)	758,981	758,981	435,752	(323,229)
EXCESS (DEFICIT) OF REVENUES				
AND OTHER SOURCES OVER				
EXPENDITURES AND OTHER (USES)				
	10,895	10,895	(116,705)	(127,600)
FUND BALANCE, January 1, as restated	836,720	4,098,915	4,098,915	-
FUND BALANCE, December 31	<u>\$ 847,615</u>	<u>\$ 4,109,810</u>	<u>\$ 3,982,210</u>	<u>\$ (127,600)</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 107,000	\$ 107,000	\$ 113,312	\$ 6,312
Street sales taxes	1,129,000	1,129,000	1,187,769	58,769
Motor vehicle taxes	290,500	290,500	292,697	2,197
Railroad and utility	3,700	3,700	3,953	253
Surtax	4,000	4,000	3,810	(190)
	<u>1,534,200</u>	<u>1,534,200</u>	<u>1,601,541</u>	<u>67,341</u>
Permits				
Street cuts	2,300	2,300	3,432	1,132
Street signs	200	200	50	(150)
Right of way permits	-	-	25	25
	<u>2,500</u>	<u>2,500</u>	<u>3,507</u>	<u>1,007</u>
Intergovernmental Revenues				
Grants	442,976	442,976	196,396	(246,580)
County Reimbursements	102,000	102,000	106,464	4,464
	<u>544,976</u>	<u>544,976</u>	<u>302,860</u>	<u>(242,116)</u>
Miscellaneous				
Interest	7,000	7,000	11,930	4,930
Other	4,000	4,000	3,176	(824)
	<u>11,000</u>	<u>11,000</u>	<u>15,106</u>	<u>4,106</u>
TOTAL REVENUES	<u>2,092,676</u>	<u>2,092,676</u>	<u>1,923,014</u>	<u>(169,662)</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND (continued)
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Street	2,017,370	2,017,370	1,636,047	381,323
Debt Service				
Principal and interest	204,522	204,522	204,897	(375)
TOTAL EXPENDITURES	<u>2,221,892</u>	<u>2,221,892</u>	<u>1,840,944</u>	<u>380,948</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(129,216)	(129,216)	82,070	211,286
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(172,715)	(172,715)	(258,533)	85,818
Sales of assets	-	-	37,478	(37,478)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(172,715)</u>	<u>(172,715)</u>	<u>(221,055)</u>	<u>48,340</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(301,931)	(301,931)	(138,985)	259,626
FUND BALANCE, January 1, as restated	672,591	1,537,888	1,537,888	-
FUND BALANCE, December 31	<u>\$ 370,660</u>	<u>\$ 1,235,957</u>	<u>\$ 1,398,903</u>	<u>\$ 259,626</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STORMWATER FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Stormwater sales tax	\$ 563,465	\$ 563,465	\$ 593,884	\$ 30,419
Miscellaneous	-	-	11,793	11,793
TOTAL REVENUES	563,465	563,465	605,677	42,212
EXPENDITURES				
Current				
Stormwater	76,000	76,000	35,822	40,178
Debt Service				
Principal and interest	68,400	68,400	68,539	(139)
TOTAL EXPENDITURES	144,400	144,400	104,361	40,039
EXCESS OF REVENUES OVER EXPENDITURES	419,065	419,065	501,316	82,251
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(221,800)	(221,800)	(135,981)	(85,819)
TOTAL OTHER FINANCING SOURCES (USES)	(221,800)	(221,800)	(135,981)	(85,819)
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	197,265	197,265	365,335	(3,568)
FUND BALANCE, January 1, as restated	-	586,257	586,257	-
FUND BALANCE, December 31	<u>\$ 197,265</u>	<u>\$ 783,522</u>	<u>\$ 951,592</u>	<u>\$ (3,568)</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales tax	\$ 281,576	\$ 281,576	\$ 296,798	\$ 15,222
Miscellaneous	600	600	3,654	3,054
TOTAL REVENUES	282,176	282,176	300,452	18,276
EXPENDITURES				
Current				
Fire	55,600	55,600	41,530	14,070
Debt Service				
Principal and interest	91,160	91,160	91,159	1
TOTAL EXPENDITURES	146,760	146,760	132,689	14,071
EXCESS OF REVENUES OVER EXPENDITURES	135,416	135,416	167,763	32,347
FUND BALANCE, January 1, as restated	198,053	221,714	221,714	-
FUND BALANCE, December 31	<u>\$ 333,469</u>	<u>\$ 357,130</u>	<u>\$ 389,477</u>	<u>\$ 32,347</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 186,300	\$ 186,300	\$ 207,035	\$ 20,735
Sales taxes	1,777,807	1,777,807	1,875,422	97,615
Railroad and utility	6,400	6,400	6,912	512
Surtax	7,000	7,000	6,662	(338)
	<u>1,977,507</u>	<u>1,977,507</u>	<u>2,096,031</u>	<u>118,524</u>
Charges for Services				
Rental income	198,100	198,100	198,153	53
Adult and youth programs	246,800	246,800	238,964	(7,836)
Swim lessons	19,500	19,500	14,576	(4,924)
Special events	75,650	75,650	71,473	(4,177)
Concession	104,500	104,500	96,648	(7,852)
Admissions	240,500	240,500	190,061	(50,439)
	<u>885,050</u>	<u>885,050</u>	<u>809,875</u>	<u>(75,175)</u>
Miscellaneous				
Interest	2,100	2,100	8,064	5,964
Other	39,280	39,280	44,377	5,097
	<u>41,380</u>	<u>41,380</u>	<u>52,441</u>	<u>11,061</u>
TOTAL REVENUES	<u>2,903,937</u>	<u>2,903,937</u>	<u>2,958,347</u>	<u>54,410</u>
EXPENDITURES				
Current				
Parks and recreation	1,998,422	2,048,422	2,047,130	1,292
Debt Service				
Principal and interest	697,467	787,507	787,042	465
TOTAL EXPENDITURES	<u>2,695,889</u>	<u>2,835,929</u>	<u>2,834,172</u>	<u>1,757</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	208,048	68,008	124,175	56,167
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	193,000	193,000
Operating transfer (out)	(166,071)	(166,071)	(166,071)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(166,071)</u>	<u>(166,071)</u>	<u>26,929</u>	<u>193,000</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	41,977	(98,063)	151,104	249,167
FUND BALANCE, January 1, as restated	137,649	918,867	918,867	-
FUND BALANCE, December 31	<u>\$ 179,626</u>	<u>\$ 820,804</u>	<u>\$ 1,069,971</u>	<u>\$ 249,167</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL PROJECT FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Land acquisition	\$ -	\$ 411,054	\$ 411,054	\$ -
TOTAL EXPENDITURES	-	411,054	411,054	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	-	(411,054)	(411,054)	-
OTHER FINANCING SOURCES				
Operating transfers in	-	411,054	411,054	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	-	-	-
FUND BALANCE, January 1	-	-	-	-
FUND BALANCE, December 31	\$ -	\$ -	\$ -	\$ -

CITY OF REPUBLIC, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2016

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, 2016, 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 June 12, 2017.

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 deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. They are identified as items 2016-001 – 2016-004.

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
June 12, 2017

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

MATERIAL WEAKNESS

2016-001 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: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

2016-002 Bank Statement Review

Condition: The City does not currently have a policy that requires a review of bank account statements by an employee other than the person performing the bank reconciliation prior to the occurrence of the reconciliation.

Criteria: A policy that calls for a member of management outside the accounting cycle to open and review City bank statements prior to their reconciliation to the general ledger provides a key control to identify any potential irregularities within the statements.

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 and corrected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We recommend that the City institute a policy that designates an employee outside the accounting cycle to open and review bank statements on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates each bank statement upon completion of the review.

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (continued)
Year Ended December 31, 2016

Response: A procedure is being developed to have a person other than the one doing bank reconciliations review the bank statements each month.

2016-003 Bank Reconciliation Review

Condition: The City does not currently have a policy that requires a review of bank account reconciliations by a member of management outside the accounting cycle.

Criteria: Bank reconciliations are an important internal control within an entity operating on the modified cash basis of accounting. Instituting and following a policy that requires a review of monthly bank reconciliations by a member of management outside the accounting cycle will assist the City in insuring that this key internal control is being done properly in a timely manner.

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 and corrected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We recommend that the City institute a policy that designates an employee outside the accounting cycle to review bank reconciliations on a monthly basis. We further recommend that this policy include a requirement that the reviewer signs and dates the reconciliation upon completion of the review.

Response: A procedure is being developed to have a management person, other than the one doing bank reconciliations review the bank reconciliations each month.

2016-004 Reconciliation of Utility Accounts Receivable to Ledger

Condition: During the year ended December, reconciliations of Utility Billing (UB) to the general ledger were not performed on a monthly basis. We noted a substantial variance in the Accounts Receivable recorded in the UB System compared to that recorded in the ledger. While the City primarily operates throughout the year on a cash basis of accounting, the current financial accounting system is designed to record UB information on an accrual basis.

Criteria: Accounts receivable reconciliations are an important internal control within an entity operating a public utility. All utility accounts receivable balances should be reconciled to the general ledger on a monthly basis. All supporting information for the reconciliation should be included behind the reconciliation document. These items would include a printout of general ledger UB accounts receivable, UB system accounts receivable reports and a listing of aged accounts receivable.

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 and corrected within a timely period by employees in the normal course of performing their assigned functions.

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (continued)
Year Ended December 31, 2016

Recommendation: We recommend that UB accounts receivable be reconciled to the general ledger on a monthly basis. We further recommend that these reconciliations and supporting information be kept on file in accordance with Missouri record retention schedules.

Response: During the 2017 fiscal year we will be working on a solution to develop a monthly process for reconciliation of UB accounts receivable to the general ledger.



Honorable Mayor and City Council
City of Republic
Republic, Missouri

In planning and performing our audit of the basic financial statements of the City of Republic, Missouri, for the year ended December 31, 2016, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the 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*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the material weaknesses discussed in the 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*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters.

1. New Overtime Rules

The Department of Labor has issued a new ruling which updates the regulations determining which salaried employees are entitled to the Fair Labor Standards Act's minimum wage and overtime pay protections. The new rule increases the salary threshold for salaried workers from \$23,660 to \$47,476 per year. Workers making less than the new salary threshold are entitled to overtime pay when working more than 40 hours per week. The new rule also automatically updates the salary threshold every three years, based on wage growth over time. The final rule was to become effective on December 1, 2016, however on November 22, 2016, a U.S. District Court Judge granted an Emergency Motion for Preliminary Injunction which prevents the Department of Labor from implementing and enforcing the new ruling.

We Recommend:

The City become familiar with the new requirements for overtime pay and determine the effect of these new requirements on the City's finances. We believe the City should identify the employees that will fall under these new requirements and develop a strategy to mitigate the impact of these new requirements if/when they become effective, as the Department of Labor disagrees with the decision by the court and is currently considering its legal options to the injunction.

2. Electronic Information Safeguards

In the past year, we have observed an increase in the number of attacks using a form of computer malware known as ransomware. This type of attack can be triggered by opening an email or simply running the computer's mouse over an advertisement on a website. Once the attack is triggered, the malware runs an "*.exe" file in the background without the knowledge of the user. Once the file executes, the attacked computer's hard drive is encrypted and the only access the user has to their computer is to see and follow the ransom instructions given to obtain an encryption key that will unlock the computer. If the computer is attacked while it is connected to a network, the malware will attempt to encrypt any network drives to which the computer is connected. The only known remedy to this situation is to pay the ransom or wipe the computer's hard drive and set it up as a new device.

We Recommend:

The City speak with its information technology professionals to determine that safeguards are in place to prevent such an attack. If proper safeguards are not currently in place, we recommend that policies and procedures be amended to include appropriate safeguards. Further, even if the City has a policy prohibiting saving of information to local hard drives of individual computers within the City, various work related files are likely being saved on individual workstations. This information needs to be backed up in such a way that it is recoverable in order to avoid loss of data. Having proper controls in place to ward off cyber-attacks is an important first step to safeguarding City data but it is not enough as attacks evolve faster than controls or preventative measures. Because of this, the City needs to have a means of backing up all City related electronic data in such a way that it can be restored in the event of a cyber-attack.

3. Wire Transfer Fraud Schemes

In recent months, a new form of cyber threat has emerged. In this scenario, the criminal will infiltrate the computer of an organization in such a way that it is undetected. The activities of the organization will be monitored and studied for a period of several months while the criminal gains an understanding of the general operations of the organization including names, job functions, banking information, and client/customer information. Once enough information has been gathered, the criminal watches for a sign that upper management is out of the office or otherwise unavailable. There is typically a call or email to the bookkeeper or a person with the ability to wire funds from the criminal posing as a member of upper management. This contact will generally be an urgent need to wire some amount of money to a specific account and is normally done close to the cut off for doing a wire transfer on that business day.

We Recommend:

The City educate all personnel involved in the banking and wire transfer process on this scheme and install a policy or procedures that institutes the step of an extra phone call back to the management member or a face to face approval before any wire transfer is carried out. Proper controls for performing a wire or ACH transaction should involve at least two people. This should include one person to initiate a transaction and a separate person to authorize or approve the transaction. City personnel should know that if something seems out of the ordinary with such a request, additional verification steps need to be taken to safeguard the assets of the City.

4. Periodic Internal Control Review

As the City evolves and personnel turnover occurs, policies and procedures change, the City should periodically conduct a review of its internal control procedures to determine if any changes are necessary in order to protect the City's assets.

Recommendation:

We recommend the City conduct a review of its internal control procedures to determine opportunities for strengthening safeguards over the City's assets. The City may want to consider conducting reviews on cash management, computer information systems, mail distribution procedures, purchasing procedures, new vendor procedures, and other areas the City considers necessary.

5. Communication of Ethical Practices

One of the procedures used for fraud prevention is communication to employees of the importance of ethical behavior and appropriate business practices. Although there may not be any current concerns, communication of expectations of employees in these areas could assist in preventing undesirable situations from occurring in the future.

Recommendation:

The City should consider adding comments regarding ethical behavior and appropriate business practices in future staff meetings.

6. Cross-Training of Personnel

The accounting functions, specifically accounts payable, payroll, and cash reconciliation at the City are currently performed by a limited number of individuals. If one of these individuals were absent, considerable amounts of time would be necessary to train someone else. This would delay the preparation of payroll and the financial statements of the City. This could also lead to additional expense if it were necessary for the City to obtain an outside accountant to perform these functions.

Recommendation:

The City should consider cross-training other individuals to perform these functions to prevent any delays in payroll, the financial reporting process, cash reconciliations, or other City reporting functions.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestion with the City's administrative personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies of this matter or to assist you in implementing the recommendation.

We appreciate this opportunity to serve as the City of Republic's independent auditors and the courtesies and assistance extended to us by the City's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 12, 2017



Honorable Mayor and City Council
City of Republic
Republic, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Republic, Missouri, for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 3, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Republic, Missouri, are described in Note A to the financial statements. As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 72 – *Fair Value Measurement and Application*, during the year ended December 31, 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the City's governmental activities financial statements was management's estimate of the allowance for doubtful accounts, which was based on historical property tax revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following areas identified for adjustments relating to the year-end accruals as a result of audit procedures were corrected by management:

- Long-term debt activity
- Capital asset activity
- Equity
- Accounts receivable
- Accounts payable

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 12, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We applied certain limited procedures to the Management's Discussion and Analysis, pension information and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the City Council and management of the City of Republic, Missouri, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 12, 2017