

City of Republic, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2018

KPM
CPAS & ADVISORS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities.....	17
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	24
Statement of Net Position – Proprietary Fund	25
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	27
Statement of Cash Flows – Proprietary Fund	28
Notes to Basic Financial Statements.....	30
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability and Related Ratios	64
Schedule of Contributions.....	65
Notes to Schedule of Contributions	66

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	67
Budgetary Comparison Schedule – Street Fund.....	69
Budgetary Comparison Schedule – Stormwater Fund.....	71
Budgetary Comparison Schedule – Fire Sales Tax Fund.....	72
Budgetary Comparison Schedule – Park Fund.....	73
Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund.....	74
Note to Budgetary Comparison Schedules.....	75

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 <i>Government Auditing Standards</i>	77
Schedule of Findings and Responses.....	79



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, 2018, 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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

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, 2018, 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 3, 2019, 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 3, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018

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, 2018. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities, which consists of General Fund, Street Fund, Stormwater Fund, Park Fund, Fire Sales Tax Fund, and Capital Improvement Sales Tax Fund, increased by \$3,059,417 for the year as a result of current year activities. The net position of the City's business-type activities increased by \$1,442,904 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2018, by \$41.8 million (net position). Of this amount \$9.5 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,601,869.

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, 2018

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, 2018

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2018, and 2017, as restated:

	Governmental Activities	Business-Type Activities	Total December 31, 2018	Total December 31, 2017
ASSETS				
Current and other assets	\$ 9,484,486	\$ 4,863,904	\$ 14,348,390	\$ 13,384,090
Capital assets	22,107,810	24,045,206	46,153,016	45,599,738
	<u>31,592,296</u>	<u>28,909,110</u>	<u>60,501,406</u>	<u>58,983,828</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension outflows	644,953	162,165	807,118	759,087
LIABILITIES				
Other liabilities	1,720,229	1,658,961	3,379,190	3,576,206
Long-term liabilities outstanding	6,199,402	6,948,197	13,147,599	15,749,468
Net pension liability	2,106,098	496,976	2,603,074	2,903,542
	<u>10,025,729</u>	<u>9,104,134</u>	<u>19,129,863</u>	<u>22,229,216</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	295,440	60,594	356,034	193,393
NET POSITION				
Net investment in capital assets	15,122,193	16,180,508	31,302,701	27,756,592
Restricted	-	1,033,845	1,033,845	1,361,857
Unrestricted	6,793,887	2,692,194	9,486,081	8,201,857
	<u>\$ 21,916,080</u>	<u>\$ 19,906,547</u>	<u>\$ 41,822,627</u>	<u>\$ 37,320,306</u>

Total net position of the City increased by \$4,502,321 for the year due to current year activity. Total liabilities for the City have decreased by \$3,099,353. During the year, the City decreased its long-term liabilities by \$2,601,869. Restricted net position of the City totaled \$1,033,845 as of December 31, 2018. This amount primarily represents monies that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2018	Total Year Ended December 31, 2017
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,413,142	\$ 5,300,540	\$ 6,713,682	\$ 6,411,622
Operating grants and contributions	76,370	-	76,370	5,860
Capital grants and contributions	1,263,618	364,014	1,627,632	552,528
General Revenues				
Sales taxes	7,295,399	-	7,295,399	7,133,016
Ad valorem taxes	1,183,923	-	1,183,923	1,164,398
Motor vehicle and gas taxes	593,728	-	593,728	596,519
Other taxes	43,565	-	43,565	49,880
Franchise fees	836,360	-	836,360	805,925
County reimbursements	117,727	-	117,727	109,956
Interest	157,891	244,822	402,713	309,429
Other revenue	60,092	251,714	311,806	407,258
Transfers	659,665	(659,665)	-	-
Special Item:				
Gain on asset disposal	-	-	-	2,111
TOTAL REVENUES AND TRANSERS	13,701,480	5,501,425	19,202,905	17,548,502
EXPENSES				
Administrative	1,551,573	-	1,551,573	2,005,060
Information technology	235	-	235	-
Human resources	60,721	-	60,721	-
Finance	86,301	-	86,301	-
Utility billing	179,302	-	179,302	-
Municipal court	64,974	-	64,974	123,467
Economic development	501,792	-	501,792	370,206
Police	2,121,991	-	2,121,991	2,183,887
Fire	1,685,798	-	1,685,798	1,553,651
Emergency management	18,721	-	18,721	12,287
Animal control	87,078	-	87,078	77,737
Street	1,583,592	-	1,583,592	1,481,894
Stormwater	25,211	-	25,211	249
Parks and recreation	2,492,852	-	2,492,852	2,398,378
Debt service	181,922	-	181,922	445,570
Water	-	1,463,178	1,463,178	1,864,682
Sewer	-	2,595,343	2,595,343	1,800,656
TOTAL EXPENSES	10,642,063	4,058,521	14,700,584	14,317,724
INCREASE IN NET POSITION	\$ 3,059,417	\$ 1,442,904	\$ 4,502,321	\$ 3,230,778

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018**

Governmental Activities

Governmental activities increased the net position of the City by \$3,059,417. Tax revenues for the City were \$9,952,975. Program revenues for the functions totaled \$2,753,130. 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	\$ 1,551,573	\$ 1,497,183
Information technology	235	235
Human resources	60,721	60,721
Finance	86,301	86,301
Utility billing	179,302	179,302
Municipal court	64,974	(79,656)
Economic development	501,792	254,767
Police	2,121,991	2,079,950
Fire	1,685,798	1,682,990
Emergency management	18,721	18,721
Animal control	87,078	87,078
Street	1,583,592	317,968
Stormwater	25,211	25,211
Parks and recreation	2,492,852	1,496,240
Land acquisition	-	-
Debt Service	181,922	181,922
	\$ 10,642,063	\$ 7,888,933

Business-Type Activities

Business-type activities increased the City's net position by \$1,442,904. This is up from the increase of the City's business-type activities of \$1,436,268 in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2018, were \$8,875,655. The General Fund increased by \$663,279. The Street Fund decreased by \$126,024. The Stormwater Fund increased by \$2,100. The Fire Sales Tax Fund increased \$134,752. The Park Fund decreased \$73,773. The Capital Improvement Sales Tax Fund increased \$391,792.

General Fund Budgetary Highlights

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

- The City's General Fund budget was amended in July 2018.
- The City budgeted revenues in the General Fund at \$5,756,165 and expenditures at \$6,945,398 for the year ended December 31, 2018.

The City came in under budget in the General Fund for the following reasons:

The following came in under budget:

- Police salaries and employment benefits. There were several vacancies in the police department throughout the year, resulting in \$189,357 in savings.
- IT projects that were not completed in FY2018: New phone system, Utility billing and Energov implementation invoices, Network servers, and wireless router upgrade. These items have been budgeted in the FY2019 for completion.
- Contract labor not needed for the comprehensive plan after hiring an FTE in the Community Development department.

In addition the following revenues came in over projections:

- Real Property
- Interest Revenue
- Sales Tax
- Residential and Commercial Building Permits,
- Law Enforcement Sales Tax

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018**

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$22,107,810 (net of accumulated depreciation) as of December 31, 2018. This represents a \$793,651 increase from the prior year. Net capital assets for business-type activities were \$24,045,206 as of December 31, 2018. This represents an decrease of \$240,372 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2018, was \$7,313,674, which is down from \$8,443,049 in the prior year.

Total debt of business-type activities as of December 31, 2018, was \$7,940,819, which is down from \$9,748,285 in the prior year.

Economic Factors and Next Year's Budget

The following economic factors currently affect the City of Republic and were considered when developing the FY2019 budget.

Economic Factors

- The City is conveniently located a few miles from the City of Springfield, the third-largest city in Missouri, and benefits from Springfield's demographics, economic statistics, and strong workforce. Future growth is expected and was an important consideration for the FY 2019 Budget.
- Sales revenue has been steadily increasing since 2010. The FY2019 Budget includes three percent sales revenue growth.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF REPUBLIC, MISSOURI
December 31, 2018**

Next Year's Budget

- General Fund revenues for FY2019 are projected to be \$7,599,519.
- General Fund expenses for FY2019 are estimated to be \$7,786,618. General Fund Capital Reserves will cover the amount not covered by revenue.
- Health Insurance will see a one percent increase on the FY2019 premiums.
- The General Liability and Property Insurance will see a 2% increase July 1.
- The City focused on employee benefits and retention in the FY2019 budget. This included changing LAGERS program from a 4% employee contribution to a non-contributory. The City will pick up the 4% that the employees were paying towards their LAGERS contribution. The City did not give a step increase or COLA adjustment in the FY2019 budget to fund the LAGERS plan change.
- The City was able to add the following key positions through the budget process: FTE Utility Billing Accountant, FTE Senior Planner, FTE Meter Tech, and PTE Human Resource Specialist.
- The FY2019 budget includes making an extra payment on the Series 1999 Revenue Bond in the amount of \$465,000 to pay off the debt one year early.
- The FY2019 budget includes the completion of the Comprehensive Plans for the Water, Waste Water, Parks, Streets, and Community Development departments. These plans will set the foundation for smart infrastructure planning for future years.
- The FY2019 budget includes the completion of the Oakwood and Hines Intersection project in the amount of \$900,000.
- The residents of Republic approved the continuation of a ¼-cent sales tax designated for Capital Improvements. The City has budgeted the following capital projects to improve the community: ADA improvements in the amount of \$68,000, three Police vehicles in the amount of \$124,000, new animal shelter in the amount of \$250,000 and gateway/wayfinding signs in the amount of \$185,000.

Contacting the City's Financial Management

For additional information or questions, please contact:

City of Republic
213 North Main Street
Republic, MO 65738
(417) 732-3100
dparks@republicmo.com

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

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION
December 31, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 5,406,583	\$ 1,507,847	\$ 6,914,430
Ad valorem taxes receivable, net	1,029,992	-	1,029,992
Sales taxes receivable	974,525	-	974,525
Franchise taxes receivable	149,330	-	149,330
Utilities receivable, net	-	1,102,575	1,102,575
Intergovernmental receivable	303,756	-	303,756
Other receivables	8,607	-	8,607
Prepaid insurance	173,308	31,614	204,922
Noncurrent			
Restricted cash and cash equivalents	1,438,385	1,947,214	3,385,599
Restricted investments	-	274,654	274,654
Capital Assets:			
Non-depreciable	3,251,946	403,684	3,655,630
Depreciable, net	18,855,864	23,641,522	42,497,386
TOTAL ASSETS	<u>31,592,296</u>	<u>28,909,110</u>	<u>60,501,406</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	644,953	162,165	807,118

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable	385,382	97,127	482,509
Accrued expenses	179,559	42,414	221,973
Accrued interest payable	33,338	81,685	115,023
Court bonds payable	3,513	-	3,513
Police evidence payable	4,165	-	4,165
Deposits payable	-	445,113	445,113
Current maturities of long-term debt	1,114,272	992,622	2,106,894
	<u>1,720,229</u>	<u>1,658,961</u>	<u>3,379,190</u>
Noncurrent			
Revenue bonds payable, net	2,938,046	1,991,076	4,929,122
Capital lease payable	2,397,462	4,881,000	7,278,462
Loans payable	535,837	-	535,837
Compensated absences payable	328,057	76,121	404,178
Net pension liability	2,106,098	496,976	2,603,074
	<u>8,305,500</u>	<u>7,445,173</u>	<u>15,750,673</u>
TOTAL LIABILITIES	10,025,729	9,104,134	19,129,863
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	295,440	60,594	356,034
NET POSITION			
Net investment in capital assets	15,122,193	16,180,508	31,302,701
Restricted	-	1,033,845	1,033,845
Unrestricted	6,793,887	2,692,194	9,486,081
TOTAL NET POSITION	<u>\$ 21,916,080</u>	<u>\$ 19,906,547</u>	<u>\$ 41,822,627</u>

CITY OF REPUBLIC, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
Governmental activities							
Administrative	\$ (1,551,573)	\$ 53,615	\$ 775	\$ -	\$ (1,497,183)	\$ -	\$ (1,497,183)
Information technology	(235)	-	-	-	(235)	-	(235)
Human resources	(60,721)	-	-	-	(60,721)	-	(60,721)
Finance	(86,301)	-	-	-	(86,301)	-	(86,301)
Utility billing	(179,302)	-	-	-	(179,302)	-	(179,302)
Municipal court	(64,974)	144,630	-	-	79,656	-	79,656
Economic development	(501,792)	247,025	-	-	(254,767)	-	(254,767)
Police	(2,121,991)	18,152	23,889	-	(2,079,950)	-	(2,079,950)
Fire	(1,685,798)	2,808	-	-	(1,682,990)	-	(1,682,990)
Emergency management	(18,721)	-	-	-	(18,721)	-	(18,721)
Animal control	(87,078)	-	-	-	(87,078)	-	(87,078)
Street	(1,583,592)	2,006	-	1,263,618	(317,968)	-	(317,968)
Stormwater	(25,211)	-	-	-	(25,211)	-	(25,211)
Parks and recreation	(2,492,852)	944,906	51,706	-	(1,496,240)	-	(1,496,240)
Debt Service	(181,922)	-	-	-	(181,922)	-	(181,922)
TOTAL GOVERNMENTAL ACTIVITIES	(10,642,063)	1,413,142	76,370	1,263,618	(7,888,933)	-	(7,888,933)

CITY OF REPUBLIC, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended December 31, 2018

	Program Revenues			Net (Expenses), Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Business-type activities							
Water	(1,463,178)	1,896,798	-	237,208	-	670,828	670,828
Sewer	(2,595,343)	3,403,742	-	126,806	-	935,205	935,205
TOTAL BUSINESS-TYPE ACTIVITIES	<u>(4,058,521)</u>	<u>5,300,540</u>	<u>-</u>	<u>364,014</u>	<u>-</u>	<u>1,606,033</u>	<u>1,606,033</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ (14,700,584)</u>	<u>\$ 6,713,682</u>	<u>\$ 76,370</u>	<u>\$ 1,627,632</u>	<u>(7,888,933)</u>	<u>1,606,033</u>	<u>(6,282,900)</u>
		General Revenues:					
			Sales taxes	7,295,399	-	7,295,399	
			Ad valorem taxes	1,183,923	-	1,183,923	
			Motor vehicle and gas taxes	593,728	-	593,728	
			Other taxes	43,565	-	43,565	
			Franchise fees	836,360	-	836,360	
			County reimbursements	117,727	-	117,727	
			Interest	157,891	244,822	402,713	
			Other revenue	60,092	251,714	311,806	
			Transfers	659,665	(659,665)	-	
			Total General Revenues, Transfers, and Special Item	<u>10,948,350</u>	<u>(163,129)</u>	<u>10,785,221</u>	
			Changes in Net Position	3,059,417	1,442,904	4,502,321	
			Net Position, Beginning of year, as restated	<u>18,856,663</u>	<u>18,463,643</u>	<u>37,320,306</u>	
			Net Position, End of year	<u>\$ 21,916,080</u>	<u>\$ 19,906,547</u>	<u>\$ 41,822,627</u>	

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 2,392,033	\$ 297,588	\$ 1,296,661	\$ 314,929	\$ 591,320	\$ 514,052	\$ 5,406,583
Ad valorem taxes receivable, net	727,206	100,911	-	-	201,875	-	1,029,992
Sales taxes receivable	410,327	205,164	-	51,290	205,162	102,582	974,525
Franchise taxes receivable	149,330	-	-	-	-	-	149,330
Other receivables	-	8,607	-	-	-	-	8,607
Intergovernmental receivable	46,926	256,830	-	-	-	-	303,756
Prepaid insurance	123,283	15,721	-	-	34,304	-	173,308
Restricted cash and cash equivalents	744,085	634,300	-	-	60,000	-	1,438,385
TOTAL ASSETS	\$ 4,593,190	\$ 1,519,121	\$ 1,296,661	\$ 366,219	\$ 1,092,661	\$ 616,634	\$ 9,484,486
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 39,852	\$ 284,786	\$ -	\$ -	\$ 23,617	\$ 37,127	\$ 385,382
Accrued expenses	131,829	13,515	-	-	34,215	-	179,559
Court bonds payable	3,513	-	-	-	-	-	3,513
Police evidence payable	4,165	-	-	-	-	-	4,165
TOTAL LIABILITIES	179,359	298,301	-	-	57,832	37,127	572,619

CITY OF REPUBLIC, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
December 31, 2018

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
Deferred Inflows of Resources							
Deferred taxes	25,447	3,913	-	-	6,852	-	36,212
Fund Balances							
Nonspendable:							
Prepaid items	123,283	15,721	-	-	34,304	-	173,308
Assigned to:							
Street	-	1,201,186	-	-	-	-	1,201,186
Stormwater	-	-	1,296,661	-	-	-	1,296,661
Fire	-	-	-	366,219	-	-	366,219
Parks and recreation	-	-	-	-	993,673	-	993,673
Capital improvements	-	-	-	-	-	579,507	579,507
Unassigned	4,265,101	-	-	-	-	-	4,265,101
TOTAL FUND BALANCES	<u>4,388,384</u>	<u>1,216,907</u>	<u>1,296,661</u>	<u>366,219</u>	<u>1,027,977</u>	<u>579,507</u>	<u>8,875,655</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,593,190</u>	<u>\$ 1,519,121</u>	<u>\$ 1,296,661</u>	<u>\$ 366,219</u>	<u>\$ 1,092,661</u>	<u>\$ 616,634</u>	<u>\$ 9,484,486</u>

CITY OF REPUBLIC, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2018

Fund balance - total governmental funds	\$ 8,875,655
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	32,121,798
Less accumulated depreciation	<u>(10,013,988)</u>
	22,107,810
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension liability and related deferred items:	
Net pension liability	(2,106,098)
Deferred outflows due to pensions	644,953
Deferred inflows due to pensions	<u>(295,440)</u>
	(1,756,585)
Adjustment of deferred taxes	36,212
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due	(33,338)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(7,313,674)</u>
Net position of governmental activities	<u><u>\$ 21,916,080</u></u>

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
REVENUES							
Taxes	\$ 5,349,005	\$ 1,416,976	\$ -	\$ 321,590	\$ 2,221,994	\$ 643,408	\$ 9,952,973
Licenses and permits	289,038	2,006	-	-	-	-	291,044
Intergovernmental revenues	11,294	773,093	-	-	51,706	-	836,093
Charges for services	17,612	-	-	-	944,906	-	962,518
Fines and forfeitures	159,581	-	-	-	-	-	159,581
Miscellaneous	138,431	24,678	29,733	6,738	24,151	7,623	231,354
TOTAL REVENUES	5,964,961	2,216,753	29,733	328,328	3,242,757	651,031	12,433,563
EXPENDITURES							
Current							
Administrative	1,616,379	-	-	-	-	-	1,616,379
Information technology	235	-	-	-	-	-	235
Human resources	68,335	-	-	-	-	-	68,335
Finance	98,853	-	-	-	-	-	98,853
Utility billing	191,109	-	-	-	-	-	191,109
Municipal court	106,936	-	-	-	-	-	106,936
Economic development	504,391	-	-	-	-	-	504,391
Police	2,006,705	-	-	-	-	-	2,006,705
Fire	1,420,997	-	-	14,741	-	-	1,435,738
Emergency management	30	-	-	-	-	-	30
Animal control	89,294	-	-	-	-	-	89,294
Street	-	2,589,241	-	-	-	-	2,589,241
Stormwater	-	-	25,211	-	-	-	25,211
Parks and recreation	-	-	-	-	2,337,884	-	2,337,884
Capital improvements	-	-	-	-	-	259,239	259,239
Debt Service							
Principal and interest	224,816	237,236	-	178,835	738,887	-	1,379,774
TOTAL EXPENDITURES	6,328,080	2,826,477	25,211	193,576	3,076,771	259,239	12,709,354

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended December 31, 2018

	Special Revenue Funds						Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(363,119)	(609,724)	4,522	134,752	165,986	391,792	(275,791)
OTHER FINANCING SOURCES (USES)							
Developer donated infrastructure	-	608,252	-	-	-	-	608,252
Operating transfers in	1,753,133	-	-	-	29,693	-	1,782,826
Operating transfers (out)	(726,735)	(124,552)	(2,422)	-	(269,452)	-	(1,123,161)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,026,398</u>	<u>483,700</u>	<u>(2,422)</u>	<u>-</u>	<u>(239,759)</u>	<u>-</u>	<u>1,267,917</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	663,279	(126,024)	2,100	134,752	(73,773)	391,792	992,126
FUND BALANCE, January 1	<u>3,725,105</u>	<u>1,342,931</u>	<u>1,294,561</u>	<u>231,467</u>	<u>1,101,750</u>	<u>187,715</u>	<u>7,883,529</u>
FUND BALANCE, December 31	<u>\$ 4,388,384</u>	<u>\$ 1,216,907</u>	<u>\$ 1,296,661</u>	<u>\$ 366,219</u>	<u>\$ 1,027,977</u>	<u>\$ 579,507</u>	<u>\$ 8,875,655</u>

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, 2018

Net change in fund balances - total governmental funds \$ 992,126

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	1,771,168
Depreciation	<u>(977,517)</u>
	793,651

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the Statement of Activities when earned.

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	1,183,512
Accrued interest payable	<u>14,341</u>
	1,197,853

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	129,924
Change in compensated absences	<u>(54,137)</u>
	<u>75,787</u>

Change in net position of governmental activities	<u><u>\$ 3,059,417</u></u>
---	----------------------------

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
December 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 44,297	\$ 1,463,550	\$ 1,507,847
Utilities receivable, net	323,205	779,370	1,102,575
Prepaid insurance	30,391	1,223	31,614
TOTAL CURRENT ASSETS	397,893	2,244,143	2,642,036
Restricted Assets			
Cash and cash equivalents	705,933	1,241,281	1,947,214
Investments	-	274,654	274,654
TOTAL RESTRICTED ASSETS	705,933	1,515,935	2,221,868
Property, Plant and Equipment			
Non-depreciable	133,014	270,670	403,684
Depreciable	8,634,444	28,249,979	36,884,423
Accumulated depreciation	(3,374,228)	(9,868,673)	(13,242,901)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	5,393,230	18,651,976	24,045,206
TOTAL ASSETS	6,497,056	22,412,054	28,909,110
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	79,331	82,834	162,165

CITY OF REPUBLIC, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
December 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
LIABILITIES			
Current Liabilities			
Accounts payable	28,445	68,682	97,127
Accrued expenses	26,798	15,616	42,414
Accrued interest payable	3,414	78,271	81,685
Utility deposits	220,758	224,355	445,113
Current maturities of long-term debt	194,678	797,944	992,622
TOTAL CURRENT LIABILITIES	474,093	1,184,868	1,658,961
Long-Term Liabilities			
Revenue bonds payable, net	36,076	1,955,000	1,991,076
Capital lease payable	2,342,880	2,538,120	4,881,000
Compensated absences payable	51,994	24,127	76,121
Net pension liability	243,120	253,856	496,976
TOTAL LONG-TERM LIABILITIES	2,674,070	4,771,103	7,445,173
TOTAL LIABILITIES	3,148,163	5,955,971	9,104,134
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	29,643	30,951	60,594
NET POSITION			
Net investment in capital assets	2,819,596	13,360,912	16,180,508
Restricted	-	1,033,845	1,033,845
Unrestricted	578,985	2,113,209	2,692,194
TOTAL NET POSITION	\$ 3,398,581	\$ 16,507,966	\$ 19,906,547

CITY OF REPUBLIC, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended December 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,795,962	\$ 3,400,722	\$ 5,196,684
Miscellaneous	100,836	3,020	103,856
TOTAL OPERATING REVENUES	1,896,798	3,403,742	5,300,540
OPERATING EXPENSES			
Wages and benefits	529,716	625,497	1,155,213
Professional services	63,980	338,472	402,452
Telephone and utilities	180,039	338,804	518,843
Insurance	19,522	35,429	54,951
Supplies	34,701	38,808	73,509
Travel, meetings and dues	5,012	3,287	8,299
Vehicle expense	17,506	17,388	34,894
Repairs and maintenance	239,267	194,524	433,791
Depreciation	235,451	636,376	871,827
General and administrative	4,118	4,871	8,989
Miscellaneous	5,714	15,243	20,957
TOTAL OPERATING EXPENSES	1,335,026	2,248,699	3,583,725
OPERATING INCOME	561,772	1,155,043	1,716,815
NONOPERATING REVENUES (EXPENSES)			
Interest income	34,493	210,329	244,822
Interest expense	(128,152)	(346,644)	(474,796)
Impact fees	55,221	118,450	173,671
Rental income	78,043	-	78,043
Developer donated infrastructure	237,208	126,806	364,014
TOTAL NONOPERATING REVENUES (EXPENSES)	276,813	108,941	385,754
INCOME BEFORE OPERATING TRANSFERS	838,585	1,263,984	2,102,569
OPERATING TRANSFERS (OUT)	(309,890)	(349,775)	(659,665)
NET INCOME	528,695	914,209	1,442,904
NET POSITION, January 1, as restated	18,443,749	19,894	18,463,643
EQUITY TRANSFER	(15,573,863)	15,573,863	-
NET POSITION, December 31	\$ 3,398,581	\$ 16,507,966	\$ 19,906,547

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended December 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,862,880	\$ 3,215,838	\$ 5,078,718
Cash paid to suppliers	(640,419)	(991,385)	(1,631,804)
Cash paid to employees	(577,799)	(637,006)	(1,214,805)
NET CASH PROVIDED BY OPERATING ACTIVITIES	644,662	1,587,447	2,232,109
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating transfers (out)	(309,890)	(349,775)	(659,665)
Nonoperating revenues	370,472	245,256	615,728
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	60,582	(104,519)	(43,937)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(464,231)	(152,345)	(616,576)
Proceeds from sale of equipment	(9,881)	(4,999)	(14,880)
Payment of bond principal	(9,744)	(1,440,000)	(1,449,744)
Payment of capital lease principal	(169,573)	(190,002)	(359,575)
Payment of interest expense	(127,216)	(374,191)	(501,407)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(780,645)	(2,161,537)	(2,942,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	-	(4,759)	(4,759)
Interest received on investments	34,493	210,329	244,822
NET CASH PROVIDED BY INVESTING ACTIVITIES	34,493	205,570	240,063
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,908)	(473,039)	(513,947)
CASH AND CASH EQUIVALENTS, Beginning of year	791,138	3,177,870	3,969,008
CASH AND CASH EQUIVALENTS, End of year	750,230	2,704,831	3,455,061
LESS RESTRICTED CASH AND CASH EQUIVALENTS	705,933	1,241,281	1,947,214
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 44,297	\$ 1,463,550	\$ 1,507,847

CITY OF REPUBLIC, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND (continued)
Year Ended December 31, 2018

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 561,772	\$ 1,155,043	\$ 1,716,815
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	235,451	636,376	871,827
(Increase) decrease in:			
Utilities receivable	(44,646)	(200,825)	(245,471)
Prepaid expense	(20,494)	19,329	(1,165)
Deferred pension outflows	(6,467)	(15,575)	(22,042)
Increase (decrease) in:			
Accounts payable	(50,066)	(23,888)	(73,954)
Accrued expenses	(8,542)	3,031	(5,511)
Utility deposits payable	10,728	12,921	23,649
Deferred pension inflows	15,432	17,834	33,266
Net pension liability	(50,230)	(16,928)	(67,158)
Compensated absences	1,724	129	1,853
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 644,662</u>	<u>\$ 1,587,447</u>	<u>\$ 2,232,109</u>

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City reports the following major proprietary funds:

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

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

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

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

Fair Value

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

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

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

Level 3 – Inputs are significant unobservable inputs

Revenue Recognition – Property Taxes

Real estate property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Interest Capitalization

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

Operating Revenues and Expenses

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

Program Revenues

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

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fund Balance Classification

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bond Premium

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to the retirement plan on the Statement of Net Position and deferred amounts related to deferred taxes on the Balance Sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2018, all bank balances on deposit are entirely insured or collateralized.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE C – INVESTMENTS

The City categorizes its investments within the fair value hierarchy as discussed in Note A. At December 31, 2018, the City had the following recurring investments:

<u>Investment Type</u>	<u>Maturity</u>	<u>Not Subject to Fair Value</u>	<u>Fair Value Level 1</u>	<u>Fair Value Level 2</u>	<u>Total</u>
Guaranteed Investment Contract	1/1/2020-6/30/2023	\$ 274,654	\$ -	\$ -	\$ 274,654

Guaranteed Investment Contracts

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

Custodial Risk

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

Interest Rate Risk

The City has no formal policy on interest rate risk.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
WATER FUND		
Equipment reserves	\$ 38,118	\$ -
Impact fees	408,890	-
Operating reserves	38,167	-
Customer Deposits	220,758	-
	<u>\$ 705,933</u>	<u>\$ -</u>
SEWER FUND		
Equipment reserves	\$ 19,059	\$ -
Impact fees	133,450	-
Operating reserves	105,226	-
Customer deposits	224,355	-
Series 2001C principal account	300,000	300,000
Series 2001C interest account	22,836	22,836
Series 2001C reserves	165,500	165,500
Series 1999A interest account	9,093	9,093
Series 1999A rebate account	41,416	41,416
Series 1999A reserves	495,000	495,000
	<u>\$ 1,515,935</u>	<u>\$ 1,033,845</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE D – RESTRICTED ASSETS (continued)

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Net Position
GENERAL FUND		
Police equipment reserves	\$ 34,217	\$ -
Fire equipment reserves	76,749	-
Court bonds	6,440	-
Emergency management equipment reserves	6,205	-
Police evidence	6,482	-
Impact fees	13,731	-
Operating reserves	600,261	-
	<u>\$ 744,085</u>	<u>\$ -</u>
STREET FUND		
STP match funds	\$ 515,497	\$ -
Operating reserves	118,803	-
	<u>\$ 634,300</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, 2018

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	\$ 737,030	\$ (9,824)	\$ 727,206
Street Fund	103,555	(2,644)	100,911
Parks and Recreation Fund	203,386	(1,511)	201,875
	<u>\$ 1,043,971</u>	<u>\$ (13,979)</u>	<u>\$ 1,029,992</u>
FRANCHISE TAXES RECEIVABLE			
General Fund	<u>\$ 149,330</u>	<u>\$ -</u>	<u>\$ 149,330</u>
OTHER RECEIVABLE			
Street Fund	<u>\$ 8,607</u>	<u>\$ -</u>	<u>\$ 8,607</u>
UTILITIES RECEIVABLE			
Water Fund	\$ 323,205	\$ -	\$ 323,205
Waste Water Fund	779,370	-	779,370
	<u>\$ 1,102,575</u>	<u>\$ -</u>	<u>\$ 1,102,575</u>
SALES TAX RECEIVABLE			
General Fund	\$ 410,327	\$ -	\$ 410,327
Street Fund	205,164	-	205,164
Fire Sales Tax Fund	51,290	-	51,290
Parks and Recreation Fund	205,162	-	205,162
Capital Improvement Sales Tax Fund	102,582	-	102,582
	<u>\$ 974,525</u>	<u>\$ -</u>	<u>\$ 974,525</u>
INTERGOVERNMENTAL RECEIVABLE			
General Fund	\$ 46,926	\$ -	\$ 46,926
Street Fund	256,830	-	256,830
	<u>\$ 303,756</u>	<u>\$ -</u>	<u>\$ 303,756</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

The governmental activities long-term liabilities at December 31, 2018, consists of the 2017 Special Obligation Refunding Bonds, the 2006 MAMU lease, the 2007 Certificates of Participation, three capital leases, one loan payable, and compensated absences payable.

2017 Special Obligation Refunding Bonds

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

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 770,000	\$ 94,400	\$ 864,400
2020	795,000	74,775	869,775
2021	860,000	49,950	909,950
2022	770,000	25,500	795,500
2023	130,000	12,000	142,000
2024	135,000	8,025	143,025
2025	200,000	3,000	203,000
	<u>\$ 3,660,000</u>	<u>\$ 267,650</u>	<u>\$ 3,927,650</u>
	Governmental Activities \$ 3,606,060		
	Business-Type Activities 53,940		
	<u>\$ 3,660,000</u>		

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

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.

Loan Agreement – Missouri Transportation Finance Corporation

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

Capital Lease Agreement – Fire Pumper Trucks

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

Capital Lease Agreement – 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%.

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Capital Lease Agreement – Aerial Fire Truck

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

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

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	Fire Pumpers Lease	In-Car Cameras Lease	Aerial Fire Trucks Lease	MTFC Loan	Total
2019	\$ 61,780	\$ 110,418	\$ 91,159	\$ 16,905	\$ 88,256	\$ 76,374	\$ 444,892
2020	60,340	110,418	45,579	16,905	88,256	76,375	397,873
2021	58,900	110,418	-	-	88,256	76,374	333,948
2022	68,277	110,418	-	-	88,256	76,375	343,326
2023	67,360	110,418	-	-	88,256	76,374	342,408
2024	65,440	110,418	-	-	88,256	76,375	340,489
2025	63,520	110,418	-	-	88,256	76,374	338,568
2026	61,600	110,418	-	-	44,128	76,375	292,521
2027	67,587	110,418	-	-	-	76,374	254,379
2028	69,220	110,418	-	-	-	-	179,638
2029	66,820	110,418	-	-	-	-	177,238
2030	64,420	110,418	-	-	-	-	174,838
2031	67,970	110,418	-	-	-	-	178,388
2032	12,060	124,679	-	-	-	-	136,739
TOTAL MINIMUM LEASE PAYMENTS	855,294	1,560,113	136,738	33,810	661,920	687,370	3,935,245
LESS AMOUNT REPRESENTING INTEREST	(194,294)	(310,164)	(2,244)	-	(57,924)	(93,048)	(657,674)
PRINCIPAL BALANCE, DECEMBER 31, 2018	<u>\$ 661,000</u>	<u>\$ 1,249,949</u>	<u>\$ 134,494</u>	<u>\$ 33,810</u>	<u>\$ 603,996</u>	<u>\$ 594,322</u>	<u>\$ 3,277,571</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018:

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
Capital Leases Payable					
2006 MAMU	\$ 697,000	\$ -	\$ 36,000	\$ 661,000	\$ 36,000
2007 Certificates of Participation	1,315,842	-	65,893	1,249,949	70,426
Dump Truck	31,959	-	31,959	-	-
Fire Pumps	222,317	-	87,823	134,494	89,291
In-Car Cameras	50,715	-	16,905	33,810	16,905
Aerial Fire Trucks	677,174	-	73,178	603,996	73,165
Loan Payable					
MTFC Loan - Hines	660,779	-	66,457	594,322	58,485
Bonds Payable					
Series 2017 Refunding Bonds	4,016,316	-	410,256	3,606,060	770,000
Premium on Series 2017 issuance	137,027	-	35,041	101,986	-
	4,153,343	-	445,297	3,708,046	770,000
Series 2011 Bonds	360,000	-	360,000	-	-
Compensated Absences	273,920	54,137	-	328,057	-
	<u>\$ 8,443,049</u>	<u>\$ 54,137</u>	<u>\$ 1,183,512</u>	<u>\$ 7,313,674</u>	<u>\$ 1,114,272</u>

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

The business-type activities long-term liabilities at December 31, 2018 consists of the 1999A Combined Waterworks and Sewerage System Revenue Bonds, the 2001C Combined Waterworks and Sewerage System Revenue Bonds, the 2017 Refunding Bonds, the 2006 MAMU lease, one capital lease and compensated absences payable.

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

1999A Combined Waterworks and Sewerage System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the bonds outstanding at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fee	Total
2019	\$ -	\$ 11,625	\$ 3,320	\$ 14,945
2020	465,000	11,625	3,320	479,945
	<u>\$ 465,000</u>	<u>\$ 23,250</u>	<u>\$ 6,640</u>	<u>\$ 494,890</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, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fee	Total
2019	\$ 600,000	\$ 104,500	\$ 10,639	\$ 715,139
2020	640,000	74,500	10,639	725,139
2021	850,000	42,500	10,353	902,853
	<u>\$ 2,090,000</u>	<u>\$ 221,500</u>	<u>\$ 31,631</u>	<u>\$ 2,343,131</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

2017 Special Obligation Refunding Bonds

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

Capital Lease Agreement – 2006 MAMU lease

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

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

Year Ending December 31,	Principal	Interest	Total
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>\$ 5,179,000</u>	<u>\$ 1,479,015</u>	<u>\$ 6,658,015</u>
	Water Fund \$ 2,485,920		
	Sewer Fund 2,693,080		
	<u>\$ 5,179,000</u>		

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

Capital Lease Agreement – Two International Trucks

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

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

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 76,758</u>	<u>\$ 1,201</u>	<u>\$ 77,959</u>
	<u>\$ 76,758</u>	<u>\$ 1,201</u>	<u>\$ 77,959</u>
Water Fund	\$ 33,774		
Sewer Fund	42,984		
	<u>\$ 76,758</u>		

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

The following table is a summary of the changes in the Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2018:

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
WATER FUND					
Capital Leases Payable					
2006 MAMU	\$ 2,622,240	\$ -	\$ 136,320	\$ 2,485,920	\$ 143,040
Two International Trucks	67,027	-	33,253	33,774	33,774
Bonds Payable					
Series 2017 Refunding Bonds	63,684	-	9,744	53,940	17,864
Compensated Absences	50,270	1,724	-	51,994	-
	<u>2,803,221</u>	<u>1,724</u>	<u>179,317</u>	<u>2,625,628</u>	<u>194,678</u>
SEWER FUND					
Capital Leases Payable					
2006 MAMU	2,840,760	-	147,680	2,693,080	154,960
Two International Trucks	85,306	-	42,322	42,984	42,984
Bonds Payable					
Series 2001C Bonds	2,665,000	-	575,000	2,090,000	600,000
Series 1999 Bonds	1,330,000	-	865,000	465,000	-
Compensated Absences	23,998	129	-	24,127	-
	<u>6,945,064</u>	<u>129</u>	<u>1,630,002</u>	<u>5,315,191</u>	<u>797,944</u>
	<u>\$ 9,748,285</u>	<u>\$ 1,853</u>	<u>\$ 1,809,319</u>	<u>\$ 7,940,819</u>	<u>\$ 992,622</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,228,028	\$ -	\$ -	\$ 2,228,028
Construction in progress	670,412	794,910	441,404	1,023,918
Total Non-Depreciable Capital Assets	2,898,440	<u>\$ 794,910</u>	<u>\$ 441,404</u>	3,251,946
Depreciable Capital Assets				
Building and improvements	16,692,709	\$ 10,950	\$ -	16,703,659
Machinery and equipment	1,845,291	199,555	80,394	1,964,452
Vehicles	3,816,544	204,631	-	4,021,175
Infrastructure	5,097,646	1,082,920	-	6,180,566
Total Depreciable Capital Assets	27,452,190	<u>\$ 1,498,056</u>	<u>\$ 80,394</u>	28,869,852
Less Accumulated Depreciation				
Building and improvements	5,366,206	\$ 403,225	\$ -	5,769,431
Machinery and equipment	864,120	161,155	23,916	1,001,359
Vehicles	1,701,604	247,484	-	1,949,088
Infrastructure	1,104,541	189,569	-	1,294,110
Less Total Accumulated Depreciation	9,036,471	<u>\$ 1,001,433</u>	<u>\$ 23,916</u>	10,013,988
Total Depreciable Capital Assets, net	18,415,719			18,855,864
Total Capital Assets - Governmental Activities, net	<u>\$ 21,314,159</u>			<u>\$ 22,107,810</u>

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

Administrative	\$ 20,725
Police	148,515
Fire	217,418
Streets and Stormwater	227,502
Planning	8,195
Parks	357,702
Emergency Management	18,691
Animal Control	2,685
	<u>\$ 1,001,433</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE I – CAPITAL ASSETS (continued)

	December 31, 2017	Additions	Deletions	December 31, 2018
Business-Type Activities				
Water				
Non-depreciable Capital Assets:				
Construction in progress	\$ -	\$ 133,014	\$ -	\$ 133,014
	-	<u>\$ 133,014</u>	<u>\$ -</u>	133,014
Depreciable Capital Assets:				
Water plant	7,558,951	\$ 344,480	\$ -	7,903,431
Buildings and improvements	78,177	-	-	78,177
Major moveable equipment	282,971	71,426	84,690	269,707
Vehicles	383,129	-	-	383,129
	<u>8,303,228</u>	<u>\$ 415,906</u>	<u>\$ 84,690</u>	8,634,444
Less Accumulated Depreciation:				
Water plant	2,845,035	\$ 152,166	\$ -	2,997,201
Buildings and improvements	44,404	2,070	-	46,474
Major moveable equipment	69,933	29,613	9,881	89,665
Vehicles	189,286	51,602	-	240,888
	<u>3,148,658</u>	<u>\$ 235,451</u>	<u>\$ 9,881</u>	3,374,228
Less Accumulated Depreciation	<u>3,148,658</u>	<u>\$ 235,451</u>	<u>\$ 9,881</u>	3,374,228
Depreciable Capital Assets, net	5,154,570			5,260,216
Sewer				
Non-depreciable Capital Assets:				
Land	270,670	\$ -	\$ -	270,670
	<u>270,670</u>	<u>\$ -</u>	<u>\$ -</u>	270,670
Depreciable Capital Assets:				
Sewer plant	26,793,886	\$ 151,480	\$ -	26,945,366
Major moveable equipment	830,407	43,710	42,845	831,272
Vehicles	473,341	-	-	473,341
	<u>28,097,634</u>	<u>\$ 195,190</u>	<u>\$ 42,845</u>	28,249,979
Less Accumulated Depreciation:				
Sewer plant	8,691,292	\$ 546,871	\$ -	9,238,163
Major moveable equipment	238,938	48,189	4,999	282,128
Vehicles	307,066	41,316	-	348,382
	<u>9,237,296</u>	<u>\$ 636,376</u>	<u>\$ 4,999</u>	9,868,673
Less Accumulated Depreciation	<u>9,237,296</u>	<u>\$ 636,376</u>	<u>\$ 4,999</u>	9,868,673
Depreciable Capital Assets, net	<u>18,860,338</u>			18,381,306
Total Capital Assets - Business-Type Activities, net	<u>\$ 24,285,578</u>			<u>\$ 24,045,206</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE J – 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>2018</u>
Assessed Valuation	
Real estate	\$ 194,833,199
Personal property	<u>39,511,272</u>
TOTAL	<u>\$ 234,344,471</u>
 Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.4408
Park Fund	.1188
Street Fund	<u>.0678</u>
	<u>\$.6274</u>

The legal debt margin at December 31, 2018, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 23,434,447	\$ 23,434,447	\$ 46,868,894
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 23,434,447</u>	<u>\$ 23,434,447</u>	<u>\$ 46,868,894</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 K – 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>2018 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, 2018, 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	24	5	3	32
Inactive employees entitled to but not yet receiving benefits	17	17	7	41
Active employees	62	22	20	104
	<u>103</u>	<u>44</u>	<u>30</u>	<u>177</u>

NOTE K – EMPLOYEE PENSION PLAN (continued)

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the City contribute 4% of gross pay to the pension plan. The City's contribution rates are 9.6% for General, 10.1% for Police, and 9.1% for Fire of annual covered payroll.

Net Pension Liability. The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions. The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 28, 2018, 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, 2018

NOTE K – EMPLOYEE PENSION PLAN (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

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

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Pension</u>	<u>Net Pension (Asset)/Liability</u>
<i>General Division</i>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at beginning of year	\$ 5,177,202	\$ 3,162,438	\$ 2,014,764
Changes for the year:			
Service cost	238,315	-	238,315
Interest	372,209	-	372,209
Difference between expected and actual experiences	201,021	-	201,021
Contributions - employer	-	267,988	(267,988)
Contributions - employee	-	112,820	(112,820)
Net investment income	-	428,252	(428,252)
Benefits paid, including refunds	(326,422)	(326,422)	-
Administrative expenses	-	(8,026)	8,026
Other (net transfer)	-	238,875	(238,875)
Net Changes	<u>485,123</u>	<u>713,487</u>	<u>(228,364)</u>
Balance at end of year	<u>5,662,325</u>	<u>3,875,925</u>	<u>1,786,400</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE K – 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	1,349,842	763,481	586,361
Changes for the year:			
Service cost	81,643	-	81,643
Interest	99,143	-	99,143
Difference between expected and actual experiences	4,440	-	4,440
Contributions - employer	-	98,185	(98,185)
Contributions - employee	-	39,466	(39,466)
Net investment income	-	92,194	(92,194)
Benefits paid, including refunds	(45,723)	(45,723)	-
Administrative expenses	-	(2,733)	2,733
Other (net transfer)	-	(13,765)	13,765
Net Changes	139,503	167,624	(28,121)
Balance at end of year	1,489,345	931,105	558,240
<i>Fire Division</i>			
Balance at beginning of year	1,202,292	899,875	302,417
Changes for the year:			
Service cost	82,342	-	82,342
Interest	89,450	-	89,450
Difference between expected and actual experiences	(374)	-	(374)
Contributions - employer	-	76,026	(76,026)
Contributions - employee	-	33,070	(33,070)
Net investment income	-	111,828	(111,828)
Benefits paid, including refunds	(18,227)	(18,227)	-
Administrative expenses	-	(2,050)	2,050
Other (net transfer)	-	(3,473)	3,473
Net Changes	153,191	197,174	(43,983)
Balance at end of year	1,355,483	1,097,049	258,434
Total Plan Balances at end of year	<u>\$ 8,507,153</u>	<u>\$ 5,904,079</u>	<u>\$ 2,603,074</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE K – EMPLOYEE PENSION PLAN (continued)

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

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 6,602,507	\$ 5,662,325	\$ 4,898,780
Plan Fiduciary Net Position	3,875,925	3,875,925	3,875,925
Net Pension Liability	2,726,582	1,786,400	1,022,855
<i>Police Division</i>			
Total Pension Liability	1,792,024	1,489,345	1,251,872
Plan Fiduciary Net Position	931,105	931,105	931,105
Net Pension Liability	860,919	558,240	320,767
<i>Fire Division</i>			
Total Pension Liability	1,605,804	1,355,483	1,156,674
Plan Fiduciary Net Position	1,097,049	1,097,049	1,097,049
Net Pension Liability	508,755	258,434	59,625
Total Net Pension Liability	<u>\$ 4,096,256</u>	<u>\$ 2,603,074</u>	<u>\$ 1,403,247</u>

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE K – 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, 2018, the City recognized a pension expense of \$88,709 in the General Division, \$121,697 in the Police Division, and \$71,593 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 Outflow (Inflow) of Resources
<i>General Division</i>			
Differences in experiences	\$ 282,729	\$ (46,759)	\$ 235,970
Differences in assumptions	153,370	(32,648)	120,722
Excess (deficit) investment returns	-	(138,399)	(138,399)
Contributions subsequent to the measurement date*	146,810	-	146,810
	<u>582,909</u>	<u>(217,806)</u>	<u>365,103</u>
<i>Police Division</i>			
Differences in experiences	92,559	(38,266)	54,293
Differences in assumptions	14,850	-	14,850
Excess (deficit) investment returns	-	(21,052)	(21,052)
Contributions subsequent to the measurement date*	52,948	-	52,948
	<u>160,357</u>	<u>(59,318)</u>	<u>101,039</u>
<i>Fire Division</i>			
Differences in experiences	-	(43,935)	(43,935)
Differences in assumptions	22,938	-	22,938
Excess (deficit) investment returns	-	(34,975)	(34,975)
Contributions subsequent to the measurement date*	40,914	-	40,914
	<u>63,852</u>	<u>(78,910)</u>	<u>(15,058)</u>
Total	<u>\$ 807,118</u>	<u>\$ (356,034)</u>	<u>\$ 451,084</u>
Governmental Activities	\$ 644,953	\$ (295,440)	\$ 349,513
Business-Type Activities	162,165	(60,594)	101,571
	<u>\$ 807,118</u>	<u>\$ (356,034)</u>	<u>\$ 451,084</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, 2019.

CITY OF REPUBLIC, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE K – 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 (Inflow) of Resources	Fire Net Deferred (Inflows) of Resources	Total Net Deferred Outflows (Inflow) of Resources
2019	\$ 61,291	\$ 21,918	\$ (4,370)	\$ 78,839
2020	38,633	16,156	(10,742)	44,047
2021	4,185	7,222	(19,015)	(7,608)
2022	30,484	(355)	(11,332)	18,797
2023	64,569	2,856	(2,621)	64,804
Thereafter	19,131	294	(7,892)	11,533
Total	\$ 218,293	\$ 48,091	\$ (55,972)	\$ 210,412

Payable to the Pension Plan

At December 31, 2018, the City had \$19,871 of contributions to the pension plan required for the year ended December 31, 2018.

NOTE L – 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, 2018

NOTE M – 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, 2018, 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 N – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2018, were as follows:

	Transfers In (Out)
General Fund	\$ 1,026,398
Street Fund	(124,552)
Stormwater Fund	(2,422)
Park Fund	(239,759)
Water Fund	(309,890)
Sewer Fund	(349,775)
	<u>\$ -</u>

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

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE O – 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, 2018, 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>6,852</u>

NOTE P – 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 \$2,838,021. Principal, interest and fees paid for the current year and total customer net revenues were \$1,676,013 and \$2,588,642, respectively.

NOTE Q – COMMITMENTS

At December 31, 2018, the City had the following commitments:

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>
Burns & McDonnell Engineering Co.	Water Master Plan	\$ 63,250
	Wastewater Master Plan	108,100
	Stormwater Support	13,265
Hambey Construction	City Hall Renovations	37,127
Journagan Construction	Oakwood & Hines Improvements	1,360,499
Olsson Associates	Oakwood & Hines Improvements	<u>135,236</u>
		<u>\$ 1,717,477</u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE R – TAX ABATEMENTS

As of December 31, 2018, 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, 2018 the total amount abated through the City’s Enhanced Enterprise Zones Program was \$59,033; this amount represents the total of five specific businesses qualifying for the Enhanced Enterprise Zones Program.

NOTE S – RESTATEMENT

Fund balance and net position have been restated as of January 1, 2018, as follows:

Governmental Activities

Net Position, as previously stated, December 31, 2017	\$ 18,709,341
Bonds Payable	(83,196)
Capital Assets	510,708
Accumulated Depreciation	<u>(280,190)</u>
Net Position, as restated, January 1, 2018	<u><u>\$ 18,856,663</u></u>

CITY OF REPUBLIC, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE S – RESTATEMENT (continued)

Water Fund

Net Position, as previously stated, December 31, 2017	\$ 18,545,129
Bonds Payable	83,196
Capital Assets	(314,970)
Accumulated Depreciation	<u>130,394</u>
Net Position, as restated, January 1, 2018	<u><u>\$ 18,443,749</u></u>

Sewer Fund

Net Position, as previously stated, December 31, 2017	\$ -
Capital Assets	25,799
Accumulated Depreciation	<u>(5,905)</u>
Net Position, as restated, January 1, 2018	<u><u>\$ 19,894</u></u>

Business-Type Activities

Net Position, as previously stated, December 31, 2017	\$ 18,545,129
Bonds Payable	83,196
Capital Assets	(289,171)
Accumulated Depreciation	<u>124,489</u>
Net Position, as restated, January 1, 2018	<u><u>\$ 18,463,643</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)

	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service Cost	\$ 402,300	\$ 389,419	\$ 354,360	\$ 301,679
Interest on the Total Pension Liability	560,802	515,897	440,338	341,126
Changes of Benefit Terms	-	-	-	873,448
Difference between expected and actual experience	205,087	12,913	139,457	(17,410)
Changes of Assumptions	-	(46,438)	309,808	-
Benefit Payments	(390,372)	(208,873)	(151,552)	(160,817)
NET CHANGE IN TOTAL PENSION LIABILITY	777,817	662,918	1,092,411	1,338,026
TOTAL PENSION LIABILITY, BEGINNING	7,729,336	7,066,418	5,974,007	4,635,981
TOTAL PENSION LIABILITY, ENDING	\$ 8,507,153	\$ 7,729,336	\$ 7,066,418	\$ 5,974,007
PLAN FIDUCIARY NET POSITION				
Contributions - employer	\$ 442,199	\$ 421,098	\$ 378,325	\$ 348,612
Contributions - employee	185,356	187,765	179,855	180,245
Net Investment Income	632,274	500,611	18,844	74,200
Benefit Payments	(390,372)	(208,873)	(151,552)	(160,817)
Pension Plan Administrative Expense	(12,809)	(12,308)	(11,867)	(12,770)
Other (Net Transfer)	221,637	(66,888)	(74,047)	(25,775)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,078,285	821,405	339,558	403,695
PLAN FIDUCIARY NET POSITION, BEGINNING	4,825,794	4,004,389	3,664,831	3,261,136
PLAN FIDUCIARY NET POSITION, ENDING	\$ 5,904,079	\$ 4,825,794	\$ 4,004,389	\$ 3,664,831
EMPLOYER NET PENSION LIABILITY	\$ 2,603,074	\$ 2,903,542	\$ 3,062,029	\$ 2,309,176
Plan fiduciary net position as a percentage of the total pension liability	69.40%	62.43%	56.67%	61.35%
Covered employee payroll	\$ 4,568,579	\$ 4,718,669	\$ 4,326,663	\$ 4,011,930
Employer's net pension liability as a percentage of covered employee payroll	56.98%	61.53%	70.77%	57.56%

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

CITY OF REPUBLIC, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 10 fiscal years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 467,478	\$ 454,354	\$ 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>467,478</u>	<u>440,229</u>	<u>385,535</u>	<u>367,771</u>	<u>289,486</u>	<u>271,748</u>	<u>273,811</u>	<u>245,487</u>	<u>271,090</u>	<u>213,791</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 14,125</u>	<u>\$ 14,221</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,865,670	\$ 4,650,980	\$ 4,553,397	\$ 4,394,159	\$ 4,414,900	\$ 4,488,691	\$ 4,609,723	\$ 4,377,341	\$ 4,495,441	\$ 3,542,676
Contributions as a percentage of covered-employee payroll	9.61%	9.47%	8.47%	8.37%	6.56%	6.05%	5.94%	5.61%	6.03%	6.03%

See accompanying notes to the required schedules.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2018

Notes: The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

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

Remaining Amortization Period – Multiple bases from 13 to 27 years

Asset Valuation Method – 5-Year smoothed market; 20% corridor

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

Investment Rate of Return – 7.25%, net of investment and administrative expenses

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

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

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

Other Information – None.

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 718,561	\$ 718,561	\$ 811,479	\$ 92,918
Railroad and utility taxes	25,700	25,700	24,886	(814)
Motor vehicle tax	591,500	591,500	593,728	2,228
City sales tax	2,944,746	3,025,493	3,050,330	24,837
Franchise tax	835,000	835,000	836,360	1,360
Financial institution tax	3,200	3,200	3,583	383
Surtax	28,000	28,000	26,795	(1,205)
Payment in lieu of tax	1,833	1,833	1,844	11
	<u>5,148,540</u>	<u>5,229,287</u>	<u>5,349,005</u>	<u>119,718</u>
Licenses and Permits				
Occupational licenses	45,317	45,317	47,514	2,197
Permits	90,550	175,000	241,524	66,524
	<u>135,867</u>	<u>220,317</u>	<u>289,038</u>	<u>68,721</u>
Intergovernmental Revenues				
Federal and state grants	11,986	11,986	11,294	(692)
Charges for Services				
Sanitation	17,912	19,662	17,612	(2,050)
Fines and Forfeitures				
City court fines	179,547	179,547	159,581	(19,966)
Miscellaneous				
Interest	33,000	33,000	74,845	41,845
Donations	-	-	13,370	13,370
Other	48,081	62,366	50,216	(12,150)
	<u>81,081</u>	<u>95,366</u>	<u>138,431</u>	<u>43,065</u>
TOTAL REVENUES	<u>5,574,933</u>	<u>5,756,165</u>	<u>5,964,961</u>	<u>208,796</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	2,252,336	2,217,840	1,616,379	601,461
Information technology	-	-	235	(235)
Human resources	-	-	68,335	(68,335)
Finance	-	-	98,853	(98,853)
Utility billing	-	-	191,109	(191,109)
Municipal court	149,169	149,169	106,936	42,233
Community development	514,839	574,515	504,391	70,124
Police	2,187,333	2,187,333	2,006,705	180,628
Fire	1,478,155	1,478,155	1,420,997	57,158
Emergency management	-	-	30	(30)
Animal control	98,974	98,974	89,294	9,680
Current				
Debt service	239,412	239,412	224,816	14,596
TOTAL EXPENDITURES	<u>6,920,218</u>	<u>6,945,398</u>	<u>6,328,080</u>	<u>617,318</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,345,285)	(1,189,233)	(363,119)	826,114
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,952,884	1,952,884	1,753,133	(199,751)
Operating transfers (out)	(745,029)	(745,029)	(726,735)	18,294
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,207,855</u>	<u>1,207,855</u>	<u>1,026,398</u>	<u>(181,457)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(137,430)	18,622	663,279	644,657
FUND BALANCE, January 1	<u>3,725,105</u>	<u>3,725,105</u>	<u>3,725,105</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 3,587,675</u>	<u>\$ 3,743,727</u>	<u>\$ 4,388,384</u>	<u>\$ 644,657</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 107,150	\$ 107,150	\$ 122,093	\$ 14,943
Street sales taxes	1,290,427	1,290,427	1,286,924	(3,503)
Railroad and utility	3,950	3,950	3,832	(118)
Surtax	4,000	4,000	4,127	127
	<u>1,405,527</u>	<u>1,405,527</u>	<u>1,416,976</u>	<u>11,449</u>
Permits				
Street cuts	3,000	3,000	1,679	(1,321)
Street signs	100	100	327	227
	<u>3,100</u>	<u>3,100</u>	<u>2,006</u>	<u>(1,094)</u>
Intergovernmental Revenues				
Grants	1,893,849	1,893,849	655,366	(1,238,483)
County reimbursements	109,500	109,500	117,727	8,227
	<u>2,003,349</u>	<u>2,003,349</u>	<u>773,093</u>	<u>(1,230,256)</u>
Miscellaneous				
Interest	16,650	16,650	24,562	7,912
Other	2,000	2,000	116	(1,884)
	<u>18,650</u>	<u>18,650</u>	<u>24,678</u>	<u>6,028</u>
TOTAL REVENUES	<u>3,430,626</u>	<u>3,430,626</u>	<u>2,216,753</u>	<u>(1,213,873)</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STREET FUND (continued)
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Street	4,095,728	4,096,128	2,589,241	1,506,887
Debt Service				
Principal and interest	285,245	285,245	237,236	48,009
TOTAL EXPENDITURES	<u>4,380,973</u>	<u>4,381,373</u>	<u>2,826,477</u>	<u>1,554,896</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(950,347)	(950,747)	(609,724)	341,023
OTHER FINANCING SOURCES (USES)				
Developer donated infrastructure	-	-	608,252	608,252
Operating transfers in	472,812	472,812	-	(472,812)
Operating transfers (out)	(125,143)	(125,143)	(124,552)	(591)
Capital lease proceeds	(1,920)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>345,749</u>	<u>347,669</u>	<u>483,700</u>	<u>134,849</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(604,598)	(603,078)	(126,024)	475,872
FUND BALANCE, January 1	<u>1,342,931</u>	<u>1,342,931</u>	<u>1,342,931</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 738,333</u>	<u>\$ 739,853</u>	<u>\$ 1,216,907</u>	<u>\$ 475,872</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – STORMWATER FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous	\$ 10,000	\$ 20,000	\$ 29,733	\$ 9,733
TOTAL REVENUES	10,000	20,000	29,733	9,733
EXPENDITURES				
Current				
Stormwater	247,193	125,000	25,211	99,789
TOTAL EXPENDITURES	247,193	125,000	25,211	99,789
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(237,193)	(105,000)	4,522	109,522
OTHER FINANCING (USES)				
Operating transfer (out)	(33,375)	(419,355)	(2,422)	416,933
TOTAL OTHER FINANCING (USES)	(33,375)	(419,355)	(2,422)	416,933
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(270,568)	(524,355)	2,100	526,455
FUND BALANCE, January 1	1,294,561	1,294,561	1,294,561	-
FUND BALANCE, December 31	<u>\$ 1,023,993</u>	<u>\$ 770,206</u>	<u>\$ 1,296,661</u>	<u>\$ 526,455</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – FIRE SALES TAX FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Fire sales tax	\$ 322,565	\$ 322,565	\$ 321,590	\$ (975)
Miscellaneous	2,700	2,700	6,738	4,038
TOTAL REVENUES	325,265	325,265	328,328	3,063
EXPENDITURES				
Current				
Fire	140,000	140,000	14,741	125,259
Debt Service				
Principal and interest	219,411	219,411	178,835	40,576
TOTAL EXPENDITURES	359,411	359,411	193,576	165,835
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES				
	(34,146)	(34,146)	134,752	168,898
FUND BALANCE, January 1	231,467	231,467	231,467	-
FUND BALANCE, December 31	\$ 197,321	\$ 197,321	\$ 366,219	\$ 168,898

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 196,000	\$ 196,000	\$ 214,931	\$ 18,931
Sales taxes	1,956,028	1,996,226	1,993,146	(3,080)
Railroad and utility	7,000	7,000	6,701	(299)
Surtax	7,000	7,000	7,216	216
	<u>2,166,028</u>	<u>2,206,226</u>	<u>2,221,994</u>	<u>15,768</u>
Intergovernmental Receipts				
State grants	-	-	51,706	51,706
Charges for Services				
Rental income	204,100	204,100	204,953	853
Adult and youth programs	255,250	255,250	264,837	9,587
Swim lessons	16,000	16,000	17,320	1,320
Special events	81,500	81,500	83,245	1,745
Concession	109,000	109,000	126,955	17,955
Admissions	227,500	227,500	247,596	20,096
	<u>893,350</u>	<u>893,350</u>	<u>944,906</u>	<u>51,556</u>
Miscellaneous				
Interest	11,000	11,000	14,391	3,391
Other	78,250	78,250	9,760	(68,490)
	<u>89,250</u>	<u>89,250</u>	<u>24,151</u>	<u>(65,099)</u>
TOTAL REVENUES	3,148,628	3,188,826	3,242,757	53,931
EXPENDITURES				
Current				
Parks and recreation	2,305,639	2,320,639	2,337,884	(17,245)
Debt Service				
Principal and interest	710,698	738,034	738,887	(853)
TOTAL EXPENDITURES	<u>3,016,337</u>	<u>3,058,673</u>	<u>3,076,771</u>	<u>(18,098)</u>
EXCESS OF REVENUES OVER EXPENDITURES	132,291	130,153	165,986	35,833
OTHER FINANCING SOURCES (USES)				
Operating transfer in	49,700	49,700	29,693	(20,007)
Operating transfer (out)	(269,452)	(269,452)	(269,452)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(219,752)</u>	<u>(219,752)</u>	<u>(239,759)</u>	<u>(20,007)</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(87,461)	(89,599)	(73,773)	15,826
FUND BALANCE, January 1	<u>1,101,750</u>	<u>1,101,750</u>	<u>1,101,750</u>	-
FUND BALANCE, December 31	<u>\$ 1,014,289</u>	<u>\$ 1,012,151</u>	<u>\$ 1,027,977</u>	<u>\$ 15,826</u>

CITY OF REPUBLIC, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales tax	\$ 645,007	\$ 645,007	\$ 643,408	\$ (1,599)
Miscellaneous	4,000	4,000	7,623	3,623
TOTAL REVENUES	<u>649,007</u>	<u>649,007</u>	<u>651,031</u>	<u>2,024</u>
EXPENDITURES				
Current				
Capital improvements	<u>619,000</u>	<u>619,000</u>	<u>259,239</u>	<u>359,761</u>
TOTAL EXPENDITURES	<u>619,000</u>	<u>619,000</u>	<u>259,239</u>	<u>359,761</u>
EXCESS OF REVENUES OVER EXPENDITURES	30,007	30,007	391,792	361,785
FUND BALANCE, January 1	<u>187,715</u>	<u>187,715</u>	<u>187,715</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 217,722</u></u>	<u><u>\$ 217,722</u></u>	<u><u>\$ 579,507</u></u>	<u><u>\$ 361,785</u></u>

CITY OF REPUBLIC, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2018

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, 2018, 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 3, 2019.

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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343

500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

Honorable Mayor and City Council
City of Republic
Republic, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency. It is identified as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Republic, Missouri's financial statements are free from 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 Finding

The City's responses to the finding identified in our audit is 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 3, 2019

CITY OF REPUBLIC, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2018

SIGNIFICANT DEFICIENCY

2018-001 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 and hired one and a half additional employees to increase the segregation of certain duties. There are some mitigating controls in place but it is not possible to have segregation in all areas.

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

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

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

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