

CITY OF WAYNESVILLE, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2017

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 – Enterprise Funds 25

 Statement of Revenues, Expenses and Changes in
 Net Position – Enterprise Funds 27

 Statement of Cash Flows – Enterprise Funds 28

 Notes to Financial Statements..... 30

REQUIRED SUPPLEMENTARY INFORMATION

 Schedule of Changes in Net Pension Liability and Related Ratios 72

 Schedule of Contributions..... 73

 Notes to Schedule of Contributions 74

 Budgetary Comparison Schedule – General Fund..... 75

 Budgetary Comparison Schedule – Transportation Fund..... 77

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – Park and Pool Fund	78
Budgetary Comparison Schedule – Special Allocation Fund.....	79
Budgetary Comparison Schedule – Community Improvement District Fund.....	80
Note to Budgetary Comparison Schedules	81

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>	83
Summary Schedule of Findings and Responses	85



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, of the City of Waynesville, Missouri, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 Waynesville
Waynesville, 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, the discretely presented component unit, and each major fund of the City of Waynesville, Missouri, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules, and the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions, and the Notes to Schedule of Contributions 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 April 17, 2018, on our consideration of the City of Waynesville, 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 City of Waynesville, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The Management's Discussion and Analysis of the City of Waynesville, Missouri's financial performance provides an overview of the City's financial activities for the year ended December 31, 2017. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The net position of the City's governmental activities decreased by \$68,091 for the year ended December 31, 2017, as a result of current year activities. The net position was impacted by the funding of the Little Heroes Playground of over \$300,000, which had been planned and budgeted for the past several years, but was completed in this fiscal year. The overall unrestricted cash and investments for the governmental funds increased by over \$24,000 from 2016. The net position of the City's business-type activities decreased by \$1,289,818 for the year. The majority of this amount is due to adjusting the Due to/Due From accounts \$2,009,252 to provide an accurate reflection of our net position. The actual decrease of unrestricted cash was \$362,012. This amount was for infrastructure improvement that will be reimbursed from our Certificates of Participation in 2018.
- The assets and deferred outflows of the City exceeded its liabilities as of December 31, 2017, by \$15.6 million (net position), a decrease of \$1,357,909 from the previous year.
- Total liabilities of the City increased by \$2,233,652 during the year ended December 31, 2017. The City entered into a new Certificate of Participation Series 2017 A & B for additional development to include the purchase of two (2) water systems outside our City limits. The City was also able to secure lower financing and reissue the Series 2011 which included the OTC project, saving both the City and OTC an estimated \$100,000 per year between the two.
- Based on the evaluation of the City's financial condition, the City maintained an A, stable rating with Standard and Poor's rating agency as of June 6, 2017.

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.

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

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, liabilities, and deferred outflows/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 them. The City's net position – the difference between assets, liabilities, and deferred outflows/inflows – 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.

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, sewer, electric, gas, and solid waste transfer station 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 a reconciliation following the fund financial statements.
- **Enterprise 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 enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

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

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.

Government-Wide Financial Analysis

NET POSITION

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

	Governmental Activities	Business-Type Activities	Total December 31, 2017	Total December 31, 2016
Current and other assets	\$ 4,003,381	\$ 4,820,885	\$ 8,824,266	\$ 7,757,961
Capital assets	19,207,898	12,894,628	32,102,526	31,760,118
TOTAL ASSETS	23,211,279	17,715,513	40,926,792	39,518,079
Deferred refunding charges	11,237	63,677	74,914	83,994
Deferred pension outflows	327,969	197,966	525,935	908,497
TOTAL DEFERRED OUTFLOWS OF RESOURCES	339,206	261,643	600,849	992,491
Other liabilities	1,045,833	2,406,545	3,452,378	3,121,456
Long-term liabilities	12,730,000	9,630,794	22,360,794	20,458,064
TOTAL LIABILITIES	13,775,833	12,037,339	25,813,172	23,579,520
TOTAL DEFERRED INFLOWS OF RESOURCES	73,519	67,809	141,328	-
Net position:				
Net investment in capital assets	7,907,295	4,563,184	12,470,479	12,182,454
Restricted	587,678	139,290	726,968	1,669,656
Unrestricted	1,206,160	1,169,534	2,375,694	3,078,940
TOTAL NET POSITION	\$ 9,701,133	\$ 5,872,008	\$ 15,573,141	\$ 16,931,050

Total net position of the City decreased by \$1,357,909 for the year ended December 31, 2017, due to current activity. Total liabilities for the City have increased by \$2,233,652. Restricted net position of the City totaled \$726,968 as of December 31, 2017. This amount represents monies that are restricted for debt service and donations.

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

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2017	Total Year Ended December 31, 2016
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,401,740	\$ 9,255,436	\$ 10,657,176	\$ 10,694,994
Operating grants and contributions	5,770	-	5,770	218,157
Capital grants and contributions	591,687	-	591,687	1,573,451
General Revenues				
Sales taxes	1,151,602	-	1,151,602	1,228,745
Ad valorem taxes	395,615	-	395,615	358,815
Motor vehicle and gas taxes	180,682	-	180,682	191,043
Other taxes	16,372	-	16,372	241,006
Franchise fees	84,292	-	84,292	82,503
Interest	35,771	25,737	61,508	49,436
Other revenue	148,386	-	148,386	117,766
Transfers	2,009,252	(2,009,252)	-	-
TOTAL REVENUES AND TRANSFERS	6,021,169	7,271,921	13,293,090	14,755,916
EXPENSES				
City hall	1,235,399	-	1,235,399	1,262,822
Fire	280,932	-	280,932	273,962
Public safety	846,488	-	846,488	842,006
Municipal court	141,316	-	141,316	163,022
Street	732,157	-	732,157	545,302
Park and pool	424,106	-	424,106	322,522
Cemetery	968	-	968	968
Airport	992,006	-	992,006	1,074,073
Animal shelter	211,382	-	211,382	189,886
Building department	152,497	-	152,497	151,008
Debt service	1,072,009	-	1,072,009	502,981
Electric	-	5,678,583	5,678,583	5,680,280
Water and sewer	-	1,750,980	1,750,980	1,894,757
Trash	-	252,156	252,156	250,874
Natural gas	-	880,020	880,020	877,164
TOTAL EXPENSES	6,089,260	8,561,739	14,650,999	14,031,627
SPECIAL ITEM				
(Loss) on investments	-	-	-	(18,450)
INCREASE (DECREASE) IN NET POSITION	\$ (68,091)	\$ (1,289,818)	\$ (1,357,909)	\$ 705,839

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

Governmental Activities

Governmental activities decreased the net position of the City by \$68,091. Tax revenues for the City were \$1,828,563 which represents 30% of the funding of these activities. Program revenues for the functions totaled \$1,999,197 or 33% of the funding. The following table shows the cost of the City's programs as well as each programs' 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 WAYNESVILLE, MISSOURI'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
City hall	\$ 1,235,399	\$ 788,401
Fire	280,932	280,932
Public safety	846,488	686,856
Municipal court	141,316	141,316
Street	732,157	643,271
Park and pool	424,106	94,476
Cemetery	968	(3,232)
Airport	992,006	163,984
Animal shelter	211,382	101,598
Building department	152,497	120,452
Debt service	1,072,009	1,072,009
	\$ 6,089,260	\$ 4,090,063

Business-Type Activities

Business-type activities decreased the City's net position by \$1,289,818. In the current year, the business-type activities transferred \$2,009,252 to the governmental funds.

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

Financial Analysis of the City's Funds

The combined fund balance of the City's governmental funds as of December 31, 2017, was \$3,433,164. The General Fund increased by \$1,167,681, the Transportation Fund decreased by \$24,174, the Park and Pool Fund decreased by \$269,236, the Community Improvement District (CID) Fund increased by \$40,000, and the Debt Service Fund decreased by \$769,716.

General Fund Budgetary Highlights

Differences between the original and the final budget can be summarized as follows:

- The original revenue budget of \$2,981,624 decreased to \$2,925,194 due to a decrease in actual revenues.
- The original expenditures budget of \$3,923,101 was increased to \$4,031,697.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$19,207,898 (net of accumulated depreciation) as of December 31, 2017. This represents a \$669,847 increase from the prior year. Capital assets for business-type activities were \$12,894,628 as of December 31, 2017. This represents a decrease of \$327,439 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2017, was \$12,769,059, which is up from \$11,891,661 in the prior year.

Total debt of the business-type activities as of December 31, 2017, was \$10,335,621, which is up from \$8,473,742 in the prior year.

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

Economic Factors and Next Year's Budget

Some of our 2017 key projects are identified below:

- Little Heroes Playground. The Little Heroes Playground dedication and official opening was on November 18th. One measure of success of the playground has been the popularity of the playground with kids and their families—it has been very busy. Our City workers contributed to the success of the playground installing the concrete pad, installing a retaining wall and completing the installation of guard rails and benches. The dedication of the playground was held November 18th 2017.
- 2017 Flood. The City experienced a major flood in May 2017. Due to the past mitigation work, the City flood damages in 2017 were substantially reduced as compared to the other floods in 2013 and 2015. City expenses in the 2017 flood were approximately \$246,000 as compared to \$1.3 million in 2013.
- Utility Line Extensions to Patriot Landing South. The City crews completed extending the utilities to Patriot Landing South. The City achieved our goal to extend all utilities to the site no later than November 30th.
- Water Department. The Water Department has been busy fixing and installing new fire hydrants. During the past few weeks, seven fire hydrants have been repaired or replaced with a new fire hydrant. The Water Department also extended water lines to support expanding commercial development.
- Electric Department. The Electric Department increased the reliability of our electric grid by installing reclosures and upgrading several sections of electric lines. They also completed converting the electric meters to auto read meters.
- Natural Gas. The Natural Gas Department extended services lines to several new commercial and residential customers.
- Youth Sport Program. The Youth Sports program has achieved record participation in several sports including, soccer, tennis, flag football and volleyball.
- New City Hall Grand Opening. We had the grand opening of our new City Hall in January 2017. The Public Works Construction crew also finished out three additional offices to include handicap accessible bathrooms. A new stairway has been built to access the upper level and a potential training room in the upstairs area is in the planning stages.
- Capital Improvement Plan. The City staff in conjunction with the Utility Committee, Roads and Grounds Committee and Planning and Zoning Commission developed a 5 year Capital Improvement Plan.

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

Economic Factors and Next Year's Budget (continued)

- Personnel Manual. With the support of the Finance and Human Resources Committee, the City staff updated our City Personnel Manual. This update combined all the latest changes and strengthened the safety program.
- ACH. The Utility Billing Department started offering ACH (Automated Clearing House) transactions for utility customers in July 2017. An ACH transaction offers our customers the ability to make automatic payments on their utility accounts. We now have approximately 200 customers on this program.
- Refinancing of 2011 Certificates of Deposit. City staff worked with Stifel, Nicolaus & Company on a refinancing which will save the City and Ozark Technical Community College approximately \$100,000 a year.
- Street Department. The Street Department expanded several lots in the Industrial Park by hauling in fill dirt from different projects. In addition, the City paved portions of the following roads: Broadway, Fort Street, Spring Street, DeWitt Street, S. Lynn, Stonebridge, JC Street, Old Route H, GW Lane.
- Public Works Construction Department. The Public Works Construction Department built a new Animal Shelter Annex which enhances our ability to care for animals in our control. In addition, this department demolished and cleaned up properties purchased by the City surrounding our Park and Water Wastewater Plant.
- Old City Hall Building at 201 North Street. Installed a new roof on the building and have rented space to the University of Missouri Extension Center.
- Airport. Staff has continued work on a Master Plan, which is important in planning for the future airport improvement.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Waynesville
601 Historic Rt. 66 West
Waynesville, Missouri 65583
(573) 774-6171

Bruce Harrill, City Administrator
Carol Welch, City Clerk

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Westgate Community Improvement District
ASSETS				
Current				
Cash and cash equivalents - unrestricted	\$ 1,518,601	\$ 1,085,630	\$ 2,604,231	\$ 29,079
Investments - unrestricted	232,878	-	232,878	-
Sales tax receivable	177,258	-	177,258	-
Ad valorem taxes receivable, net	323,900	-	323,900	-
Utilities receivable, net	-	696,216	696,216	-
Other receivables	53,297	34,734	88,031	-
Accrued interest receivable	-	1,156	1,156	-
Intergovernmental receivable	106,256	-	106,256	-
Prepaid expenses	105,608	17,490	123,098	-
Inventory	-	341,875	341,875	-
Noncurrent				
Restricted cash and cash equivalents	941,689	2,643,784	3,585,473	-
Investments - restricted	121,547	-	121,547	-
Note receivable	422,347	-	422,347	-
Capital Assets:				
Non-depreciable	3,345,648	-	3,345,648	-
Depreciable, net	15,862,250	12,894,628	28,756,878	375,083
TOTAL ASSETS	23,211,279	17,715,513	40,926,792	404,162
DEFERRED OUTFLOWS OF RESOURCES				
Deferred refunding charges	11,237	63,677	74,914	-
Deferred pension outflow	327,969	197,966	525,935	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	339,206	261,643	600,849	-

See accompanying notes.

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Westgate Community Improvement District
LIABILITIES				
Current				
Accounts payable	96,565	613,767	710,332	-
Accrued expenses	50,410	42,969	93,379	-
Customer deposits payable	-	563,994	563,994	-
Court bonds payable	895	-	895	-
Accrued interest payable	28,630	87,201	115,831	-
Current maturities of long-term debt	869,333	1,098,614	1,967,947	18,883
	<u>1,045,833</u>	<u>2,406,545</u>	<u>3,452,378</u>	<u>18,883</u>
Noncurrent				
Unearned revenue	211,600	-	211,600	-
Bonds payable	-	3,321,000	3,321,000	-
MAMU lease payable, net	-	1,100,362	1,100,362	-
Certificates of participation, net	11,064,992	4,501,909	15,566,901	-
Capital leases payable	343,456	313,736	657,192	-
MTFC direct loan	491,278	-	491,278	-
Note payable	-	-	-	403,464
Compensated absences payable	168,171	55,923	224,094	-
Net pension liability	450,503	337,864	788,367	-
	<u>12,730,000</u>	<u>9,630,794</u>	<u>22,360,794</u>	<u>403,464</u>
TOTAL LIABILITIES	13,775,833	12,037,339	25,813,172	422,347
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	<u>73,519</u>	<u>67,809</u>	<u>141,328</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	7,907,295	4,563,184	12,470,479	(47,264)
Restricted	587,678	139,290	726,968	-
Unrestricted	<u>1,206,160</u>	<u>1,169,534</u>	<u>2,375,694</u>	<u>29,079</u>
TOTAL NET POSITION	<u>\$ 9,701,133</u>	<u>\$ 5,872,008</u>	<u>\$ 15,573,141</u>	<u>\$ (18,185)</u>

See accompanying notes.

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

Functions/Programs	Net (Expenses), Revenues, and Changes in Net Position							Component Unit Westgate Community Improvement District
	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
City hall	\$ (1,235,399)	\$ 446,998	\$ -	\$ -	\$ (788,401)	\$ -	\$ (788,401)	
Fire	(280,932)	-	-	-	(280,932)	-	(280,932)	
Public safety	(846,488)	153,862	5,770	-	(686,856)	-	(686,856)	
Municipal court	(141,316)	-	-	-	(141,316)	-	(141,316)	
Street	(732,157)	-	-	88,886	(643,271)	-	(643,271)	
Park and pool	(424,106)	79,460	-	250,170	(94,476)	-	(94,476)	
Cemetery	(968)	4,200	-	-	3,232	-	3,232	
Airport	(992,006)	575,391	-	252,631	(163,984)	-	(163,984)	
Animal shelter	(211,382)	109,784	-	-	(101,598)	-	(101,598)	
Building department	(152,497)	32,045	-	-	(120,452)	-	(120,452)	
Debt service	(1,072,009)	-	-	-	(1,072,009)	-	(1,072,009)	
TOTAL GOVERNMENTAL ACTIVITIES	(6,089,260)	1,401,740	5,770	591,687	(4,090,063)	-	(4,090,063)	
Business-Type Activities								
Electric service	(5,678,583)	6,125,118	-	-	-	446,535	446,535	
Water and sewer service	(1,750,980)	1,974,417	-	-	-	223,437	223,437	
Trash service	(252,156)	265,353	-	-	-	13,197	13,197	
Natural gas service	(880,020)	890,548	-	-	-	10,528	10,528	
TOTAL BUSINESS-TYPE ACTIVITIES	(8,561,739)	9,255,436	-	-	-	693,697	693,697	
TOTAL PRIMARY GOVERNMENT	\$ (14,650,999)	\$ 10,657,176	\$ 5,770	\$ 591,687	(4,090,063)	693,697	(3,396,366)	

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended December 31, 2017

Component Unit	Net (Expenses), Revenues, and Changes in Net Position							
	Program Revenues			Primary Government			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Westgate Community Improvement District
Westgate Community Improvement District	<u>\$ (61,067)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				\$ (61,067)
		General Revenues:						
					1,151,602	-	1,151,602	53,612
					395,615	-	395,615	-
					180,682	-	180,682	-
					16,372	-	16,372	-
					84,292	-	84,292	-
					35,771	25,737	61,508	-
					148,386	-	148,386	-
					2,009,252	(2,009,252)	-	-
				Total General Revenues and Transfers	<u>4,021,972</u>	<u>(1,983,515)</u>	<u>2,038,457</u>	<u>53,612</u>
				Changes in Net Position	(68,091)	(1,289,818)	(1,357,909)	(7,455)
				Net Position, Beginning of year	<u>9,769,224</u>	<u>7,161,826</u>	<u>16,931,050</u>	<u>(10,730)</u>
				Net Position, End of year	<u>\$ 9,701,133</u>	<u>\$ 5,872,008</u>	<u>\$ 15,573,141</u>	<u>\$ (18,185)</u>

See accompanying notes.

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

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 684,441	\$ 290,418	\$ 511,176	\$ -	\$ 32,566	\$ -	\$ 1,518,601
Investments - unrestricted	232,878	-	-	-	-	-	232,878
Ad valorem taxes receivable, net	323,900	-	-	-	-	-	323,900
Sales tax receivable	88,814	53,752	34,692	-	-	-	177,258
Other receivable	53,297	-	-	-	-	-	53,297
Intergovernmental receivable	106,256	-	-	-	-	-	106,256
Prepaid expenses	103,867	1,741	-	-	-	-	105,608
Restricted cash and cash equivalents	475,558	31,659	-	-	-	434,472	941,689
Investments - restricted	-	-	-	-	-	121,547	121,547
TOTAL ASSETS	\$ 2,069,011	\$ 377,570	\$ 545,868	\$ -	\$ 32,566	\$ 556,019	\$ 3,581,034
LIABILITIES							
Accounts payable	\$ 96,565	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,565
Accrued expenses	32,442	5,852	12,116	-	-	-	50,410
Court bonds payable	895	-	-	-	-	-	895
TOTAL LIABILITIES	129,902	5,852	12,116	-	-	-	147,870

See accompanying notes.

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

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	
FUND BALANCES							
Nonspendable:							
Prepaid items	103,867	-	-	-	-	-	103,867
Restricted for:							
Specific purchases from donations	-	31,659	-	-	-	-	31,659
Debt service	-	-	-	-	-	556,019	556,019
Building projects	474,663	-	-	-	-	-	474,663
Assigned to:							
Parks and pool	-	340,059	-	-	-	-	340,059
Transportation	-	-	533,752	-	-	-	533,752
Community improvement	-	-	-	-	32,566	-	32,566
Unassigned	1,360,579	-	-	-	-	-	1,360,579
TOTAL FUND BALANCES	1,939,109	371,718	533,752	-	32,566	556,019	3,433,164
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,069,011	\$ 377,570	\$ 545,868	\$ -	\$ 32,566	\$ 556,019	\$ 3,581,034

See accompanying notes.

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

Fund balance - total governmental funds	\$ 3,433,164
Long term receivables are not deemed receivable in the current period and, therefore, are not reported in the funds	422,347
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	24,088,346
Less: Accumulated depreciation	<u>(4,880,448)</u>
	19,207,898
The net pension liability and deferred costs are not due and payable in the current period and, therefore, are not reported in the funds:	
Net pension liability	(450,503)
Deferred pension outflows	327,969
Deferred pension inflows	<u>(73,519)</u>
	(122,534)
Unearned payments in lieu of taxes are not deemed deferrable in the current period but rather is recognized as a revenue when received	(211,600)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due	(28,630)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(12,925,993)</u>
Net position of governmental activities	<u><u>\$ 9,701,133</u></u>

See accompanying notes.

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

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	
REVENUES							
Taxes	\$ 1,168,978	\$ 363,076	\$ 231,757	\$ 42,121	\$ -	\$ -	\$ 1,805,932
Licenses and permits	44,928	-	-	-	-	-	44,928
Intergovernmental revenues	337,448	233,000	36,829	13,432	-	-	620,709
Fines and forfeitures	153,862	-	-	-	-	-	153,862
Charges for services	1,096,500	76,859	-	-	-	-	1,173,359
Miscellaneous	123,478	27,183	1,499	1,052	40,000	14,827	208,039
TOTAL REVENUES	2,925,194	700,118	270,085	56,605	40,000	14,827	4,006,829
EXPENDITURES							
Current							
City hall	1,164,318	-	-	-	-	-	1,164,318
Fire	280,932	-	-	-	-	-	280,932
Public safety	815,534	-	-	-	-	-	815,534
Municipal court	140,512	-	-	-	-	-	140,512
Street	318,758	-	772,061	-	-	-	1,090,819
Park and pool	-	901,101	-	-	-	-	901,101
Airport	919,031	-	-	-	-	-	919,031
Animal shelter	240,838	-	-	-	-	-	240,838
Building department	151,774	-	-	-	-	-	151,774
Debt service							
Principal and interest	-	-	102,489	92,358	-	10,967,030	11,161,877
TOTAL EXPENDITURES	4,031,697	901,101	874,550	92,358	-	10,967,030	16,866,736

See accompanying notes.

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

	Special Revenue Funds					Debt Service Fund	Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund		
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,106,503)	(200,983)	(604,465)	(35,753)	40,000	(10,952,203)	(12,859,907)
OTHER FINANCING SOURCES (USES)							
Lease purchase proceeds	804,700	-	571,488	-	-	9,455,000	10,831,188
Operating transfers in (out)	1,469,484	(68,253)	8,803	(128,269)	-	727,487	2,009,252
TOTAL OTHER FINANCING SOURCES (USES)	2,274,184	(68,253)	580,291	(128,269)	-	10,182,487	12,840,440
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	1,167,681	(269,236)	(24,174)	(164,022)	40,000	(769,716)	(19,467)
FUND BALANCE (DEFICIT), January 1	771,428	640,954	557,926	164,022	(7,434)	1,325,735	3,452,631
FUND BALANCE, December 31	\$ 1,939,109	\$ 371,718	\$ 533,752	\$ -	\$ 32,566	\$ 556,019	\$ 3,433,164

See accompanying notes.

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

Net change in fund balances - total governmental funds \$ (19,467)

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 detail of the amount by which capital outlays
 exceeded depreciation for the year.

Capital outlay	1,424,605
Depreciation	(754,758)
	<u>669,847</u>

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

Repayment of principal on long-term debt	9,952,428
Lease proceeds	(10,831,188)
Interest	137,440
	<u>(741,320)</u>

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

Change in pension related costs	(33,112)
Change in compensated absences	(36,145)
Change in unearned revenues	9,200
Change in notes receivable	82,906

Change in net position of governmental activities	<u>\$ (68,091)</u>
---	--------------------

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
December 31, 2017

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 215,152	\$ 283,052	\$ 59,505	\$ 527,921	\$ 1,085,630
Utilities receivable, net	449,208	168,518	20,499	57,991	696,216
Other receivable	13,824	-	-	20,910	34,734
Accrued interest receivable	412	744	-	-	1,156
Inventory	255,050	57,433	-	29,392	341,875
Prepaid assets	7,339	8,886	-	1,265	17,490
TOTAL CURRENT ASSETS	940,985	518,633	80,004	637,479	2,177,101
Noncurrent Assets					
Cash and cash equivalents - restricted	876,557	1,738,324	-	28,903	2,643,784
Capital assets:					
Depreciable	4,093,472	17,815,747	-	2,992,423	24,901,642
Accumulated depreciation	(2,444,962)	(7,719,288)	-	(1,842,764)	(12,007,014)
TOTAL NONCURRENT ASSETS	2,525,067	11,834,783	-	1,178,562	15,538,412
TOTAL ASSETS	3,466,052	12,353,416	80,004	1,816,041	17,715,513
DEFERRED OUTFLOW OF RESOURCES					
Deferred refunding charges	20,227	35,959	-	7,491	63,677
Deferred pension outflow	89,863	84,571	-	23,532	197,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	110,090	120,530	-	31,023	261,643

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS (continued)
December 31, 2017

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
LIABILITIES					
Current Liabilities					
Accounts payable	446,643	34,047	41,829	91,248	613,767
Accrued expenses	20,396	16,658	-	5,915	42,969
Accrued interest payable	13,917	70,331	-	2,953	87,201
Customer deposits	563,994	-	-	-	563,994
Current portion of long-term debt	322,987	725,496	-	50,131	1,098,614
TOTAL CURRENT LIABILITIES	1,367,937	846,532	41,829	150,247	2,406,545
Long-Term Liabilities					
Revenue bonds payable	-	3,321,000	-	-	3,321,000
MAMU lease payable, net	255,040	837,352	-	7,970	1,100,362
Certificates of participation payable, net	1,022,050	3,124,280	-	355,579	4,501,909
Capital leases payable	200,219	113,517	-	-	313,736
Compensated absences payable	35,438	15,250	-	5,235	55,923
Net pension liability	154,928	141,468	-	41,468	337,864
TOTAL LONG-TERM LIABILITIES	1,667,675	7,552,867	-	410,252	9,630,794
TOTAL LIABILITIES	3,035,612	8,399,399	41,829	560,499	12,037,339
DEFERRED INFLOW OF RESOURCES					
Deferred pension inflows	28,283	30,609	-	8,917	67,809
TOTAL DEFERRED INFLOW OF RESOURCES	28,283	30,609	-	8,917	67,809
NET POSITION					
Net investment in capital assets	181,004	3,609,807	-	772,373	4,563,184
Restricted	-	139,290	-	-	139,290
Unrestricted	331,243	294,841	38,175	505,275	1,169,534
TOTAL NET POSITION	\$ 512,247	\$ 4,043,938	\$ 38,175	\$ 1,277,648	\$ 5,872,008

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUNDS
Year Ended December 31, 2017

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
OPERATING REVENUES					
Charges for services	\$ 6,061,768	\$ 1,675,881	\$ 265,353	\$ 765,674	\$ 8,768,676
Other charges	63,350	298,536	-	124,874	486,760
TOTAL OPERATING REVENUES	6,125,118	1,974,417	265,353	890,548	9,255,436
OPERATING EXPENSES					
Salaries and wages	332,084	313,116	-	89,894	735,094
Employee benefits	162,890	183,986	-	57,236	404,112
Materials and supplies	342,354	42,447	-	21,661	406,462
Electric current	4,550,867	-	-	-	4,550,867
Hauling and recycling charges	-	-	251,227	-	251,227
Repairs and maintenance	43,709	148,935	-	14	192,658
Gas purchases	-	-	-	570,679	570,679
Travel, meetings and dues	8,090	6,607	-	2,674	17,371
General administrative	-	66,241	-	14,518	80,759
Depreciation	116,304	538,176	-	79,070	733,550
Other operating expenses	56,027	175,466	929	32,469	264,891
TOTAL OPERATING EXPENSES	5,612,325	1,474,974	252,156	868,215	8,207,670
OPERATING INCOME	512,793	499,443	13,197	22,333	1,047,766
NONOPERATING REVENUES (EXPENSES)					
Interest income	16,646	8,923	-	168	25,737
Interest expense	(66,258)	(276,006)	-	(11,805)	(354,069)
TOTAL NONOPERATING REVENUES (EXPENSES)	(49,612)	(267,083)	-	(11,637)	(328,332)
INCOME BEFORE OPERATING TRANSFERS	463,181	232,360	13,197	10,696	719,434
OPERATING TRANSFERS IN (OUT)	(1,696,252)	(478,366)	-	165,366	(2,009,252)
NET INCOME (LOSS)	(1,233,071)	(246,006)	13,197	176,062	(1,289,818)
NET POSITION, January 1	1,745,318	4,289,944	24,978	1,101,586	7,161,826
NET POSITION, December 31	\$ 512,247	\$ 4,043,938	\$ 38,175	\$ 1,277,648	\$ 5,872,008

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
Year Ended December 31, 2017

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$ 6,190,417	\$ 1,956,542	\$ 264,230	\$ 903,889	\$ 9,315,078
Cash paid to suppliers	(5,049,189)	(403,282)	(251,358)	(642,580)	(6,346,409)
Cash paid to employees	(458,621)	(491,202)	-	(142,508)	(1,092,331)
NET CASH PROVIDED BY OPERATING ACTIVITIES	682,607	1,062,058	12,872	118,801	1,876,338
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans (to) from other funds	660,761	-	-	(164,378)	496,383
Transfers (to) from other funds	(1,696,252)	(478,366)	-	165,366	(2,009,252)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,035,491)	(478,366)	-	988	(1,512,869)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(256,585)	(141,987)	-	(7,539)	(406,111)
Payment of principal on bonds and capital leases	(115,028)	(523,936)	-	(179,907)	(818,871)
Payment of interest expense	(53,884)	(245,753)	-	(11,500)	(311,137)
Proceeds from debt issuances	814,175	1,822,700	-	43,875	2,680,750
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	388,678	911,024	-	(155,071)	1,144,631
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	16,646	8,923	-	168	25,737
NET CASH PROVIDED BY INVESTING ACTIVITIES	16,646	8,923	-	168	25,737
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	52,440	1,503,639	12,872	(35,114)	1,533,837
CASH AND CASH EQUIVALENTS,					
Beginning of year	1,039,269	517,737	46,633	591,938	2,195,577
CASH AND CASH EQUIVALENTS,					
End of year	1,091,709	2,021,376	59,505	556,824	3,729,414
LESS RESTRICTED CASH AND CASH EQUIVALENTS					
	876,557	1,738,324	-	28,903	2,643,784
UNRESTRICTED CASH AND CASH EQUIVALENTS					
	\$ 215,152	\$ 283,052	\$ 59,505	\$ 527,921	\$ 1,085,630

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (continued)
Year Ended December 31, 2017

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income	\$ 512,793	\$ 499,443	\$ 13,197	\$ 22,333	\$ 1,047,766
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	116,304	538,176	-	79,070	733,550
(Increase) decrease in:					
Utilities receivable	6,039	(8,989)	(1,123)	1,139	(2,934)
Other receivable	-	-	-	13,467	13,467
Prepaid expenses	(7,339)	(8,886)	-	(1,265)	(17,490)
Inventory	(19,281)	21,742	-	711	3,172
Deferred pension outflows	44,277	47,919	-	13,959	106,155
Increase (decrease) in:					
Accounts payable	(28,861)	14,672	798	(1,276)	(14,667)
Accrued expenses	(293)	(3,149)	-	256	(3,186)
Customer deposits	66,599	-	-	-	66,599
Compensated absences payable	15,197	(14,165)	-	(2,396)	(1,364)
Net pension liability	(51,111)	(55,314)	-	(16,114)	(122,539)
Deferred pension inflows	28,283	30,609	-	8,917	67,809
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 682,607</u>	<u>\$ 1,062,058</u>	<u>\$ 12,872</u>	<u>\$ 118,801</u>	<u>\$ 1,876,338</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Waynesville, Missouri, (the City) was established in 1833, and operates under the provisions of the State of Missouri. The City operates under a Council – Manager form of government and 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 electric, natural gas and waterworks services.

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 financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Component Unit

Westgate Community Improvement District

Approved in 2009, the Westgate Community Improvement District, which is governed by a Board of Directors, provides support for financing improvements in the Westgate District. The formation of the District allows for the authorization of an additional 1% sales tax to make public improvements that will benefit the District and the City as a whole. This 1% sales tax was approved by the voters within the District.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 enterprise 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Park and Pool Fund: The Park and Pool Fund of the City is used to account for resources restricted, committed or assigned for city parks and recreation.

Transportation Fund: The Transportation Fund of the City is used to account for resources restricted, committed or assigned for expenditures for the City's Transportation Sales Tax.

Special Allocation Fund: The Special Allocation Fund is a debt service fund used to account for the resources restricted, committed or assigned for repayment of Tax Increment Financing Obligations.

Community Improvement District (CID) Fund: The CID Fund of the City is used to account for resources transferred to begin and continue projects within the Westgate CID and restricted for community improvement district related projects. A one-cent sales tax has been approved for businesses operating within the CID.

Debt Service Fund: The Debt Service Fund of the City is used to account for the 2017 Certificates of Participation funds restricted, committed or assigned for the retirement of principal and interest on the debt issue.

The City reports the following major proprietary funds:

Electric Fund: The Electric Fund of the City is used to account for the activities and capital improvements of the City's electric operations.

Water and Wastewater Fund: The Water and Wastewater Fund of the City is used to account for the activities and capital improvements of the City's water and sewer operations.

Natural Gas Fund: The Natural Gas Fund of the City is used to account for the activities and capital improvements of the City's gas operations.

Trash Fund: The Trash Fund of the City is used to account for the activities and capital improvements of the City's solid waste operations.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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:

Buildings	25-50 years
Electric distribution system	30-50 years
Sewer lines and treatment plant	30-50 years
Waterworks system	30-50 years
Gas distribution system	30-50 years
Equipment	5-10 years
Improvements	10-20 years
Other Infrastructure	10-50 years

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

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, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Unearned Revenue

This is future revenue consisting of payments in lieu of taxes that will be recognized over a 25 year period as a result of an October 2015 contract with MCP-Waynesville, LLC that brought a solar farm to the City. As of December 31, 2017, the deferred revenue was \$211,600 and will be recognized at a rate of \$9,200 per year.

Compensated Absences

Employees earn vacation time based on the number of years of service to the City. Outstanding vacation leave is payable upon termination of employment. 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 Costs*. There was no interest capitalized during the current fiscal year.

Revenue Recognition – Property Taxes

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

Due To and Due From Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2017, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

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 two items that qualify for reporting in this category, deferred amounts relating to employer contributions to the retirement plan and deferred charges relating to debt refunding.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

Operating Revenues and Expenses

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

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City Council.

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.

Net Position

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

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

Restricted – This consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) 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.

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

NOTE B – CASH AND CASH EQUIVALENTS

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

NOTE C – INVESTMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments of the City as of December 31, 2017, are as follows:

Investment Type	Maturity	Not Subject to Fair Value	Fair Value Level 1	Fair Value Level 2	Total
Certificates of Deposit	3/27/2020	\$ 232,878	\$ -	\$ -	\$ 232,878
FHLB	9/11/2020	-	-	63,762	63,762
FNMA	2/26/2021	-	-	57,785	57,785
TOTAL		\$ 232,878	\$ -	\$ 121,547	\$ 354,425

Certificate of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2017, the certificate of deposit is adequately insured or collateralized with securities.

U.S. Agencies

City funds in FHLB and FNMA are for future debt service. The investments are held in an irrevocable trust account with BOK Financial. The funds are invested in accordance with Section 165.051 of the Missouri Revised Statutes. The investments will be held to maturity.

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

NOTE C – INVESTMENTS (continued)

Interest Rate Risk

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

General Fund

The total restricted cash and cash equivalents and restricted fund balance for the General Fund are as follows:

	Restricted Cash and Cash Equivalents	Restricted Fund Balance
Court bonds payable	\$ 895	\$ -
Series 2014 COP projects	5	5
Series 2017 COP projects	474,658	474,658
	<u>\$ 475,558</u>	<u>\$ 474,663</u>

Park and Pool Fund

Restricted cash and cash equivalents and restricted fund balance/net position include funds donated for the park acquisition and various park projects that totaled \$31,659 at December 31, 2017.

Debt Service Fund

The total restricted cash and investments and restricted net position/fund balance for the Debt Service Fund are as follows:

	Restricted Cash and Investments	Restricted Net Position/ Fund Balance
2017C COP debt service reserve	<u>\$ 556,019</u>	<u>\$ 556,019</u>

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

NOTE D – RESTRICTED ASSETS (continued)

Enterprise Funds

Cash and cash equivalents and net position have been restricted in the following Enterprise Funds as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
	<u> </u>	<u> </u>
ELECTRIC FUND		
Customer meter deposits	\$ 563,994	\$ -
Series 2017 COP projects	312,563	-
	<u>876,557</u>	<u>-</u>
WATER AND WASTEWATER FUND		
Series 2011 principal account	110,075	110,075
Series 2011 interest account	29,215	29,215
Series 2014 COP projects	23	-
Series 2017 COP projects	1,599,011	-
	<u>1,738,324</u>	<u>139,290</u>
NATURAL GAS FUND		
Series 2017 COP projects	28,903	-
	<u>28,903</u>	<u>-</u>
	<u>\$ 2,643,784</u>	<u>\$ 139,290</u>

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

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
TAXES RECEIVABLE			
General Fund	\$ 349,218	\$ (25,318)	\$ 323,900
UTILITIES RECEIVABLE			
Enterprise Funds			
Electric Fund	\$ 466,676	\$ (17,468)	\$ 449,208
Water and Wastewater Fund	176,258	(7,740)	168,518
Natural Gas Fund	90,833	(32,842)	57,991
Trash Fund	24,807	(4,308)	20,499
	<u>\$ 758,574</u>	<u>\$ (62,358)</u>	<u>\$ 696,216</u>

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

The business-type activities long-term liabilities at December 31, 2017, consists of one revenue bond issue; Series 2011 Combined Waterworks and Sewerage Revenue Bonds. The business-type activities long-term liabilities also consists of the Series 2005A and 2012 Missouri Association of Municipal Utilities (MAMU) lease purchases, Series 2014, 2016, and 2017 Certificates of Participation (COP), seven lease purchase agreements on equipment, and compensated absences payable.

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

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

Revenue Bonds

The Combined Waterworks and Sewerage System Revenue Bonds, State of Missouri – Direct Loan Program, Series 2011, were approved for issuance in the principal amount not to exceed \$4,750,000 for the purpose of acquiring, constructing, extending and improving the City’s combined waterworks and sewerage system. The 2011 bonds bear interest at 1.65% with principal payments due January 1 and interest payments due January 1 and July 1 of each year. The bonds also require a semi-annual administrative fee of 5% of the outstanding principal balance of the bonds as of the business day preceding each interest payment date. The bonds may be called for redemption prior to stated maturity at the option of the City with prior written consent at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date of redemption, under provisions outlined in the bond ordinance. The City had issued \$4,557,602 of the available bonds at December 31, 2017, and \$192,398 remained unissued. The bonds outstanding at December 31, 2017, are due as follows:

Year Ending December 31,	Principal	Interest	Administrative Fee	Total
2018	\$ 221,000	\$ 57,469	\$ 34,830	\$ 313,299
2019	227,000	53,798	32,605	313,403
2020	233,000	50,028	30,320	313,348
2021	239,000	46,159	27,975	313,134
2022	246,000	42,190	25,570	313,760
2023	252,000	38,107	23,095	313,202
2024	259,000	33,916	20,555	313,471
2025	266,000	29,617	17,950	313,567
2026	273,000	25,195	15,270	313,465
2027	280,000	20,666	12,525	313,191
2028	288,000	16,013	9,705	313,718
2029	296,000	11,228	6,805	314,033
2030	304,000	6,311	3,825	314,136
2031	158,000	1,270	770	160,040
	<u>\$ 3,542,000</u>	<u>\$ 431,967</u>	<u>\$ 261,800</u>	<u>\$ 4,235,767</u>

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

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

Certificates of Participation

On April 1, 2016, the City issued Series 2016 Certificates of Participation (COP) for the purpose of refunding the Series 2007 COP. The lease Certificates of Participation were issued in the principal amount of \$2,015,000. The 2016 certificates bear interest at 2.00% to 3.00% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates outstanding at December 31, 2017, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 175,000	\$ 37,816	\$ 212,816
2019	185,000	34,216	219,216
2020	185,000	30,054	215,054
2021	190,000	24,891	214,891
2022	195,000	20,091	215,091
2023	195,000	16,191	211,191
2024	205,000	12,063	217,063
2025	210,000	7,523	217,523
2026	215,000	2,580	217,580
	<u>\$ 1,755,000</u>	<u>\$ 185,425</u>	<u>\$ 1,940,425</u>

Amount recorded in:

Electric Fund	\$ 473,850
Water and Wastewater Fund	842,400
Natural Gas Fund	175,500
Governmental Activities	<u>263,250</u>
TOTAL	<u>\$ 1,755,000</u>

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

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

On April 21, 2014, the City issued 2014 Certificates of Participation (COP) for the purpose of refunding the Series 2003 Certificates of Participation and to pay the costs of public facilities projects. The lease certificates were issued in the principal amount of \$2,140,000. The responsibility for the certificates has been designated to the Water and Wastewater Fund, Electric Fund, Natural Gas Fund and General Fund in the amounts of \$986,030 (45.9%), \$215,930 (10.0%), \$630,000 (29.8%), and \$308,040 (14.3%), respectively. The certificates bear interest at a rate of 2.00% to 4.00% and require principal payments on April 1 and interest payments on April 1 and October 1. The certificates maturing on or after April 1, 2024, may be called for redemption on or after April 1, 2022, under provisions outlined in the certificate ordinance. The certificates outstanding at December 31, 2017, are due as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 255,000	\$ 44,588	\$ 299,588
2019	90,000	39,413	129,413
2020	95,000	36,638	131,638
2021	100,000	33,588	133,588
2022	100,000	30,338	130,338
2023	100,000	26,963	126,963
2024	100,000	23,463	123,463
2025	110,000	19,925	129,925
2026	115,000	16,269	131,269
2027	115,000	12,100	127,100
2028	120,000	7,400	127,400
2029	125,000	2,500	127,500
	<u>\$ 1,425,000</u>	<u>\$ 293,185</u>	<u>\$ 1,718,185</u>

Amount recorded in:

Electric Fund	\$ 180,180
Water and Wastewater Fund	822,780
Natural Gas Fund	165,000
Governmental Activities	257,040
	<u>\$ 1,425,000</u>
TOTAL	<u>\$ 1,425,000</u>

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

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

On July 27, 2017, the City issued Series 2017A and B Certificates of Participation (COP) for the purpose of acquiring, constructing, installing, equipping, and furnishing certain capital improvements. The lease COP were issued in the principal amount of \$3,575,000. The 2017 A and B certificates bear interest of 1.77% to 3.50% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates outstanding at December 31, 2017 were due as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 165,000	\$ 123,184	\$ 288,184
2019	190,000	100,799	290,799
2020	195,000	96,741	291,741
2021	195,000	91,804	286,804
2022	205,000	85,889	290,889
2023	140,000	80,725	220,725
2024	145,000	76,450	221,450
2025	150,000	72,025	222,025
2026	155,000	67,450	222,450
2027	160,000	62,725	222,725
2028	165,000	57,850	222,850
2029	165,000	52,900	217,900
2030	170,000	47,875	217,875
2031	180,000	42,625	222,625
2032	185,000	37,035	222,035
2033	190,000	31,175	221,175
2034	195,000	24,916	219,916
2035	200,000	18,250	218,250
2036	210,000	11,200	221,200
2037	215,000	3,762	218,762
	<u>\$ 3,575,000</u>	<u>\$ 1,185,380</u>	<u>\$ 4,760,380</u>

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

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

Amount recorded in:

Electric Fund	\$ 585,000
Water and Wastewater Fund	1,750,450
Natural Gas Fund	43,875
Governmental Activities	<u>1,195,675</u>
TOTAL	<u><u>\$ 3,575,000</u></u>

Missouri Association of Municipal Utilities Leases

The 2005 Missouri Association of Municipal Utilities Lease was issued in the principal amount of \$1,886,000 to fund a capital improvements project. The lease has been recorded in the Electric, Water and Wastewater, and Gas Funds in the amounts of \$603,500 (32%), \$1,263,600 (67%) and \$18,900 (1%), respectively. The lease bears interest at 3.00% with principal and interest payments due each month. The outstanding payments at December 31, 2017, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 108,000	\$ 31,645	\$ 139,645
2019	108,000	27,649	135,649
2020	112,000	23,650	135,650
2021	120,000	19,295	139,295
2022	120,000	14,864	134,864
2023	132,000	10,220	142,220
2024	132,000	5,344	137,344
2025	73,000	801	73,801
	<u><u>\$ 905,000</u></u>	<u><u>\$ 133,468</u></u>	<u><u>\$ 1,038,468</u></u>

Amount recorded in:

Electric Fund	\$ 289,600
Water and Wastewater Fund	606,350
Natural Gas Fund	<u>9,050</u>
TOTAL	<u><u>\$ 905,000</u></u>

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

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

The 2012 Missouri Association of Municipal Utilities lease was issued in the principal amount of \$814,200 for the purpose of purchasing a water system and to finance construction of a new water line to the City’s existing water system. The lease bears interest at 2.75% with principal and interest payments due each month. The outstanding payments at December 31, 2017, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 83,577	\$ 9,840	\$ 93,417
2019	86,033	7,511	93,544
2020	88,562	5,113	93,675
2021	91,164	2,645	93,809
2022	37,603	374	37,977
	<u>\$ 386,939</u>	<u>\$ 25,483</u>	<u>\$ 412,422</u>

Lease Purchase Agreements

On June 3, 2015, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a Vactor sewer cleaner for \$98,850. The lease requires an annual payment of \$22,049, which includes interest at 3.75%.

On April 23, 2015, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a bucket truck for \$62,668. The lease requires an annual payment of \$22,475, which includes interest at 3.75%.

On October 6, 2016, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a track loader for \$45,203. The lease requires an annual payment of \$9,041, which includes interest at 4.22%.

On October 30, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2006 CAT backhoe for \$50,000. The lease requires an annual payment of \$11,502, which includes interest at 4.85%.

On November 6, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2002 Peterbilt dump truck for \$44,500 to be paid 50% from the Water and Wastewater fund and 50% from the Street Fund. The lease requires annual payments of \$10,237, which includes interest at 4.85%.

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

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

On November 7, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2018 John Deere backhoe for \$88,090. The lease requires annual payments of \$20,264, which includes interest at 4.85%.

On November 7, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a wire puller truck for \$141,085. The lease requires annual payments of \$32,454, which includes interest at 4.85%.

Although the lease agreements provide for cancellation of the leases at the City’s option at renewal dates, the City does not foresee exercising its option to cancel. Therefore, the leases are accounted for as noncancellable leases in accordance with Governmental Accounting Standards Board (GASB) – Section L20 – *Leases*.

The total annual minimum lease payments required at December 31, 2017, are as follows:

Year Ending	2010	2015	1995	2006	2002	2018		
December 31,	Sewer	Bucket	Track	CAT	Peterbilt	John Deere	Wirepuller	
	Cleaner	Truck	Loader	Backhoe	Dump Truck	Backhoe	Truck	
	Lease	Lease	Lease	Lease	Lease	Lease	Lease	
	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Purchase	Total
2018	\$ 22,049	\$ 22,475	\$ 9,041	\$ 11,502	\$ 5,118	\$ 20,264	\$ 32,454	\$ 122,903
2019	22,049	-	9,041	11,502	5,118	20,264	32,454	100,428
2020	22,049	-	9,041	11,502	5,118	20,264	32,454	100,428
2021	-	-	9,041	11,502	5,118	20,264	32,454	78,379
2022	-	-	-	11,502	5,118	20,264	32,454	69,338
TOTAL MINIMUM								
LEASE PAYMENTS	66,147	22,475	36,164	57,510	25,590	101,320	162,270	471,476
LESS AMOUNT								
REPRESENTING INTEREST	(4,669)	(812)	(3,516)	(7,510)	(3,340)	(13,230)	(21,185)	(54,262)
NET LEASE PAYABLE	\$ 61,478	\$ 21,663	\$ 32,648	\$ 50,000	\$ 22,250	\$ 88,090	\$ 141,085	\$ 417,214

Amount recorded in:

Water and Wastewater Fund	\$ 16,324
Electric Fund	16,324
TOTAL	\$ 32,648

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

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

A summary of the changes in Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2017, is as follows:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amount Due Within One Year
WATER AND WASTEWATER FUND					
2011 Revenue Bonds	\$ 3,757,000	\$ -	\$ 215,000	\$ 3,542,000	\$ 221,000
Certificates of Participation					
Series 2014	878,285	-	55,505	822,780	147,234
Series 2016	926,400	-	84,000	842,400	84,000
Series 2017A/B	-	1,750,450	-	1,750,450	80,790
Add:					
Premium on Series 2014 issuance	22,150	-	1,476	20,674	-
	<u>1,826,835</u>	<u>1,750,450</u>	<u>140,981</u>	<u>3,436,304</u>	<u>312,024</u>
MAMU Leases					
2005A MAMU Lease	670,670	-	64,320	606,350	72,360
2012 MAMU Lease	467,868	-	80,929	386,939	83,577
	<u>1,138,538</u>	<u>-</u>	<u>145,249</u>	<u>993,289</u>	<u>155,937</u>
2015 Sewer Cleaner	80,508	-	19,030	61,478	19,743
1995 Track Loader	20,000	-	3,676	16,324	3,676
2006 CAT Backhoe	-	50,000	-	50,000	9,077
2002 Peterbilt Dump Truck	-	22,250	-	22,250	4,039
Compensated Absences	29,415	-	14,165	15,250	-
	<u>6,852,296</u>	<u>1,822,700</u>	<u>538,101</u>	<u>8,136,895</u>	<u>725,496</u>
ELECTRIC FUND					
Certificates of Participation					
Series 2014	192,335	-	12,155	180,180	147,234
Series 2016	521,100	-	47,250	473,850	47,250
Series 2017A/B	-	585,000	-	585,000	27,000
Add:					
Premium on Series 2014 issuance	4,850	-	346	4,504	-
	<u>718,285</u>	<u>585,000</u>	<u>59,751</u>	<u>1,243,534</u>	<u>221,484</u>
2005A MAMU Lease	320,322	-	30,722	289,600	34,560
Bucket Truck	42,542	-	20,879	21,663	21,663
1995 Track Loader	20,000	-	3,676	16,324	3,677
2018 John Deere Backhoe	-	88,090	-	88,090	15,991
Wirepuller Truck	-	141,085	-	141,085	25,612
Compensated Absences	20,241	15,197	-	35,438	-
	<u>1,121,390</u>	<u>829,372</u>	<u>115,028</u>	<u>1,835,734</u>	<u>322,987</u>

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

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

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amount Due Within One Year
NATURAL GAS FUND					
Certificates of Participation					
Series 2014	325,000	-	160,000	165,000	29,526
Series 2016	193,000	-	17,500	175,500	17,500
Series 2017A/B	-	43,875	-	43,875	2,025
Add:					
Premium on Series 2014 issuance	21,702	-	1,447	20,255	-
	539,702	43,875	178,947	404,630	49,051
2005 MAMU Lease	10,010	-	960	9,050	1,080
Compensated Absences	7,631	-	2,396	5,235	-
	557,343	43,875	182,303	418,915	50,131
	<u>\$ 8,531,029</u>	<u>\$ 2,695,947</u>	<u>\$ 835,432</u>	<u>\$ 10,391,544</u>	<u>\$ 1,098,614</u>

NOTE G – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2017, consists of the 2011B, 2014, 2016, and 2017 A, B, and C Certificates of Participation (COP), nine lease purchase agreements for equipment, an MTFC direct loan and compensated absences payable.

Certificates of Participation

On April 1, 2016, the City issued Series 2016 Certificates of Participation (COP) for the purpose of refunding the Series 2007 COP, which refunded the Series 1999A and 1999B Tax Increment Revenue Bonds, 2000A, 2000B and 2004A Tax Increment Allocation Bonds and to pay the costs of public facilities projects. The lease Certificates of Participation were issued in the principal amount of \$2,015,000. The 2016 certificates bear interest at 2.00% to 3.00% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The payment schedule for this debt issuance has been presented as a component of Note F.

On October 31, 2011, the City issued Series 2011B Certificates of Participation (COP) for the purpose of refunding the two capital leases for land purchases in the amounts of \$715,729 and \$574,009. The lease COP were issued in the principal amount of \$1,270,000.

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

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

The 2011 certificates bear interest at 2.00% to 4.75% with principal payments due March 1 and interest payments due March 1 and September 1 of each year. The Series 2011B COP outstanding at December 31, 2017, are due as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 155,000	\$ 20,651	\$ 175,651
2019	165,000	14,202	179,202
2020	170,000	6,912	176,912
2021	65,000	1,544	66,544
	\$ 555,000	\$ 43,309	\$ 598,309

On April 21, 2014, the City issued 2014 Certificates of Participation (COP) for the purpose of refunding the Series 2003 Certificates of Participation and to pay the costs of public facilities projects. The lease certificates were issued in the principal amount of \$2,140,000. The responsibility for the certificates has been designated to the Water and Wastewater Fund, Electric Fund, Natural Gas Fund and General Fund in the amounts of \$986,030 (45.9%), \$215,930 (10.0%), \$640,000 (29.8%), and \$308,040 (14.3%), respectively. The certificates bear interest at a rate of 2.00% to 4.00% and require principal payments on April 1 and interest payments on April 1 and October 1. The certificates maturing on or after April 1, 2024, may be called for redemption on or after April 1, 2022, under provisions outlined in the certificate ordinance. The payment schedule for this issuance has been presented as a component of Note F.

On July 27, 2017, the City issued Series 2017A and B Certificates of Participation (COP) for the purpose of acquiring, constructing, installing, equipping, and furnishing certain capital improvements. The lease COP were issued in the principal amount of \$3,575,000. The 2017A and B certificates bear interest of 1.77% to 3.50% with principle payments due April 1 and interest payments due April 1 and October 1 of each year. The payment schedule for this issuance has been presented as a component of Note F.

On December 28, 2017, the City issued Series 2017 C Certificates of Participation (COP) for the purpose of refunding the Series 2011A COP. The lease Certificates of Participation were issued in the principal amount of \$9,455,000. The 2017C certificates bear interest a 2.00% to 3.5% with principal payments due April 15 and interest payments due April 15 and October 15 of each year. Ozarks Technical Community College will pay rental payments equivalent to principal and interest payments on the Series 2017C COP. The Series 2017C COP outstanding at December 31, 2017 are due as follows:

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

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

Year Ending December 31,	Principal	Interest	Total
2018	\$ 300,000	\$ 227,123	\$ 527,123
2019	250,000	280,156	530,156
2020	250,000	275,156	525,156
2021	370,000	267,106	637,106
2022	445,000	254,881	699,881
2023	460,000	241,306	701,306
2024	475,000	227,281	702,281
2025	490,000	212,806	702,806
2026	500,000	197,956	697,956
2027	515,000	183,375	698,375
2028	530,000	168,343	698,343
2029	550,000	152,143	702,143
2030	560,000	135,493	695,493
2031	575,000	117,750	692,750
2032	600,000	98,656	698,656
2033	615,000	78,528	693,528
2034	640,000	57,350	697,350
2035	655,000	35,088	690,088
2036	675,000	11,812	686,812
	<u>\$ 9,455,000</u>	<u>\$ 3,222,309</u>	<u>\$ 12,677,309</u>

Lease Purchase Agreements

On May 5, 2014, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a John Deere grader for \$61,010. The lease requires an annual payment of \$13,706, which includes interest at 4.00%.

On August 28, 2014, the City entered into a lease purchase agreement with John Deere Financial to finance the purchase of a backhoe for \$102,500. The lease requires an annual payment of \$22,610, which includes interest at 3.30%.

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

On June 3, 2015, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a Garsite refueler for \$110,155. The lease requires an annual payment of \$24,744, which includes interest at 4.00%.

On June 3, 2015, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a John Deere trencher and loader for \$65,150. The lease requires an annual payment of \$14,532, which includes interest at 3.75%.

On December 7, 2015, the City entered into a lease purchase agreement with TCF Equipment Finance to finance the purchase of a street sweeper for \$180,000. The lease requires an annual payment of \$29,026, which includes interest at 3.08%.

On March 31, 2017 the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2016 John Deere tractor and loader for \$63,900. The lease requires an annual payment of \$14,760, which includes interest at 5.00%.

On December 5, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a Western snow plow for \$42,800. The lease requires an annual payment of \$9,845, which includes interest at 4.85%.

On November 6, 2017 the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2002 Peterbilt dump truck for \$44,500 to be paid 50% from the Water and Wastewater Fund and 50% from the Street Fund. The lease requires annual payments of \$10,237, which includes interest at 4.85%.

On November 7, 2017, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of a 2018 Dodge Ram 5500 for \$55,563. The lease requires an annual payment of \$11,861, which includes interest at 4.85%.

Although the lease agreements provide for cancellation of the leases at the City's option at the renewal dates, the City does not foresee exercising its option to cancel. Therefore, the leases are accounted for as noncancellable leases in accordance with Governmental Accounting Standards Board (GASB) – Section L20 – *Leases*.

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

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

The total annual minimum lease payments required at December 31, 2017, are as follows:

Year Ending December 31,	2014 John Deere Grader Lease Purchase	2014 John Deere Backhoe Lease Purchase	2015 Garsite Refueler Lease Purchase	2015 John Deere Loader/ Trencher Lease Purchase	2015 Street Sweeper Lease Purchase	2016 John Deere Tractor/ Loader Lease Purchase	2017 Western Snow Plow Lease Purchase	2017 Peterbilt Dump Truck Lease Purchase	2017 Dodge Ram 5500 Lease Purchase	Total
2018	\$ 13,706	\$ 22,610	\$ 24,744	\$ 14,532	\$ 29,026	\$ 14,760	\$ 9,845	\$ 5,118	\$ 11,861	\$ 146,202
2019	13,706	-	24,744	14,532	29,026	14,760	9,845	5,118	11,861	123,592
2020	-	-	24,744	14,532	29,026	14,760	9,845	5,118	11,861	109,886
2021	-	-	-	-	29,026	14,760	9,845	5,118	11,861	70,610
2022	-	-	-	-	29,026	14,760	9,841	5,116	11,861	70,604
TOTAL MINIMUM LEASE PAYMENTS	27,412	22,610	74,232	43,596	145,130	73,800	49,221	25,588	59,305	520,894
LESS AMOUNT REPRESENTING INTEREST	(1,567)	(823)	(5,566)	(3,077)	(12,667)	(9,900)	(6,421)	(3,338)	(7,742)	(51,101)
NET LEASE PAYABLE	\$ 25,845	\$ 21,787	\$ 68,666	\$ 40,519	\$ 132,463	\$ 63,900	\$ 42,800	\$ 22,250	\$ 51,563	\$ 469,793

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

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

Missouri Transportation Finance Corporation Direct Loan

On October 17, 2013, the City entered into a direct loan agreement with the Missouri Transportation Finance Corporation (MTFC) in the total amount of \$1,020,420 at an interest rate of 2.28% to provide funding for the City’s share of a cost share agreement with Missouri Highways and Transportation Commission to widen Historic Route 66. The MTFC loan outstanding at December 31, 2017, is due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 75,564	\$ 12,916	\$ 88,480
2019	77,287	11,193	88,480
2020	79,023	9,457	88,480
2021	80,851	7,629	88,480
2022	82,694	5,786	88,480
2023	84,579	3,901	88,480
2024	86,844	1,637	88,481
	<u>\$ 566,842</u>	<u>\$ 52,519</u>	<u>\$ 619,361</u>

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

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

A summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2017, is as follows:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amounts Due Within One Year
Certificates of Participation					
Series 2011A	\$ 9,510,000	\$ -	\$ 9,510,000	\$ -	\$ -
Series 2011B	705,000	-	150,000	555,000	155,000
Series 2016	374,500	-	111,250	263,250	111,250
Series 2017A/B	-	1,195,675	-	1,195,675	55,185
Series 2017C	-	9,455,000	-	9,455,000	300,000
Series 2014	274,380	-	17,340	257,040	45,997
Add:					
Premium on Series 2014 issuance	6,920	-	461	6,459	-
	<u>10,870,800</u>	<u>10,650,675</u>	<u>9,789,051</u>	<u>11,732,424</u>	<u>667,432</u>
Capital Lease Obligations					
John Deere Grader	38,029	-	12,184	25,845	12,672
John Deere Backhoe	42,981	-	21,194	21,787	21,787
Ford F-450 Refueler	89,817	-	21,151	68,666	21,997
John Deere Loader and Trencher	53,061	-	12,542	40,519	13,013
Street Sweeper	156,597	-	24,134	132,463	24,134
John Deere Tractor and Loader	-	63,900	-	63,900	11,565
Western Snow Plow	-	42,800	-	42,800	7,770
Peterbilt Dump Truck	-	22,250	-	22,250	4,039
Dodge Ram 5500	-	51,563	-	51,563	9,360
MTFC Direct Loan	640,376	-	73,534	566,842	75,564
Compensated Absences	132,026	36,145	-	168,171	-
	<u>\$ 12,023,687</u>	<u>\$ 10,867,333</u>	<u>\$ 9,953,790</u>	<u>\$ 12,937,230</u>	<u>\$ 869,333</u>

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

NOTE H – CAPITAL ASSETS

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

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 3,248,379	\$ -	\$ -	\$ 3,248,379
Construction in progress	332,259	97,269	332,259	97,269
	<u>3,580,638</u>	<u>\$ 97,269</u>	<u>\$ 332,259</u>	3,345,648
Depreciable capital assets:				
Building and improvements	10,794,529	\$ 37,065	\$ -	10,831,594
Machinery and equipment	1,142,373	687,962	-	1,830,335
Land improvements	2,565,261	429,822	-	2,995,083
Vehicles	636,918	100,294	-	737,212
Infrastructure	3,944,022	404,452	-	4,348,474
Total depreciable capital assets	19,083,103	<u>\$ 1,659,595</u>	<u>\$ -</u>	20,742,698
Less accumulated depreciation	4,125,690	<u>\$ 754,758</u>	<u>\$ -</u>	4,880,448
Total depreciable capital assets, net	<u>14,957,413</u>			<u>15,862,250</u>
Total Governmental Activities Capital Assets, net	<u>\$ 18,538,051</u>			<u>\$ 19,207,898</u>

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

Administrative	\$ 236,206
Public safety	46,688
Park and pool	78,516
Street	220,573
Airport	169,045
Animal Shelter	2,762
Cemetery	968
	<u>\$ 754,758</u>

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

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Business-Type Activities				
Electric Fund				
Depreciable capital assets:				
Electric distribution system	\$ 2,512,282	\$ -	\$ -	\$ 2,512,282
Vehicles	509,315	7,540	-	516,855
Equipment	771,391	249,045	-	1,020,436
Buildings and improvements	43,899	-	-	43,899
	<u>3,836,887</u>	<u>\$ 256,585</u>	<u>\$ -</u>	<u>4,093,472</u>
Less accumulated depreciation	<u>2,328,658</u>	<u>\$ 116,304</u>	<u>\$ -</u>	<u>2,444,962</u>
Depreciable Capital Assets, net	1,508,229			1,648,510
Water and Wastewater Fund				
Depreciable capital assets:				
Buildings and improvements	14,466	\$ -	\$ -	14,466
Distribution system	16,655,800	28,739	-	16,684,539
Equipment	806,511	72,250	-	878,761
Vehicles	196,983	40,998	-	237,981
	<u>17,673,760</u>	<u>\$ 141,987</u>	<u>\$ -</u>	<u>17,815,747</u>
Less accumulated depreciation	<u>7,181,112</u>	<u>\$ 538,176</u>	<u>\$ -</u>	<u>7,719,288</u>
Depreciable Capital Assets, net	10,492,648			10,096,459
Natural Gas Fund				
Depreciable capital assets:				
Buildings and improvements	73,072	\$ -	\$ -	73,072
Distribution system	2,624,613	-	-	2,624,613
Equipment	280,070	-	-	280,070
Vehicles	7,129	7,539	-	14,668
	<u>2,984,884</u>	<u>\$ 7,539</u>	<u>\$ -</u>	<u>2,992,423</u>
Less accumulated depreciation	<u>1,763,694</u>	<u>\$ 79,070</u>	<u>\$ -</u>	<u>1,842,764</u>
Depreciable Capital Assets, net	<u>1,221,190</u>			<u>1,149,659</u>
Total Depreciable Capital Assets, net	<u>13,222,067</u>			<u>12,894,628</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 13,222,067</u>			<u>\$ 12,894,628</u>

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

NOTE H – CAPITAL ASSETS (continued)

Component Unit	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Westgate Community Improvement District				
Depreciable capital assets:				
Infrastructure	\$ 379,441	\$ 47,017	\$ -	\$ 426,458
Less accumulated depreciation	37,944	\$ 13,431	\$ -	51,375
Depreciable Capital Assets, net	<u>\$ 341,497</u>			<u>\$ 375,083</u>

NOTE I – AGREEMENT WITH COMPONENT UNIT

In 2013, the Westgate Community Improvement District issued the Sales Tax Revenue Note, Series 2013 to reimburse the City for project costs in the amount of \$379,441. In 2017, the Westgate Community Improvement District added \$47,017 to this note. The note bears interest of 5.00%. The District will reimburse the City upon receipt of excess sales tax revenue. At December 31, 2017, the outstanding balance on the note is due as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 18,883	\$ 21,117	\$ 40,000
2019	19,827	20,173	40,000
2020	20,818	19,182	40,000
2021	21,859	18,141	40,000
2022	22,952	17,048	40,000
2023	24,100	15,900	40,000
2024	25,305	14,695	40,000
2025	26,570	13,430	40,000
2026	27,898	12,102	40,000
2027	29,293	10,707	40,000
2028	30,758	9,242	40,000
2029	32,296	7,704	40,000
2030	33,911	6,089	40,000
2031	35,606	4,394	40,000
2032	37,386	2,614	40,000
2033	14,885	745	15,630
	<u>\$ 422,347</u>	<u>\$ 193,283</u>	<u>\$ 615,630</u>

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

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>2017</u>
Assessed Valuation	
Real estate	\$ 56,091,932
Personal property	<u>9,871,648</u>
TOTAL	<u>\$ 65,963,580</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.5858</u>

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

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 6,596,358	\$ 6,596,358	\$ 13,192,716
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 6,596,358</u>	<u>\$ 6,596,358</u>	<u>\$ 13,192,716</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) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2017 Valuation</u>
Benefit Multiplier	2.00% for life
Final Average Salary	3 Years
Member Contributions	0%

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.

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

NOTE K – EMPLOYEE PENSION PLAN (continued)

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	30	6	36
Inactive employees entitled to but not yet receiving benefits	17	8	25
Active employees	<u>41</u>	<u>11</u>	<u>52</u>
	<u>88</u>	<u>25</u>	<u>113</u>

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 do not contribute to the pension plan. The City’s contribution rates are 20.2% (General) and 18% (Police) of annual covered payroll.

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

Actuarial Assumptions. The total pension liability in the February 28, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

NOTE K – EMPLOYEE PENSION PLAN (continued)

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

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

The actuarial assumptions used in the February 28, 2017, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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

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

NOTE K – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 4,892,345	\$ 3,799,787	\$ 1,092,558
Changes for the year:			
Service cost	199,137	-	199,137
Interest	352,949	-	352,949
Difference between expected and actual experiences	(171,974)	-	(171,974)
Contributions - employer	-	291,528	(291,528)
Net investment income	-	469,209	(469,209)
Benefits paid, including refunds	(248,163)	(248,163)	-
Administrative expenses	-	(7,080)	7,080
Other changes	-	14,837	(14,837)
Net Changes	131,949	520,331	(388,382)
Balances at end of year	5,024,294	4,320,118	704,176
<i>Police Division</i>			
Balances at beginning of year	1,240,610	1,105,448	135,162
Changes for the year:			
Service cost	53,750	-	53,750
Interest	88,499	-	88,499
Difference between expected and actual experiences	25,102	-	25,102
Contributions - employer	-	65,792	(65,792)
Net investment income	-	141,471	(141,471)
Benefits paid, including refunds	(94,335)	(94,335)	-
Administrative expenses	-	(1,517)	1,517
Other changes	-	12,576	(12,576)
Net Changes	73,016	123,987	(50,971)
Balances at end of year	1,313,626	1,229,435	84,191
Total Plan Balances at End of Year	\$ 6,337,920	\$ 5,549,553	\$ 788,367

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

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	\$ 5,702,543	\$ 5,024,294	\$ 4,465,554
Fiduciary Net Position	4,320,118	4,320,118	4,320,118
Net Pension Liability	1,382,425	704,176	145,436
<i>Police Division</i>			
Total Pension Liability	1,514,624	1,313,626	1,151,659
Fiduciary Net Position	1,229,435	1,229,435	1,229,435
Net Pension Liability (Asset)	285,189	84,191	(77,776)
Total Net Pension Liability	\$ 1,667,614	\$ 788,367	\$ 67,660

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

For the year ended December 31, 2017, the City recognized a pension expense of \$441,857. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

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

NOTE K – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ 47,683	\$ (141,328)	\$ (93,645)
Differences in assumptions	134,140	-	134,140
Excess (deficit) investment returns	86,848	-	86,848
Contributions subsequent to the measurement date*	143,930	-	143,930
	<u>412,601</u>	<u>(141,328)</u>	<u>271,273</u>
<i>Police Division</i>			
Differences in experiences	34,089	-	34,089
Differences in assumptions	27,954	-	27,954
Excess (deficit) investment returns	19,697	-	19,697
Contributions subsequent to the measurement date*	31,594	-	31,594
	<u>113,334</u>	<u>-</u>	<u>113,334</u>
Total	<u>\$ 525,935</u>	<u>\$ (141,328)</u>	<u>\$ 384,607</u>
Governmental Activities	\$ 327,969	\$ (73,519)	\$ 254,450
Business-Type Activities			
Electric Fund	89,863	(28,283)	61,580
Water and Wastewater Fund	84,571	(30,609)	53,962
Natural Gas Fund	23,532	(8,917)	14,615
	<u>197,966</u>	<u>(141,328)</u>	<u>384,607</u>
Total	<u>\$ 525,935</u>	<u>\$ (141,328)</u>	<u>\$ 384,607</u>

*The amounts reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2018.

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

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 December 31,	<u>General</u> Net Deferred Outflow of Resources	<u>Police</u> Net Deferred Outflow of Resources	<u>Total</u> Net Deferred Outflow of Resources
2018	\$ 87,329	\$ 32,205	\$ 119,534
2019	85,860	32,152	118,012
2020	35,634	20,971	56,605
2021	(62,736)	(5,785)	(68,521)
2022	(18,744)	2,197	(16,547)
Total	<u>\$ 127,343</u>	<u>\$ 81,740</u>	<u>\$ 209,083</u>

Payable to the Pension Plan

At December 31, 2017, the City had no outstanding amounts of contributions reported as payable to the pension plan.

NOTE L – ECONOMIC DEPENDENCY

The City of Waynesville, Missouri's economy is largely dependent on the revenues derived from military personnel stationed at Fort Leonard Wood, Missouri, which adjoins the City limits. Fort Leonard Wood's population changes have a substantial influence on the local economy. The closing of the military base would have a significant impact on the operations of the City.

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

NOTE M – RISK MANAGEMENT

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

NOTE N – CLAIMS AND ADJUSTMENTS

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

NOTE O – INTERFUND TRANSFERS

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

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,469,484	\$ -
Park and Pool Fund	-	68,253
Transportation Fund	8,803	-
Special Allocation Fund	-	128,269
Debt Service Fund	727,487	-
Electric Fund	-	1,696,252
Water and Wastewater Fund	-	478,366
Natural Gas Fund	165,366	-
	<u>\$ 2,371,140</u>	<u>\$ 2,371,140</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 Governmental Funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE P – COMMITMENTS

As of December 31, 2017, the City had the following commitments:

- CMT for engineering services related to the airport taxiway in the amount of \$456,717.

NOTE Q – PLEDGED REVENUES

Water and Wastewater Fund

The City has pledged future water and wastewater customer revenues to repay the 2011 Combined Waterworks and Sewerage Revenue Bonds issued to improve and expand the combined system. The bonds are payable solely from customer net revenues and are payable through 2031. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$3,973,967. Principal and interest paid for the current year and total customer net revenues were \$276,108 and \$1,037,619, respectively.

NOTE R – CONDUIT DEBT

On December 21, 2012, the City authorized the issuance of \$10,000,000 aggregate maximum principal amount of Industrial Development Revenue Bonds, Series 2013. The issuance is authorized in accordance with Chapter 100 RSMo in order to provide economic financial assistance to a third-party private entity and the City has no obligation beyond the rents, revenues and receipts derived by the City from the Project; therefore, the issue does not constitute a debt of the City and, accordingly, is not included in the City's statement of net position.

NOTE S – DEBT REFUNDING LOSS

On April 1, 2016, the City issued \$2,015,000 in Series 2016 Certificates of Participation with interest rates ranging from 2.00% to 3.00%. The City issued the certificates to refund \$2,395,000 of the outstanding 2007 Certificates of Participation with interest rates ranging from 4.00% to 4.45%. The advance refunding resulted in the recognition of a deferred loss of \$90,804.

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

NOTE S – DEBT REFUNDING LOSS (continued)

The deferred loss is amortized as an adjustment to interest expense through 2026. A summary of the deferred loss on debt refunding is listed below:

	Balance December 31, 2016	Additions	Current Amortization	Balance December 31, 2017
Governmental Activities	\$ 12,599	\$ -	\$ (1,362)	\$ 11,237
Business-Type Activities				
Electric Fund	22,679	-	(2,452)	20,227
Water and Wastewater Fund	40,317	-	(4,358)	35,959
Natural Gas Fund	8,399	-	(908)	7,491
	<u>\$ 83,994</u>	<u>\$ -</u>	<u>\$ (9,080)</u>	<u>\$ 74,914</u>

NOTE T – CURRENT YEAR DEBT REFUNDING

On December 28, 2017, the City issued \$9,455,000 in Series 2017C Certificates of Participation with interest ranging from 2.00% to 3.50%. The City used the proceeds along with reserve funds to advance refund the Series 2011A Certificates of Participation.

As a result of the refunding, the City reduced its debt service requirements by \$1,707,174, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$494,494.

NOTE U – RELATED PARTY TRANSACTION

The City used Hicks Construction Company for Patriot Landing upgrades, which is owned by a member of the Westgate Community Improvement District Board. The City paid \$297,500 directly to Hicks Construction Company during the year ended December 31, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

Missouri Local Government Employees Retirement System (LAGERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY			
Service Cost	\$ 252,887	\$ 229,483	\$ 203,718
Interest on the Total Pension Liability	441,448	393,077	364,481
Difference between expected and actual experience	(146,872)	58,079	66,751
Changes of Assumptions	-	265,644	-
Benefit payments including refunds	<u>(342,498)</u>	<u>(240,489)</u>	<u>(265,438)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	204,965	705,794	369,512
TOTAL PENSION LIABILITY, BEGINNING	<u>6,132,955</u>	<u>5,427,161</u>	<u>5,057,649</u>
TOTAL PENSION LIABILITY, ENDING	6,337,920	6,132,955	5,427,161
PLAN FIDUCIARY NET POSITION			
Contributions - employer	357,320	363,432	346,321
Pension Plan Net Investment Income (Loss)	610,680	(2,555)	88,052
Benefit payments, including refunds	(342,498)	(240,489)	(265,438)
Pension Plan Administrative Expense	(8,597)	(8,244)	(8,762)
Other	<u>27,413</u>	<u>63,667</u>	<u>(15,982)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	644,318	175,811	144,191
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>4,905,235</u>	<u>4,729,424</u>	<u>4,585,233</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>5,549,553</u>	<u>4,905,235</u>	<u>4,729,424</u>
EMPLOYER NET PENSION LIABILITY	<u>\$ 788,367</u>	<u>\$ 1,227,720</u>	<u>\$ 697,737</u>
Plan fiduciary net position as a percentage of the total pension liability	87.56%	79.98%	87.14%
Covered employee payroll	\$ 1,770,160	\$ 1,970,387	\$ 1,642,569
Employer's net pension liability as a percentage of covered employee payroll	44.54%	62.31%	42.48%

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

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 353,689	\$ 359,297	\$ 358,187	\$ 341,204	\$ 302,278	\$ 262,637	\$ 280,200	\$ 275,544	\$ 218,230	\$ 216,775
Contributions in relation to the actuarially determined contribution	353,689	359,297	354,061	341,204	300,346	260,021	276,926	275,544	218,229	216,775
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,126</u>	<u>\$ -</u>	<u>\$ 1,932</u>	<u>\$ 2,616</u>	<u>\$ 3,274</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,817,105	\$ 1,924,495	\$ 1,790,341	\$ 1,690,534	\$ 1,594,041	\$ 1,362,921	\$ 1,341,864	\$ 1,386,927	\$ 1,256,599	\$ 1,180,028
Contributions as a percentage of covered-employee payroll	19.46%	18.67%	19.78%	20.18%	18.84%	19.08%	20.64%	19.87%	17.37%	18.37%

See accompanying notes to the required schedules.

CITY OF WAYNESVILLE, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2017

Valuation Date: February 28, 2017

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

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 15 to 20 years for General and Police divisions.

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

Inflation – 3.25% wage inflation; 2.50% price inflation.

Salary Increases – 3.25% to 6.55% including wage inflation.

Investment Rate of Return – 7.25%, net of investment expenses.

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

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

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

Other Information – None.

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 312,000	\$ 386,415	\$ 386,415	\$ -
City sales tax	544,999	514,649	514,649	-
Motor vehicle taxes	185,000	180,682	180,682	-
Utility franchise tax	90,000	84,292	84,292	-
Financial institution taxes	100	1,992	1,992	-
Railroad and utility tax	2,000	948	948	-
	<u>1,134,099</u>	<u>1,168,978</u>	<u>1,168,978</u>	<u>-</u>
Licenses and Permits				
Building permits	7,000	32,045	32,045	-
Other licenses and permits	11,000	12,883	12,883	-
	<u>18,000</u>	<u>44,928</u>	<u>44,928</u>	<u>-</u>
Intergovernmental Revenues				
Federal and state grants	488,000	337,448	337,448	-
Charges for Services				
Fuel sales	400,000	527,048	527,048	-
Rental income	460,000	455,306	455,306	-
Animal control	36,000	43,966	43,966	-
Other	81,200	70,180	70,180	-
	<u>977,200</u>	<u>1,096,500</u>	<u>1,096,500</u>	<u>-</u>
Fines and Forfeitures				
City court fines	181,000	153,862	153,862	-
Miscellaneous				
Interest	8,000	17,965	17,965	-
Other	175,325	105,513	105,513	-
	<u>183,325</u>	<u>123,478</u>	<u>123,478</u>	<u>-</u>
TOTAL REVENUES	<u>2,981,624</u>	<u>2,925,194</u>	<u>2,925,194</u>	<u>-</u>

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
City hall	1,183,381	1,164,318	1,164,318	-
Fire	-	280,932	280,932	-
Public safety	882,848	815,534	815,534	-
Municipal court	167,539	140,512	140,512	-
Street	403,380	318,758	318,758	-
Cemetery	5,000	-	-	-
Airport	956,199	919,031	919,031	-
Animal shelter	228,554	240,838	240,838	-
Building department	96,200	151,774	151,774	-
TOTAL EXPENDITURES	<u>3,923,101</u>	<u>4,031,697</u>	<u>4,031,697</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(941,477)	(1,106,503)	(1,106,503)	-
OTHER FINANCING SOURCES				
Sale of property	250	-	-	-
Lease purchase proceeds	-	804,700	804,700	-
Operating transfers in	950,000	1,469,484	1,469,484	-
TOTAL OTHER FINANCING SOURCES	<u>950,250</u>	<u>2,274,184</u>	<u>2,274,184</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	8,773	1,167,681	1,167,681	-
FUND BALANCE, January 1	<u>771,428</u>	<u>771,428</u>	<u>771,428</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 780,201</u>	<u>\$ 1,939,109</u>	<u>\$ 1,939,109</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Transportation sales tax	\$ 245,000	\$ 231,757	\$ 231,757	\$ -
Intergovernmental Revenue	-	36,829	36,829	-
Miscellaneous				
Interest	-	1,499	1,499	-
TOTAL REVENUES	245,000	270,085	270,085	-
EXPENDITURES				
Current				
Street	172,000	772,061	772,061	-
Debt Service				
Principal and interest	89,000	102,489	102,489	-
TOTAL EXPENDITURES	261,000	874,550	874,550	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	(16,000)	(604,465)	(604,465)	-
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	571,488	571,488	-
Operating transfer in	-	8,803	8,803	-
TOTAL OTHER FINANCING SOURCES (USES)	-	580,291	580,291	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(16,000)	(24,174)	(24,174)	-
FUND BALANCE, January 1	557,926	557,926	557,926	-
FUND BALANCE, December 31	\$ 541,926	\$ 533,752	\$ 533,752	\$ -

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK AND POOL FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 370,000	\$ 363,076	\$ 363,076	\$ -
Intergovernmental Revenues				
Federal and state grants	-	233,000	233,000	-
Charges for Services				
Rental and membership	36,000	76,859	76,859	-
Miscellaneous				
Fees	2,000	2,600	2,600	-
Donations	-	17,170	17,170	-
Interest income	300	428	428	-
Miscellaneous	5,000	6,985	6,985	-
	<u>7,300</u>	<u>27,183</u>	<u>27,183</u>	<u>-</u>
TOTAL REVENUES	413,300	700,118	700,118	-
EXPENDITURES				
Current				
Parks and pool	<u>360,440</u>	<u>901,101</u>	<u>901,101</u>	<u>-</u>
TOTAL EXPENDITURES	<u>360,440</u>	<u>901,101</u>	<u>901,101</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	52,860	(200,983)	(200,983)	-
OTHER FINANCING (USES)				
Operating transfer (out)	<u>-</u>	<u>(68,253)</u>	<u>(68,253)</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	52,860	(269,236)	(269,236)	-
FUND BALANCE, January 1	<u>640,954</u>	<u>640,954</u>	<u>640,954</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 693,814</u>	<u>\$ 371,718</u>	<u>\$ 371,718</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL ALLOCATION FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Special allocations	\$ 400,600	\$ 42,121	\$ 42,121	\$ -
Intergovernmental revenues	-	13,432	13,432	-
Miscellaneous				
Interest	-	1,052	1,052	-
TOTAL REVENUES	400,600	56,605	56,605	-
EXPENDITURES				
Debt Service				
COP principal	390,000	85,000	85,000	-
COP Interest	10,600	7,318	7,318	-
Miscellaneous expense	-	40	40	-
TOTAL EXPENDITURES	400,600	92,358	92,358	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	-	(35,753)	(35,753)	-
OTHER FINANCING (USES)				
Operating transfers (out)	-	(128,269)	(128,269)	-
TOTAL OTHER FINANCING (USES)	-	(128,269)	(128,269)	-
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	(164,022)	(164,022)	-
FUND BALANCE, January 1	164,022	164,022	164,022	-
FUND BALANCE, December 31	\$ 164,022	\$ -	\$ -	\$ -

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – COMMUNITY IMPROVEMENT DISTRICT FUND
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Other	\$ 20,000	\$ 40,000	\$ 40,000	\$ -
TOTAL REVENUES	20,000	40,000	40,000	-
EXPENDITURES				
Community improvements	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	20,000	40,000	40,000	-
FUND BALANCE (DEFICIT), January 1	(7,434)	(7,434)	(7,434)	-
FUND BALANCE, December 31	<u>\$ 12,566</u>	<u>\$ 32,566</u>	<u>\$ 32,566</u>	<u>\$ -</u>

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

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Council, which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. 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 Waynesville
Waynesville, 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 Waynesville, Missouri, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Waynesville, Missouri's basic financial statements, and have issued our report thereon, dated April 17, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Waynesville, 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 Waynesville, 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

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

Compliance and Other Matters

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

City of Waynesville, Missouri's Response to Findings

The City's response to the findings 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 Waynesville, 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 Waynesville, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 17, 2018

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

2017-001 Segregation of duties

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

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

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

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

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



Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

In planning and performing our audit of the basic financial statements of the City of Waynesville, Missouri, for the year ended December 31, 2017, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of an additional matter to bring to your attention. The following paragraphs summarize our comments and recommendations regarding this matter.

New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following pronouncements that may affect the City in future years:

GASB Statement No. 83 – Certain Asset Retirement Obligations – This Statement establishes criteria for the accounting and financial reporting of certain asset retirement obligations (AROs). An ARO is a legal obligation associated with the retirement of a tangible fixed asset. Examples include the disposal, sale, or decommissioning of electric poles, sewage treatment plants, x-ray machines, and fuel storage tanks. This Statement is effective for the City's year ending December 31, 2019, with earlier application encouraged.

GASB Statement No. 87 – Leases – This Statement establishes a single model for lease accounting. It changes the definition of a lease and requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The effective date is for the City's year ending December 31, 2020, with earlier application encouraged.

Honorable Mayor and City Council
City of Waynesville, Missouri
Waynesville, Missouri
Page Two

We Recommend:

Management examine the new pronouncements to determine the effect these will have on future financial reporting and to ensure successful implementation on the effective dates.

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

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

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 17, 2018



Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Waynesville, Missouri, for the year ended December 31, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 18, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Waynesville, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- Debt Activity
- Accounts Receivable
- Accounts Payable
- Capital Assets
- Trust Statement Activity
- Accrued Expenses

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2018.

Management Consultations with Other Independent Accountants

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

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri
Page Three

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, pension information and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Very truly yours,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 17, 2018