

CITY OF WAYNESVILLE, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2016

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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, and each major fund, of the City of Waynesville, Missouri, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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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, and each major fund of the City of Waynesville, Missouri, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Waynesville, Missouri's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2017, 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 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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, 2016. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The net position of the City's governmental activities increased by \$1,128,742 for the year ended December 31, 2016, as a result of current year activities. The net position of the City's business-type activities decreased by \$442,903 for the year.
- The assets and deferred outflows of the City exceeded its liabilities as of December 31, 2016, by \$16.9 million (net position), an increase of \$705,839 over the previous year.
- Total liabilities of the City decreased by \$1,248,409 during the year ended December 31, 2016.

Using This Annual Report

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

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, 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.

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

Government-Wide Financial Statements (continued)

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, 2016**

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, 2016 and December 31, 2015:

	Governmental Activities	Business-Type Activities	Total December 31, 2016	Total December 31, 2015
Current and other assets	\$ 3,978,315	\$ 3,779,646	\$ 7,757,961	\$ 8,267,716
Capital assets	18,538,051	13,222,067	31,760,118	32,351,938
TOTAL ASSETS	22,516,366	17,001,713	39,518,079	40,619,654
Deferred refunding charges	12,599	71,395	83,994	-
Deferred pension outflows	604,376	304,121	908,497	433,486
TOTAL DEFERRED OUTFLOWS OF RESOURCES	616,975	375,516	992,491	433,486
Other liabilities	1,003,900	2,117,556	3,121,456	3,236,260
Long-term liabilities	12,360,217	8,097,847	20,458,064	21,591,669
TOTAL LIABILITIES	13,364,117	10,215,403	23,579,520	24,827,929
Net position:				
Net investment in capital assets	7,250,192	4,932,262	12,182,454	11,035,019
Restricted	1,531,658	137,998	1,669,656	1,984,682
Unrestricted	987,374	2,091,566	3,078,940	3,205,510
TOTAL NET POSITION	<u>\$ 9,769,224</u>	<u>\$ 7,161,826</u>	<u>\$ 16,931,050</u>	<u>\$ 16,225,211</u>

Total net position of the City increased by \$705,839 for the year ended December 31, 2016, due to current activity. Total liabilities for the City have decreased by \$1,248,409. Restricted net position of the City totaled \$1,669,656 as of December 31, 2016. This amount represents monies that are restricted for debt service, donations, and building projects.

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

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2016	Total Year Ended December 31, 2015
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,256,129	\$ 9,438,865	\$ 10,694,994	\$ 11,181,057
Operating grants and contributions	191,913	26,244	218,157	4,859
Capital grants and contributions	1,573,451	-	1,573,451	221,050
General Revenues				
Sales taxes	1,228,745	-	1,228,745	1,234,257
Ad valorem taxes	358,815	-	358,815	334,151
Motor vehicle and gas taxes	191,043	-	191,043	189,464
Other taxes	241,006	-	241,006	275,388
Franchise fees	82,503	-	82,503	87,078
Interest	15,582	33,854	49,436	26,152
Other revenue	117,766	-	117,766	176,326
Transfers	1,218,791	(1,218,791)	-	-
TOTAL REVENUES AND TRANSFERS	6,475,744	8,280,172	14,755,916	13,729,782
EXPENSES				
City hall	1,262,822	-	1,262,822	754,497
Fire	273,962	-	273,962	261,176
Public safety	842,006	-	842,006	798,381
Municipal court	163,022	-	163,022	150,959
Street	545,302	-	545,302	832,874
Park	322,522	-	322,522	270,022
Cemetery	968	-	968	968
Airport	1,074,073	-	1,074,073	727,469
Animal shelter	189,886	-	189,886	143,922
Building department	151,008	-	151,008	247,155
Debt service	502,981	-	502,981	569,057
Electric	-	5,680,280	5,680,280	5,653,021
Water and sewer	-	1,894,757	1,894,757	1,806,379
Trash	-	250,874	250,874	250,906
Natural gas	-	877,164	877,164	948,142
TOTAL EXPENSES	5,328,552	8,703,075	14,031,627	13,414,928
SPECIAL ITEM				
Loss on investments	(18,450)	-	(18,450)	-
INCREASE (DECREASE) IN NET POSITION	\$ 1,128,742	\$ (422,903)	\$ 705,839	\$ 314,854

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

Governmental Activities

Governmental activities increased the net position of the City by \$1,128,742. Tax revenues for the City were \$2,102,112 which represents 32% of the funding of these activities. Program revenues for the functions totaled \$3,021,493 or 47% 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	\$ 1,262,822	\$ 816,139
Fire	273,962	273,962
Public safety	842,006	514,984
Municipal court	163,022	163,022
Street	545,302	(485,790)
Park	322,522	225,318
Cemetery	968	68
Airport	1,074,073	91,271
Animal shelter	189,886	64,446
Building department	151,008	140,658
Debt service	502,981	502,981
	\$ 5,328,552	\$ 2,307,059

Business-Type Activities

Business-type activities decreased the City's net position by \$422,903. In the current year, the business-type activities transferred \$1,218,791 to the governmental funds.

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

Financial Analysis of the City's Funds

The combined fund balance of the City's governmental funds as of December 31, 2016, was \$3,452,631. The General Fund decreased by \$187,060, the Transportation Fund decreased by \$113,709, the Park and Pool Fund increased by \$187,218, the Special Allocation Fund decreased by \$279,464, the Community Improvement District (CID) Fund increased by \$40,000, and the Debt Service Fund decreased by \$23,392.

General Fund Budgetary Highlights

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

- The original revenue budget of \$2,923,249 increased to \$4,145,558 due to an increase in actual revenues.
- The original expenditures budget of \$4,508,348 was increased to \$5,193,436.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$18,538,051 (net of accumulated depreciation) as of December 31, 2016. This represents a \$84,993 increase from the prior year. Capital assets for business-type activities were \$13,222,067 as of December 31, 2016. This represents a decrease of \$676,808 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2016, was \$11,891,661, which is down from \$13,264,327 in the prior year.

Total debt of the business-type activities as of December 31, 2016, was \$8,473,742, which is down from \$9,346,616 in the prior year.

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

Economic Factors and Next Year's Budget

Some of our 2016 Key projects are identified below:

- New Municipal Center. The Waynesville City-Hall was relocated to 100 Tremont Center, the site of the former B&B Theatre. The new location enhanced City operations by consolidating several City departments and facilities into one location and provides the opportunity for continued growth. The Public Works Construction Department with the support of several other departments has done a very good job on the remodeling of the New Municipal Center. Conducting the remodeling “in-house” has saved the City hundreds of thousands of dollars.
- Dyer Street Bridge. Another major successful project for the City was the completion of the Dyer Street Bridge. The City received a grant from FEMA to replace the low water crossing at Dyer Street. This bridge was completed as an “in-house” project which saved the City thousands of dollars as compared to bidding the project out. This project enhances public safety by eliminating a dangerous low water crossing.
- Speculative Building. The 20,000 square foot Speculative Building was completed in the Waynesville Industrial Park. This project is designed to promote economic development and job growth in our community. Our partner in this project is the Pulaski County Growth Alliance.
- Historic Route 66 Widening and Traffic Circle. The City partnered on a \$2 million dollar cost share agreement with the Missouri Department of Transportation on a major road project to widen and install a traffic circle on Historic Route 66. The City also had the major responsibility of relocating our utility infrastructure out of the new road right of way. That project was very time consuming as much of the work was completed in-house.
- Solar Farm. With our partners, the Missouri Public Utility Alliance and MCPower Company, we now have an operational 3.2 megawatt solar farm which provides green solar energy directly into the electric grid of the City of Waynesville. The Solar Farm is on an approximately 20 acre site owned by the City in the west Waynesville area. The new Solar Farm produces energy to power approximately 300 homes.
- Little Heroes Playground. The City completed the demolition of the old playground as the first phase of the construction activities for the new playground. We donated the old playground equipment to the Richland School District. We are continuing to receive support from the community for the Little Heroes Playground. The City sponsored the Kelley-Miller Circus which was a successful fund-raiser for our playground.
- Farmer's Market. The former street department building was remodeled for a new home for the Farmer's Market.

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

Economic Factors and Next Year's Budget (continued)

- Electric Department. The Electric Department has made progress on improving our main electric feeders, with work in progress on an extension of the 4th Feeder Line and on an extension on the 5th Feeder Line to connect to the 4th Feeder Line. The Electric Department has worked extensively on clearing the electric right of way in many sections of the City. This work has helped the City to reduce our number of electric outages. The Electric Department replaced several old poles in the City and worked to upgrade several services in the City.
- Water and Waste Water Department. The Water and Waste Water Department has made many improvements to our well houses and water storage tanks. The Department responded promptly to a major water leak in vicinity of the new roundabout in the mid-November timeframe. The City crews worked extremely hard to resolve the problem as quickly as possible. The Department completed a sewer line crossing on Mitchell creek and helped to install a gravel trap in the same area. We also completed the relocation of the Roubidoux Lift Station to the North Street Lift station which was one of our FEMA mitigation grants.
- Airport. The airport continued to move forward with the development of the Master Plan and the ground work for a Military Airport Program grant. We worked with the Sustainable Ozarks Partnership on a marketing grant for the airport to promote commercial usage of the airport.
- Demolition of Buy-out Building. City crews completed the demolition of some old buildings near our park that the City had purchased at a tax sale. This project helps to clean up and improve our Park area.
- Street Department. The Street Department has done extensive work to clear excess gravel and stabilize several sections of Mitchell Creek. The City also repaved a portion of Highway H, which was in need of repair. The Department worked on a Capital Improvement Plan for the Roads and Grounds Committee.
- Police Department. The Police Department moved to a new location on 601 Historic Route 66 which was the former location of City Hall. The new location offers expanded office space and equipment storage to help keep the crime rate in Waynesville low by fair and consistent community policing. We also increased the administrative support for the Department which is key to comply with the many regulatory requirements.
- Day to Day Work. In addition to all the special projects, one of the most important functions of the City staff and workers is in accomplishing the day to day work of the City, accomplishing the many functions necessary to keep the City Government running, and care for the needs of our citizens. We appreciate the continued support, guidance and dedicated service of the Mayor and City Council in accomplishing the many goals and missions of the City of Waynesville.

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

Economic Factors and Next Year's Budget (continued)

2017 Budget - The 2017 budget is over \$19 million and reflects many projects and improvements in infrastructure within the City, some of these projects are subject to Certificates of Participation Funding.

A few of the key projects planned are:

• Youth Sports Program	\$ 63,850
• Little Hero Playground	\$ 200,000
• Additional funds for Road Paving	\$ 300,000
• Auto read meters	\$ 500,000
• Led lighting	\$ 300,000
• Purchase of new water systems	\$ 825,000
• Supporting infrastructure	\$ 240,000
• Potential Speculative Building buy out and complete	\$ 1,200,000
• Pad Ready Sites for future development	\$ 350,000

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, 2016

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,497,493	\$ 1,447,642	\$ 2,945,135
Investments - unrestricted	229,986	-	229,986
Sales tax receivable	205,645	-	205,645
Ad valorem taxes receivable, net	248,409	-	248,409
Utilities receivable, net	-	693,282	693,282
Other receivables	21,109	48,201	69,310
Accrued interest receivable	-	1,156	1,156
Intergovernmental receivable	410,152	-	410,152
Prepaid expenses	68,424	-	68,424
Inventory	-	345,047	345,047
Interfund balances	(496,383)	496,383	-
Noncurrent			
Restricted cash and cash equivalents	551,158	747,935	1,299,093
Investments - restricted	902,881	-	902,881
Note receivable	339,441	-	339,441
Capital Assets:			
Non-depreciable	3,580,638	-	3,580,638
Depreciable, net	14,957,413	13,222,067	28,179,480
TOTAL ASSETS	<u>22,516,366</u>	<u>17,001,713</u>	<u>39,518,079</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred refunding charges	12,599	71,395	83,994
Deferred pension outflow	604,376	304,121	908,497
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>616,975</u>	<u>375,516</u>	<u>992,491</u>

See accompanying notes.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current			
Accounts payable	140,134	628,434	768,568
Accrued expenses	45,771	46,155	91,926
Customer deposits payable	-	497,395	497,395
Court bonds payable	338	-	338
Accrued interest payable	166,070	51,987	218,057
Current maturities of long-term debt	651,587	893,585	1,545,172
	<u>1,003,900</u>	<u>2,117,556</u>	<u>3,121,456</u>
Noncurrent			
Unearned revenue	220,800	-	220,800
Bonds payable	-	3,542,000	3,542,000
MAMU lease payable, net	-	1,291,679	1,291,679
Certificates of participation, net	10,384,297	2,630,692	13,014,989
Capital leases payable	289,280	115,786	405,066
MTFC direct loan	566,497	-	566,497
Compensated absences payable	132,026	57,287	189,313
Net pension liability	767,317	460,403	1,227,720
	<u>12,360,217</u>	<u>8,097,847</u>	<u>20,458,064</u>
TOTAL LIABILITIES	<u>13,364,117</u>	<u>10,215,403</u>	<u>23,579,520</u>
NET POSITION			
Net investment in capital assets	7,250,192	4,932,262	12,182,454
Restricted	1,531,658	137,998	1,669,656
Unrestricted	987,374	2,091,566	3,078,940
TOTAL NET POSITION	<u>\$ 9,769,224</u>	<u>\$ 7,161,826</u>	<u>\$ 16,931,050</u>

See accompanying notes.

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
City hall	\$ (1,262,822)	\$ 446,683	\$ -	\$ -	\$ (816,139)	\$ -	\$ (816,139)
Fire	(273,962)	-	-	-	(273,962)	-	(273,962)
Public safety	(842,006)	135,109	191,913	-	(514,984)	-	(514,984)
Municipal court	(163,022)	-	-	-	(163,022)	-	(163,022)
Street	(545,302)	1,075	-	1,030,017	485,790	-	485,790
Park	(322,522)	52,675	-	44,529	(225,318)	-	(225,318)
Cemetery	(968)	900	-	-	(68)	-	(68)
Airport	(1,074,073)	483,897	-	498,905	(91,271)	-	(91,271)
Animal shelter	(189,886)	125,440	-	-	(64,446)	-	(64,446)
Building department	(151,008)	10,350	-	-	(140,658)	-	(140,658)
Debt service	(502,981)	-	-	-	(502,981)	-	(502,981)
TOTAL GOVERNMENTAL ACTIVITIES	(5,328,552)	1,256,129	191,913	1,573,451	(2,307,059)	-	(2,307,059)
Business-Type Activities							
Electric service	(5,680,280)	6,265,089	-	-	-	584,809	584,809
Water and sewer service	(1,894,757)	1,999,828	26,244	-	-	131,315	131,315
Trash service	(250,874)	259,582	-	-	-	8,708	8,708
Natural gas service	(877,164)	914,366	-	-	-	37,202	37,202
TOTAL BUSINESS-TYPE ACTIVITIES	(8,703,075)	9,438,865	26,244	-	-	762,034	762,034
TOTAL GOVERNMENT	\$ (14,031,627)	\$ 10,694,994	\$ 218,157	\$ 1,573,451	(2,307,059)	762,034	(1,545,025)
		General Revenues:					
					1,228,745	-	1,228,745
					358,815	-	358,815
					191,043	-	191,043
					241,006	-	241,006
					82,503	-	82,503
					15,582	33,854	49,436
					117,766	-	117,766
					1,218,791	(1,218,791)	-
					3,454,251	(1,184,937)	2,269,314
					Special Item:		
					(18,450)	-	(18,450)
					Changes in Net Position		
					1,128,742	(422,903)	705,839
					8,640,482	7,584,729	16,225,211
					\$ 9,769,224	\$ 7,161,826	\$ 16,931,050

See accompanying notes.

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

	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	\$ 494,842	\$ 474,569	\$ 528,082	\$ -	\$ -	\$ -	\$ 1,497,493
Investments - unrestricted	229,986	-	-	-	-	-	229,986
Ad valorem taxes receivable, net	248,409	-	-	-	-	-	248,409
Sales tax receivable	110,026	60,216	35,403	-	-	-	205,645
Other receivable	21,109	-	-	-	-	-	21,109
Intergovernmental receivable	258,837	-	4,500	146,815	-	-	410,152
Prepaid expenses	68,424	-	-	-	-	-	68,424
Due from other funds	169,997	68,252	2,056	17,638	-	66,114	324,057
Restricted cash and cash equivalents	25,044	41,901	-	75,768	51,705	356,740	551,158
Investments - restricted	-	-	-	-	-	902,881	902,881
TOTAL ASSETS	\$ 1,626,674	\$ 644,938	\$ 570,041	\$ 240,221	\$ 51,705	\$ 1,325,735	\$ 4,459,314
LIABILITIES							
Accounts payable	\$ 140,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 140,134
Accrued expenses	29,672	3,984	12,115	-	-	-	45,771
Court bonds payable	338	-	-	-	-	-	338
Due to other funds	685,102	-	-	76,199	59,139	-	820,440
TOTAL LIABILITIES	855,246	3,984	12,115	76,199	59,139	-	1,006,683

See accompanying notes.

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

	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 (DEFICIT)							
Nonspendable:							
Prepaid items	68,424	-	-	-	-	-	68,424
Restricted for:							
Specific purchases from donations	-	41,901	-	-	-	-	41,901
Debt service	-	-	-	164,022	-	1,325,735	1,489,757
Building projects	24,706	-	-	-	-	-	24,706
Assigned to:							
Parks and pool	-	599,053	-	-	-	-	599,053
Transportation	-	-	557,926	-	-	-	557,926
Unassigned	678,298	-	-	-	(7,434)	-	670,864
TOTAL FUND BALANCES (DEFICIT)	<u>771,428</u>	<u>640,954</u>	<u>557,926</u>	<u>164,022</u>	<u>(7,434)</u>	<u>1,325,735</u>	<u>3,452,631</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 1,626,674</u>	<u>\$ 644,938</u>	<u>\$ 570,041</u>	<u>\$ 240,221</u>	<u>\$ 51,705</u>	<u>\$ 1,325,735</u>	<u>\$ 4,459,314</u>

See accompanying notes.

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

Fund balance - total governmental funds	\$ 3,452,631
Long term receivables are not deemed receivable in the current period and, therefore, are not reported in the funds	339,441
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	22,663,741
Less: Accumulated depreciation	<u>(4,125,690)</u>
	18,538,051
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	(767,317)
Deferred pension outflows	<u>604,376</u>
	(162,941)
Unearned payments in lieu of taxes are not deemed receivable in the current period and, therefore, are not reported in the funds	(220,800)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due	(166,070)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(12,011,088)</u>
Net position of governmental activities	<u>\$ 9,769,224</u>

See accompanying notes.

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

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	
REVENUES							
Taxes	\$ 1,313,121	\$ 329,520	\$ 208,152	\$ 232,018	\$ -	\$ -	\$ 2,082,811
Licenses and permits	22,210	-	-	-	-	-	22,210
Intergovernmental revenues	1,557,088	56,251	-	240,100	-	-	1,853,439
Fines and forfeitures	135,109	-	-	-	-	-	135,109
Charges for services	1,002,003	50,084	-	-	-	-	1,052,087
Miscellaneous	116,027	7,777	206,805	1,488	40,000	-	372,097
TOTAL REVENUES	4,145,558	443,632	414,957	473,606	40,000	-	5,517,753
EXPENDITURES							
Current							
City hall	2,265,380	-	-	-	-	-	2,265,380
Fire	273,962	-	-	-	-	-	273,962
Public safety	888,939	-	-	-	-	-	888,939
Municipal court	151,896	-	-	-	-	-	151,896
Street	324,819	-	439,086	-	-	-	763,905
Park	-	266,342	-	-	-	-	266,342
Airport	949,043	-	-	-	-	-	949,043
Animal shelter	181,653	-	-	-	-	-	181,653
Building department	157,744	-	-	-	-	-	157,744
Debt service							
Principal and interest	-	14,219	89,580	672,145	-	794,193	1,570,137
TOTAL EXPENDITURES	5,193,436	280,561	528,666	672,145	-	794,193	7,469,001

See accompanying notes.

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

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,047,878)	163,071	(113,709)	(198,539)	40,000	(794,193)	(1,951,248)
OTHER FINANCING SOURCES (USES)							
Lease purchase proceeds	294,396	-	-	85,000	-	-	379,396
Unrealized loss on investments	-	-	-	-	-	(23,346)	(23,346)
Operating transfers in (out)	566,422	24,147	-	(165,925)	-	794,147	1,218,791
TOTAL OTHER FINANCING SOURCES (USES)	860,818	24,147	-	(80,925)	-	770,801	1,574,841
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(187,060)	187,218	(113,709)	(279,464)	40,000	(23,392)	(376,407)
FUND BALANCE (DEFICIT), January 1	958,488	453,736	671,635	443,486	(47,434)	1,349,127	3,829,038
FUND BALANCE (DEFICIT), December 31	\$ 771,428	\$ 640,954	\$ 557,926	\$ 164,022	\$ (7,434)	\$ 1,325,735	\$ 3,452,631

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, 2016

Net change in fund balances - total governmental funds \$ (376,407)

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	705,426
Depreciation	(620,433)
	<u>84,993</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	1,759,765
Lease proceeds	(374,500)
Interest	14,541
	<u>1,399,806</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	(70,826)
Change in compensated absences	(27,465)
Change in unearned revenues	(220,800)
Change in notes receivable	339,441
	<u>339,441</u>

Change in net position of governmental activities	<u>\$ 1,128,742</u>
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See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
December 31, 2016

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
ASSETS					
Current Assets					
Cash and cash equivalents - unrestricted	\$ 541,874	\$ 267,197	\$ 46,633	\$ 591,938	\$ 1,447,642
Utilities receivable, net	455,247	159,529	19,376	59,130	693,282
Other receivable	13,824	-	-	34,377	48,201
Accrued interest receivable	412	744	-	-	1,156
Inventory	235,769	79,175	-	30,103	345,047
Interfund balances	660,761	-	-	(164,378)	496,383
TOTAL CURRENT ASSETS	1,907,887	506,645	66,009	551,170	3,031,711
Noncurrent Assets					
Cash and cash equivalents - restricted	497,395	250,540	-	-	747,935
Capital assets:					
Depreciable	3,836,887	17,673,760	-	2,984,884	24,495,531
Accumulated depreciation	(2,328,658)	(7,181,112)	-	(1,763,694)	(11,273,464)
TOTAL NONCURRENT ASSETS	2,005,624	10,743,188	-	1,221,190	13,970,002
TOTAL ASSETS	3,913,511	11,249,833	66,009	1,772,360	17,001,713
DEFERRED OUTFLOW OF RESOURCES					
Deferred refunding charges	22,679	40,317	-	8,399	71,395
Deferred pension outflow	134,140	132,490	-	37,491	304,121
TOTAL DEFERRED OUTFLOWS OF RESOURCES	156,819	172,807	-	45,890	375,516

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS (continued)
December 31, 2016

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
LIABILITIES					
Current Liabilities					
Accounts payable	475,504	19,375	41,031	92,524	628,434
Accrued expenses	20,689	19,807	-	5,659	46,155
Accrued interest payable	3,995	44,436	-	3,556	51,987
Customer deposits	497,395	-	-	-	497,395
Current portion of long-term debt	231,377	596,068	-	66,140	893,585
TOTAL CURRENT LIABILITIES	1,228,960	679,686	41,031	167,879	2,117,556
Long-Term Liabilities					
Revenue bonds payable	-	3,542,000	-	-	3,542,000
MAMU lease payable, net	289,602	993,027	-	9,050	1,291,679
Certificates of participation payable, net	542,185	1,613,985	-	474,522	2,630,692
Capital leases payable	37,985	77,801	-	-	115,786
Compensated absences payable	20,241	29,415	-	7,631	57,287
Net pension liability	206,039	196,782	-	57,582	460,403
TOTAL LONG-TERM LIABILITIES	1,096,052	6,453,010	-	548,785	8,097,847
TOTAL LIABILITIES	2,325,012	7,132,696	41,031	716,664	10,215,403
NET POSITION					
Net investment in capital assets	429,759	3,822,626	-	679,877	4,932,262
Restricted	-	137,998	-	-	137,998
Unrestricted	1,315,559	329,320	24,978	421,709	2,091,566
TOTAL NET POSITION	\$ 1,745,318	\$ 4,289,944	\$ 24,978	\$ 1,101,586	\$ 7,161,826

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUNDS
Year Ended December 31, 2016

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
OPERATING REVENUES					
Charges for services	\$ 6,261,657	\$ 1,665,199	\$ 259,582	\$ 750,143	\$ 8,936,581
Other charges	3,432	334,629	-	164,223	502,284
TOTAL OPERATING REVENUES	6,265,089	1,999,828	259,582	914,366	9,438,865
OPERATING EXPENSES					
Salaries and wages	335,131	399,464	-	95,710	830,305
Employee benefits	149,278	176,792	-	41,775	367,845
Materials and supplies	152,276	36,522	-	24,196	212,994
Electric current	4,680,426	-	-	-	4,680,426
Hauling and recycling charges	-	-	248,383	-	248,383
Repairs and maintenance	48,754	97,828	-	533	147,115
Gas purchases	-	-	-	568,847	568,847
Travel, meetings and dues	5,109	5,343	-	1,983	12,435
General administrative	-	73,012	-	11,656	84,668
Depreciation	122,467	621,441	-	81,585	825,493
Other operating expenses	119,380	206,159	2,491	25,245	353,275
TOTAL OPERATING EXPENSES	5,612,821	1,616,561	250,874	851,530	8,331,786
OPERATING INCOME	652,268	383,267	8,708	62,836	1,107,079
NONOPERATING REVENUES					
(EXPENSES)					
Proceeds from grants	-	26,244	-	-	26,244
Interest income	18,442	13,075	-	2,337	33,854
Interest expense	(67,459)	(278,196)	-	(25,634)	(371,289)
TOTAL NONOPERATING REVENUES (EXPENSES)	(49,017)	(238,877)	-	(23,297)	(311,191)
INCOME BEFORE OPERATING TRANSFERS	603,251	144,390	8,708	39,539	795,888
OPERATING TRANSFERS IN (OUT)	(705,701)	(580,826)	-	67,736	(1,218,791)
NET INCOME (LOSS)	(102,450)	(436,436)	8,708	107,275	(422,903)
NET POSITION, January 1	1,847,768	4,726,380	16,270	994,311	7,584,729
NET POSITION, December 31	\$ 1,745,318	\$ 4,289,944	\$ 24,978	\$ 1,101,586	\$ 7,161,826

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
Year Ended December 31, 2016

	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	\$ 6,358,659	\$ 2,040,755	\$ 259,888	\$ 918,633	\$ 9,577,935
Cash paid to suppliers	(4,942,162)	(442,807)	(250,946)	(606,937)	(6,242,852)
Cash paid to employees	(489,910)	(574,880)	-	(136,285)	(1,201,075)
NET CASH PROVIDED BY OPERATING ACTIVITIES	926,587	1,023,068	8,942	175,411	2,134,008
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans from other funds	192,966	142,935	-	-	335,901
Transfers (to) from other funds	(705,701)	(580,826)	-	67,736	(1,218,791)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(512,735)	(437,891)	-	67,736	(882,890)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from grants	-	26,244	-	-	26,244
Acquisition and construction of capital assets	(71,493)	(67,667)	-	(9,525)	(148,685)
Payment of principal on bonds and capital leases	(575,917)	(1,744,523)	-	(304,329)	(2,624,769)
Payment of interest expense	(70,758)	(287,816)	-	(26,887)	(385,461)
Proceeds from debt issuances	541,100	946,400	-	193,000	1,680,500
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(177,068)	(1,127,362)	-	(147,741)	(1,452,171)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	18,447	13,075	-	2,337	33,859
NET CASH PROVIDED BY INVESTING ACTIVITIES	18,447	13,075	-	2,337	33,859
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	255,231	(529,110)	8,942	97,743	(167,194)
CASH AND CASH EQUIVALENTS, Beginning of year					
	784,038	1,046,847	37,691	494,195	2,362,771
CASH AND CASH EQUIVALENTS, End of year					
	1,039,269	517,737	46,633	591,938	2,195,577
LESS RESTRICTED CASH AND CASH EQUIVALENTS					
	497,395	250,540	-	-	747,935
UNRESTRICTED CASH AND CASH EQUIVALENTS					
	\$ 541,874	\$ 267,197	\$ 46,633	\$ 591,938	\$ 1,447,642

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (continued)
Year Ended December 31, 2016

	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	\$ 652,268	\$ 383,267	\$ 8,708	\$ 62,836	\$ 1,107,079
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	122,467	621,441	-	81,585	825,493
(Increase) decrease in:					
Utilities receivable	(3,926)	40,927	306	4,044	41,351
Other receivable	-	-	-	223	223
Inventory	5,031	(19,279)	-	545	(13,703)
Deferred pension outflows	(45,633)	(51,594)	-	(12,758)	(109,985)
Increase (decrease) in:					
Accounts payable	58,752	(4,664)	(72)	24,978	78,994
Accrued expenses	2,219	2,367	-	950	5,536
Customer deposits	97,496	-	-	-	97,496
Compensated absences payable	(1,142)	6,446	-	2,089	7,393
Net pension liability	39,055	44,157	-	10,919	94,131
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 926,587</u>	<u>\$ 1,023,068</u>	<u>\$ 8,942</u>	<u>\$ 175,411</u>	<u>\$ 2,134,008</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 City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected City Council. As required by accounting principles generally accepted in the United States of America, the City has evaluated the criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the criteria and therefore, no other entity has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2011 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016, the deferred revenue was \$220,800 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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016, 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.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has no deferred inflows of resources.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

New Pronouncement

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

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

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2016, all bank balances on deposit are entirely insured or collateralized.

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

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, 2016, 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	\$ 229,986	\$ -	\$ -	\$ 229,986
FHLB	9/11/2020	-	-	460,011	460,011
FHLMC	8/12/2021	-	-	442,870	442,870
TOTAL		<u>\$ 229,986</u>	<u>\$ -</u>	<u>\$ 902,881</u>	<u>\$ 1,132,867</u>

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, 2016, the certificate of deposit is adequately insured or collateralized with securities.

The City does not have a formal policy on interest rate risk.

U.S. Agencies

City funds in FHLB and FHLMC 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, 2016

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	\$ 338	\$ -
Series 2014 COP projects	24,706	24,706
	\$ 25,044	\$ 24,706

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 \$41,901 at December 31, 2016.

Community Improvement District Fund

Restricted cash and cash equivalents include funds on hand to be used for expenses relating to community improvement projects that totaled \$51,705 at December 31, 2016.

Special Allocation Fund

During 1999 and 2001, the City issued Tax Increment Financing (TIF) Bonds in the amounts of \$500,000 and \$1,237,500, respectively (that were subsequently refunded by the Series 2016 Certificates of Participation), to finance the cost of site development and certain infrastructure improvements to the City’s development efforts. The City receives tax revenue from this property, which is restricted for repayment of these bonds. Cash and cash equivalents, net position and fund balance have been restricted for these taxes.

The total restricted cash and cash equivalents and restricted net position/fund balance for the Special Allocation Fund are as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position/ Fund Balance
TIF COP debt service reserve	\$ 75,768	\$ 164,022

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

NOTE D – RESTRICTED ASSETS (continued)

Debt Service Fund

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position/ Fund Balance</u>
Debt service reserve	<u>\$ 1,259,621</u>	<u>\$ 1,325,735</u>

Enterprise Funds

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

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
ELECTRIC FUND		
Customer meter deposits	<u>\$ 497,395</u>	<u>\$ -</u>
	497,395	-
WATER AND WASTEWATER FUND		
Series 2011 principal account	107,003	107,003
Series 2011 interest account	30,995	30,995
Series 2014 COP projects	<u>112,542</u>	<u>-</u>
	<u>250,540</u>	<u>137,998</u>
	<u>\$ 747,935</u>	<u>\$ 137,998</u>

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

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
TAXES RECEIVABLE			
General Fund	\$ 273,726	\$ (25,317)	\$ 248,409
UTILITIES RECEIVABLE			
Enterprise Funds			
Electric Fund	\$ 472,714	\$ (17,467)	\$ 455,247
Water and Wastewater Fund	167,270	(7,741)	159,529
Natural Gas Fund	91,972	(32,842)	59,130
Trash Fund	23,683	(4,307)	19,376
	<u>\$ 755,639</u>	<u>\$ (62,357)</u>	<u>\$ 693,282</u>

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

The business-type activities long-term liabilities at December 31, 2016, 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 and 2016 Certificates of Participation (COP), three lease purchase agreements on equipment, and compensated absences payable.

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

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, 2016, and \$192,398 remained unissued. The bonds outstanding at December 31, 2016, are due as follows:

Year Ending December 31,	Principal	Interest	Administrative Fee	Total
2017	\$ 215,000	\$ 61,042	\$ 36,995	\$ 313,037
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>\$ 3,757,000</u>	<u>\$ 493,009</u>	<u>\$ 298,795</u>	<u>\$ 4,548,804</u>

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

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, 2016, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 260,000	\$ 42,166	\$ 302,166
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>\$ 2,015,000</u>	<u>\$ 227,591</u>	<u>\$ 2,242,591</u>

Amount recorded in:

Electric Fund	\$ 521,100
Water and Wastewater Fund	926,400
Natural Gas Fund	193,000
Governmental Activities	374,500
	<u>\$ 2,015,000</u>
TOTAL	<u>\$ 2,015,000</u>

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

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, 2016, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 245,000	\$ 52,088	\$ 297,088
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>\$ 1,670,000</u>	<u>\$ 345,273</u>	<u>\$ 2,015,273</u>

Amount recorded in:

Electric Fund	\$ 192,335
Water and Wastewater Fund	878,285
Natural Gas Fund	325,000
Governmental Activities	274,380
TOTAL	<u>\$ 1,670,000</u>

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

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

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, 2016, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 96,000	\$ 35,385	\$ 131,385
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	73,002	801	73,803
	<u>\$ 1,001,002</u>	<u>\$ 168,853</u>	<u>\$ 1,169,855</u>

Amount recorded in:

Electric Fund	\$ 320,322
Water and Wastewater Fund	670,670
Natural Gas Fund	10,010
TOTAL	<u>\$ 1,001,002</u>

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

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, 2016, are due as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 81,191	\$ 12,103	\$ 93,294
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	37,341	374	37,715
	<u>\$ 467,868</u>	<u>\$ 37,586</u>	<u>\$ 505,454</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%.

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

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

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, 2016, are as follows:

Year Ending December 31,	2010 Sewer Cleaner Lease Purchase	2015 Bucket Truck Lease Purchase	1995 Track Loader Lease Purchase	Total
2017	\$ 22,049	\$ 22,475	\$ 9,041	\$ 53,565
2018	22,049	22,475	9,041	53,565
2019	22,049	-	9,041	31,090
2020	22,049	-	9,041	31,090
2021	-	-	9,041	9,041
TOTAL MINIMUM LEASE PAYMENTS	88,196	44,950	45,205	178,351
LESS AMOUNT REPRESENTING INTEREST	(7,688)	(2,408)	(5,205)	(15,301)
NET LEASE PAYABLE	<u>\$ 80,508</u>	<u>\$ 42,542</u>	<u>\$ 40,000</u>	<u>\$ 163,050</u>

Amount recorded in:

Water and Wastewater Fund	\$ 20,000
Electric Fund	20,000
TOTAL	<u>\$ 40,000</u>

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

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, 2016, is as follows:

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amount Due Within One Year
WATER AND WASTEWATER FUND					
2011 Revenue Bonds	\$ 3,966,000	\$ -	\$ 209,000	\$ 3,757,000	\$ 215,000
Certificates of Participation					
Series 2007	1,192,650	-	1,192,650	-	-
Series 2014	933,790	-	55,505	878,285	128,850
Series 2016	-	926,400	-	926,400	84,000
Add:					
Premium on Series 2014 issuance	23,733	-	1,583	22,150	-
	2,150,173	926,400	1,249,738	1,826,835	212,850
MAMU Leases					
2005A MAMU Lease	729,630	-	58,960	670,670	64,320
2008A MAMU Lease	97,280	-	97,280	-	-
2012 MAMU Lease	540,430	-	72,562	467,868	81,191
Less:					
Deferred loss on refunding	(1,676)	-	(1,676)	-	-
	1,365,664	-	227,126	1,138,538	145,511
2015 Sewer Cleaner	98,850	-	18,342	80,508	19,030
1995 Track Loader	-	20,000	-	20,000	3,677
Compensated Absences	22,969	6,446	-	29,415	-
	7,603,656	952,846	1,704,206	6,852,296	596,068
ELECTRIC FUND					
Certificates of Participation					
Series 2007	492,450	-	492,450	-	-
Series 2014	204,490	-	12,155	192,335	128,850
Series 2016	-	521,100	-	521,100	47,250
Add:					
Premium on Series 2014 issuance	5,197	-	347	4,850	-
	702,137	521,100	504,952	718,285	176,100
2005A MAMU Lease	348,482	-	28,160	320,322	30,720
Bucket Truck	62,668	-	20,126	42,542	20,880
1995 Track Loader	-	20,000	-	20,000	3,677
Compensated Absences	21,383	-	1,142	20,241	-
	1,134,670	541,100	554,380	1,121,390	231,377

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

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amount Due Within One Year
NATURAL GAS FUND					
Certificates of Participation					
Series 2007	138,500	-	138,500	-	-
Series 2014	480,000	-	155,000	325,000	47,680
Series 2016	-	193,000	-	193,000	17,500
Add:					
Premium on Series 2014 issuance	23,252	-	1,550	21,702	-
	641,752	193,000	295,050	539,702	65,180
2005 MAMU Lease	10,890	-	880	10,010	960
Compensated Absences	5,542	2,089	-	7,631	-
	658,184	195,089	295,930	557,343	66,140
	<u>\$ 9,396,510</u>	<u>\$ 1,689,035</u>	<u>\$ 2,554,516</u>	<u>\$ 8,531,029</u>	<u>\$ 893,585</u>

NOTE G – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2016, consists of the 2011A, 2011B, 2014 and 2016 Certificates of Participation (COP), one tax increment financing Certificate of Participation (portion of 2016 COP), five 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 Tax Increment Financing portion of these certificates will be provided by payments in lieu of taxes due to the increase in current equalized assessed valuation in the redevelopment project area and by allocating ½ of the additional sales tax revenues collected by the City as a result of this project. The payment schedule for this debt issuance has been presented as a component of Note F.

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

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

On October 31, 2011, the City issued Series 2011A and Series 2011B Certificates of Participation (COP) for the purpose of constructing an educational facility to be subleased to Ozarks Technical Community College and 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 \$9,865,000 and \$1,270,000, respectively.

The 2011 certificates bear interest at 2.00% to 5.00% with principal payments due March 1 and interest payments due March 1 and September 1 of each year. Ozarks Technical Community College will pay rental payments equivalent to principal and interest payments on the Series 2011A COP. The Series 2011A COP outstanding at December 31, 2016, are due as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 185,000	\$ 432,341	\$ 617,341
2018	190,000	426,010	616,010
2019	200,000	418,935	618,935
2020	205,000	411,085	616,085
2021	325,000	400,485	725,485
2022	405,000	385,885	790,885
2023	420,000	369,175	789,175
2024	440,000	351,325	791,325
2025	460,000	332,195	792,195
2026	475,000	311,855	786,855
2027	500,000	290,155	790,155
2028	520,000	266,945	786,945
2029	550,000	242,060	792,060
2030	570,000	215,598	785,598
2031	595,000	187,780	782,780
2032	630,000	157,750	787,750
2033	660,000	125,500	785,500
2034	695,000	91,625	786,625
2035	725,000	56,125	781,125
2036	760,000	19,000	779,000
	<u>\$ 9,510,000</u>	<u>\$ 5,491,829</u>	<u>\$ 15,001,829</u>

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

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

The Series 2011B COP outstanding at December 31, 2016, are due as follows:

Year Ending December 31,	Principal	Interest	Total
2017	\$ 150,000	\$ 26,260	\$ 176,260
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
	\$ 705,000	\$ 69,569	\$ 774,569

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.

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%.

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%.

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

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 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%.

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*.

The total annual minimum lease payments required at December 31, 2016, are as follows:

Year Ending December 31,	2014	2014	2015	2015	2015	Total
	John Deere Grader Lease Purchase	John Deere Backhoe Lease Purchase	Garsite Refueler Lease Purchase	John Deere Loader/ Trencher Lease Purchase	Street Sweeper Lease Purchase	
2017	\$ 13,706	\$ 22,610	\$ 24,744	\$ 14,532	\$ 29,026	\$ 104,618
2018	13,706	22,610	24,744	14,532	29,026	104,618
2019	13,706	-	24,744	14,532	29,026	82,008
2020	-	-	24,744	14,532	29,026	68,302
2021	-	-	-	-	29,026	29,026
2022	-	-	-	-	29,026	29,026
TOTAL MINIMUM LEASE PAYMENTS	41,118	45,220	98,976	58,128	174,156	417,598
LESS AMOUNT REPRESENTING INTEREST	(3,089)	(2,239)	(9,159)	(5,067)	(17,559)	(37,113)
NET LEASE PAYABLE	\$ 38,029	\$ 42,981	\$ 89,817	\$ 53,061	\$ 156,597	\$ 380,485

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, 2016, is due as follows:

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

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

Year Ending December 31,	Principal	Interest	Total
2017	\$ 73,879	\$ 14,601	\$ 88,480
2018	75,563	12,916	88,479
2019	77,286	11,193	88,479
2020	79,023	9,457	88,480
2021	80,850	7,629	88,479
2022	82,693	5,786	88,479
2023	84,579	3,901	88,480
2024	86,503	1,977	88,480
	<u>\$ 640,376</u>	<u>\$ 67,460</u>	<u>\$ 707,836</u>

A summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2016, is as follows:

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
Certificates of Participation					
Series 2007	\$ 1,141,400	\$ -	\$ 1,141,400	\$ -	\$ -
Series 2011A	9,690,000	-	180,000	9,510,000	185,000
Series 2011B	850,000	-	145,000	705,000	150,000
Series 2016	-	374,500	-	374,500	111,250
Series 2014	291,720	-	17,340	274,380	40,253
Add:					
Premium on Series 2014 issuance	7,414	-	494	6,920	-
	<u>11,980,534</u>	<u>374,500</u>	<u>1,484,234</u>	<u>10,870,800</u>	<u>486,503</u>
Series 2008A MAMU Lease	30,720	-	30,720	-	-
Capital Lease Obligations					
2014 Dodge Chargers	70,239	-	70,239	-	-
John Deere Grader	49,745	-	11,716	38,029	12,184
John Deere Backhoe	63,463	-	20,482	42,981	21,194
Ford F-450 Refueler	110,155	-	20,338	89,817	21,151
John Deere Loader and Trencher	65,150	-	12,089	53,061	12,542
Street Sweeper	180,000	-	23,403	156,597	24,134
MTFC Direct Loan	714,321	-	73,945	640,376	73,879
Compensated Absences	104,561	27,465	-	132,026	-
	<u>\$ 13,368,888</u>	<u>\$ 401,965</u>	<u>\$ 1,747,166</u>	<u>\$ 12,023,687</u>	<u>\$ 651,587</u>

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

NOTE H – CAPITAL ASSETS

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

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 3,235,857	\$ 12,522	\$ -	\$ 3,248,379
Construction in progress	965,607	332,259	965,607	332,259
	<u>4,201,464</u>	<u>\$ 344,781</u>	<u>\$ 965,607</u>	3,580,638
Depreciable capital assets:				
Building and improvements	9,502,232	\$ 1,292,297	\$ -	10,794,529
Machinery and equipment	1,137,373	5,000	-	1,142,373
Land improvements	2,565,261	-	-	2,565,261
Vehicles	607,580	29,338	-	636,918
Infrastructure	3,944,405	244,770	245,153	3,944,022
Total depreciable capital assets	17,756,851	<u>\$ 1,571,405</u>	<u>\$ 245,153</u>	19,083,103
Less accumulated depreciation	<u>3,505,257</u>	<u>\$ 679,777</u>	<u>\$ 59,344</u>	<u>4,125,690</u>
Total depreciable capital assets, net	<u>14,251,594</u>			<u>14,957,413</u>
Total Governmental Activities Capital Assets, net	<u>\$ 18,453,058</u>			<u>\$ 18,538,051</u>

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

Administrative	\$ 211,386
Public safety	43,586
Park and pool	82,429
Street	189,689
Airport	148,957
Animal Shelter	2,762
Cemetery	968
	<u>\$ 679,777</u>

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

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Business-Type Activities				
Electric Fund				
Depreciable capital assets:				
Electric distribution system	\$ 2,460,789	\$ 51,493	\$ -	\$ 2,512,282
Vehicles	509,315	-	-	509,315
Equipment	751,391	20,000	-	771,391
Buildings and improvements	43,899	-	-	43,899
	<u>3,765,394</u>	<u>\$ 71,493</u>	<u>\$ -</u>	<u>3,836,887</u>
Less accumulated depreciation	<u>2,206,191</u>	<u>\$ 122,467</u>	<u>\$ -</u>	<u>2,328,658</u>
Depreciable Capital Assets, net	1,559,203			1,508,229
Water and Wastewater Fund				
Non-depreciable capital assets:				
Construction in progress	184,643	<u>\$ -</u>	<u>\$ 184,643</u>	-
Depreciable capital assets:				
Buildings and improvements	14,466	\$ -	\$ -	14,466
Distribution system	16,423,489	232,311	-	16,655,800
Equipment	786,512	19,999	-	806,511
Vehicles	196,983	-	-	196,983
	<u>17,421,450</u>	<u>\$ 252,310</u>	<u>\$ -</u>	<u>17,673,760</u>
Less accumulated depreciation	<u>6,559,671</u>	<u>\$ 621,441</u>	<u>\$ -</u>	<u>7,181,112</u>
Depreciable Capital Assets, net	10,861,779			10,492,648
Natural Gas Fund				
Depreciable capital assets:				
Buildings and improvements	73,072	\$ -	\$ -	73,072
Distribution system	2,615,088	9,525	-	2,624,613
Equipment	280,070	-	-	280,070
Vehicles	7,129	-	-	7,129
	<u>2,975,359</u>	<u>\$ 9,525</u>	<u>\$ -</u>	<u>2,984,884</u>
Less accumulated depreciation	<u>1,682,109</u>	<u>\$ 81,585</u>	<u>\$ -</u>	<u>1,763,694</u>
Depreciable Capital Assets, net	<u>1,293,250</u>			<u>1,221,190</u>
Total Depreciable Capital Assets, net	<u>13,714,232</u>			<u>13,222,067</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 13,898,875</u>			<u>\$ 13,222,067</u>

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

NOTE I – NOTE RECEIVABLE

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. The District will reimburse the City upon receipt of excess sales tax revenue. At December 31, 2016, the outstanding balance on the note is \$339,441.

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>2016</u>
Assessed Valuation	
Real estate	\$ 51,490,904
Personal property	<u>8,190,699</u>
TOTAL	<u>\$ 59,681,603</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.5858</u>

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

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 5,968,160	\$ 5,968,160	\$ 11,936,320
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 5,968,160</u>	<u>\$ 5,968,160</u>	<u>\$ 11,936,320</u>

NOTE J – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

(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.

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

NOTE K – EMPLOYEE PENSION PLAN (continued)

	<u>2016 Valuation</u>
Benefit Multiplier	1.50% for life, plus 0.50% to age 65
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.

Employees Covered by Benefit Terms. At June 30, 2016, 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	28	5	33
Inactive employees entitled to but not yet receiving benefits	14	9	23
Active employees	<u>46</u>	<u>12</u>	<u>58</u>
	<u>88</u>	<u>26</u>	<u>114</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 19.1% (General) and 17% (Police) of annual covered payroll.

Net Pension Liability. The City’s net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions. The total pension liability in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

<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%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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

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

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	\$ 4,332,862	\$ 3,662,280	\$ 670,582
Changes for the year:			
Service cost	180,096	-	180,096
Interest	313,760	-	313,760
Difference between expected and actual experiences	36,219	-	36,219
Changes in assumptions	219,966	-	219,966
Contributions - employer	-	296,140	(296,140)
Net investment income	-	(2,886)	2,886
Benefits paid, including refunds	(190,558)	(190,558)	-
Administrative expenses	-	(6,814)	6,814
Other changes	-	41,625	(41,625)
Net Changes	559,483	137,507	421,976
Balances at end of year	4,892,345	3,799,787	1,092,558
<i>Police Division</i>			
Balances at beginning of year	1,094,299	1,067,144	27,155
Changes for the year:			
Service cost	49,387	-	49,387
Interest	79,317	-	79,317
Difference between expected and actual experiences	21,860	-	21,860
Changes in assumptions	45,678	-	45,678
Contributions - employer	-	67,292	(67,292)
Net investment income	-	331	(331)
Benefits paid, including refunds	(49,931)	(49,931)	-
Administrative expenses	-	(1,430)	1,430
Other changes	-	22,042	(22,042)
Net Changes	146,311	38,304	108,007
Balances at end of year	1,240,610	1,105,448	135,162
Total Plan Balances at End of Year	\$ 6,132,955	\$ 4,905,235	\$ 1,227,720

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

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	\$ 5,561,211	\$ 4,892,345	\$ 4,340,480
Fiduciary Net Position	3,799,787	3,799,787	3,799,787
Net Pension Liability	1,761,424	1,092,558	540,693
<i>Police Division</i>			
Total Pension Liability	1,425,175	1,240,610	1,091,260
Fiduciary Net Position	1,105,448	1,105,448	1,105,448
Net Pension Liability	319,727	135,162	(14,188)
Total Net Pension Liability	\$ 2,081,151	\$ 1,227,720	\$ 526,505

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

For the year ended December 31, 2016, the City recognized a pension expense of \$414,271. 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, 2016

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	\$ 68,282	\$ -	\$ 68,282
Differences in assumptions	177,053	-	177,053
Excess (deficit) investment returns	333,215	-	333,215
Contributions subsequent to the measurement date*	143,145	-	143,145
	<u>721,695</u>	<u>-</u>	<u>721,695</u>
<i>Police Division</i>			
Differences in experiences	17,931	-	17,931
Differences in assumptions	36,816	-	36,816
Excess (deficit) investment returns	96,045	-	96,045
Contributions subsequent to the measurement date*	36,010	-	36,010
	<u>186,802</u>	<u>-</u>	<u>186,802</u>
Total	<u>\$ 908,497</u>	<u>\$ -</u>	<u>\$ 908,497</u>
Governmental Activities	\$ 604,376	\$ -	\$ 604,376
Business-Type Activities			
Electric Fund	134,140	-	134,140
Water and Wastewater Fund	132,490	-	132,490
Natural Gas Fund	37,491	-	37,491
	<u>304,121</u>	<u>-</u>	<u>908,497</u>
Total	<u>\$ 908,497</u>	<u>\$ -</u>	<u>\$ 908,497</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, 2017.

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

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:

<u>Year Ending December 31,</u>	<u>General</u>	<u>Police</u>	<u>Total</u>
	Net Deferred Outflow of Resources	Net Deferred Outflow of Resources	Net Deferred Outflow of Resources
2017	\$ 299,501	\$ 76,024	\$ 375,525
2018	156,356	40,014	196,370
2019	154,887	39,961	194,848
2020	104,661	28,780	133,441
2021	6,290	2,023	8,313
Total	<u>\$ 721,695</u>	<u>\$ 186,802</u>	<u>\$ 908,497</u>

Payable to the Pension Plan

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

NOTE 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, 2016

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, 2016, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE O – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2016, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 566,422	\$ -
Park and Pool Fund	24,147	-
Special Allocation Fund	-	165,925
Debt Service Fund	794,147	-
Electric Fund	-	705,701
Water and Wastewater Fund	-	580,826
Natural Gas Fund	67,736	-
	<u>\$ 1,452,452</u>	<u>\$ 1,452,452</u>

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them.

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

NOTE P – INTERNAL BALANCES

Internal balances as of December 31, 2016, consisted of the following:

	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Debt Service Fund	Governmental Activities Total
Internal balances	\$ (515,105)	\$ 68,252	\$ 2,056	\$ (58,561)	\$ (59,139)	\$ 66,114	\$ (496,383)
			Business- Type Activities Total				
Internal balances	\$ 660,761	\$ (164,378)	\$ 496,383				

During the course of its operations, the City has numerous transactions between funds to finance operation, 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, 2016, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE Q – COMMITMENTS

As of December 31, 2016, the City had the following commitments:

- RAMcor for services related to the Dyer Drive bridge project in the amount of \$137,430.
- CMT for engineering services related to the airport master plan in the amount of \$109,927.

NOTE R – 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 \$4,250,009. Principal and interest paid for the current year and total customer net revenues were \$273,581 and \$1,004,708, respectively.

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

NOTE S – DEFICIT FUND BALANCE

At December 31, 2016, the Community Improvement District Fund had a fund balance deficit of \$7,434 due to having expenditures within the CID during the development process. The City anticipates that it will be reimbursed by the CID at a future date.

NOTE T – 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 U – 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. 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, 2015	Additions	Current Amortization	Balance December 31, 2016
Governmental Activities	\$ -	\$ 13,621	\$ (1,022)	\$ 12,599
Business-Type Activities				
Electric Fund	-	24,517	(1,838)	22,679
Water and Wastewater Fund	-	43,586	(3,269)	40,317
Natural Gas Fund	-	9,080	(681)	8,399
	<u>\$ -</u>	<u>\$ 90,804</u>	<u>\$ (6,810)</u>	<u>\$ 83,994</u>

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

NOTE V – CURRENT YEAR DEBT REFUNDING

On April 1, 2016, the City issued \$2,015,000 in Series 2016 Certificates of Participation with interest ranging from 2.00% to 3.00%. The City used the proceeds along with reserve funds to advance refund the Series 2007 Certificates of Participation.

As a result of the refunding, the City reduced its debt service requirements by \$171,032, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$155,212.

NOTE W – DEBT DEFEASANCE

On April 1, 2016, the City issued Series 2016 Certificates of Participation in the amount of \$2,015,000. The proceeds of this issue were for the purpose of creating advance refunding of the Series 2007 Certificates of Participation in the amount of \$2,395,000. The proceeds and debt service reserve funds were deposited into an irrevocable escrow account at Security Bank of Kansas City in the amount of \$2,485,805 to earn interest and pay principal of \$2,395,000 on April 1, 2017, along with semi-annual accrued interest due totaling \$104,065 through April 1, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

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

Missouri Local Government Employees Retirement System (LAGERS)

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 359,297	\$ 358,187	\$ 341,204	\$ 498,976	\$ 277,774	\$ 287,976	\$ 95,806	\$ 337,937	\$ 94,572	\$ 121,233
Contributions in relation to the actuarially determined contribution	359,297	354,061	341,204	497,045	273,526	287,976	95,806	337,937	94,572	120,700
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 4,126</u>	<u>\$ -</u>	<u>\$ 1,931</u>	<u>\$ 4,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 533</u>
Covered-employee payroll	\$ 1,924,495	\$ 1,790,341	\$ 1,690,534	\$ 2,654,848	\$ 1,309,949	\$ 1,435,439	\$ 503,188	\$ 1,932,203	\$ 488,820	\$ 647,972
Contributions as a percentage of covered-employee payroll	18.67%	19.78%	20.18%	18.72%	20.88%	20.06%	19.04%	17.49%	19.35%	18.63%

See accompanying notes to the required schedules.

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

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 26 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

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

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

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

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

Other Information – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 312,000	\$ 579,615	\$ 579,615	\$ -
City sales tax	534,999	459,055	459,055	-
Motor vehicle taxes	166,000	191,043	191,043	-
Utility franchise tax	90,000	82,503	82,503	-
Financial institution taxes	2,000	1	1	-
Railroad and utility tax	4,000	904	904	-
	<u>1,108,999</u>	<u>1,313,121</u>	<u>1,313,121</u>	-
Licenses and Permits				
Building permits	10,000	10,350	10,350	-
Other licenses and permits	11,250	11,860	11,860	-
	<u>21,250</u>	<u>22,210</u>	<u>22,210</u>	-
Intergovernmental Revenues				
Federal and state grants	287,000	1,557,088	1,557,088	-
Charges for Services				
Fuel sales	500,000	407,838	407,838	-
Rental income	462,000	467,658	467,658	-
Animal control	27,000	39,423	39,423	-
Other	70,300	87,084	87,084	-
	<u>1,059,300</u>	<u>1,002,003</u>	<u>1,002,003</u>	-
Fines and Forfeitures				
City court fines	201,000	135,109	135,109	-
Miscellaneous				
Interest	10,000	14,519	14,519	-
Other	235,700	101,508	101,508	-
	<u>245,700</u>	<u>116,027</u>	<u>116,027</u>	-
TOTAL REVENUES	<u>2,923,249</u>	<u>4,145,558</u>	<u>4,145,558</u>	-

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
City hall	1,713,140	2,265,380	2,265,380	-
Fire	262,217	273,962	273,962	-
Public safety	857,532	888,939	888,939	-
Municipal court	163,345	151,896	151,896	-
Street	304,702	324,819	324,819	-
Airport	869,520	949,043	949,043	-
Animal shelter	183,494	181,653	181,653	-
Building department	154,398	157,744	157,744	-
TOTAL EXPENDITURES	<u>4,508,348</u>	<u>5,193,436</u>	<u>5,193,436</u>	<u>-</u>
(DEFICIT) OF REVENUES				
OVER EXPENDITURES	(1,585,099)	(1,047,878)	(1,047,878)	-
OTHER FINANCING SOURCES				
Sale of property	75,000	-	-	-
Lease purchase proceeds	175,000	294,396	294,396	-
Operating transfers in	980,000	566,422	566,422	-
TOTAL OTHER FINANCING SOURCES	<u>1,230,000</u>	<u>860,818</u>	<u>860,818</u>	<u>-</u>
(DEFICIT) OF REVENUES				
AND OTHER SOURCES				
OVER EXPENDITURES	(355,099)	(187,060)	(187,060)	-
FUND BALANCE, January 1	958,488	958,488	958,488	-
FUND BALANCE, December 31	<u>\$ 603,389</u>	<u>\$ 771,428</u>	<u>\$ 771,428</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Transportation sales tax	\$ 230,000	\$ 208,152	\$ 208,152	\$ -
Intergovernmental Revenue	275,000	206,805	206,805	-
TOTAL REVENUES	505,000	414,957	414,957	-
EXPENDITURES				
Current				
Street	471,000	439,086	439,086	-
Debt Service				
Principal and interest	148,000	89,580	89,580	-
TOTAL EXPENDITURES	619,000	528,666	528,666	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	(114,000)	(113,709)	(113,709)	-
FUND BALANCE, January 1	671,635	671,635	671,635	-
FUND BALANCE, December 31	\$ 557,635	\$ 557,926	\$ 557,926	\$ -

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK AND POOL FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 358,000	\$ 329,520	\$ 329,520	\$ -
Intergovernmental Revenues				
Federal and state grants	-	56,251	56,251	-
Charges for Services				
Rental income	35,500	50,084	50,084	-
Miscellaneous				
Fees	2,500	2,590	2,590	-
Donations	-	5	5	-
Interest income	500	277	277	-
Miscellaneous	2,000	4,905	4,905	-
	<u>5,000</u>	<u>7,777</u>	<u>7,777</u>	<u>-</u>
TOTAL REVENUES	398,500	443,632	443,632	-
EXPENDITURES				
Current				
Parks and pool	529,331	266,342	266,342	-
Debt Service				
Principal and interest	16,000	14,219	14,219	-
TOTAL EXPENDITURES	<u>545,331</u>	<u>280,561</u>	<u>280,561</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(146,831)	163,071	163,071	-
OTHER FINANCING SOURCES				
Operating transfer in	-	24,147	24,147	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(146,831)	187,218	187,218	-
FUND BALANCE, January 1	453,736	453,736	453,736	-
FUND BALANCE, December 31	<u>\$ 306,905</u>	<u>\$ 640,954</u>	<u>\$ 640,954</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL ALLOCATION FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Special allocations	\$ -	\$ 232,018	\$ 232,018	\$ -
Intergovernmental revenues	485,000	240,100	240,100	-
Miscellaneous				
Interest	3,000	1,488	1,488	-
TOTAL REVENUES	488,000	473,606	473,606	-
EXPENDITURES				
Debt Service				
COP principal	430,000	627,150	627,150	-
COP Interest	19,000	10,815	10,815	-
Miscellaneous expense	39,000	34,180	34,180	-
TOTAL EXPENDITURES	488,000	672,145	672,145	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	-	(198,539)	(198,539)	-
OTHER FINANCING SOURCES (USES)				
Lease purchase proceeds	-	85,000	85,000	-
Operating transfers (out)	-	(165,925)	(165,925)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(80,925)	(80,925)	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	-	(279,464)	(279,464)	-
FUND BALANCE, January 1	443,486	443,486	443,486	-
FUND BALANCE, December 31	\$ 443,486	\$ 164,022	\$ 164,022	\$ -

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – COMMUNITY IMPROVEMENT DISTRICT FUND
 Year Ended December 31, 2016

	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	(47,434)	(47,434)	(47,434)	-
FUND BALANCE (DEFICIT), December 31	<u>\$ (27,434)</u>	<u>\$ (7,434)</u>	<u>\$ (7,434)</u>	<u>\$ -</u>

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

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Council, which provide for legally adopted budgets for all funds of the City.
4. 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, 2016, 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 24, 2017.

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 questioned costs, that we consider to be a material weakness. It is identified as item 2016-001.

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 questioned costs. 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 24, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

Report on Compliance for Each Major Federal Program

We have audited City of Waynesville, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended December 31, 2016. City of Waynesville, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for City of Waynesville, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Waynesville, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on City of Waynesville, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Waynesville, Missouri, complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2016.

Report on Internal Control over Compliance

Management of City of Waynesville, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Waynesville, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Waynesville, Missouri's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAS, PC
Springfield, Missouri
April 24, 2017

CITY OF WAYNESVILLE, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Pass-through to Subrecipients	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Missouri Department of Economic Development Community Development Block Grant	14.228	2013-MO-01	\$ -	\$ 667,652
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	667,652
<u>U.S. DEPARTMENT OF INTERIOR</u>				
Missouri Department of Natural Resources Land and Water Fund Conservation Grant	15.916	29-01605	-	13,358
TOTAL U.S. DEPARTMENT OF INTERIOR			-	13,358
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Missouri Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Direct	16.738	PG02916	-	6,485
Equitable Sharing Program	16.922	N/A	-	177,851
TOTAL U.S. DEPARTMENT OF JUSTICE			-	184,336
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Missouri Highway Commission Airport Improvement Program	20.106	AIR 11-57B-1 AIR 14-57B-1	-	92,858
			-	337,574
			-	430,432
Missouri Department of Transportation Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	QHS1602	-	4,091
University of Central Missouri Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	QHS1710	-	1,897
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	436,420
<u>ENVIRONMENTAL PROTECTION AGENCY</u>				
Missouri Department of Natural Resources Capitalization Grants for Drinking Water State Revolving Funds	66.468	ER-15-DWSA-MO03010841	-	25,495
TOTAL ENVIRONMENTAL PROTECTION AGENCY			-	25,495
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Missouri Department of Public Safety Disaster Grant - Public Assistance	97.036	FEMA-4144-DR-MO FEMA-4250-DR-MO	-	150,198
			-	58,397
			-	208,595
Hazard Mitigation Grant	97.039	FEMA-DR-4144-MO	-	206,805
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	415,400
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 1,742,661

N/A – Not applicable

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

CITY OF WAYNESVILLE, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of City of Waynesville under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Waynesville, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Waynesville.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Waynesville is not using the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – SUBRECIPIENTS

City of Waynesville did not provide funds to subrecipients in the current year.

CITY OF WAYNESVILLE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2016

Section I – Summary of Audit Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified: yes X none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified: yes X none reported

Type of auditor’s report issued on compliance for the major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 yes X no

Identification of the major federal programs:

CFDA Number(s)

20.106
14.228

Name of Federal Programs or Cluster

Airport Improvement Program
Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

Section II – Financial Statement Findings

MATERIAL WEAKNESS

2016-001 Segregation of duties

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

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

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

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

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

Repeat finding of 2015-001

Section III – Federal Award Findings and Questioned Costs

None

CITY OF WAYNESVILLE, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2016

Financial Statement Findings

2015-001 Segregation of duties

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.

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

CITY OF WAYNESVILLE, MISSOURI
CORRECTIVE ACTION PLAN
December 31, 2016

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The City of Waynesville, Missouri respectfully submits the following corrective action plan for the year ended December 31, 2016.

Contact information for the individual responsible for the corrective action:

Mr. Bruce Harrill, City Administrator
City of Waynesville
100 Tremont Center
Waynesville, Missouri 65583
(573) 774-6171

Audit Period: Year ended December 31, 2016

The findings from the December 31, 2016, Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2016-001 Segregation of duties

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.

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

Completion Date: Not applicable

Sincerely,

Mr. Bruce Harrill
Waynesville, Missouri