

CITY OF WAYNESVILLE, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended December 31, 2014

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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, 2014, 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.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

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.

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, 2014, 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 Funding Progress 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.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management And Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements.

The Other Financial Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 20, 2015, 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 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

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, 2014. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The net position of the City's governmental activities increased by \$341,022 for the year ended December 31, 2014, as a result of current period activities. The net position of the City's business-type activities increased by \$214,907 for the year.
- The assets of the City exceeded its liabilities as of December 31, 2014, by \$16.2 million (net position), an increase of \$555,929 over the previous year.
- Total long-term liabilities of the City increased by \$483,075 during the year ended December 31, 2014. Although the City decreased liabilities in other areas, the City increased long-term liabilities as part of a cost share agreement with MoDOT to improve Historic Route 66 from Ichord Avenue to T Highway. The improvements include an extra lane and traffic circle on T Highway, which will improve the traffic flow and safety along that section of the highway.
- Based on the evaluation of the 2014 fiscal year and the City's financial condition, the City maintained an A, stable rating with Standard and Poors rating agency.

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 period'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 and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current period'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 and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

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, 2014**

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, 2014 and December 31, 2013:

	Governmental Activities	Business-Type Activities	Total December 31, 2014	Total December 31, 2013
Current and other assets	\$ 4,355,028	\$ 4,801,852	\$ 9,156,880	\$ 8,205,584
Capital assets	18,091,056	14,147,802	32,238,858	31,733,800
TOTAL ASSETS	22,446,084	18,949,654	41,395,738	39,939,384
Other liabilities	954,943	2,143,949	3,098,892	2,681,542
Long-term liabilities	13,148,084	8,941,539	22,089,623	21,606,548
TOTAL LIABILITIES	14,103,027	11,085,488	25,188,515	24,288,090
Net position:				
Net investment in capital assets	5,236,342	5,349,684	10,586,026	10,054,205
Restricted	1,876,429	134,583	2,011,012	1,634,583
Unrestricted	1,230,286	2,379,899	3,610,185	3,962,506
TOTAL NET POSITION	\$ 8,343,057	\$ 7,864,166	\$ 16,207,223	\$ 15,651,294

Total net position of the City increased by \$555,929 for the year ended December 31, 2014, due to current activity. Total liabilities for the City have increased by \$900,425. Restricted net position of the City totaled \$2,011,012 as of December 31, 2014. 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, 2014

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2014	Total Nine-Month Period Ended December 31, 2013
REVENUES AND TRANSFERS				
Program Revenues				
Charges for services	\$ 1,583,520	\$ 10,092,161	\$ 11,675,681	\$ 7,332,621
Operating grants and contributions	5,307	-	5,307	184,835
Capital grants and contributions	1,119,724	29,293	1,149,017	1,197,547
General Revenues				
Sales taxes	1,209,718	-	1,209,718	597,811
Ad valorem taxes	318,557	-	318,557	306,234
Motor vehicle and gas taxes	183,809	-	183,809	133,959
Other taxes	205,266	-	205,266	215,529
Franchise fees	82,338	-	82,338	74,558
Interest	20,795	13,944	34,739	56,501
Other revenue	127,592	-	127,592	455,266
Transfers	409,005	(409,005)	-	-
TOTAL REVENUES AND TRANSFERS	5,265,631	9,726,393	14,992,024	10,554,861
EXPENSES				
City hall	784,475	-	784,475	760,261
Fire	261,639	-	261,639	185,307
Public safety	790,582	-	790,582	575,064
Municipal court	142,040	-	142,040	108,289
Street	1,115,994	-	1,115,994	277,008
Park	273,471	-	273,471	215,171
Cemetery	4,563	-	4,563	806
Airport	789,456	-	789,456	649,098
Animal shelter	91,856	-	91,856	56,579
Building department	110,236	-	110,236	104,752
Debt service	534,941	-	534,941	291,391
Electric	-	6,256,288	6,256,288	4,351,954
Water and sewer	-	1,776,507	1,776,507	1,079,214
Trash	-	252,609	252,609	207,500
Natural gas	-	1,226,082	1,226,082	882,198
TOTAL EXPENSES	4,899,253	9,511,486	14,410,739	9,744,592
SPECIAL ITEM				
Loss on disposal of assets	(25,356)	-	(25,356)	-
INCREASE IN NET POSITION	\$ 341,022	\$ 214,907	\$ 555,929	\$ 810,269

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014**

Governmental Activities

Governmental activities increased the net position of the City by \$341,022. Tax revenues for the City were \$1,999,688 which represents 38% of the funding of these activities. Program revenues for the functions totaled \$2,708,551 or 51% 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	\$ 784,475	\$ 510,637
Fire	261,639	261,639
Public safety	790,582	628,514
Municipal court	142,040	142,040
Street	1,115,994	906,508
Park	273,471	171,231
Cemetery	4,563	2,666
Airport	789,456	(690,521)
Animal shelter	91,856	76,507
Building department	110,236	86,290
Debt service	534,941	95,191
	\$ 4,899,253	\$ 2,190,702

Business-Type Activities

Business-type activities increased the City's net position by \$214,907. In the current year, the business-type activities transferred \$409,005 to the governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

Financial Analysis of the City's Funds

The combined fund balance of the City's governmental funds as of December 31, 2014, was \$4,141,835. The General Fund increased by \$420,110, the Transportation Fund decreased by \$68,475, the Park and Pool Fund increased by \$102,975, the Special Allocation Fund increased by \$100,414, the Community Improvement District (CID) Fund increased \$8,252, and the Capital Projects Fund decreased by \$280,619.

General Fund Budgetary Highlights

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

- The original revenue budget of \$4,463,500 decreased to \$3,335,110 due to a decrease in actual revenues.
- The original expenditures budget of \$5,358,946 was decreased to \$3,996,365.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$18,091,056 (net of accumulated depreciation) as of December 31, 2014. This represents a \$633,050 increase from the prior year. Capital assets for business-type activities were \$14,147,802 as of December 31, 2014. This represents a decrease of \$127,992 from the prior year.

Debt

Total debt of the governmental activities as of December 31, 2014, was \$13,626,256, which is up from \$13,083,260 in the prior year.

Total debt of the business-type activities as of December 31, 2014, was \$9,887,401, which is up from \$9,382,794 in the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

Economic Factors and Next Year's Budget

Economic Development – Several major projects were initiated and/or completed during 2014 to include:

- B&B Movie Theatre: The City supported the B&B Theatre expansion with Chapter 100 bonds and trading the land for their former Theatre location (win-win for both the City and B&B). the City also had a major role in extending utility infrastructure (electric, water & sewer) to support this project. The Theatre is doing well in its new location and exceeding its revenue projections.
- New Dollar General Store: The new store was completed and opened in 2014 and is doing very well in its new location.
- Phelps County Regional Medical Center: Construction started in 2014 on the new medical center and it is scheduled to open in the summer of 2015 and will bring additional jobs and services to the City.
- Industrial Park and Speculative Building: The City has continued to work on the Industrial Park with working on the street and utility infrastructure. We are also working on the Speculative Building with the Pulaski County Growth Alliance.
- Downtown Parking Lot: The City paved and striped an additional parking lot to support the growth of our Downtown.

Improved City Services & Facilities – The City has made progress in providing increased services and support facilities to our citizens.

- CODE Red: The City implemented the CODE Red system, which is an emergency notification system to warn our citizens of emergency situations to include flooding, tornadoes, and other similar events.
- New Welcome Sign: A new welcome sign was installed on Ichord Avenue.
- Historic Route 66 Improvement: The City entered into a Cost-Share Agreement with MoDOT to improve Historic Route 66 from Ichord Avenue to T-Highway. The improvements include an extra lane and traffic circle on T-Highway, which will improve the traffic flow and safety along that section of the highway.
- Flood Recovery and FEMA: The City has worked hard during the 2014 year to complete the recovery from the flooding in 2013. The City worked with the engineering company, Benton & Associates, to complete a detailed storm drainage analysis of the Mitchell Creek area. That study was key applying for and receiving an Army Corps of Engineer permit for storm drainage work. The City has worked on completing several FEMA flood recovery projects such as restoring the RV Park and removing accumulated gravel and debris from sections of Mitchell Creek.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

Economic Factors and Next Year's Budget (continued)

- **Airport Improvements:** Our Joint Airport continues to improve with the construction of a new community hangar and new fueling system. The Cities also started the process to update our Airport Master Plan.
- **Police Department:** The new Police Chief and Police team have implemented several new initiatives such as the Community Police Board and have been proactive in reducing accidents and crime in the City. The City purchased 3 new police cars during this year under an innovative lease purchase program.
- **New City Hall / Street Building:** The City has developed a preliminary design for the new facility and with our Public Works Construction Crew has been making progress towards remodeling the new facility. The majority of the interior demolition to include the removal of the theatre chairs, movie screen and some interior walls has been completed. The garage doors to accommodate the Street Department trucks have been installed and the sloping floors are in the process of being leveled. This project will be partially funded by FEMA for the relocation of the Street Department out of the flood plain.
- **Utility Improvements:** The City continued to make Utility System improvements to increase the level of utility services and dependability to our citizens. Some of the key utility improvements include –
 - **New Water Tower:** The new water tower serves the Industrial Park, the Southside Water System and is linked in with the rest of our water system by an interconnecting water line that goes under I-44. The new tower will help increase our water flow in the event of fire.
 - **Emergency Back-Up Power:** The City acquired a heavy duty portable generator to provide back-up emergency power for critical City facilities such as our wells, water towers and waste-water lift stations.
 - **Utility Extensions:** The City extended our electric, natural gas, water and sewer lines to serve the new Movie Theatre and the Phelps County Regional Medical System. We have also started the sewer line extension to convert a force main line to a gravity system, which will be more energy efficient and allow the line to handle the increased flows from the expanding businesses in that area. In cooperation with the Pulaski County Sewer District, a new sewer line was installed to serve the Industrial Park and adjoining land, which is in the City limits.
 - **Chlorination:** The City completed the chlorination of the Southside Water System, which was important to bring the system up to date with current water standards. Several fire hydrants were also installed in that area.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

Economic Factors and Next Year's Budget (continued)

- New Auto-Read Meters: The City has started the installation of the new auto-read meter systems. The Electric Department is replacing the electric meters in the Woodland Hills and Summit subdivisions with the new auto-read meters. The meters that are being replaced will then be fitted with an ERT (Electronic Read Transmitter) and reinstalled in other areas of the City. City staff have received training on the new equipment and software.
- SCADA Controls: The SCADA (Supervisory Control and Data Acquisition) system is being installed for our new water tower and south-side wells. This will allow us to control the well and water-tower via a computer located in the Director of Public Works office and allow more effective and efficient use of our wells and water-tower. The SCADA system is designed to be expandable (over time) for the rest of our water system.
- Electric Line Improvements: We are continuing to implement our plan to update and improve the reliability of our electric grid by rebuilding feeder lines and providing feeder line interconnections.

Park Improvements – The City made progress in improving our Park and Recreation Services for our citizens and community.

- Park Trail Grant: The City applied for and received a Department of Natural Resources grant to provide a concrete, ADA accessible trail from the Laughlin Park area to the Roubidoux Park. The grant will provide the materials for the trail with the City providing the labor. The Street Department has started the work on the Park Trail Grant, which will proceed this winter, depending on the weather and other work considerations.
- Trail of Tears Historic Site: The City has been working on a National Park Service grant for displays in Laughlin Park. The display design has been completed and is in production. The display signs will be installed early next year.
- Park Stage: The Park Stage is steadily progressing with a major portion of the concrete poured and the blocks being placed. The City is serving as the general contractor on this project with different portions being contracted out. We are planning to complete the Park Stage next spring.
- Unlimited Playground: The Unlimited Playground work is well under way with the preliminary design completed and the fund raising work has started with Unlimited Playground.
- New Cooperative Recreation Agreement: The Cities of Waynesville, Fort Leonard Wood, and St. Robert signed a new cooperative recreation agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WAYNESVILLE, MISSOURI
December 31, 2014

Economic Factors and Next Year's Budget (continued)

2015 Budget – The 2015 budget is a balanced budget of \$16.8 million that reflects the many projects and improvements that the City is undertaking in the new year. Key projects and their budgeted amount include:

- Historic Route 66 Widening and Traffic Circle and Utility Relocation: \$ 363,000
- Airport Master Plan: \$ 130,000
- Water Grant Engineering Study: \$ 60,000
- Relocation of Roubidoux Lift Station: \$ 350,000
- Unlimited Playground (set aside): \$ 100,000
- Electric Line Extension: \$ 150,000
- Street Department Building Relocation: \$ 200,000
- Mobile Bathroom and Shower facility for RV Park: \$ 60,000
- Street and Industrial Park Paving: \$ 115,000

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, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,626,331	\$ 1,184,129	\$ 2,810,460
Sales tax receivable	244,838	-	244,838
Ad valorem taxes receivable, net	288,073	-	288,073
Utilities receivable, net	-	872,748	872,748
Other receivables	11,499	72,029	83,528
Accrued interest receivable	-	1,156	1,156
Intergovernmental receivable	292,583	-	292,583
Prepaid expenses	65,295	-	65,295
Inventory	-	364,286	364,286
Interfund balances	(732,284)	732,284	-
Noncurrent			
Restricted cash and cash equivalents	2,558,693	1,575,220	4,133,913
Capital Assets:			
Non-depreciable	3,852,550	-	3,852,550
Depreciable, net	14,238,506	14,147,802	28,386,308
TOTAL ASSETS	22,446,084	18,949,654	41,395,738
LIABILITIES			
Current			
Accounts payable	164,080	660,276	824,356
Accrued expenses	48,775	40,667	89,442
Customer deposits payable	-	351,354	351,354
Court bonds payable	338	-	338
Unearned revenue	-	30,371	30,371
Accrued interest payable	182,038	69,329	251,367
Current maturities of long-term debt	559,712	991,952	1,551,664
	954,943	2,143,949	3,098,892
Noncurrent			
Compensated absences payable	81,540	46,090	127,630
Tax increment financing COP	797,150	-	797,150
MAMU lease payable, net	30,720	1,737,208	1,767,928
Certificates of participation, net	11,673,914	3,292,639	14,966,553
Bonds payable	-	3,865,602	3,865,602
Capital leases payable	184,082	-	184,082
MTFC direct loan	380,678	-	380,678
	13,148,084	8,941,539	22,089,623
TOTAL LIABILITIES	14,103,027	11,085,488	25,188,515
NET POSITION			
Net investment in capital assets	5,236,342	5,349,684	10,586,026
Restricted	1,876,429	134,583	2,011,012
Unrestricted	1,230,286	2,379,899	3,610,185
TOTAL NET POSITION	\$ 8,343,057	\$ 7,864,166	\$ 16,207,223

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

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	\$ (784,475)	\$ 273,838	\$ -	\$ -	\$ (510,637)	\$ -	\$ (510,637)
Fire	(261,639)	-	-	-	(261,639)	-	(261,639)
Public safety	(790,582)	160,180	1,888	-	(628,514)	-	(628,514)
Municipal court	(142,040)	-	-	-	(142,040)	-	(142,040)
Street	(1,115,994)	2,550	-	206,936	(906,508)	-	(906,508)
Park	(273,471)	17,046	3,419	81,775	(171,231)	-	(171,231)
Cemetery	(4,563)	1,897	-	-	(2,666)	-	(2,666)
Airport	(789,456)	648,964	-	831,013	690,521	-	690,521
Animal shelter	(91,856)	15,349	-	-	(76,507)	-	(76,507)
Building department	(110,236)	23,946	-	-	(86,290)	-	(86,290)
Debt service	(534,941)	439,750	-	-	(95,191)	-	(95,191)
TOTAL GOVERNMENTAL ACTIVITIES	(4,899,253)	1,583,520	5,307	1,119,724	(2,190,702)	-	(2,190,702)
Business-Type Activities							
Electric service	(6,256,288)	6,536,222	-	29,293	-	309,227	309,227
Water and sewer service	(1,776,507)	1,745,514	-	-	-	(30,993)	(30,993)
Trash service	(252,609)	250,064	-	-	-	(2,545)	(2,545)
Natural gas service	(1,226,082)	1,560,361	-	-	-	334,279	334,279
TOTAL BUSINESS-TYPE ACTIVITIES	(9,511,486)	10,092,161	-	29,293	-	609,968	609,968
TOTAL GOVERNMENT	\$ (14,410,739)	\$ 11,675,681	\$ 5,307	\$ 1,149,017	(2,190,702)	609,968	(1,580,734)
		General Revenues:					
					1,209,718	-	1,209,718
					318,557	-	318,557
					183,809	-	183,809
					205,266	-	205,266
					82,338	-	82,338
					20,795	13,944	34,739
					127,592	-	127,592
					409,005	(409,005)	-
					2,557,080	(395,061)	2,162,019
					Special Item:		
					(25,356)	-	(25,356)
					Changes in Net Position		
					341,022	214,907	555,929
					8,002,035	7,649,259	15,651,294
					\$ 8,343,057	\$ 7,864,166	\$ 16,207,223

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2014

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Capital Projects Fund	
ASSETS							
Cash and cash equivalents - unrestricted	\$ 690,959	\$ 261,507	\$ 673,865	\$ -	\$ -	\$ -	\$ 1,626,331
Ad valorem taxes receivable, net	288,073	-	-	-	-	-	288,073
Sales tax receivable	165,149	48,969	30,720	-	-	-	244,838
Other receivable	11,499	-	-	-	-	-	11,499
Intergovernmental receivable	124,779	19,982	-	147,822	-	-	292,583
Prepaid expenses	65,295	-	-	-	-	-	65,295
Due from other funds	69,997	68,252	2,056	17,639	-	66,114	224,058
Restricted cash and cash equivalents	290,033	64,872	-	909,105	11,705	1,282,978	2,558,693
TOTAL ASSETS	\$ 1,705,784	\$ 463,582	\$ 706,641	\$ 1,074,566	\$ 11,705	\$ 1,349,092	\$ 5,311,370
LIABILITIES AND FUND BALANCES (DEFICIT)							
Liabilities							
Accounts payable	\$ 157,025	\$ 7,055	\$ -	\$ -	\$ -	\$ -	\$ 164,080
Accrued expenses	31,786	4,873	12,116	-	-	-	48,775
Court bonds payable	338	-	-	-	-	-	338
Due to other funds	285,102	-	-	612,101	59,139	-	956,342
TOTAL LIABILITIES	474,251	11,928	12,116	612,101	59,139	-	1,169,535

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
December 31, 2014

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Capital Projects Fund	
Fund Balances (Deficit)							
Nonspendable:							
Prepaid items	65,295	-	-	-	-	-	65,295
Restricted for:							
Specific purchases from donations	-	64,872	-	-	-	-	64,872
Debt service	-	-	-	462,465	-	1,349,092	1,811,557
Building projects	289,695	-	-	-	-	-	289,695
Assigned to:							
Parks and pool	-	386,782	-	-	-	-	386,782
Transportation	-	-	694,525	-	-	-	694,525
Unassigned	876,543	-	-	-	(47,434)	-	829,109
TOTAL FUND BALANCES (DEFICIT)	<u>1,231,533</u>	<u>451,654</u>	<u>694,525</u>	<u>462,465</u>	<u>(47,434)</u>	<u>1,349,092</u>	<u>4,141,835</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 1,705,784</u>	<u>\$ 463,582</u>	<u>\$ 706,641</u>	<u>\$ 1,074,566</u>	<u>\$ 11,705</u>	<u>\$ 1,349,092</u>	<u>\$ 5,311,370</u>

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2014

Fund balance - total governmental funds	\$ 4,141,835
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	20,948,394
Less accumulated depreciation	<u>(2,857,338)</u>
	18,091,056
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditures when due	(182,038)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(13,707,796)</u>
Net position of governmental activities	<u><u>\$ 8,343,057</u></u>

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended December 31, 2014

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Capital Projects Fund	
REVENUES							
Taxes	\$ 1,038,289	\$ 310,921	\$ 196,604	\$ 255,536	\$ -	\$ -	\$ 1,801,350
Licenses and permits	35,886	-	-	-	-	-	35,886
Intergovernmental revenues	1,131,785	81,775	-	224,885	-	-	1,438,445
Fines and forfeitures	160,180	-	-	-	-	-	160,180
Charges for services	906,746	14,671	-	-	-	439,750	1,361,167
Miscellaneous	62,224	8,103	-	7,565	8,252	-	86,144
TOTAL REVENUES	3,335,110	415,470	196,604	487,986	8,252	439,750	4,883,172
EXPENDITURES							
Current							
City hall	645,051	-	-	-	-	-	645,051
Fire	261,639	-	-	-	-	-	261,639
Public safety	843,964	-	-	-	-	-	843,964
Municipal court	140,450	-	-	-	-	-	140,450
Street	487,867	-	271,164	-	-	-	759,031
Park	-	268,296	-	-	-	-	268,296
Cemetery	3,595	-	-	-	-	-	3,595
Airport	1,408,681	-	-	-	-	-	1,408,681
Animal shelter	88,853	-	-	-	-	-	88,853
Building department	116,265	-	-	-	-	-	116,265
Debt service							
Principal and interest	-	44,199	-	387,572	-	624,888	1,056,659
TOTAL EXPENDITURES	3,996,365	312,495	271,164	387,572	-	624,888	5,592,484

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
Year Ended December 31, 2014

	Special Revenue Funds						Total Governmental Funds
	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Capital Projects Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(661,255)	102,975	(74,560)	100,414	8,252	(185,138)	(709,312)
OTHER FINANCING SOURCES (USES)							
Certificates of participation proceeds	575,020	-	-	-	-	-	575,020
Premium on COP proceeds	7,944	-	-	-	-	-	7,944
Operating transfers in (out)	498,401	-	6,085	-	-	(95,481)	409,005
TOTAL OTHER FINANCING SOURCES (USES)	1,081,365	-	6,085	-	-	(95,481)	991,969
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	420,110	102,975	(68,475)	100,414	8,252	(280,619)	282,657
FUND BALANCE (DEFICIT), January 1	811,423	348,679	763,000	362,051	(55,686)	1,629,711	3,859,178
FUND BALANCE (DEFICIT), December 31	<u>\$ 1,231,533</u>	<u>\$ 451,654</u>	<u>\$ 694,525</u>	<u>\$ 462,465</u>	<u>\$ (47,434)</u>	<u>\$ 1,349,092</u>	<u>\$ 4,141,835</u>

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, 2014

Net change in fund balances - total governmental funds \$ 282,657

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

Governmental funds report capital outlays as expenditures. However, in the statement
 of activities the cost of these assets is allocated over their estimated useful lives on a
 straight line basis and reported as depreciation expense. The following is the detail
 of the amount by which capital outlays exceeded depreciation for the year.

Capital outlay	1,261,980
Depreciation	(603,574)
	<u>658,406</u>

The statement of activities reports losses arising from the sale of capital assets. Conversely,
 governmental funds do not report any losses on the sale of capital assets. (25,356)

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 affect of these differences.

Repayment of principal on long-term debt	516,769
Lease proceeds	(582,964)
Cost share agreement on state highway	(481,847)
Interest	(98)
	<u>(548,140)</u>

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the statement of activities when incurred. (26,545)

Change in net position of governmental activities \$ 341,022

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
December 31, 2014

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 289,114	\$ 599,559	\$ 28,069	\$ 267,387	\$ 1,184,129
Utilities receivable, net	569,867	152,036	21,625	129,220	872,748
Other receivable	13,824	-	-	58,205	72,029
Accrued interest receivable	412	744	-	-	1,156
Inventory	245,471	88,723	-	30,092	364,286
Interfund balances	753,727	142,935	-	(164,378)	732,284
TOTAL CURRENT ASSETS	1,872,415	983,997	49,694	320,526	3,226,632
Restricted Assets					
Cash and cash equivalents	491,195	1,084,025	-	-	1,575,220
TOTAL RESTRICTED ASSETS	491,195	1,084,025	-	-	1,575,220
Property, Plant and Equipment					
Depreciable	3,695,602	17,114,461	-	2,968,230	23,778,293
Accumulated depreciation	(2,085,289)	(5,948,162)	-	(1,597,040)	(9,630,491)
TOTAL PROPERTY, PLANT AND EQUIPMENT	1,610,313	11,166,299	-	1,371,190	14,147,802
TOTAL ASSETS	3,973,923	13,234,321	49,694	1,691,716	18,949,654
LIABILITIES					
Current Liabilities					
Accounts payable	490,128	23,834	42,154	104,160	660,276
Accrued expenses	20,046	16,122	-	4,499	40,667
Accrued interest payable	7,680	56,005	-	5,644	69,329
Customer deposits	351,354	-	-	-	351,354
Unearned revenue	19,523	5,424	-	5,424	30,371
Current portion of long-term debt	202,382	702,330	-	87,240	991,952
TOTAL CURRENT LIABILITIES	1,091,113	803,715	42,154	206,967	2,143,949
Long-Term Liabilities					
Revenue bonds payable	-	3,865,602	-	-	3,865,602
MAMU lease payable, net	351,041	1,375,197	-	10,970	1,737,208
Certificates of participation payable, net	570,317	2,007,099	-	715,223	3,292,639
Compensated absences payable	19,443	21,531	-	5,116	46,090
TOTAL LONG-TERM LIABILITIES	940,801	7,269,429	-	731,309	8,941,539
TOTAL LIABILITIES	2,031,914	8,073,144	42,154	938,276	11,085,488
NET POSITION					
Net investment in capital assets	626,414	4,165,513	-	557,757	5,349,684
Restricted	-	134,583	-	-	134,583
Unrestricted	1,315,595	861,081	7,540	195,683	2,379,899
TOTAL NET POSITION	\$ 1,942,009	\$ 5,161,177	\$ 7,540	\$ 753,440	\$ 7,864,166

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUNDS
Year Ended December 31, 2014

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
OPERATING REVENUES					
Charges for services	\$ 6,507,862	\$ 1,563,408	\$ 250,064	\$ 1,161,416	\$ 9,482,750
Other charges	28,360	182,106	-	398,945	609,411
TOTAL OPERATING REVENUES	6,536,222	1,745,514	250,064	1,560,361	10,092,161
OPERATING EXPENSES					
Salaries and wages	326,541	362,839	-	92,588	781,968
Employee benefits	138,641	149,687	-	39,105	327,433
Materials and supplies	335,942	38,027	-	11,366	385,335
Electric current	5,104,346	-	-	-	5,104,346
Hauling and recycling charges	-	-	246,203	-	246,203
Repairs and maintenance	32,805	93,285	-	6,587	132,677
Gas purchases	-	-	-	881,020	881,020
Travel, meetings and dues	3,627	6,949	-	2,422	12,998
General administrative	-	81,920	-	15,736	97,656
Depreciation	123,231	599,348	-	83,800	806,379
Other operating expenses	129,687	125,391	6,406	25,853	287,337
TOTAL OPERATING EXPENSES	6,194,820	1,457,446	252,609	1,158,477	9,063,352
OPERATING INCOME (LOSS)	341,402	288,068	(2,545)	401,884	1,028,809
NONOPERATING REVENUES					
(EXPENSES)					
Proceeds from grants	29,293	-	-	-	29,293
Interest income	12,050	1,876	-	18	13,944
Interest expense	(50,488)	(268,923)	-	(35,388)	(354,799)
Debt issuance costs	(10,980)	(50,138)	-	(32,217)	(93,335)
TOTAL NONOPERATING REVENUES (EXPENSES)	(20,125)	(317,185)	-	(67,587)	(404,897)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	321,277	(29,117)	(2,545)	334,297	623,912
OPERATING TRANSFERS IN (OUT)	(596,349)	259,568	-	(72,224)	(409,005)
NET INCOME (LOSS)	(275,072)	230,451	(2,545)	262,073	214,907
NET POSITION, January 1	2,217,081	4,930,726	10,085	491,367	7,649,259
NET POSITION, December 31	\$ 1,942,009	\$ 5,161,177	\$ 7,540	\$ 753,440	\$ 7,864,166

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
Year Ended December 31, 2014

	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	\$ 6,485,971	\$ 1,770,934	\$ 255,690	\$ 1,473,212	\$ 9,985,807
Cash paid to suppliers	(5,587,405)	(383,973)	(250,942)	(983,442)	(7,205,762)
Cash paid to employees	(458,460)	(511,269)	-	(128,448)	(1,098,177)
NET CASH PROVIDED BY OPERATING ACTIVITIES	440,106	875,692	4,748	361,322	1,681,868
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Loans (to) other funds	(125,051)	-	-	-	(125,051)
Transfers (to) from other funds	(596,349)	259,568	-	(72,224)	(409,005)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(721,400)	259,568	-	(72,224)	(534,056)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from grants	29,293	-	-	-	29,293
Acquisition and construction of capital assets	(9,878)	(667,132)	-	(1,375)	(678,385)
Payment of debt issuance costs	(10,980)	(50,138)	-	(32,217)	(93,335)
Payment of principal on bonds and capital leases	(54,180)	(488,205)	-	(840,879)	(1,383,264)
Payment of interest expense	(48,970)	(263,911)	-	(37,521)	(350,402)
Proceeds from debt issuance	221,498	1,011,458	-	654,913	1,887,869
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	126,783	(457,928)	-	(257,079)	(588,224)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	12,050	1,876	-	18	13,944
NET CASH PROVIDED BY INVESTING ACTIVITIES	12,050	1,876	-	18	13,944
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(142,461)	679,208	4,748	32,037	573,532
CASH AND CASH EQUIVALENTS, Beginning of year					
	922,770	1,004,376	23,321	235,350	2,185,817
CASH AND CASH EQUIVALENTS, End of year					
	780,309	1,683,584	28,069	267,387	2,759,349
LESS RESTRICTED CASH AND CASH EQUIVALENTS					
	491,195	1,084,025	-	-	1,575,220
UNRESTRICTED CASH AND CASH EQUIVALENTS					
	\$ 289,114	\$ 599,559	\$ 28,069	\$ 267,387	\$ 1,184,129

See accompanying notes.

CITY OF WAYNESVILLE, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS (continued)
Year Ended December 31, 2014

	Enterprise Funds				Total Enterprise Funds
	Electric Fund	Water and Wastewater Fund	Trash Fund	Natural Gas Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ 341,402	\$ 288,068	\$ (2,545)	\$ 401,884	\$ 1,028,809
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	123,231	599,348	-	83,800	806,379
(Increase) decrease in:					
Utilities receivable	(61,693)	25,420	5,626	(41,621)	(72,268)
Other receivable	-	-	-	(45,528)	(45,528)
Inventory	34,709	(8,000)	-	463	27,172
Increase (decrease) in:					
Accounts payable	(15,707)	(30,401)	1,667	(40,921)	(85,362)
Accrued expenses	4,400	1,098	-	636	6,134
Customer deposits	11,442	-	-	-	11,442
Compensated absences payable	2,322	159	-	2,609	5,090
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 440,106</u>	<u>\$ 875,692</u>	<u>\$ 4,748</u>	<u>\$ 361,322</u>	<u>\$ 1,681,868</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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Community Improvement District (CID) Fund: The CID Fund of the City is used to account for resources transferred to begin and continue projects within the Westgate CID and restricted for community improvement district related projects. The Westgate CID, at December 31, 2011, has been formed and a one-cent sales tax has been approved for businesses operating within the CID. At December 31, 2014, no businesses have been constructed or started within the CID.

Capital Projects Fund: The Capital Projects Fund of the City is used to account for the 2011 Certificates of Participation funds restricted, committed or assigned for the Ozarks Technical Community College building project.

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.

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.

Compensated Absences

Employees earn vacation time based on the number of years of service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

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

Interest Capitalization

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

Revenue Recognition – Property Taxes

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

Due To and Due From Other Funds

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2014, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

Fund Balance Classification

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Net Position

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

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

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

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

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

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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, 2014, all bank balances on deposit are entirely insured or collateralized.

NOTE C – 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	289,695	289,695
	<u>\$ 290,033</u>	<u>\$ 289,695</u>

Park and Pool Fund

Restricted cash and cash equivalents and restricted fund balance/net position include funds donated for the park acquisition and various park projects that totaled \$64,872 at December 31, 2014.

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 \$11,705 at December 31, 2014.

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 2007 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.

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE C – RESTRICTED ASSETS (continued)

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

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position/ Fund Balance</u>
TIF COP debt service reserve	<u>\$ 909,105</u>	<u>\$ 462,465</u>

Capital Projects Fund

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

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position/ Fund Balance</u>
Debt service reserve	<u>\$ 1,282,978</u>	<u>\$ 1,349,092</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	\$ 351,354	\$ -
Series 2014 COP projects	<u>139,841</u>	<u>-</u>
	491,195	-
WATER AND WASTEWATER FUND		
Series 2011 principal account	101,002	101,002
Series 2011 interest account	33,581	33,581
Series 2014 COP projects	<u>949,442</u>	<u>-</u>
	<u>1,084,025</u>	<u>134,583</u>
	<u>\$ 1,575,220</u>	<u>\$ 134,583</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE D – ACCOUNTS RECEIVABLE

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

	Accounts Receivable	Allowance	Net Accounts Receivable
TAXES RECEIVABLE			
General Fund	\$ 313,391	\$ (25,318)	\$ 288,073
UTILITIES RECEIVABLE			
Enterprise Funds			
Electric Fund	\$ 587,335	\$ (17,468)	\$ 569,867
Water and Wastewater Fund	159,786	(7,750)	152,036
Natural Gas Fund	162,062	(32,842)	129,220
Trash Fund	25,932	(4,307)	21,625
	<u>\$ 935,115</u>	<u>\$ (62,367)</u>	<u>\$ 872,748</u>

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

The business-type activities long-term liabilities at December 31, 2014, 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, 2008, and 2012 Missouri Association of Municipal Utilities (MAMU) lease purchases, and Series 2007 and 2014 Certificates of Participation (COP), and compensated absences payable.

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, 2014, and \$192,398 remained unissued. The bonds outstanding at December 31, 2014, are due as follows:

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

Year Ended December 31,	Principal	Interest	Administrative Fee	Total
2015	\$ 205,000	\$ 67,930	\$ 41,170	\$ 314,100
2016	210,000	64,532	39,110	313,642
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	56,602	1,270	770	58,642
	<u>\$ 4,070,602</u>	<u>\$ 625,471</u>	<u>\$ 379,075</u>	<u>\$ 5,075,148</u>

Certificates of Participation

On May 3, 2007, the City issued Series 2007 Certificates of Participation (COP) for the purpose of refunding 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 \$6,295,000. The 2007 certificates bear interest at 4.00% to 4.45% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates maturing on or after April 1, 2018, may be called for redemption on or after April 1, 2017, under provisions outlined in the certificate ordinance. The certificates outstanding at December 31, 2014, are due as follows:

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

Year Ended December 31,	Principal	Interest	Total
2015	\$ 455,000	\$ 144,719	\$ 599,719
2016	475,000	125,205	600,205
2017	495,000	104,764	599,764
2018	150,000	91,183	241,183
2019	160,000	84,673	244,673
2020	165,000	77,806	242,806
2021	170,000	70,688	240,688
2022	180,000	63,160	243,160
2023	185,000	55,221	240,221
2024	195,000	46,908	241,908
2025	205,000	38,108	243,108
2026	215,000	28,814	243,814
2027	540,000	12,015	552,015
	<u>\$ 3,590,000</u>	<u>\$ 943,264</u>	<u>\$ 4,533,264</u>

Amount recorded in:

Electric Fund	\$ 520,800
Water and Wastewater Fund	1,261,500
Natural Gas Fund	146,600
Governmental Activities	1,661,100
TOTAL	<u>\$ 3,590,000</u>

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 certificates outstanding at December 31, 2014, are due as follows:

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

Year Ended December 31,	Principal	Interest	Total
2015	\$ 230,000	\$ 62,863	\$ 292,863
2016	240,000	58,163	298,163
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>\$ 2,140,000</u>	<u>\$ 466,299</u>	<u>\$ 2,606,299</u>

Amount recorded in:

Electric Fund	\$ 215,930
Water and Wastewater Fund	986,030
Natural Gas Fund	630,000
Governmental Activities	308,040
TOTAL	<u>\$ 2,140,000</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE E – 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, 2014, are due as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 95,000	\$ 42,502	\$ 137,502
2016	96,000	38,975	134,975
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>\$ 1,192,002</u>	<u>\$ 250,330</u>	<u>\$ 1,442,332</u>

Amount recorded in:

Electric Fund	\$ 381,442
Water and Wastewater Fund	798,640
Natural Gas Fund	<u>11,920</u>
TOTAL	<u>\$ 1,192,002</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

The 2008 Missouri Association of Municipal Utilities Lease was issued in the principal amount of \$890,000 for the purpose of refinancing an outstanding lease purchase agreement and to finance the construction of a building to be used by the Park Fund and/or Street Department. The responsibility for the lease has been designated to the Water and Wastewater Fund, Park Fund, and the General Fund - Department in the amounts of \$676,400 (76%), \$106,800 (12%) and \$106,800 (12%), respectively. The lease bears interest at 3.75% with principal and interest payments due each month. The outstanding payments at December 31, 2014, are due as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 120,000	\$ 5,711	\$ 125,711
2016	128,000	2,092	130,092
	<u>\$ 248,000</u>	<u>\$ 7,803</u>	<u>\$ 255,803</u>

Amount recorded in:

Water and Wastewater Fund	\$ 188,480
Governmental Activities	59,520
TOTAL	<u><u>\$ 248,000</u></u>

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, 2014, are due as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 76,621	\$ 16,436	\$ 93,057
2016	78,873	14,301	93,174
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	37,717	374	38,091
	<u>\$ 623,738</u>	<u>\$ 68,323</u>	<u>\$ 692,061</u>

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE E – 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, 2014, is as follows:

	Balance December 31, 2013	Additions	Retirements	Balance December 31, 2014	Amount Due Within One Year
WATER AND WASTEWATER FUND					
2011 Revenue Bonds	\$ 4,269,602	\$ -	\$ 199,000	\$ 4,070,602	\$ 205,000
Certificates of Participation					
Series 2007	1,327,800	-	66,300	1,261,500	159,884
Series 2014	-	986,030	-	986,030	105,975
Add:					
Premium on Series 2014 issuance	-	25,428	-	25,428	-
	<u>1,327,800</u>	<u>1,011,458</u>	<u>66,300</u>	<u>2,272,958</u>	<u>265,859</u>
MAMU Leases					
2005A MAMU Lease	854,920	-	56,280	798,640	63,650
2008A MAMU Lease	280,440	-	91,960	188,480	91,200
2012 MAMU Lease	700,917	-	77,179	623,738	76,621
Less:					
Deferred loss on refunding	(6,704)	-	(2,514)	(4,190)	-
	<u>1,829,573</u>	<u>-</u>	<u>222,905</u>	<u>1,606,668</u>	<u>231,471</u>
Compensated Absences	<u>21,372</u>	<u>159</u>	<u>-</u>	<u>21,531</u>	<u>-</u>
	<u>7,448,347</u>	<u>1,011,617</u>	<u>488,205</u>	<u>7,971,759</u>	<u>702,330</u>
ELECTRIC FUND					
Certificates of Participation					
Series 2007	548,100	-	27,300	520,800	66,007
Series 2014	-	215,930	-	215,930	105,975
Add:					
Premium on Series 2014 issuance	-	5,568	-	5,568	-
	<u>548,100</u>	<u>221,498</u>	<u>27,300</u>	<u>742,298</u>	<u>171,982</u>
2005A MAMU Lease	408,320	-	26,878	381,442	30,400
Compensated Absences	<u>17,121</u>	<u>2,322</u>	<u>-</u>	<u>19,443</u>	<u>-</u>
	<u>973,541</u>	<u>223,820</u>	<u>54,178</u>	<u>1,143,183</u>	<u>202,382</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

	Balance December 31, 2013	Additions	Retirements	Balance December 31, 2014	Amount Due Within One Year
NATURAL GAS FUND					
Certificates of Participation					
Series 2003	840,000	-	840,000	-	-
Series 2007	154,400	-	7,800	146,600	18,580
Series 2014	-	630,000	-	630,000	67,710
Add:					
Premium on Series 2014 issuance	-	24,913	-	24,913	-
Less:					
Deferred loss on refunding	(7,761)	-	(7,761)	-	-
	986,639	654,913	840,039	801,513	86,290
2005 MAMU Lease	12,760	-	840	11,920	950
Compensated Absences	2,507	2,609	-	5,116	-
	1,001,906	657,522	840,879	818,549	87,240
	<u>\$ 9,423,794</u>	<u>\$ 1,892,959</u>	<u>\$ 1,383,262</u>	<u>\$ 9,933,491</u>	<u>\$ 991,952</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2014, consists of the 2007, 2011A, 2011B, and 2014 Certificates of Participation (COP), 2008A MAMU, one tax increment financing Certificate of Participation (portion of 2007 COP), three lease-purchase agreements for equipment, an MTFC direct loan and compensated absences payable.

Certificates of Participation

On May 3, 2007, the City issued Series 2007 Certificates of Participation (COP) for the purpose of refunding 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 \$6,295,000. The 2007 certificates bear interest at 4.00% to 4.45% with principal payments due April 1 and interest payments due April 1 and October 1 of each year. The certificates maturing on or after April 1, 2018, may be called for redemption on or after April 1, 2017, under provisions outlined in the certificate ordinance. 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 E.

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE F – 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, 2014, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2015	\$ 175,000	\$ 442,935	\$ 617,935
2016	180,000	438,047	618,047
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>\$ 9,865,000</u>	<u>\$ 6,372,811</u>	<u>\$ 16,237,811</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

The Series 2011B COP outstanding at December 31, 2014, are due as follows:

Year Ended December 31,	Principal	Interest	Total
2015	\$ 145,000	\$ 35,410	\$ 180,410
2016	145,000	31,151	176,151
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
	<u>\$ 995,000</u>	<u>\$ 136,130</u>	<u>\$ 1,131,130</u>

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 E.

Missouri Association of Municipal Utilities Lease

The 2008A Missouri Association of Municipal Utilities Lease was issued in the principal amount of \$890,000 for the purpose of refinancing an outstanding lease purchase agreement and to finance the construction of a building to be used by the Park Fund and/or Street Department. The responsibility for the lease has been designated to the Water and Wastewater Fund, Park Fund, and the General Fund - in the amounts of \$676,400 (76%), \$106,800 (12%) and \$106,800 (12%), respectively. The lease bears interest at 3.75% with principal and interest payments due each month. The payment schedule for this issuance has been presented as a component of Note E.

Capital Leases

On March 6, 2014, the City entered into a lease purchase agreement with Security Bank of Pulaski County to finance the purchase of three police vehicles for \$103,470. The lease requires an annual payment of \$37,111, which includes interest at 3.75%.

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

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%.

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, 2014, are as follows:

Year Ended December 31,	2014 Dodge Charger Lease Purchase	2014 John Deere Grader Lease Purchase	2014 John Deere Backhoe Lease Purchase	Total
2015	\$ 37,111	\$ 13,706	\$ 22,610	\$ 73,427
2016	37,111	13,706	22,610	73,427
2017	37,111	13,706	22,610	73,427
2018	-	13,706	22,610	36,316
2019	-	13,706	-	13,706
TOTAL MINIMUM LEASE PAYMENTS	111,333	68,530	90,440	270,303
LESS AMOUNT REPRESENTING INTEREST	(7,863)	(7,520)	(7,115)	(22,498)
NET LEASE PAYABLE	<u>\$ 103,470</u>	<u>\$ 61,010</u>	<u>\$ 83,325</u>	<u>\$ 247,805</u>

Missouri Transportation Finance Corporation Direct Loan

On October 17, 2013, the City entered into a direct loan agreement with the Missouri Transportation Finance Corporation 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. \$481,847 of the loan was disbursed directly to the Commission on July 1, 2014, and the second disbursement of \$538,573 is to take place on May 1, 2015. Therefore, the amount outstanding at December 31, 2014, is \$481,847.

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

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

Principal and interest payments are due as follows:

Year Ended December 31,	Principal	Interest	Total
2015	\$ 101,169	\$ 12,975	\$ 114,144
2016	93,128	21,016	114,144
2017	95,308	18,836	114,144
2018	97,481	16,663	114,144
2019	94,761	19,383	114,144
	<u>\$ 481,847</u>	<u>\$ 88,873</u>	<u>\$ 570,720</u>

A summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2014, is as follows:

	Balance December 31, 2013	Additions	Retirements	Balance December 31, 2014	Amounts Due Within One Year
Certificates of Participation					
Series 2007	\$ 1,994,700	\$ -	\$ 333,600	\$ 1,661,100	\$ 210,529
Series 2011A	9,865,000	-	-	9,865,000	175,000
Series 2011B	1,135,000	-	140,000	995,000	145,000
Series 2014	-	308,040	-	308,040	33,107
Add:					
Premium on Series 2014 issuance	-	7,944	-	7,944	-
	<u>12,994,700</u>	<u>315,984</u>	<u>473,600</u>	<u>12,837,084</u>	<u>563,636</u>
Series 2008A MAMU Lease	88,560	-	29,040	59,520	28,800
Capital Lease Obligations					
2014 Dodge Chargers	-	103,470	-	103,470	33,231
John Deere Grader	-	61,010	-	61,010	11,265
John Deere Backhoe	-	102,500	19,175	83,325	19,227
MTFC Direct Loan	-	481,847	-	481,847	101,169
Compensated Absences	76,494	5,046	-	81,540	-
	<u>\$ 13,159,754</u>	<u>\$ 1,069,857</u>	<u>\$ 521,815</u>	<u>\$ 13,707,796</u>	<u>\$ 757,328</u>

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014, was as follows:

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 3,235,857	\$ -	\$ -	\$ 3,235,857
Construction in progress	998,582	616,693	998,582	616,693
	<u>4,234,439</u>	<u>\$ 616,693</u>	<u>\$ 998,582</u>	3,852,550
Depreciable capital assets:				
Building and improvements	8,832,839	\$ 669,393	\$ -	9,502,232
Machinery and equipment	556,272	163,510	17,795	701,987
Land improvements	2,352,970	-	-	2,352,970
Vehicles	588,945	103,470	98,165	594,250
Infrastructure	<u>3,236,909</u>	<u>707,496</u>	<u>-</u>	<u>3,944,405</u>
Total depreciable capital assets	15,567,935	<u>\$ 1,643,869</u>	<u>\$ 115,960</u>	17,095,844
Less accumulated depreciation	<u>2,344,368</u>	<u>\$ 603,574</u>	<u>\$ 90,604</u>	<u>2,857,338</u>
Total depreciable capital assets, net	<u>13,223,567</u>			<u>14,238,506</u>
Total Governmental Activities Capital Assets, net	<u>\$ 17,458,006</u>			<u>\$ 18,091,056</u>

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

Administrative	\$ 198,567
Public safety	46,241
Park and pool	63,126
Street	157,118
Airport	120,887
Community improvement	13,905
Animal Shelter	2,762
Cemetery	968
	<u>\$ 603,574</u>

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE G – CAPITAL ASSETS (continued)

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Business-Type Activities				
Electric Fund				
Depreciable capital assets:				
Electric distribution system	\$ 2,460,789	\$ -	\$ -	\$ 2,460,789
Vehicles	457,056	8,500	26,033	439,523
Equipment	750,016	1,375	-	751,391
Buildings and improvements	43,899	-	-	43,899
	<u>3,711,760</u>	<u>\$ 9,875</u>	<u>\$ 26,033</u>	3,695,602
Less accumulated depreciation	<u>1,988,096</u>	<u>\$ 123,231</u>	<u>\$ 26,038</u>	<u>2,085,289</u>
Depreciable Capital Assets, net	1,723,664			1,610,313
Water and Wastewater Fund				
Non-depreciable capital assets:				
Construction in progress	388,570	<u>\$ -</u>	<u>\$ 388,570</u>	-
Depreciable capital assets:				
Buildings and improvements	14,466	\$ -	\$ -	14,466
Distribution system	15,367,860	986,609	-	16,354,469
Equipment	499,208	69,093	5,500	562,801
Vehicles	191,330	-	8,605	182,725
	<u>16,072,864</u>	<u>\$ 1,055,702</u>	<u>\$ 14,105</u>	17,114,461
Less accumulated depreciation	<u>5,362,919</u>	<u>\$ 599,348</u>	<u>\$ 14,105</u>	<u>5,948,162</u>
Depreciable Capital Assets, net	10,709,945			11,166,299

CITY OF WAYNESVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE G – CAPITAL ASSETS (continued)

	Balance December 31, 2013	Additions	Deletions	Balance December 31, 2014
Natural Gas Fund				
Depreciable capital assets:				
Buildings and improvements	73,072	\$ -	\$ -	73,072
Distribution system	2,615,088	-	-	2,615,088
Equipment	278,695	1,375	-	280,070
Vehicles	19,399	-	19,399	-
	<u>2,986,254</u>	<u>\$ 1,375</u>	<u>\$ 19,399</u>	<u>2,968,230</u>
Less accumulated depreciation	<u>1,532,639</u>	<u>\$ 83,800</u>	<u>\$ 19,399</u>	<u>1,597,040</u>
Depreciable Capital Assets, net	<u>1,453,615</u>			<u>1,371,190</u>
Total Depreciable Capital Assets, net	<u>13,887,224</u>			<u>14,147,802</u>
Total Business-Type Activities Capital Assets, net	<u>\$ 14,275,794</u>			<u>\$ 14,147,802</u>

NOTE H – 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>2014</u>
Assessed Valuation	
Real estate	\$ 49,262,711
Personal property	7,663,237
	<u>TOTAL \$ 56,925,948</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.5596</u>

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

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

The legal debt margin at December 31, 2014, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 5,692,595	\$ 5,692,595	\$ 11,385,190
General Obligation Bonds Payable	-	-	-
LEGAL DEBT MARGIN	<u>\$ 5,692,595</u>	<u>\$ 5,692,595</u>	<u>\$ 11,385,190</u>

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

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

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Waynesville participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's 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 it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE I – EMPLOYEE PENSION PLAN (continued)

Funding Status

Full-time employees of the City of Waynesville do not contribute to the pension plan. The June 30th statutorily required contribution rates are 20.7% (General) and 16.8% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision’s annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 319,404
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>319,404</u>
Actual contributions	<u>319,404</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

The annual required contribution (ARC) was determined as part of the February 29, 2012, and February 28, 2013, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2012, was 17 years for the General division and 22 years for the Police division. The amortization period at February 28, 2013, was 17 years for the General division and 28 years for the Police division.

CITY OF WAYNESVILLE, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2014

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information				
Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
2012	\$ 272,270	100%	\$	-
2013	275,246	100%		-
2014	319,404	100%		-

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2014	\$ 1,109,549	\$ 2,359,362	\$ 1,249,813	47%	\$ 1,477,076	85%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE J – 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.

NOTE K – 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 L – 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, 2014, 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 M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2014, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 498,401	\$ -
Transportation Fund	6,085	-
Capital Projects Fund	-	95,481
Electric Fund	-	596,349
Water and Wastewater Fund	259,568	-
Natural Gas Fund	-	72,224
	<u>\$ 764,054</u>	<u>\$ 764,054</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, 2014

NOTE N – INTERNAL BALANCES

Internal balances as of December 31, 2014, consisted of the following:

	General Fund	Park and Pool Fund	Transportation Fund	Special Allocation Fund	Community Improvement District Fund	Capital Projects Fund	Governmental Activities Total
Internal balances	\$ (215,105)	\$ 68,252	\$ 2,056	\$ (594,462)	\$ (59,139)	\$ 66,114	\$ (732,284)
	Electric Fund	Water and Wastewater Fund	Natural Gas Fund	Business- Type Activities Total			
Internal balances	\$ 753,727	\$ 142,935	\$ (164,378)	\$ 732,284			

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, 2014, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE O – COMMITMENTS

As of December 31, 2014, the City had the following commitments:

- CMT for services related to the construction of new fuel storage facilities and updates to the airport master plan in the amount of \$152,378.
- Seneca Companies for services related to the construction of new fuel storage facilities in the amount of \$173,046.
- Community Development Block Grant and loan – The City entered into an agreement in July 2014 with the Missouri Department of Economic Development to receive up to \$841,500 and subsequently loan the funds to the Pulaski County Growth Alliance, which will be due to the City sixty months after the final drawdown of the CDBG funds.

NOTE P – 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 \$4,696,073. Principal and interest paid for the current year and total customer net revenues were \$268,264 and \$887,416, respectively.

NOTE Q – DEFICIT FUND BALANCE

At December 31, 2014, the Community Improvement District Fund had a fund balance deficit of \$47,434 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 R – CURRENT YEAR DEBT REFUNDING

On April 21, 2014, the City issued \$2,140,000 in Series 2014 Certificates of Participation, of which \$630,000 was used to for refunding, with interest of 2.00% to 4.00%. The City issued and used the net proceeds along with debt service reserve funds to pay off on April 1, 2014, \$858,049 of outstanding principal and interest on the Series 2003 Certificates of Participation with interest of 1.75% to 4.75%.

As a result of the refunding, the City reduced its debt service requirements by \$260,705, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$252,888.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAYNESVILLE, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2014

Missouri Local Government Employees Retirement System (LAGERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2012	\$ 764,038	\$ 1,861,138	\$ 1,097,100	41%	\$ 1,293,227	85%
2/28/2013	1,057,496	2,282,076	1,224,580	46%	1,447,374	85%
2/28/2014	1,109,549	2,359,362	1,249,813	47%	1,477,076	85%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 305,000	\$ 318,557	\$ 318,557	\$ -
City sales tax	535,000	446,659	446,659	-
Motor vehicle taxes	170,000	183,809	183,809	-
Utility franchise tax	100,000	82,338	82,338	-
Financial institution taxes	2,000	2,842	2,842	-
Railroad and utility tax	1,000	4,084	4,084	-
	<u>1,113,000</u>	<u>1,038,289</u>	<u>1,038,289</u>	<u>-</u>
Licenses and Permits				
Building permits	25,000	23,946	23,946	-
Other licenses and permits	11,250	11,940	11,940	-
	<u>36,250</u>	<u>35,886</u>	<u>35,886</u>	<u>-</u>
Intergovernmental Revenues				
Federal and state grants	1,621,000	1,131,785	1,131,785	-
Charges for Services				
Fuel sales	700,000	538,369	538,369	-
Rental income	642,850	350,534	350,534	-
Animal control	16,000	15,349	15,349	-
Other	1,700	2,494	2,494	-
	<u>1,360,550</u>	<u>906,746</u>	<u>906,746</u>	<u>-</u>
Fines and Forfeitures				
City court fines	211,000	160,180	160,180	-
Miscellaneous				
Interest	15,000	12,866	12,866	-
Other	106,700	49,358	49,358	-
	<u>121,700</u>	<u>62,224</u>	<u>62,224</u>	<u>-</u>
TOTAL REVENUES	<u>4,463,500</u>	<u>3,335,110</u>	<u>3,335,110</u>	<u>-</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
City hall	1,266,421	645,051	645,051	-
Fire	262,000	261,639	261,639	-
Public safety	778,450	843,964	843,964	-
Municipal court	148,091	140,450	140,450	-
Street	299,170	487,867	487,867	-
Cemetery	600	3,595	3,595	-
Airport	2,395,558	1,408,681	1,408,681	-
Animal shelter	87,150	88,853	88,853	-
Building department	121,506	116,265	116,265	-
TOTAL EXPENDITURES	<u>5,358,946</u>	<u>3,996,365</u>	<u>3,996,365</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(895,446)	(661,255)	(661,255)	-
OTHER FINANCING SOURCES				
Sale of property	75,000	-	-	-
Certificates of participation proceeds	-	575,020	575,020	-
Premium on COP proceeds	-	7,944	7,944	-
Operating transfers in	830,000	498,401	498,401	-
TOTAL OTHER FINANCING SOURCES	<u>905,000</u>	<u>1,081,365</u>	<u>1,081,365</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	9,554	420,110	420,110	-
FUND BALANCE, January 1	<u>811,423</u>	<u>811,423</u>	<u>811,423</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 820,977</u>	<u>\$ 1,231,533</u>	<u>\$ 1,231,533</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Transportation sales tax	\$ 240,000	\$ 196,604	\$ 196,604	\$ -
TOTAL REVENUES	240,000	196,604	196,604	-
EXPENDITURES				
Current				
Street	312,500	271,164	271,164	-
TOTAL EXPENDITURES	312,500	271,164	271,164	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	(72,500)	(74,560)	(74,560)	-
OTHER FINANCING SOURCES				
Loan proceeds	75,000	-	-	-
Operating transfers in	-	6,085	6,085	-
TOTAL OTHER FINANCING SOURCES	75,000	6,085	6,085	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	2,500	(68,475)	(68,475)	-
FUND BALANCE, January 1	763,000	763,000	763,000	-
FUND BALANCE, December 31	\$ 765,500	\$ 694,525	\$ 694,525	\$ -

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK AND POOL FUND
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Sales taxes	\$ 365,000	\$ 310,921	\$ 310,921	\$ -
Intergovernmental Revenues				
Federal and state grants	-	81,775	81,775	-
Charges for Services				
Rental income	11,000	14,671	14,671	-
Miscellaneous				
Donations	70,000	3,419	3,419	-
Interest income	600	363	363	-
Miscellaneous	7,500	4,321	4,321	-
	<u>78,100</u>	<u>8,103</u>	<u>8,103</u>	<u>-</u>
TOTAL REVENUES	454,100	415,470	415,470	-
EXPENDITURES				
Current				
Parks and pool	480,795	268,296	268,296	-
Debt Service				
Principal and interest	14,700	44,199	44,199	-
TOTAL EXPENDITURES	<u>495,495</u>	<u>312,495</u>	<u>312,495</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(41,395)	102,975	102,975	-
FUND BALANCE, January 1	<u>348,679</u>	<u>348,679</u>	<u>348,679</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 307,284</u>	<u>\$ 451,654</u>	<u>\$ 451,654</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL ALLOCATION FUND
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Special allocations	\$ 270,000	\$ 255,536	\$ 255,536	\$ -
Intergovernmental revenues	225,000	224,885	224,885	-
Miscellaneous				
Interest	-	7,565	7,565	-
TOTAL REVENUES	<u>495,000</u>	<u>487,986</u>	<u>487,986</u>	<u>-</u>
EXPENDITURES				
Debt Service				
COP principal	295,000	295,000	295,000	-
COP Interest	61,615	58,671	58,671	-
Miscellaneous expense	37,000	33,901	33,901	-
TOTAL EXPENDITURES	<u>393,615</u>	<u>387,572</u>	<u>387,572</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	101,385	100,414	100,414	-
FUND BALANCE, January 1	<u>362,051</u>	<u>362,051</u>	<u>362,051</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 463,436</u>	<u>\$ 462,465</u>	<u>\$ 462,465</u>	<u>\$ -</u>

CITY OF WAYNESVILLE, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – COMMUNITY IMPROVEMENT DISTRICT FUND
 Year Ended December 31, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Other	\$ 5,000	\$ 8,252	8,252	\$ -
TOTAL REVENUES	5,000	8,252	8,252	-
EXPENDITURES				
Community improvements	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	5,000	8,252	8,252	-
FUND BALANCE (DEFICIT), January 1	(55,686)	(55,686)	(55,686)	-
FUND BALANCE (DEFICIT), December 31	\$ (50,686)	\$ (47,434)	\$ (47,434)	\$ -

CITY OF WAYNESVILLE, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2014

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 FINANCIAL INFORMATION



**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, 2014, 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 20, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. It is identified as item 2014-001.

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 20, 2015



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

Compliance

We have audited the City of Waynesville, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2014. The City of Waynesville, Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Waynesville, Missouri's major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the City's compliance with those requirements and performing such other procedures as we consider 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 the City of Waynesville, Missouri's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Waynesville, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2014.

Internal Control over Compliance

Management of the City of Waynesville, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Honorable Mayor and Board of Aldermen
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 requirement of OMB Circular A-133. Accordingly, this report is not suited for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 20, 2015

CITY OF WAYNESVILLE, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended December 31, 2014

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF INTERIOR</u>			
Missouri Department of Natural Resources			
Land and Water Fund Conservation Grant	15.916	29-01605	\$ 19,982
Direct			
National Trails System Projects	15.935	N/A	<u>14,157</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			<u>34,139</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct			
Equitable Sharing Program	16.922	N/A	<u>5,210</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			5,210
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Highway Commission			
Airport Improvement Program	20.106	AIR 12-57B-1 & 2	98,616
		AIR 11-57B-1	460,752
		AIR 11-57B-2	270,955
Highway Planning and Construction	20.205	SRTSH - 289 (106)	213
		SRTS - INF- H109 (003)	7,994
		STP - 9900 (921)	4,058
University of Central Missouri			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.607	14-154-AL-062	673
		14-154-AL-083	<u>313</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			843,574
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Missouri Department of Public Safety			
Disaster Grant - Public Assistance	97.036	FEMA-4144-DR-MO	<u>263,983</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>263,983</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 1,146,906</u></u>

N/A - Not applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

The City did not provide funds to sub-recipients in the current year.

CITY OF WAYNESVILLE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. One material weakness disclosed during the audit of the financial statements is reported in the 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*.
4. No instances of noncompliance material to the financial statements were disclosed during the audit.
5. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award program.
6. The auditors' report on compliance for the major federal award program expresses an unmodified opinion.
7. There were no audit findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
8. The program tested as a major program was:

Airport Improvement Program	20.106
-----------------------------	--------
9. The threshold for determining Type A programs was \$300,000.
10. The City of Waynesville, Missouri, was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2014-001 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.

CITY OF WAYNESVILLE, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2014

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

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.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award program.

CITY OF WAYNESVILLE, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2014

There were no prior audit findings.



Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

In planning and performing our audit of the basic financial statements of the City of Waynesville, Missouri, for the year ended December 31, 2014, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

1. GASB Statement Number 68 Implementation

In June 2012, the Governmental Accounting Standards Board issued *Statement of Governmental Accounting Standards No. 68 – Accounting and Financial Reporting for Pensions*. This statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses/expenditures relating to pensions, note disclosures, and required supplementary information. The effective date is for periods beginning after June 15, 2014.

We Recommend:

The City's management become familiar with the requirements of GASB Statement No. 68 in order to assess the steps necessary to ensure successful implementation of this statement on the effective date.

2. Continuing Disclosure Debt Requirements

In December 2008, the Municipal Securities Rulemaking Board (MSRB) established the Electronic Municipal Market Access (EMMA) system to collect continuing disclosure information from issuers of municipal debt. The EMMA reporting system had an effective date of July 1, 2009. Issuers of municipal securities must disclose certain annual financial information to the marketplace through the EMMA system in accordance with the bond continuing disclosure agreement. The agreements generally call for a filing within 180 days after the fiscal year end. Annual financial information is commonly provided to EMMA through submission of a set of audited financial statements. Because a set of audited financial statements might not always be available within 180 days of fiscal year end, the City may also submit unaudited financial information to EMMA to satisfy the continuing disclosure requirement within 180 days of a given fiscal year. Early submission of unaudited financial information is advisable as this early submission will guarantee the City's compliance with the financial reporting requirements.

We Recommend:

The City discuss the EMMA requirements with their bond counsel and establish procedures that will ensure the City's compliance with bond continuing disclosure requirements. The City can also find more information on this subject at: <http://emma.msrb.org/AboutEmma/AboutContinuingDisclosure.aspx>. We further recommend the City assign one employee to monitor the City's debt.

3. Federal Grant Compliance

On December 26, 2013 the Office of Management and Budget issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (OMNI Circular). This new circular significantly changes the grant compliance requirements governments must follow in complying with federal Grants. The compliance requirements are effective for awards made after December 26, 2014.

The new OMNI Circular changes grant compliance requirements in the areas of allowable costs, procurement, real property management and sub-recipient monitoring. The new Circular also has new requirements regarding internal controls and includes the requirement that governments have **written** procedures for cash management and allowable cost determination. The new Circular requires governments receiving federal funds to have a **written** conflict of interest policy with **penalties** for non-compliance. The OMNI Circular also significantly changed sub-recipient monitoring and communication requirements for pass-through grants.

We Recommend:

The City require individuals charged with ensuring grant compliance, receive training on the new OMNI Circular. We also recommend the City adopt plans and polices to ensure compliance with the new OMNI Circular.

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

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

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

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 20, 2015



Honorable Mayor and City Council
City of Waynesville
Waynesville, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Waynesville, Missouri, for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Waynesville, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 20, 2015.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Other Matters

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

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

Very truly yours,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
April 20, 2015