

CITY OF CARL JUNCTION

CARL JUNCTION, MISSOURI

**AUDITED FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT**

YEAR ENDED APRIL 30, 2016

CITY OF CARL JUNCTION, MISSOURI

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Alderpersons
City of Carl Junction
303 N. Main Street
Carl Junction, Missouri 64834

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carl Junction, Missouri, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Carl Junction, Missouri'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

Basis for Qualified Opinions on General, Street, Water, Sewer, Governmental and Business-Type Activities

Management has not recorded infrastructure assets in the General, Street, Water and Sewer Funds and has not recorded depreciation expense on those assets. This also affects the Governmental and Business-Type Activities opinion units. Accounting principles generally accepted in the United States of America require infrastructure assets be capitalized and depreciated, which would increase the assets, net position and expenses of the opinion units mentioned previously. We cannot reasonably determine the amounts by which this departure would affect the assets, net position and expenses of the General, Street, Water, and Sewer Funds, and the Governmental and Business-Type Activities.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on General, Street, Water, Sewer, Governmental and Business-Type Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General, Street, Water and Sewer Funds, and the Governmental and Business-Type activities of the City of Carl Junction, Missouri, as of April 30, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Park, Debt Service and Capital Projects funds of the City of Carl Junction, Missouri, as of April 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension schedules on pages 33-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carl Junction, Missouri’s basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of expenditures of federal awards 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 January 15, 2017, on our consideration of the City of Carl Junction, Missouri’s internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carl Junction, Missouri’s internal control over financial reporting and compliance.

Omission of Required Supplementary Information

The City of Carl Junction, Missouri has not presented the Management's Discussion and Analysis (MD&A) that is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Taylor Green PC

Neosho, Missouri

January 15, 2017

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF NET POSITION
APRIL 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,442,856	\$ 1,768,948	\$ 3,211,804
Internal balances	17,339	(17,339)	-
Prepaid Insurance	10,819	8,929	19,748
Taxes receivable	9,025	-	9,025
Accounts receivable, net	-	177,934	177,934
Total current assets	<u>1,480,039</u>	<u>1,938,472</u>	<u>3,418,511</u>
Restricted assets:			
Cash	421,381	146,991	568,372
Total restricted assets	<u>421,381</u>	<u>146,991</u>	<u>568,372</u>
Non-current assets:			
Capital assets:			
Land	445,000	242,000	687,000
Other capital assets, net of accumulated depreciation	11,640,386	10,955,743	22,596,129
Net pension asset	8,941	-	8,941
Total non-current assets	<u>12,094,327</u>	<u>11,197,743</u>	<u>23,292,070</u>
Total Assets	<u>13,995,747</u>	<u>13,283,206</u>	<u>27,278,953</u>
Deferred outflows of resources:			
Property taxes receivable	119,150	-	119,150
Relating to pensions	234,817	-	234,817
Total Assets and Deferred Outflows	<u>\$ 14,349,714</u>	<u>\$ 13,283,206</u>	<u>\$ 27,632,920</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF NET POSITION
APRIL 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 307,348	\$ 19,982	\$ 327,330
Accrued liabilities	151,744	75,294	227,038
Current maturities of long-term debt	311,716	329,309	641,025
Total current liabilities	770,808	424,585	1,195,393
Non-current liabilities:			
Meter deposits payable	-	120,266	120,266
Lease purchase agreement payable	4,169,381	3,088,768	7,258,149
Total non-current liabilities	4,169,381	3,209,034	7,378,415
Total Liabilities	\$ 4,940,189	\$ 3,633,619	\$ 8,573,808
NET POSITION			
Net investment in capital assets	\$ 7,604,289	\$ 7,779,666	\$ 15,383,955
Restricted for:			
Pensions	243,758	-	243,758
Reserves	410,933	-	410,933
Bond Requirements	-	20,908	20,908
Debt Service	460,272	-	460,272
Shop with a Cop	5,814	-	5,814
Court Bonds	4,634	-	4,634
Deposits	-	126,083	126,083
Unrestricted	679,825	1,722,930	2,402,755
Total Net Position	\$ 9,409,525	\$ 9,649,587	\$ 19,059,112

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government:					
Governmental activities:					
General and administrative	\$ (907,435)	\$ -	\$ -	\$ -	\$ (907,435)
Public safety:					
Police department	(962,668)	173,848	88,513	-	(700,307)
Trash	-	63,614	-	-	63,614
Community service	(24,300)	-	-	-	(24,300)
Municipal court	(101,860)	-	-	-	(101,860)
Park department	(308,511)	-	-	-	(308,511)
Street	(421,924)	-	-	-	(421,924)
Capital improvements	(89,366)	-	29,973	-	(59,393)
Debt services	(134,683)	-	-	-	(134,683)
Total governmental activities	<u>(2,950,747)</u>	<u>237,462</u>	<u>118,486</u>	<u>-</u>	<u>(2,594,799)</u>
Business-type activities:					
Sewer fund	(1,450,810)	1,077,129	-	554,717	181,036
Water fund	(893,612)	1,099,278	-	-	205,666
Total business-type activities	<u>(2,344,422)</u>	<u>2,176,407</u>	<u>-</u>	<u>554,717</u>	<u>386,702</u>
Total primary government	<u>\$ (5,295,169)</u>	<u>\$ 2,413,869</u>	<u>\$ 118,486</u>	<u>\$ 554,717</u>	<u>\$ (2,208,097)</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net position:			
Net (expense) revenue	\$ (2,594,799)	\$ 386,702	\$ (2,208,097)
General revenues:			
Taxes:			
Sales taxes:			
General	332,285	-	332,285
City	807,795	-	807,795
Motor vehicle	95,853	-	95,853
Motor fuel taxes	197,042	-	197,042
Property taxes	485,162	-	485,162
Franchise taxes (fees)	461,543	-	461,543
Dog pound	1,554	-	1,554
Licenses and permits	75,410	-	75,410
Intergovernmental rent	44,132	-	44,132
Interest income	1,517	1,873	3,390
Miscellaneous	87,476	196,288	283,764
Net transfers	262,286	(262,286)	-
Total general revenues	<u>2,852,055</u>	<u>(64,125)</u>	<u>2,787,930</u>
Net position—beginning	1,601,837	2,032,681	3,634,518
Prior period adjustment	7,437,236	7,294,329	14,731,565
Net pension benefit, May 1, 2014	113,196	-	113,196
Net position--adjusted beginning	<u>9,152,269</u>	<u>9,327,010</u>	<u>18,479,279</u>
Change in net position	257,256	322,577	579,833
Net position—ending	<u>\$ 9,409,525</u>	<u>\$ 9,649,587</u>	<u>\$ 19,059,112</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI

BALANCE SHEET
GOVERNMENTAL FUNDS

APRIL 30, 2016

	General Fund	Street Fund	Park Fund	Capital Improvement Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 626,968	\$ 161,079	\$ 122,862	\$ 75,917	\$ 456,030	\$ 1,442,856
Internal balances	17,339	-	-	-	-	17,339
Prepaid insurance	9,622	1,197	-	-	-	10,819
Taxes Receivable	4,783	-	-	-	4,242	9,025
	<u>658,712</u>	<u>162,276</u>	<u>122,862</u>	<u>75,917</u>	<u>460,272</u>	<u>1,480,039</u>
Restricted assets:						
Cash and cash equivalents	421,381	-	-	-	-	421,381
	<u>421,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>421,381</u>
Total Assets	<u>\$ 1,080,093</u>	<u>\$ 162,276</u>	<u>\$ 122,862</u>	<u>\$ 75,917</u>	<u>\$ 460,272</u>	<u>\$ 1,901,420</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4,565	\$ 4,611	\$ 30,956	\$ 267,216	\$ -	\$ 307,348
Accrued liabilities	151,733	11	-	-	-	151,744
Total Liabilities	<u>156,298</u>	<u>4,622</u>	<u>30,956</u>	<u>267,216</u>	<u>-</u>	<u>459,092</u>
Fund Balances:						
Unassigned	-	-	-	(191,299)	-	(191,299)
Assigned	-	51,692	48,447	-	-	100,139
Committed	258,656	105,962	43,459	-	-	408,077
Restricted	665,139	-	-	-	460,272	1,125,411
Nonspendable	-	-	-	-	-	-
Total Fund Balances	<u>923,795</u>	<u>157,654</u>	<u>91,906</u>	<u>(191,299)</u>	<u>460,272</u>	<u>1,442,328</u>
Total Liabilities and Fund Balances	<u>\$ 1,080,093</u>	<u>\$ 162,276</u>	<u>\$ 122,862</u>	<u>\$ 75,917</u>	<u>\$ 460,272</u>	<u>\$ 1,901,420</u>

Reconciliation to Statement of Net Position:

Total fund balance - total governmental funds	\$ 1,442,328
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities of \$19,105,709 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,020,323	12,085,386
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	119,150
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,481,097)
Pension benefits are reported as they are earned in the statement of net position:	
Net pension asset	8,941
Deferred outflow of resources relating to pension	234,817
Net position of governmental activities	<u>\$ 9,409,525</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Park Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:						
Taxes	\$ 1,278,990	\$ 419,169	\$ 126,127	\$ 126,147	\$ 429,247	\$ 2,379,680
Fines	173,848	-	-	-	-	173,848
Trash	63,614	-	-	-	-	63,614
Grant	88,513	-	-	29,973	-	118,486
Dog pound	1,554	-	-	-	-	1,554
Licenses and permits	75,410	-	-	-	-	75,410
Intergovernmental rent	44,132	-	-	-	-	44,132
Interest income	721	158	111	88	439	1,517
Miscellaneous	79,426	470	7,580	-	-	87,476
Total Revenues	<u>1,806,208</u>	<u>419,797</u>	<u>133,818</u>	<u>156,208</u>	<u>429,686</u>	<u>2,945,717</u>
Expenditures:						
Current:						
General and administrative	451,907	-	-	-	-	451,907
Public Safety:						
Police department	863,380	-	-	-	-	863,380
Community service	24,300	-	-	-	-	24,300
Health insurance premiums	262,072	-	-	-	-	262,072
Municipal court	101,860	-	-	-	-	101,860
Park department	-	-	187,458	-	-	187,458
Streets	-	370,232	-	-	-	370,232
Capital improvements	-	-	-	89,366	-	89,366
Debt service	-	-	-	-	134,683	134,683
Total Expenditures	<u>1,703,519</u>	<u>370,232</u>	<u>187,458</u>	<u>89,366</u>	<u>134,683</u>	<u>2,485,258</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 102,689</u>	<u>\$ 49,565</u>	<u>\$ (53,640)</u>	<u>\$ 66,842</u>	<u>\$ 295,003</u>	<u>\$ 460,459</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	<u>General Fund</u>	<u>Street Fund</u>	<u>Park Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses):						
Operating transfers in	1,847,468	144,417	175,906	-	-	2,167,791
Operating transfers out	(1,419,273)	(119,726)	(78,900)	(72,606)	(215,000)	(1,905,505)
Total Other Financing Sources (Uses)	<u>428,195</u>	<u>24,691</u>	<u>97,006</u>	<u>(72,606)</u>	<u>(215,000)</u>	<u>262,286</u>
Net change in fund balances	530,884	74,256	43,366	(5,764)	80,003	722,745
Fund balances--beginning	879,345	83,398	121,145	81,680	436,269	1,601,837
Prior period adjustments	4,902,061	839,306	2,076,280	(267,216)	-	7,550,431
Fund balances--adjusted beginning	5,781,406	922,704	2,197,425	(185,536)	436,269	9,152,268
Fund balances--ending	<u>\$ 6,312,290</u>	<u>\$ 996,960</u>	<u>\$ 2,240,791</u>	<u>\$ (191,300)</u>	<u>\$ 516,272</u>	<u>\$ 9,875,013</u>

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 722,745

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

In the statement of activities, the pension expense recognized is equal to the change in the pension liability adjusted for deferred recognition of the certain changes in the liability and investment experience.

Current year pension expense (52,468)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures to over the life of the assets:

Depreciation expense (413,021)

Change in Net Position of Governmental Activities \$ 257,256

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2016

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 102,784	\$ 1,666,164	\$ 1,768,948
Prepaid Insurance	3,162	5,767	8,929
Accounts receivable, net	83,922	94,012	177,934
Total current assets	<u>189,868</u>	<u>1,765,943</u>	<u>1,955,811</u>
Restricted assets:			
Cash	121,766	25,225	146,991
Total restricted assets	<u>121,766</u>	<u>25,225</u>	<u>146,991</u>
Non-current assets:			
Capital assets:			
Land	92,000	150,000	242,000
Other capital assets, net of accumulated depreciation	2,880,542	8,075,201	10,955,743
Total non-current assets	<u>2,972,542</u>	<u>8,225,201</u>	<u>11,197,743</u>
Total Assets	<u>\$ 3,284,176</u>	<u>\$ 10,016,369</u>	<u>\$ 13,300,545</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

APRIL 30, 2016

	Business-type Activities		Total Proprietary Funds
	Waterworks System Fund	Wastewater System Fund	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 8,721	\$ 11,261	\$ 19,982
Accrued liabilities	37,640	37,654	75,294
Internal balances	-	17,339	17,339
Current maturities of long-term debt	114,018	215,291	329,309
Total current liabilities	<u>160,379</u>	<u>281,545</u>	<u>441,924</u>
Non-current liabilities:			
Meter deposits payable	120,266	-	120,266
Lease Purchase Agreement payable	725,000	2,363,768	3,088,768
Total non-current liabilities	<u>845,266</u>	<u>2,363,768</u>	<u>3,209,034</u>
Total Liabilities	<u>1,005,645</u>	<u>2,645,313</u>	<u>3,650,958</u>
NET POSITION			
Net investment in capital assets	2,133,524	5,646,142	7,779,666
Restricted for:			
Bond requirement	1,500	19,408	20,908
Deposits	120,266	5,817	126,083
Unrestricted	23,241	1,699,689	1,722,930
Total Net Position	<u>2,278,531</u>	<u>7,371,056</u>	<u>9,649,587</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,284,176</u>	<u>\$ 10,016,369</u>	<u>\$ 13,300,545</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
Operating Revenues:			
Charges for services:			
Water	1,019,666	-	1,019,666
Sewer	-	1,061,421	1,061,421
Penalties	79,612	15,708	95,320
Miscellaneous	8,750	187,538	196,288
	<u>1,108,028</u>	<u>1,264,667</u>	<u>2,372,695</u>
Total Operating Revenues			
Operating Expenses:			
Accounting	2,460	2,460	4,920
Advertising	76	76	152
Attorney	5,850	5,850	11,700
Bad debts	5,427	8,931	14,358
Contract labor & engineering	3,476	54,184	57,660
Depreciation	117,979	362,828	480,807
Dues	4,544	3,505	8,049
General supplies	21,270	15,104	36,374
Insurance	15,809	28,835	44,644
Meter reading expense	2,552	-	2,552
Miscellaneous and travel	192	712	904
Office supplies	17,253	17,220	34,473
Payroll expenses	21,053	17,041	38,094
Professional fees	40,511	10,047	50,558
Repairs and maintenance	183,778	453,505	637,283
Retirement	22,451	17,851	40,302
Salaries	248,774	220,942	469,716
Sewer Materials	-	49,666	49,666
Training	1,169	1,136	2,305
Utilities	119,990	86,753	206,743
Vehicle	8,537	8,527	17,064
Capital outlay	23,218	23,329	46,547
	<u>866,369</u>	<u>1,388,502</u>	<u>2,254,871</u>
Total Operating Expenses			
Operating Income (Loss)	241,659	(123,835)	117,824

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
Non-Operating Revenues (Expenses):			
Interest and investment revenue	165	1,708	1,873
Grant revenue	-	554,717	554,717
Interest expense	(27,243)	(41,377)	(68,620)
Miscellaneous expense	-	(20,931)	(20,931)
 Total Non-Operating Revenues (Expenses)	<u>(27,078)</u>	<u>494,117</u>	<u>467,039</u>
 Net Income (Loss) Before Contributions and Transfers	<u>214,581</u>	<u>370,282</u>	<u>584,863</u>
 Operating transfers in	12,750	67,000	79,750
Operating transfers out	(128,350)	(213,686)	(342,036)
 Change in net position	98,981	223,596	322,577
 Total net position - beginning	100,181	1,932,500	2,032,681
Prior period adjustment	2,079,369	5,214,960	7,294,329
Total net position - adjusted beginning	<u>2,179,550</u>	<u>7,147,460</u>	<u>9,327,010</u>
 Total net position - ending	<u>\$ 2,278,531</u>	<u>\$ 7,371,056</u>	<u>\$ 9,649,587</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,034,065	\$ 1,168,351	\$ 2,202,416
Cash paid to suppliers and employees	(759,611)	(1,020,066)	(1,779,677)
Operating transfers in	12,750	67,000	79,750
Operating transfers out	(128,350)	(213,686)	(342,036)
Miscellaneous expenses	-	(20,931)	(20,931)
Interfund transfers	-	17,339	17,339
Interest paid	(27,243)	(41,377)	(68,620)
Net Cash Provided by Operating Activities	<u>131,611</u>	<u>(43,370)</u>	<u>88,241</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	-	(652,401)	(652,401)
Principal and interest paid on bonds, notes, and lease obligations	(134,494)	(92,486)	(226,980)
Capital grants received	-	554,717	554,717
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(109,494)</u>	<u>(190,170)</u>	<u>(299,664)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,117	(233,540)	(211,423)
Balances - beginning of the year	<u>202,433</u>	<u>1,924,929</u>	<u>2,127,362</u>
Balances - end of the year	<u>\$ 224,550</u>	<u>\$ 1,691,389</u>	<u>\$ 1,915,939</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2016

	Business-type Activities		Total Proprietary Funds
	Waterworks System Fund	Sewer Revenue Fund	
Net Income/Loss	\$ 98,981	\$ 223,596	\$ 322,577
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and Amortization expense	117,979	362,828	480,807
Change in assets and liabilities:			
(Increase) decrease in accounts receivable	(70,966)	(92,257)	(163,223)
(Increase) decrease in prepaid expenses	(3,162)	(5,767)	(8,929)
(Increase) decrease in grants receivable	-	(554,717)	(554,717)
Increase (decrease) in customer deposits payable	(19,942)	-	(19,942)
Increase (decrease) in interfund payable	-	17,339	17,339
Increase (decrease) in accrued liabilities	-	14	14
Increase (decrease) in accounts payable	8,721	5,594	14,315
	<u>\$ 131,611</u>	<u>\$ (43,370)</u>	<u>\$ 88,241</u>
Net cash provided by operating activities	<u>\$ 131,611</u>	<u>\$ (43,370)</u>	<u>\$ 88,241</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Carl Junction, Missouri operates as a fourth class city as provided for in Chapter 79 of the Missouri Revised Statutes. The City operates under an elected Mayor/Board of Alderpersons/City Administrator form of government. The City's major operations include public safety, public works, recreation and general administrative services.

As discussed further in Note 1.A., the financial statements of the Governmental Funds are presented on a modified accrual basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified accrual basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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

1.A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

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

As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the 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.

1.A. 1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The entity currently has six major funds: the General fund, the Street fund, the Park fund, the Debt Service fund, the Waterworks fund, and the Wastewater fund.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

Fund	Brief Description
Street Fund	Accounts for the portion of the city sales tax earmarked for transportation and intergovernmental transfers from the State received for street improvements. This fund is classified as a major fund.
Park Fund	Accounts for the portion of the city sales tax dedicated to maintenance of the City's park and stormwater systems. This fund is also classified as a major fund.

Capital Projects Fund

A Capital Projects Fund is formed to account for the acquisition, construction, or improvement of major capital assets (other than those financed by proprietary funds, private organizations, or other governments).

Debt Service Fund

The Debt Service Fund is for the accumulation of resources for, and the payment of, principal and interest of the City's General Obligation Bond. The Debt Service Fund is considered a major fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Waterworks and Wastewater Funds	The Waterworks and Wastewater Funds were established to account for operations of the water and sewer system of the City of Carl Junction. Enterprise Funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing services to the general public on a continuing basis will be recovered or financed primarily through user charges. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Both funds are considered major funds.

1. A. 2. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities both governmental and business-like activities are presented using the economic resources measurement focus as defined in item "b." below.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. The length of time used to define available for purposes of revenue recognition in the governmental financial statements is sixty days from the end of the fiscal year.
- b. The proprietary fund statement incorporates the economic resources measurement focus and the accrual basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Revenue is recognized when earned. Expenses are recorded when the liability is incurred or the economic asset used. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, 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.

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 cost of normal maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

1. A. 3. RISK MANAGEMENT

The City of Carl Junction, Missouri is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA) that carries pooled high risk insurance which manages these various risk factors.

1. B. ASSETS, LIABILITIES, AND FUND BALANCES

1. B. 1. CASH

At April 30, 2016, the reported amount of the City's deposits was \$3,588,042 and the bank balance was \$3,645,574. All of the bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

1. B. 2. INVESTMENTS

The City is allowed to invest in obligations of the United States Government or any agency thereof, maturing and becoming payable not more than three years from date of purchase. In addition, the City may enter into repurchase agreements maturing and becoming payable within ninety days, secured by United States Governmental Agencies or instrumentalities of any maturity.

1. B. 3. RECEIVABLES

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

	Gross receivable	Allowance	Net Receivable
Governmental	\$128,175	\$0	\$128,175
Proprietary	192,292	14,357	177,934

1. B. 4. CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation (with no expected salvage value). There is no formal capitalization threshold used to report capital assets.

The range of useful lives by type of asset is as follows:

- ◆ Buildings 50 years
- ◆ Machinery, furniture and equipment 5-20 years
- ◆ Vehicles 5-20 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

1. B. 5. GOVERNMENTAL FUND BALANCES

As required, the City of Carl Junction has applied GASB Statement No. 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of its resources reported in governmental funds. As such, the City has identified April 30, 2016 fund balances on the Balance Sheet as follows:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

- a. The City has no fund balances classified as nonspendable.
- b. The amounts shown as restricted reflect fund balances restricted for specific use by external resource providers.
- c. The amounts shown as committed are funds that have been committed to specific uses by a formal action of the Carl Junction Board of Alderpersons.
- d. The assigned amounts in funds other than the General Fund represent resources intended for the respective fund uses.

The City of Carl Junction considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

1. B. 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, the amounts reported as intergovernmental activity and balances in the fund financial statements have been eliminated or reclassified. However, internal balances, amounts reported in the fund financial statements as intergovernmental receivables and payables reported as Due to or Due from other funds, are expected to be repaid to the lending Fund. The Due to/Due from balances for the current year are as follows:

Due from Wastewater Fund to General Fund	\$17,339
Due to General from Wastewater	(\$17,339)

1. C. REVENUES, EXPENDITURES, AND EXPENSES

1. C. 1. PROPERTY TAX

Property taxes are an enforceable lien on property as of January 1. Taxes are levied November 1 and are due and payable in full by December 31; unpaid taxes become delinquent after December 31. The assessed valuation of the tangible real property for the calendar year 2015 for the purposes of local taxation was:

General	\$39,981,271
Debt Service	\$35,455,090

The tax levy of \$100.00 of the assessed valuation of tangible real property for the calendar year was:

General Fund	\$.4823
Debt Service Fund	\$.4277
	\$.91

1. C. 2. SALES TAX

The City levies a 1% general sales tax, a ½% transportation sales tax, a ½% parks/stormwater sales tax and a ½% capital projects sales tax on taxable sales within the City. The tax is collected by the Missouri Department of Revenue and remitted to the City.

**CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016**

1. C. 3. OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

1. C. 4. EXPENDITURES/EXPENSES

In the government-wide financial statement, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities. In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1. D. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. An analysis of the City's compliance with significant laws, regulations, grants and contracts and demonstration of its stewardship of City resources follows:

2. A. REVENUE RESTRICTIONS

For the year ended April 30, 2016, the City was in compliance with certain restrictions placed over revenue sources from state, local, or debt requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	To be allocated among general purpose, capital projects, parks/storm water, and street improvements.
Motor Vehicle and Fuel Tax	To be used for the purpose of funding and maintaining streets and alleys.
Wastewater and Waterworks Revenue	Utility operations and debt service.

2. B. DEBT RESTRICTIONS AND COVENANTS

Business-type Activity Debt

The restrictions and covenants relating to the \$860,000 Series 2002 Sewerage System Revenue Bonds are as follows:

1. Particular Covenants of the City:
 - a. The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the System as will produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal and interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Revenues Available for Debt Service of not less than 110% of

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all System Revenue Bonds at the time outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in Ordinance 02-13. The City met this test.

- b. The City will apply moneys in the Revenue Fund as follows: On the first day of the month, to the Depreciation and Replacement Account if the balance in the Depreciation and Replacement Account is less than the maximum Depreciation and Replacement Account requirement (\$103,000), commencing on 1/1/04, 1/12 of the Annual Depreciation and Replacement Account requirement (of \$10,000). The City met this requirement. The City also passed a Sewer Use Charge Ordinance that requires that \$67,000 be transferred yearly to the Depreciation and Replacement Account. The City met this requirement.

The restrictions and covenants relating to the \$1,760,000 Series 2003 Waterworks System Revenue Bonds are as follows:

1. Particular Covenants of the City:

- a. The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the System as will produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal and interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Revenues Available for Debt Service of not less than 110% of the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all System Revenue Bonds at the time outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in Ordinance 02-13. The City met this test.
- b. The annual amount required by the User Charge Ordinance to be deposited in the Water Repair and Replacement Account is \$16,200. The City met this requirement.

NOTE 3. DETAILED NOTES ON FUNDS

The following notes present detailed information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues and expenditures/expenses.

3. A. ASSETS

3. A. 1. DEPOSITS

The City has adopted formal investment policies or policies related to custody credit risk for City moneys.

3. A. 2. CAPITAL ASSETS

Capital asset activity resulting from accrual based transactions for the fiscal year ended April 30, 2016 was as follows:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

	Balance at May 1, 2015	Additions	Deductions	Balance at April 30, 2016
<i>Governmental activities:</i>				
Land (non-depreciable)	\$ 445,000	\$ 0	\$ 0	\$ 445,000
Buildings	17,307,141	0	0	17,307,141
Machinery and Equipment	990,941	206,725	0	1,197,666
Vehicles	112,920	42,982	0	155,902
Totals at historical cost	18,856,002	249,707		19,105,709
Less accumulated depreciation:				
Buildings	6,166,575	346,143	0	6,512,718
Machinery & Equipment	410,814	48,325	0	459,139
Vehicles	29,911	18,555	0	48,466
Total accum. depreciation	6,607,300	413,023	0	7,020,323
Governmental activities capital assets, net	\$ 12,248,702	\$ (163,316)	\$ 0	\$ 12,085,386
<i>Business-type activities:</i>				
Land (non-depreciable)	\$ 242,000	\$ 0	\$ 0	\$ 242,000
Buildings	23,054,427	0	0	23,054,427
Machinery and Equipment	388,070	199,500	0	587,570
Vehicles	182,320	0	0	182,320
Totals at historical cost	23,866,817	199,500	0	24,066,317
Less accumulated depreciation:				
Buildings	12,200,385	447,181	0	12,647,566
Machinery and Equipment	124,034	20,264	0	144,298
Vehicles	63,348	13,362	0	76,710
Total accum. depreciation	12,378,767	480,807	0	12,868,574
Business-type activities capital assets, net	11,479,050	(281,307)	0	11,197,743
Total Assets (net)				\$ 23,283,129

Depreciation expense was charged to the funds in the Statement of Activities as follows:

<u>Governmental Activities</u>	
General Fund	\$240,278
Street Fund	\$51,692
Park Fund	\$121,053
<u>Business-Type Activities</u>	
Water/ Fund	\$117,979
Wastewater Fund	\$362,828

3. A. 3. RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use by statute or contract. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The amounts reported as restricted cash are comprised of amounts held by the various funds. The following table shows the breakdown and classification of the amounts:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

<u>Classification</u>	<u>Amount</u>
Court Bonds	4,634
Shop with a Cop	5,814
Reserves	410,933
Wastewater Repair & Replacement	19,408
FRPV Deposit	5,817
Waterworks Repair & Replacement	1,500
Water Deposits	<u>120,266</u>
	<u>\$ 568,372</u>

3. B. LIABILITIES

3. B. 1. REFUNDABLE DEPOSITS/BONDS

Refundable deposits reported as a fund liability within the Statement of Net Position are comprised of the following:

Water Deposits Payable	\$120,266
Court Bonds Payable	\$ 4,634

3. B. 2. LONG-TERM LIABILITIES

At year end, obligations consisted of the following:

On January 1, 2011, the City assumed a promissory note in the amount of \$132,000 with the Department of Natural Resources for the costs of the design, acquisition, installation and implementation of energy conservation measures. Repayment is made with semi-annual payments of \$6,021 which include interest at 4.89%. Maturity date is August 1, 2025.	90,439
On January 20, 2010, the City entered into a lease purchase agreement with Commerce Bank for equipment in the amount of \$267,752. The City refinanced the lease purchase on March 21, 2012. Repayment is made with yearly payments of \$17,339, which include interest at 3.69%. Maturity date is September 1, 2017, and is secured by various furniture, fixtures, and equipment.	32,850
On December 30, 2010, the City entered into a promissory note with Community Bank & Trust for land in the amount of \$305,000. Repayment is made with monthly payments of \$4,737, which includes interest at 3.75%. Maturity date is September 11, 2018 and is secured by anticipated taxes.	37,317
On July 30, 2008, the City authorized 2012B Series General Obligation Bonds in the amount of \$4,245,000. Interest rates from 3.75% to 5.10%. Maturity date is March 2028.	4,030,000
On August 5, 2014, the City entered into a lease purchase agreement with Community Bank & Trust for a skate park in the amount of \$94,710. Repayment is made with semi-annual payments of \$10,030, which include interest at 2.10%. Maturity date is August 5, 2019.	67,341

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

On July 16, 2013, the City entered into a lease purchase agreement with U.S. Bank for the purchase of generators in the amount of \$213,500. Repayment is made with semi-annual payments of \$30,018, which include interest at 3.70%. Maturity date is July 12, 2017. 24,018

On April 3, 2003, the City authorized Series 2003 bonds for water system improvements in the amount of \$1,760,000. Interest rates vary from 2.00% to 4.70%. Maturity date is January 2024. 815,000

On May 8, 2002, the City authorized Series 2002 bonds for sewer system improvements in the amount of \$860,000. Interest rates vary from 3.00% to 5.15%. Maturity date is January 2023. 340,000

On March 18, 2014, the City entered into a lease purchase agreement with Southwest Missouri Bank for a lift station and wastewater collection system in the amount of \$335,280. Repayment is made with semi-annual payments of \$29,914, which include interest at 2.10%. Maturity date is March 20, 2020. 227,990

On February 16, 2016, the City entered into a promissory note with the Missouri Department of Economic Development/ Division of Energy for solar arrays in the amount of \$358,000 at an interest rate of 2.75%. Maturity date is February 16, 2026. The first payment on this note was due after April 30, 2016. 358,000

On September 19, 2013, the City authorized Series 2013 bonds for sewer system improvements in the amount of \$2,050,000. Interest at 1.55%. Maturity date is July 1, 2034. 1,876,130

Total	\$7,899,085
Less portion considered current	<u>(641,025)</u>
Total Long-Term Liabilities	<u>\$7,258,060</u>

Maturities of long term debt for the next five years and forward are as follows:

Year Ending <u>April 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	641,025	235,008
2018	605,128	220,476
2019	608,325	200,945
2020	628,042	181,473
2021	588,885	160,972
2022-2026	2,997,550	493,095
2027-2032	1,478,000	105,650
2033-2038	<u>352,130</u>	<u>13,857</u>
Total	<u>\$ 7,899,085</u>	<u>\$ 1,611,476</u>

Total interest expense on the above liabilities was \$207,866 during the year ended April 30, 2016.

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended April 30, 2016:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

Type of Debt	Balance April 30, 2015	Additions	Reductions	Balance April 30, 2016
General Obligation Bonds	\$4,245,000	\$ 0	\$ 215,000	\$4,030,000
Revenue Bonds	3,260,130	0	229,000	3,031,130
Lease Purchases	576,765	0	224,566	352,199
Notes Payable	191,950	358,000	64,194	485,756
Total Long-Term Debt				\$7,899,085

NOTE 4. OTHER NOTES

4. A. CONTINGENCIES

4. A. 1. CONTINGENCIES

No contingencies of significance were noted other than possible liabilities of an indeterminable amount relating to two legal claims against the City.

4. B. FISCAL RESPONSIBILITY

The Board of Aldermen follow the following procedures in the preparation of the budget:

1. Prior to May 1, the City Administrator submits to the Board of Alderpersons a proposed operating budget for the fiscal year commencing May 1.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to May 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for all funds.

Section 67.040 of RSMo 1994 provides that a City may not exceed the authorized expenditures in the approved budget without adopting a resolution which sets forth the facts and reasons for making an increase necessary and approves or adopts an order, motion, resolution or ordinance to authorize the expenditures.

4. C. PRIOR PERIOD ADJUSTMENTS

Prior period adjustments of \$113,196 were made to adjust the pension liabilities and expenses as of July 1, 2014 in the government-wide financial statements. Prior period adjustments of \$14,731,565 were made to adjust capital assets, accumulated depreciation and loan balances to actual.

NOTE 5. PENSIONS

5. A. PENSIONS

Plan Description – The City’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS’ responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt. The responsibility for operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publically available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

Benefits provided – LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after five years of credited service. Employees who retire on or after age 60 (55 for police) with five or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of five years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

Benefit multiplier:	3.5%
Final Average Salary:	5 years
Member Contribution Rate:	4%

Benefit terms provide for annual postretirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms -- At April 30, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>19</u>
Total	<u>29</u>

Contributions -- The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is an estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 8% (general) and 7.1% (police) of annual covered payroll.

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

Actuarial assumptions -- The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation, 3.0% price inflation
Salary increases	3.5% to 6.8%, including wage inflation
Investment rate of return	7.25%, net of investment and admin expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

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

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.5%	5.50%
Fixed Income	25.0%	2.25%
Real Assets	20.0%	4.50%
Strategic Assets	6.5%	7.50%

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

Changes in the Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/14	\$2,252,226	\$2,465,422	
Changes for the year:			
Service Cost	105,849		
Interest	171,668		
Diff Between Exp/Actual	60,673		
Employer Contributions		104,892	
Employee Contributions		44,363	
Net Investment Income		49,120	
Benefit Payments	(74,072)	(74,072)	
Administrative Expense		(4,008)	
Other Changes		39,568	
Net Changes	264,118	159,863	
Balances at 6/30/15	\$2,616,344	\$2,625,285	(\$8,941)

Sensitivity of the net pension liability to changes in the discount rate -- The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) and one percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
\$391,071	(\$8,941)	\$130,146

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -- For the year ended April 30, 2016, the employer recognized pension expense of \$52,468.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2016

The employer reported Deferred Outflows and Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$49,825	\$0
Changes in assumptions	0	0
Excess (deficit) investment returns	106,854	0
Contributions subsequent to the measurement date*	78,138	0
Total	\$234,817	\$0

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending April 30, 2017.

Amounts reported as Deferred Outflows and Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
2016	\$ 37,561
2017	115,699
2018	37,561
2019	37,561
2020	6,435
Thereafter	<u>0</u>
Total	\$234,817

At April 30, 2016, The City reported a payable of \$17,240 for the outstanding amount of contributions to the pension plan required for the year ended April 30, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule
 - General Fund
 - Street Fund
 - Park Fund
 - Debt Service Fund
- Notes to RSI – Budgetary Comparison Schedule
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributors

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 879,345	\$ 879,345	\$ 879,345	\$ -
Prior Period Adjustment	-	-	4,902,061	4,902,061
Adj Beginning Budgetary Fund Balance	<u>879,345</u>	<u>879,345</u>	<u>5,781,406</u>	<u>4,902,061</u>
Resources (Inflows):				
Taxes:				
Sales taxes:				
General	320,000	320,000	332,285	12,285
Property taxes	400,000	400,000	485,162	85,162
Franchise (fees):				
Franchise	551,300	551,300	461,543	(89,757)
Total Taxes	<u>1,271,300</u>	<u>1,271,300</u>	<u>1,278,990</u>	<u>7,690</u>
Intergovernmental:				
Rent	43,500	43,500	44,132	632
Charges for Services:				
Trash	61,800	61,800	63,614	1,814
Fines and Forfeitures:				
Dog pound	500	500	1,554	1,054
Fines	85,000	85,000	173,848	88,848
Total Fines and Forfeitures	<u>85,500</u>	<u>85,500</u>	<u>175,402</u>	<u>89,902</u>
Licenses and Permits	56,100	56,100	75,410	19,310
Investment Income	750	750	721	(29)
Miscellaneous:				
Grants	79,000	79,000	88,513	9,513
Donations	-	-	25,499	25,499
Other	3,050	3,050	53,927	50,877
Total Miscellaneous	<u>82,050</u>	<u>82,050</u>	<u>167,939</u>	<u>85,889</u>
Other Financing Sources:				
Operating transfers from other funds	1,385,527	1,385,527	1,847,468	461,941
Total Other Financing Sources	<u>1,385,527</u>	<u>1,385,527</u>	<u>1,847,468</u>	<u>461,941</u>
Amounts available for appropriation	<u>3,865,872</u>	<u>3,865,872</u>	<u>9,435,082</u>	<u>5,569,210</u>

(Continued)

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General and Administrative				
Salaries:				
All salaries	168,328	168,328	133,428	34,900
Accounting	3,000	3,000	2,050	950
Advertising	-	-	306	(306)
Attorney fees	1,000	1,000	4,875	(3,875)
Cleaning	-	-	22,697	(22,697)
Contract personnel	3,000	3,000	5,510	(2,510)
Dues and subscriptions	2,000	2,000	15,188	(13,188)
Election expense	-	-	3,350	(3,350)
General supplies	6,000	6,000	17,426	(11,426)
Health Insurance	-	-	1,401	(1,401)
Insurance	13,280	13,280	8,727	4,553
Interest	-	-	4,841	(4,841)
Loan payments	29,382	29,382	-	29,382
Miscellaneous	3,472	7,072	9,676	(2,604)
Payroll taxes	4,805	4,805	9,869	(5,064)
Printing, postage, office supplies	40,000	61,600	67,664	(6,064)
Repairs and maintenance	63,700	68,700	29,250	39,450
Retirement	4,547	4,547	8,120	(3,573)
Training	-	-	4,709	(4,709)
Utilities	66,300	71,300	100,440	(29,140)
Vehicle	200	200	2,380	(2,180)
 Total General and Administrative	 <u>409,014</u>	 <u>444,214</u>	 <u>451,907</u>	 <u>(7,693)</u>
Police Department:				
Animal Control	-	-	5,436	(5,436)
Equipment purchases	53,000	53,000	29,718	23,282
Cleaning	-	-	7,055	(7,055)
General supplies	6,000	6,000	3,731	2,269
Health insurance	-	-	1,947	(1,947)
Insurance	54,800	54,800	39,381	15,419
Miscellaneous	43,497	43,497	3,315	40,182
Loan payments	34,000	34,000	-	34,000
Office supplies	15,000	15,000	22,973	(7,973)
Payroll taxes	45,639	45,639	50,375	(4,736)
Repairs and maintenance	22,650	31,650	23,367	8,283
Retirement	49,043	49,043	41,617	7,426
Salary	576,974	576,974	603,107	(26,133)
Training	2,500	2,500	10,557	(8,057)
Utilities	29,000	34,000	-	34,000
Vehicle	40,000	40,000	20,801	19,199
 Total Police Department	 <u>972,103</u>	 <u>986,103</u>	 <u>863,380</u>	 <u>122,723</u>

(Continued)

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Health Insurance Premiums:				
Health insurance expense	201,652	201,652	262,072	(60,420)
Total Health Insurance Premiums	<u>201,652</u>	<u>201,652</u>	<u>262,072</u>	<u>(60,420)</u>
Community Service:				
Miscellaneous	-	-	24,300	(24,300)
Total Community Service	<u>-</u>	<u>-</u>	<u>24,300</u>	<u>(24,300)</u>
Municipal Court:				
Court expenses	-	-	101,860	(101,860)
Total Municipal Court	<u>-</u>	<u>-</u>	<u>101,860</u>	<u>(101,860)</u>
Other Financing Uses:				
Operating transfers to other funds	1,422,527	1,422,527	1,419,273	3,254
Total Other Financing Uses	<u>1,422,527</u>	<u>1,422,527</u>	<u>1,419,273</u>	<u>3,254</u>
Total Charges to Appropriations	3,005,296	3,054,496	3,122,792	(68,296)
Ending Budgetary Fund Balance	<u>\$ 860,576</u>	<u>\$ 811,376</u>	<u>\$ 6,312,290</u>	<u>\$ 5,500,914</u>

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
STREET FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 83,398	\$ 83,398	\$ 83,398	\$ -
Prior Period Adjustment	-	-	839,306	839,306
Adj Beginning Budgetary Fund Balance	83,398	83,398	922,704	839,306
Resources (Inflows):				
Taxes:				
Sales taxes:				
Transportation	115,000	115,000	126,274	11,274
Motor vehicle	87,000	87,000	95,853	8,853
Motor fuel	190,000	190,000	197,042	7,042
Total Taxes	392,000	392,000	419,169	27,169
Investment Income	100	100	158	58
Miscellaneous	1,300	1,300	470	(830)
Other Financing Sources:				
Operating transfers to/from other funds	66,250	66,250	144,417	78,167
Total Other Financing Sources	66,250	66,250	144,417	78,167
Amounts available for appropriation	543,048	543,048	1,486,918	943,870
Charges to Appropriations (Outflows):				
Expenses				
Accounting	1,080	1,080	1,230	(150)
Advertising	-	-	3,001	(3,001)
Equipment purchases	4,000	4,000	13,913	(9,913)
Contract labor	3,600	3,600	2,911	689
Dues	1,000	1,000	1,752	(752)
Fuel	15,000	15,000	8,497	6,503
Health insurance	10,626	10,626	1,254	9,372
Insurance	11,798	11,798	5,985	5,813
Miscellaneous	60,250	60,250	247	60,003
Office supplies	260	260	330	(70)
Payroll expenses	3,692	3,692	5,810	(2,118)
Repairs and maintenance	12,000	12,000	13,119	(1,119)
Retirement	4,169	4,169	6,225	(2,056)
Road materials	214,475	214,475	222,260	(7,785)
Salaries	80,367	80,367	71,206	9,161
Supplies	6,100	6,100	4,272	1,828
Training	1,000	1,000	328	672
Utilities	3,100	3,100	7,892	(4,792)
Total Expenses	432,517	432,517	370,232	62,285
Other Financing Uses:				
Operating transfers to other funds	16,000	16,000	119,726	(103,726)
Total Other Financing Uses	16,000	16,000	119,726	(103,726)
Total Charges to Appropriations	448,517	448,517	489,958	(41,441)
Ending Budgetary Fund Balance	\$ 94,531	\$ 94,531	\$ 996,960	\$ 902,429

EXHIBIT 3

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
PARK FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning Budgetary Fund Balance:	\$ 121,145	\$ 121,145	\$ 121,145	\$ -
Prior Period Adjustment	-	-	2,076,280	2,076,280
Adj Beginning Budgetary Fund Balance	<u>121,145</u>	<u>121,145</u>	<u>2,197,425</u>	<u>2,076,280</u>
Resources (Inflows):				
Taxes:				
Sales taxes:				
City	98,900	98,900	126,127	27,227
Total Taxes	<u>98,900</u>	<u>98,900</u>	<u>126,127</u>	<u>27,227</u>
Investment Income	<u>100</u>	<u>100</u>	<u>111</u>	<u>11</u>
Miscellaneous	<u>-</u>	<u>-</u>	<u>7,580</u>	<u>7,580</u>
Other Financing Sources:				
Operating transfers from other funds	67,900	67,900	175,906	108,006
Grants	<u>117,500</u>	<u>117,500</u>	-	<u>(117,500)</u>
Total Other Financing Sources	<u>185,400</u>	<u>185,400</u>	<u>175,906</u>	<u>(9,494)</u>
Amounts available for appropriation	<u>405,545</u>	<u>405,545</u>	<u>2,507,149</u>	<u>2,101,604</u>
Charges to Appropriations (Outflows):				
Expenses				
Contract labor	-	-	7,266	(7,266)
Capital outlay	168,025	168,025	-	168,025
Fees	-	-	250	(250)
General supplies	2,500	2,500	40,955	(38,455)
Miscellaneous	1,250	1,250	738	512
Pool contract	14,000	14,000	14,000	-
Repairs and maintenance	39,000	84,000	113,022	(29,022)
Utilities	10,200	10,200	11,227	(1,027)
Total Expenses	<u>234,975</u>	<u>279,975</u>	<u>187,458</u>	<u>92,517</u>
Other Financing Uses:				
Operating transfers to other funds	35,900	35,900	78,900	(43,000)
Total Other Financing Uses	<u>35,900</u>	<u>35,900</u>	<u>78,900</u>	<u>(43,000)</u>
Total Charges to Appropriations	<u>270,875</u>	<u>315,875</u>	<u>266,358</u>	<u>49,517</u>
Ending Budgetary Fund Balance	<u>\$ 134,670</u>	<u>\$ 89,670</u>	<u>\$ 2,240,791</u>	<u>\$ 2,151,121</u>

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED APRIL 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 436,269	\$ 436,269	\$ 436,269	\$ -
Resources (Inflows):				
Taxes:				
Sales taxes:				
City	325,000	325,000	429,247	104,247
Total Taxes	<u>325,000</u>	<u>325,000</u>	<u>429,247</u>	<u>104,247</u>
Investment Income	<u>800</u>	<u>800</u>	<u>439</u>	<u>(361)</u>
Amounts available for appropriation	<u>762,069</u>	<u>762,069</u>	<u>865,955</u>	<u>103,886</u>
Charges to Appropriations (Outflows):				
Expenses				
Agent Fees	-	-	265	(265)
Interest	-	-	130,106	(130,106)
Miscellaneous	-	1,200	1,198	2
Loan Payments	345,706	345,706	-	345,706
Refunds	-	3,200	3,114	86
Total Expenses	<u>345,706</u>	<u>350,106</u>	<u>134,683</u>	<u>215,423</u>
Other Financing Uses:				
Operating transfers to other funds	-	-	215,000	(215,000)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>215,000</u>	<u>(215,000)</u>
Total Charges to Appropriations	<u>345,706</u>	<u>350,106</u>	<u>349,683</u>	<u>423</u>
Ending Budgetary Fund Balance	<u><u>\$ 416,363</u></u>	<u><u>\$ 411,963</u></u>	<u><u>\$ 516,272</u></u>	<u><u>\$ 104,309</u></u>

**CITY OF CARL JUNCTION, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED APRIL 30, 2016**

Budgetary Accounting

The City prepares its budgets for the General, Street, Park, and Debt Service funds on the modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

Although the City is required to prepare an annual budget for all funds, there is no requirement to report on the budget for proprietary funds or non-major governmental funds. Therefore, the schedule includes the comparison of budget to actual only for the major governmental funds with a legally adopted budget.

**CITY OF CARL JUNCTION, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED APRIL, 30, 2016**

	<u>2016</u>
Total Pension Liability	
Service Cost	\$ 105,849
Interest on Total Pension Liability	171,668
Changes of Benefit Terms	-
Difference Between Expected and Actual Experience	60,673
Changes of Assumptions	-
Benefit Payments, Including Refunds	(74,072)
Net Change in Total Pension Liability	<u>264,118</u>
Total Pension Liability - Beginning	2,352,226
Total Pension Liability - Ending (a)	<u>\$ 2,616,344</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 104,892
Contributions - Employee	44,363
Net Investment Income	49,120
Benefit Payments, Including Refunds	(74,072)
Pension Plan Administrative Expense	(4,008)
Other (Net Transfer)	39,568
Net Change in Plan Fiduciary Net Position	<u>159,863</u>
Plan Fiduciary Net Position - Beginning	<u>2,465,422</u>
Plan Fiduciary Net Position - Ending (b)	2,625,285
Net Pension Liability/(Asset), Ending=(a)-(b)	<u>\$ (8,941)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.34%
Covered-Employee Payroll	\$ 1,063,111
Net Pension Liability as a Percentage of Covered Employee Payroll	-0.84%

**CITY OF CARL JUNCTION, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**

Fiscal Year Ending April 30	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2007	\$ 2,407	\$ 8,161	\$ (5,754)	\$ 802,322	1.02%
2008	48,772	39,234	9,538	927,960	4.23%
2009	55,024	47,972	7,052	937,565	5.12%
2010	82,039	59,309	22,730	1,016,665	5.83%
2011	77,709	69,066	8,642	1,004,319	6.88%
2012	79,207	80,074	(868)	1,026,525	7.80%
2013	79,475	83,843	(7,368)	1,091,934	7.68%
2014	96,835	100,548	(3,713)	997,052	10.08%
2015	93,563	105,582	(12,018)	1,092,557	9.66%
2016	85,787	96,264	(10,476)	1,117,988	8.61%

Notes to Schedule:

Valuation Date: February 28, 2015

The roll-forward of total pension liability from February 28, 2015 to June 30, 2015 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple Bases from 15 to 28 years
Asset Valuation Method	5-Year Smoothed Market; 20% Corridor
Inflation	3.5% Wage Inflation; 3.0% Price Inflation
Salary Increases	3.5% to 6.8% Including Wage Inflation
Investment Rate of Return	7.25%, net of investment and administrative expenses
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.
Other Information	None

TAYLOR GREEN PC

602 W. McCord Street
PO Box 150
Neosho, MO 64850

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INDEPENDENT AUDITOR'S 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

The Honorable Mayor and Board of Alderpersons
City of Carl Junction
303 N. Main Street
Carl Junction, Missouri 64834

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carl Junction, Missouri, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Carl Junction, Missouri's basic financial statements and have issued our report thereon dated January 15, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carl Junction, Missouri's internal control over financial reporting 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 Carl Junction, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carl Junction, Missouri's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

Compliance and Other Matters

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

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor Green PC

Neosho, Missouri

January 15, 2017

TAYLOR GREEN PC

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

The Honorable Mayor and Board of Alderpersons
City of Carl Junction
303 N. Main Street
Carl Junction, Missouri 64834

Report on Compliance for the Major Federal Program

We have audited the City of Carl Junction, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City of Carl Junction, Missouri's major federal program for the year ended April 30, 2016. The City of Carl Junction, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Carl Junction, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carl Junction, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Carl Junction, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Taylor Green PC
Neosho, Missouri
January 15, 2017

City of Carl Junction, Missouri
 Schedule of Expenditures of Federal Awards
 Year Ended April 30, 2016

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency Passed through the Missouri Department of Natural Resources			
Clean Water State Revolving Fund (SRF) Direct Loan	66.458	C295650-01L	554,717
Clean Water State Revolving Fund (SRF) Grant	66.458	C295650-01G	<u>554,717</u>
Total			<u>\$ 1,109,434</u>

CITY OF CARL JUNCTION, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED APRIL 30, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Carl Junction, Missouri, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of the Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The City has not elected to use the 10% de minimis indirect cost rate.

Federal Direct Loan:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at 4/30/2016</u>
66.458	Clean Water SRF Direct Loan	\$1,876,130

CITY OF CARL JUNCTION, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2016

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Modified Opinion

Internal Control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None Reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major program:

Material weaknesses identified? Yes No

Significant deficiencies identified? Yes None Reported

Type of auditors’ report issued on compliance for the major program: Unmodified Opinion

Any audit findings disclosed that are required to be Reported in accordance with Uniform Guidance? Yes No

Identification of major program:

<u>CFDA</u>	<u>Program Title</u>
66.458	Clean Water State Revolving Fund Direct Loan and Grant

Dollar Threshold used to distinguish between Type A and Type B programs: \$700,000.

Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

2016-001: Management has not recorded infrastructure assets in the General, Street, Water and Sewer Funds and has not recorded depreciation expense on those assets. This also affects the Governmental and Business-Type activities opinion units. Accounting principles generally accepted in the United States of America require infrastructure assets be capitalized and depreciated, which would increase the assets, net position and expenses of the opinion units mentioned previously. We cannot reasonably determine the amounts by which this departure would affect the assets, net position and expenses of the General, Street, Water, and Sewer funds, and the Governmental and Business-Type Activities.

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

CITY OF CARL JUNCTION, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED APRIL 30, 2016

FINANCIAL STATEMENT AUDIT

There were no financial statement findings.

FEDERAL AWARDS PROGRAM AUDIT

Reference Number	Summary of Finding	Status
15-001	Late submission of audit report to the Federal Audit Clearinghouse	Person designated to track due dates
15-002	Lack of Internal Controls relating to reporting of Federal Awards	Control Implemented

**CITY OF CARL JUNCTION
303 North Main St
Carl Junction, MO 64834**

CORRECTIVE ACTION PLAN

January 15, 2017

Environmental Protection Agency

The City of Carl Junction, Missouri respectfully submits the following corrective action plan for the year ended April 30, 2016.

Name and address of independent public accounting firm: Taylor Green PC, P. O. Box 150, Neosho, MO 64850

Audit period: May 1, 2015 through April 30, 2016

The findings from the January 15, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

FINDING NO. 2016-001: Management has not recorded infrastructure assets in the General, Street, Water and Sewer Funds and has not recorded depreciation expense on those assets. This also affects the Governmental and Business-Type activities opinion units.

Recommendation: We recommend that the City include infrastructure asset amounts in future financial statements.

Action Taken: The City will research and calculate the proper amounts for infrastructure assets to be included in future financial statements.

FINDINGS – FEDERAL AWARDS PROGRAM AUDIT

There were no deficiencies identified.

Sincerely,

Steve Lawver, City Administrator