

City of Republic, Missouri
Basic Financial Statements
Year Ended December 31, 2022

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Independent Auditors' Report

Honorable Mayor and City Council
City of Republic
Republic, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Republic, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Republic, Missouri, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Republic and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87 – *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve

months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2023, on our consideration of the City of Republic, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Republic, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC
Springfield, Missouri
June 5, 2023

Management's Discussion and Analysis

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City of Republic

Management's Discussion and Analysis

December 31, 2022

The management's discussion and analysis of the City of Republic's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2022. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$13,721,027 for the year as a result of current year activities. The net position of the City's business-type activities increased by \$2,477,864 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2022, by \$79.7 million (net position). Of this amount \$21 million was unrestricted and may be used to meet future obligations of the City.

Non-pension-related long-term liabilities of the City increased by \$46,010,163. This is mainly due to the issuance of the Series 2022 bonds and the MTFC Loan. The City's net pension liability increased by \$793,957.

Using this Annual Report

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

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in it. The City's net position – the difference between assets, net deferred outflows/inflows of resources, and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

City of Republic

Management's Discussion and Analysis

December 31, 2022

Fund Financial Statements

The fund financial statements provide detailed information about the City's funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.

Proprietary Funds: When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Republic

Management's Discussion and Analysis

December 31, 2022

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of December 31, 2022 and 2021:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2022</u>	<u>Total December 31, 2021</u>
Assets				
Current and other assets	\$ 20,856,445	\$ 46,392,720	\$ 67,249,165	\$ 19,900,397
Capital assets	38,581,544	37,008,902	75,590,446	58,238,068
	<u>59,437,989</u>	<u>83,401,622</u>	<u>142,839,611</u>	<u>78,138,465</u>
Deferred Outflows of Resources	647,559	583,284	1,230,843	1,027,590
Liabilities				
Current liabilities	3,252,547	3,236,686	6,489,233	4,867,123
Long-term liabilities	4,411,518	49,304,302	53,715,820	7,705,845
Net pension liability	1,089,709	1,158,997	2,248,706	1,454,749
	<u>8,753,774</u>	<u>53,699,985</u>	<u>62,453,759</u>	<u>14,027,717</u>
Deferred Inflows of Resources	372,336	1,532,425	1,904,761	1,625,295
Net Position				
Net investment in capital assets	32,827,439	25,469,575	58,297,014	48,640,989
Restricted	121,095	-	121,095	481,071
Unrestricted	18,010,904	3,282,921	21,293,825	14,390,983
	<u>\$ 50,959,438</u>	<u>\$ 28,752,496</u>	<u>\$ 79,711,934</u>	<u>\$ 63,513,043</u>

Total net position of the City increased by \$16,198,891 for the year due to current year activity. Total liabilities for the City have increased by \$48,760,094. The change in total liabilities is mainly due to the issuance of the Series 2022 bonds and the MTFC loan during the current year. The City's long-term liabilities increased by \$46,010,163. Restricted net position of the City totaled \$121,095 as of December 31, 2022.

City of Republic

Management's Discussion and Analysis

December 31, 2022

Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended December 31, 2022</u>	<u>Total Year Ended December 31, 2021</u>
Revenues and Transfers				
Program Revenues				
Charges for services	\$ 2,252,232	\$ 6,943,618	\$ 9,195,850	\$ 7,685,315
Operating grants and contributions	9,388	-	9,388	237,740
Capital grants and contributions	7,865,768	2,616,457	10,482,225	5,846,182
General Revenues				
Sales taxes	14,612,898	-	14,612,898	10,435,109
Ad valorem taxes	1,683,242	-	1,683,242	1,400,571
Motor vehicle and gas taxes	723,389	-	723,389	637,849
Other taxes	96,102	-	96,102	81,181
Franchise fees	958,501	-	958,501	764,519
County reimbursements	151,098	-	151,098	140,604
Interest	137,952	436,625	574,577	51,571
Other revenue	282,616	428,480	711,096	805,716
Transfers	351,191	(351,191)	-	-
Special Item				
(Loss) on asset disposal	-	-	-	(19,533)
Total Revenues, Transfers and Special Item	<u>29,124,377</u>	<u>10,073,989</u>	<u>39,198,366</u>	<u>28,066,824</u>
Expenses				
Administrative	2,478,930	-	2,478,930	1,181,913
Information technology	608,244	-	608,244	294,686
Human resources	-	-	-	241,692
Municipal court	127,767	-	127,767	144,335
Economic development	744,166	-	744,166	430,019
Police	2,957,917	-	2,957,917	2,192,327
Fire	2,378,185	-	2,378,185	1,909,958
Emergency management	20,820	-	20,820	20,820
Animal control	287,430	-	287,430	191,443
Street	2,078,897	-	2,078,897	1,680,893
Stormwater	7,750	-	7,750	95,826
Parks and recreation	3,583,915	-	3,583,915	3,642,140
Debt service	129,329	-	129,329	116,141
Water	-	2,195,440	2,195,440	2,232,310
Sewer	-	5,400,685	5,400,685	2,714,497
Total Expenses	<u>15,403,350</u>	<u>7,596,125</u>	<u>22,999,475</u>	<u>17,089,000</u>
<i>Increase in Net Position</i>	<u>\$ 13,721,027</u>	<u>\$ 2,477,864</u>	<u>\$ 16,198,891</u>	<u>\$ 10,977,824</u>

City of Republic

Management's Discussion and Analysis

December 31, 2022

Governmental Activities

Governmental activities increased the net position of the City by \$13,721,027. Tax revenues for the City were \$18,074,132, which is an increase of \$4,754,903 from the prior year. Program revenues for the functions totaled \$10,127,388, which is an increase of \$4,796,281 from the prior year. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Republic's Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administrative	\$ 2,478,930	\$ (576,087)
Information technology	608,244	608,244
Municipal court	127,767	(67,711)
Economic development	744,166	155,582
Police	2,957,917	2,903,948
Fire	2,378,185	2,370,917
Emergency management	20,820	20,820
Animal control	287,430	287,430
Street	2,078,897	(2,783,969)
Stormwater	7,750	7,750
Parks and recreation	3,583,915	2,219,709
Debt Service	129,329	129,329
	<u>\$ 15,403,350</u>	<u>\$ 5,275,962</u>

Business-Type Activities

Business-type activities increased the City's net position by \$2,477,864. This is down from the increase of the City's business-type activities of \$3,231,960 in the prior year.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2022, are \$18,259,257. The General Fund increased by \$3,546,921. The Street Fund increased by \$682,871. The Stormwater Fund decreased by \$2,002. The Fire Sales Tax Fund increased \$116,378. The Parks and Recreation Fund decreased \$235,540. The Capital Improvement Sales Tax Fund decreased \$4,011. The Major Grants Fund increased by \$1,798,096. The Capital Project Fund increased \$4,137. The Debt Service Fund decreased \$138,860.

General Fund Budgetary Highlights

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

- The City's General Fund budget was amended in December 2022.

City of Republic

Management's Discussion and Analysis

December 31, 2022

- The City's original budgeted revenues and transfers in for the General Fund were \$11,519,416 and budgeted expenditures and transfers out were \$11,085,466, for the year ended December 31, 2022.
- The City's amended budgeted revenues and transfers in for the General Fund were \$16,256,858, and amended budgeted expenditures and transfers out were \$14,499,893, for the year ended December 31, 2022.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$38,581,544 (net of accumulated depreciation) as of December 31, 2022. This represents a \$6,611,007 increase from the prior year. Net capital assets for business-type activities were \$37,008,902, as of December 31, 2022. This represents an increase of \$10,741,371 from the prior year. The increases are mainly due to infrastructure upgrades and a new facility being constructed.

Debt

Total debt of the governmental activities as of December 31, 2022, was \$6,295,100, which is a net increase of \$656,955 from the prior year. The increase is due to the issuance of the Series 2022 special obligation bonds in the amount of \$1,833,333 and the MTFC loan in the amount of \$685,692. Retirements of principal and amortization of premiums totaled \$2,000,537 during the year.

Total debt of business-type activities as of December 31, 2022, was \$50,998,164, which is a net increase of \$46,542,410 from the prior year. During the year, the City issued \$43,611,667 in Series 2022 special obligation bonds and received premiums of \$3,422,527, which will be amortized over the life of the bonds. Retirements of principal and amortization of premiums totaled \$524,739 during the year.

Economic Factors and Next Year's Budget

Next Year's Budget

The City of Republic continues to challenge the status quo as we enter FY 2023. During the FY 2023 the City will continue making great strides in wastewater improvements and public safety funding. We are also grateful for the voter approved renewal of two (2) Parks Sales Tax initiatives in August 2022. The sales tax growth is a direct result of the City's continual efforts in fostering partnerships within the economic development community.

The proposed \$63,714,991 budget (both operating and capital) for FY 2023 addresses funding for core operations and capital projects & investment needs of the City. This budget was adopted by the City Council on December 6, 2022 and establishes a plan for FY 2023 which is detailed in two documents:

- The operating budget; and
- The 2023-2027 Five-Year Capital Improvement Program (CIP).

City of Republic

Management's Discussion and Analysis

December 31, 2022

The budget contains 14 individual departmental budgets across four (4) funds:

- General Fund,
- Enterprise Fund,
- Capital Projects Fund, and
- Special Revenue Fund.

The CIP identifies all capital and infrastructure needs the City over the next five (5) years, including improvements to the American's Disabilities Act (ADA) of 1990.

In accordance with the Missouri State Statute Section 67.010, the budget is to be balanced and the total proposed expenditures are not to exceed the estimated revenues and any unencumbered fund balance, less any deficit estimated for the beginning of the budget year. Each budget will outline a multi-year presentation of planned and actual resources to allow for the comparative analysis of the financial conditions of the City, as required.

The FY 2023 revenues are anticipated to be \$37,213,976. The FY 2023 budgeted expenditures are anticipated to be \$63,714,991, resulting in a \$26,011,093 deficit, which will be funded by bond proceeds received in 2022 and unrestricted/unencumbered funds accumulated from prior years. Contacting the City's Financial Management

Water & Wastewater Rates

FY 2023 brings rate increases for both water and wastewater rates necessary to fund ongoing investment and annual debt service associated with the Series 2022 Debt Issuance secured to fund the wastewater treatment plant and ongoing capital improvement projects. Those increases are as follows:

1. Water
 - a. Inside City Limits
 - i. Monthly Base Charge will increase from \$7.56 to \$8.09 for 1,500 gallons.
 - ii. Surcharge will increase from \$3.56 to \$3.81 per 1,000 gallons.
 - b. Outside City Limits
 - i. Monthly Base Charge will increase from \$11.34 to \$12.13 for 1,500 gallons.
 - ii. Surcharge will increase from \$5.34 to \$5.71 per 1,000 gallons.
2. Wastewater
 - a. Inside City Limits
 - i. Monthly Base Charge will increase from \$18.80 to \$25.57 for 1,500 gallons.
 - ii. Surcharge will increase from \$11.17 to \$15.19 per 1,000 gallons.
 - b. Outside City Limits
 - i. Monthly Base Charge will increase from \$28.20 to \$38.35 for 1,500 gallons.
 - ii. Surcharge will increase from \$16.77 to \$22.81 per 1,000 gallons.

Capital

Capital expenditures are budgeted at \$31,365,526 for FY 2023 and comprise approximately 50% of the City's FY 2023 total expenditures. When resources are tight, capital spending is often prioritized and/or deferred if possible. However, capital improvements have long-term effects on City operations, as well as impacting both current and future operating budgets.

City of Republic

Management's Discussion and Analysis

December 31, 2022

Debt

The City continues to make great strides in securing funds for the Wastewater Treatment Plant upgrades through Special Obligation Funds (issued \$48.5 million in FY 2022) and State grant funds. The Parks & Recreation Department retired the debt on the Republic Aquatic Center in 2022 and anticipates borrowing an additional estimated \$10 million during FY 2023 to fund further expansion of the City's parks and pool.

Personnel

The FY 2023 budget:

- Includes wages and personnel benefits budgeted at \$15,353,149 for a total of 171 full-time employees, which is approximately 24 % of the overall budget.
- Includes a 5% COLA for all staff, effective January 1, 2023 to remain competitive relative to employment opportunities in the surrounding communities and entities.

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), which is a defined benefit pension plan providing retirement, disability and death benefits to members and beneficiaries.

- In 2014, the City Council approved a change in the City's LAGERS program from the L-1 level to the L-3 level, increasing the employees' pension from a 1.0% multiplier to a 1.25% multiplier. The ensuing change resulted in an approximate 5.6% increase in LAGERS pension contributions on behalf of the employees.
- In 2019, the City assumed the employee's contribution rate of 4% and the employees no longer are required to contribute.
- No changes to the LAGERS benefit have been budgeted for 2023.

Effective April 1, 2022, the City further enhanced its retirement program by adding a 9% ICMA Deferred Compensation program provided by the City on behalf of each full-time employee. The City has budgeted \$908,035 to fund the same ICMA Deferred Compensation benefit for FY 2023.

For additional information or questions, please contact:

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Bob Ford, Finance Director
David Cameron, City Administrator
Jared Keeling, Assistant City Administrator
Lisa Addington, Chief of Staff

City of Republic

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 12,970,573	\$ 1,696,121	\$ 14,666,694
Ad valorem taxes receivable, net	1,383,682	-	1,383,682
Sales taxes receivable	2,102,052	-	2,102,052
Franchise taxes receivable	173,809	-	173,809
Utilities receivable, net	-	1,467,134	1,467,134
Intergovernmental receivable	1,257,657	-	1,257,657
Leases receivable	-	1,252,592	1,252,592
Other receivables	403,191	-	403,191
Prepaid insurance	166,615	41,856	208,471
Noncurrent			
Restricted cash and cash equivalents	2,398,866	41,935,017	44,333,883
Capital Assets			
Non-depreciable	9,135,266	8,878,800	18,014,066
Depreciable, net	29,446,278	28,130,102	57,576,380
Total Assets	59,437,989	83,401,622	142,839,611
Deferred Outflows of Resources			
Deferred pension outflows	647,559	583,284	1,230,843

See accompanying Notes to the Financial Statements

City of Republic

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current			
Accounts payable	744,386	815,902	1,560,288
Retainage payable	334,051	-	334,051
Accrued expenses	238,512	43,417	281,929
Accrued interest payable	7,989	139,483	147,472
Police evidence payable	44,027	-	44,027
Deposits payable	-	544,022	544,022
Current maturities of long-term debt	1,883,582	1,693,862	3,577,444
	<u>3,252,547</u>	<u>3,236,686</u>	<u>6,489,233</u>
Noncurrent			
Bonds payable, net	2,136,469	45,629,013	47,765,482
Financed purchases	1,734,054	3,589,109	5,323,163
Compensated absences payable	540,995	86,180	627,175
Net pension liability	1,089,709	1,158,997	2,248,706
	<u>5,501,227</u>	<u>50,463,299</u>	<u>55,964,526</u>
Total Liabilities	8,753,774	53,699,985	62,453,759
Deferred Inflows of Resources			
Deferred pension inflows	372,336	290,984	663,320
Leases	-	1,241,441	1,241,441
Total Deferred Inflows of Resources	372,336	1,532,425	1,904,761
Net Position			
Net investment in capital assets	32,827,439	25,469,575	58,297,014
Restricted	121,095	-	121,095
Unrestricted	18,010,904	3,282,921	21,293,825
Total Net Position	\$ 50,959,438	\$ 28,752,496	\$ 79,711,934

See accompanying Notes to the Financial Statements

City of Republic

Statement of Activities

Year Ended December 31, 2022

Functions/Programs	Net (Expenses), Revenues, and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government							
Governmental Activities							
Administrative	\$ (2,478,930)	\$ 14,562	\$ 1,922	\$ 3,038,533	\$ 576,087	\$ -	\$ 576,087
Information technology	(608,244)	-	-	-	(608,244)	-	(608,244)
Municipal court	(127,767)	195,478	-	-	67,711	-	67,711
Economic development	(744,166)	558,799	-	29,785	(155,582)	-	(155,582)
Police	(2,957,917)	46,653	7,316	-	(2,903,948)	-	(2,903,948)
Fire	(2,378,185)	7,118	150	-	(2,370,917)	-	(2,370,917)
Emergency management	(20,820)	-	-	-	(20,820)	-	(20,820)
Animal control	(287,430)	-	-	-	(287,430)	-	(287,430)
Street	(2,078,897)	65,416	-	4,797,450	2,783,969	-	2,783,969
Stormwater	(7,750)	-	-	-	(7,750)	-	(7,750)
Parks and recreation	(3,583,915)	1,364,206	-	-	(2,219,709)	-	(2,219,709)
Debt Service	(129,329)	-	-	-	(129,329)	-	(129,329)
Total Governmental Activities	(15,403,350)	2,252,232	9,388	7,865,768	(5,275,962)	-	(5,275,962)

See accompanying Notes to the Financial Statements

City of Republic

Statement of Activities

Year Ended December 31, 2022

	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
Business-Type Activities						
Water	(2,195,440)	2,537,011	-	1,329,892	-	1,671,463
Sewer	(5,400,685)	4,406,607	-	1,286,565	-	292,487
Total Business-Type Activities	(7,596,125)	6,943,618	-	2,616,457	-	1,963,950
Total Primary Government	\$ (22,999,475)	\$ 9,195,850	\$ 9,388	\$10,482,225	(5,275,962)	1,963,950
General Revenues and Transfers						
Sales taxes				14,612,898	-	14,612,898
Ad valorem taxes				1,683,242	-	1,683,242
Motor vehicle and gas taxes				723,389	-	723,389
Other taxes				96,102	-	96,102
Franchise fees				958,501	-	958,501
County reimbursements				151,098	-	151,098
Interest				137,952	436,625	574,577
Other revenue				282,616	428,480	711,096
Transfers				351,191	(351,191)	-
Total General Revenues and Transfers				18,996,989	513,914	19,510,903
<i>Changes in Net Position</i>				13,721,027	2,477,864	16,198,891
Net Position, Beginning of year				37,238,411	26,274,632	63,513,043
Net Position, End of year				\$ 50,959,438	\$ 28,752,496	\$ 79,711,934

See accompanying Notes to the Financial Statements

City of Republic

Balance Sheet – Governmental Funds

December 31, 2022

	Special Revenue Funds								Total Governmental Funds	
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	Major Grant Fund	Capital Project Fund		Debt Service Fund
Assets										
Cash and cash equivalents - unrestricted	\$ 6,815,313	\$ 1,626,833	\$ 606,733	\$ 733,540	\$ 592,827	\$ 570,504	\$ 2,019,212	\$ 5,611	\$ -	\$ 12,970,573
Ad valorem taxes receivable, net	976,164	138,842	-	-	268,676	-	-	-	-	1,383,682
Sales taxes receivable	1,176,666	336,504	-	84,126	336,504	168,252	-	-	-	2,102,052
Franchise taxes receivable	173,809	-	-	-	-	-	-	-	-	173,809
Other receivables	367,096	36,095	-	-	-	-	-	-	-	403,191
Intergovernmental receivable	57,657	1,200,000	-	-	-	-	-	-	-	1,257,657
Prepaid insurance	111,578	16,002	-	-	39,035	-	-	-	-	166,615
Restricted cash and cash equivalents	236,421	1,565,084	-	-	40,000	-	-	436,266	121,095	2,398,866
Total Assets	\$ 9,914,704	\$ 4,919,360	\$ 606,733	\$ 817,666	\$ 1,277,042	\$ 738,756	\$ 2,019,212	\$ 441,877	\$ 121,095	\$ 20,856,445
Liabilities										
Accounts payable	\$ 45,602	\$ 502,746	\$ -	\$ -	\$ 196,038	\$ -	\$ -	\$ -	\$ -	\$ 744,386
Retainage payable	-	334,051	-	-	-	-	-	-	-	334,051
Accrued expenses	162,708	27,453	-	-	48,351	-	-	-	-	238,512
Police evidence payable	44,027	-	-	-	-	-	-	-	-	44,027
Total Liabilities	252,337	864,250	-	-	244,389	-	-	-	-	1,360,976

See accompanying Notes to the Financial Statements

City of Republic

Balance Sheet – Governmental Funds

December 31, 2022

	Special Revenue Funds								Total Governmental Funds	
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	Major Grant Fund	Capital Project Fund		Debt Service Fund
Deferred Inflows of Resources										
Deferred taxes	25,447	3,913	-	-	6,852	-	-	-	36,212	
Unavailable revenue	-	1,200,000	-	-	-	-	-	-	1,200,000	
Total Deferred Inflows of Resources	25,447	1,203,913	-	-	6,852	-	-	-	1,236,212	
Fund Balances										
Nonspendable										
Prepaid items	111,578	16,002	-	-	39,035	-	-	-	166,615	
Restricted for										
Debt service	-	-	-	-	-	-	-	121,095	121,095	
Assigned to										
General purposes	-	-	-	-	-	2,019,212	-	-	2,019,212	
Street	-	2,835,195	-	-	-	-	-	-	2,835,195	
Stormwater	-	-	606,733	-	-	-	-	-	606,733	
Fire	-	-	-	817,666	-	-	-	-	817,666	
Parks and recreation	-	-	-	-	986,766	-	-	-	986,766	
Capital improvements	-	-	-	-	-	738,756	441,877	-	1,180,633	
Unassigned	9,525,342	-	-	-	-	-	-	-	9,525,342	
Total Fund Balances	<u>9,636,920</u>	<u>2,851,197</u>	<u>606,733</u>	<u>817,666</u>	<u>1,025,801</u>	<u>738,756</u>	<u>2,019,212</u>	<u>441,877</u>	<u>121,095</u>	<u>18,259,257</u>
Total Liabilities, Deferred Inflows of Resources, and Fund	<u>\$ 9,914,704</u>	<u>\$ 4,919,360</u>	<u>\$ 606,733</u>	<u>\$ 817,666</u>	<u>\$ 1,277,042</u>	<u>\$ 738,756</u>	<u>\$ 2,019,212</u>	<u>\$ 441,877</u>	<u>\$ 121,095</u>	<u>\$ 20,856,445</u>

See accompanying Notes to the Financial Statements

City of Republic

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2022

Fund balance - total governmental funds	\$ 18,259,257
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	53,028,081
Less accumulated depreciation	<u>(14,446,537)</u>
	38,581,544
The net pension liability and deferred costs are not available to pay for current period expenditures and, therefore, not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension liability and related deferred items:	
Net pension liability	(1,089,709)
Deferred outflows due to pensions	647,559
Deferred inflows due to pensions	<u>(372,336)</u>
	(814,486)
Deferred tax revenues that are collected in subsequent periods are not available for current year's operations. However, on a full accrual basis of accounting, they are reported as revenues.	36,212
Deferred revenues collected in subsequent years are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet.	1,200,000
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due	(7,989)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(6,295,100)</u>
Net position of governmental activities	<u><u>\$ 50,959,438</u></u>

See accompanying Notes to the Financial Statements

City of Republic

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2022

	Special Revenue Funds									Total Governmental Funds
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	Major Grant Fund	Capital Project Fund	Debt Service Fund	
Revenues										
Taxes	\$ 10,522,305	\$ 2,634,191	\$ -	\$ 520,408	\$ 3,356,635	\$ 1,040,593	\$ -	\$ -	\$ -	\$ 18,074,132
Licenses and permits	535,266	55,619	-	-	-	-	-	-	-	590,885
Intergovernmental revenues	7,316	451,098	-	-	-	17,436	3,021,097	-	-	3,496,947
Charges for services	45,328	-	-	-	1,364,205	-	-	-	-	1,409,533
Fines and forfeitures	239,942	-	-	-	-	-	-	-	-	239,942
Miscellaneous	323,191	55,947	5,748	7,406	32,336	22,270	11,753	4,137	1,508	464,296
Total Revenues	11,673,348	3,196,855	5,748	527,814	4,753,176	1,080,299	3,032,850	4,137	1,508	24,275,735
Expenditures										
Current										
Administrative	2,631,472	-	-	-	-	-	-	-	-	2,631,472
Information technology	490,062	-	-	-	-	-	-	-	-	490,062
Municipal court	182,343	-	-	-	-	-	-	-	-	182,343
Economic development	753,547	-	-	-	-	-	-	-	-	753,547
Police	2,612,993	-	-	-	-	-	-	-	-	2,612,993
Fire	2,072,823	-	-	323,181	-	-	-	-	-	2,396,004
Animal control	222,589	-	-	-	-	-	-	-	-	222,589
Street	-	8,141,345	-	-	-	-	-	-	-	8,141,345
Stormwater	-	-	7,750	-	-	-	-	-	-	7,750
Parks and recreation	-	-	-	-	4,132,375	-	-	-	-	4,132,375
Capital improvements	-	-	-	-	-	1,084,310	907,523	-	-	1,991,833
Debt Service										
Principal and interest	-	65,586	-	-	-	-	-	-	1,047,512	1,113,098
Total Expenditures	8,965,829	8,206,931	7,750	323,181	4,132,375	1,084,310	907,523	-	1,047,512	24,675,411
<i>Excess (Deficit) of Revenues Over Expenditures</i>	<i>2,707,519</i>	<i>(5,010,076)</i>	<i>(2,002)</i>	<i>204,633</i>	<i>620,801</i>	<i>(4,011)</i>	<i>2,125,327</i>	<i>4,137</i>	<i>(1,046,004)</i>	<i>(399,676)</i>

See accompanying Notes to the Financial Statements

City of Republic

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended December 31, 2022

	Special Revenue Funds								Total Governmental Funds	
	General Fund	Street Fund	Stormwater Improvement Fund	Fire Sales Tax Fund	Parks and Recreation Fund	Capital Improvement Sales Tax Fund	Major Grant Fund	Capital Project Fund		Debt Service Fund
Other Financing Sources (Uses)										
Developer donated infrastructure	-	3,297,450	-	-	-	-	-	-	3,297,450	
Proceeds from new debt issuances	-	2,519,025	-	-	-	-	-	-	2,519,025	
Operating transfers in	5,579,438	-	-	-	120,240	-	-	907,144	6,606,822	
Operating transfers (out)	(4,740,036)	(123,528)	-	(88,255)	(976,581)	-	(327,231)	-	(6,255,631)	
Total Other Financing Sources (Uses)	839,402	5,692,947	-	(88,255)	(856,341)	-	(327,231)	907,144	6,167,666	
<i>Net Change in Fund Balances</i>	3,546,921	682,871	(2,002)	116,378	(235,540)	(4,011)	1,798,096	4,137	(138,860)	5,767,990
Fund Balance, January 1	6,089,999	2,168,326	608,735	701,288	1,261,341	742,767	221,116	437,740	259,955	12,491,267
Fund Balance, December 31	\$ 9,636,920	\$ 2,851,197	\$ 606,733	\$ 817,666	\$ 1,025,801	\$ 738,756	\$ 2,019,212	\$ 441,877	\$ 121,095	\$ 18,259,257

See accompanying Notes to the Financial Statements

City of Republic

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2022

Net change in fund balances - total governmental funds	\$ 5,767,990
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense. The following is the net effect of these differences:</p>	
Expenditures for capital assets	8,020,666
Current year depreciation	(1,385,075)
(Loss) on disposal of capital assets	(24,584)
	6,611,007
<p>Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.</p>	
	1,200,000
<p>The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal on long-term debt is a use of current financial resources of governmental funds. In the Statement of Activities, interest is accrued on outstanding debt whereas, in the governmental funds, an interest expenditures is reported when due. The following is the detail of the net effect of these differences:</p>	
Repayment of principal on debt	1,987,984
Premium on bonds	12,553
Proceeds from the issuance of debt	(2,519,025)
	(518,488)
<p>Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the Statement of Activities when incurred.</p>	
Change in pension related costs	798,985
Change in compensated absences	(138,467)
	660,518
Change in net position of governmental activities	\$ 13,721,027

See accompanying Notes to the Financial Statements

City of Republic

Statement of Net Position – Proprietary Fund

December 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 677,100	\$ 1,019,021	\$ 1,696,121
Utilities receivable, net	406,887	1,060,247	1,467,134
Leases receivable	1,252,592	-	1,252,592
Prepaid insurance	22,355	19,501	41,856
Total Current Assets	2,358,934	2,098,769	4,457,703
Restricted Assets			
Cash and cash equivalents	1,493,928	40,441,089	41,935,017
Property, Plant and Equipment			
Non-depreciable	1,278,209	7,600,591	8,878,800
Depreciable	12,363,189	32,599,608	44,962,797
Accumulated depreciation	(4,392,303)	(12,440,392)	(16,832,695)
Total Property, Plant, and Equipment	9,249,095	27,759,807	37,008,902
Total Assets	13,101,957	70,299,665	83,401,622
Deferred Outflows of Resources			
Deferred pension outflows	266,028	317,256	583,284

See accompanying Notes to the Financial Statements

City of Republic

Statement of Net Position – Proprietary Fund

December 31, 2022

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Liabilities			
Current Liabilities			
Accounts payable	23,288	792,614	815,902
Accrued expenses	21,303	22,114	43,417
Accrued interest payable	7,689	131,794	139,483
Utility deposits	544,022	-	544,022
Current maturities of long-term debt	236,968	1,456,894	1,693,862
Total Current Liabilities	833,270	2,403,416	3,236,686
Long-Term Liabilities			
Bonds payable, net	1,784,733	43,844,280	45,629,013
Financed purchases	1,723,694	1,865,415	3,589,109
Compensated absences payable	30,309	55,871	86,180
Net pension liability	528,115	630,882	1,158,997
Total Long-Term Liabilities	4,066,851	46,396,448	50,463,299
Total Liabilities	4,900,121	48,799,864	53,699,985
Deferred Inflows of Resources			
Deferred pension inflows	135,881	155,103	290,984
Leases	1,241,441	-	1,241,441
Total Deferred Inflows of Resources	1,377,322	155,103	1,532,425
Net Position			
Net investment in capital assets	6,080,278	19,389,297	25,469,575
Unrestricted	1,010,264	2,272,657	3,282,921
Total Net Position	\$ 7,090,542	\$ 21,661,954	\$ 28,752,496

See accompanying Notes to the Financial Statements

City of Republic

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

Year Ended December 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 2,203,070	\$ 4,337,055	\$ 6,540,125
Miscellaneous	333,941	69,552	403,493
Total Operating Revenues	<u>2,537,011</u>	<u>4,406,607</u>	<u>6,943,618</u>
Operating Expenses			
Wages and benefits	942,505	1,362,067	2,304,572
Professional services	5,853	231,408	237,261
Telephone and utilities	248,552	417,688	666,240
Insurance	24,788	49,380	74,168
Supplies	80,960	150,867	231,827
Travel, meetings and dues	16,908	1,489	18,397
Vehicle expense	52,260	26,327	78,587
Repairs and maintenance	267,176	518,171	785,347
Depreciation	286,468	691,801	978,269
General and administrative	14,146	10,768	24,914
Miscellaneous	98,595	711,558	810,153
Total Operating Expenses	<u>2,038,211</u>	<u>4,171,524</u>	<u>6,209,735</u>
<i>Operating Income</i>	498,800	235,083	733,883
Nonoperating Revenues (Expenses)			
Interest income	40,760	395,865	436,625
Interest expense	(157,229)	(1,229,161)	(1,386,390)
Impact fees	98,525	252,650	351,175
Rental income	77,305	-	77,305
Total Nonoperating Revenues (Expenses)	<u>59,361</u>	<u>(580,646)</u>	<u>(521,285)</u>
<i>Income Before Contributions and Transfers</i>	558,161	(345,563)	212,598
Capital Contributions			
Developer donated infrastructure	1,329,892	1,286,565	2,616,457
Operating Transfers in	182,950	144,281	327,231
Operating Transfers (out)	(297,643)	(380,779)	(678,422)
<i>Change in Net Position</i>	1,773,360	704,504	2,477,864
Net Position, January 1	5,317,182	20,957,450	26,274,632
Net Position, December 31	<u>\$ 7,090,542</u>	<u>\$ 21,661,954</u>	<u>\$ 28,752,496</u>

See accompanying Notes to the Financial Statements

City of Republic

Statement of Cash Flows – Proprietary Fund
Year Ended December 31, 2022

	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 2,506,492	\$ 4,199,927	\$ 6,706,419
Cash paid to suppliers	(806,549)	(1,574,649)	(2,381,198)
Cash paid to employees	(816,557)	(1,071,622)	(1,888,179)
Net Cash Provided by Operating Activities	883,386	1,553,656	2,437,042
Cash Flows from Noncapital Financing Activities			
Net operating transfers (out)	(114,693)	(236,498)	(351,191)
Nonoperating revenues	104,839	252,650	357,489
Net Cash Provided (Used) by Noncapital Financing Activities	(9,854)	16,152	6,298
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(1,642,206)	(7,460,978)	(9,103,184)
Proceeds from bond issue	1,833,333	45,200,861	47,034,194
Payment of bond principal	(5,800)	-	(5,800)
Payment of other debt principal	(180,929)	(194,608)	(375,537)
Payment of interest expense	(152,156)	(1,202,381)	(1,354,537)
Lease receipts	76,295	-	76,295
Net Cash Provided (Used) by Capital and Related Financing Activities	(71,463)	36,342,894	36,271,431
Cash Flows from Investing Activities			
Interest received on investments	24,305	395,866	420,171
Net Cash Provided by Investing Activities	24,305	395,866	420,171
<i>Net Increase in Cash and Cash Equivalents</i>	826,374	38,308,568	39,134,942
Cash and Cash Equivalents, Beginning of year	1,344,654	3,151,542	4,496,196
Cash and Cash Equivalents, End of year	2,171,028	41,460,110	43,631,138
Less Restricted Cash and Cash Equivalents	1,493,928	40,441,089	41,935,017
Unrestricted Cash and Cash Equivalents	\$ 677,100	\$ 1,019,021	\$ 1,696,121

See accompanying Notes to the Financial Statements

City of Republic

Statement of Cash Flows – Proprietary Fund

Year Ended December 31, 2022

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 498,800	\$ 235,083	\$ 733,883
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	286,468	691,801	978,269
(Increase) decrease in			
Utilities receivable	(74,714)	(206,190)	(280,904)
Prepaid expense	(3,757)	2,264	(1,493)
Deferred pension outflows	(142,323)	(194,138)	(336,461)
Increase (decrease) in			
Accounts payable	6,446	540,743	547,189
Accrued expenses	(13,908)	10,699	(3,209)
Utility deposits payable	44,195	(490)	43,705
Deferred pension inflows	(16,045)	(21,886)	(37,931)
Net pension liability	339,291	462,815	802,106
Compensated absences	(41,067)	32,955	(8,112)
Net Cash Provided by Operating Activities	\$ 883,386	\$ 1,553,656	\$ 2,437,042

See accompanying Notes to the Financial Statements

City of Republic

Notes to the Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

City of Republic

Notes to the Financial Statements

December 31, 2022

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

The City reports the following major governmental funds:

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

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

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

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

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

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

Major Grant Fund: The Major Grant Fund is used to account for resources received and expensed through major grants.

Capital Project Fund: The Capital Project Fund is used to account for acquisition or construction of major capital assets and other capital outlay.

Debt Service Fund: The Debt Service Fund accounts for resources that are restricted, committed, or assigned for the retirement of principal, interest, and related costs.

The City reports the following major proprietary funds:

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

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

City of Republic

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Capital Assets

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

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

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

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

Pooled Cash and Cash Equivalents

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

Fair Value

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

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

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

Level 3: Inputs are significant unobservable inputs

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Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to the pension plan.

In addition to liabilities, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City's business-type activities reports deferred inflows related to the pension plan and leases. The governmental funds report deferred inflows from deferred taxes and unavailable revenue from grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred Taxes

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred taxes are to be collected over several years.

Revenue Recognition – Property Taxes

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

Compensated Absences

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

Bond Premium

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

Net Position

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

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

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

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Notes to the Financial Statements

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

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

Fund Balance Classification

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

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

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

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

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

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

Use of Estimates

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

Operating Revenues and Expenses

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

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3)

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capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

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

Leases

The City is a lessor for several leases of cell phone equipment on the City's water tower. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to the Missouri Local Government Employees Retirement System (LAGERS) pension and pension expense, information about the fiduciary net position of 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.

Adoption of New Accounting Pronouncements

During the current year, the City adopted GASB Statement No. 87 – *Leases*. As a result, the Water Fund now includes receivables for the present value of payments expected to be received and paid and deferred inflows of resources that will be recognized as revenue over the term of the lease. The financial statements for the year ended December 31, 2021 were not restated in order to adopt this new pronouncement

During the current year, the City began contributing to a deferred compensation, 457 Plan, and therefore adopted GASB Statement No. 97 – *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. There was no impact to amounts reported in the financial statements, however, additional notes to the financial statements have been added.

2. Cash & Cash Equivalents

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2022, all bank balances on deposit are entirely insured or collateralized.

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Notes to the Financial Statements

December 31, 2022

3. Accounts Receivable

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
Ad Valorem Taxes Receivable			
General Fund	\$ 985,988	\$ (9,824)	\$ 976,164
Street Fund	141,486	(2,644)	138,842
Parks and Recreation Fund	270,187	(1,511)	268,676
	<u>\$ 1,397,661</u>	<u>\$ (13,979)</u>	<u>\$ 1,383,682</u>

4. Restricted Assets

Governmental Activities

Cash and cash equivalents and fund balance/net position have been restricted as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Fund Balance / Net Position</u>
General Fund		
Police equipment reserves	\$ 20,000	\$ -
Fire equipment reserves	20,000	-
Court bonds	5,591	-
Police evidence	44,027	-
Impact fees	25,124	-
Operating reserves	121,679	-
	<u>236,421</u>	<u>-</u>
Street Fund		
STP match funds	890,432	-
Developer escrow	54,614	-
Unspent bond proceeds	576,235	-
Other	43,803	-
	<u>1,565,084</u>	<u>-</u>
Parks and Recreation Fund		
Capital replacement reserves	40,000	-
Capital Projects Fund		
Developer escrow	436,266	-
Debt Service Fund		
Debt service	121,095	121,095
	<u>\$ 2,398,866</u>	<u>\$ 121,095</u>

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Notes to the Financial Statements

December 31, 2022

Business-Type Activities

Cash and cash equivalents and net position have been restricted as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
Water Fund		
Capital replacement	\$ 76,285	\$ -
Impact fees	297,043	-
Unspent bond proceeds	576,578	-
Customer Deposits	544,022	-
	<u>1,493,928</u>	<u>-</u>
Sewer Fund		
Capital replacement	816,285	-
Impact fees	828,725	-
Unspent bond proceeds	38,796,079	-
	<u>40,441,089</u>	<u>-</u>
	<u>\$ 41,935,017</u>	<u>\$ -</u>

City of Republic

Notes to the Financial Statements

December 31, 2022

5. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$ 6,352,397	\$ -	\$ -	\$ 6,352,397
Construction in progress	176,900	2,605,969	-	2,782,869
Total Non-Depreciable Capital Assets	6,529,297	<u>\$ 2,605,969</u>	<u>\$ -</u>	9,135,266
Depreciable Capital Assets				
Building and improvements	18,420,260	\$ -	\$ -	18,420,260
Machinery and equipment	2,204,256	439,741	43,710	2,600,287
Vehicles	4,378,169	524,911	36,831	4,866,249
Infrastructure	13,555,974	4,450,045	-	18,006,019
Total Depreciable Capital Assets	38,558,659	<u>\$ 5,414,697</u>	<u>\$ 80,541</u>	43,892,815
Less Accumulated Depreciation				
Building and improvements	7,049,365	\$ 468,147	\$ -	7,517,512
Machinery and equipment	1,490,195	170,229	29,868	1,630,556
Vehicles	2,452,669	337,339	26,089	2,763,919
Infrastructure	2,125,190	409,360	-	2,534,550
Total Accumulated Depreciation	<u>13,117,419</u>	<u>\$ 1,385,075</u>	<u>\$ 55,957</u>	<u>14,446,537</u>
Total Depreciable Capital Assets, net	<u>25,441,240</u>			<u>29,446,278</u>
Total Capital Assets - Governmental Activities, net	<u>\$ 31,970,537</u>			<u>\$ 38,581,544</u>

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

Administrative	\$ 45,573
Police	181,271
Fire	286,027
Court	7,783
Streets and Stormwater	447,259
Planning	11,847
Parks	356,804
Emergency Management	20,820
Animal Control	27,691
	\$ 1,385,075

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Business-Type Activities				
Water				
Non-depreciable Capital Assets				
Construction in progress	\$ -	\$ 1,278,209	\$ -	\$ 1,278,209
Total Non-depreciable Capital Assets	-	\$ 1,278,209	\$ -	1,278,209
Depreciable Capital Assets				
Water plant	\$ 9,526,590	\$ 1,522,242	\$ -	\$ 11,048,832
Buildings and improvements	363,121	-	-	363,121
Major moveable equipment	385,057	155,250	-	540,307
Vehicles	394,532	16,397	-	410,929
Total Depreciable Capital Assets	10,669,300	\$ 1,693,889	\$ -	12,363,189
Less Accumulated Depreciation				
Water plant	3,493,320	\$ 196,723	\$ -	3,690,043
Buildings and improvements	54,467	8,805	-	63,272
Major moveable equipment	187,178	64,138	-	251,316
Vehicles	370,870	16,802	-	387,672
Total Accumulated Depreciation	4,105,835	\$ 286,468	\$ -	4,392,303
Total Depreciable Capital Assets, net	6,563,465			7,970,886

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December 31, 2022

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Sewer				
Non-depreciable Capital Assets				
Land	270,670	\$ -	\$ -	270,670
Construction in progress	1,108,638	7,265,958	1,044,675	7,329,921
Total Non-depreciable Capital Assets	1,379,308	\$ 7,265,958	\$ 1,044,675	7,600,591
Depreciable Capital Assets				
Sewer plant	28,715,557	\$ 2,331,241	\$ -	31,046,798
Major moveable equipment	914,280	125,614	-	1,039,894
Vehicles	479,836	69,404	36,324	512,916
Total Depreciable Capital Assets	30,109,673	\$ 2,526,259	\$ 36,324	32,599,608
Less Accumulated Depreciation				
Sewer plant	10,911,791	\$ 596,553	\$ -	11,508,344
Major moveable equipment	411,029	79,603	-	490,632
Vehicles	462,095	15,645	36,324	441,416
Total Accumulated Depreciation	11,784,915	\$ 691,801	\$ 36,324	12,440,392
Total Depreciable Capital Assets, net	18,324,758			20,159,216
Total Capital Assets - Business-Type Activities, net	\$ 26,267,531			\$ 37,008,902

6. Long-Term Liabilities – Governmental Activities

The governmental activities long-term liabilities at December 31, 2022, consist of bonds, certificates of participation, loans, financed purchases, and compensated absences.

Series 2017 Special Obligation Refunding Bonds

On October 19, 2017, the City issued \$4,080,000 in Special Obligation Refunding Bonds for the purpose of refunding the Series 2010 and a portion of the Series 2011 Special Obligation Bonds. 97.68% of the Special Obligation Bonds was recorded as long-term debt within the governmental activities and 2.32% was recorded as long-term debt within the business-type activities. The principal amount recorded within the business-type activities has matured as of December 31, 2022. The bonds bear interest ranging from 2.0% to 3.0% with principal payments due May 1 and interest payments due November 1 and May 1 each year. The bond purchase agreement calls for all bonds to be purchased by a sole purchaser who will then offer them for sale to the public. The bonds may not be called for redemption under the provisions outlined in the bond ordinance. In the event of default, Bond Owners of not less than 10% may take such actions as may be necessary, such as seeking mandamus or specific performance, to cause the City to comply with its obligations under the agreement.

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Notes to the Financial Statements

December 31, 2022

The annual debt service requirements for these bonds at December 31, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 130,000	\$ 12,000	\$ 142,000
2024	135,000	8,025	143,025
2025	200,000	3,000	203,000
	<u>\$ 465,000</u>	<u>\$ 23,025</u>	<u>\$ 488,025</u>

Series 2022 Special Obligation Bonds

On February 16, 2022, the City issued \$45,445,000 in Series 2022 Special Obligation Bonds for the purpose of construction of a new public works facility, for approximately \$4,965,000 and improvements to the City's sewerage system for approximately \$40,480,000. The amount attributable to the public works facility is recorded in the governmental activities and the amount for the sewerage system improvements is recorded in the enterprise funds and business-type activities. The bonds bear interest ranging from 3.00% to 4.00%, with principal payments due May 1 and interest payments due May 1 and November 1 each year. The City has not pledged its full faith and credit and is not obligated to levy taxes or resort to any other moneys or property of the City to pay the principal and interest.

The annual debt service requirements for these bonds at December 31, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ 1,215,000	\$ 1,659,700	\$ 2,874,700
2024	1,265,000	1,610,100	2,875,100
2025	1,320,000	1,558,400	2,878,400
2026	1,375,000	1,504,500	2,879,500
2027	1,430,000	1,448,400	2,878,400
2028-2032	8,070,000	6,318,000	14,388,000
2033-2037	9,860,000	4,530,200	14,390,200
2038-2042	9,595,000	2,593,825	12,188,825
2043-2047	11,315,000	868,875	12,183,875
	<u>\$ 45,445,000</u>	<u>\$ 22,092,000</u>	<u>\$ 67,537,000</u>
	Governmental Activities	\$ 1,833,333	
	Business-Type Activities	43,611,667	
		<u>\$ 45,445,000</u>	

Capital Financed Purchase – 2006 MAMU

In February 2007, the City entered into a financing agreement with Missouri Association of Municipal Utilities to finance the construction of the addition and renovation of Fire Station No. 1 and the acquisition of related furnishings and equipment in the amount of \$992,000. The agreement requires various monthly payments with interest at 4.0%. In the

City of Republic

Notes to the Financial Statements

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event of default, the lender may terminate the agreement, retake possession of the property, lease or sublease the property with the City remaining liable for the remaining payments, declare all payments immediately due and payable for the remainder of the current fiscal year, or take whatever action at law or in equity deemed necessary.

The following is a schedule of future minimum payments under this agreement (assuming noncancellation):

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 48,000	\$ 19,360	\$ 67,360
2024	48,000	17,440	65,440
2025	48,000	15,520	63,520
2026	48,000	13,600	61,600
2027	56,000	11,587	67,587
2028	60,000	9,220	69,220
2029	60,000	6,820	66,820
2030	60,000	4,420	64,420
2031	66,000	1,970	67,970
2032	12,000	60	12,060
	<u>\$ 506,000</u>	<u>\$ 99,997</u>	<u>\$ 605,997</u>

Series 2007 Certificates of Participation

In March 2007, the City issued \$1,800,000 in Certificates of Participation for the purpose of acquiring, constructing, furnishing, and equipping Fire Station No. 2. The Certificates of Participation bear interest at 3.25% with monthly payments of \$9,201 due on the first of each month. In the event of default, the lender may terminate the agreement, retake possession of the property, lease or sublease the property with the City remaining liable for the remaining lease payments, or take whatever action at law or in equity deemed necessary.

The following is a schedule of future minimum payments under this agreement (assuming noncancellation):

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 80,942	\$ 19,900	\$ 100,842
2024	82,777	18,065	100,842
2025	84,758	16,083	100,841
2026	86,734	14,107	100,841
2027	88,756	12,085	100,841
2028	90,796	10,046	100,842
2029	92,942	7,900	100,842
2030	95,108	5,733	100,841
2031	97,326	3,516	100,842
2032	99,590	1,252	100,842
	<u>\$ 899,729</u>	<u>\$ 108,687</u>	<u>\$ 1,008,416</u>

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Notes to the Financial Statements

December 31, 2022

Financed Purchase – Aerial Fire Truck

In June 2017, the City entered into an agreement to finance the purchase of a 2017 Rosenbauer Firetruck in the amount of \$713,000. The agreement requires semi-annual payments of \$44,128 with interest at 2.29%. In the event of default, the lender may declare all payments immediately due and payable, retake possession of the property, lease or sublease the property with the City remaining liable for the remaining payments, or take whatever action at law or in equity deemed necessary.

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

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 81,500	\$ 6,756	\$ 88,256
2024	83,367	4,889	88,256
2025	85,276	2,980	88,256
2026	44,857	1,027	45,884
	\$ 295,000	\$ 15,652	\$ 310,652

Financed Purchase – Komatsu Dozer & Excavator

In April 2021, the City entered into an agreement to finance the purchase of a 2016 Komatsu Dozer and a 2018 Komatsu Excavator in the amount of \$203,630. The debt was recorded as long-term debt within both the governmental activities and the business-type activities based on the activity that was to utilize the equipment. The usage was estimated to be 33.33% for governmental activities and 66.67% for business-type activities. The agreement requires monthly payments of \$4,367 with interest at 1.4%. In the event of default, the lender may declare all payments immediately due and payable, retake possession of the property, lease or sublease the property with the City remaining liable for the remaining payments, or take whatever action at law or in equity deemed necessary.

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

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 51,024	\$ 1,374	\$ 52,398
2024	51,750	648	52,398
2025	17,414	52	17,466
	\$ 120,188	\$ 2,074	\$ 122,262
Governmental Activities	\$ 40,063		
Business-Type Activities	80,125		
	\$ 120,188		

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Notes to the Financial Statements

December 31, 2022

Financed Purchase – Sawyer Park Land

In September 2021, the City entered into an agreement to finance the purchase of land in the amount of \$2,000,000. The agreement requires annual payments of \$1,000,000, with no interest. In the event of default, the lender may declare all payments immediately due and payable.

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

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 1,000,000	\$ -	\$ 1,000,000

Direct Loan Agreement – 2022 MTFC Loan

On June 1, 2022, the City entered into a direct loan agreement and promissory note with the Missouri Transportation Finance Corporation (MTFC) for the purpose of a cost share program with the Missouri Highways and Transportation Commission. The loan shall be specifically used for the widening of Route MM to four lanes plus a center turn lane from Route 360 to Interstate 44. The total amount of the direct loan is \$4,200,000, however, the proceeds will be issued to the City in four disbursements with the first loan disbursement occurring in June 2022, in the amount of the \$685,692. The second disbursement of \$2,007,533 will be provided to the City in calendar year 2023 and the third and fourth disbursements of \$1,506,775 will be provided to the City in calendar year 2024. The loan bears interest at 1.4% and principal and interest payments are due annually on April 15 of each year.

The following is a schedule of future payments under the agreement:

Year Ending December 31,	Direct Borrowing		
	Principal	Interest	Total
2023	\$ 430,964	\$ 15,294	\$ 446,258
2024	254,728	6,248	260,976
	\$ 685,692	\$ 21,542	\$ 707,234

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Notes to the Financial Statements

December 31, 2022

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Amounts Due Within One Year
Direct Borrowings					
Capital Borrowings					
2006 MAMU	\$ 553,000	\$ -	\$ 47,000	\$ 506,000	\$ 48,000
2007 Certificates of Participation	978,445	-	78,716	899,729	80,942
2021 Land Note	2,000,000	-	1,000,000	1,000,000	1,000,000
Aerial Fire Truck Equipment	376,300	-	81,300	295,000	81,500
2022 MTFC Loan	56,831	-	16,768	40,063	51,024
	-	685,692	-	685,692	430,964
	<u>3,964,576</u>	<u>685,692</u>	<u>1,223,784</u>	<u>3,426,484</u>	<u>1,692,430</u>
Bonds					
Series 2017 Special Obligation Refunding Bonds	1,229,200	-	764,200	465,000	130,000
Series 2022 Special Obligation Bonds	-	1,833,333	-	1,833,333	48,600
Premium on Series 2017 Bond	41,841	-	12,553	29,288	12,552
	<u>1,271,041</u>	<u>1,833,333</u>	<u>776,753</u>	<u>2,327,621</u>	<u>191,152</u>
Compensated Absences	402,528	138,467	-	540,995	-
	<u>\$ 5,638,145</u>	<u>\$ 2,657,492</u>	<u>\$ 2,000,537</u>	<u>\$ 6,295,100</u>	<u>\$ 1,883,582</u>

7. Long-Term Liabilities – Business-Type Activities

The business-type activities long-term liabilities at December 31, 2022 consists of the following debt issuances as well as compensated absences payable:

Financed Purchase – 2006 MAMU

In December 2006, the City entered into an agreement with Missouri Association of Municipal Utilities to finance the extension of the water and sanitary sewer system lines and the construction of a new well and elevated water storage tank in the amount of \$7,865,000. The agreement requires various monthly payments with interest at 3.975%. In the event of default, the lender may terminate the agreement, retake possession of the property, lease or sublease the property with the City remaining liable for the remaining payments, declare all payments immediately due and payable for the remainder of the current fiscal year, or take whatever action at law or in equity deemed necessary.

City of Republic

Notes to the Financial Statements

December 31, 2022

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

<u>Year Ending December 31,</u>	<u>Direct Borrowing</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 357,000	\$ 148,566	\$ 505,566
2024	376,000	134,037	510,037
2025	392,000	118,800	510,800
2026	412,000	102,853	514,853
2027	430,000	86,158	516,158
2028	450,000	68,698	518,698
2029	472,000	50,426	522,426
2030	494,000	31,273	525,273
2031	517,000	11,210	528,210
	<u>\$ 3,900,000</u>	<u>\$ 752,021</u>	<u>\$ 4,652,021</u>
Water Fund	\$ 1,872,000		
Sewer Fund	2,028,000		
	<u>\$ 3,900,000</u>		

Financed Purchase – Komatsu Dozer & Excavator

See Note 6.

Series 2022 Special Obligation Bonds

See Note 6.

City of Republic

Notes to the Financial Statements

December 31, 2022

The following table is a summary of the changes in the Long-Term Liabilities – Business-Type Activities for the year ended December 31, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Amounts Due Within One Year
Water Fund					
Direct Borrowings					
2006 MAMU	\$ 2,036,160	\$ -	\$ 164,160	\$ 1,872,000	\$ 171,360
Equipment	56,831	-	16,769	40,062	17,008
	<u>2,092,991</u>	<u>-</u>	<u>180,929</u>	<u>1,912,062</u>	<u>188,368</u>
Bonds					
Series 2017 Refunding	5,800	-	5,800	-	-
Series 2022 Special Obligation	-	1,833,333	-	1,833,333	48,600
	<u>5,800</u>	<u>1,833,333</u>	<u>5,800</u>	<u>1,833,333</u>	<u>48,600</u>
Compensated Absences	71,376	-	41,067	30,309	-
	<u>2,170,167</u>	<u>1,833,333</u>	<u>227,796</u>	<u>3,775,704</u>	<u>236,968</u>
Sewer Fund					
Direct Borrowings					
2006 MAMU	2,205,840	-	177,840	2,028,000	185,640
Equipment	56,831	-	16,768	40,063	17,008
	<u>2,262,671</u>	<u>-</u>	<u>194,608</u>	<u>2,068,063</u>	<u>202,648</u>
Bonds					
Series 2022 Special Obligation	-	41,778,334	-	41,778,334	1,117,800
Premium on Series 2022 Bond	-	3,422,527	102,335	3,320,192	136,446
	<u>-</u>	<u>45,200,861</u>	<u>102,335</u>	<u>45,098,526</u>	<u>1,254,246</u>
Compensated Absences	22,916	32,955	-	55,871	-
	<u>2,285,587</u>	<u>45,233,816</u>	<u>296,943</u>	<u>47,222,460</u>	<u>1,456,894</u>
	<u>\$ 4,455,754</u>	<u>\$ 47,067,149</u>	<u>\$ 524,739</u>	<u>\$ 50,998,164</u>	<u>\$ 1,693,862</u>

8. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	<u>2022</u>
Assessed Valuation	
Real estate	\$ 280,222,448
Personal property	1,938,879
Total	<u>\$ 282,161,327</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.4326
Park Fund	.1166
Street Fund	.0666
	<u>\$.6158</u>

City of Republic

Notes to the Financial Statements

December 31, 2022

The legal debt margin at December 31, 2022, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 28,216,133	\$ 28,216,133	\$ 56,432,266
General Obligation Bonds Payable	-	-	-
Amount Available in Debt Service Fund	121,095	-	121,095
Legal Debt Margin	\$ 28,337,228	\$ 28,216,133	\$ 56,553,361

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

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

9. Defined Contribution Pension Plan

The City provides benefits to employees through a defined contribution plan established under section 457 of the Internal Revenue Code. This defined contribution plan is administered by MissionSquare Retirement, and benefits depend solely on amounts contributed to the Plan, plus investment earnings. The City contributes 9% per payroll for all employees starting six months after full-time status date, which are then retroactively paid back to the full-time date. Employees are eligible to participate from the date of hire. Employer and employee contributions are fully vested immediately.

During the year ended December 31, 2022, employer contributions were \$550,871 and employee contributions were \$164,321.

10. Employee Pension Plan

General Information about the Pension Plan

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

City of Republic

Notes to the Financial Statements

December 31, 2022

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

2022 Valuation	
Benefit multiplier	1.25% for life
Final average salary	3 years
Member contributions	0%

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

Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

	General Division	Police Division	Fire Division	Total
Inactive employees or beneficiaries currently receiving benefits	36	6	4	46
Inactive employees entitled to but not yet receiving benefits	28	20	12	60
Active employees	75	23	22	120
	139	49	38	226

Contributions. The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the City contribute 0% of gross pay to the pension plan. The City's contribution rates are 13.4% for General, 15.4% for Police, and 12.4% for Fire of annual covered payroll.

Net Pension Liability. The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2022.

Actuarial Assumptions. The total pension liability in the February 28, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase	2.75% to 6.75% including inflation for the General Division 2.75% to 6.55% including inflation for the Police Division 2.75% to 7.15% including inflation for the Fire Division
Investment rate of return	7.00% net of investment and administrative expenses

City of Republic

Notes to the Financial Statements

December 31, 2022

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables

The actuarial assumptions used in the February 28, 2022, valuation were based on the results of an actuarial experience study for the period March 1, 2015, through February 28, 2020.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

Discount Rate. The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

City of Republic

Notes to the Financial Statements

December 31, 2022

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (a) - (b)
General Division			
Balance at beginning of year	\$ 7,614,833	\$ 6,498,503	\$ 1,116,330
Changes for the year			
Service cost	268,652	-	268,652
Interest	532,372	-	532,372
Difference between expected and actual experiences	152,792	-	152,792
Contributions - employer	-	554,286	(554,286)
Net investment income	-	6,116	(6,116)
Benefits paid, including refunds	(288,020)	(288,020)	-
Administrative expenses	-	(15,030)	15,030
Other (net transfer)	-	(52,737)	52,737
<i>Net Changes</i>	<u>665,796</u>	<u>204,615</u>	<u>461,181</u>
Balance at end of year	8,280,629	6,703,118	1,577,511
Police Division			
Balance at beginning of year	1,979,458	1,564,693	414,765
Changes for the year			
Service cost	80,824	-	80,824
Interest	139,449	-	139,449
Difference between expected and actual experiences	119,301	-	119,301
Contributions - employer	-	183,171	(183,171)
Net investment income	-	1,851	(1,851)
Benefits paid, including refunds	(55,036)	(55,036)	-
Administrative expenses	-	(3,979)	3,979
Other (net transfer)	-	(5,601)	5,601
<i>Net Changes</i>	<u>284,538</u>	<u>120,406</u>	<u>164,132</u>
Balance at end of year	2,263,996	1,685,099	578,897

City of Republic

Notes to the Financial Statements

December 31, 2022

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Pension	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Fire Division			
Balance at beginning of year	1,771,313	1,847,659	(76,346)
Changes for the year			
Service cost	87,919	-	87,919
Interest	126,085	-	126,085
Difference between expected and actual experiences	93,224	-	93,224
Contributions - employer	-	138,955	(138,955)
Net investment income	-	3,828	(3,828)
Benefits paid, including refunds	(27,079)	(27,079)	-
Administrative expenses	-	(3,648)	3,648
Other (net transfer)	-	(551)	551
<i>Net Changes</i>	280,149	111,505	168,644
Balance at end of year	2,051,462	1,959,164	92,298
Total Plan Balances at end of year	\$ 12,596,087	\$ 10,347,381	\$ 2,248,706

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following present the Net Pension Liability of the City, calculated using the discount rate of 7.00%, as well as what the City's Net Pension Liability would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	6.00%	7.00%	8.00%
General Division			
Total Pension Liability	\$ 9,621,897	\$ 8,280,629	\$ 7,186,108
Plan Fiduciary Net Position	6,703,118	6,703,118	6,703,118
Net Pension Liability	2,918,779	1,577,511	482,990
Police Division			
Total Pension Liability	2,698,819	2,263,996	1,917,784
Plan Fiduciary Net Position	1,685,099	1,685,099	1,685,099
Net Pension Liability	1,013,720	578,897	232,685
Fire Division			
Total Pension Liability	2,412,417	2,051,462	1,762,592
Plan Fiduciary Net Position	1,959,164	1,959,164	1,959,164
Net Pension Liability	453,253	92,298	(196,572)
Total Net Pension Liability	\$ 4,385,752	\$ 2,248,706	\$ 519,103

City of Republic

Notes to the Financial Statements

December 31, 2022

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

For the year ended December 31, 2022, the City recognized a pension expense of \$423,639 in the General Division, \$129,348 in the Police Division, and \$58,427 in the Fire Division. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
General Division			
Differences in experiences	\$ 441,699	\$ (136,287)	\$ 305,412
Differences in assumptions	23,582	(86,845)	(63,263)
Excess (deficit) investment returns	-	(172,926)	(172,926)
Contributions subsequent to the measurement date*	328,626	-	328,626
	<u>793,907</u>	<u>(396,058)</u>	<u>397,849</u>
Police Division			
Differences in experiences	135,315	(75,601)	59,714
Differences in assumptions	4,705	-	4,705
Excess (deficit) investment returns	-	(21,656)	(21,656)
Contributions subsequent to the measurement date*	109,542	-	109,542
	<u>249,562</u>	<u>(97,257)</u>	<u>152,305</u>
Fire Division			
Differences in experiences	90,463	(128,386)	(37,923)
Differences in assumptions	13,450	(6,379)	7,071
Excess (deficit) investment returns	-	(35,240)	(35,240)
Contributions subsequent to the measurement date*	83,461	-	83,461
	<u>187,374</u>	<u>(170,005)</u>	<u>17,369</u>
Total	<u>\$ 1,230,843</u>	<u>\$ (663,320)</u>	<u>\$ 567,523</u>
Governmental Activities	\$ 647,559	\$ (372,336)	\$ 275,223
Business-Type Activities	583,284	(290,984)	292,300
	<u>\$ 1,230,843</u>	<u>\$ (663,320)</u>	<u>\$ 567,523</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized in the Net Pension Liability in the year ending December 31, 2023.

City of Republic

Notes to the Financial Statements

December 31, 2022

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	General Net Deferred Outflows (Inflows) of Resources	Police Net Deferred Outflows (Inflows) of Resources	Fire Net Deferred Outflows (Inflows) of Resources	Total Net Deferred Outflows (Inflows) of Resources
2023	\$ 50,658	\$ 16,312	\$ (18,022)	\$ 48,948
2024	(156)	11,893	(19,966)	(8,229)
2025	(104,033)	(17,317)	(35,288)	(156,638)
2026	92,851	28,424	21,805	143,080
2027	26,115	3,451	(1,859)	27,707
Thereafter	3,788	-	(12,762)	(8,974)
Total	<u>\$ 69,223</u>	<u>\$ 42,763</u>	<u>\$ (66,092)</u>	<u>\$ 45,894</u>

Payable to the Pension Plan

At December 31, 2022, the City had \$123,311 of contributions payable to the pension plan required for the year ended December 31, 2022.

11. Leases

The City leases tower space on the water tower to third parties, as a lessor. Payments are fixed and payable monthly. During the year ended October 31, 2022, the City recognized \$70,991 in lease revenue.

12. Risk Management

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

13. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2022, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

City of Republic

Notes to the Financial Statements

December 31, 2022

14. Interfund Transfers

Transfers between funds of the City for the year ended December 31, 2022, were as follows:

	Transfers In (Out)
General Fund	\$ 839,402
Street Fund	(123,528)
Fire Sales Tax Fund	(88,255)
Park Fund	(856,341)
Debt Service Fund	907,144
Water Fund	(297,643)
Sewer Fund	(380,779)
	\$ -

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

15. Commitments

At December 31, 2022, the City had the following commitments:

Vendor	Project	Amount
Burns & McDonnell	Wastewater treatment facility expansion project	\$ 4,765,229
Burns & McDonnell	Wastewater treatment facility blending project	219,810
Burns & McDonnell	Lift station #4 and forcemain improvements project	2,377,825
Burns & McDonnell	Lower Brookline linear improvement project	14,250
Burns & McDonnell	McElhaney lift station and forcemain project	35,460
Ross Construction	BUILDS project	1,507,418
Sapp Design Architects	Aquatic Center	390,225
Olsson Associates	Shuyler Creek Trail extension	68,952
Anderson Engineering, Inc.	Hines and Lynn roundabout	60,844

16. Tax Abatements

As of December 31, 2022, the City provides tax abatements through one program –The Enhanced Enterprise Zones Program.

The Enhanced Enterprise Zones Program is designed to attract new or expanding businesses to the area. Under Sections 135.950-135.970, RSMo., in order for a manufacturer, distributor, or certain service industries to qualify for the 50% tax abatement for 10 years, the business must meet certain minimum criteria depending on the type of business facility. The City of Republic, Missouri voted for the qualifying business to include manufacturing, warehousing/distributions and supply chain, wholesale trade, processing wholesale material for wholesale trade, professional services, and any other

City of Republic

Notes to the Financial Statements

December 31, 2022

business enterprise that creates and maintains 15 or more full time jobs, defined as 35 hours per week or more, excluding retail, eating and drinking establishments, and gaming operations. New or expanded business facilities must have \$100,000 in new investment. Replacement business facilities must have \$1,000,000 in new investment. Both types of business facilities must also offer health insurance to full time employees in Missouri, of which at least 50% is paid by the employer. During the year ended December 31, 2022 the total amount abated through the City's Enhanced Enterprise Zones Program was \$104,694.

17. Subsequent Events

Subsequent to December 31, 2022, the City entered into a contract with Grooms Office Environments to perform furniture consultation and design support services, including the sales and installation of furniture and furnishings for the City's BUILDS Department's new facility in an amount not to exceed \$363,999.

On April 11, 2023, Council approved entering into an agreement to lease four dump trucks with an annual cost of approximately \$169,000.

On March 23, 2023, the City issued Series 2023 Special Obligation Bonds in the amount of \$9,920,000 for capital improvements of the aquatic center and construction of a new community event space.

18. Restatement

Certain balances in the Statements of Net Position have been restated for inclusion of leases receivable and the corresponding deferred inflows of resources due to the implementation of GASB 87 – *Leases*, during the current year. The implementation of the new accounting standard had no effect on beginning net position. Changes to these balances are as follows:

	Business-type Activities	Water Fund
Net Position, as previously stated, December 31, 2021	\$ 26,274,632	\$ 5,317,185
Leases receivable	1,312,432	1,312,432
Deferred inflows of resources	(1,312,432)	(1,312,432)
Net Position, as restated, January 1, 2022	<u>\$ 26,274,632</u>	<u>\$ 5,317,185</u>

Required Supplementary Information

DRAFT

City of Republic

Schedule of Changes in Net Position Liability and Related Ratios

Year Ended December 31, 2022

Missouri Local Government Employees Retirement System (LAGERS)								
	<u>2021</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability								
Service Cost	\$ 437,395	\$ 420,061	\$ 425,565	\$ 409,689	\$ 402,300	\$ 389,419	\$ 354,360	\$ 301,679
Interest on the Total Pension Liability	797,906	773,244	734,452	622,751	560,802	515,897	440,338	341,126
Changes of Benefit Terms	-	-	-	240,005	-	-	-	873,448
Difference between expected and actual experience	365,317	(16,449)	(344,870)	511,093	205,087	12,913	139,457	(17,410)
Changes of Assumptions	-	(119,987)	-	-	-	(46,438)	309,808	-
Benefit Payments	(370,135)	(295,523)	(259,849)	(241,731)	(390,372)	(208,873)	(151,552)	(160,817)
<i>Net Change in Total Pension Liability</i>	1,230,483	761,346	555,298	1,541,807	777,817	662,918	1,092,411	1,338,026
Total Pension Liability, Beginning	11,365,604	10,604,258	10,048,960	8,507,153	7,729,336	7,066,418	5,974,007	4,635,981
Total Pension Liability, Ending	<u>\$ 12,596,087</u>	<u>\$ 11,365,604</u>	<u>\$ 10,604,258</u>	<u>\$ 10,048,960</u>	<u>\$ 8,507,153</u>	<u>\$ 7,729,336</u>	<u>\$ 7,066,418</u>	<u>\$ 5,974,007</u>
Plan Fiduciary Net Position								
Contributions - employer	\$ 876,412	\$ 742,549	\$ 725,511	\$ 580,248	\$ 442,199	\$ 421,098	\$ 378,325	\$ 348,612
Contributions - employee	-	26	-	124,450	185,356	187,765	179,855	180,245
Net Investment Income	11,795	2,147,426	94,547	398,106	632,274	500,611	18,844	74,200
Benefit Payments	(370,135)	(295,523)	(259,849)	(241,731)	(390,372)	(208,873)	(151,552)	(160,817)
Pension Plan Administrative Expense	(22,657)	(17,576)	(22,194)	(19,331)	(12,809)	(12,308)	(11,867)	(12,770)
Other (Net Transfer)	(58,889)	25,104	20,943	4,070	221,637	(66,888)	(74,047)	(25,775)
<i>Net Change in Plan Fiduciary Net Position</i>	436,526	2,602,006	558,958	845,812	1,078,285	821,405	339,558	403,695
Plan Fiduciary Net Position, Beginning	9,910,855	7,308,849	6,749,891	5,904,079	4,825,794	4,004,389	3,664,831	3,261,136
Plan Fiduciary Net Position, Ending	<u>10,347,381</u>	<u>9,910,855</u>	<u>7,308,849</u>	<u>6,749,891</u>	<u>5,904,079</u>	<u>4,825,794</u>	<u>4,004,389</u>	<u>3,664,831</u>
Employer Net Pension Liability	<u>\$ 2,248,706</u>	<u>\$ 1,454,749</u>	<u>\$ 3,295,409</u>	<u>\$ 3,299,069</u>	<u>\$ 2,603,074</u>	<u>\$ 2,903,542</u>	<u>\$ 3,062,029</u>	<u>\$ 2,309,176</u>
Plan fiduciary net position as a percentage of the total pension liability	82.15%	87.20%	68.92%	67.17%	69.40%	62.43%	56.67%	61.35%
Covered payroll	\$ 6,107,681	\$ 5,274,968	\$ 5,274,968	\$ 5,334,667	\$ 4,568,579	\$ 4,718,669	\$ 4,326,663	\$ 4,011,930
Employer's net pension liability as a percentage of covered payroll	36.82%	62.47%	62.47%	61.84%	56.98%	61.53%	70.77%	57.56%

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

City of Republic

Schedule of Contributions Year Ended December 31, 2022

Missouri Local Government Employees Retirement System (LAGERS)										
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 982,685	\$ 752,329	\$ 768,674	\$ 703,488	\$ 467,478	\$ 454,354	\$ 399,756	\$ 367,770	\$ 289,486	\$ 271,747
Contributions in relation to the actuarially determined contribution	<u>982,685</u>	<u>752,329</u>	<u>767,679</u>	<u>703,487</u>	<u>467,478</u>	<u>440,229</u>	<u>385,535</u>	<u>367,771</u>	<u>289,486</u>	<u>271,748</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 14,125</u>	<u>\$ 14,221</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ (1)</u>
Covered payroll	\$ 7,221,381	\$ 5,574,781	\$ 5,576,497	\$ 5,255,119	\$ 4,865,670	\$ 4,650,980	\$ 4,553,397	\$ 4,394,159	\$ 4,414,900	\$ 4,488,691
Contributions as a percentage of covered payroll	13.61%	13.50%	13.77%	13.39%	9.61%	9.47%	8.47%	8.37%	6.56%	6.05%

City of Republic

Notes to the Schedule of Contributions Year Ended December 31, 2022

Valuation Date: February 28, 2022

Notes: The roll-forward of total pension liability from February 28, 2022, to June 30, 2022, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

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

Remaining Amortization Period: Multiple bases from 10 to 24 years

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

Inflation: 2.75% wage inflation; 2.25% price inflation

Salary Increases: 2.75% to 6.75% including inflation for the General Division

2.75% to 6.55% including inflation for the Police Division

2.75% to 7.15% for the Fire Division

Investment Rate of Return: 7.00%, net of investment and administrative expenses

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

Mortality: The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire, and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

Other Information: None

City of Republic

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes				
Ad valorem taxes	\$ 976,594	\$ 952,594	\$ 1,158,134	\$ 205,540
Railroad and utility taxes	26,000	26,000	24,574	(1,426)
Motor vehicle tax	308,000	342,500	361,694	19,194
City sales tax	6,380,940	7,493,076	7,949,034	455,958
Franchise tax	810,000	887,000	958,501	71,501
Financial institution tax	3,200	5,800	5,839	39
Surtax	28,000	60,700	60,771	71
Payment in lieu of tax	1,800	3,750	3,758	8
	<u>8,534,534</u>	<u>9,771,420</u>	<u>10,522,305</u>	<u>750,885</u>
Licenses and Permits				
Occupational licenses	100,000	100,000	96,895	(3,105)
Permits	263,900	410,850	438,371	27,521
	<u>363,900</u>	<u>510,850</u>	<u>535,266</u>	<u>24,416</u>
Intergovernmental Revenues				
Federal and state grants	9,000	5,000	7,316	2,316
Charges for Services				
Sanitation	22,200	44,150	45,328	1,178
Fines and Forfeitures				
City court fines	164,400	233,250	239,942	6,692
Miscellaneous				
Interest	15,000	50,900	58,501	7,601
Donations	6,100	1,750	2,332	582
Other	56,000	60,100	262,358	202,258
	<u>77,100</u>	<u>112,750</u>	<u>323,191</u>	<u>210,441</u>
Total Revenues	<u>9,171,134</u>	<u>10,677,420</u>	<u>11,673,348</u>	<u>995,928</u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures				
Current				
Administrative	2,354,200	2,876,553	2,631,472	245,081
Information technology	486,917	501,817	490,062	11,755
Municipal court	204,820	199,120	182,343	16,777
Community development	917,873	975,691	753,547	222,144
Police	2,912,308	2,772,808	2,612,993	159,815
Fire	2,459,321	2,217,821	2,072,823	144,998
Animal control	241,061	215,961	222,589	(6,628)
Total Expenditures	<u>9,576,500</u>	<u>9,759,771</u>	<u>8,965,829</u>	<u>793,942</u>
 <i>Excess (Deficit) of Revenues Over Expenditures</i>	 (405,366)	 917,649	 2,707,519	 1,789,870
 Other Financing Sources (Uses)				
Operating transfers in	2,348,282	5,579,438	5,579,438	-
Operating transfers (out)	(1,508,966)	(4,740,122)	(4,740,036)	86
Total Other Financing Sources (Uses)	<u>839,316</u>	<u>839,316</u>	<u>839,402</u>	<u>86</u>
 <i>Net Change in Fund Balance</i>	 433,950	 1,756,965	 3,546,921	 1,789,956
 Fund Balance, January 1	 6,089,999	 6,089,999	 6,089,999	 -
Fund Balance, December 31	<u><u>\$ 6,523,949</u></u>	<u><u>\$ 7,846,964</u></u>	<u><u>\$ 9,636,920</u></u>	<u><u>\$ 1,789,956</u></u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Street Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 125,963	\$ 142,963	\$ 178,182	\$ 35,219
Street sales taxes	1,783,593	2,094,921	2,081,184	(13,737)
Motor vehicle taxes	308,000	342,500	361,694	19,194
Railroad and utility	3,798	3,798	3,781	(17)
Surtax	4,117	4,117	9,350	5,233
	2,225,471	2,588,299	2,634,191	45,892
Permits				
Street cuts	10,000	10,000	2,000	(8,000)
Street signs	-	-	17,619	17,619
Right of way permits	10,000	36,000	36,000	-
	20,000	46,000	55,619	9,619
Intergovernmental Revenues				
Grants	-	-	300,000	300,000
County reimbursements	140,000	151,000	151,098	98
	140,000	151,000	451,098	300,098
Miscellaneous				
Interest	21,864	26,864	32,352	5,488
Other	557,500	16,250	23,595	7,345
	579,364	43,114	55,947	12,833
Total Revenues	2,964,835	2,828,413	3,196,855	368,442
Expenditures				
Current				
Street	5,395,628	8,199,045	8,141,345	57,700
Debt Service				
Principal and interest	17,466	65,179	65,586	(407)
Total Expenditures	5,413,094	8,264,224	8,206,931	57,293
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(2,448,259)	(5,435,811)	(5,010,076)	425,735
Other Financing Sources (Uses)				
Developer donated infrastructure	-	3,297,450	3,297,450	-
Operating transfers (out)	(123,528)	(123,528)	(123,528)	-
Proceeds from new debt issuances	1,833,333	1,833,333	2,519,025	(685,692)
Total Other Financing Sources (Uses)	1,709,805	5,007,255	5,692,947	(685,692)
<i>Net Change in Fund Balance</i>	(738,454)	(428,556)	682,871	(259,957)
Fund Balance, January 1	2,168,326	2,168,326	2,168,326	-
Fund Balance, December 31	\$ 1,429,872	\$ 1,739,770	\$ 2,851,197	\$ (259,957)

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Stormwater Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Miscellaneous	\$ 825	\$ 5,025	\$ 5,748	\$ 723
Total Revenues	<u>825</u>	<u>5,025</u>	<u>5,748</u>	<u>723</u>
Expenditures				
Current				
Stormwater	<u>227,500</u>	<u>227,500</u>	<u>7,750</u>	<u>219,750</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(226,675)	(222,475)	(2,002)	220,473
Fund Balance, January 1	<u>608,735</u>	<u>608,735</u>	<u>608,735</u>	<u>-</u>
Fund Balance, December 31	<u><u>\$ 382,060</u></u>	<u><u>\$ 386,260</u></u>	<u><u>\$ 606,733</u></u>	<u><u>\$ 220,473</u></u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Fire Sales Tax Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Fire sales tax	\$ 459,275	\$ 523,730	\$ 520,408	\$ (3,322)
Miscellaneous	700	6,450	7,406	956
Total Revenues	<u>459,975</u>	<u>530,180</u>	<u>527,814</u>	<u>(2,366)</u>
Expenditures				
Current				
Fire	<u>399,100</u>	<u>364,100</u>	<u>323,181</u>	<u>40,919</u>
<i>Excess of Revenues Over Expenditures</i>	60,875	166,080	204,633	38,553
Other Financing (Uses)				
Operating transfers (out)	<u>(88,252)</u>	<u>(88,252)</u>	<u>(88,255)</u>	<u>(3)</u>
<i>Net Change in Fund Balance</i>	(27,377)	77,828	116,378	38,550
Fund Balance, January 1	701,288	701,288	701,288	-
Fund Balance, December 31	<u><u>\$ 673,911</u></u>	<u><u>\$ 779,116</u></u>	<u><u>\$ 817,666</u></u>	<u><u>\$ 38,550</u></u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Park Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 268,091	\$ 257,091	\$ 311,946	\$ 54,855
Sales taxes	2,682,100	3,016,920	3,021,680	4,760
Railroad and utility	7,000	7,000	6,625	(375)
Surtax	7,000	16,350	16,384	34
	2,964,191	3,297,361	3,356,635	59,274
Charges for Services				
Rental income	242,600	380,800	386,825	6,025
Adult and youth programs	304,900	258,885	243,693	(15,192)
Swim lessons	24,000	24,000	23,574	(426)
Special events	131,200	121,200	124,457	3,257
Concession	132,500	177,800	178,513	713
Admissions	347,500	406,200	407,143	943
	1,182,700	1,368,885	1,364,205	(4,680)
Miscellaneous				
Interest	3,200	7,550	8,560	1,010
Other	1,500	2,700	23,776	21,076
	4,700	10,250	32,336	22,086
Total Revenues	4,151,591	4,676,496	4,753,176	76,680
Expenditures				
Current				
Parks and recreation	3,353,437	4,050,183	4,132,375	(82,192)
<i>Excess (Deficit) of Revenues Over Expenditures</i>	798,154	626,313	620,801	(5,512)
Other Financing Sources (Uses)				
Operating transfer in	135,610	135,610	120,240	(15,370)
Operating transfer (out)	(976,582)	(976,582)	(976,581)	1
Total Other Financing Sources (Uses)	(840,972)	(840,972)	(856,341)	(15,369)
<i>Net Change in Fund Balance</i>	(42,818)	(214,659)	(235,540)	(20,881)
Fund Balance, January 1	1,261,341	1,261,341	1,261,341	-
Fund Balance, December 31	\$ 1,218,523	\$ 1,046,682	\$ 1,025,801	\$ (20,881)

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund

Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Sales tax	\$ 918,550	\$ 1,047,460	\$ 1,040,593	\$ (6,867)
Intergovernmental	866,000	6,000	17,436	11,436
Miscellaneous	16,085	21,285	22,270	985
Total Revenues	<u>1,800,635</u>	<u>1,074,745</u>	<u>1,080,299</u>	<u>5,554</u>
Expenditures				
Capital improvements	<u>1,978,341</u>	<u>1,265,836</u>	<u>1,084,310</u>	<u>181,526</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(177,706)	(191,091)	(4,011)	187,080
Fund Balance, January 1	742,767	742,767	742,767	-
Fund Balance, December 31	<u>\$ 565,061</u>	<u>\$ 551,676</u>	<u>\$ 738,756</u>	<u>\$ 187,080</u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Budgetary Comparison Schedule – Major Grant Fund
Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Intergovernmental	\$ 1,708,922	\$ 1,725,384	\$ 3,021,097	\$ 1,295,713
Miscellaneous	-	12,700	11,753	(947)
Total Revenues	<u>1,708,922</u>	<u>1,738,084</u>	<u>3,032,850</u>	<u>1,294,766</u>
Expenditures				
Special Projects	<u>3,175,969</u>	<u>1,403,431</u>	<u>907,523</u>	<u>495,908</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(1,467,047)	334,653	2,125,327	1,790,674
Other Financing (Uses)				
Operating transfers (out)	-	-	(327,231)	(327,231)
<i>Net change in Fund Balance</i>	(1,467,047)	334,653	1,798,096	1,463,443
Fund Balance, January 1	221,116	221,116	221,116	-
Fund Balance, December 31	<u><u>\$ (1,245,931)</u></u>	<u><u>\$ 555,769</u></u>	<u><u>\$ 2,019,212</u></u>	<u><u>\$ 1,463,443</u></u>

See accompanying Notes to the Budgetary Comparison Schedules

City of Republic

Notes to the Budgetary Comparison Schedules

Year Ended December 31, 2022

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the City Council on approved budget adjustment forms.

Other Reporting Requirements

DRAFT

**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Honorable Mayor and City Council
City of Republic
Republic, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Republic, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Republic, Missouri's basic financial statements, and have issued our report thereon, dated June 5, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Republic, Missouri's internal control over financial reporting (internal control) as a basis of designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Republic, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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 over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompany schedule of findings and responses as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

City of Republic, Missouri's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

KPM CPAs, PC
Springfield, Missouri
June 5, 2023

City of Republic

Schedule of Findings and Responses

Year Ended December 31, 2022

Significant Deficiency

2022-001 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

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

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

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

Response: The limited number of available personnel prohibits segregation of incompatible duties.

Honorable Mayor and City Council
City of Republic
Republic, Missouri

In planning and performing our audit of the basic financial statements of the City of Republic, Missouri, for the year ended December 31, 2022, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

1. Periodic Internal Control Review

As the City evolves and personnel turnover occurs and policies and procedures change, the City should periodically conduct a review of its internal control procedures to determine if any changes are necessary in order to protect the City's assets.

We Continue to Recommend:

The City conduct periodic reviews of internal control procedures to determine opportunities for strengthening safeguards over the City's assets.

2. New Pronouncements

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

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)* – defines SBITAs and provides accounting and financial reporting for SBITAs by governments, including requiring a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 – *Leases*. The effective date of this new standard is for the City's year ending December 31, 2023.

GASB Statement No. 100 – *Accounting Changes and Error Corrections*, an amendment of GASB Statement No. 62 – defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. This statement is effective for the City’s year ending December 31, 2024, with earlier application encouraged.

GASB Statement No. 101 – *Compensated Absences* – updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. This statement is effective for the City’s year ending December 31, 2024; with earlier application encouraged.

We Recommend:

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

3. Budgetary Compliance

The City was not in compliance with budgetary statutes, Chapter 67 RSMO in the current year as a negative fund balance was budgeted in the Major Grants Fund. Additionally, the City was not in compliance due to expenditures exceeding budgeted amounts in the Street and Park Funds. Budgetary statute prohibits budgeting a negative fund balance as well as expenditures exceeding authorized and approved budgeted amounts.

We Recommend:

The City review budgets to ensure that ending fund balances are not negative and to review and compare actual expenditures to the approved budgets to ensure that expenditures do not exceed budgeted authorizations.

4. Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation and proprietary information or assets, as well as the ability to operate efficiently. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner.

We Recommend:

The City continue to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessments of the system in order to verify that the control environment is working as intended are key parts of measuring associated business risk.

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

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

Respectfully submitted,

KPM CPAs, PC
Springfield, Missouri
June 5, 2023

DRAFT

Honorable Mayor and City Council
City of Republic
Republic, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Republic, Missouri, for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 1, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Republic, Missouri, are described in Note 1 to the financial statements. During the current year, the City adopted GASB Statement Nos. 87 – *Leases* and 95 – *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Certain beginning balances were restated, but there was no effect on beginning net position or fund balances. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- Long-term debt activity
- Capital asset activity
- Accounts receivable
- Deferred Outflows and Inflows of Resources
- Accounts payable
- Net pension liability and pension activity
- Leases

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Restriction on Use

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

Sincerely,

KPM CPAs, PC
Springfield, Missouri
June 5, 2023

DRAFT