
CITY OF SHREWSBURY, MISSOURI
FINANCIAL STATEMENTS

For The Fiscal Year Ended December 31, 2016

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RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

The Honorable Mayor and
the Board of Aldermen
City of Shrewsbury, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the City of Shrewsbury, Missouri (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the City as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 2 to the financial statements, in 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10, the Budgetary Comparison Information on pages 37 - 41, and the Pension Plan Schedules on pages 42 and 43 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual nonmajor fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RubinBrown LLP

June 27, 2017

Management's Discussion And Analysis

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Shrewsbury, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2016.

Financial Highlights

- The City of Shrewsbury's total liabilities and deferred inflows of resources exceeded the City's assets by \$(4,920,776) (*net position*) in 2016. The decrease in the City's net position is attributed to the liability incurred as a result of issuing Tax Increment Financing (TIF) Bonds in fiscal year 2016.
- As of December 31, 2016, the City's governmental funds reported combined fund balances of \$6,118,717, an increase of \$1,338,598 in comparison with the prior year. Approximately 33% of this total, \$2,020,774 is unassigned and available for use within the City's designation and policies.
- At December 31, 2016, non-spendable, restricted, assigned and unassigned fund balance for the general fund was \$2,136,383, or 33.42% of total general fund operating expenditures.
- The City reduced its existing long-term debt by \$700,000 during the year ended December 31, 2016.

Using This Annual Report

This annual report has been prepared in accordance with the Government Accounting Standards Board (GASB) Statement No. 34. As such, the report includes financial statements that show information about the City as a whole and its significant funds. The Statement of Net Position and the Statement of Activities provide information about activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements present how the City financed its services in the short term, as well as the amounts that remain for future spending.

Overview Of The Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information and other supplementary information are also included in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

The Statement of Net Position presents information on all of the City's assets and liabilities using the accrual basis of accounting, with the difference between the two reported as net position. Under accrual accounting, all revenues and expenses are recorded regardless of when cash is received or paid. Over time, increases or decreases in net position serves as an indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by the City's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories--governmental funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Fund - Fund financial statements also allow the City to present its Municipal Court Trust Fund. While this fund represents a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not presented as part of the government-wide financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of December 31, 2016, the City's net position is \$(4,920,776).

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

There are three portions of the City's net position: invested in capital assets (e.g., land, infrastructure, building, vehicles, and equipment), net of related debt; restricted net position; and unrestricted net position which may be used to meet the government's ongoing obligation to citizens and creditors. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 8,761,371	\$ 8,480,779
Capital assets	7,865,370	8,297,359
Total Assets	16,626,741	16,778,138
Deferred Outflows Of Resources		
Deferred amount on refunding	6,384	11,858
Pension related amounts	1,707,208	798,248
Total Deferred Outflows Of Resources	1,713,592	810,106
Liabilities		
Current and other liabilities	503,801	283,319
Long-term liabilities	22,624,348	14,375,449
Total Liabilities	23,128,149	14,658,768
Deferred Outflow Of Resources		
Pension related amount	132,960	237,727
Net Position		
Net investment in capital assets	2,772,589	2,594,477
Restricted	4,138,433	2,658,941
Unrestricted	(11,831,798)	(2,561,669)
Total Net Position	\$ (4,920,776)	\$ 2,691,749

Unrestricted net position represents the accumulated results of all past years' operations. This means that if the City had to pay off all its liabilities today, there would be a negative balance of \$(4,920,776).

Changes in Net Position

In 2016, the City's total revenues on a government-wide basis were \$8,871,822 which represents a 22% increase in revenue compared to 2015. Of the City's revenues, taxes represent 76%, 19% is generated by charges for services, and 5% of revenues come from grants and contributions and other revenue.

The total cost of all programs and services for 2016 was \$16,484,347. This represents an increase of \$8,790,759 or approximately 114% more than the prior year. The large increase in 2016 is attributable to the issuance of Tax Increment Finance Bonds, representing special, limited

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

obligations of the City, payable solely from incremental sales and real estate taxes generated by the related Kenrick Plaza redevelopment area, and the recorded reimbursement to the developer as an expense in fiscal year 2016. The City's other expenses cover a range of typical city services - city administration, police, fire, court, public works, and parks. Of these, public safety (police and court) and the fire department functions together comprise approximately 27% of the total cost of programs and services. The parks and recreation department comprise approximately 7% of the total city expenses, likewise the general government activities comprise approximately 10% of the total city-wide expenses. The remaining 56% of city expenditures is generated from the activities of the public works department, interest and fiscal charges and related expenses from the issuance of TIF Bonds, which make up approximately 46% of the 56% in that category.

The following table provides a summary of the City's operations for the years ended December 31, 2016 and 2015:

Statement of Activities

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for services	\$ 1,701,405	\$ 1,527,086
Operating grants and contributions	375,296	359,362
Capital grants and contributions	6,245	81,894
General Revenues		
Property taxes	1,094,812	1,110,639
Sales taxes	4,529,652	2,941,495
Utility taxes	1,017,273	1,042,647
Other taxes	96,985	96,985
Other	50,154	141,077
Total Revenues	<u>8,871,822</u>	<u>7,301,185</u>
Expenses		
General government	1,706,056	1,152,408
Public safety	2,458,892	2,239,148
Public works	8,087,628	552,598
Fire and ambulance services	2,021,857	1,937,803
Parks	1,227,063	1,153,220
Interest and fiscal charges	982,851	658,416
Total Expenses	<u>16,484,347</u>	<u>7,693,588</u>
Change In Net Position	(7,612,525)	(392,403)
Net Position - Beginning Of Year	<u>2,691,749</u>	<u>3,084,152</u>
Net Position - End Of Year	<u>\$ (4,920,776)</u>	<u>\$ 2,691,749</u>

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Overall, expenditures exceeded revenue by \$7,612,525 across all funds. Total revenues increased by 22% compared to 2015 while expenses increased by 114%. The increase in expenditures is attributed to the City having to report \$8,590,754 in expenses related to the issuance of TIF Bonds in 2016, and not incurring those expenses in 2015. Overall taxes (property and sales) increased by 39%, utility taxes decreased by 2% and earnings on investments increased by 118%. Sales tax receipts increased significantly in 2016 due to the Kenrick Plaza shopping center operating for a full year as opposed to a partial year in 2015 and the opening of some additional new retail stores in the redevelopment area in 2016. Charges for services increased significantly in the Public Safety category and the fire and ambulance services category, while charges for parks and recreation decreased slightly by 4.5%. General Government charges for services increased by 3.3% compared to 2015.

The City received a few grants in fiscal year 2016. All grants received are reimbursement grants, where the funds must be spent for specific purposes. Once the City completes the work, it is eligible for reimbursement. During the year, the City received a community development block grant funds (\$20,000) from the St. Louis County Department of Planning. The Police Department received a small amount of grant funds for over-time patrol on Interstate 44 from MODOT for the HMV (Hazardous Moving/Speed) Grant. The City also received a federal matching grant (20% contribution from City) for its STP street project (\$6,245).

Financial Analysis of The City's Funds

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$6,118,717, an increase of \$1,338,598 when compared to the prior year. This increase in the combined fund balance reflects a surplus (revenues over expenditures) in the General fund of \$11,894 for the most recent fiscal year 2016 as well as a surplus resulting from significant TIF debt activity. However, in order to establish the TIF Fund, which had not been established the prior year, a transfer from General and Capital Improvement Funds was required for fiscal year 2016, to account for the small amount recorded in the General Fund in 2015. Therefore, while there was a surplus in the General Fund of revenues exceeding expenditures by \$11,894 for 2016, the fund balances decreased by \$(151,695) in the General Fund and by \$(55,751) in the Capital Improvements Fund, which recorded a small deficit (expenditures over revenues) of \$(39,679). There were small surpluses in the Debt Service Fund of \$19,277 and in the Sewer Lateral Fund of \$5,031.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Of the total combined fund balance, \$2,020,774 (33%) constitutes an unrestricted (unassigned) fund balance, which is available for spending that the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed as follows:

- 1) To pay for debt service (\$2,880,481);
- 2) To pay for capital improvements (\$813,965);
- 3) To pay for sewer repairs (\$287,888);
- 4) To pay for funding of various municipal court and police programs as defined in the Missouri State Statutes (\$81,294).

Budgetary Highlights - In the total of all funds, the City budgeted for a decrease in its overall fund balance of \$(320,658) for 2016. This anticipated decrease in fund balance primarily reflected the anticipated expenses related to the Parks and Recreation Park Improvement and STP Projects with a 20% matching expense requirement and the purchase of a new ambulance in the Fire Department. The City did not receive the Parks and Recreation Grant for park improvements in 2016 and the STP project was delayed due to permit issues and those funds were not spent. Fortunately, the City experienced an increase in overall fund balance. This difference primarily reflects revenue recorded in the TIF Fund from sales taxes. Sales tax revenue (for all funds) for 2016 was approximately \$1,285,156 more than budgeted. The increase is due to the increase in sales tax revenue from the redevelopment area and due to the TIF Fund sales tax receipts not being budgeted for in 2016, but recorded as sales tax revenue on the financial statements. Utility tax revenue was \$81,727 less than budgeted. The majority of the decrease is from an unanticipated decline in receipts from electric, gas, cable television and telephone utilities. License and permit revenues were approximately \$48,126 more than budgeted for in 2016. The increase over budget is due to an unanticipated construction in the commercial district not budgeted for. Lastly, municipal court fines were unfavorable to budget by approximately \$199,172.

Actual overall expenditures were more than budgeted by \$7,109,413. As stated earlier, this unfavorable variance to budget reflects the reporting of approximately \$8.7 million in expenditures for the issuance TIF Bonds related to the Kenrick Redevelopment Project and were not reflected on the 2016 Budget.

The budgeted surplus in the General Fund was \$4,416. Favorable actual results in total expenditures, but unfavorable actual results in revenues were realized resulting in a final surplus of \$11,894 for the year, before accounting for the interfund transfers.

Capital Assets. The City has invested \$7,865,370 in capital assets, net of accumulated depreciation. This investment in capital assets includes land, buildings, park facilities, roads, sidewalks, vehicles, and machinery and equipment. This amount represents a net decrease from fiscal year 2015 including additions and deductions of \$(431,989). The majority of the decrease in capital assets is due to a large capital improvement project being added in 2015, but not in 2016.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

	Capital Assets (Net Of Depreciation)	
	Governmental Activities	
	2016	2015
Land	\$ 706,264	\$ 706,264
Land improvements	597,771	656,900
Buildings	4,979,413	5,329,326
Equipment	688,221	784,818
Furniture and fixtures	28,078	33,171
Vehicles	727,658	637,482
Infrastructure	137,965	149,398
Total	\$ 7,865,370	\$ 8,297,359

Additional information on the City's capital assets can be found in Note 4 found on page 29-30 of this report.

Debt Administration

At the end of the current year, the City had a total debt of \$21,791,134 (excluding unaccrued interest on the 2007 series). Of this amount \$590,000 is the Series 2008 leasehold refunding revenue bonds (which refinanced the Series 1999 leasehold refunding revenue bonds). Other debt includes the Series 2006 general obligation capital refunding bonds in the amount of \$590,000, and \$1,341,134 for the Series 2007 general obligation capital appreciation bonds. All of the above bonds are secured solely by specific revenue sources such as debt service property tax levy, and the Capital Improvement and Parks/Stormwater sales tax. In 2015, the City issued Certificates of Participation in the amount of \$1,920,000 to be refunded by capital improvement and parks and stormwater sales taxes once the 2008 leasehold refunding is retired in 2018. Additionally, in September of 2016, Tax Increment Financing (TIF) Bonds were issued. The Series 2016A TIF Bonds in the amount of \$6,000,000 and the Series 2016B TIF Bonds in the amount of \$11,350,000 were issued to refund the Series 2013A and 2013B TIF Notes and are limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by the related Kenrick Plaza Redevelopment area. Additional information on the City's long-term debt can be found in Note 5 found on pages 30-32 of this report.

Economic Factors and Year 2017 Budget

There are a number of factors that affect the budget over which the City has little or no control. Sales taxes are the single largest category of revenue for the City and they fall into this category. The City expects for revenue from sales tax to continue to increase over the next several years as the nation's economy continues to improve and pending business developments that are currently in progress come to fruition. The City has been successful in its efforts in recent years in attracting new businesses to the Watson Road corridor, including a new Walmart that opened in the fall of 2015 and several new businesses including a specialty grocery store at lower Kenrick. It is anticipated that these new developments will continue to spur additional interest from retail and business owners to establish their business in Shrewsbury.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

The 2017 Budget was developed with the goal of maintaining a high level of public service in a fiscally responsible manner. The 2017 budget includes a projected surplus of \$30,755 in the City's General Fund with conservatively budgeted revenues outpacing expenditures. This is the second year in a row that the City has projected a surplus budget compared to years of deficit budgeting.

For the Future

The City of Shrewsbury must continue to focus its economic development efforts on retaining its economic base by helping businesses expand while attracting new businesses. The City will focus its economic development efforts on attracting new retail and restaurants on the Watson Road corridor, also known as Historic Route 66, and combine those efforts with preserving its historic appeal and traditions.

Requests for Information

This discussion and analysis is intended to provide the City's taxpayers and other constituents with an overview of the financial condition of the City. If you wish to request additional financial information or have any questions, please contact the Finance Director, at City of Shrewsbury, 5200 Shrewsbury Avenue, Shrewsbury, Missouri 63119.

Basic Financial Statements

CITY OF SHREWSBURY, MISSOURI

STATEMENT OF NET POSITION

December 31, 2016

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 4,436,077
Cash and investments - restricted	310,055
Receivables:	
Taxes	1,457,923
Other	325,108
Prepays	34,315
Net pension asset	2,197,893
Capital assets:	
Nondepreciable	706,264
Depreciable, net	7,159,106
Total Assets	<u>16,626,741</u>
Deferred Outflow of Resources	
Deferred amount on bond refundings	6,384
Difference between expected and actual earnings on pension investments	1,338,926
Assumption changes - pension	289,131
Pension contributions subsequent to measurement date	79,151
	<u>1,713,592</u>
Liabilities	
Accounts payable	168,480
Accrued interest	214,615
Accrued wages	110,000
Refundable deposits	10,706
Long-term liabilities:	
Due within one year	1,560,444
Due in more than one year	21,063,904
Total Liabilities	<u>23,128,149</u>
Deferred Inflows Of Resources	
Difference between expected and actual experience - pension	<u>132,960</u>
Net Position	
Net investment in capital assets	2,772,589
Restricted for:	
Capital improvements	813,965
Debt service	2,955,286
Sewer repairs	287,888
Law enforcement	81,294
Unrestricted	<u>(11,831,798)</u>
Total Net Position	<u>\$ (4,920,776)</u>

CITY OF SHREWSBURY, MISSOURI

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

Functions	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Governmental Activities					
General government	\$ 1,706,056	\$ 535,231	\$ 1,164	\$ —	\$ (1,169,661)
Public safety	2,458,892	285,828	—	—	(2,173,064)
Public works and planning	8,087,628	50,343	374,132	6,245	(7,656,908)
Fire and ambulance services	2,021,857	371,919	—	—	(1,649,938)
Parks and recreation	1,227,063	458,084	—	—	(768,979)
Interest and fiscal charges	982,851	—	—	—	(982,851)
Total Governmental Activities	\$ 16,484,347	\$ 1,701,405	\$ 375,296	\$ 6,245	(14,401,401)

General Revenues

Property taxes levied for:

General purposes 1,094,812

Sales tax levied for:

General purposes 1,567,542

Park and stormwater purposes 739,471

Capital improvements 628,551

Fire district improvements 369,748

Tax increment financing 1,224,340

Utility taxes 1,017,273

Other taxes 96,985

Earnings on investments 43,313

Miscellaneous 6,841

Total General Revenues 6,788,876

Change in net position (7,612,525)

Net Position - Beginning Of Year 2,691,749

Net Position - End Of Year \$ (4,920,776)

CITY OF SHREWSBURY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2016

	Major Funds					Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	TIF Fund	
Assets						
Cash and investments	\$ 1,117,580	\$ 340,764	\$ 717,016	\$ 856,844	\$ 1,403,873	\$ 4,436,077
Restricted cash and investments	—	—	310,055	—	—	310,055
Receivables:						
Taxes	955,750	9,848	108,087	266,375	117,863	1,457,923
Grants	—	—	1,123	—	—	1,123
Other	322,732	976	—	276	—	323,984
Due from other funds	317	—	—	—	—	317
Prepays	34,315	—	—	—	—	34,315
Total Assets	\$ 2,430,694	\$ 351,588	\$ 1,136,281	\$ 1,123,495	\$ 1,521,736	\$ 6,563,794
Liabilities And Fund Balances						
Liabilities						
Accounts payable	\$ 92,835	\$ 63,700	\$ 11,944	\$ —	\$ —	\$ 168,479
Due to other funds	—	—	317	—	—	317
Accrued wages	110,000	—	—	—	—	110,000
Refundable deposits	10,706	—	—	—	—	10,706
Total Liabilities	213,541	63,700	12,261	—	—	289,502
Deferred Inflows Of Resources						
Property taxes	80,770	—	—	74,805	—	155,575
Fund Balances						
Nonspendable:						
Prepays	34,315	—	—	—	—	34,315
Restricted for:						
Debt service	—	—	310,055	1,048,690	1,521,736	2,880,481
Sewer repairs	—	287,888	—	—	—	287,888
Capital improvements	—	—	813,965	—	—	813,965
Law enforcement	81,294	—	—	—	—	81,294
Total Restricted	81,294	287,888	1,124,020	1,048,690	1,521,736	4,063,628
Unassigned	2,020,774	—	—	—	—	2,020,774
Total Fund Balances	2,136,383	287,888	1,124,020	1,048,690	1,521,736	6,118,717
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 2,430,694	\$ 351,588	\$ 1,136,281	\$ 1,123,495	\$ 1,521,736	\$ 6,563,794

CITY OF SHREWSBURY, MISSOURI

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

Total Fund Balance - Governmental Funds \$ 6,118,717

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$17,960,984 and the accumulated depreciation is \$10,095,614. 7,865,370

Net pension asset is not a current financial resources and therefore is not reported in the fund financial statements, but is reported in the Statement of Net Position. 2,197,893

Unamortized deferred amounts on refundings are reported in the government-wide statement of net position as deferred outflows of resources and are amortized over the life of the related debt. 6,384

Certain changes in the net pension asset are deferred and amortized over time. 1,574,248

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued compensated absences, vacation	\$ (225,554)	
Bonds payable	(5,099,165)	
Unamortized bond premium	(4,518)	
Unamortized bond discount	54,889	
TIF bonds payable	(17,350,000)	
Accrued interest	(214,615)	
		(22,838,963)

Property taxes assessed by the City, but not collected within 60 days after year end, are deferred inflows of resources in the fund financial statements. However, revenue for this amount is recognized in the government-wide statements. 155,575

Total Net Position - Governmental Activities \$ (4,920,776)

CITY OF SHREWSBURY, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016**

	Major Funds					Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	TIF Fund	
Revenues						
Taxes	\$ 4,718,320	\$ 41,976	\$ 628,551	\$ 551,116	\$ 1,224,340	\$ 7,164,303
Licenses and permits	429,976	—	—	—	—	429,976
Fines and court costs	285,828	—	—	—	—	285,828
Investment income	19,083	4,439	4,995	14,759	37	43,313
Charges for services	924,171	—	—	—	—	924,171
Grants	—	—	6,245	—	—	6,245
Miscellaneous	27,459	—	—	—	—	27,459
Total Revenues	6,404,837	46,415	639,791	565,875	1,224,377	8,881,295
Expenditures						
Current:						
General government	897,014	—	—	—	—	897,014
Public safety	2,278,184	—	—	—	—	2,278,184
Public works and planning	467,888	—	—	—	—	467,888
Fire and ambulance services	1,845,820	—	—	—	—	1,845,820
Parks and recreation	848,287	—	—	—	—	848,287
Capital outlay	—	41,384	472,666	—	7,551,840	8,065,890
Debt service:						
Principal retirement	—	—	180,000	520,000	—	700,000
Interest and fiscal charges	55,750	—	26,804	26,598	417,177	526,329
Bond issuance costs	—	—	—	—	564,987	564,987
Discount on issuance of bonds	—	—	—	—	56,750	56,750
Total Expenditures	6,392,943	41,384	679,470	546,598	8,590,754	16,251,149
Revenues Over (Under) Expenditures	11,894	5,031	(39,679)	19,277	(7,366,377)	(7,369,854)
Other Financing Sources						
Transfers in	—	—	—	—	183,181	183,181
Transfers out	(163,589)	—	(19,592)	—	—	(183,181)
Issuance of tax increment finance notes	—	—	—	—	7,551,840	7,551,840
Proceeds from long-term debt	—	—	—	—	17,350,000	17,350,000
Payments to refunded bond escrow agent	—	—	—	—	(16,196,908)	(16,196,908)
Proceeds from sale of capital assets	—	—	3,520	—	—	3,520
Total Other Financing Sources (Uses)	(163,589)	—	(16,072)	—	8,888,113	8,708,452
Net Change In Fund Balances	(151,695)	5,031	(55,751)	19,277	1,521,736	1,338,598
Fund Balances - Beginning Of Year	2,288,078	282,857	1,179,771	1,029,413	—	4,780,119
Fund Balances - End Of Year	\$ 2,136,383	\$ 287,888	\$ 1,124,020	\$ 1,048,690	\$ 1,521,736	\$ 6,118,717

CITY OF SHREWSBURY, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2016

Net Change In Fund Balances - Total Governmental Funds \$ 1,338,598

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlays	\$ 339,065	
Depreciation expense	<u>(758,433)</u>	(419,368)

In the statement of activities, sales proceeds, less the net book value of the assets sold or disposed of, is recognized as a gain (loss) on the sale/disposal of capital assets. (12,621)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs and debt discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Interest accretion	(84,425)	
Repayments of principal and accreted interest on bonds	700,000	
Draws on issued tax increment finance notes	(7,551,840)	
Issuance of refunding bonds	(17,350,000)	
Payment to refunding escrow agent	16,196,909	
Discount on refunding bonds	56,750	
Amortization of premium, discount & deferred amounts	<u>(6,991)</u>	(8,039,597)

Certain expenses, as reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	(15,490)
Interest expense	(393,434)
Pension expense	(61,140)

Property tax revenues and other tax revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements since they will be collected several months after year end. (9,473)

Change In Net Position Of Governmental Activities \$ (7,612,525)

CITY OF SHREWSBURY, MISSOURI

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MUNICIPAL COURT - AGENCY FUND
December 31, 2016**

Assets	
Cash	<u><u>\$ 1,906</u></u>
Liabilities	
Due to others	\$ 353
Court bonds held in trust	<u>1,553</u>
Total Liabilities	<u><u>\$ 1,906</u></u>

CITY OF SHREWSBURY, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2016

1. Summary Of Significant Accounting Policies

The City of Shrewsbury, Missouri (the City) was incorporated in 1913 under the provisions of the Missouri State Statutes as a Fourth Class city. The City operates under a Mayor-Board of Aldermen form of government, consisting of the Mayor and six Aldermen. The City's major operations include public safety (police and fire), public works, municipal court, planning and zoning, parks and recreation, and general administrative services. The accounting policies of the City conform to accounting principles generally accepted in the United States as applicable to governments. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below.

Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to or impose specific financial burdens on the City. Based on these criteria, the City has determined that its financial reporting entity consists of the City (the primary government) and a blended component unit: the City of Shrewsbury, Missouri Improvements Corporation (the Corporation). The Corporation's purpose is to act on behalf of the City in its acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of capital improvement projects. The financial information of the Corporation has been incorporated into the City's financial statements using the blending method and has been reported in the City's Capital Improvement Fund. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government.

Basis Of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis Of Accounting And Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except that the agency fund does not involve the measurement of results of operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

House Bill 103 amending RSMo section 302.341 became effective August 28, 2013. The amendments to the statute now require the City to annually calculate the percentage of its general revenue that comes from traffic violations and to report an accounting of that calculation. Any such revenues that exceed 12.5% of total general revenues are required to be transferred to the Director of the Missouri Department of Revenue. In the current year, the City has reported fines of \$256,107; of which \$224,292 represent fines and related costs from traffic violations. This amount is approximately 4% of total general revenues of \$6,389,049 and, accordingly, the City believes that they are in compliance with the requirements of the Statute.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other funds.

Sewer Lateral Fund - The City uses this special revenue fund to account for financial resources billed to residents that are restricted for repair fees associated with lateral breaks.

Capital Improvements Fund - The City uses this capital projects fund to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital expenditures approved by the Board of Aldermen and the Capital Improvements Bond Reserve Fund of the blended Corporation.

Debt Service Fund - The City uses this fund to account for the accumulation of resources for the retirement (payment of principal and interest) of the outstanding bonded debt of the City and the usual and customary expenses of the paying agent incurred to retire the bonded debt.

Tax Increment Financing (TIF) Fund - The TIF fund is a debt service fund that accounts for the incremental sales and property taxes generated by the Kenrick Plaza redevelopment area that are used for payment of the TIF bonds (special, limited obligation of the City).

Additionally, the City reports the following fiduciary fund type:

Agency Fund - Municipal Court - This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units for activities for court bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and charges for various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Investment income earned on pooled cash and investments is allocated to the various funds. Investment income on restricted cash and investments is credited directly to the related fund.

Restricted Cash

Restricted cash and investments consist of amounts for the leasehold revenue bond reserve fund established in accordance with bond indentures.

Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Depreciation is computed on the straight-line basis, using asset lives as follows:

Land improvements	20 - 30 years
Buildings	7 - 40 years
Equipment	5 - 10 years
Furniture and fixtures	5 years
Vehicles	3 - 15 years
Infrastructure	25 - 50 years

The City implemented the general provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and elected not to retroactively record the historical cost of infrastructure placed in service prior to January 1, 2004.

Deferred Outflows Of Resources

In addition to assets, the financial statements will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The City has a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The pension related items relate to certain actuarial differences and changes that are amortized over future periods and differences between expected and actual earnings on pension investments that are amortized over future periods. These items have been reported as deferred outflows on the government-wide statement of net position.

Deferred Inflows Of Resources

In addition to liabilities, the financial statements will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. Any resources received before time requirements are met are reported as deferred inflows of resources. In the statement of net position, pension items related to differences between expected and actual experiences are amortized over future periods. In governmental fund financial statements, taxes that will not be collected within the available period have been reported as deferred inflows of resources.

Compensated Absences

Under terms of the City's personnel policy, employees are granted vacation time based on the length of service. Vacation time accrued during one fiscal year may be carried over with written approval, to a maximum of 280 hours (or 371 hours for firemen) plus the current year accrual. Upon termination, the employee is paid for unused vacation or is required to repay the City for used and unearned vacation of the current year. Vacation time earned but unused at year-end has been recorded as a liability in the government-wide financial statements. A liability for unused vacation compensation is reported in the governmental funds financial statements when due.

Sick leave is not something to which the employee is automatically entitled and is available only to provide compensation during periods of illness. No portion of sick leave is payable to the employee upon termination and, therefore, has not been reflected in the financial statements.

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts and deferred amounts on refunding, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums and discounts.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Net Position

In the government-wide 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.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City first applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net position are available.

Fund Balance

The governmental fund financial statements present fund balances based upon classifications that comprise a hierarchy that is based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance classifications are as follows:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained for use imposed by formal action of the government's highest level of decision making authority.

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter in which fund the deficit occurs.

For committed fund balance, the City's highest level of decision-making authority is the Board of Aldermen. The formal action that is required to be taken by the Board to establish, modify, or rescind a fund balance commitment is the adoption of an ordinance.

For assigned fund balance, the Board of Aldermen is authorized to assign amounts to a specific purpose.

The City has elected to maintain at least 20% of the current fiscal year's operating expenditures in unassigned fund balance to provide adequate funding for at least two months of operating expenditures.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned.

Estimates And Assumptions

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

2. Cash And Investments

A summary of deposits and investments as of December 31, 2016 is as follows:

	<u>Fair Value</u>
Governmental Activities (Including Agency Fund):	
Cash	\$ 1,005,417
Money Market Mutual Funds	1,714,865
Certificates of deposit	1,934,132
Tennessee Valley Authority Bonds	<u>93,624</u>
	<u>\$ 4,748,038</u>
Government-wide - Governmental Activities	\$ 4,746,132
Fiduciary fund - Municipal Court Agency Fund	<u>1,906</u>
	<u>\$ 4,748,038</u>

Investment Policy

General

The City's investment activity is conducted in accordance with its adopted policy and the guidelines outlined therein. These guidelines apply to the City's investment of operating, longer-term funds. These guidelines authorize the City to invest funds not immediately needed for the purposes to which the funds are applicable in obligations of the U.S. Treasury, U.S. government agencies, repurchase agreements, certificates of deposit, bankers' acceptances issues by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation, and commercial paper issued by domestic corporations, which has received the highest rating by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Proceeds from bond issues are guided by the related bond indentures.

Custodial Credit Risk

For investments, custodial credit risk is the risk that the City would not be able to recover the value of its investments or collateral securities in the possession of an outside party, in the event of the failure of the counterparty to a transaction. In accordance with its policy, the City addresses custodial credit risk by prequalifying institutions with which the City places investments and diversifying the investment portfolio.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits might not be returned or the City would not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law and City policy to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC).

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

As of December 31, 2016, the City's bank balances were entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for on-going operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing primarily in shorter-term securities.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy minimizes investment risk by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City does business. The following table provides information at December 31, 2016, on the credit ratings of securities associated with the City, as well as the maturities of those securities:

Investment Type	Fair Value	Investment Maturities (In Years)			Credit Risk
		< 1 Year	1-5 Years	6-10 Years	Moody's
Money market mutual funds	\$ 1,714,865	\$ 1,714,865	\$ —	\$ —	Unrated
Negotiable certificates of deposit	1,934,132	232,121	1,702,011	—	N/A
Tennessee Valley Authority Bonds	93,624	—	93,624	—	Aaa
	\$ 3,742,621	\$ 1,946,986	\$ 1,795,635	\$ —	

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Concentration Of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount it may invest with one issuer. However, it is the City's policy to diversify the portfolio so potential losses on individual securities will be minimized. At December 31, 2016, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, the City had the following investments with one issuer, which represented 5% or more of total investments by fund and overall:

			<u>Percent of Fund's Total Investments</u>	<u>Percent of City's Total Investments</u>
General Fund				
Tennessee Valley Authority Bonds	\$ 93,624		11%	5%
Certificates of Deposit				
Business Bank	99,420		12%	5%
Goldman Sachs	61,620		7%	3%
Discover Bank	99,086		12%	5%
CitiBank	99,111		12%	5%
State Bank India	50,077		26%	2%
Comenity Bank Jumbo	99,096		12%	5%
Auburn Bank	103,314		12%	5%
BMW Bank	98,238		11%	5%
Webster Bank	50,537		6%	2%
Sewer Lateral Fund				
Certificates of Deposit				
First Bank Puerto Rico	96,958		50%	5%
Goldman Sachs	98,908		50%	5%
Capital Improvements Fund				
Certificates of Deposit				
First Merchants Bank	88,777		19%	4%
First Bank Puerto Rico	100,111		21%	5%
Medallion Bank	100,451		21%	5%
BMW Bank	50,568		11%	2%
Webster Bank	50,537		11%	2%
Compass Bank	35,053		7%	2%
Debt Service Fund				
Certificates of Deposit				
Ally Bank	100,091		20%	5%
American Express Centurion Bank	147,134		30%	7%
Capital One Bank	247,366		12%	12%

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Fair Value

During 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 requires additional disclosures regarding fair value and the methods used to determine the fair value of the City's investments.

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

The City had the following recurring fair value measurements as of December 31, 2016:

Investment Type	12/31/16	Fair Value Measurements Using		
		(Level 1)	(Level 2)	(Level 3)
Certificates of Deposit	\$ 1,934,132	\$ —	\$ 1,934,132	\$ —
Tennessee Valley Authority Bonds	93,624	—	93,624	—
Money Market Funds	1,714,865	1,714,865	—	—
	\$ 3,742,621	\$ 1,714,865	\$ 2,027,756	\$ —

Investments classified in the Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Negotiable Certificates of Deposit and Tennessee Valley Authority Bonds are classified in Level 2 of the fair value hierarchy because they are not traded in active markets.

3. Property Tax

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied in October and payable by December 31. A lien is placed on the personal property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2016, upon which the 2016 levy was based for real estate and personal property, was \$117,909,825. The following is a summary of the 2016 tax rates per \$100 of assessed valuation:

	2016 Tax Rates		
	General Fund	Debt Service Fund	Total
Real property:			
Residential	0.4790	0.4900	0.9690
Commercial	0.4810	0.4900	0.9710
Personal property	0.5770	0.4900	1.0670

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Under article VI, Sections 26(b) and 26(c) of the Constitution of the State of Missouri, the City, by vote of the qualified electors thereof and voting thereon, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed ten percent (10%) of the assessed valuation of the taxable tangible property within the City, ascertained by the last completed assessment for State or County purposes. The Missouri Constitution permits cities to become indebted for an additional 10% of the value of taxable, tangible property for the purposes of acquiring rights-of-way; constructing, extending, and improving streets and avenues; and constructing, extending, and improving a sanitary or storm sewer system. A computation of the legal debt margin at December 31, 2016 is as follows:

City Purposes	
Assessed valuation	<u>\$ 117,909,825</u>
Debt limit - 10% of assessed value	\$ 11,790,983
General obligation bonds payable	(2,589,165)
Amount available in Debt Service Fund	<u>1,048,690</u>
Legal Debt Margin	<u>\$ 10,250,508</u>

4. Capital Assets

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

	Balance - December 31, 2015	Additions	Retirements	Balance - December 31, 2016
Government Activities				
Capital assets, not being depreciated:				
Land	\$ 706,264	\$ —	\$ —	\$ 706,264
Capital assets, being depreciated:				
Land improvements	1,349,391	—	—	1,349,391
Infrastructure	228,661	—	—	228,661
Buildings	11,426,173	—	—	11,426,173
Machinery and equipment	1,939,580	107,567	185,362	1,861,785
Furniture and fixtures	300,314	1,887	4,862	297,339
Vehicles	1,907,260	229,611	45,500	2,091,371
Total capital assets being depreciated	17,151,379	339,065	235,724	17,254,720
Less accumulated depreciation for:				
Land improvements	692,491	59,129	—	751,620
Infrastructure	79,263	11,433	—	90,696
Buildings	6,096,847	349,913	—	6,446,760
Machinery and equipment	1,154,762	191,963	173,161	1,173,564
Furniture and fixtures	267,143	6,980	4,862	269,261
Vehicles	1,269,778	139,015	45,080	1,363,713
Total accumulated depreciation	9,560,284	758,433	223,103	10,095,614
Total capital assets being depreciated, net	7,591,095	(419,368)	12,621	7,159,106
Governmental activities capital assets, net	\$ 8,297,359	\$ (419,368)	\$ 12,621	\$ 7,865,370

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities	
General government	\$ 92,811
Public safety	114,102
Public works and planning	75,026
Fire and ambulance services	142,586
Parks	<u>333,908</u>
 Total depreciation expense - governmental-type activities	 <u>\$ 758,433</u>

5. Long-Term Liabilities

The following is a summary of changes in the City's long-term liabilities for the year ended December 31, 2016:

	<u>Balance - December 31, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance - December 31, 2016</u>	<u>Current Portion</u>
Governmental Activities					
2006 General obligation capital refunding bonds	\$ 870,000	\$ —	\$ 280,000	\$ 590,000	\$ 290,000
2007 General obligation capital appreciation bonds	1,510,046	—	168,912	1,341,134	161,772
2007 General obligation capital appreciation bonds - interest accretion	644,694	84,425	71,088	658,031	78,228
2008 Leasehold refunding revenue bonds	770,000	—	180,000	590,000	180,000
2015 Certificate of participation bonds	1,920,000	—	—	1,920,000	—
Series 2013A Tax Increment Finance Notes	147,487	5,855	153,342	—	—
Series 2013B Tax Increment Finance Notes	8,298,299	8,134,730	16,433,029	—	—
Series 2016AA Tax Increment Finance Bonds	—	6,000,000	—	6,000,000	495,000
Series 2016BB Tax Increment Finance Bonds	—	11,350,000	—	11,350,000	175,000
Accrued compensated absences	210,064	224,062	208,572	225,554	180,444
	<u>\$ 14,370,590</u>	<u>\$ 25,799,072</u>	<u>\$ 17,494,943</u>	<u>22,674,719</u>	<u>\$ 1,560,444</u>
Less: Deferred Amounts on Refunding 2006/2008 bonds (net)				6,384	
Less: Discount (net)				54,889	
Plus: Bond premium, net				<u>4,518</u>	
				<u>\$ 22,617,964</u>	

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Long-term debt at December 31, 2016 includes the following:

Series 2006 general obligation capital refunding bonds issue of \$3,980,000, used to advance refund the 1998 general obligation bonds originally used to purchase equipment and construct capital assets, interest rate 3.58%, due March 1, 2018	\$ 590,000
Series 2007 general obligation capital appreciation bonds original \$2,058,735 discounted value, used to purchase equipment, construct capital assets and improve streets, accretion rates range from 4% to 4.4%, due March 1, 2022	1,341,134
Series 2008 leasehold refunding revenue bonds issue of \$2,580,000, used to advance refund the 1999 leasehold revenue bonds originally used to construct capital assets, interest rates range from 2.25% to 4%, due March 1, 2018	590,000
Series 2015 Certificates of Participation Bonds originally \$1,920,000, used to purchase equipment and construct capital assets, interest rates range from 2% to 3.55%, due April 1, 2030	1,920,000
Series 2016A tax increment financing (TIF) bonds originally \$6,000,000, used to refund the Series 2013A and Series 2013B TIF notes, interest rate of 3.0%, due November 1, 2026	6,000,000
Series 2016B tax increment financing (TIF) bonds originally \$11,350,000, used to refund the Series 2013A and Series 2013B TIF notes, interest rate of 4.0%, due May 1, 2036	11,350,000
	<hr/>
	\$ 21,791,134

In December 2013, TIF notes were issued representing special, limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by the related Kenrick Plaza redevelopment area. The notes issued consist of Tax-Exempt Tax Increment Revenue Notes Series 2013A (Series 2013A) which are not to exceed \$2,000,000, and Taxable Tax Increment Revenue Notes Series 2013B (Series 2013B) which are not to exceed \$15,050,785. The Series 2013A and Series 2013B notes bore interest at 6.5% and 8%, respectively, with final maturity on both due on January 28, 2036. The notes were paid off with the proceeds from the refunding bonds discussed below.

On September 7, 2016, TIF bonds were issued representing special, limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by the related Kenrick Plaza redevelopment area. The bonds issued consist of Taxable Sales Tax Increment and Improvement District Revenue Bonds, Series 2016A (Series 2016A) which totaled \$6,000,000 and Taxable Sales Tax Increment and Improvement District Revenue Bonds, Series 2016B (Series 2016B) which totaled \$11,350,000. The Series 2016A and Series 2016B bonds bear interest at 3.0% and 4.0%, respectively, with final maturities on November 1, 2026 and May 1, 2036, respectively. The bond proceeds were used to currently refund \$15,048,981 of the Series 2013A and Series 2013B notes payable and \$1,147,908 of interest due, pay costs of issuance, and fund the Debt Service Reserve. The annual debt service repayments of the TIF bonds are contingent upon the amounts of payments in lieu of taxes collected by the special allocation fund. The proceeds from the 2013 TIF notes,

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

refunded by the 2016 TIF bonds, were used to construct capital assets that are not the property of the City and therefore, the notes are excluded from the investment in capital assets, net of related debt at December 31, 2016.

Capital refunding and capital appreciation bonds are liquidated by the debt service fund. Leasehold refunding revenue bonds are liquidated by the general fund and capital improvement fund. Certificates of participation are liquidated by the general fund.

Maturities

Aggregate maturities required on general obligation bonds, leasehold revenue bonds and certificates of participation are as follows:

Years	Series 2006 General Obligation Capital Refunding Bonds		Series 2007 General Obligation Capital Appreciation Bonds		Series 2008 Leasehold Refunding Revenue Bonds		Series 2015 Certificates of Participation Bonds		Total	
	Principal	Interest	Principal	Interest Accretion	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 290,000	\$ 15,931	\$ 161,772	\$ 76,602	\$ 185,000	\$ 19,808	\$ —	\$ 53,875	\$ 636,772	\$ 166,216
2018	300,000	5,370	154,459	74,191	405,000	8,100	—	53,875	859,459	141,536
2019	—	—	331,495	161,500	—	—	140,000	52,475	471,495	213,975
2020	—	—	315,889	156,071	—	—	140,000	49,675	455,889	205,746
2021	—	—	377,519	150,660	—	—	145,000	46,753	522,519	197,413
2022-2026	—	—	—	39,007	—	—	780,000	177,566	780,000	216,573
2027-2031	—	—	—	—	—	—	715,000	50,604	715,000	50,604
Total	\$ 590,000	\$ 21,301	\$ 1,341,134	\$ 658,031	\$ 590,000	\$ 27,908	\$ 1,920,000	\$ 484,823	\$ 4,441,134	\$ 1,192,063

6. Missouri Local Government Employees Retirement System

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 SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

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

Employees covered by benefit terms. At June 30, 2016, the following employees were covered by the benefit terms:

Active employees	54
Retirees and beneficiaries currently receiving benefits	34
Terminated employees entitled to benefits, but not yet receiving them	<u>26</u>
Total	<u><u>114</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is 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 employer do not contribute to the pension plan. Employer contribution rates are 2% (General), 9% (Police) and 2% (Fire) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 29, 2016 and rolled forward to June 30, 2016.

The total pension liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date	February 29, 2016
Actuarial cost method:	Entry Age Normal and Modified Terminal Funding as a level percentage of pay
Asset Valuation Method:	Market value of assets
Investment rate of return	7.25%
Projected salary increases	3.25% to 6.55%
Inflation rate	3.25% wage inflation; 2.5% price inflation

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Mortality rates were based on the RP-2014 Group Annuity Mortality Table for both males and females. The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	51.75%	4.81%
Fixed Income	26.75%	0.67%
Real Assets	21.50%	3.42%

Changes In The Net Pension Liability (Asset)

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a)-(b)</u>
Balances at 6/30/2015	\$ 11,391,825	\$ 14,664,585	\$ (3,272,760)
Changes For The Year:			
Service cost	267,912	—	267,912
Interest	819,814	—	819,814
Differences between expected and actual experiences	(33,237)	—	(33,237)
Assumption changes	349,977		349,977
Employer contributions	—	151,264	(151,264)
Net investment income	—	(39,348)	39,348
Benefit payments	(439,006)	(439,006)	—
Administration expenses	—	(8,582)	8,582
Other changes - transfers	—	226,265	(226,265)
Net Changes	965,460	(109,407)	1,074,867
Balances at 6/30/2016	\$ 12,357,285	\$ 14,555,178	\$ (2,197,893)

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

Discount Rate

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

Sensitivity Of The Net Pension Liability To Changes In The Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% percent) or 1-percentage-point higher (8.25% percent) than the current rate:

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Discount Rate	6.25%	7.25%	8.25%
Net Pension Liability (Asset)	\$ (400,579)	\$ (2,197,893)	\$ (3,674,537)

Pension Expense And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions

For the year ended December 31, 2016 the employer recognized pension expense of \$214,343. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Differences between expected and actual experience	\$ —	\$ 132,960
Net difference between projected and actual earnings on pension plan investments	1,338,926	—
Changes of assumptions	289,131	—
Contributions subsequent to the measurement date	79,151	—
Total	\$ 1,707,208	\$ 132,960

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an increase in the Net Pension Asset for the year ending December 31, 2017.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

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

<u>Year</u>	<u>Deferred Outflows Amount</u>	<u>Deferred Inflows Amount</u>
2017	\$ 433,819	\$ (28,831)
2018	433,819	(28,831)
2019	433,819	(28,831)
2020	280,853	(32,233)
2021	45,650	(14,223)
Thereafter	97	(11)
	<u>\$ 1,628,057</u>	<u>\$ (132,960)</u>

Payable To The Pension Plan

The City did not report any payables to the Plan for the year ended December 31, 2016.

7. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the Missouri Rural Services Workers' Compensation Insurance Trust (MRSWC). The MRSWC is a group self-insured program providing workers' compensation benefits to employees and volunteers of the trusts' members.

The trust requires an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in the assets, liabilities, or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share of any deficit incurred by the trust, should the trust cease operation at some future date.

The City also purchases commercial insurance to cover other risks. Settled claims from these risks have not exceeded coverage in any of the past three years.

8. Restricted Net Position

The government-wide statement of net position reports \$4,138,433 of restricted net position, of which \$1,183,147 is restricted by enabling legislation.

9. Federal Forfeiture Activity

The City had no revenues, expenses or ending balance as of December 31, 2016.

Required Supplementary Information

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
GENERAL FUND**

Page 1 Of 2

For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget- Positive (Negative)
Revenues				
Taxes:				
Property	\$ 555,000	\$ 555,000	\$ 553,169	\$ (1,831)
Sales	2,761,622	2,761,622	2,756,887	(4,735)
Utility	1,099,000	1,099,000	1,017,273	(81,727)
Gasoline	160,000	160,000	168,065	8,065
Miscellaneous	213,985	213,985	222,926	8,941
Total Taxes	4,789,607	4,789,607	4,718,320	(71,287)
Licenses and permits:				
Building permits	57,250	57,250	94,440	37,190
Business licenses	259,775	259,775	262,091	2,316
Other	64,825	64,825	73,445	8,620
Total Licenses And Permits	381,850	381,850	429,976	48,126
Other:				
Fines and court costs	485,000	485,000	285,828	(199,172)
Investment income	20,000	20,000	19,083	(917)
Charges for services	849,186	849,186	924,171	74,985
Miscellaneous	35,000	35,000	27,459	(7,541)
Total Other	1,389,186	1,389,186	1,256,541	(132,645)
Total Revenues	6,560,643	6,560,643	6,404,837	(155,806)

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
GENERAL FUND**

Page 2 Of 2

For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget- Positive (Negative)
Expenditures				
General government:				
Boards and commissions	\$ 267,254	\$ 267,254	\$ 291,413	\$ (24,159)
Administration	439,448	439,448	450,956	(11,508)
Municipal buildings	66,807	66,807	42,951	23,856
Insurance	116,246	116,246	111,694	4,552
Total General Government	889,755	889,755	897,014	(7,259)
Other:				
Public safety	2,486,064	2,486,064	2,278,184	207,880
Public works and planning	449,963	449,963	467,888	(17,925)
Fire and ambulance services	1,850,878	1,850,878	1,845,820	5,058
Parks and recreation	825,692	825,692	848,287	(22,595)
Debt Service:				
Interest and fiscal charges	53,875	53,875	55,750	(1,875)
Total Other	5,666,472	5,666,472	5,495,929	170,543
Total Expenditures	6,556,227	6,556,227	6,392,943	163,284
Revenues Under Expenditures	4,416	4,416	11,894	7,478
Unbudgeted Activity				
Transfers out	—	—	(163,589)	(163,589)
Net Changes In Fund Balance	\$ 4,416	\$ 4,416	(151,695)	\$ 7,478
Fund Balance - Beginning Of Year			<u>2,288,078</u>	
Fund Balance - End Of Year			<u>\$ 2,136,383</u>	

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
SEWER LATERAL FUND
For The Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues				
Property tax	\$ 42,000	\$ 42,000	\$ 41,976	\$ (24)
Investment income	1,500	1,500	4,439	2,939
Total Revenues	43,500	43,500	46,415	2,915
Expenditures				
Capital outlay	35,000	35,000	41,384	(6,384)
Net Changes In Fund Balance	<u>\$ 8,500</u>	<u>\$ 8,500</u>	5,031	<u>\$ (3,469)</u>
Fund Balance - Beginning Of Year			<u>282,857</u>	
Fund Balance - End Of Year			<u>\$ 287,888</u>	

CITY OF SHREWSBURY, MISSOURI

REQUIRED SUPPLEMENTAL INFORMATION NOTES TO BUDGETARY COMPARISON INFORMATION December 31, 2016

1. Budgetary Data

In accordance with City ordinance, the City's Board of Aldermen (Board) adopts an annual budget for its General, Sewer Lateral, Capital Improvements, and Debt Service Funds. The City's budgets are prepared on the modified accrual basis of accounting. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Director of Finance, with the assistance of the department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year and delivers the budget to the City Administrator.
- The City Administrator reviews the proposed expenditures with the Director of Finance and the department heads and, after necessary revisions have been made, submits the budget and the accompanying written narrative at least 90 days prior to the beginning of each fiscal year to the Board.
- After appropriate public notice, the Board holds a public hearing on the proposed budget.
- After the public hearing, the Board may adopt the budget with or without amendments. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law, for debt service, or for estimated cash deficits, provided that no amendments to the budget shall increase the authorized expenditures to an amount greater than the total of the estimated revenues and unencumbered or undesignated fund balance from any previous fiscal year.
- The budget shall be adopted by the affirmative vote of a majority of the members of the Board on or before the last day of the current fiscal year. The legal level of budgetary control for the City is at the department level for the general fund and the fund level for all other funds.
- If the Board fails to adopt the budget by this date, amounts appropriated for existing City operations during the current fiscal year shall be deemed adopted for the ensuing fiscal year on a prorated month-to-month basis until the Board adopts a budget.
- The City Administrator may transfer all or any part of any unencumbered appropriation balance within a department. The Board may, by ordinance, transfer all or part of an unencumbered appropriation balance from one department to another. Monies held in reserve, contingency or undesignated funds shall be transferred or encumbered only by ordinance of the Board.
- The Board may, by ordinance, make supplemental appropriations, if the City Administrator certifies that funds will be available for such expenditures.

CITY OF SHREWSBURY, MISSOURI

Notes To Budgetary Comparison Information (*Continued*)

- At the end of each budget period, all unexpended appropriated balances lapse and may be reappropriated in the next budget period.

2. Violations Of Budgetary Laws And Regulations

Expenditures exceeded appropriations in the following fund for the year ended December 31, 2016:

<u>Fund / Department</u>	<u>Amount</u>
General / General government	\$ 7,259
General / Public works	17,925
General / Parks and recreation	22,595
General / Debt Service	1,875
Sewer Lateral Fund	6,384
Debt Service Fund	159

CITY OF SHREWSBURY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
LAGERS RETIREMENT SYSTEM
December 31, 2016

**Schedule Of Changes In Net Pension Liability (Asset) And Related Ratios
Combined**

<i>Fiscal year ending June 30,</i>	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service cost	\$ 267,912	\$ 274,125
Interest on the total pension liability	819,814	788,225
Difference between expected and actual experience	(33,237)	(152,010)
Assumption changes	349,977	—
Benefit payments	(439,006)	(503,033)
Net Change In Total Pension Liability	<u>965,460</u>	<u>407,307</u>
Total Pension Liability Beginning	<u>11,391,825</u>	<u>10,984,518</u>
Total Pension Liability Ending	<u>\$ 12,357,285</u>	<u>\$ 11,391,825</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 151,264	\$ 182,097
Pension plan net investment income	(39,348)	289,772
Benefit payments	(439,006)	(503,033)
Pension plan administrative expense	(8,582)	(9,600)
Other	226,265	(6,429)
Net Change In Plan Fiduciary Net Position	<u>(109,407)</u>	<u>(47,193)</u>
Plan Fiduciary Net Position Beginning	<u>14,664,585</u>	<u>14,711,778</u>
Plan Fiduciary Net Position Ending	<u>\$ 14,555,178</u>	<u>\$ 14,664,585</u>
Employer Net Pension Liability (Asset)	<u>\$ (2,197,893)</u>	<u>\$ (3,272,760)</u>
Plan Fiduciary Net Position As A percentage Of The Total Pension Liability	117.79%	128.73%
Covered Employee Payroll	\$ 3,079,803	\$ 3,037,408
Employer's Net Pension Liability (Asset) As A Percentage Of Covered Employee Payroll	-71.36%	-107.75%

Notes To Schedule:

The above schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.

CITY OF SHREWSBURY, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION
LAGERS RETIREMENT SYSTEM (Continued)
December 31, 2016

**Schedule Of Employer Contributions
Combined**

<i>December 31,</i>	2016	2015
Actuarially determined contribution	\$ 151,264	\$ 182,097
Contributions in relation to the actuarially determined contribution	151,264	182,097
Contribution deficiency	\$ —	\$ —
Covered-employee payroll	\$3,282,427	\$3,107,218
Contributions as a percentage of covered-employee payroll	4.61%	5.86%

Notes To Schedule

The above schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.

Supplementary Information

CITY OF SHREWSBURY, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS - CAPITAL IMPROVEMENTS FUND For The Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Sales taxes	\$ 563,000	\$ 563,000	\$ 628,551	\$ 65,551
Investment income	6,500	6,500	4,995	(1,505)
Grant	721,738	721,738	6,245	(715,493)
Total Revenues	1,291,238	1,291,238	639,791	(651,447)
Expenditures				
Capital Outlay:				
Public works	1,004,173	1,004,173	95,176	908,997
Public safety	94,159	94,159	83,028	11,131
Court	2,500	2,500	1,316	1,184
Fire and ambulance services	209,650	209,650	210,683	(1,033)
Public safety building	20,000	20,000	22,101	(2,101)
Parks and recreation	24,000	24,000	59,112	(35,112)
Other	11,250	11,250	1,250	10,000
Debt Service:				
Principal retirement	180,000	180,000	180,000	—
Interest and fiscal charges	26,835	26,835	26,804	31
Total Expenditures	1,572,567	1,572,567	679,470	893,097
Revenues Over (Under) Expenditures	(281,329)	(281,329)	(39,679)	241,650
Other Financing Sources (Uses)				
Transfers out	—	—	(19,592)	19,592
Proceeds from sale of capital assets	—	—	3,520	(3,520)
Total Other Financing Sources (Uses)	—	—	(16,072)	16,072
Net Changes In Fund Balance	\$ (281,329)	\$ (281,329)	(55,751)	\$ 257,722
Fund Balance - Beginning Of Year			<u>1,179,771</u>	
Fund Balance - End Of Year			<u>\$ 1,124,020</u>	

CITY OF SHREWSBURY, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
DEBT SERVICE FUND**

For The Year Ended December 31, 2016

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Final Budget - Positive (Negative)</u>
Revenues			
Property taxes	\$ 560,000	\$ 551,116	\$ (8,884)
Investment income	5,000	14,759	9,759
Total Revenues	565,000	565,875	875
Expenditures			
Debt Service:			
Principal retirement	520,000	520,000	—
Interest and fiscal charges	26,439	26,598	(159)
Total Expenditures	546,439	546,598	(159)
Net Changes In Fund Balances	\$ 18,561	19,277	\$ 1,034
Fund Balance - Beginning Of Year		1,029,413	
Fund Balance - End Of Year		\$ 1,048,690	