

**CITY OF OAK GROVE, MISSOURI**

**FINANCIAL STATEMENTS TOGETHER  
WITH INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**CITY OF OAK GROVE, MISSOURI**  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Aldermen  
City of Oak Grove, Missouri

### **Report on the Financial Statements**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of City of Oak Grove as of and for the year ended December 31, 2017, 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 the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities and each major fund of City of Oak Grove as of December 31, 2017 and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note A

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

### ***Report on Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the City's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note A.

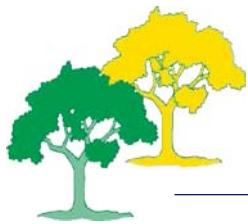
The management's discussion and analysis, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Basis of Accounting***

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Westbrook & Co., P.C.*

Richmond, Missouri  
May 30, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the City of Oak Grove's annual financial report presents a review of the City's financial performance during the fiscal year that ended December 31, 2017. Please read this section in conjunction with the City's financial statements, which follow this section.

### Financial Highlights

- The assets of the City exceeded its liabilities at the end of the fiscal year by \$13,731,394. Net position is comprised of \$1,999,210 restricted for debt service; \$9,291,006 restricted for capital outlay; \$1,322,782 unrestricted and available for governmental purposes; and \$1,118,396 unrestricted and available for the City's business-type activities.
- The City's total net position increased \$7,320,877. Of this change, \$2,396,565 was an increase from the City's governmental activities and \$4,924,312 was an increase from business-type activities.
- The net position increase in the governmental activities of \$2,396,565 was mainly a result of the unspent proceeds from the Series 2016 Lease Certificates. There was a net decrease of \$47,745 in the Water Fund and a net increase of \$4,972,057 in the Wastewater Fund. The increase in the Wastewater Fund was mainly a result of the unspent proceeds from the Series 2017 Lease Certificates.
- The City's long-term debt increased by \$6,629,5961 during the current fiscal year, due to the issuance of \$2,510,000 Series 2016 Certificates of Participation and \$5,005,000 Series 2017 Certificates of Participation.

### Overview of the Financial Statements

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide information about the activities and present a longer-term view of the City's finances.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operation in more detail than the government-wide statements
  - ❖ The governmental funds statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - ❖ Proprietary fund statements offer short and long-term financial information about the activities the government operates like businesses, such as the water and wastewater systems.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

### **Government-Wide Financial Statements**

While these reports contain the funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the questions, “How did we do financially during 2017?”. The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities using the modified cash basis of accounting. The modified cash basis of accounting records revenues when collected and expenses when paid.

These two statements report the City’s net position and change in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The cause of this change may be the result of many factors, some financial, and some not. Non-financial factors include the City’s property tax base, current property tax laws in Missouri, facility conditions and other factors.

The Statement of Net Position and the Statement of Activities of the City are divided into two categories:

- *Governmental activities* - Most of the City’s basic services are included here, such as public safety, public works, parks and recreation, and general administration. Sales taxes, property taxes, and fees and charges finance most of these activities.
- *Business-type activities* - The City charges fees to cover the costs of certain services it provides. The City’s water and wastewater systems are included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the City’s funds, focusing on its most significant or “major” funds - not the City as a whole. Funds are the accounting devices the City uses to keep track of specific sources of funding and spending on particular programs.

The City has two types of funds:

- *Governmental funds*: Governmental funds focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. The funds are reported using an accounting method called modified cash accounting. The modified cash basis of accounting records revenues when collected and expenses when paid. The governmental fund statements provide a detailed short-term view of the City’s general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.
- *Proprietary funds*: The City has one type of proprietary fund, the enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

## Financial Analysis of the City as a Whole

### Net Position

The following table reflects the condensed statements of net position as of December 31, 2017 and 2016:

Table MDA - 1  
City of Oak Grove's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Assets:</b>						
Current & other assets	\$ 3,598,805	\$ 2,992,849	\$ 1,354,409	\$ 1,193,264	\$ 4,953,214	\$ 4,186,113
Restricted cash	<u>3,151,477</u>	<u>1,359,340</u>	<u>5,877,214</u>	<u>1,105,009</u>	<u>9,028,691</u>	<u>2,464,349</u>
Total assets	<u>6,750,282</u>	<u>4,352,189</u>	<u>7,231,623</u>	<u>2,298,273</u>	<u>13,981,905</u>	<u>6,650,462</u>
<b>Liabilities:</b>						
Customer deposits payable	-	-	236,013	226,975	236,013	226,975
Court bonds payable	<u>14,498</u>	<u>12,970</u>	<u>-</u>	<u>-</u>	<u>14,498</u>	<u>12,970</u>
Total liabilities	<u>14,498</u>	<u>12,970</u>	<u>236,013</u>	<u>226,975</u>	<u>250,511</u>	<u>239,945</u>
<b>Net position:</b>						
Restricted	5,413,002	3,701,455	5,877,214	1,105,319	11,290,216	4,806,774
Unrestricted	<u>1,322,782</u>	<u>637,764</u>	<u>1,118,396</u>	<u>965,979</u>	<u>2,441,178</u>	<u>1,603,743</u>
Total net position	<u><u>\$ 6,735,784</u></u>	<u><u>\$ 4,339,219</u></u>	<u><u>\$ 6,995,610</u></u>	<u><u>\$ 2,071,298</u></u>	<u><u>\$ 13,731,394</u></u>	<u><u>\$ 6,410,517</u></u>

As seen in table MDA-1, the City's combined net position as of December 31, 2017 increased to \$13,731,394 from \$6,410,517 as of December 31, 2016 as a result of the increase in net position reflected in table MDA-2.

The largest portion of the City's net position, \$11,290,216, reflects its debt service and capital outlay restricted net position.

## Changes in Net Position

The following table reflects the revenues and expenses from the City's activities:

TABLE MDA -2  
City of Oak Grove's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 374,538	\$ 416,511	\$ 3,063,244	\$ 2,844,126	\$ 3,437,782	\$ 3,260,637
Operating grants and contributions	195,004	203,711	-	5,000	195,004	208,711
Capital grants	21,457	-	-	-	21,457	-
General Revenues:						
Property taxes	838,672	807,482	-	-	838,672	807,482
Sales tax	2,954,013	2,247,792	-	-	2,954,013	2,247,792
Other taxes	900,549	881,564	-	-	900,549	881,564
Interest	10,837	2,026	104,337	106,761	115,174	108,787
Other revenue	532,807	103,436	-	-	532,807	103,436
Special item - lease proceeds	2,510,000	2,570,000	5,005,000	-	7,515,000	2,570,000
Total Revenues and Special item	<u>8,337,877</u>	<u>7,232,522</u>	<u>8,172,581</u>	<u>2,955,887</u>	<u>16,510,458</u>	<u>10,188,409</u>
<b>Expenses</b>						
Administration	374,780	460,411	-	-	374,780	460,411
Parks	869,711	652,485	-	-	869,711	652,485
Municipal court	147,538	139,580	-	-	147,538	139,580
Public safety	1,546,377	1,398,790	-	-	1,546,377	1,398,790
Emergency management	39,186	42,550	-	-	39,186	42,550
Building and zoning	71,764	56,674	-	-	71,764	56,674
Streets	594,261	464,127	-	-	594,261	464,127
Pool	85,040	101,046	-	-	85,040	101,046
Civic center	-	131,300	-	-	-	131,300
Senior services	70,805	71,520	-	-	70,805	71,520
Capital outlay	1,466,636	1,419,886	-	-	1,466,636	1,419,886
Debt service:						
Principal	330,000	335,000	-	-	330,000	335,000
Interest and fees	345,214	393,942	-	-	345,214	393,942
Water	-	-	1,621,123	1,812,670	1,621,123	1,812,670
Wastewater	-	-	1,627,146	1,249,640	1,627,146	1,249,640
Total Expenses	<u>5,941,312</u>	<u>5,667,311</u>	<u>3,248,269</u>	<u>3,062,310</u>	<u>9,189,581</u>	<u>8,729,621</u>
Change in net position	2,396,565	1,565,211	4,924,312	(106,423)	7,320,877	1,458,788
Beginning net position	<u>4,339,219</u>	<u>2,774,008</u>	<u>2,071,298</u>	<u>2,177,721</u>	<u>6,410,517</u>	<u>4,951,729</u>
Ending net position	<u>\$ 6,735,784</u>	<u>\$ 4,339,219</u>	<u>\$ 6,995,610</u>	<u>\$ 2,071,298</u>	<u>\$ 13,731,394</u>	<u>\$ 6,410,517</u>

For the fiscal year ended December 31, 2017, government-wide revenues totaled \$16,510,458. Approximately 38% of all revenues are from charges from services and 33% from sales tax, excluding \$7,515,000 of proceeds from certificates of participation.

Charges for services are derived from users of the City's programs such as governmental programs and fees for the users of the City's water and wastewater systems.

The second largest revenue source for the entire City is sales tax which during the 2017 fiscal year equaled \$2,954,013. The City of Oak Grove has a 1% sales tax to fund general governmental activities, a .5% sales tax for transportation, a .25% sales tax for capital improvements and a .25% sales tax for parks. In 2016, the citizens of Oak Grove approved a .5% sales tax for which the proceeds are used for public purposes including the renovation and construction of city facilities.

The City's expenses cover a range of services. Approximately 35% of all City expenses during the 2017 fiscal year are related to business-type activities.

### Governmental Activities

Governmental activities increased the City's net position by \$2,396,565. Sales taxes, the largest governmental category, were \$2,954,013. For the fiscal year ended December 31, 2017, revenues totaled \$16,510,458. Revenues from governmental activities were \$8,337,877, which included \$2,510,000 of lease proceeds, or 51%, of the total City revenue (an increase of \$1,105,355 from last fiscal year).

Certain revenues are generated that are specific to governmental program activity. These totaled \$590,999. Table MDA - 3 shows expenses and program revenues of the governmental activities for the years ended December 31, 2017 and 2016:

Table MDA - 3  
Net Cost of City of Oak Grove's Governmental Activities

	2017			2016		
	Cost of Services	Program Revenue	Net Cost of Services	Cost of Services	Program Revenue	Net Cost of Services
Administration	\$ 374,780	\$ 93,233	\$ 281,547	\$ 460,411	\$ 115,750	\$ 344,661
Parks	869,711	57,885	811,826	652,485	71,761	580,724
Municipal court	147,538	-	147,538	139,580	-	139,580
Public safety	1,546,377	317,917	1,228,460	1,398,790	339,938	1,058,852
Emergency management	39,186	-	39,186	42,550	-	42,550
Building and zoning	71,764	47,429	24,335	56,674	21,876	34,798
Streets	594,261	21,457	572,804	464,127	-	464,127
Pool	85,040	30,866	54,174	101,046	37,617	63,429
Civic center	-	13,962	(13,962)	131,300	16,780	114,520
Senior services	70,805	8,250	62,555	71,520	16,500	55,020
Capital outlay	1,466,636	-	1,466,636	1,419,886	-	1,419,886
Debt service:						
Principal	330,000	-	330,000	335,000	-	335,000
Interest and fees	345,214	-	345,214	393,942	-	393,942
Total	<u>\$ 5,941,312</u>	<u>\$ 590,999</u>	<u>\$ 5,350,313</u>	<u>\$ 5,667,311</u>	<u>\$ 620,222</u>	<u>\$ 5,047,089</u>

As noted in Table MDA - 3, expenses from governmental activities totaled \$5,941,312. However, the net costs of these services were \$5,350,313. The difference represents direct revenues from charges for services of \$374,538, operating grants and contributions of \$195,004, and capital grants and contributions of \$21,457. Taxes and other revenues were collected to cover these net costs.

### Business-type Activities

Business-type activities increased the City's net position by \$4,924,312. Key elements of the changes in net position are as follows:

- In the Wastewater Fund, overall, the City experienced an increase in net fund position by \$4,972,057. This was due to the issuance of the 2017 Certificates of Participation and the proceeds not being spent down as of December 31, 2017. In the Water Fund, the City experienced a decrease in net fund position by \$47,745.

## Financial Analysis of the City's Funds

General Fund revenues and other financing sources exceeded expenditures. The fund balance of the General Fund increased \$2,475,627 to the amount of \$4,459,761. Most of this increase was due to receiving \$2,510,000 of proceeds from the certificates of participation. The Transportation Fund increased its balance by \$13,415 to \$496,668 and the Capital Improvement Fund increased its balance by \$123,623 to \$881,011. The increase in these funds is due mostly to an increase in sales tax revenue and delaying planned projects until the next fiscal year. The increase in net position for the Governmental Activities was \$2,396,565, which brings the Governmental Activities net position to \$6,735,784.

## General Fund Budgetary Highlights

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

There were two budget amendments with an overall net effect of an additional \$13,500 in expenditures and an additional \$493,615 in revenues. The increase in revenue is a result of a settlement from its insurance provider related to the March 6, 2017 tornado. The increase in expenses is related to health insurance increase for senior services department.

## Debt Administration

Long-term debt outstanding increased by \$6,629,591. This was due to \$2,510,000 additional proceeds being issued on the 2016 certificates of participation and \$5,005,000 proceeds being issued for the 2017 certificates of participation.

## Factors expected to have Significant Future Effect on Financial Position and Results of Operation

In 2016, a sewer analysis was completed by the City's engineering consultant that examined system capacity issues in the southwest portion of the City. The recommended solution was an additional interceptor line under Interstate 70 along with new gravity and force mains that provide a new route to the wastewater treatment plant. This project will be combined with several necessary improvements identified in the 2015 wastewater master plan for overall cost of approximately \$5,000,000.

The City is implementing a facilities plan that includes the construction of a new aquatics center at the Bent Oak park property. The plan also includes the relocation of the Police Department and City Hall into the existing Civic Center.

## Contacting the City's Financial Management

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability. If you have any questions about this report contact any of the following persons:

Steven Craig, City Administrator  
Cathy Smith, City Clerk  
Jarrod Winship, Accounting Department

At 1300 S. Broadway Oak Grove, Missouri 64075 or (816) 690-3773.

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2017**

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	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,598,805	\$ 1,354,409	\$ 4,953,214
Restricted cash and cash equivalents	<u>3,151,477</u>	<u>5,877,214</u>	<u>9,028,691</u>
Total Assets	<u><u>\$ 6,750,282</u></u>	<u><u>\$ 7,231,623</u></u>	<u><u>\$ 13,981,905</u></u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Customer deposits payable	\$ -	\$ 236,013	\$ 236,013
Court bonds payable	<u>14,498</u>	<u>-</u>	<u>14,498</u>
Total Liabilities	<u><u>14,498</u></u>	<u><u>236,013</u></u>	<u><u>250,511</u></u>
Net Position:			
Restricted for:			
Debt service	937,811	1,061,399	1,999,210
Capital outlay	4,475,191	4,815,815	9,291,006
Unrestricted	<u>1,322,782</u>	<u>1,118,396</u>	<u>2,441,178</u>
Total Net Position	<u><u>6,735,784</u></u>	<u><u>6,995,610</u></u>	<u><u>13,731,394</u></u>
Total Liabilities and Net Positon	<u><u>\$ 6,750,282</u></u>	<u><u>\$ 7,231,623</u></u>	<u><u>\$ 13,981,905</u></u>

See accompanying notes to the basic financial statements.

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Primary Government:	Program Revenues					Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities		Total
Governmental activities:								
Administration	\$ 374,780	\$ 93,233	\$ -	\$ -	\$ (281,547)	\$ -	\$ -	\$ (281,547)
Parks	869,711	57,885	-	-	(811,826)	-	-	(811,826)
Municipal court	147,538	-	-	-	(147,538)	-	-	(147,538)
Public safety	1,546,377	131,163	186,754	-	(1,228,460)	-	-	(1,228,460)
Emergency management	39,186	-	-	-	(39,186)	-	-	(39,186)
Building and zoning	71,764	47,429	-	-	(24,335)	-	-	(24,335)
Streets	594,261	-	-	21,457	(572,804)	-	-	(572,804)
Pool	85,040	30,866	-	-	(54,174)	-	-	(54,174)
Civic center	-	13,962	-	-	13,962	-	-	13,962
Senior services	70,805	-	8,250	-	(62,555)	-	-	(62,555)
Capital outlay	1,466,636	-	-	-	(1,466,636)	-	-	(1,466,636)
Debt service:								
Principal	330,000	-	-	-	(330,000)	-	-	(330,000)
Interest and fees	345,214	-	-	-	(345,214)	-	-	(345,214)
Total governmental activities	<u>5,941,312</u>	<u>374,538</u>	<u>195,004</u>	<u>21,457</u>	<u>(5,350,313)</u>	<u>-</u>	<u>-</u>	<u>(5,350,313)</u>
Business-type activities:								
Water	1,621,123	1,571,021	-	-	-	(50,102)	-	(50,102)
Wastewater	1,627,146	1,492,223	-	-	-	(134,923)	-	(134,923)
Total business-type activities	<u>3,248,269</u>	<u>3,063,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,025)</u>	<u>-</u>	<u>(185,025)</u>
Total primary government	<u>\$ 9,189,581</u>	<u>\$ 3,437,782</u>	<u>\$ 195,004</u>	<u>\$ 21,457</u>	<u>\$ (5,350,313)</u>	<u>(185,025)</u>	<u>-</u>	<u>(5,535,338)</u>
General revenues:								
Sales tax					2,954,013	-	-	2,954,013
Franchise tax					586,043	-	-	586,043
Property tax					838,672	-	-	838,672
Other revenue					39,193	-	-	39,193
Gas and motor vehicle tax					314,506	-	-	314,506
Insurance proceeds					493,614	-	-	493,614
Interest revenue					10,837	104,337	-	115,174
Special item - lease proceeds					2,510,000	5,005,000	-	7,515,000
Total general revenues and special item					<u>7,746,878</u>	<u>5,109,337</u>	<u>-</u>	<u>12,856,215</u>
Change in net position					2,396,565	4,924,312	-	7,320,877
Net position beginning of year					4,339,219	2,071,298	-	6,410,517
Net position end of year					<u>\$ 6,735,784</u>	<u>\$ 6,995,610</u>	<u>-</u>	<u>\$ 13,731,394</u>

See accompanying notes to the basic financial statements.

**CITY OF OAK GROVE, MISSOURI**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

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	GENERAL FUND	TRANSPORTATION FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	STORM WATER FUND	STREET IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,322,782	\$ 496,668	\$ 288,483	\$ 881,011	\$ 216,611	\$ 393,250	\$ 3,598,805
Restricted cash and cash equivalents	<u>3,151,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,151,477</u>
<b>Total Assets</b>	<b><u>\$ 4,474,259</u></b>	<b><u>\$ 496,668</u></b>	<b><u>\$ 288,483</u></b>	<b><u>\$ 881,011</u></b>	<b><u>\$ 216,611</u></b>	<b><u>\$ 393,250</u></b>	<b><u>\$ 6,750,282</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Court bonds payable	\$ 14,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,498
Fund balances:							
Restricted	3,136,979	496,668	288,483	881,011	216,611	393,250	5,413,002
Unassigned	<u>1,322,782</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,322,782</u>
<b>Total Fund Balances</b>	<b><u>4,459,761</u></b>	<b><u>496,668</u></b>	<b><u>288,483</u></b>	<b><u>881,011</u></b>	<b><u>216,611</u></b>	<b><u>393,250</u></b>	<b><u>6,735,784</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 4,474,259</u></b>	<b><u>\$ 496,668</u></b>	<b><u>\$ 288,483</u></b>	<b><u>\$ 881,011</u></b>	<b><u>\$ 216,611</u></b>	<b><u>\$ 393,250</u></b>	<b><u>\$ 6,750,282</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	GENERAL FUND	TRANSPORTATION FUND	DEBT SERVICE FUND	CAPITAL IMPROVEMENT FUND	STORM WATER FUND	STREET IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>							
Sales tax	\$ 1,648,784	\$ 585,486	\$ 427,000	\$ 292,743	\$ -	\$ -	\$ 2,954,013
Franchise tax	586,043	-	-	-	-	-	586,043
Court cost and fines	131,163	-	-	-	-	-	131,163
Gas and motor vehicle tax	314,506	-	-	-	-	-	314,506
Property tax	641,828	-	196,844	-	-	-	838,672
Recreation programs	102,713	-	-	-	-	-	102,713
Other revenue	38,913	280	-	-	-	-	39,193
Licenses, permits and fees	140,662	-	-	-	-	-	140,662
Interest revenue	8,741	453	286	746	234	377	10,837
Insurance proceeds	493,614	-	-	-	-	-	493,614
Grants and contract revenue	195,004	21,457	-	-	-	-	216,461
Total Revenues	<u>4,301,971</u>	<u>607,676</u>	<u>624,130</u>	<u>293,489</u>	<u>234</u>	<u>377</u>	<u>5,827,877</u>
<b>EXPENDITURES:</b>							
Administration	374,780	-	-	-	-	-	374,780
Parks	869,711	-	-	-	-	-	869,711
Municipal court	147,538	-	-	-	-	-	147,538
Public safety	1,546,377	-	-	-	-	-	1,546,377
Emergency management	39,186	-	-	-	-	-	39,186
Building and zoning	71,764	-	-	-	-	-	71,764
Streets	-	594,261	-	-	-	-	594,261
Pool	85,040	-	-	-	-	-	85,040
Senior services	70,805	-	-	-	-	-	70,805
Capital outlay	1,068,270	-	-	169,866	228,410	90	1,466,636
Debt service:							
Principal	-	-	330,000	-	-	-	330,000
Interest and fees	62,873	-	282,341	-	-	-	345,214
Total Expenditures	<u>4,336,344</u>	<u>594,261</u>	<u>612,341</u>	<u>169,866</u>	<u>228,410</u>	<u>90</u>	<u>5,941,312</u>
<b>OTHER FINANCING SOURCES (USES):</b>							
Lease proceeds	<u>2,510,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,510,000</u>
Net change in fund balances	2,475,627	13,415	11,789	123,623	(228,176)	287	2,396,565
Fund balance beginning	<u>1,984,134</u>	<u>483,253</u>	<u>276,694</u>	<u>757,388</u>	<u>444,787</u>	<u>392,963</u>	<u>4,339,219</u>
Fund balance ending	<u>\$ 4,459,761</u>	<u>\$ 496,668</u>	<u>\$ 288,483</u>	<u>\$ 881,011</u>	<u>\$ 216,611</u>	<u>\$ 393,250</u>	<u>\$ 6,735,784</u>

See accompanying notes to the basic financial statements.

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

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	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 966,813	\$ 387,596	\$ 1,354,409
Restricted cash and cash equivalents	<u>518,670</u>	<u>5,358,544</u>	<u>5,877,214</u>
Total Assets	<u><u>\$ 1,485,483</u></u>	<u><u>\$ 5,746,140</u></u>	<u><u>\$ 7,231,623</u></u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Customer deposits payable	\$ 236,013	\$ -	\$ 236,013
Net Position:			
Restricted for:			
Debt service	468,912	592,487	1,061,399
Capital outlay	49,758	4,766,057	4,815,815
Unrestricted	<u>730,800</u>	<u>387,596</u>	<u>1,118,396</u>
Total Net Position	<u>1,249,470</u>	<u>5,746,140</u>	<u>6,995,610</u>
Total Liabilities and Net Position	<u><u>\$ 1,485,483</u></u>	<u><u>\$ 5,746,140</u></u>	<u><u>\$ 7,231,623</u></u>

See accompanying notes to the basic financial statements.

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**FUND NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<u>WATER</u>	<u>WASTEWATER</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>			
Charges for services	<u>\$ 1,571,021</u>	<u>\$ 1,492,223</u>	<u>\$ 3,063,244</u>
<b>OPERATING EXPENSES:</b>			
Purchase of water	408,458	-	408,458
Salaries and benefits	466,150	387,848	853,998
Repairs and maintenance	172,749	215,528	388,277
General administration	<u>99,333</u>	<u>78,184</u>	<u>177,517</u>
Total Operating Expenses	<u>1,146,690</u>	<u>681,560</u>	<u>1,828,250</u>
Operating Income	<u>424,331</u>	<u>810,663</u>	<u>1,234,994</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	2,357	101,980	104,337
Lease proceeds	-	5,005,000	5,005,000
Capital outlay	(80,982)	(336,570)	(417,552)
Debt service:			
Principal	(201,375)	(390,495)	(591,870)
Interest and fees	<u>(192,076)</u>	<u>(218,521)</u>	<u>(410,597)</u>
Total Nonoperating Revenues (Expenses)	<u>(472,076)</u>	<u>4,161,394</u>	<u>3,689,318</u>
Change in fund net position	(47,745)	4,972,057	4,924,312
Net Position, beginning of year	<u>1,297,215</u>	<u>774,083</u>	<u>2,071,298</u>
Net Position, end of year	<u>\$ 1,249,470</u>	<u>\$ 5,746,140</u>	<u>\$ 6,995,610</u>

See accompanying notes to the basic financial statements.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City is organized as a fourth class city under the Revised Statutes of Missouri and operates under a Board of Aldermen-Mayor form of government and provides such services as are authorized by its charter to advance the health, welfare, comfort, safety and convenience of its inhabitants.

**Financial Reporting Entity:** The financial statements of the City include all organizations that raise and hold economic resources for the direct benefit of the City. The City has implemented GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*. GASB 61 amended GASB Statement No. 14. GASB Statement No 61 modifies certain requirements for inclusion of component units in the financial reporting entity.

The City has determined that no other outside agency meets the criteria set forth in GASB Statement No. 61 and, therefore, no other agency has been included as a component unit in the City's financial statements.

**Basis of Presentation:** The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-wide Financial Statements** - The Statement of Net Position and the Statement of Activities display information about the City as a whole. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**Fund Financial Statements** - Fund financial statements of the City are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories.

The City has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions*.

In the Fund financial statements, fund balance may consist of five different classifications: 1) Nonspendable fund balance includes amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. 2) Restricted fund balance are amounts restricted to specific purposes. 3) Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period. 4) Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. The Board has the authority to assign fund balances. 5) Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general ledger.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The order of spending, regarding the restricted and unrestricted fund balance, when an expenditure is incurred for which both restricted and unrestricted fund balance is available should first reduce restricted fund balance and then unrestricted fund balance. The order of spending regarding unrestricted fund balance is that committed amounts should be reduced first, followed by the assigned amounts, and then the unassigned amounts when expenditures are incurred for purposes for which amounts in any of those restricted fund balance classification could be used.

**Governmental Funds** - The following are the City's major governmental funds:

General Fund: The General Fund is the primary operating fund of the City and accounts for all financial transactions not accounted for in other funds.

Transportation Fund: The Transportation Fund is a special revenue fund that is used to account for the proceeds of the transportation sales tax that are legally restricted to expenditures for transportation purposes of the City.

Debt Service Fund: This fund is used to account for the repayment of the City's general obligation bonds.

Capital Improvement Fund: This is a special revenue fund that is used to account for the proceeds of the capital improvement sales tax that are legally restricted to expenditures for capital improvements.

Storm Water Fund: This fund is a special revenue fund that is used to account for the proceeds of the storm water sales tax and other revenue that are legally restricted to expenditures for storm water drainage.

Street Improvement Fund: This fund is used to account for the issuance of bonds to acquire rights of way and design, construct, extend and improve the street and roads of the City.

**Proprietary Funds** - The following are the City's major proprietary funds:

Water Fund: Accounts for the provision of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt services, and billing and collection.

Wastewater Fund: Accounts for the provision of wastewater services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

**Measurement Focus**

Government-wide Financial Statements: In the government-wide financial statements, both governmental and business-like activities are presented using the current resources measurement focus, within the limitations of the modified cash basis of accounting.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Financial Statements:** All governmental and proprietary funds are accounted for using the current financial resources measurement focus as applied to the modified cash basis of accounting. This approach does not differ from the manner in which the governmental and business-type activities of the government-wide financial statements are prepared.

**Basis of Accounting:** In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues and expenditures when they result from cash transactions. Liabilities are recorded for customer water deposits payable and court bonds payable. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**Restricted Net Position:** By enabling legislation the City has \$937,811 restricted for debt service and \$4,475,191 restricted for capital improvements.

**Operating Revenue and Expenses:** Operating revenues and expenses for proprietary funds result from providing services and delivering goods in connection with the City's water and wastewater operations. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**Pooled Cash and Temporary Investments:** Cash resources of the individual funds are combined to form a pool of cash and temporary investments which is managed by the City Clerk. Investments of the pooled accounts may consist primarily of certificates of deposit and U.S. government securities, carried at cost. Interest income received is allocated to contributing funds based on cash and temporary investment balances.

**Sick and Personal Leave:** All full-time employees are awarded leave based on their length of employment. Employees with service of one to five years are entitled to three weeks of leave; employees with service of five to ten years are entitled to four weeks of leave; employees with ten to fifteen years of service are entitled to five weeks of leave and employees with over fifteen years of service are entitled to six weeks of leave. Employees may accumulate up to four hundred hours of leave. Upon written request, employees may receive a cash payment in lieu of time off. Upon termination or resignation, employees are compensated for all accrued, unused leave.

**NOTE B - CASH AND CASH EQUIVALENTS**

State statutes permit the City to invest its monies as follows: 1) obligations of the United States Government or any agency or instrumentality, including repurchase agreements; 2) bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States, and other short-term obligations of the United States; 3) under limited circumstances, commercial paper and banker's acceptances; and 4) deposit accounts with insured financial institutions provided those accounts are entirely insured by the FDIC or collateralized with government securities that have a fair value exceeding the deposit amount.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE B - CASH AND CASH EQUIVALENTS (continued)**

Custodial credit risk: For deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. At December 31, 2017, the bank balances of the City's deposits totaled \$5,076,982. Of this amount \$631,289 was covered by FDIC insurance and \$4,445,693 was supported by collateral, held by banks in the City's name that do not hold the collateralized deposits.

Certificates of deposit with maturities in excess of three months are considered deposits for custodial risk determination. As of December 31, 2017, certificate of deposit balances were supported by collateral, held by banks in the City's name that do not hold the collateralized deposits.

Interest rate risk: Interest rate risk is defined as the risk that the fair value of the City's investments will decrease as a result of increases in interest rates. Generally, the longer the maturity of an investment means the greater the sensitivity of its fair value to changes in market interest rates. The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Also risk will be minimized by investing funds primarily in short-term securities.

Investment Policy: The City's investment policy limits investment of excess funds in local banks in the form of time deposits. All accounts under the control of the City adhere to this policy. Accounts under the control of a trustee follow the investment requirements of the applicable trust agreements.

Credit risk: Credit risk is defined as the risk that an issuer or other counterparts to an investment in debt securities will not fulfill its obligation. The City's formal policy limits its investment choices by selecting pre-qualified institutions to do business with and diversifying their portfolio so that potential losses in individual securities will be minimized.

Concentration of credit risk: Concentration of credit risk is the risk loss attributed to the magnitude of a government's investment in a single user. The City's investment policy places no limit on the amount the City may invest in any one issuer.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE C - RESTRICTED CASH AND CASH EQUIVALENTS**

General Fund:

Series 2016 Certificates of Participation	
Project account	\$ 2,487,651
Payment account	66,048
Reserve account	<u>583,280</u>
Total Series 2016 COP	3,136,979
Court bonds	<u>14,498</u>
Total General Fund	<u><u>\$ 3,151,477</u></u>

Proprietary Funds

Water Fund:

Series 2012 Certificates of Participation	
Project account	\$ 49,758
Payment account	292,707
Reserve account	<u>176,205</u>
Total Water Fund	<u>518,670</u>

Wastewater Fund:

Series 2003 Sewer Bonds	
Interest account	29,528
Debt service account	100,073
Principal account	<u>365,470</u>
	<u>495,071</u>

Series 2012 Certificates of Participation

Project account	25,850
Payment account	60,802
Reserve account	<u>36,614</u>
	<u>123,266</u>

Series 2017 Certificates of Participation

Project account	4,740,207
Total Wastewater Fund	<u>5,358,544</u>
Total Proprietary Funds	<u><u>\$ 5,877,214</u></u>

**NOTE D - TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and payable by December 31. The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2017 for purposes of local taxation was \$.6439 for General Revenue and \$.1985 for Debt Service.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE E - ECONOMIC DEPENDENCE**

The City is dependent on the City of Independence to provide sufficient water for operations. On February 19, 2013, the City entered into a 20-year agreement with the City of Independence to provide water to the City.

**NOTE F - INSURANCE**

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 Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of local governments and political subdivisions. MPR was formed as a public entity risk retention pool to cover health and dental, workers' compensation, and property and casualty claims for its members. MPR has been established as assessable pools and accounting records are maintained for each line of coverage on a policy-year basis. The City pays annual premiums to MPR for all coverages. The agreement with MPR provides that MPR will be self-sustaining through member premiums. MPR has the authority to assess members for any deficiencies of revenues under expenses for any single plan year. Likewise, MPR has the authority to declare refunds to members for the excess of revenues over expenses relating to any single plan year. The amount of settlements has not exceeded the City's insurance coverage for each of the past three fiscal years.

**NOTE G - CHANGES IN LONG-TERM DEBT**

Changes in long-term debt during the year were as follows:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Amount due within one year
<b>Governmental Activities:</b>					
2009 G.O. Refunding and Improvement					
Bonds	\$ 1,920,000	\$ -	\$ 95,000	\$ 1,825,000	\$ 105,000
2011 G.O. Improvement Bonds	4,830,000	-	235,000	4,595,000	260,000
2016 Certificates of Participation	2,570,000	2,510,000	-	5,080,000	90,000
Vehicle lease purchase agreement	23,814	-	7,521	16,293	7,931
Equipment lease purchase agreements	1	64,778	20,795	43,984	21,497
<b>Total Governmental Activities</b>	<b><u>\$ 9,343,815</u></b>	<b><u>\$ 2,574,778</u></b>	<b><u>\$ 358,316</u></b>	<b><u>\$ 11,560,277</u></b>	<b><u>\$ 484,428</u></b>
<b>Business-Type Activities:</b>					
2003 Water Pollution Control Bonds	\$ 3,320,000	\$ -	\$ 340,000	\$ 2,980,000	\$ 365,000
2012 Certificates of Participation	5,385,000	-	230,000	5,155,000	240,000
2017 Certificates of Participation	-	5,005,000	-	5,005,000	-
Lease purchase agreement	66,909	-	21,871	45,038	22,789
<b>Total Business-Type Activities</b>	<b><u>\$ 8,771,909</u></b>	<b><u>\$ 5,005,000</u></b>	<b><u>\$ 591,871</u></b>	<b><u>\$ 13,185,038</u></b>	<b><u>\$ 627,789</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE H - LONG-TERM DEBT**

The City's long-term debt arising from modified cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

**Governmental Activities**

As of December 31, 2017, the long-term debt, arising from modified cash transactions, payable from governmental fund resources consisted of the following:

Series 2009 General Obligation Refunding and Improvement Bonds due in varying annual installments through March 1, 2029, interest of 2.50% to 4.375%	\$ 1,825,000
Series 2011 General Obligation Improvement Bonds due in varying annual installments through March 1, 2029, interest of 4.00% to 5.00%	4,595,000
Series 2016 Certificates of Participation due in varying annual installments through July 1, 2036, interest of 2.60%	5,080,000
Vehicle lease dated November 18, 2016, due in annual installments of \$8,819 through November 18, 2019, interest at 5.45%	16,293
Equipment lease dated January 4, 2017, due in three annual installments of \$22,569 through January 4, 2020, interest of 4.50%	<u>43,984</u>
<b>Total Governmental Activities</b>	<b><u>\$ 11,560,277</u></b>

On January 1, 2018, the remaining proceeds of \$1,915,000 of the Series 2016 Certificates of Participation were advanced to the City.

**Business-Type Activities**

As of December 31, 2017, the long-term debt, arising from modified cash transactions, payable from proprietary fund resources consisted of the following:

Series 2003 Water Pollution Control Revenue Bonds due in varying annual installments through January 2024; interest of 3.70% to 5.25%.	\$ 2,980,000
Series 2012 Certificates of Participation due in varying annual installments through January 1, 2033; interest of 2.25% to 5.00%	5,155,000
Series 2017 Certificates of Participation due in varying annual installments through April 2042; interest of 2.50% to 4.00%	5,005,000
Lease purchase agreement due in annual installments of \$2,036 through December 2019; interest at 4.50%	<u>45,038</u>
<b>Total Business-Type Activities</b>	<b><u>\$ 13,185,038</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE H - LONG-TERM DEBT (continued)**

Debt service requirements to maturity are:

Year Ending <u>December 31,</u>	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 484,428	\$ 445,358	\$ 627,789	\$ 606,277
2019	480,848	452,934	652,249	518,111
2020	485,001	410,015	655,000	489,844
2021	740,000	388,129	685,000	460,926
2022	785,000	360,107	710,000	429,213
2023	825,000	331,248	740,000	395,348
2024	875,000	301,274	780,000	360,546
2025	915,000	270,294	305,000	336,016
2026	970,000	237,204	505,000	320,031
2027	1,020,000	201,748	525,000	300,941
2028	1,080,000	163,449	540,000	279,369
2029	1,135,000	122,158	570,000	255,075
2030	415,000	95,680	595,000	229,800
2031	430,000	84,890	620,000	203,138
2032	445,000	73,710	645,000	174,813
2033	460,000	62,140	680,000	145,100
2034	15,000	50,180	320,000	124,225
2035	-	37,830	330,000	112,438
2036	-	24,960	345,000	99,781
2037	-	-	355,000	86,656
2038	-	-	370,000	72,600
2039	-	-	385,000	57,500
2040	-	-	400,000	41,800
2041	-	-	415,000	25,500
2042	-	-	430,000	8,600
<b>Total</b>	<b>\$ 11,560,277</b>	<b>\$ 4,113,308</b>	<b>\$ 13,185,038</b>	<b>\$ 6,133,648</b>

On April 10, 2012, the City issued Series 2012 Refunding and Improvement Certificates of Participation in the amount of \$6,265,000. The certificates refunded the Series 1998 Combined Waterworks and Sewerage System Refunding Revenue Bonds and the Series 2001 Certificates of Participation as well as provided new funds for the demolition of an existing standpipe and the construction of a new elevated storage tank at Frick Park, upgrades to the City's high service pump station, replacement and relocation of water mains, relocation of the City's booster pump station and the installation of an ultraviolet disinfection system.

On May 30, 2017, the City issued Series 2017 Certificates of Participation in the amount of \$5,005,000. The certificates provided new funds for acquiring, constructing, installing and improving parts of the City's sewerage system.

Net revenues are pledged over the terms of the Bonds and Certificates of Participation in an amount equal to the total principal and interest payments.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - RETIREMENT PLAN**

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

**Plan Description and Funding Policy**

LAGERS was established in 1967 and is administered in accordance with RSMo. 70.600 - 70.755. LAGERS is an agent multi-employer, statewide public employee retirement plan for units of local government which is legally separate and fiscally independent of the state of Missouri.

Responsibility for the operation and administration of the plan is vested in the LAGERS Board of Trustees consisting of seven persons. Three trustees are elected by the employees who participate in the system, three trustees are elected by the members of the governing bodies of those political subdivisions which participate in the system and one trustee is appointed by the governor. The regular term of the office for members of the LAGERS Board of Trustees is four years. Members of the LAGERS Board of Trustees serve without compensation with respect to their duties, but are reimbursed by LAGERS for the actual and necessary expenses incurred in the performance of their duties.

LAGERS serves approximately 695 local participating employers. These participating employers include 302 cities, 60 counties, and 323 other public entities. LAGERS membership includes approximately 63,294 participants.

LAGERS provides retirement, death and disability benefits to employees of participating political subdivisions. 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 then in effect for the political subdivision. 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. The LAGERS Board of Trustees establishes the benefit plans and provision that are available for adoption. The political subdivision's governing body adopts all benefits of the plan. 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.

If the political subdivision participates under the contributory plan, each member contributes 4% of gross salary. If an employee leaves covered employment or dies before attaining 5 years of credited service, accumulated employee contributions are refunded to the employee or designated beneficiary. Each participating employer is required by statute to contribute the remaining amounts necessary to finance the coverage of its own employees. Benefits and contribution provisions are fixed by state statute and may be amended only by action of the state legislature.

Each participating unit of government is obligated by state law to make all required contributions to the plan. The required contributions are actuarially determined using the individual entry-age actuarial cost method. There are no long-term contracts for contributions to the plan. All actuarial liabilities are amortized over a period of 30 years or less. Administrative costs of LAGERS are financed through investment earnings of the system. Employee contributions are determined at the election of the governing body of the local government. Should the governing body elect to participate in the contributory plan, all employees must contribute four percent of gross salary.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE I - RETIREMENT PLAN (continued)**

The governing body may elect to participate in the non-contributory plan which would result in no employee contributions.

The City's contributions to the plan for the year ended December 31, 2017 were \$170,036.

**NOTE J - FEDERAL AND STATE GRANTS**

The City has received financial assistance from various federal, state and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

**NOTE K - FUND BALANCES**

The following is a summary of the Governmental Fund balances of the City as of December 31, 2017:

<u>Classification/Fund</u>	<u>Purpose</u>	
Restricted:		
General Fund	Capital improvements	\$ 2,487,651
General Fund	Debt payments	649,328
Transportation	Capital improvements	496,668
Debt service	Debt payments	288,483
Capital Improvement	Capital improvements	881,011
Storm Water	Capital improvements	216,611
Street Improvement	Capital improvements	393,250
Total Restricted		<u>5,413,002</u>
Unassigned:		
General Fund		1,322,782
Total Fund Balances		<u>\$ 6,735,784</u>

**NOTE L - COMMITMENTS**

On February 28, 2017, the City approved engineering contracts for the wastewater treatment plant improvements and interceptor improvements. As of December 31, 2017 remaining contract costs for these projects were \$247,847.

On September 6, 2017, the City approved a construction contract for a new aquatic facility. As of December 31, 2017 the remaining contract costs for this project was \$2,465,261.

On October 16, 2017, the City approved a construction contract for the Bent Oak Clubhouse renovation. As of December 31, 2017 the remaining contract costs for this project were \$76,092.

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**NOTE M - SUBSEQUENT EVENTS**

On March 5, 2018, the City approved the purchase and installation of a metal building for \$279,000 and concrete work for \$131,250.

On April 18, 2018, the City issued \$1,726,000 Series 2018A General Obligation Refunding Bonds to refund the Series 2009 General Obligation Refunding and Improvement Bonds on April 20, 2018 for a net present value savings of \$121,107.

On April 25, 2018, the City approved a construction contract for the aquatic center sewer system, constructing a road and building pad and the demolition of the old swimming pool for a total of \$298,839.

## **SUPPLEMENTARY INFORMATION**

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<b>BUDGET</b>			
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES:</b>				
Sales tax	\$ 1,528,000	\$ 1,528,000	\$ 1,648,784	\$ 120,784
Franchise tax	605,000	605,000	586,043	(18,957)
Court cost and fines	177,600	177,600	131,163	(46,437)
Gas and motor vehicle tax	301,000	301,000	314,506	13,506
Property tax	615,100	615,100	641,828	26,728
Recreation programs	155,051	143,000	102,713	(40,287)
Other revenue	49,142	49,142	38,913	(10,229)
Licenses, permits and fees	109,300	121,351	140,662	19,311
Interest revenue	500	500	8,741	8,241
Insurance proceeds	-	493,615	493,614	(1)
Grants and contract revenue	<u>216,464</u>	<u>216,464</u>	<u>195,004</u>	<u>(21,460)</u>
Total Revenues	<u>3,757,157</u>	<u>4,250,772</u>	<u>4,301,971</u>	<u>51,199</u>
<b>EXPENDITURES:</b>				
Administration	333,000	333,000	374,780	(41,780)
Parks	880,150	880,150	869,711	10,439
Municipal court	150,850	150,850	147,538	3,312
Public safety	1,517,850	1,517,850	1,546,377	(28,527)
Emergency management	43,150	43,150	39,186	3,964
Building and zoning	73,550	73,550	71,764	1,786
Pool	106,170	106,170	85,040	21,130
Senior services	57,950	71,450	70,805	645
Capital outlay	3,467,250	3,467,250	1,068,270	2,398,980
Debt service:				
Interest and fees	<u>62,623</u>	<u>62,623</u>	<u>62,873</u>	<u>(250)</u>
Total Expenditures	<u>6,692,543</u>	<u>6,706,043</u>	<u>4,336,344</u>	<u>2,369,699</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease proceeds	<u>2,509,480</u>	<u>2,509,480</u>	<u>2,510,000</u>	<u>520</u>
Net change in fund balance	<u>(425,906)</u>	<u>54,209</u>	<u>2,475,627</u>	<u>2,421,418</u>
Fund balance, beginning	<u>1,984,134</u>	<u>1,984,134</u>	<u>1,984,134</u>	<u>-</u>
Fund balance, ending	<u>\$ 1,558,228</u>	<u>\$ 2,038,343</u>	<u>\$ 4,459,761</u>	<u>\$ 2,421,418</u>

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - TRANSPORTATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Sales tax	\$ 550,000	\$ 550,000	\$ 585,486	\$ 35,486
Other revenue	131,447	131,447	280	(131,167)
Licenses, permits and fees	-	-	-	-
Interest revenue	250	250	453	203
Grants and contract revenue	-	-	21,457	21,457
<b>Total Revenues</b>	<b><u>681,697</u></b>	<b><u>681,697</u></b>	<b><u>607,676</u></b>	<b><u>(95,478)</u></b>
<b>EXPENDITURES:</b>				
Capital outlay	676,317	676,317	594,261	82,056
Net change in fund balance	5,380	5,380	13,415	8,035
Fund balance, beginning	<u>483,253</u>	<u>483,253</u>	<u>483,253</u>	-
<b>Fund balance, ending</b>	<b><u>\$ 488,633</u></b>	<b><u>\$ 488,633</u></b>	<b><u>\$ 496,668</u></b>	<b><u>\$ 8,035</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Sales tax	\$ 275,000	\$ 275,000	\$ 292,743	\$ 17,743
Other revenue	500	500	-	(500)
Interest revenue	500	500	746	246
<b>Total Revenues</b>	<b><u>276,000</u></b>	<b><u>276,000</u></b>	<b><u>293,489</u></b>	<b><u>17,489</u></b>
<b>EXPENDITURES:</b>				
Capital outlay	<u>275,000</u>	<u>275,000</u>	<u>169,866</u>	<u>105,134</u>
Net change in fund balance	1,000	1,000	123,623	122,623
Fund balance, beginning	<u>757,388</u>	<u>757,388</u>	<u>757,388</u>	<u>-</u>
<b>Fund balance, ending</b>	<b><u>\$ 758,388</u></b>	<b><u>\$ 758,388</u></b>	<b><u>\$ 881,011</u></b>	<b><u>\$ 122,623</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - STORM WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Licenses, permits and fees	\$ 500	\$ 500	\$ -	\$ (500)
Interest revenue	<u>500</u>	<u>500</u>	<u>234</u>	<u>(266)</u>
<b>Total Revenues</b>	<b><u>1,000</u></b>	<b><u>1,000</u></b>	<b><u>234</u></b>	<b><u>(766)</u></b>
<b>EXPENDITURES:</b>				
Capital outlay	<u>230,538</u>	<u>230,538</u>	<u>228,410</u>	<u>2,128</u>
Net change in fund balance	<u>(229,538)</u>	<u>(229,538)</u>	<u>(228,176)</u>	<u>1,362</u>
Fund balance, beginning	<u>444,787</u>	<u>444,787</u>	<u>444,787</u>	<u>-</u>
<b>Fund balance, ending</b>	<b><u>\$ 215,249</u></b>	<b><u>\$ 215,249</u></b>	<b><u>\$ 216,611</u></b>	<b><u>\$ 1,362</u></b>

**CITY OF OAK GROVE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - MODIFIED CASH BASIS - STREET IMPROVEMENT FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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	<b>BUDGET</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>REVENUES:</b>				
Interest revenue	\$ 150	\$ 150	\$ 377	\$ 227
<b>EXPENDITURES:</b>				
Capital outlay	<u>393,000</u>	<u>393,000</u>	<u>90</u>	<u>392,910</u>
Net change in fund balance	(392,850)	(392,850)	287	393,137
Fund balance, beginning	<u>392,963</u>	<u>392,963</u>	<u>392,963</u>	<u>-</u>
Fund balance, ending	<u><u>\$ 113</u></u>	<u><u>\$ 113</u></u>	<u><u>\$ 393,250</u></u>	<u><u>\$ 393,137</u></u>

**CITY OF OAK GROVE, MISSOURI**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**DECEMBER 31, 2017**

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**Budgetary Process**

The City is responsible for the preparation and approval of budgets for the various governmental and business-type funds in accordance with Section 67.010 through 67.020, RSMo.

The City follows the following procedures in establishing the budgetary data reflected in the supplementary information:

1. As declared by ordinance, the City Administrator is the budget officer and prepared the proposed operating budget for the year commencing January 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to January 1<sup>st</sup>, the budget is legally enacted through the passage of an ordinance.
4. The legal level of control for the budget is at the fund level, and City management cannot amend the budget without approval of the Board of Aldermen. However, the City Administrator has the authority to transfer budgeted amounts between departments within any fund. The Board of Aldermen must approve any revisions that alter the total budgeted expenditures of any fund. Unexpended appropriations lapse at year end.
5. Budgets are prepared on the modified cash basis of accounting (budgetary basis), in which revenues are recognized when collected and expenditures are recognized when paid. The reported budgetary data represent both the original and final approved budgets as adopted by the Board of Aldermen.

## **INTERNAL CONTROL AND COMPLIANCE**

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Aldermen  
City of Oak Grove, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of City of Oak Grove as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 30, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Westbrook & Co., P.C.*

Richmond, Missouri

May 30, 2018

**CITY OF OAK GROVE, MISSOURI**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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None