

***CITY OF SUNSET HILLS, MISSOURI***

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

# ***CITY OF SUNSET HILLS, MISSOURI***

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## INDEPENDENT AUDITOR'S REPORT



The Honorable Mayor and Members  
of the Board of Aldermen  
*CITY OF SUNSET HILLS, MISSOURI*

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the City of Sunset Hills, Missouri, 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 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 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 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 aggregate remaining fund information of the City of Sunset Hills, Missouri, as of December 31, 2017, 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.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension information and budgetary comparison information on pages 3 through 8 and 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



St. Charles, Missouri  
June 29, 2018

**CITY OF SUNSET HILLS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017**

The discussion and analysis of the City of Sunset Hills' financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2017. It should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's net position increased \$1,545,582 to \$28,295,084.
- West Watson road project was completed at a total cost of \$1,199,196.
- Three projects were in process at year end totaling \$355,222, for sidewalk improvements, headwalls, and Hadley Hill.

**REPORT LAYOUT**

The report consists of the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and required supplementary information. The first group of statements is highly condensed and presents a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, parks and recreation, pool, municipal courts, and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

**Basic Financial Statements**

The Statement of Net Position focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the City owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The Statement of Net Position reflects capital assets including infrastructure and long-term liabilities and reports governmental activities on the accrual basis of accounting.

The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column titled "Non-major". Budgetary comparisons for the General Fund and major special revenue funds are presented as required supplementary information. A budgetary comparison is presented for the General Fund, County Road Fund, and Storm Water/Parks Fund.

The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

## THE CITY AS A WHOLE

### Government-wide Financial Analysis

The City's net position was \$28,295,084 as of December 31, 2017. This analysis focuses on the net position (Table 1) and changes in general revenues and significant expenses (Table 2) of the City's governmental activities.

The City's net position consists of its investment in capital assets (e.g., land, buildings and improvements, vehicles and equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

**Table 1**

|                                  | <u>2017</u>          | <u>2016</u>          | <u>Increase<br/>(Decrease)</u> |
|----------------------------------|----------------------|----------------------|--------------------------------|
| Current and other assets         | \$ 14,745,294        | \$ 12,723,962        | \$ 2,021,332                   |
| Capital assets                   | <u>22,540,475</u>    | <u>21,924,701</u>    | <u>615,774</u>                 |
| Total assets                     | <u>37,285,769</u>    | <u>34,648,663</u>    | <u>2,637,106</u>               |
| Deferred outflows                | <u>1,397,612</u>     | <u>2,513,627</u>     | <u>(1,116,015)</u>             |
| Current and other liabilities    | 797,836              | 627,339              | 170,497                        |
| Long-term liabilities            | <u>8,995,000</u>     | <u>9,049,347</u>     | <u>(54,347)</u>                |
| Total liabilities                | <u>9,792,837</u>     | <u>9,676,686</u>     | <u>116,150</u>                 |
| Deferred inflows                 | <u>595,460</u>       | <u>736,102</u>       | <u>(140,642)</u>               |
| Net position:                    |                      |                      |                                |
| Net investment in capital assets | 14,290,550           | 12,875,354           | 1,415,196                      |
| Restricted                       | 5,111,192            | 4,613,565            | 497,627                        |
| Unrestricted                     | <u>8,893,342</u>     | <u>9,260,583</u>     | <u>(367,241)</u>               |
| Total net position               | <u>\$ 28,295,084</u> | <u>\$ 26,749,502</u> | <u>\$ 1,545,582</u>            |

Net position increased by \$1,545,582 as a result of revenues exceeding expenses during 2017 as reflected in the following table.

**Government-wide Financial Analysis - continued**

|                                    | <b>Table 2</b>       |                      |                                |
|------------------------------------|----------------------|----------------------|--------------------------------|
|                                    | <u>2017</u>          | <u>2016</u>          | <u>Increase<br/>(Decrease)</u> |
| <b>Revenues:</b>                   |                      |                      |                                |
| Program revenues:                  |                      |                      |                                |
| Charges for service                | \$ 2,086,858         | \$ 2,044,228         | \$ 42,630                      |
| Operating grants and contributions | -                    | 116,416              | (116,416)                      |
| Capital grants and contributions   | 1,269,800            | 214,457              | 1,055,343                      |
| General revenues:                  |                      |                      |                                |
| Taxes:                             |                      |                      |                                |
| Sales                              | 5,144,314            | 5,029,381            | 114,933                        |
| Utility                            | 1,798,277            | 1,733,419            | 64,858                         |
| Franchise                          | 132,419              | 142,513              | (10,094)                       |
| Property                           | 248,126              | 208,014              | 40,112                         |
| Intergovernmental                  | 717,665              | 703,465              | 14,200                         |
| Investment income                  | 1,631                | 112,425              | (110,794)                      |
| Miscellaneous                      | 69,124               | 82,675               | 1,449                          |
| Gain/(loss) on disposal of assets  | -                    | 10,461               | 10,461                         |
| Total revenues                     | <u>11,468,214</u>    | <u>10,397,454</u>    | <u>1,070,760</u>               |
| <b>Expenses:</b>                   |                      |                      |                                |
| General government                 | 818,646              | 836,880              | (18,234)                       |
| Public works                       | 2,482,204            | 2,612,538            | (130,334)                      |
| Public safety                      | 3,181,167            | 3,229,729            | (48,562)                       |
| Municipal court                    | 166,853              | 229,344              | (62,491)                       |
| Park and recreation                | 2,360,434            | 2,478,344            | (117,910)                      |
| Pool                               | 653,699              | 554,458              | 99,241                         |
| Interest and fiscal charges        | 259,629              | 430,051              | (170,422)                      |
| Total expenses                     | <u>9,922,632</u>     | <u>10,371,344</u>    | <u>(448,712)</u>               |
| Increase in net position           | 1,545,582            | 26,110               | 1,519,482                      |
| Net position, beginning of year    | 26,749,502           | 26,723,392           | 26,110                         |
| Net position, end of year          | <u>\$ 28,295,084</u> | <u>\$ 26,749,502</u> | <u>\$ 1,545,582</u>            |

Total revenues for 2017 increased \$1,070,760 from total revenues in 2016. There was an increase of \$209,809 in taxes which was mainly a result of increased sales and utility tax collections. There was a decrease of \$110,794 in investment income for 2017 compared to 2016, due to changes in market value.

The majority of the decrease in expenditures was related to public works and parks and recreation. The decrease in public works is mostly the result of decreased personnel costs. The decrease in parks and recreation is mainly the result of a decrease in personnel costs and park maintenance expenditures.

## Governmental Funds

The following table presents the amount of revenues from various sources for all governmental funds on the modified accrual basis of accounting.

**Table 3**

|                           | Fiscal Year<br>Ending<br>2017 | Fiscal Year<br>Ending<br>2016 | Increase<br>(Decrease) | Percentage<br>Change |   |
|---------------------------|-------------------------------|-------------------------------|------------------------|----------------------|---|
| Taxes                     | \$ 7,263,543                  | \$ 7,089,990                  | \$ 173,553             | 2.4                  | % |
| Intergovernmental         | 717,665                       | 703,465                       | 14,200                 | 2.0                  |   |
| Licenses and permits      | 920,993                       | 938,257                       | (17,264)               | (1.8)                |   |
| Fines and court costs     | 378,311                       | 345,722                       | 32,589                 | 9.4                  |   |
| Investment income         | 1,631                         | 112,425                       | (110,794)              | (98.5)               |   |
| Charges for service       | 787,554                       | 760,249                       | 27,305                 | 3.6                  |   |
| Grants                    | 1,227,000                     | 330,873                       | 896,127                | 270.8                |   |
| Miscellaneous             | 84,124                        | 109,688                       | (25,564)               | (23.3)               |   |
| Total general<br>revenues | \$ <u>11,380,821</u>          | \$ <u>10,390,669</u>          | \$ <u>990,152</u>      |                      |   |

Approximately 64% of the revenue in the governmental funds comes from taxes, which include sales, property, utility and other miscellaneous taxes. Grant revenues increased \$896,127 from the prior year due to timing of road projects, as majority of West Watson Road was completed in 2017, in addition to grants received for disaster clean-up as a result of flooding in 2017 and park improvements. Investment income decreased \$110,794 due to changes in market value.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2017, the City had \$32,471,869 invested in a broad range of capital assets, including police and public works equipment, buildings, park facilities, and roads (see Table 4 below). This amount represents a net increase (including additions and deductions) of \$1,749,198 or 5.7% over the prior fiscal year.

**Table 4**

|                            | <u>2017</u>          | <u>2016</u>          |
|----------------------------|----------------------|----------------------|
| Land                       | \$ 1,555,549         | \$ 1,555,549         |
| Construction in progress   | 355,221              | 750,017              |
| Land improvements          | 2,695,396            | 2,058,353            |
| Buildings and improvements | 13,655,907           | 13,616,870           |
| Vehicles and equipment     | 3,850,379            | 3,581,661            |
| Infrastructure             | 10,359,417           | 9,160,221            |
| Total                      | <u>\$ 32,471,869</u> | <u>\$ 30,722,671</u> |

The most significant changes to capital assets this fiscal year related to work on the West Watson road project and park improvements. More detailed information on the City's capital assets is presented in the notes to the financial statements.

## **DEBT**

At year-end, the City had \$8,515,000 in outstanding debt which did not change from 2016. The first principal payment on this debt is due in 2018.

**Table 5**

|                              | <u>2017</u>  | <u>2016</u>  |
|------------------------------|--------------|--------------|
| Certificate of Participation | \$ 8,515,000 | \$ 8,515,000 |

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

## **THE CITY'S FUNDS**

At the close of the City's fiscal year on December 31, 2017, the governmental funds of the City reported a combined fund balance of \$11,448,294. This ending balance includes an increase in fund balance of \$905,859 in the City's governmental funds. It is the City's policy to maintain the General Fund balance within a range of 30% to 50% of the greater of prior year operating expense or revenue, excluding grant revenues. At December 31, 2017, the unassigned fund balance in the General Fund was 52% of 2016 expenses excluding grants.

### **General Fund Budgetary Highlights**

The City prepares its budget on a cash basis.

For 2017, actual revenues in the General Fund on a budgetary basis were \$8,720,049 compared to the budget amount of \$8,350,969. The City's original budget was amended to increase grant revenue awarded after the budget was passed.

For 2017, actual expenditures in the General Fund on a budgetary basis were \$8,745,138 compared to the budget amount of \$8,680,674. The City's original budget was amended to increase general government revenues, public works, parks and recreation, and capital outlay expenditures. The original budget was also amended to reduce public safety and municipal court expenditures.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2018 general fund budget includes a 9.7% increase in revenues and a 5.5% increase in expenditures in comparison to the 2017 final budget. The increase in revenue can be attributed to an increase in property, sales, Prop P public safety, and other utility taxes, as well as an increase in grant revenue for sidewalk project. Increase in expenditures can be attributed to increased salary and related expenditures from Prop P sales tax funding.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Finance Officer  
City of Sunset Hills, Missouri Finance Department  
3939 South Lindbergh Boulevard  
Sunset Hills, Missouri 63127

**CITY OF SUNSET HILLS, MISSOURI**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

|   | Governmental<br>Activities |
|---|----------------------------|
| <b>ASSETS</b>                               |                            |
| Cash and investments                        | \$ 10,390,990              |
| Receivables:                                |                            |
| Property tax                                | 134,423                    |
| Other tax                                   | 1,505,326                  |
| Interest                                    | 22,978                     |
| Other                                       | 325,564                    |
| Cash and investments - restricted           | 76                         |
| Prepaid expenses                            | 36,083                     |
| Net pension asset                           | 2,329,854                  |
| Capital assets - net                        |                            |
| Nondepreciable                              | 1,910,770                  |
| Depreciable                                 | 20,629,705                 |
| <b>TOTAL ASSETS</b>                         | <b>37,285,769</b>          |
| <br><b>DEFERRED OUTFLOWS OF RESOURCES</b>   |                            |
| Deferred amounts related to pensions        | 907,672                    |
| Deferred charges on refunding               | 489,940                    |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b> | <b>1,397,612</b>           |
| <br><b>LIABILITIES</b>                      |                            |
| Accounts payable                            | 126,133                    |
| Accrued wages and vacation                  | 140,359                    |
| Deposits payable                            | 5,912                      |
| Accrued interest payable                    | 46,317                     |
| Other liabilities                           | 51,511                     |
| Due to agency fund                          | 775                        |
| Unearned revenue - business licenses        | 426,829                    |
| Noncurrent liabilities:                     |                            |
| Due in one year                             | 745,000                    |
| Due in more than one year                   | 8,250,001                  |
| <b>TOTAL LIABILITIES</b>                    | <b>9,792,837</b>           |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>    |                            |
| Deferred amounts related to pensions        | 595,460                    |
| <br><b>NET POSITION</b>                     |                            |
| Net investment in capital assets            | 14,290,550                 |
| Restricted:                                 |                            |
| Debt Service                                | 76                         |
| Storm water and parks                       | 3,165,560                  |
| Capital projects                            | 1,930,985                  |
| Police                                      | 14,571                     |
| Unrestricted                                | 8,893,342                  |
| <b>TOTAL NET POSITION</b>                   | <b>\$ 28,295,084</b>       |

The accompanying notes are an integral part of these financial statements.

**CITY OF SUNSET HILLS, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

| <b>Functions/Programs</b>                | Expenses            | Program Revenue         |  |  | Net (Expense)<br>Revenue and<br>Change in Net Position |
|--|---------------------|-------------------------|--|--|--|
|  |                     | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                             |
| <b>Governmental Activities</b>           |                     |                         |  |  |  |
| General government                       | \$ 818,646          | \$ 885,486              | \$ -                                     | \$ -                                   | \$ 66,840  |
| Public works                             | 2,482,204           | 59,216                  | -  | 848,682                                | (1,574,306)  |
| Public safety                            | 3,181,167           | 387,617                 | -  | 8,303                                  | (2,785,247)  |
| Municipal court                          | 166,853             | -                       | -  | -                                      | (166,853)  |
| Parks and recreation                     | 2,360,434           | 479,820                 | -  | 412,815                                | (1,467,799)  |
| Pool                                     | 653,699             | 274,719                 | -  | -                                      | (378,980)  |
| Interest and fiscal charges              | 259,629             | -                       | -  | -                                      | (259,629)  |
| <b>TOTAL GOVERNMENTAL<br/>ACTIVITIES</b> | <b>\$ 9,922,632</b> | <b>\$ 2,086,858</b>     | <b>\$ -</b>                              | <b>\$ 1,269,800</b>                    | <b>(6,565,974)</b>                                     |
| Taxes:                                   |                     |                         |  |  |  |
| Sales                                    |                     |                         |  |  | 5,144,314  |
| Utility                                  |                     |                         |  |  | 1,798,277  |
| Property                                 |                     |                         |  |  | 248,126  |
| Franchise                                |                     |                         |  |  | 132,419  |
| Intergovernmental                        |                     |                         |  |  | 717,665  |
| Investment income                        |                     |                         |  |  | 1,631  |
| Other miscellaneous revenue              |                     |                         |  |  | 69,124   |
| <b>TOTAL GENERAL REVENUES</b>            |                     |                         |  |  | <b>8,111,556</b>                                       |
| <b>CHANGE IN NET POSITION</b>            |                     |                         |  |  | <b>1,545,582</b>                                       |
| <b>NET POSITION - BEGINNING OF YEAR</b>  |                     |                         |  |  | <b>26,749,502</b>                                      |
| <b>NET POSITION - END OF YEAR</b>        |                     |                         |  |  | <b>\$ 28,295,084</b>                                   |

The accompanying notes are an integral part of these financial statements.

**CITY OF SUNSET HILLS, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

|  | General<br>Fund     | Capital<br>Projects<br>Fund | County Road<br>Fund | Storm Water/<br>Parks Fund | Debt Service<br>Fund | Total                |
|--|---------------------|-----------------------------|---------------------|----------------------------|----------------------|----------------------|
| <b>ASSETS</b>  |                     |                             |                     |                            |                      |                      |
| Cash and investments   | \$ 6,015,258        | \$ 784,157                  | \$ 567,360          | \$ 3,024,215               | \$ -                 | \$ 10,390,990        |
| Receivables:   |                     |                             |                     |                            |                      |                      |
| Property tax   | 134,423             | -                           | -                   | -                          | -                    | 134,423              |
| Other tax  | 872,786             | 163,862                     | 275,957             | 192,721                    | -                    | 1,505,326            |
| Interest   | 22,978              | -                           | -                   | -                          | -                    | 22,978               |
| Other  | 325,564             | -                           | -                   | -                          | -                    | 325,564              |
| Due from other funds   | 113,513             | 161,212                     | 12,420              | -                          | -                    | 287,145              |
| Cash and investments - restricted  | -                   | -                           | -                   | -                          | 76                   | 76                   |
| Prepaid items  | 36,083              | -                           | -                   | -                          | -                    | 36,083               |
| <b>TOTAL ASSETS</b>  | <u>\$ 7,520,605</u> | <u>\$ 1,109,231</u>         | <u>\$ 855,737</u>   | <u>\$ 3,216,936</u>        | <u>\$ 76</u>         | <u>\$ 12,702,585</u> |
| <b>LIABILITIES</b>   |                     |                             |                     |                            |                      |                      |
| Account payable  | \$ 78,632           | \$ 26,865                   | \$ 4,768            | \$ 15,868                  | \$ -                 | \$ 126,133           |
| Accrued wages and vacation   | 140,359             | -                           | -                   | -                          | -                    | 140,359              |
| Due to other funds   | -                   | -                           | -                   | 35,508                     | 252,412              | 287,920              |
| Deposits payable   | 3,562               | 2,350                       | -                   | -                          | -                    | 5,912                |
| Other liabilities  | 51,511              | -                           | -                   | -                          | -                    | 51,511               |
| Unearned revenue - business licenses   | 426,829             | -                           | -                   | -                          | -                    | 426,829              |
| <b>TOTAL LIABILITIES</b>   | <u>700,893</u>      | <u>29,215</u>               | <u>4,768</u>        | <u>51,376</u>              | <u>252,412</u>       | <u>1,038,664</u>     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                     |                             |                     |                            |                      |                      |
| Unavailable revenue  | 94,515              | -                           | 121,112             | -                          | -                    | 215,627              |
| <b>FUND BALANCES</b>   |                     |                             |                     |                            |                      |                      |
| Nonspendable:  |                     |                             |                     |                            |                      |                      |
| Reserved for prepaid items   | 36,083              | -                           | -                   | -                          | -                    | 36,083               |
| Restricted:  |                     |                             |                     |                            |                      |                      |
| Capital projects fund  | -                   | 1,080,016                   | -                   | -                          | -                    | 1,080,016            |
| County road fund   | -                   | -                           | 729,857             | -                          | -                    | 729,857              |
| Storm water / parks fund   | -                   | -                           | -                   | 3,165,560                  | -                    | 3,165,560            |
| Debt service   | -                   | -                           | -                   | -                          | 76                   | 76                   |
| Police department training   | 12,914              | -                           | -                   | -                          | -                    | 12,914               |
| Drug forfeiture  | 1,657               | -                           | -                   | -                          | -                    | 1,657                |
| Assigned:  |                     |                             |                     |                            |                      |                      |
| Landscaping memorial   | 2,580               | -                           | -                   | -                          | -                    | 2,580                |
| Pool concession  | 48,128              | -                           | -                   | -                          | -                    | 48,128               |
| Unassigned   | 6,623,835           | -                           | -                   | -                          | (252,412)            | 6,371,423            |
| <b>TOTAL FUND BALANCES</b>   | <u>6,725,197</u>    | <u>1,080,016</u>            | <u>729,857</u>      | <u>3,165,560</u>           | <u>(252,336)</u>     | <u>11,448,294</u>    |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS OF RESOURCES, AND<br/>FUND BALANCES</b> | <u>\$ 7,520,605</u> | <u>\$ 1,109,231</u>         | <u>\$ 855,737</u>   | <u>\$ 3,216,936</u>        | <u>\$ 76</u>         | <u>\$ 12,702,585</u> |

The accompanying notes are an integral part of these financial statements.

***CITY OF SUNSET HILLS, MISSOURI***  
**RECONCILIATION OF THE STATEMENT OF NET POSITION**  
**OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET**  
**AS OF DECEMBER 31, 2017**

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

|  |                             |
|--|-----------------------------|
| Total fund balance per balance sheet   | \$ 11,448,294               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 22,540,475                  |
| The net pension asset reported in governmental activities is not a financial resource and therefore is not reported in the funds.  | 2,329,854                   |
| Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.   | 215,627                     |
| Certain deferred outflows and inflows of resources represent a consumption or acquisition of net position in a future period and therefore are not reported in the funds.                      |                             |
| Deferred outflows of resources   | 1,397,612                   |
| Deferred inflows of resources  | (595,460)                   |
| Interest payable recorded in the statement of net position does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | (46,317)                    |
| Long-term liabilities, including certificates of participation are not due and payable in the current period and, therefore, are not reported in the funds.                                    | <u>(8,995,001)</u>          |
| Net position of governmental activities  | <u><u>\$ 28,295,084</u></u> |

The accompanying notes are an integral part of these financial statements.

**CITY OF SUNSET HILLS, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | General<br>Fund    | Capital<br>Projects<br>Fund | County Road<br>Fund | Storm Water/<br>Parks Fund | Debt Service<br>Fund | Total               |
|---|--------------------|-----------------------------|---------------------|----------------------------|----------------------|---------------------|
| <b>REVENUES</b>   |                    |                             |                     |                            |                      |                     |
| Taxes   | \$4,877,324        | \$ 1,096,371                | \$ -                | \$ 1,289,848               | \$ -                 | \$ 7,263,543        |
| Intergovernmental                                       | 363,995            | -                           | 353,670             | -                          | -                    | 717,665             |
| Licenses  | 920,993            | -                           | -                   | -                          | -                    | 920,993             |
| Fines and court costs                                   | 378,311            | -                           | -                   | -                          | -                    | 378,311             |
| Investment income                                       | 974                | 48                          | -                   | 609                        | -                    | 1,631               |
| Charges for service                                     | 787,554            | -                           | -                   | -                          | -                    | 787,554             |
| Grants  | 1,227,000          | -                           | -                   | -                          | -                    | 1,227,000           |
| Miscellaneous   | 84,124             | -                           | -                   | -                          | -                    | 84,124              |
| <b>TOTAL REVENUES</b>                                   | <b>8,640,275</b>   | <b>1,096,419</b>            | <b>353,670</b>      | <b>1,290,457</b>           | <b>-</b>             | <b>11,380,821</b>   |
| <b>EXPENDITURES</b>                                     |                    |                             |                     |                            |                      |                     |
| Current:  |                    |                             |                     |                            |                      |                     |
| General government                                      | 600,838            | -                           | -                   | -                          | -                    | 600,838             |
| Public works  | 1,396,094          | -                           | -                   | -                          | -                    | 1,396,094           |
| Public safety   | 2,453,573          | -                           | -                   | -                          | -                    | 2,453,573           |
| Municipal court   | 146,796            | -                           | -                   | -                          | -                    | 146,796             |
| Parks and recreation                                    | 1,484,677          | 4,877                       | -                   | 22,627                     | -                    | 1,512,181           |
| Pool  | 331,886            | -                           | -                   | -                          | -                    | 331,886             |
| Non-departmental  | 1,076,190          | -                           | -                   | -                          | -                    | 1,076,190           |
| Capital outlay  | 1,317,886          | 968,426                     | 77,027              | 340,944                    | -                    | 2,704,283           |
| Debt service:   |                    |                             |                     |                            |                      |                     |
| Principal, interest and fiscal charges                  | -                  | -                           | -                   | -                          | 253,121              | 253,121             |
| <b>TOTAL EXPENDITURES</b>                               | <b>8,807,940</b>   | <b>973,303</b>              | <b>77,027</b>       | <b>363,571</b>             | <b>253,121</b>       | <b>10,474,962</b>   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | <b>(167,665)</b>   | <b>123,116</b>              | <b>276,643</b>      | <b>926,886</b>             | <b>(253,121)</b>     | <b>905,859</b>      |
| <b>FUND BALANCES -<br/>BEGINNING OF YEAR</b>            | <b>6,892,862</b>   | <b>956,900</b>              | <b>453,214</b>      | <b>2,238,674</b>           | <b>785</b>           | <b>10,542,435</b>   |
| <b>FUND BALANCES -<br/>END OF YEAR</b>                  | <b>\$6,725,197</b> | <b>\$ 1,080,016</b>         | <b>\$ 729,857</b>   | <b>\$ 3,165,560</b>        | <b>\$ (252,336)</b>  | <b>\$11,448,294</b> |

The accompanying notes are an integral part of these financial statements.

***CITY OF SUNSET HILLS, MISSOURI***  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

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

|   |    |             |
|---|----|-------------|
| Change in fund balance-total governmental funds   | \$ | 905,859     |
| Revenues that do not provide current financial resources are not included in the fund financial statements.   |    | 102,393     |
| The acquisition of capital assets requires the use of current financial resources but has no effect on net position.  |    | 1,809,770   |
| The proceeds from the disposal of capital assets is revenue in the governmental funds and the gain or loss on the disposal is recorded in the statement of activities with the difference being the net book, value of the disposed   |    | (15,000)    |
| The cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense in the statement of activities.  |    | (1,178,996) |
| Expenses related to providing pension benefits are reported using a different measurement focus in the statement of activities compared to the the governmental fund statements. Expenditures in the statement of activities exceeded the expense reported in the governmental funds. |    | (71,936)    |
| Some expenses do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds:   |    |             |
| Accrued interest  |    | (5,389)     |
| Amortization of deferred items  |    | (1,119)     |
|   |    | (6,508)     |
| Change in net position of the statement of activities   | \$ | 1,545,582   |

The accompanying notes are an integral part of these financial statements.

**CITY OF SUNSET HILLS, MISSOURI**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**DECEMBER 31, 2017**

**ASSETS**

**CURRENT ASSETS**

|                       |                  |
|-----------------------|------------------|
| Cash and investments  | \$ 89,559        |
| Due from general fund | 775              |
| Total Assets          | <u>\$ 90,334</u> |

**LIABILITIES**

**CURRENT LIABILITIES**

|                      |               |
|----------------------|---------------|
| Funds held in escrow | <u>90,334</u> |
|----------------------|---------------|

The accompanying notes are an integral part of these financial statements.

**CITY OF SUNSET HILLS, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sunset Hills, Missouri (the City) was incorporated in June 1957. The City operates under a Mayor-Board of Aldermen form of government. The City's major operations include police protection, street maintenance and improvements, parks and recreation and general administrative services. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

**A. REPORTING ENTITY**

The City applies the criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity*, to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials' accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services.

**B. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

*Government-Wide Financial Statements* - The reporting model includes financial statements prepared using full accrual accounting for all the City's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. Government-wide financial statements include the following:

*Statement of Net Position* - The statement of net position is designed to display the financial position of the Primary Government (governmental and business-type activities). The City reports capital assets in the government-wide statement of net position and reports depreciation expense in the statement of activities. The net position of the City is broken down into three categories 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

B. **BASIC FINANCIAL STATEMENTS** - continued

*Statement of Activities* - The statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital assets and certain other long-term assets and liabilities in the statement of net position and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of revenues, expenses and changes in net position. The City has elected to implement the requirements of GASB 34 related to infrastructure assets from January 1, 2004 forward.

The government-wide financial statements report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, the Capital Projects Fund, Storm Water/ Parks Fund, Debt Service Fund and the County Road Fund. GASB No. 34 sets forth minimum criteria (percentage of assets and deferred outflows, liabilities and deferred inflows, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds, if any, are combined in a single column in the fund financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the City are included on the statement of net position. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The City records revenue for fines and court cost when paid, as they are not measurable or estimable before then. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The City in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

**The General Fund** - 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 specialized funds.

**Capital Projects Fund** - The City uses this fund to account for sales tax revenue designated for capital projects.

**County Road Fund** - The City uses this fund to account for property taxes collected for road projects.

**Storm Water/Parks Fund** - The City uses this fund to account for taxes collected for storm water and parks projects.

**Debt Service Fund** - The City uses this fund to accumulate resources used to pay its long-term debt.

D. **PREPAID ITEMS**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased. Prepaid items are equally offset by a fund balance amount which indicates that they do not constitute "available spendable resources" even though they are a component of current assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

E. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$50,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market 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 asset lives is not capitalized.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

| <u>Major Group</u>         | <u>Life</u>   |
|----------------------------|---------------|
| Buildings and improvements | 15 - 50 years |
| Land improvements          | 15 - 50 years |
| Vehicles and equipment     | 2 - 30 years  |
| Infrastructure             | 10 - 50 years |

The government-wide financial statements do not reflect those infrastructure assets completed prior to January 1, 2004.

F. **ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

H. **COMPENSATED ABSENCES**

The City has adopted a formal personnel policy with policies in effect that relate to vacation and sick pay. City employees are allowed to carry forward vacation days past their anniversary date. In the event of termination, an employee is paid for accumulated vacation days. Therefore, vacation liability of \$127,590 has been accrued in the General Fund at December 31, 2017. Employees are not paid for accumulated sick leave upon termination; accordingly, the related potential liability has not been recorded.

I. **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. Initial-issue premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Debt is reported net of the unamortized portion of applicable premium or discount. Amortization of premiums or discounts is included in interest expense. Debt issuance costs are expensed when incurred.

J. **NET POSITION AND FUND EQUITY**

In government-wide financial statements, net position is reported in three categories: net position investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments).

When both restricted and unrestricted sources are available for use, it is the government policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports \$5,111,192 of restricted net position, \$5,096,621 of which is restricted by enabling legislation.

**Fund Balance Classification** - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

J. **NET POSITION AND FUND EQUITY** - continued

**Nonspendable** - Amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements.

**Restricted** - Amounts that are constrained for specific purposes which are externally imposed by providers, such as those mandated by creditors, grantors, contributors, or laws and regulations.

**Committed** - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (ordinance), and that remain binding unless removed in the same manner.

**Assigned** - Resources which are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Intent can be established by the Board of Directors or an official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.

**Unassigned** - All amounts not included in the other classifications.

The City would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

K. **INVESTMENTS**

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit and money market funds fully insured and/or collateralized, and Bankers' Acceptance issued by domestic commercial banks and Commercial Paper issued by domestic corporations having total assets in excess of five hundred million dollars, which have received the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation. The City's investments are carried at fair value.

L. **DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has pension-related deferred outflows reported in the government-wide statement of net position. These include the differences between expected and actual experience, which is deferred and amortized over future periods and the City's employer contributions subsequent to the net pension liability measurement date of June 30, 2017 which will be used to reduce the liability in the subsequent year.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

L. **DEFERRED OUTFLOWS/INFLOWS OF RESOURCES** - continued

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflow of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting. The first, pension-related deferred inflows, is reported in the government-wide statement of net position. This represents difference between projected and actual earnings on pension plan investments which is amortized over future periods. The City also reports unavailable revenues, which arises under the modified accrual basis of accounting, as deferred inflows on the governmental funds balance sheet. The governmental funds report these property taxes as unavailable revenue. The amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

M. **PENSIONS**

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

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The City adopts an annual operating budget on a cash basis for all governmental funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Each department head submits a budget to the finance committee for the September board meeting.
- The finance committee presents two readings to the Board of Aldermen.
- The budget is adopted by the Board of Aldermen in December.
- The finance committee approves budget transfers as required during the year.
- A motion from the Board of Aldermen is required to amend the budget.

All appropriations lapse at fiscal year-end.

3. **CASH AND TEMPORARY INVESTMENTS**

The City’s bank deposits are required by state law to be secured by the deposit of certain securities specified by RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City’s cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2017, the carrying amount of the City’s bank deposits totaled \$5,599,108 with bank balances of \$5,393,759. The bank balance was covered by federal depository insurance or covered by an irrevocable, standby letter of credit issued by the Federal Home Loan Bank.

4. **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 on October 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2017, upon which the 2017 levy was based on an assessed value for real, personal and public utility property of \$399,127,151.

The City’s tax rate was levied at the following rates per \$100 of assessed valuation for the General Fund:

|              | <u>RATE</u> |
|--------------|-------------|
| Residential  | \$.051      |
| Agricultural | .058        |
| Commercial   | .053        |
| Personal     | .060        |

5. **INVESTMENTS**

The City has established and approved an Investment Policy Statement to apply to all financial assets of the City. The policy does not address custodial credit risk. In addition, the policy allows for the investment of debt proceeds held by bond trustees, to be invested in accordance with the bond documents.

**Credit Risk:** Credit risk is the risk of loss due to the failure of the security issuer or backer. The City’s investment policy seeks to minimize credit risk by limiting investments in bankers’ acceptances and commercial paper to the highest letter and numerical rating by Moody’s Investor Services, Inc. or Standard and Poor’s Corporation. Also, investments are limited to U.S. Treasury Bills, Notes and Bonds, U.S. Government Agencies, Repurchase Agreements, Certificates of Deposit and certain commercial paper. The City will reduce credit risk by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio so that potential losses on individual securities will be minimized.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of December 31, 2017, more than 5% of the City’s investments are in treasury obligations and corporate securities. These investments are 93.5% and 6.5%, respectively, of the City’s investments.

5. **INVESTMENTS** - continued

**Interest Rate Risk:** Interest rate risk is the risk that the market value of securities in the portfolio will fall due 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 the 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 and by maintaining a sufficient balance in liquid funds to adequately cover forecasted cash requirements.

| Investment Type      | Fair Value   | 0-1 Years | 1-5 Years    | Rating by Moody's Investors Service |
|----------------------|--------------|-----------|--------------|-------------------------------------|
| Debt securities:     |              |           |              |                                     |
| Treasury obligations | \$ 4,546,511 | \$ -      | \$ 4,546,511 | AA+                                 |
| Corporate securities | 315,286      | -         | 315,286      | N/A                                 |
| Total                | \$ 4,861,797 | \$ -      | \$ 4,861,797 |                                     |

The City structures its investment portfolio so that securities mature to meet cash requirements for ongoing operations. As a means of limiting its exposure to fair value losses from rising interest rates, the City's investment policy limits its investment allocation as follows:

| Investment Type  | Maturity Range     | Maximum Allocation |
|--|--------------------|--------------------|
| U.S. Treasury Bills, Notes, Bonds                      | Less than 10 years | 100%               |
| U.S. Government Agency and Instrumentality Obligations | Less than 3 years  | 75                 |
| Collateralized Repurchase                              | Less than 90 days  | 50                 |
| Certificates of Deposit                                | Less than 5 years  | 50                 |
| Commercial Paper                                       | Less than 5 years  | 5                  |
| Bankers' Acceptances                                   | Less than 180 days | 5                  |

Fair Value of Investments: During the fiscal year ending December 31, 2017, the City adopted GASB Statement No. 72 *Fair Value Measurement and Applications*, which provides guidance for determining a fair value measurement for financial reporting purposes.

The City measures and records its investments, other than money market accounts, using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- **Level 1 input:** Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.
- **Level 2 input:** Quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are observable

5. **INVESTMENTS** - continued

- **Level 3 input:** Unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or liability is measured using inputs from more than one level of fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

For the City, the following fair value techniques were utilized in measuring the fair value of its investments:

Debt securities backed by U.S. Government agencies is determined using quoted market prices, recent market transactions, and spread data for similar instruments.

Commercial paper is determined using quoted prices for identical securities in markets that are not active.

As of December 31, 2017, the City holds the following investments:

|                                     | Fair Value Measurement Using |  |   | Total               |
|-------------------------------------|------------------------------|--|---|---------------------|
|                                     | Fair Value                   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>Level One | Significant<br>Other<br>Observable<br>Inputs<br>Level Two |                     |
| Investments Measured at Fair Value: |                              |  |   |                     |
| Debt securities:                    |                              |  |   |                     |
| Treasury obligations                | \$ 4,546,511                 | \$ -   | \$ 4,546,511  | \$ 4,546,511        |
| Corporate securities                | 315,286                      | -  | 315,286   | 315,286             |
| <b>Total</b>                        | <b>\$ 4,861,797</b>          | <b>\$ -</b>  | <b>\$ 4,861,797</b>                                       | <b>\$ 4,861,797</b> |

6. **CAPITAL ASSETS**

Capital asset activity for the primary government for the year ended December 31, 2017 is as follows:

|  | BALANCE,<br>BEGINNING<br>OF YEAR | TRANSFERS<br>AND<br>ADDITIONS | TRANSFERS<br>AND<br>DELETIONS | BALANCE,<br>END OF YEAR |
|--|----------------------------------|-------------------------------|-------------------------------|-------------------------|
| Governmental activities:                     |                                  |                               |                               |                         |
| Capital assets, not being depreciated:       |                                  |                               |                               |                         |
| Land   | \$ 1,555,549                     | \$ -                          | \$ -                          | \$ 1,555,549            |
| Construction in progress                     | 750,017                          | 804,400                       | (1,199,196)                   | 355,221                 |
| Total capital assets, not being depreciated  | <u>2,305,566</u>                 | <u>804,400</u>                | <u>(1,199,196)</u>            | <u>1,910,770</u>        |
| Capital assets, being depreciated:           |                                  |                               |                               |                         |
| Land improvements                            | 2,058,353                        | 637,043                       | -                             | 2,695,396               |
| Buildings and improvements                   | 13,616,870                       | 39,037                        | -                             | 13,655,907              |
| Vehicles and equipment                       | 3,581,661                        | 329,291                       | (60,573)                      | 3,850,379               |
| Infrastructure                               | 9,160,221                        | 1,199,196                     | -                             | 10,359,417              |
| Total capital assets, being depreciated      | <u>28,417,105</u>                | <u>2,204,567</u>              | <u>(60,573)</u>               | <u>30,561,099</u>       |
| Less accumulated depreciation for:           |                                  |                               |                               |                         |
| Land improvements                            | (799,505)                        | (126,692)                     | -                             | (926,197)               |
| Buildings and improvements                   | (4,060,104)                      | (440,994)                     | -                             | (4,501,098)             |
| Vehicles and equipment                       | (1,978,197)                      | (316,175)                     | 45,573                        | (2,248,801)             |
| Infrastructure                               | (1,960,163)                      | (295,135)                     | -                             | (2,255,298)             |
| Total accumulated depreciation               | <u>(8,797,971)</u>               | <u>(1,178,996)</u>            | <u>45,573</u>                 | <u>(9,931,394)</u>      |
| Total capital assets, being depreciated, net | <u>19,619,134</u>                | <u>1,025,571</u>              | <u>(15,000)</u>               | <u>20,629,705</u>       |
| Total governmental activities                | <u>\$ 21,924,700</u>             | <u>\$ 1,829,971</u>           | <u>\$ (1,214,196)</u>         | <u>\$ 22,540,475</u>    |

6. **CAPITAL ASSETS** - continued

Depreciation expense was charged to functions/programs of the Primary Government as follows:

|   |                     |
|---|---------------------|
| Governmental activities:                                |                     |
| General government                                      | \$ 4,076            |
| Public works  | 531,683             |
| Public safety   | 112,013             |
| Municipal court   | 960                 |
| Parks and recreation                                    | 318,343             |
| Pool  | <u>211,921</u>      |
| Total depreciation expense -<br>governmental activities | <u>\$ 1,178,996</u> |

7. **LONG-TERM LIABILITIES**

**Refunding Certificates of Participation Notes Series 2016** were issued totaling \$8,515,000 to refund the outstanding Series 2009 bonds, callable on March 1, 2018, which were used to fund capital improvements. Interest rates range from 2% to 4%. The outstanding balance at December 31, 2017 was \$8,515,000.

Payments required on these certificates are as follows:

| <u>YEAR</u> | <u>CERTIFICATES OF PARTICIPATION</u> |                     |                      |
|-------------|--------------------------------------|---------------------|----------------------|
|             | <u>PRINCIPAL</u>                     | <u>INTEREST</u>     | <u>TOTAL</u>         |
| 2018        | \$ 745,000                           | \$ 270,450          | \$ 1,015,450         |
| 2019        | 760,000                              | 255,400             | 1,015,400            |
| 2020        | 780,000                              | 236,100             | 1,016,100            |
| 2021        | 805,000                              | 212,325             | 1,017,325            |
| 2022        | 825,000                              | 187,875             | 1,012,875            |
| 2023-2027   | <u>4,600,000</u>                     | <u>470,350</u>      | <u>5,070,350</u>     |
| Total       | <u>\$ 8,515,000</u>                  | <u>\$ 1,632,500</u> | <u>\$ 10,147,500</u> |

7. **LONG-TERM LIABILITIES** - continued

**Refunding** - The City issued \$8,515,000 of refunding certificates of participation bonds and contributed \$1,979,741 in funds held by the City, to provide resources to purchase U.S. Government and State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$10,520,000 of outstanding debt. As a result, the refunded bonds are considered defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments by \$493,658 and resulted in an economic gain of \$947,660.

Long-term liability activity for the year ended December 31, 2017, was as follows:

|  | <u>BALANCE,<br/>BEGINNING<br/>OF YEAR</u> | <u>ADDITIONS</u> | <u>REDUCTIONS</u>  | <u>BALANCE<br/>,<br/>END<br/>OF YEAR</u> | <u>WITHIN<br/>ONE<br/>YEAR</u> |
|--|---|------------------|--------------------|--|--------------------------------|
| Governmental activities:                 |   |                  |                    |  |                                |
| Refunding Certificates of Participation  | \$ 8,515,000                              | \$ -             | \$ -               | \$ 8,515,000                             | \$ 745,000                     |
| Premium on Certificates of Participation | <u>534,347</u>                            | <u>-</u>         | <u>(54,346)</u>    | <u>480,001</u>                           | <u>-</u>                       |
| Total Long-Term Liabilities              | <u>\$ 9,049,347</u>                       | <u>\$ -</u>      | <u>\$ (54,346)</u> | <u>\$ 8,995,001</u>                      | <u>\$ -</u>                    |

**Legal Debt Margin** - Under Article VI, Sections 26(b) and 26(c) of the Constitution of the State of Missouri, the City, by vote of 2/3 of the qualified electors voting thereon, may incur general obligation indebtedness for City purposes in an amount not to exceed 5% of the assessed valuation of taxable tangible property within the City ascertained by the last completed assessment for state or county purposes. A computation of the legal debt margin at December 31, 2017 follows:

|                                     |                      |
|-------------------------------------|----------------------|
| Assessed valuation                  | \$ 399,127,151       |
| Debt limit - 5% of assessed value   | 19,956,358           |
| Total debt applicable to debt limit | <u>-</u>             |
| Legal debt margin                   | <u>\$ 19,956,358</u> |

8. **INTERFUND TRANSACTIONS**

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided of reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The balance due from the Debt Service Fund to the General Fund is a result of the debt service payments made by the General Fund. A summary of interfund balances as of December 31, 2017 is as follows:

|                          | <u>DUE FROM</u>   | <u>DUE TO</u>     |
|--------------------------|-------------------|-------------------|
| Governmental Funds       |                   |                   |
| General Fund             | \$ 113,513        | \$ -              |
| Capital Projects Fund    | 161,212           | -                 |
| County Road Fund         | 12,420            | -                 |
| Storm Water / Parks Fund | -                 | 35,508            |
| Debt Service Fund        | -                 | 252,412           |
| Agency Fund              | <u>775</u>        | <u>-</u>          |
|                          | <u>\$ 287,920</u> | <u>\$ 287,920</u> |

9. **RISK MANAGEMENT**

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

The City purchases commercial insurance to cover risks related to building and other City property, crimes, business, travel, earthquakes, and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

10. **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](http://www.molagers.org).

10. **PENSION PLAN** - 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) 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 receive a reduced allowance.

|                          |                |
|--------------------------|----------------|
| Benefit Program          | 1.50% for life |
| Final Average Salary     | 3 years        |
| Member Contribution Rate | 0%             |

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

**Employees Covered By Benefit Terms**

At June 30, 2017, the following employees were covered by the benefit terms:

|  |            |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 31         |
| Inactive employees entitled to but not yet receiving benefits    | 28         |
| Active employees   | 70         |
| TOTAL  | <u>129</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 5.5% (General) and 3.5% (Police) of annual covered payroll.

**Net Pension Liability** - The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

10. **PENSION PLAN** - continued

**Actuarial assumptions** - The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |                                    |
|----------------------------|------------------------------------|
| Inflation:                 | 2.5 % price; 3.25% wage            |
| Salary Increase:           | 3.25% to 6.55% including inflation |
| Investment rate of return: | 7.25%                              |

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2017 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</u> | <u>Target<br/>Allocatio</u> | <u>Long-Term<br/>Real Rate of</u> |
|--------------|-----------------------------|-----------------------------------|
| Equit        | 43.00                       | 5.29                              |
| Fixed        | 26.00                       | 2.23                              |
| Real         | 21.00                       | 3.31                              |
| Strategic    | 10.00                       | 5.73                              |

**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.

10. **PENSION PLAN** - continued

**Changes in the Net Pension Liability**

|   | Total<br>Pension<br>Liability | Plan<br>Fiduciary<br>Net Position | Net Pension<br>Liability<br>(Asset) |
|---|-------------------------------|-----------------------------------|-------------------------------------|
| Balances as of June 30, 2016                          | \$ 13,942,396                 | \$ 15,424,278                     | \$ (1,481,882)                      |
| Changes for the year:                                 |                               |                                   |                                     |
| Service cost  | 309,118                       | -                                 | 309,118                             |
| Interest  | 998,655                       | -                                 | 998,655                             |
| Differences between expected and<br>actual experience | 23,594                        | -                                 | 23,594                              |
| Changes of Assumptions                                | (9,860)                       | -                                 | (9,860)                             |
| Contributions - employer                              | -                             | 191,811                           | (191,811)                           |
| Net investment income                                 | -                             | 1,850,672                         | (1,850,672)                         |
| Benefit payments                                      | (632,943)                     | (632,943)                         | -                                   |
| Administrative expense                                | -                             | (10,452)                          | 10,452                              |
| Other (net transfer)                                  | -                             | 137,448                           | (137,448)                           |
| Net Changes   | 688,564                       | 1,536,536                         | (847,972)                           |
| Balances as of June 30, 2017                          | \$ 14,630,960                 | \$ 16,960,814                     | \$ (2,329,854)                      |

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

|                               | 1%<br>Decrease<br>(6.25%) | Current<br>Discount<br>Rate<br>(7.25%) | 1%<br>Increase<br>(8.25%) |
|-------------------------------|---------------------------|--|---------------------------|
| Net pension liability (asset) | \$ (61,380)               | \$ (2,329,854)                         | \$ (4,181,775)            |

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

For the year ended June 30, 2017 the employer recognized pension expense of \$255,758. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

10. **PENSION PLAN** - continued

|   | <u>Deferred<br/>Outflow of<br/>Resources</u> | <u>Deferred<br/>Inflow of<br/>Resources</u> |
|---|--|---|
| Differences between expected and actual experience                              | \$ 27,207                                    | \$ 587,144                                  |
| Change in assumptions   | 357,267                                      | 8,316                                       |
| City contributions subsequent to the measurement date                           | 92,338                                       | -   |
| Net differences between projected and actual earning on pension plan investment | 430,860                                      | -   |
| Total   | <u>\$ 907,672</u>                            | <u>\$ 595,460</u>                           |

The deferred outflows of resources related to pension resulting from City contributions subsequent to measurement date of \$92,338 will be recognized as a reduction of net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |            |
|---------------------|------------|
| Year ended June 30: |            |
| 2018                | \$ 182,054 |
| 2019                | 182,054    |
| 2020                | 47,195     |
| 2021                | (183,452)  |
| 2022                | (6,810)    |
| Thereafter          | (1,166)    |

11. **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the Plan.

VOYA Life Insurance and Annuity Company administers the City's Deferred Compensation Plan. The City does not have significant administrative involvement in the Plan. With the adoption of Governmental Accounting Standards Board (GASB) No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" the City's Deferred Compensation Plan is not included in the basic financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

12. **CONTINGENCIES**

From time to time, the City is a party to various pending claims and legal actions arising in the ordinary course of its operations. Although the outcome of such matters cannot be forecast with certainty, in the opinion of management, all such matters are adequately covered by insurance, or if not covered, are without merit or involve amounts such that an unfavorable disposition would not have a material effect on the financial statements of the City.

13. **TAX ABATEMENTS**

As of December 31, 2017, the City provides tax abatements through the Chapter 353 Tax Abatement Program, Missouri Revised Statutes.

Chapter 353 tax abatement is an incentive to encourage the redevelopment of blighted areas by providing real property tax abatement. These abatements are under the authority of Chapter 353 of the Revised Statutes of Missouri (the “Urban Redevelopment Corporation Law”). To be eligible for tax abatement, either the City or a private entity must form an Urban Redevelopment Corporation organized for the purpose of clearance, re-planning, reconstruction, or rehabilitation of blighted areas. Tax abatement is only extended to real property that has been found to be a “blighted area” by the City. Under Chapter 353, the City may grant tax abatements up to 100% of annual property taxes for the first 10 years for the increased assessed value over the base land value and up to 50% of annual property taxes for the next 15 years for a maximum 25 year abatement. The length of time abatements are permitted and the amount of abatement allowed is outlined within the guidelines developed for each area or project designated.

For the year ended December 31, 2017, the City abated taxes of 100 percent on land over the base assessment totaling \$1,985 under this program. The City receives payments in lieu of taxes (PILOTs) equaling 20% of the total assessed value.

14. **PENDING GOVERNMENTAL ACCOUNTING STANDARDS**

The effect on the City's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

This report does not incorporate GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, GASB Statement No. 81, Irrevocable Split-Interest Agreements, GASB Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, 68 and 73, GASB Statement No. 83, Certain Asset Retirement Obligations, and GASB Statement No. 84, Fiduciary Activities GASB Statement NO. 85, Omnibus 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, GASB Statement No. 87, *Leases* and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The City will adopt and implement these statements at the required time.

15. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN INDIVIDUAL FUNDS**

For the year ended December 31, 2017, expenditures exceeded appropriations in the General Fund by \$64,464.

16. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through June xx, 2018, the date the financial statements were available to be issued.

The City acquired a property for demolition on February 15, 2018, for a purchase price of \$150,790.

The City purchased vehicles and equipment totaling \$348,755, subsequent to year-end.

The City entered into a five-year lease purchase agreement for an HVAC project on February 16, 2018, for \$614,499, plus interest.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SUNSET HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | BUDGET              |                     | BUDGETARY<br>BASIS<br>ACTUAL | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|---------------------|---------------------|------------------------------|---|
|   | ORIGINAL            | FINAL               |                              |   |
| <b>REVENUES</b>   |                     |                     |                              |   |
| Taxes   | \$ 5,184,355        | 5,184,355           | \$ 5,253,978                 | \$ 69,623   |
| Licenses and permits                                    | 1,091,500           | 1,091,500           | 1,064,404                    | (27,096)  |
| Fines and court costs                                   | 375,000             | 375,000             | 378,311                      | 3,311   |
| Investment income                                       | 50,000              | 50,000              | 38,495                       | (11,505)  |
| Charges for service                                     | 748,050             | 753,050             | 801,072                      | 48,022  |
| Grants  | 760,000             | 864,564             | 1,099,665                    | 235,101   |
| Miscellaneous   | 32,500              | 32,500              | 84,124                       | 51,624  |
| TOTAL REVENUES  | <u>8,241,405</u>    | <u>8,350,969</u>    | <u>8,720,049</u>             | <u>369,080</u>  |
| <b>EXPENDITURES</b>                                     |                     |                     |                              |   |
| Current:  |                     |                     |                              |   |
| General government                                      | 590,433             | 674,468             | 611,419                      | 63,049  |
| Public works  | 1,489,159           | 1,496,159           | 1,365,534                    | 130,625   |
| Public safety   | 2,470,558           | 2,452,558           | 2,437,273                    | 15,285  |
| Municipal court   | 183,233             | 104,790             | 144,635                      | (39,845)  |
| Parks and recreation                                    | 1,396,527           | 1,408,027           | 1,451,420                    | (43,393)  |
| Pool  | 287,262             | 287,262             | 331,845                      | (44,583)  |
| Non-departmental  | 1,031,646           | 1,031,646           | 1,070,177                    | (38,531)  |
| Capital outlay  | 922,008             | 1,225,764           | 1,332,835                    | (107,071)   |
| TOTAL EXPENDITURES                                      | <u>8,370,826</u>    | <u>8,680,674</u>    | <u>8,745,138</u>             | <u>(64,464)</u>   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | (129,421)           | (329,705)           | (25,089)                     | <u>\$ 304,616</u>                                       |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>                | <u>6,222,062</u>    | <u>6,222,062</u>    | <u>6,222,062</u>             |   |
| <b>FUND BALANCES - END OF YEAR</b>                      | <u>\$ 6,092,641</u> | <u>\$ 5,892,357</u> | <u>\$ 6,196,973</u>          |   |
| <b>FUND BALANCE -<br/>END OF YEAR - BUDGET BASIS</b>    |                     |                     | \$ 6,196,973                 |   |
| Adjustments to the budget basis:                        |                     |                     |                              |   |
| Revenues  |                     |                     | 834,407                      |   |
| Expenditures  |                     |                     | (237,981)                    |   |
| Unrealized loss on investments                          |                     |                     | (68,202)                     |   |
| <b>FUND BALANCE -<br/>END OF YEAR - GAAP BASIS</b>      |                     |                     | <u>\$ 6,725,197</u>          |   |

**CITY OF SUNSET HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**COUNTY ROAD FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | BUDGET            |                   | BUDGETARY<br>BASIS<br>ACTUAL | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|-------------------|-------------------|------------------------------|---|
|   | ORIGINAL          | FINAL             |                              |   |
| <b>REVENUE</b>  |                   |                   |                              |   |
| Taxes   | \$ 355,000        | \$ 355,000        | \$ 349,408                   | \$ (5,592)  |
| <b>EXPENDITURES</b>                                     |                   |                   |                              |   |
| Capital outlay  | 362,160           | 362,160           | 74,507                       | 287,653   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | (7,160)           | (7,160)           | 274,901                      | <u>\$ 282,061</u>                                       |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <u>302,631</u>    | <u>302,631</u>    | <u>302,631</u>               |   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <u>\$ 295,471</u> | <u>\$ 295,471</u> | <u>\$ 577,532</u>            |   |
| <b>FUND BALANCE -<br/>END OF YEAR - BUDGET BASIS</b>    |                   |                   | \$ 577,532                   |   |
| Adjustments to the budget basis:                        |                   |                   |                              |   |
| Revenue   |                   |                   | 154,845                      |   |
| Expenditures  |                   |                   | <u>(2,520)</u>               |   |
| <b>FUND BALANCE -<br/>END OF YEAR - GAAP BASIS</b>      |                   |                   | <u>\$ 729,857</u>            |   |

**CITY OF SUNSET HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**STORM WATER/ PARKS FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

|   | BUDGET              |                     | BUDGETARY<br>BASIS<br>ACTUAL | VARIANCE WITH<br>FINAL BUDGET<br>POSITIVE<br>(NEGATIVE) |
|---|---------------------|---------------------|------------------------------|---|
|   | ORIGINAL            | FINAL               |                              |   |
| <b>REVENUES</b>   |                     |                     |                              |   |
| Taxes   | \$ 1,251,607        | \$ 1,251,607        | \$ 1,339,127                 | \$ 87,520   |
| Investment income                                       | -                   | -                   | 609                          | 609   |
| TOTAL REVENUES  | <u>1,251,607</u>    | <u>1,251,607</u>    | <u>1,339,736</u>             | <u>88,129</u>   |
| <b>EXPENDITURES</b>                                     |                     |                     |                              |   |
| Parks and recreation                                    | 23,400              | 26,000              | 22,627                       | 3,373   |
| Capital outlay  | 420,850             | 413,550             | 325,076                      | 88,474  |
| TOTAL EXPENDITURES                                      | <u>444,250</u>      | <u>439,550</u>      | <u>347,703</u>               | <u>91,847</u>   |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENDITURES</b> | 807,357             | 812,057             | 992,033                      | <u>\$ 179,976</u>                                       |
| <b>FUND BALANCE - BEGINNING OF YEAR</b>                 | <u>1,996,674</u>    | <u>1,996,674</u>    | <u>1,996,674</u>             |   |
| <b>FUND BALANCE - END OF YEAR</b>                       | <u>\$ 2,804,031</u> | <u>\$ 2,808,731</u> | <u>\$ 2,988,707</u>          |   |
| <b>FUND BALANCE -<br/>END OF YEAR - BUDGET BASIS</b>    |                     |                     | \$ 2,988,707                 |   |
| Adjustments to the budget basis:                        |                     |                     |                              |   |
| Revenues  |                     |                     | 192,721                      |   |
| Expenditures  |                     |                     | <u>(15,868)</u>              |   |
| <b>FUND BALANCE -<br/>END OF YEAR - GAAP BASIS</b>      |                     |                     | <u>\$ 3,165,560</u>          |   |

**CITY OF SUNSET HILLS, MISSOURI**  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND INVESTMENT  
LAGERS (GENERAL AND POLICE DIVISIONS)  
FOR THE CURRENT YEAR

|   | <u>June 30, 2017</u>  | <u>June 30, 2016</u>  | <u>June 30, 2015</u>  |
|---|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>  |                       |                       |                       |
| Service cost  | 309,118               | \$ 298,041            | \$ 295,830            |
| Interest on the total pension liability   | 998,655               | 942,958               | 917,956               |
| Change of benefit terms   | -                     | -                     | -                     |
| Difference between expected and actual experience                                 | 23,594                | (503,609)             | (463,860)             |
| Changes of assumptions  | (9,860)               | 533,663               | -                     |
| Benefit payments, including refunds   | (632,943)             | (370,620)             | (440,504)             |
| <b>Net change in total pension liability</b>                                      | 688,564               | 900,433               | 309,422               |
| <b>Total pension liability - beginning</b>  | 13,942,396            | 13,041,963            | 12,732,541            |
| <b>Total pension liability - ending</b>   | <u>\$ 14,630,960</u>  | <u>\$ 13,942,396</u>  | <u>\$ 13,041,963</u>  |
| <b>Plan Fiduciary Net Position</b>  |                       |                       |                       |
| Contributions-employer  | 191,811               | \$ 213,444            | \$ 263,371            |
| Contributions-employee  | -                     | -                     | -                     |
| Net investment income   | 1,850,672             | (26,790)              | 304,836               |
| Benefit payments, including refunds   | (632,943)             | (370,620)             | (440,504)             |
| Pension plan administrative expense   | (10,452)              | (9,848)               | (10,626)              |
| Other (net transfer)  | 137,448               | (233,941)             | 205,700               |
| <b>Net change in plan fiduciary net position</b>                                  | 1,536,536             | (427,755)             | 322,777               |
| <b>Plan fiduciary net position - beginning</b>                                    | 15,424,278            | 15,852,033            | 15,529,256            |
| <b>Plan fiduciary net position - ending</b>                                       | <u>\$ 16,960,814</u>  | <u>\$ 15,424,278</u>  | <u>\$ 15,852,033</u>  |
| <b>Employer net pension liability (asset)</b>                                     | <u>\$ (2,329,854)</u> | <u>\$ (1,481,882)</u> | <u>\$ (2,810,070)</u> |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | 115.9 %               | 110.6 %               | 121.50 %              |
| <b>Covered employee payroll</b>   | \$ 3,857,440          | \$ 3,451,012          | \$ 3,601,200          |
| <b>Employer's net pension asset as a percentage of covered employee payroll</b>   | (60.4) %              | (42.9) %              | (78.0) %              |

**Notes to schedule:**

Information for years prior to 2015 is not available; amounts presented for the year end were determined as of June 30, the measurement date.

**CITY OF SUNSET HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**LAGERS (GENERAL AND POLICE DIVISIONS)**  
**LAST TEN FISCAL YEARS**

| <u>Year ended<br/>December 31,</u> | <u>Actuarial<br/>Determined<br/>Contribution</u> | <u>Actual<br/>Contribution</u> | <u>Contribution<br/>Deficiency<br/>(Excess)</u> | <u>Covered<br/>Payroll</u> | <u>Actual Contribution<br/>as a % of<br/>Covered Payroll</u> |
|------------------------------------|--|--------------------------------|---|----------------------------|--|
| 2008                               | \$ 145,924                                       | \$ 145,924                     | \$ -  | 2,906,725                  | 5.02%  |
| 2009                               | 138,118  | 138,118                        | -   | 3,151,816                  | 4.38%  |
| 2010                               | 309,750  | 179,277                        | 130,473   | 3,319,716                  | 5.40%  |
| 2011                               | 337,556  | 218,750                        | 118,806   | 3,415,465                  | 6.40%  |
| 2012                               | 350,665  | 255,745                        | 94,920  | 3,449,878                  | 7.41%  |
| 2013                               | 332,419  | 294,146                        | 38,273  | 3,495,470                  | 8.42%  |
| 2014                               | 289,119  | 289,119                        | -   | 3,414,550                  | 8.47%  |
| 2015                               | 247,993  | 247,993                        | -   | 3,661,592                  | 6.77%  |
| 2016                               | 186,917  | 186,917                        | -   | 3,676,648                  | 5.08%  |
| 2017                               | 183,350  | 183,350                        | -   | 3,931,802                  | 4.66%  |

**Notes to Schedule of Contributions**

**Valuation date:** 02/28/17

**Notes:** The roll-forward of total pension liability from February 28, 2017 to June 30, 2017 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

**Methods and assumptions used to determine contribution rates:**

|                                      |  |
|--------------------------------------|--|
| <b>Actuarial cost method</b>         | Entry age normal and Modified Terminal Funding   |
| <b>Amortization method</b>           | Level percentage of payroll, closed  |
| <b>Remaining amortization period</b> | 15 years   |
| <b>Asset valuation method</b>        | 5-year smoothed market; 20% corridor   |
| <b>Inflation</b>                     | 3.25% wage inflation; 2.5% price inflation   |
| <b>Salary increases</b>              | 3.25% - 6.55% including wage inflation   |
| <b>Investment rate of return</b>     | 7.25%, net of investment and administrative expenses   |
| <b>Retirement age</b>                | Experience-based table of rates that are specific to the type of eligibility condition.  |
| <b>Mortality</b>                     | The healthy retiree mortality tables, for post retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. |

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

**Other information:** None