

CITY OF WARRENSBURG, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the City of Warrensburg, Missouri, as of and for the year ended September 30, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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 City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, the business-type activities, each major fund, and the discretely presented component unit as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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 (MD&A), budgetary comparison information, the Schedule of Changes in Net Pension Asset and Related Ratios, and the Schedule of Contributions and related notes 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.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warrensburg, Missouri's basic financial statements. The Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2018, on our consideration of the City of Warrensburg, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warrensburg, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

The management’s discussion and analysis of the City of Warrensburg’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the City’s financial statements, which begin on page 17.

Financial Highlights

- The Net Position of the City’s governmental activities decreased by \$1,956,951 for the year as a result of current year activities. The net position of the City’s business activities increased \$64,569 for the year.
- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources as of September 30, 2017, by \$56.4 million (net position). Of this amount, \$6.5 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City increased by \$3,153,300.

Using This Annual Report

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

Government-Wide Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

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

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds rather than the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and grants.

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

Notes to the Basic Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2017 and 2016:

	Governmental Activities	Business-Type Activities	Total September 30, 2017	Total September 30, 2016
ASSETS				
Current and other assets	\$ 19,555,433	\$ 3,081,985	\$ 22,637,418	\$ 15,878,741
Capital assets	<u>45,458,035</u>	<u>27,423,276</u>	<u>72,881,311</u>	<u>75,781,314</u>
TOTAL ASSETS	65,013,468	30,505,261	95,518,729	91,660,055
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources	<u>1,225,320</u>	<u>105,093</u>	<u>1,330,413</u>	<u>2,947,508</u>
LIABILITIES				
Other liabilities	2,965,034	1,546,382	4,511,416	3,432,458
Long-term liabilities outstanding	<u>22,149,045</u>	<u>13,576,024</u>	<u>35,725,069</u>	<u>32,571,769</u>
TOTAL LIABILITIES	25,114,079	15,122,406	40,236,485	36,004,227
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources	<u>227,448</u>	<u>17,966</u>	<u>245,414</u>	<u>343,711</u>
NET POSITION				
Net investment in capital assets	27,468,726	12,645,252	40,113,978	41,343,608
Restricted	8,982,801	819,564	9,802,365	4,500,408
Unrestricted	<u>4,445,734</u>	<u>2,005,166</u>	<u>6,450,900</u>	<u>12,415,609</u>
TOTAL NET POSITION	<u>\$ 40,897,261</u>	<u>\$ 15,469,982</u>	<u>\$ 56,367,243</u>	<u>\$ 58,259,625</u>

Total net position of the City decreased \$1,892,382 for the year due to current year activity. Total liabilities for the City have decreased by \$4,232,258. Net capital assets for the governmental activities totaled \$45.5 million as of September 30, 2017.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

CHANGE IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended September 30, 2017</u>	<u>Total Year Ended September 30, 2016</u>
REVENUES				
Program Revenues				
Charges for services	\$ 1,474,297	\$ 4,240,485	\$ 5,714,782	\$ 5,650,271
Operating grants and contributions	29,873	-	29,873	1,392
Capital grants and contributions	14,067	-	14,067	55,200
General Revenues				
Property taxes	908,879	-	908,879	872,501
Sales taxes	7,184,065	-	7,184,065	7,389,633
Motor vehicle taxes	755,244	-	755,244	740,935
Other taxes	468,224	-	468,224	226,071
Franchise fees	2,577,786	-	2,577,786	2,513,128
Interest	68,102	302,031	370,133	373,210
Other revenue	136,733	-	136,733	149,960
Gain on disposal of assets	7,370	-	7,370	261,299
Transfers	615,129	(615,129)	-	-
TOTAL REVENUES, GAINS AND TRANSFERS	14,239,769	3,927,387	18,167,156	18,233,600
EXPENSES				
General government	676,516	-	676,516	431,504
Finance	438,233	-	438,233	437,963
Other support services	385,227	-	385,227	416,935
Information technology	537,890	-	537,890	614,408
Municipal court	129,534	-	129,534	158,933
Buildings and grounds	620,328	-	620,328	410,901
Public safety and health	5,770,243	-	5,770,243	5,634,121
Community development	769,367	-	769,367	785,619
Transportation	3,483,010	-	3,483,010	3,452,658
Cemetery	142,051	-	142,051	110,408
Parks and recreation	2,581,814	-	2,581,814	2,541,168
Debt service	662,507	560,368	1,222,875	1,296,886
Sewer	-	3,302,450	3,302,450	3,060,761
TOTAL EXPENSES	16,196,720	3,862,818	20,059,538	19,352,265
INCREASE (DECREASE) IN NET ASSETS	<u>\$ (1,956,951)</u>	<u>\$ 64,569</u>	<u>\$ (1,892,382)</u>	<u>\$ (1,118,665)</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

Governmental Activities

Governmental activities decreased the net position of the City by \$1,956,951. Total tax revenues for the City were \$11.9 million, which represents 84% of the financing of these activities. Program revenues for the functions totaled \$1.5 million or 11% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF WARRENSBURG'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government	\$ 676,516	\$ 428,186
Finance	438,233	438,233
Other support services	385,227	385,227
Information technology	537,890	537,890
Municipal court	129,534	129,534
Buildings and grounds	620,328	620,328
Public safety and health	5,770,243	5,369,522
Community development	769,367	769,367
Transportation	3,483,010	3,468,943
Cemetery	142,051	(1,710)
Parks and recreation	2,581,814	1,870,456
Debt Service	662,507	662,507
	\$ 16,196,720	\$ 14,678,483

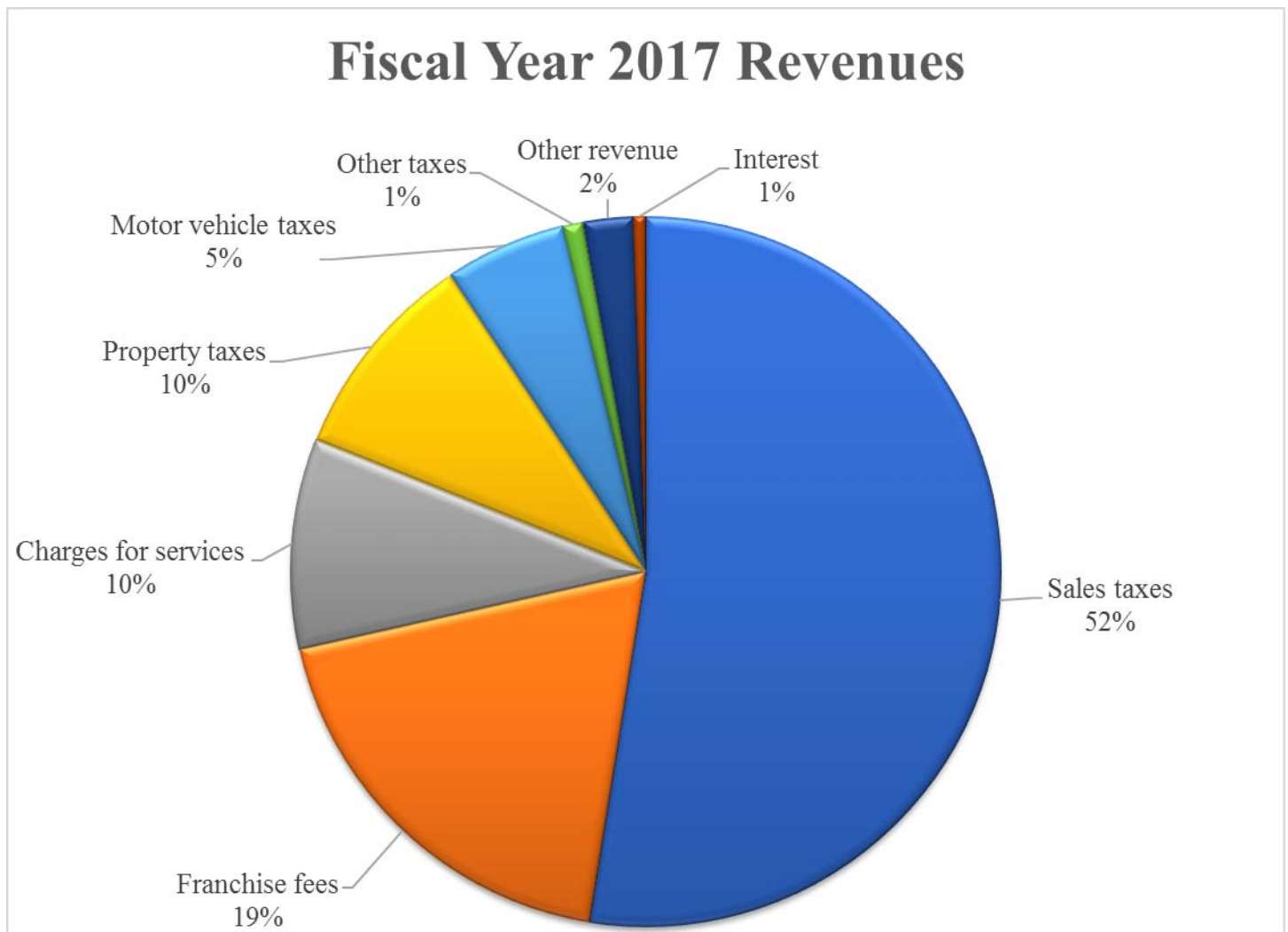
Business-Type Activities

Business-type activities increased the City's net position by \$64,569. Last year the business-type activities increased \$254,218.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

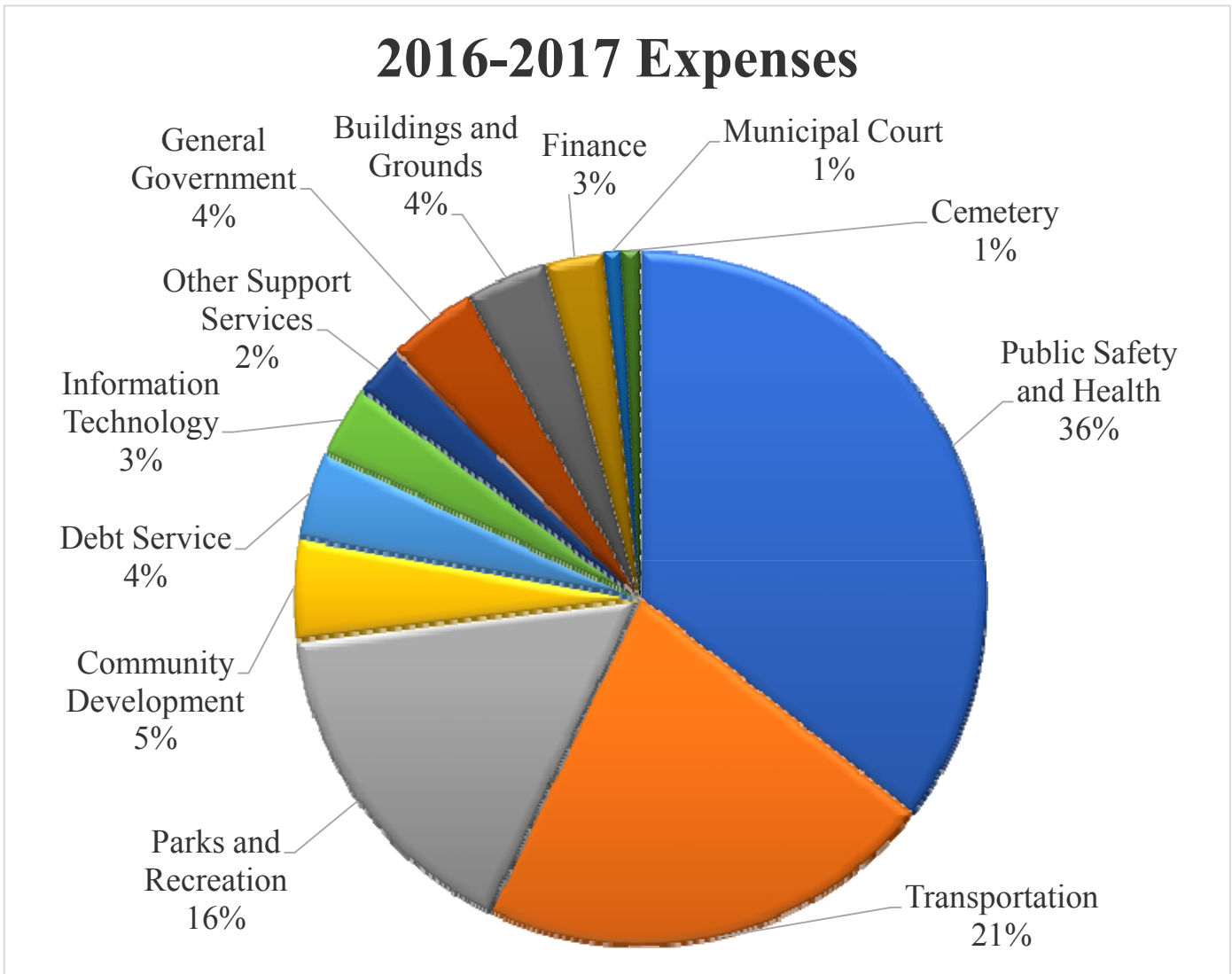
Financial Analysis of the City's Funds

The City of Warrensburg's revenue sources are illustrated in the pie chart below. Sales Tax saw a slight decline in gross receipts, as well as in proportion size from 54% of the total in fiscal year 2016 to 52% in fiscal year 2017. Because of increased water and electricity rates, Franchise fees grew slightly and is now 19% of the total when compared to 18% in the previous year. Property taxes saw a 1% increase over fiscal year 2016 as well, due to increased property values in the area. Other revenues such as Motor Vehicle and other taxes remained similar to previous years, while Interest revenue balances continue to rise but not necessarily in proportion size when looking at revenue as a whole.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

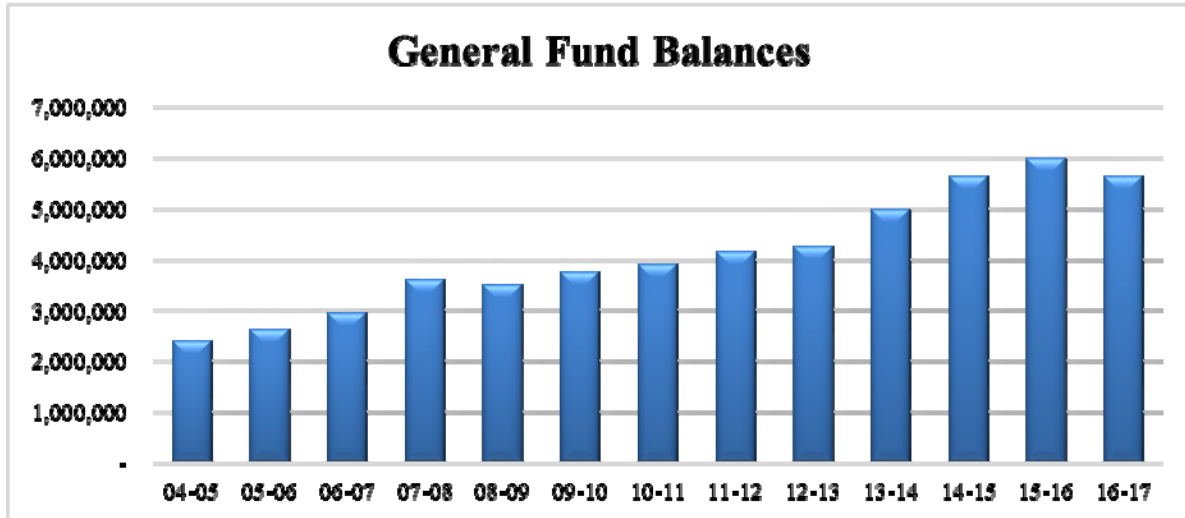
There are 5 major categories within the broad scope of services provided by the City of Warrensburg that constitute 82% of total expenditures, which is down 2% from fiscal year 2016. These services are Public Safety and Health (which includes Law Enforcement and Fire Services), Transportation, Parks and Recreation, Community Development, and Debt Service. The largest portion, Public Safety and Health, saw no increase from its total percentage from 2016. But, this number will increase in fiscal year 2018 with the schedule purchase of two new fire apparatus.



The combined fund balances of the City's governmental funds as of September 30, 2017, were \$14.7 million. The General Fund decreased by \$436,005. The Park Fund decreased by \$27,644. The Tri-Centennial Fund increased by \$141. The Capital Improvement Transportation Fund decreased by \$143,789. The Capital Improvement Half-Cent Fund decreased by \$126,178. The Debt Service Fund increased by \$2,670. The Neighborhood Improvement Fund decreased by \$195,334. The Tax Increment Financing Fund increased by \$148. The Capital Improvement Bond Fund increased by \$5,703,726 due to the issuance of Series 2017 General Obligation bonds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

The following bar graph provides a view of the City of Warrensburg's ending General Fund balances, and displays the recent historical performance of the General Fund.



General Fund Budgetary Highlights

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

- The original revenue budget of \$8,947,445 was increased by \$13,562 to \$8,961,007.
- The total original budgeted expenditures of \$10,668,579 were decreased by \$136,322 to \$10,530,501. Most of this increase was from an increase in buildings and grounds.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$45.5 million (net of accumulated depreciation) as of September 30, 2017. This represents a decrease of \$1.5 million from the prior year due to the current year provisions for depreciation. Net capital assets for business-type activities were \$27.4 million as of September 30, 2017. This represents a decrease of \$1.5 million from the prior year due primarily to current year provisions for depreciation.

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2017, was \$23.4 million, which is an increase of \$1.9 million due to the addition of the Series 2017 General Obligation bonds and two new capital leases payable net of current year principal payments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2017**

Total debt and long-term obligations of the business-type activities as of September 30, 2017, was \$14.8 million, which is down by \$1.2 million from the prior year due to the payments made on the City's Certificates of Participation and revenue bonds.

Economic Factors and Next Year's Budget

The City experienced a decrease in overall General Fund revenues for the first time in almost 10 years. In the past, growth was driven by increased sales tax revenue within the community, but fiscal year 2017 saw a decline in such revenues. Given the City's extreme dependence on sales tax income, it is imperative that a constant focus is applied to finding new revenue streams because online shopping and delivery services have taken a large portion of local sales tax revenues away from municipalities.

In April of 2017, the City Council agreed to place significant infrastructure and capital purchases on the ballot and allow the citizens to vote on these important community measures. Through much adversity, the citizens of Warrensburg voted to approve the first ever General Obligation Bond Issue. The General Obligation bonds will be funded by an increase in real property and will support the purchase of two new fire apparatus, an upgrade to all controlled intersection lights under the responsibility of the City, and the construction of a much-needed thoroughfare on the north-east side of the City. In addition to these projects, Dollar Tree has invested approximately \$110 million to build a 1.2 million square foot distribution facility in Warrensburg which is expected to create 375 new jobs within three years.

As in fiscal year 2017, the City decided to continue investment in its most valuable and expensive asset – its employees. Major cost factors in the investment were health insurance, wages, and leave benefits. The costs of changes in these areas were significant, but added a much-needed projectability to the budget for future years. Management is moving forward with a hybrid insurance plan for the City employees in hopes that the City will become fully self-insured in the near future. In fiscal year 2018, a wage study has been budgeted to better align wages with those of cities of the same size. Retirement benefits will need to be addressed in future fiscal years, but doing so will be much easier with the less volatile cost of health insurance. This fiscal year's budget represents a very proactive approach in addressing current and future challenges while also seeking to improve future financial health for the City.

Contacting the City's Financial Management

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the Finance Director, 102 South Holden St., Warrensburg, Missouri 64093 (660-747-9131).

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Warrensburg Convention and Visitors Bureau
ASSETS				
Cash and cash equivalents - unrestricted	\$ 7,410,570	\$ 1,486,439	\$ 8,897,009	\$ 154,552
Taxes receivable, net	1,519,390	-	1,519,390	-
Utilities receivable, net	-	408,423	408,423	-
Other accounts receivable, net	6,326	-	6,326	-
Special assessments receivable, net	658,191	-	658,191	-
Court fines receivable, net	2,579	-	2,579	-
Inventory	12,516	-	12,516	-
Prepaid expenses	143,974	25,113	169,087	-
Restricted cash and cash equivalents	6,044,596	68,590	6,113,186	-
Restricted investments	713,897	870,442	1,584,339	-
Net pension asset	3,043,394	222,978	3,266,372	-
Capital Assets:				
Non-depreciable	3,206,706	392,583	3,599,289	-
Depreciable, net	42,251,329	27,030,693	69,282,022	-
TOTAL ASSETS	65,013,468	30,505,261	95,518,729	154,552
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflow	1,225,320	105,093	1,330,413	-
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,225,320	105,093	1,330,413	-

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Warrensburg Convention and Visitors Bureau
LIABILITIES				
Current				
Accounts payable	547,077	92,786	639,863	778
Accrued expenses	140,657	14,300	154,957	-
Unearned revenue	64,191	-	64,191	-
Court bonds payable	15,412	-	15,412	-
Accrued interest payable	51,548	117,828	169,376	-
Arbitrage payable	-	119,468	119,468	-
Current maturities of long-term debt	2,146,149	1,202,000	3,348,149	-
	<u>2,965,034</u>	<u>1,546,382</u>	<u>4,511,416</u>	<u>778</u>
Noncurrent				
Capital leases payable	525,358	-	525,358	-
Neighborhood improvement bonds payable	2,568,000	-	2,568,000	-
Certificates of participation payable	13,708,292	-	13,708,292	-
Revenue bonds payable, net	-	13,537,805	13,537,805	-
General obligation bonds payable, net	4,795,000	-	4,795,000	-
Compensated absences payable	552,395	38,219	590,614	-
	<u>22,149,045</u>	<u>13,576,024</u>	<u>35,725,069</u>	<u>-</u>
TOTAL LIABILITIES	25,114,079	15,122,406	40,236,485	778
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflow	227,448	17,966	245,414	-
TOTAL DEFERRED INFLOW OF RESOURCES	227,448	17,966	245,414	-
NET POSITION				
Net investment in capital assets	27,468,726	12,645,252	40,113,978	-
Restricted	8,982,801	819,564	9,802,365	-
Unrestricted	4,445,734	2,005,166	6,450,900	153,774
TOTAL NET POSITION	\$ 40,897,261	\$ 15,469,982	\$56,367,243	\$ 153,774

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

Functions/Programs	Net (Expenses), Revenues and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Warrensburg Convention and Visitors Bureau
Primary Government								
Governmental Activities								
General government	\$ (676,516)	\$ 218,457	\$ 29,873	\$ -	\$ (428,186)	\$ -	\$ (428,186)	\$ -
Finance	(438,233)	-	-	-	(438,233)	-	(438,233)	-
Other support services	(385,227)	-	-	-	(385,227)	-	(385,227)	-
Information technology	(537,890)	-	-	-	(537,890)	-	(537,890)	-
Municipal court	(129,534)	-	-	-	(129,534)	-	(129,534)	-
Buildings and grounds	(620,328)	-	-	-	(620,328)	-	(620,328)	-
Public safety and health	(5,770,243)	400,721	-	-	(5,369,522)	-	(5,369,522)	-
Community development	(769,367)	-	-	-	(769,367)	-	(769,367)	-
Transportation	(3,483,010)	-	-	14,067	(3,468,943)	-	(3,468,943)	-
Cemetery	(142,051)	143,761	-	-	1,710	-	1,710	-
Parks and recreation	(2,581,814)	711,358	-	-	(1,870,456)	-	(1,870,456)	-
Debt service	(662,507)	-	-	-	(662,507)	-	(662,507)	-
TOTAL GOVERNMENTAL ACTIVITIES	(16,196,720)	1,474,297	29,873	14,067	(14,678,483)	-	(14,678,483)	-
Business-Type Activities								
Sewer	(3,862,818)	4,240,485	-	-	-	377,667	377,667	-
TOTAL BUSINESS-TYPE ACTIVITIES	(3,862,818)	4,240,485	-	-	-	377,667	377,667	-
TOTAL PRIMARY GOVERNMENT	\$ (20,059,538)	\$ 5,714,782	\$ 29,873	\$ 14,067	(14,678,483)	377,667	(14,300,816)	-

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2017

	Net (Expenses), Revenues and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Warrensburg Convention and Visitors Bureau
Component Unit Warrensburg Convention and Visitors Bureau	\$ (79,797)	\$ 112,536	\$ 3,500	\$ -	-	-	-	36,239
General Revenues:								
Property taxes				908,879	-	908,879		-
Sales taxes				7,184,065	-	7,184,065		-
Motor vehicle taxes				755,244	-	755,244		-
Other taxes				468,224	-	468,224		-
Franchise fees				2,577,786	-	2,577,786		-
Interest				68,102	302,031	370,133		8
Other revenue				136,733	-	136,733		-
Gain on disposal of assets				7,370	-	7,370		-
Transfers				615,129	(615,129)	-		-
Total General Revenues, Gains and Transfers				12,721,532	(313,098)	12,408,434		8
Changes in Net Position				(1,956,951)	64,569	(1,892,382)		36,247
Net Position, Beginning of year				42,854,212	15,405,413	58,259,625		117,527
Net Position, End of year				\$ 40,897,261	\$ 15,469,982	\$ 56,367,243		\$ 153,774

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total Governmental Funds
	General Fund	Park Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	Capital Improvement Bond Fund	
ASSETS										
Cash and cash equivalents	\$ 4,773,576	\$ 898,221	\$ -	\$ 531,055	\$ 347,708	\$ 156,986	\$ 307,117	\$ 148	\$ -	\$ 7,014,811
Taxes receivable, net	938,464	199,188	-	121,505	260,233	-	-	-	-	1,519,390
Other accounts receivable	-	6,326	-	-	-	-	-	-	-	6,326
Special assessments receivable, net	-	-	-	-	-	-	658,191	-	-	658,191
Court fines receivable, net	2,579	-	-	-	-	-	-	-	-	2,579
Due from other funds	145,000	-	-	-	-	-	-	-	-	145,000
Inventory	12,516	-	-	-	-	-	-	-	-	12,516
Prepaid expenses	127,350	16,624	-	-	-	-	-	-	-	143,974
Restricted cash and cash equivalents	15,412	535	14,221	-	-	-	260,938	-	5,753,490	6,044,596
Restricted investments	-	4	-	-	-	713,893	-	-	-	713,897
TOTAL ASSETS	\$ 6,014,897	\$ 1,120,898	\$ 14,221	\$ 652,560	\$ 607,941	\$ 870,879	\$ 1,226,246	\$ 148	\$ 5,753,490	\$ 16,261,280
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 147,905	\$ 44,988	\$ -	\$ 206,491	\$ 51,166	\$ -	\$ 27	\$ -	\$ 49,764	\$ 500,341
Accrued expenses	122,267	18,390	-	-	-	-	-	-	-	140,657
Court bonds payable	15,412	-	-	-	-	-	-	-	-	15,412
Due to other funds	-	-	-	-	-	145,000	-	-	-	145,000
Unearned revenue	-	64,191	-	-	-	-	-	-	-	64,191
TOTAL LIABILITIES	285,584	127,569	-	206,491	51,166	145,000	27	-	49,764	865,601

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2017

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total Governmental Funds
	General Fund	Park Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	Capital Improvement Bond Fund	
Deferred Inflow of Resources										
Deferred inflows - special assessments	-	-	-	-	-	-	666,941	-	-	666,941
Fund Balances										
Nonspendable:										
Inventory	12,516	-	-	-	-	-	-	-	-	12,516
Prepaid expenses	127,350	16,624	-	-	-	-	-	-	-	143,974
Restricted for:										
Debt Service	-	-	-	-	-	725,879	559,278	148	-	1,285,305
Capital improvements	-	-	-	446,069	556,775	-	-	-	5,703,726	6,706,570
Tri-centennial	-	-	14,221	-	-	-	-	-	-	14,221
Parks and recreation	-	976,705	-	-	-	-	-	-	-	976,705
Unassigned	5,589,447	-	-	-	-	-	-	-	-	5,589,447
TOTAL FUND BALANCES	<u>5,729,313</u>	<u>993,329</u>	<u>14,221</u>	<u>446,069</u>	<u>556,775</u>	<u>725,879</u>	<u>559,278</u>	<u>148</u>	<u>5,703,726</u>	<u>14,728,738</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 6,014,897</u>	<u>\$ 1,120,898</u>	<u>\$ 14,221</u>	<u>\$ 652,560</u>	<u>\$ 607,941</u>	<u>\$ 870,879</u>	<u>\$ 1,226,246</u>	<u>\$ 148</u>	<u>\$ 5,753,490</u>	<u>\$ 16,261,280</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 September 30, 2017

Fund balance - total governmental funds	\$ 14,728,738
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	88,514,560
Less accumulated depreciation	<u>(43,056,525)</u>
	45,458,035
The net pension asset is not available to pay for the current-period expenditures, and therefore, is not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items:	
Net pension asset	3,043,394
Deferred outflows due to pension	1,225,320
Deferred inflows due to pension	<u>(227,448)</u>
	4,041,266
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the Statement of Net Position	349,023
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(51,548)
Deferred inflows - special assessments	666,941
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(24,295,194)</u>
Net position of governmental activities	<u><u>\$ 40,897,261</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2017

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total Governmental Funds
	General Fund	Park Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	Capital Improvement Bond Fund	
REVENUES										
Taxes	\$ 7,737,561	\$ 1,666,213	\$ -	\$ 755,244	\$ 1,700,737	\$ -	\$ 67,907	\$ 34,443	\$ -	\$ 11,962,105
Licenses and permits	218,457	-	-	-	-	-	-	-	-	218,457
Intergovernmental revenues	29,873	-	-	14,067	-	-	-	-	-	43,940
Charges for services	195,315	711,358	-	-	-	-	-	-	-	906,673
Fines and forfeitures	349,167	-	-	-	-	-	-	-	-	349,167
Interest income	46,312	10,555	141	-	-	8,093	-	-	3,813	68,914
Miscellaneous	110,450	11,454	-	6,632	7,385	-	-	-	-	135,921
TOTAL REVENUES	8,687,135	2,399,580	141	775,943	1,708,122	8,093	67,907	34,443	3,813	13,685,177
EXPENDITURES										
Current										
General government	507,155	-	-	-	-	-	1,876	-	-	509,031
Finance	432,565	-	-	-	-	-	-	-	-	432,565
Other support services	382,959	-	-	-	-	-	-	-	-	382,959
Information technology	475,241	-	-	-	-	-	-	-	-	475,241
Municipal court	130,991	-	-	-	-	-	-	-	-	130,991
Buildings and grounds	331,105	-	-	-	-	-	-	-	-	331,105
Public safety and health	5,868,411	-	-	-	-	-	-	-	-	5,868,411
Community development	742,434	-	-	-	-	-	-	34,295	-	776,729
Transportation	1,524,252	-	-	-	-	-	-	-	-	1,524,252
Cemetery	135,388	-	-	-	-	-	-	-	-	135,388
Parks and recreation	-	2,269,050	-	-	-	-	-	-	-	2,269,050
Capital improvements	-	-	-	810,407	275,747	-	-	-	164,350	1,250,504
Debt Service										
Principal and interest	-	-	-	-	-	1,885,616	262,365	-	-	2,147,981
TOTAL EXPENDITURES	10,530,501	2,269,050	-	810,407	275,747	1,885,616	264,241	34,295	164,350	16,234,207

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2017

	Special Revenue Funds					Debt Service Funds			Capital Projects Fund	Total Governmental Funds
	General Fund	Park Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	Capital Improvement Bond Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,843,366)	130,530	141	(34,464)	1,432,375	(1,877,523)	(196,334)	148	(160,537)	(2,549,030)
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	34,760	-	-	-	-	-	1,000	-	-	35,760
General obligation bond proceeds	-	-	-	-	-	-	-	-	5,864,263	5,864,263
Lease proceeds	821,237	68,203	-	-	-	-	-	-	-	889,440
Operating transfers in (out)	551,364	(226,377)	-	(31,498)	(1,558,553)	1,880,193	-	-	-	615,129
TOTAL OTHER FINANCING SOURCES (USES)	1,407,361	(158,174)	-	(31,498)	(1,558,553)	1,880,193	1,000	-	5,864,263	7,404,592
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(436,005)	(27,644)	141	(65,962)	(126,178)	2,670	(195,334)	148	5,703,726	4,855,562
FUND BALANCE, October 1	6,165,318	1,020,973	14,080	512,031	682,953	723,209	754,612	-	-	9,873,176
FUND BALANCE, September 30	\$ 5,729,313	\$ 993,329	\$ 14,221	\$ 446,069	\$ 556,775	\$ 725,879	\$ 559,278	\$ 148	\$ 5,703,726	\$ 14,728,738

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ 4,855,562

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

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities the cost of these assets is allocated over their estimated
useful lives on a straight line basis and reported as depreciation expense. The
following is the detail of the amount by which depreciation exceeded capital
outlays for the year.

Capital outlay	984,726
Depreciation	(2,351,853)
Disposal of capital assets, net	(28,390)
	<u>(1,395,517)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	(67,907)
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The issuance of long-term debt provides current financial resources to governmental
funds. The repayment of the principal of long-term debt is a use of current financial
resources of governmental funds. Also, governmental funds report the effect of
issuance costs and similar items when debt is issued, whereas these amounts are
deferred and amortized in the statement of activities. In the Statement of Activities,
interest is accrued on outstanding debt whereas in the governmental funds, an interest
expenditure is reported when due. The following is the detail of the net effect of
these differences.

Lease proceeds	(889,440)
Repayment of principal on bonds, leases, and other debt	1,473,510
Bond proceeds	(5,550,000)
Bond premium	(316,255)
Interest payable	3,001
	<u>(5,279,184)</u>

Internal service funds are used by management to charge the costs of various activities internally to individual funds. The net expense of certain activities of the Internal Service Fund is reported with governmental activities.	349,023
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Some expenditures reported in the governmental fund represent the use of current financial resources and were recognized in the Statement of Activities when incurred	<u>(418,928)</u>
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Change in net position of governmental activities	<u>\$ (1,956,951)</u>
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See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
September 30, 2017

	Enterprise Fund	Internal Service Fund
	<u>Sewer Fund</u>	<u>Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,486,439	\$ 395,759
Utilities receivable, net	408,423	-
Prepaid expenses	25,113	-
	<u>1,919,975</u>	<u>395,759</u>
TOTAL CURRENT ASSETS		
Noncurrent Assets		
Net pension asset	222,978	-
	<u>222,978</u>	<u>-</u>
TOTAL NONCURRENT ASSETS		
Restricted Assets		
Cash and cash equivalents	68,590	-
Investments	870,442	-
	<u>939,032</u>	<u>-</u>
TOTAL RESTRICTED ASSETS		
Property, Plant and Equipment		
Land	392,583	-
Buildings and improvements	19,361,104	-
Sewer mains and lines	27,028,338	-
Machinery and equipment	1,059,433	-
	<u>47,841,458</u>	<u>-</u>
Less accumulated depreciation	(20,418,182)	-
	<u>27,423,276</u>	<u>-</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT		
TOTAL ASSETS		
	30,505,261	395,759
DEFERRED OUTFLOW OF RESOURCES		
Deferred pension outflow	105,093	-
	<u>105,093</u>	<u>-</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES		
	105,093	-

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)
September 30, 2017

	Enterprise Fund	Internal Service Fund
	<u>Sewer Fund</u>	<u>Fund</u>
LIABILITIES		
Current Liabilities		
Accounts payable	92,786	46,736
Accrued expenses	14,300	-
Accrued interest payable	117,828	-
Arbitrage payable	119,468	-
Current maturities of long-term debt	<u>1,202,000</u>	<u>-</u>
	TOTAL CURRENT LIABILITIES	46,736
Long-Term Liabilities		
Revenue bonds payable, net	13,537,805	-
Compensated absences payable	<u>38,219</u>	<u>-</u>
	TOTAL LONG-TERM LIABILITIES	-
	TOTAL LIABILITIES	46,736
DEFERRED INFLOW OF RESOURCES		
Deferred pension inflow	<u>17,966</u>	<u>-</u>
	TOTAL DEFERRED INFLOW OF RESOURCES	-
NET POSITION		
Net investment in capital assets	12,645,252	-
Restricted	819,564	-
Unrestricted	<u>2,005,166</u>	<u>349,023</u>
	TOTAL NET POSITION	<u>\$ 349,023</u>
	<u>\$ 15,469,982</u>	<u>\$ 349,023</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUNDS
Year Ended September 30, 2017

	Enterprise Fund	Internal Service Fund
	<u>Sewer Fund</u>	<u>Fund</u>
OPERATING REVENUES		
Charges for services	\$ 4,233,485	\$ -
Miscellaneous	7,000	-
Premiums	-	973,268
TOTAL OPERATING REVENUES	<u>4,240,485</u>	<u>973,268</u>
OPERATING EXPENSES		
Personnel services	797,192	-
Contractual services	237,286	-
Repairs and maintenance	202,577	-
Supplies	80,800	-
Utilities	346,515	-
Education	1,599	-
Labs and testing	29,909	-
Insurance expenses	53,976	-
Depreciation	1,512,550	-
Miscellaneous	40,046	-
Insurance claims	-	626,123
Insurance administration fees	-	727
TOTAL OPERATING EXPENSES	<u>3,302,450</u>	<u>626,850</u>
OPERATING INCOME	938,035	346,418
NONOPERATING REVENUES (EXPENSES)		
Interest income	302,031	2,605
Interest expense	(560,368)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(258,337)</u>	<u>2,605</u>
INCOME BEFORE OPERATING TRANSFERS	679,698	349,023
OPERATING TRANSFERS (OUT)	(615,129)	-
NET INCOME	64,569	349,023
NET POSITION, October 1	15,405,413	-
NET POSITION, September 30	<u>\$ 15,469,982</u>	<u>\$ 349,023</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended September 30, 2017

	Enterprise Fund	Internal Service Fund
	Sewer Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 4,215,521	\$ 973,268
Cash paid to suppliers	(1,119,871)	(580,114)
Cash paid to employees	(736,953)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,358,697	393,154
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating transfer (out)	(615,129)	-
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(615,129)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of fixed assets	(8,064)	-
Payment of bond principal	(1,179,000)	-
Payment of interest expense	(569,613)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,756,677)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on investments	293,840	2,605
Maturity of investments	173,265	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	467,105	2,605
NET INCREASE IN CASH AND CASH EQUIVALENTS	453,996	395,759
CASH AND CASH EQUIVALENTS, Beginning of year	1,101,033	-
CASH AND CASH EQUIVALENTS, End of year	1,555,029	395,759
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(68,590)	-
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,486,439	\$ 395,759
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 938,035	\$ 346,418
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,512,550	-
(Increase) decrease in:		
Utilities receivable	(24,964)	-
Prepaid expenses	(5,329)	-
Net pension asset	(96,780)	-
Deferred pension outflows	163,981	-
Increase (decrease) in:		
Accounts payable	61,184	46,736
Accrued expenses	3,522	-
Compensated absences	(922)	-
Arbitrage payable	(183,018)	-
Deferred pension inflows	(9,562)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,358,697	\$ 393,154

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF FIDUCIARY NET POSITION – PRIVATE PURPOSE TRUSTS
 September 30, 2017

	<u>Private-Purpose Trusts</u>
ASSETS	
Cash and cash equivalents	\$ 202,376
LIABILITIES	
Due to others	<u>-</u>
NET POSITION	
Restricted	75,982
Unrestricted	<u>126,394</u>
TOTAL NET POSITION	<u>\$ 202,376</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE PURPOSE
 TRUSTS
 Year Ended September 30, 2017

	<u>Private-Purpose Trusts</u>
Additions:	
Donations	\$ 2,019
Deductions:	
Contributions and other	<u>3,400</u>
Changes in Net Position	(1,381)
Net Position, beginning of year	<u>203,757</u>
Net Position, end of year	<u><u>\$ 202,376</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS
 September 30, 2017

	Agency Funds		
	Children's Memorial Trust	Arts Commission	Public Arts Fund
ASSETS			
Cash and cash equivalents	\$ 18,315	\$ 13,268	\$ 695
LIABILITIES			
Due to others	\$ 18,315	\$ 13,268	\$ 695

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warrensburg, Missouri, (the City) is located in Johnson County and was incorporated in 1865, under the provisions of the State of Missouri. Warrensburg is a city of the third class and operates under a City Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include sewer operations.

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

Financial Reporting Entity

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

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that the entity described in the following paragraph meets the above criteria and therefore, has been included as a component unit in the City's basic financial statements.

Component Unit

The Warrensburg Convention and Visitors Bureau of the City of Warrensburg is a not-for-profit corporation organized for the purpose of promoting tourism in Warrensburg. The Bureau is governed by a nine-member board appointed by the City.

Government-Wide and Fund Financial Statements

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Park Fund: The Park Fund of the City is used to account for resources restricted, committed, or assigned for the parks department within the City.

Tri-Centennial Fund: The Tri-Centennial Fund is used to account for miscellaneous revenues and expenditures that are restricted, committed, or assigned for the Tri-Centennial activities.

Capital Improvement Transportation Fund: The Capital Improvement Transportation Fund is used to account for sales taxes and other resources that are restricted, committed, or assigned for the transportation capital improvements within the City.

Capital Improvement Half-Cent Fund: The Capital Improvement Half-Cent Fund is used to account for sales taxes and other resources that are restricted, committed, or assigned for the capital improvements within the City.

Neighborhood Improvement Fund: The Neighborhood Improvement Fund is used to account for proceeds that are restricted, committed, or assigned from the payment of Neighborhood Improvement Bonds.

Debt Service Fund: The Debt Service Fund is used to account for funds that are restricted, committed, or assigned from the payment of the City's governmental activities debt.

Tax Increment Financing Fund: This fund is used to account for collection and disbursement of economic activity taxes and property taxes collected on growth of assessed valuation of the redevelopment area of the TIF District.

Capital Improvement Bond Fund: This fund is used to account for collection and disbursement of proceeds of the Series 2017 General Obligation bonds.

The City reports the following major proprietary funds:

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

Internal Service Fund: The Internal Service Fund accounts for the premiums received and claims paid under the City's hybrid cost-plus employee health insurance plan.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major fiduciary funds:

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or agency capacity for others. Since by definition these assets are being held for the benefit of a third party and cannot be used to support activities or obligations for the City, these funds are not incorporated into the government-wide statements. The City is the fiduciary for four private purpose trust funds and three agency funds. The agency funds consist of the Children’s Memorial Trust, the Arts Commission, and the Public Arts Fund. The Children’s Memorial Trust fund exists to account for funds donated to build a memorial to honor the memory of children who have died. The Arts Commission fund is used to account for funds donated to further the arts within the City. The Public Arts Fund is used to fund art in public places.

Capital Assets

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

In conformity with GASB 34, infrastructure, such as streets and storm sewers, completed in the current year has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Machinery and equipment	3 to 20 years
Cemetery buildings	5 to 20 years
Other buildings	15 to 50 years
Improvements	15 to 50 years
Sewer lines	20 to 70 years
Other infrastructure	20 to 50 years

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Compensated Absences

Under terms of the City's municipal code, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of one year's vacation (maximum of four weeks). The amount that can be accrued for sick leave is limited to 1080 hours for firefighters and 720 hours for all other employees. Employees are paid for one-half of the amount of accumulated sick leave only upon retirement from the City.

Vested or accumulated vacation leave and compensatory time is accounted for as follows:

Governmental Funds – The accumulated liabilities for vacation and compensatory time is recorded in the governmental activities column of the government-wide financial statements.

Proprietary Funds – The costs of vacation and compensatory time are accrued in the respective funds as earned by City employees and recorded in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements.

Use of Estimates

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal year.

Revenue Recognition - Property Taxes

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds generally result from providing services and producing and delivering goods and/or services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund is charges to customers for services. All other revenues and expenses are considered nonoperating.

Deposits and Investments

For financial statement purposes and the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents. All other deposits and Certificates of Deposit are considered to be investments.

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Fund Balance Classification

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

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

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position 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 only one type of item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

NOTE B – CASH AND CASH EQUIVALENTS

Primary Government

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2017, all bank balances on deposit are entirely insured or collateralized.

Warrensburg Convention and Visitors Bureau

State statutes require that the Bureau's deposits be insured or collateralized in the name of the Bureau by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2017, all bank balances on deposit are entirely insured or collateralized.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE C – INVESTMENTS

Primary Government

Investments of the City as of September 30, 2017, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	12/21/2017 - 1/1/2028	<u>\$ 1,584,339</u>

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in trust accounts for the 1992 and 2007 Sewer System Revenue Bonds and the reserve accounts. The City's funds are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 100% of the value of the investment.

Interest Rate Risk

The City limits its exposure to interest rate risk. The City restricts its investments to those maturing in 5 years or less. This policy is limited to those investments made directly by the City and does not apply to investments of debt reserves made by trust account managers.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At September 30, 2017, the City's deposits were insured by Federal depository insurance and uninsured deposits were fully collateralized by securities held in the City's name by their financial and government obligations and, accordingly, the City was not exposed to such credit risks.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE C – INVESTMENTS (continued)

Concentration of Credit Risk

The City’s investment policy does not limit the amount it may invest in any one issuer. At September 30, 2017, the City’s only investments were amounts held in trust invested in Guaranteed Investment Contracts on deposit with United Missouri Bank. The trust agreement requires that these amounts be collateralized in the amount of 100% of the value of the investment, and, accordingly, the City was not exposed to such credit risks.

NOTE D – ACCOUNTS RECEIVABLE

Primary Government

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
GENERAL FUND			
Ad valorem taxes receivable	\$ 23,599	\$ 13,338	\$ 10,261
Sales and use tax receivable	646,923	-	646,923
Franchise tax receivable	268,644	-	268,644
Lodging tax receivable	12,636	-	12,636
	<u>\$ 951,802</u>	<u>\$ 13,338</u>	<u>\$ 938,464</u>
PARK FUND			
Ad valorem taxes receivable	\$ 13,002	\$ 7,244	\$ 5,758
Sales and use tax receivable	193,430	-	193,430
	<u>\$ 206,432</u>	<u>\$ 7,244</u>	<u>\$ 199,188</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 21,018</u>	<u>\$ 18,439</u>	<u>\$ 2,579</u>
SPECIAL ASSESSMENTS RECEIVABLE			
Neighborhood Improvement Fund	<u>\$ 3,643,860</u>	<u>\$ 2,985,669</u>	<u>\$ 658,191</u>
UTILITIES RECEIVABLE			
Sewer Fund	<u>\$ 515,445</u>	<u>\$ 107,022</u>	<u>\$ 408,423</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE E – RESTRICTED ASSETS

Primary Government

Cash, investments and net position have been restricted in the following funds and activities as follows:

	Restricted Cash and Investments	Restricted Net Position
GENERAL FUND		
Court bonds	\$ 15,412	\$ -
PARK FUND		
Refundable deposits and trustee funds	\$ 539	\$ 976,705
TRI-CENTENNIAL FUND		
Tri-Centennial activities	\$ 14,221	\$ 14,221
CAPITAL IMPROVEMENT FUND		
Trustee funds	\$ -	\$ 446,069
CAPITAL IMPROVEMENT HALF CENT FUND		
Trustee funds	\$ -	\$ 556,775
DEBT SERVICE FUND		
Debt service reserves	\$ 713,893	\$ 725,879
NEIGHBORHOOD IMPROVEMENT FUND		
Debt service reserves	\$ 260,938	\$ 559,278
TIF FUND		
Debt service reserves	\$ -	\$ 148
CAPITAL IMPROVEMENT BOND FUND		
Project reserves	\$ 5,753,490	\$ 5,703,726
SEWER FUND		
1992 Revenue Bonds		
Principal and interest	\$ 68,589	\$ 68,589
2007 Revenue Bonds		
Rebate account	119,468	-
Principal and interest	626,024	626,024
2010 Revenue Bonds		
Debt service reserve	1	1
Principal and interest	124,950	124,950
	<u>\$ 939,032</u>	<u>\$ 819,564</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities of the City of Warrensburg consists of four Certificates of Participation, three capital leases, one General Obligation Bond issue, two Neighborhood Improvement Bonds payable, and compensated absences payable.

Capital Leases

On September 30, 2011, the City entered into a lease purchase agreement to finance a tandem axle truck. The agreement requires semi-annual payments of \$15,749, including interest at 3.75% as shown in following schedule:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,028	\$ 1,470	\$ 31,498

During the year ended September 30, 2017, the City entered into a lease purchase agreement to finance police RMS Software and Park fitness equipment in the amount of \$369,762. The agreement requires quarterly payments of \$19,710, including interest at 2.47% as shown in following schedule:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 71,228	\$ 7,612	\$ 78,840
2019	73,004	5,836	78,840
2020	74,823	4,017	78,840
2021	76,689	2,151	78,840
2022	39,057	363	39,420
	<u>\$ 334,801</u>	<u>\$ 19,979</u>	<u>\$ 354,780</u>

During the year ended September 30, 2017, the City entered into a lease purchase agreement to finance a Pierce Pumper Fire Truck in the amount of \$344,678. The agreement requires annual payments of \$91,820, including interest at 3.3% as shown in following schedule:

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

Year Ended September 30,	Principal	Interest	Total
2018	\$ 82,893	\$ 8,927	\$ 91,820
2019	85,040	6,780	91,820
2020	87,243	4,577	91,820
2021	89,502	2,318	91,820
	<u>\$ 344,678</u>	<u>\$ 22,602</u>	<u>\$ 367,280</u>

These lease agreements provide for cancellation of the leases on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with ASC 840-10-25.

Series 2013 Certificates of Participation

The City issued \$8,485,000 of Series 2013 Refunding Certificates of Participation. The Certificates were issued to refund the Series 2007 Certificates of Participation which were originally used to fund various city building improvements and public safety equipment. The Certificates of Participation bear interest at 2.35% with principal and interest payments due March 1 and September 1 each year.

The total annual minimum lease payments required at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 640,000	\$ 136,829	\$ 776,829
2019	725,000	121,201	846,201
2020	785,000	103,811	888,811
2021	865,000	84,894	949,894
2022	940,000	64,155	1,004,155
2023	1,020,000	41,595	1,061,595
2024	1,005,000	17,684	1,022,684
	<u>\$ 5,980,000</u>	<u>\$ 570,169</u>	<u>\$ 6,550,169</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

Series 2009 Certificates of Participation

The City issued \$7,170,000 of Series 2009 Certificates of Participation. The Certificates were issued to finance certain parks projects, city buildings, and equipment purchases. The Certificates of Participation bear interest from 3.0% to 4.75% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

The total annual minimum lease payments required at September 30, 2017, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 270,000	\$ 226,587	\$ 496,587
2019	245,000	217,138	462,138
2020	245,000	207,337	452,337
2021	230,000	197,538	427,538
2022	235,000	188,337	423,337
2023	255,000	178,938	433,938
2024	585,000	168,737	753,737
2025	160,000	145,338	305,338
2026	195,000	138,137	333,137
2027	230,000	129,363	359,363
2028	260,000	119,012	379,012
2029	300,000	107,313	407,313
2030	340,000	93,812	433,812
2031	390,000	77,663	467,663
2032	430,000	59,138	489,138
2033	815,000	38,712	853,712
	<u>\$ 5,185,000</u>	<u>\$ 2,293,100</u>	<u>\$ 7,478,100</u>

Series 2010 Certificates of Participation

The City issued \$3,830,000 of Series 2010 Certificates of Participation. The Certificates were issued to finance certain city projects and city buildings. The Certificates of Participation bear interest from 3.0% to 4.8% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The total annual minimum lease payments required at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 75,000	\$ 130,105	\$ 205,105
2019	75,000	127,105	202,105
2020	75,000	124,105	199,105
2021	75,000	121,105	196,105
2022	75,000	118,105	193,105
2023	85,000	114,730	199,730
2024	80,000	110,905	190,905
2025	415,000	107,305	522,305
2026	435,000	88,630	523,630
2027	455,000	68,185	523,185
2028	475,000	46,800	521,800
2029	500,000	24,000	524,000
	<u>\$ 2,820,000</u>	<u>\$ 1,181,080</u>	<u>\$ 4,001,080</u>

Series 2014 Certificates of Participation

The City issued \$655,000 of Series 2014 Certificates of Participation. The Certificates were issued to finance the Community Center roof project. The Certificates of Participation bear interest of 2.83% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

The total annual minimum lease payments required at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 65,000	\$ 13,952	\$ 78,952
2019	67,000	12,112	79,112
2020	69,000	10,216	79,216
2021	70,000	8,264	78,264
2022	72,000	6,283	78,283
2023	74,000	4,245	78,245
2024	76,000	2,150	78,150
	<u>\$ 493,000</u>	<u>\$ 57,222</u>	<u>\$ 550,222</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

Neighborhood Improvements Bonds – Series 2001

The City issued \$105,000 of Series 2001 Neighborhood Improvement Bonds. The Bonds were issued to finance certain improvements to Russell Avenue. The bonds bear interest from 4.875% to 5.625% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess certain Russell Avenue property owners the \$105,000 cost of such improvements. The owners will be assessed \$9,200 annually over the next 20 years. The special assessments received will be used for bond payments.

The total annual principal and interest payments required at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 7,000	\$ 1,491	\$ 8,491
2019	7,000	1,097	8,097
2020	8,000	675	8,675
2021	8,000	225	8,225
	<u>\$ 30,000</u>	<u>\$ 3,488</u>	<u>\$ 33,488</u>

Neighborhood Improvements Bonds – Series 2011

The City issued \$3,115,000 of Series 2011 Neighborhood Improvement Bonds. The Bonds were issued to retire Series 2009 Municipal Temporary Notes which were originally issued to fund improvements related to the Hawthorne Redevelopment Project. The bonds bear interest from 3.0% to 4.375% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess property owners within the Hawthorne Redevelopment Project the \$3,115,000 cost of such improvements. The special assessments received will be used for bond payments. During the year ended September 30, 2013, the City acquired various lots of property within the Hawthorne Development through a sheriff's tax sale. As such, the City will be absorbing a proportionate share of the debt service. The City intends to service debt principal and interest payments by using reserves created from pre-payments of special assessments by other property owners. If the City-owned lots have not been sold by the time the reserves have been depleted, the City will meet its obligation to provide for payments of principal and interest on these bonds. The present value of the special assessments on City-owned property is \$2,985,669 at September 30, 2017. At September 30, 2017, special assessments receivable totaled \$3,711,401.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The total annual principal and interest payments required at September 30, 2017, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 150,000	\$ 103,463	\$ 253,463
2019	155,000	98,694	253,694
2020	160,000	93,575	253,575
2021	165,000	88,088	253,088
2022	170,000	82,225	252,225
2023	180,000	75,650	255,650
2024	185,000	68,350	253,350
2025	190,000	60,850	250,850
2026	200,000	52,925	252,925
2027	210,000	44,469	254,469
2028	220,000	35,600	255,600
2029	225,000	26,141	251,141
2030	235,000	16,078	251,078
2031	250,000	5,468	255,468
	<u>\$ 2,695,000</u>	<u>\$ 851,576</u>	<u>\$ 3,546,576</u>

General Obligation Bonds – Series 2017

The City issued \$5,550,000 of Series 2017 General Obligation Bonds. The Bonds were issued to finance certain Fire Department Improvements and Street Improvements. The bonds bear interest from 2% to 5% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES (continued)

The total annual principal and interest payments required at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 755,000	\$ 188,600	\$ 943,600
2019	835,000	148,275	983,275
2020	885,000	109,700	994,700
2021	930,000	73,400	1,003,400
2022	980,000	40,100	1,020,100
2023	210,000	22,250	232,250
2024	220,000	16,900	236,900
2025	235,000	12,350	247,350
2026	245,000	7,550	252,550
2027	255,000	2,550	257,550
	<u>\$ 5,550,000</u>	<u>\$ 621,675</u>	<u>\$ 6,171,675</u>

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017
Capital lease - US Bank	\$ 59,532	\$ -	\$ 29,504	\$ 30,028
Capital lease - PNC Equipment Finance	-	519,678	175,000	344,678
Capital lease - US Bank - Technology	-	369,762	34,961	334,801
2001 Neighborhood Improvement Bonds	37,000	-	7,000	30,000
2011 Neighborhood Improvement Bonds	2,840,000	-	145,000	2,695,000
2017 General Obligation Bonds	-	5,550,000	-	5,550,000
Developer - Westwin Investment Corp.	6,102	-	6,102	-
2009 Certificates of Participation	5,440,000	-	255,000	5,185,000
2010 Certificates of Participation	2,885,000	-	65,000	2,820,000
2013 Refunding Certificates of Participation	6,690,000	-	710,000	5,980,000
2014 Certificates of Participation	556,000	-	63,000	493,000
Issuance premiums	273	314,263	273	314,263
Issuance discounts	(36,236)	-	(2,265)	(33,971)
	<u>18,477,671</u>	<u>6,753,703</u>	<u>1,488,575</u>	<u>23,742,799</u>
Compensated Absences	535,338	17,057	-	552,395
TOTAL	<u>\$ 19,013,009</u>	<u>\$ 6,770,760</u>	<u>\$ 1,488,575</u>	<u>\$ 24,295,194</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES

Long-term liabilities in the Sewer Fund consists of the 2007 and 2010 Sewer System Revenue Bonds, and compensated absences.

2007 Sewerage System Refunding and Improvement Revenue Bonds

The City entered into an agreement with the State Environmental Improvement and Energy Resources Authority, the City issued \$14.15 million in Sewerage System Refunding and Improvement Revenue Bonds, Series 2007. The bonds bear interest at 4.00% to 4.75%. In connection with the City’s issuance of these revenue bonds, the City began participating in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 70% of the expenditure amount in a Bond Reserve Fund in the City’s name. The interest paid on these sewer revenue bonds is offset by an interest subsidy from the State of Missouri’s 70% bond reserves. Interest payments are due semi-annually on January 1 and July 1 of each year with annual principal payments due July 1 of each year.

The annual debt service requirements to amortize the principal on the 2007 revenue bonds outstanding at September 30, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2018	\$ 790,000	\$ 365,875	\$ 61,440	\$ 1,217,315
2019	800,000	334,075	55,799	1,189,874
2020	815,000	301,266	50,087	1,166,353
2021	830,000	265,781	44,268	1,140,049
2022	845,000	227,038	38,342	1,110,380
2023	865,000	186,425	32,309	1,083,734
2024	885,000	147,075	26,132	1,058,207
2025	905,000	106,775	19,814	1,031,589
2026	925,000	63,312	13,352	1,001,664
2027	945,000	20,672	6,747	972,419
	<u>\$ 8,605,000</u>	<u>\$ 2,018,294</u>	<u>\$ 348,290</u>	<u>\$ 10,971,584</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

2010 Sewerage System Revenue Bonds

Through September 30, 2015, the City has issued the maximum of \$8,548,500, in the State of Missouri Direct Loan Program sewerage system revenue bonds, Series 2010, for the purpose of extending and improving the City’s sewerage system. The bonds bear interest at 1.48%. The principal and interest payments are due January 1 and July 1 of each year. Bonds may be called at any time for redemption under various provisions outlined in the bond ordinance.

The annual debt service requirements to amortize the principal on the 2010 revenue bonds outstanding at September 30, 2017, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2018	\$ 412,000	\$ 88,119	\$ 29,770	\$ 529,889
2019	420,000	81,992	27,700	529,692
2020	430,000	75,739	25,587	531,326
2021	438,000	69,345	23,428	530,773
2022	446,000	62,833	21,228	530,061
2023	456,000	56,196	18,985	531,181
2024	464,000	49,417	16,695	530,112
2025	474,000	42,513	14,362	530,875
2026	483,000	35,468	11,983	530,451
2027	493,000	28,283	9,555	530,838
2028	503,000	20,949	7,078	531,027
2029	513,000	13,468	4,550	531,018
2030	524,500	5,839	1,972	532,311
	<u>\$ 6,056,500</u>	<u>\$ 630,161</u>	<u>\$ 212,893</u>	<u>\$ 6,899,554</u>

Changes in Long-Term Liabilities - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term liabilities for the year ended September 30, 2017:

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE G – LONG-TERM LIABILITIES – BUSINESS-TYPE ACTIVITIES (continued)

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017
Revenue Bonds:				
Series 2007 SRF Revenue Bonds	\$ 9,380,000	\$ -	\$ 775,000	\$ 8,605,000
Series 2010 SRF Revenue Bonds	6,460,500	-	404,000	6,056,500
Premium on bonds	86,496	-	8,191	78,305
	<u>15,926,996</u>	-	<u>1,187,191</u>	<u>14,739,805</u>
Compensated Absences	38,219	-	-	38,219
TOTAL	<u>\$ 15,965,215</u>	<u>\$ -</u>	<u>\$ 1,187,191</u>	<u>\$ 14,778,024</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 3,055,679	\$ -	\$ -	\$ 3,055,679
Construction in progress	151,027	-	-	151,027
Total Non-depreciable Capital Assets	3,206,706	<u>\$ -</u>	<u>\$ -</u>	3,206,706
Depreciable Capital Assets:				
Building and improvements	29,712,255	\$ -	\$ -	29,712,255
Machinery and equipment	6,299,500	984,726	115,431	7,168,795
Infrastructure	48,426,804	-	-	48,426,804
Total Depreciable Capital Assets	84,438,559	<u>\$ 984,726</u>	<u>\$ 115,431</u>	85,307,854
Less Accumulated Depreciation	40,791,713	<u>\$ 2,351,853</u>	<u>\$ 87,041</u>	<u>43,056,525</u>
Total Depreciable Capital Assets, Net	<u>43,646,846</u>			<u>42,251,329</u>
Total Capital Assets - Governmental Activities, Net	<u>\$ 46,853,552</u>			<u>\$ 45,458,035</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE H – CAPITAL ASSETS (continued)

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

General	\$ 1,231
Information Technology	70,436
Buildings and grounds	95,277
Fire	145,682
Police	225,007
Animal control	15,155
Parks	398,562
Community development	1,313
Streets	1,390,819
Cemetery	8,371
	<u>\$ 2,351,853</u>

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 392,583	\$ -	\$ -	\$ 392,583
Total Non-depreciable Capital Assets	392,583	<u>\$ -</u>	<u>\$ -</u>	392,583
Depreciable Capital Assets:				
Buildings and improvements	19,361,104	\$ -	\$ -	19,361,104
Machinery and equipment	1,051,369	8,064	-	1,059,433
Sewer mains and lines	27,028,338	-	-	27,028,338
Total Depreciable Capital Assets	47,440,811	<u>\$ 8,064</u>	<u>\$ -</u>	47,448,875
Less Accumulated Depreciation	18,905,632	<u>\$ 1,512,550</u>	<u>\$ -</u>	20,418,182
Depreciable Capital Assets, Net	<u>28,535,179</u>			<u>27,030,693</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 28,927,762</u>			<u>\$ 27,423,276</u>

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

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.

	<u>2016 Valuation</u>
Benefit Multiplier	1.50% for life
Final Average Salary	5 Years
Member Contributions	0%

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

NOTE I – EMPLOYEE PENSION PLAN (continued)

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	38	12	14	64
Inactive employees entitled to but not yet receiving benefits	29	24	20	73
Active employees	<u>62</u>	<u>34</u>	<u>23</u>	<u>119</u>
	<u>129</u>	<u>70</u>	<u>57</u>	<u>256</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. Employer contribution rates are 5.7% for General, 3.4% for Police, and 3.2% for Fire of annual covered payroll.

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

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	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation for General and Police Divisions
Salary Increase	3.25% to 7.15% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment expenses

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.

NOTE I – EMPLOYEE PENSION PLAN (continued)

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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	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.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
<i>General Division</i>			
Balance at June 30, 2016	\$ 8,721,253	\$ 9,289,714	\$ (568,461)
Changes for the year:			
Service cost	210,509	-	210,509
Interest	629,585	-	629,585
Difference between expected and actual experiences	(745)	-	(745)
Contributions - employer	-	163,656	(163,656)
Net investment income	-	1,144,413	(1,144,413)
Benefits paid, including refunds	(286,486)	(286,486)	-
Administrative expenses	-	(9,777)	9,777
Other changes	-	36,421	(36,421)
Net Changes	552,863	1,048,227	(495,364)
Balance at June 30, 2017	9,274,116	10,337,941	(1,063,825)
<i>Police Division</i>			
Balance at June 30, 2016	6,746,728	7,388,502	(641,774)
Changes for the year:			
Service cost	122,925	-	122,925
Interest	486,564	-	486,564
Difference between expected and actual experiences	48,463	-	48,463
Contributions - employer	-	58,221	(58,221)
Net investment income	-	867,374	(867,374)
Benefits paid, including refunds	(195,182)	(195,182)	-
Administrative expenses	-	(5,311)	5,311
Other changes	-	24,793	(24,793)
Net Changes	462,770	749,895	(287,125)
Balance at June 30, 2017	7,209,498	8,138,397	(928,899)

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
<i>Fire Division</i>			
Balance at June 30, 2016	5,174,459	6,188,365	(1,013,906)
Changes for the year:			
Service cost	128,733	-	128,733
Interest	375,435	-	375,435
Difference between expected and actual experiences	25,689	-	25,689
Contributions - employer	-	46,047	(46,047)
Net investment income	-	732,362	(732,362)
Benefits paid, including refunds	(120,689)	(120,689)	-
Administrative expenses	-	(3,540)	3,540
Other changes	-	14,730	(14,730)
Net Changes	409,168	668,910	(259,742)
Balance at June 30, 2017	5,583,627	6,857,275	(1,273,648)
Total Plan Balances at June 30, 2017	<u>\$ 22,067,241</u>	<u>\$ 25,333,613</u>	<u>\$ (3,266,372)</u>

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following present the Net Pension Asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 10,604,822	\$ 9,274,116	\$ 8,179,040
Plan Fiduciary Net Position	10,337,941	10,337,941	10,337,941
Net Pension Liability/(Asset)	266,881	(1,063,825)	(2,158,901)
<i>Police Division</i>			
Total Pension Liability	8,340,311	7,209,498	6,293,407
Plan Fiduciary Net Position	8,138,397	8,138,397	8,138,397
Net Pension Liability/(Asset)	201,914	(928,899)	(1,844,990)
<i>Fire Division</i>			
Total Pension Liability	6,418,840	5,583,627	4,900,115
Plan Fiduciary Net Position	6,857,275	6,857,275	6,857,275
Net Pension (Asset)	(438,435)	(1,273,648)	(1,957,160)
Total Net Pension Liability/(Asset)	\$ 30,360	\$ (3,266,372)	\$ (5,961,051)

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

For the year ended 2017, the employer recognized pension expense of \$408,685 in the general division, pension expense of \$382,846 in the police division, and pension expense of \$281,194 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ -	\$ (85,714)	\$ (85,714)
Differences in assumptions	219,462	-	219,462
Excess investment returns	244,129	-	244,129
Contributions subsequent to the measurement date	37,808	-	37,808
	501,399	(85,714)	415,685

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Deferred Outflows of Resources
<i>Police Division</i>			
Differences in experiences	186,654	(21,854)	164,800
Differences in assumptions	118,590	-	118,590
Excess investment returns	210,615	-	210,615
Contributions subsequent to the measurement date	16,021	-	16,021
	<u>531,880</u>	<u>(21,854)</u>	<u>510,026</u>
<i>Fire Division</i>			
Differences in experiences	19,296	(137,846)	(118,550)
Differences in assumptions	83,169	-	83,169
Excess investment returns	184,416	-	184,416
Contributions subsequent to the measurement date	10,253	-	10,253
	<u>297,134</u>	<u>(137,846)</u>	<u>159,288</u>
Total	<u>\$ 1,330,413</u>	<u>\$ (245,414)</u>	<u>\$ 1,084,999</u>

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

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

Year Ending June 30,	Net Deferred Outflows and Inflows of Resources			
	General Division	Police Division	Fire Division	Total
2018	\$ 187,772	\$ 203,112	\$ 87,633	\$ 478,517
2019	193,075	203,110	87,631	483,816
2020	92,033	133,396	30,847	256,276
2021	(95,003)	(45,613)	(57,076)	(197,692)
2022	-	-	-	-
Thereafter	-	-	-	-
	<u>\$ 377,877</u>	<u>\$ 494,005</u>	<u>\$ 149,035</u>	<u>\$ 1,020,917</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

Payable to the Pension Plan

At September 30, 2017, the City had no outstanding contributions reported as payable to the pension plan.

NOTE J – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

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

	<u>2016</u>
Assessed Valuation	
Real estate	\$ 170,112,990
Personal property	<u>38,493,135</u>
TOTAL	<u><u>\$ 208,606,125</u></u>

	<u>2016</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$.3608
Park levy	<u>.1960</u>
TOTAL	<u><u>\$.5568</u></u>

The legal debt margin at September 30, 2017, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 20,860,613	\$ 20,860,613	\$ 41,721,226
General Obligation Bonds payable	<u>(5,550,000)</u>	<u>-</u>	<u>(5,550,000)</u>
LEGAL DEBT MARGIN	<u><u>\$ 15,310,613</u></u>	<u><u>\$ 20,860,613</u></u>	<u><u>\$ 36,171,226</u></u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE J – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN (continued)

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

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

NOTE K – UNEARNED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years, and class fees. All of the deferred revenue at September 30, 2017, is accounted for as follows:

PARK FUND	
Class fees	<u>\$ 64,191</u>
NEIGHBORHOOD IMPROVEMENT FUND	
Special assessments	<u>\$ 666,941</u>

NOTE L – RISK MANAGEMENT

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

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2017, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 830,335	\$ 278,971
Park Fund	71,821	298,198
Capital Improvement Transportation Fund	-	31,498
Capital Improvement Half Cent Fund	-	1,558,553
Debt Service Fund	1,880,193	-
Sewer Fund	-	615,129
	<u>\$ 2,782,349</u>	<u>\$ 2,782,349</u>

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

NOTE N – INTERNAL BALANCES

Internal balances as of September 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Park Fund</u>	<u>Debt Service Fund</u>	<u>Sewer Fund</u>
Internal Balances	<u>\$ 145,000</u>	<u>\$ -</u>	<u>\$ (145,000)</u>	<u>\$ -</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, 2017, balances of interfund amounts receivable or payable have been recorded within the fund financial statements

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 2007 and 2010 Sewer Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$17,309,955. Principal and interest paid for the current year and total customer net revenues were \$1,402,888 and \$2,450,585, respectively.

NOTE P – KEYSTONE TAX INCREMENT FINANCING REDEVELOPMENT AGREEMENT

The Keystone TIF is committed to reimburse the developer for public infrastructure improvements in the Keystone Redevelopment Area. There is no debt on the City's part. However, the City is obligated to repay \$2,355,801 of public infrastructure improvements to the extent that taxes are collected within this District. The City is only obligated if taxes are collected and only through the year 2038. As of September 30, 2017, the City has paid the developer \$39,150, leaving a remaining balance of \$2,316,651.

NOTE Q – SUBSEQUENT EVENT

In October 2017, the City made a prepayment to Pierce Manufacturing, Inc. for the future purchase of two fire trucks in the amount of \$1,693,793. This prepayment was necessary in order to take advantage of deep discounts offered by the manufacturer.

NOTE R – CONDUIT DEBT

On June 8, 2017, the City authorized the issuance of \$110,110,000 aggregate maximum principal amount of Taxable Industrial Development Revenue Bonds, Series 2017. The issuance is Chapter 100 debt in order to provide economic financial assistance to a third-party private entity and the City has no obligation beyond the rents, revenues and receipts derived by the City from the Project; therefore, the issue does not constitute a debt of the City and, accordingly, are not included in the City's statement of net position. The bonds are issued as the Project proceeds. As of September 30, 2017, and through the date of this report, no amounts had been issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2017

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2017	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY			
Service cost	\$ 462,167	\$ 431,128	\$ 437,162
Interest on the total pension liability	1,491,584	1,358,800	1,292,940
Difference between expected and actual experience	73,407	(53,903)	(182,349)
Changes of assumptions	-	719,477	-
Benefit payments	<u>(602,357)</u>	<u>(674,859)</u>	<u>(599,217)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	1,424,801	1,780,643	948,536
TOTAL PENSION LIABILITY, BEGINNING	<u>20,642,440</u>	<u>18,861,797</u>	<u>17,913,261</u>
TOTAL PENSION LIABILITY, ENDING	22,067,241	20,642,440	18,861,797
PLAN FIDUCIARY NET POSITION			
Contributions - employer	267,924	327,108	436,101
Contributions - employee	-	11,176	-
Pension Plan Net Investment Income	2,744,149	(53,020)	478,382
Benefit Payments	(602,357)	(674,859)	(599,217)
Pension Plan Administrative Expense	(18,628)	(18,848)	(20,132)
Other	<u>75,944</u>	<u>(266,524)</u>	<u>450,476</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,467,032	(674,967)	745,610
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>22,866,581</u>	<u>23,541,548</u>	<u>22,795,938</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>25,333,613</u>	<u>22,866,581</u>	<u>23,541,548</u>
EMPLOYER NET PENSION (ASSET)	<u>\$ (3,266,372)</u>	<u>\$ (2,224,141)</u>	<u>\$ (4,679,751)</u>
Plan fiduciary net position as a percentage of the total pension liability	114.80%	110.77%	124.81%
Covered employee payroll	\$ 5,587,967	\$ 4,910,908	\$ 4,807,182
Employer's net pension asset as a percentage of covered employee payroll	(58.45%)	(45.29%)	(97.35%)

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

CITY OF WARRENSBURG, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended September 30, 2017

Missouri Local Government Employees Retirement System (LAGERS)
Schedule of Contributions
Last 10 Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	\$ 249,997	\$ 315,514	\$ 421,140	\$ 479,472	\$ 521,963	\$ 493,031	\$ 465,772	\$ 346,129	\$ 340,956	\$ 351,665
Contributions in relation to the actuarially determined contribution	249,997	315,515	421,140	479,472	474,502	436,855	392,554	346,129	340,956	351,665
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,461</u>	<u>\$ 56,176</u>	<u>\$ 73,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,176,196	\$ 5,176,196	\$ 4,972,607	\$ 4,921,620	\$ 4,869,803	\$ 4,975,442	\$ 5,042,751	\$ 5,109,242	\$ 4,678,972	\$ 4,548,291
Contributions as a percentage of covered-employee payroll	4.83%	6.10%	8.47%	9.74%	9.74%	8.78%	7.78%	6.77%	7.29%	7.73%

See accompanying notes to the required schedules.

CITY OF WARRENSBURG, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2017

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2017

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

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – 15 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation for general and police divisions
3.25% to 7.15% including wage inflation for fire division

Investment Rate of Return – 7.25%, net of investment expenses

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

Mortality – The healthy retiree mortality tables, for post-retirement mortality, 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

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 720,000	\$ 720,000	\$ 733,257	\$ 13,257
City sales tax	4,542,500	4,542,500	4,214,360	(328,140)
Financial institution tax	4,000	4,000	3,310	(690)
Railroad and utility tax	36,000	36,000	34,483	(1,517)
Utility franchise tax	2,527,000	2,527,000	2,577,786	50,786
Surtax	30,000	30,000	27,080	(2,920)
Lodging tax	107,000	107,000	115,447	8,447
Cigarette tax	43,000	43,000	31,838	(11,162)
	<u>8,009,500</u>	<u>8,009,500</u>	<u>7,737,561</u>	<u>(271,939)</u>
Licenses and Permits				
Occupational licenses	95,872	95,872	98,596	2,724
Building permits	90,475	90,475	119,861	29,386
	<u>186,347</u>	<u>186,347</u>	<u>218,457</u>	<u>32,110</u>
Intergovernmental Revenues				
Grants	91,448	91,448	29,873	(61,575)
	<u>91,448</u>	<u>91,448</u>	<u>29,873</u>	<u>(61,575)</u>
Charges for Services				
Cemetery services	194,350	194,350	143,761	(50,589)
Animal shelter	60,000	60,000	51,554	(8,446)
	<u>254,350</u>	<u>254,350</u>	<u>195,315</u>	<u>(59,035)</u>
Fines and Forfeitures				
City court fines	322,500	322,500	344,789	22,289
Police training fees	-	-	4,378	4,378
	<u>322,500</u>	<u>322,500</u>	<u>349,167</u>	<u>26,667</u>
Miscellaneous				
Interest income	28,300	28,300	46,312	18,012
Other	55,000	68,562	110,450	41,888
	<u>83,300</u>	<u>96,862</u>	<u>156,762</u>	<u>59,900</u>
TOTAL REVENUES	<u>8,947,445</u>	<u>8,961,007</u>	<u>8,687,135</u>	<u>(273,872)</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
General government	478,904	486,028	507,155	(21,127)
Finance	442,537	443,797	432,565	11,232
Other support services	834,552	393,839	382,959	10,880
Information technology	519,537	515,723	475,241	40,482
Municipal court	149,506	147,801	130,991	16,810
Buildings and grounds	345,734	340,922	331,105	9,817
Public safety and health	5,165,944	5,658,406	5,868,411	(210,005)
Community development	798,095	787,968	742,434	45,534
Transportation	1,779,672	1,608,615	1,524,252	84,363
Cemetery	154,098	149,158	135,388	13,770
TOTAL EXPENDITURES	<u>10,668,579</u>	<u>10,532,257</u>	<u>10,530,501</u>	<u>1,756</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,721,134)	(1,571,250)	(1,843,366)	(272,116)
OTHER FINANCING SOURCES (USES)				
Sale of land	-	-	34,760	34,760
Lease proceeds	-	-	821,237	821,237
Operating transfers in	830,335	830,335	830,335	-
Operating transfers (out)	-	(32,149)	(278,971)	(246,822)
TOTAL OTHER FINANCING SOURCES (USES)	<u>830,335</u>	<u>798,186</u>	<u>1,407,361</u>	<u>609,175</u>
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(890,799)	(773,064)	(436,005)	337,059
FUND BALANCE, October 1	<u>6,165,318</u>	<u>6,165,318</u>	<u>6,165,318</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 5,274,519</u>	<u>\$ 5,392,254</u>	<u>\$ 5,729,313</u>	<u>\$ 337,059</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 392,000	\$ 392,000	\$ 398,251	\$ 6,251
Sales tax	1,287,000	1,287,000	1,234,525	(52,475)
Other taxes	32,500	32,500	33,437	937
Intergovernmental	150,000	30,000	-	(30,000)
Charges for services	780,924	780,924	711,358	(69,566)
Interest income	-	-	10,555	10,555
Miscellaneous	191,241	40,700	11,454	(29,246)
TOTAL REVENUES	<u>2,833,665</u>	<u>2,563,124</u>	<u>2,399,580</u>	<u>(163,544)</u>
EXPENDITURES				
Current				
Park	802,340	540,539	472,828	67,711
Park maintenance	434,689	510,689	461,373	49,316
Park recreation programs	926,897	950,497	933,163	17,334
Community center	746,270	537,817	401,686	136,131
TOTAL EXPENDITURES	<u>2,910,196</u>	<u>2,539,542</u>	<u>2,269,050</u>	<u>270,492</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(76,531)	23,582	130,530	106,948
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	-	68,203	68,203
Operating transfers in	-	-	71,821	71,821
Operating transfers (out)	(313,750)	(313,750)	(298,198)	15,552
TOTAL OTHER FINANCING SOURCES (USES)	<u>(313,750)</u>	<u>(313,750)</u>	<u>(158,174)</u>	<u>155,576</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(390,281)	(290,168)	(27,644)	262,524
FUND BALANCE, October 1	<u>1,020,973</u>	<u>1,020,973</u>	<u>1,020,973</u>	<u>-</u>
FUND BALANCE, September 30	<u>\$ 630,692</u>	<u>\$ 730,805</u>	<u>\$ 993,329</u>	<u>\$ 262,524</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT TRANSPORTATION FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motor fuel and vehicle taxes	\$ 746,000	\$ 746,000	\$ 755,244	\$ 9,244
Intergovernmental revenues	-	-	14,067	14,067
Miscellaneous	6,576	6,576	6,632	56
TOTAL REVENUES	752,576	752,576	775,943	23,367
EXPENDITURES				
Current				
Capital improvements	858,150	966,130	810,407	155,723
TOTAL EXPENDITURES	858,150	966,130	810,407	155,723
(DEFICIT) OF REVENUES OVER EXPENDITURES	(105,574)	(213,554)	(34,464)	179,090
OTHER FINANCING (USES)				
Operating transfers (out)	-	-	(31,498)	(31,498)
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(105,574)	(213,554)	(65,962)	147,592
FUND BALANCE, October 1	512,031	512,031	512,031	-
FUND BALANCE, September 30	\$ 406,457	\$ 298,477	\$ 446,069	\$ 147,592

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT HALF CENT FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales and use tax	\$ 1,800,000	\$ 1,800,000	\$ 1,700,737	\$ (99,263)
Intergovernmental revenues	-	-	-	-
Miscellaneous	385,510	385,510	7,385	(378,125)
TOTAL REVENUES	2,185,510	2,185,510	1,708,122	(477,388)
EXPENDITURES				
Current				
Capital improvements	928,249	845,394	275,747	569,647
TOTAL EXPENDITURES	928,249	845,394	275,747	569,647
EXCESS OF REVENUES OVER EXPENDITURES	1,257,261	1,340,116	1,432,375	92,259
OTHER FINANCING (USES)				
Operating transfers (out)	(1,345,989)	(1,345,989)	(1,558,553)	(212,564)
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(88,728)	(5,873)	(126,178)	(120,305)
FUND BALANCE, October 1	682,953	682,953	682,953	-
FUND BALANCE, September 30	\$ 594,225	\$ 677,080	\$ 556,775	\$ (120,305)

CITY OF WARRENSBURG, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2017

Budgets and Budgetary Accounting

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

1. Prior to October, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by City Council on approved budget adjustment forms.
7. No activity was budgeted for the Tri-Centennial Fund or Old Drum Fund for the year ended September 30, 2017, therefore, no budgetary comparison schedule has been presented.

OTHER FINANCIAL INFORMATION

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 Year Ended September 30, 2017

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
ASSETS					
Cash and cash equivalents	\$ 137,558	25,305	\$ 21,087	18,426	\$ 202,376
LIABILITIES					
Due to others	-	-	-	-	-
NET POSITION					
Restricted	70,281	5,548	-	153	75,982
Unrestricted	67,277	19,757	21,087	18,273	126,394
TOTAL NET POSITION	<u>\$ 137,558</u>	<u>\$ 25,305</u>	<u>\$ 21,087</u>	<u>\$ 18,426</u>	<u>\$ 202,376</u>

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended September 30, 2017

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
Additions:					
Donations	\$ 1,378	\$ 250	\$ 209	\$ 182	\$ 2,019
Deductions:					
Contributions and other	3,400	-	-	-	3,400
Changes in Net Position	(2,022)	250	209	182	(1,381)
Net Position, beginning of year	139,580	25,055	20,878	18,244	203,757
Net Position, end of year	<u>\$ 137,558</u>	<u>\$ 25,305</u>	<u>\$ 21,087</u>	<u>\$ 18,426</u>	<u>\$ 202,376</u>

OTHER REPORTING REQUIREMENTS



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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Primary Government which includes the governmental activities, business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Warrensburg, Missouri's basic financial statements, and have issued our report thereon, dated February 8, 2018.

We have also audited the discretely presented component unit, Warrensburg Convention and Visitors Bureau, and issued our report dated February 8, 2018. This report does not include our testing of internal control over financial reporting or compliance and other matters that are reported for the discretely presented component unit.

Internal Control over Financial Reporting

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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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

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

Compliance and Other Matters

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

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 8, 2018



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

In planning and performing our audit of the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2017, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

1. Federal Grant Compliance

On December 26, 2013, the Office of Management and Budget issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This new circular significantly changes the grant compliance requirements governments must follow in complying with federal grants. The compliance requirements were effective for awards made after December 26, 2014. The new Uniform Guidance changes grant compliance requirements in the areas of allowable costs, procurement, real property management and sub-recipient monitoring. The new Uniform Guidance also has new requirements regarding internal controls and includes the requirement that governments have **written** procedures for cash management and allowable cost determination. The new Uniform Guidance requires governments receiving federal funds to have a **written** conflict of interest policy with **penalties** for non-compliance. The Uniform Guidance also significantly changed sub-recipient monitoring and communication requirements for pass-through grants.

We Recommend:

As Uniform Guidance is now in force, we recommend the City review policies and procedures relating to administration of Federal Grants with individuals charged with ensuring grant compliance. Current policies and procedures should be evaluated against the latest interpretations of Uniform Guidance requirements. We also recommend the City adapt policies and procedures as necessary to ensure on-going compliance with the requirements of Uniform Guidance.

2. Bank Depository Agreements

As a custodian of public monies, we believe the City should review certain elements of depository agreements with the City's banking institutions to ensure proper controls are in place regarding the deposits. The City has a responsibility for the safety of City monies and the depository agreements are often not reviewed and updated appropriately.

We Recommend:

- a. The City determine that the depository agreement with the banking institution has instructions regarding when a check is valid and may be honored by the institution. If more than one signature is required on checks, then the depository agreement should reflect that requirement.
- b. The City determine that the depository agreement specify the persons authorized to make wire transfers and to whom they may be made. This is necessary to prevent unauthorized wire transfers of City funds.
- c. The City determine that the depository agreement has procedures for opening new accounts in order to prevent unauthorized accounts from being opened under the City name.

3. Internal Audit Procedures

As the City evolves, personnel, policies and procedures change. The City should periodically conduct a review of its internal control procedures to determine if any changes are necessary in order to protect the City's assets. As part of the process, the City should add periodic inspection of off-site procedures to verify that City policies and procedures are being followed routinely at satellite locations. While the situation had been corrected at the time of the audit, it was noted that during the year the Park department experienced deviations from normal City procedures and these instances resulted in extra time being spent by the accounting staff to determine what occurred and the necessary adjusting journal entries needed to correct the matter.

We Recommend:

The City conduct a review of its internal control procedures to determine opportunities for strengthening safeguards over the City's assets. The City may want to consider conducting reviews on cash management, computer information systems, mail distribution procedures, purchasing procedures, new vendor procedures, and other areas the City considers necessary. The City could also perform surprise visits to various facilities that collect cash to verify that appropriate controls are being exercised over the collection, recording, and depositing of cash. Random internal audit procedures serve the function of ensuring that the City's approved policies and procedures are being followed.

4. Segregation of Duties

During the previous audit, we noted that the City did not have an adequate segregation of duties within various accounting functions. The basic premise behind the segregation of duties is that no one employee should have access to all phases of a transaction to help prevent errors or irregularities.

We Commend:

The City for implementing new processes and adjusting job duties to improve segregation of duties in the accounting transaction cycle.

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

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

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 8, 2018



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2017, and have issued our report thereon dated February 8, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 31, 2017, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated August 31, 2017.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Warrensburg, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016-2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management for the following:

- Accounts receivable
- Accrued liabilities
- Long-term debt activity
- Pension related activities
- Depreciation

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 8, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Pension Schedules, the Budgetary Comparison Schedules and the Management’s Discussion and Analysis, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 8, 2018