

CITY OF WARRENSBURG, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	17
Statement of Activities.....	19
Balance Sheet – Governmental Funds	20
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Net Position – Proprietary Fund	26
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund	28
Statement of Cash Flows – Proprietary Fund	29
Statement of Fiduciary Net Position – Private Purpose Trusts.....	30
Statement of Changes in Fiduciary Net Position – Private Purpose Trusts	31
Statement of Changes in Fiduciary Net Position – Agency Funds	32
Notes to Basic Financial Statements.....	33
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Asset and Related Ratios	69
Schedule of Contributions.....	70

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Notes to Schedule of Contributions	71
Budgetary Comparison Schedule – General Fund.....	72
Budgetary Comparison Schedule – Park Fund	74
Budgetary Comparison Schedule – Capital Improvement Transportation Fund.....	75
Budgetary Comparison Schedule – Capital Improvement Half-Cent Fund	76
Note to Budgetary Comparison Schedules	77

OTHER FINANCIAL INFORMATION

Combining Statement of Fiduciary Net Position	79
Combining Statement of Changes in Fiduciary Net Position	80
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 <i>Government Auditing Standards</i>	81



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, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2015, 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, and each major fund as of September 30, 2015, 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.

Change in Accounting Principles

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended September 30, 2015.

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 January 18, 2016, 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
January 18, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

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, 2015. 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 increased by \$904,944 for the year as a result of current year activities. The net position of the City's business activities increased \$252,035 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, 2015, by \$59.4 million (net position). Of this amount, \$12.7 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,446,536.

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, 2015**

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, 2015**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2015 and 2014:

	Governmental Activities	Business-Type Activities	Total September 30, 2015	Total September 30, 2014 as restated
ASSETS				
Current and other assets	\$ 15,841,466	\$ 2,490,234	\$ 18,331,700	\$ 18,013,931
Capital assets	48,600,985	30,239,307	78,840,292	80,978,477
TOTAL ASSETS	64,442,451	32,729,541	97,171,992	98,992,408
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources	943,538	96,828	1,040,366	436,101
LIABILITIES				
Other liabilities	1,943,744	1,658,003	3,601,747	3,570,145
Long-term liabilities outstanding	19,086,052	15,999,707	35,085,759	37,532,295
TOTAL LIABILITIES	21,029,796	17,657,710	38,687,506	41,102,440
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources	129,098	17,464	146,562	104,758
NET POSITION				
Net investment in capital assets	28,830,387	13,051,703	41,882,090	41,611,229
Restricted	3,996,779	804,531	4,801,310	5,096,824
Unrestricted	11,399,929	1,294,961	12,694,890	11,513,258
TOTAL NET POSITION	<u>\$ 44,227,095</u>	<u>\$ 15,151,195</u>	<u>\$ 59,378,290</u>	<u>\$ 58,221,311</u>

Total net position of the City increased \$1,156,979 for the year due to current year activity. Total liabilities for the City have decreased by \$2,414,934. Net capital assets for the governmental activities totaled \$48.6 million as of September 30, 2015.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2015	Total Year Ended September 30, 2014
REVENUES				
Program Revenues				
Charges for services	\$ 1,276,310	\$ 4,100,771	\$ 5,377,081	\$ 5,538,220
Operating grants and contributions	15,400	-	15,400	12,040
Capital grants and contributions	98,945	-	98,945	167,737
General Revenues				
Property taxes	1,080,502	-	1,080,502	1,064,283
Sales taxes	7,199,968	-	7,199,968	7,231,331
Motor vehicle taxes	738,190	-	738,190	712,039
Other taxes	246,228	-	246,228	221,359
Franchise fees	2,984,844	-	2,984,844	2,622,267
Interest	21,801	328,555	350,356	410,789
Other revenue	147,990	-	147,990	107,962
Gain (loss) on disposal of assets	190,351	(28,906)	161,445	1,000
Special Item				
Asset impairment - Hawthorne	-	-	-	(1,570,072)
Transfers	540,161	(540,161)	-	-
TOTAL REVENUES AND TRANSFERS	14,540,690	3,860,259	18,400,949	16,518,955
EXPENSES				
General government	416,133	-	416,133	423,626
Finance	332,590	-	332,590	269,287
Other support services	468,496	-	468,496	364,205
Information technology	566,827	-	566,827	72,967
Municipal court	132,713	-	132,713	131,300
Buildings and grounds	409,574	-	409,574	389,511
Public safety and health	4,650,735	-	4,650,735	4,845,163
Community development	814,633	-	814,633	594,399
Transportation	2,792,338	-	2,792,338	3,254,697
Cemetery	125,759	-	125,759	103,779
Parks and recreation	2,195,330	-	2,195,330	2,316,723
Debt service	730,618	654,145	1,384,763	1,362,988
Sewer	-	2,954,079	2,954,079	3,640,881
TOTAL EXPENSES	13,635,746	3,608,224	17,243,970	17,769,526
INCREASE (DECREASE) IN NET ASSETS	\$ 904,944	\$ 252,035	\$ 1,156,979	\$ (1,250,571)

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

Governmental Activities

Governmental activities increased the net position of the City by \$904,944. Total tax revenues for the City were \$12.2 million, which represents 84% of the financing of these activities. Program revenues for the functions totaled \$1.4 million or 10% 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	\$ 416,133	\$ 228,395
Finance	332,590	332,590
Other support services	468,496	468,496
Information technology	566,827	566,827
Municipal court	132,713	132,713
Buildings and grounds	409,574	409,574
Public safety and health	4,650,735	4,370,746
Community development	814,633	814,633
Transportation	2,792,338	2,783,393
Cemetery	125,759	13,394
Parks and recreation	2,195,330	1,393,712
Debt Service	730,618	730,618
	<u>\$ 13,635,746</u>	<u>\$ 12,245,091</u>

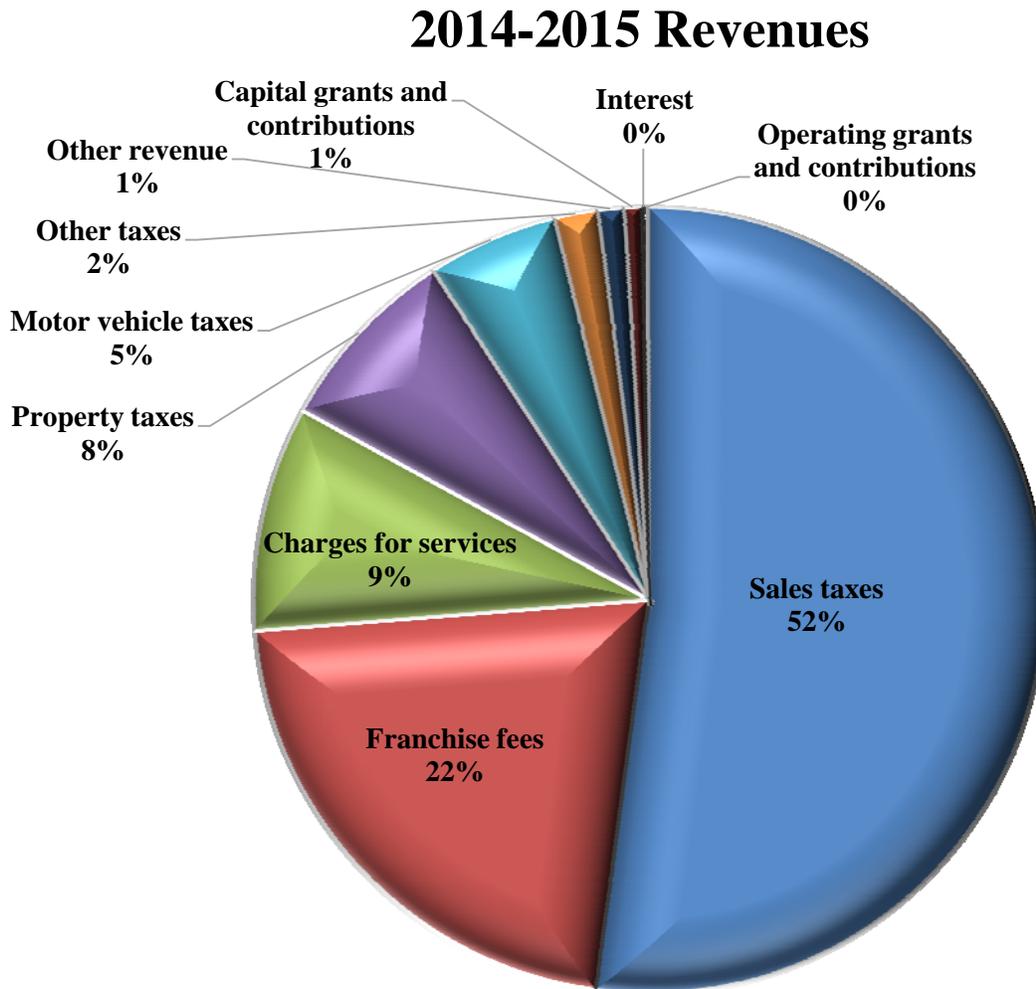
Business-Type Activities

Business-type activities increased the City's net position by \$252,035. Last year the business-type activities decreased \$3,870.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015

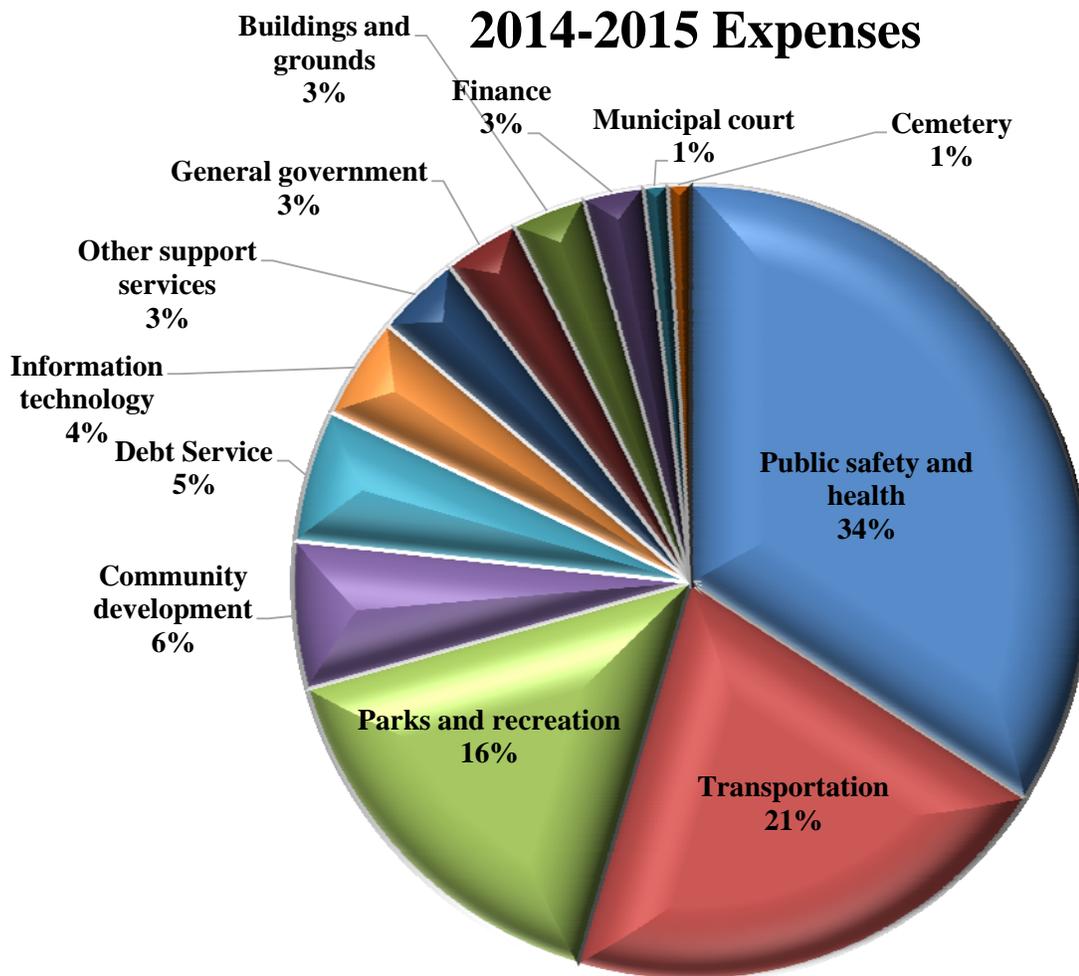
Financial Analysis of the City's Funds

The revenue sources for the City are diverse as illustrated in the pie chart below. The largest source of revenue is Sales Taxes at 52% of the total, with the next largest portion being Franchise fees at 22%, and Charges for Services at 9% of the total revenues.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

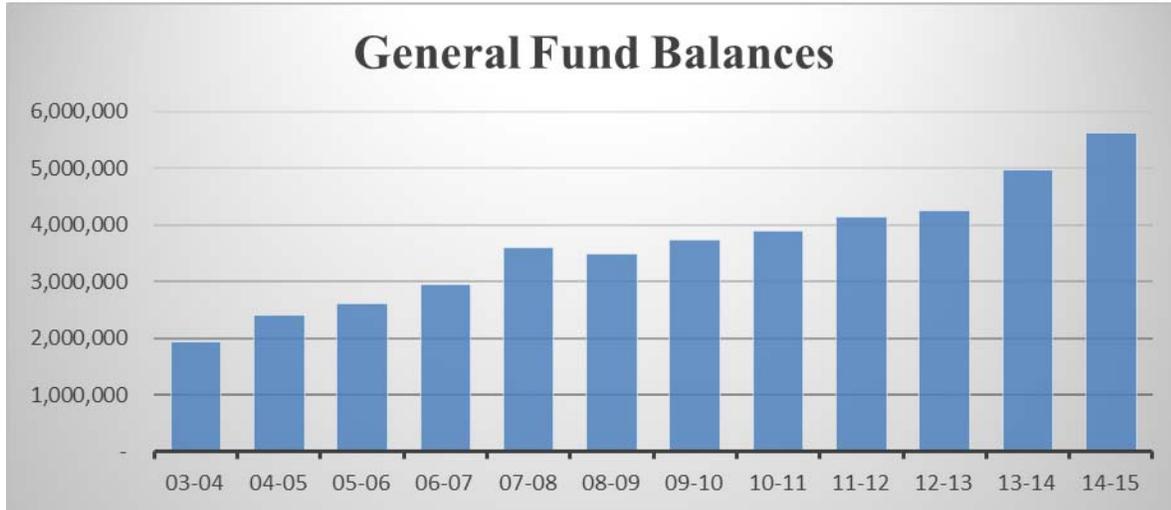
As the following pie chart indicates, the City provides a wide array of services. In terms of spending, there are 5 major categories of services which account for 82% of expenses; Public Safety and Health, which includes Fire and Law enforcement, at 34%, followed by Transportation at 21%, Parks and Recreation at 16%, Community Development at 6%, and Debt Service at 5%.



The combined fund balances of the City's governmental funds as of September 30, 2015, were \$9.6 million. The General Fund increased by \$651,059. The Park Fund decreased by \$328,511. The Capital Improvement Transportation Fund decreased by \$39,395. The Capital Improvement Half-Cent Fund decreased by \$206,778. The Debt Service Fund decreased by \$4,165. The Neighborhood Improvement Fund increased by \$276,883.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

Below you will find a bar graph that provides a historical picture of the ending fund balance, and displays the performance for the General Fund of the City.



General Fund Budgetary Highlights

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

- The original revenue budget of \$8,601,530 was decreased by \$47,976 to \$8,553,554. Most of this decrease was from intergovernmental revenues being lower than originally projected.
- The total original budgeted expenditures of \$9,614,897 were increased by \$31,915 to \$9,646,812. Most of this increase was from an increase in information technology.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$48.6 million (net of accumulated depreciation) as of September 30, 2015. This represents a decrease of \$599,949 from the prior year due primarily to building and improvement additions along with infrastructure additions net of the current year provisions for depreciation. Net capital assets for business-type activities were \$30.2 million as of September 30, 2015. This represents a decrease of \$1,538,235 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, 2015, was \$20.3 million, which is a decrease of \$1.3 million due to current year principal payments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2015**

Total debt and long-term obligations of the business-type activities as of September 30, 2015, was \$17.2 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's conservative spending patterns have helped rebuild reserves and will allow the City to implement strategies and lend funding for important projects that will create and promote growth economically within the City.

Economic Development – strategic efforts and activities have been undertaken to increase economic growth, business development, recruitment, entrepreneurship, and job development in the City. Funding from the City is and will continue to be strategically targeted towards incentives for existing and new businesses. Working in conjunction with our community partners helps to assist in the effort to recruit new businesses while growing existing businesses, in hopes that a thriving sales and property tax base will support a vibrant, healthy, and financially sound Warrensburg.

With a modest Sales tax revenue increase of .5% in fiscal year 2015, Staff will continue budget conservatively with essentially flat revenues in fiscal year 2016. The Warrensburg community has continued to provide a stable economic base with continued growth of major employers in the area. In fiscal year 2015 the City of Warrensburg has seen such completed projects as:

- Western Missouri Medical Center – new cancer and pediatric centers opened
- University of Central Missouri (UCM) – opened The Crossing at South and Holden with new student housing apartments, Spin Pizza, Starbucks and a new retail space for the University Bookstore
- Veterans Affairs Community-Based Outpatient Clinic opened to serve veterans in the area
- Downtown Façade Grants awarded and leveraged with Main Street dollars
- Completed start-up of Warrensburg Convention and Visitors Bureau
- Adopted 1% for Art to set aside funding for public art acquisition and maintenance
- Completed selection process for engineering firm to complete preliminary engineering for the Hwy 50/Bus 13 interchange and Maguire Street corridor

The City will continue to take a proactive approach to economic development and promotion of the City for growth.

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, 2015

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents - unrestricted	\$ 7,580,809	\$ 829,388	\$ 8,410,197
Taxes receivable, net	1,584,147	-	1,584,147
Utilities receivable, net	-	236,519	236,519
Other accounts receivable, net	5,338	-	5,338
Special assessments receivable	1,036,457	-	1,036,457
Court fines receivable, net	1,227	-	1,227
Intergovernmental receivable	155,000	-	155,000
Inventory	12,631	-	12,631
Prepaid expenses	130,023	18,514	148,537
Restricted cash and cash equivalents	283,764	468,916	752,680
Restricted investments	700,398	608,818	1,309,216
Net pension asset	4,351,672	328,079	4,679,751
Capital Assets:			
Non-depreciable	3,170,747	392,583	3,563,330
Depreciable, net	45,430,238	29,846,724	75,276,962
TOTAL ASSETS	<u>64,442,451</u>	<u>32,729,541</u>	<u>97,171,992</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflow	<u>943,538</u>	<u>96,828</u>	<u>1,040,366</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	943,538	96,828	1,040,366

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2015

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current			
Accounts payable	333,915	33,848	367,763
Accrued expenses	287,903	26,669	314,572
Unearned revenue	33,342	-	33,342
Court bonds payable	2,349	-	2,349
Accrued interest payable	57,858	136,386	194,244
Arbitrage payable	-	273,203	273,203
Current maturities of long-term debt	1,228,377	1,187,897	2,416,274
	<u>1,943,744</u>	<u>1,658,003</u>	<u>3,601,747</u>
Noncurrent			
Capital leases payable	60,576	27,503	88,079
Neighborhood improvement bonds payable	2,882,000	-	2,882,000
Certificates of participation payable	15,599,645	-	15,599,645
Revenue bonds payable, net	-	15,935,187	15,935,187
Developer agreements payable	12,472	-	12,472
Compensated absences payable	531,359	37,017	568,376
	<u>19,086,052</u>	<u>15,999,707</u>	<u>35,085,759</u>
TOTAL LIABILITIES	<u>21,029,796</u>	<u>17,657,710</u>	<u>38,687,506</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflow	129,098	17,464	146,562
TOTAL DEFERRED INFLOW OF RESOURCES	<u>129,098</u>	<u>17,464</u>	<u>146,562</u>
NET POSITION			
Net investment in capital assets	28,830,387	13,051,703	41,882,090
Restricted	3,996,779	804,531	4,801,310
Unrestricted	11,399,929	1,294,961	12,694,890
TOTAL NET POSITION	<u>\$ 44,227,095</u>	<u>\$ 15,151,195</u>	<u>\$ 59,378,290</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2015

	Special Revenue Funds						Debt Service Funds		Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	
ASSETS									
Cash and cash equivalents	\$ 4,827,944	\$ 914,595	\$ -	\$ -	\$ 560,977	\$ 472,354	\$ 152,890	\$ 652,049	\$ 7,580,809
Taxes receivable, net	987,728	198,538	-	-	126,517	271,364	-	-	1,584,147
Intergovernmental receivable	-	-	-	-	-	-	155,000	-	155,000
Other accounts receivable	5,338	-	-	-	-	-	-	-	5,338
Special assessments receivable	-	-	-	-	-	-	-	1,036,457	1,036,457
Court fines receivable, net	1,227	-	-	-	-	-	-	-	1,227
Due from other funds	216,821	-	-	-	-	-	-	-	216,821
Inventory	12,631	-	-	-	-	-	-	-	12,631
Prepaid expenses	113,594	16,429	-	-	-	-	-	-	130,023
Restricted cash and cash equivalents	2,349	536	-	13,965	-	-	5,976	260,938	283,764
Restricted investments	-	-	-	-	-	-	700,398	-	700,398
TOTAL ASSETS	\$ 6,167,632	\$ 1,130,098	\$ -	\$ 13,965	\$ 687,494	\$ 743,718	\$ 1,014,264	\$ 1,949,444	\$ 11,706,615
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES									
Liabilities									
Accounts payable	\$ 284,154	\$ 19,131	\$ -	\$ -	\$ 18,603	\$ 12,027	\$ -	\$ -	\$ 333,915
Accrued expenses	253,509	34,394	-	-	-	-	-	-	287,903
Court bonds payable	2,349	-	-	-	-	-	-	-	2,349
Due to other funds	-	71,821	-	-	-	-	145,000	-	216,821
Unearned revenue	-	33,342	-	-	-	-	-	-	33,342
TOTAL LIABILITIES	540,012	158,688	-	-	18,603	12,027	145,000	-	874,330

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2015

	Special Revenue Funds					Debt Service Funds		Total Governmental Funds	
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund		Neighborhood Improvement Fund
Deferred Inflow of Resources									
Deferred revenue - special assessments	-	-	-	-	-	-	155,000	1,036,457	1,191,457
Fund Balances									
Nonspendable:									
Inventory	12,631	-	-	-	-	-	-	-	12,631
Prepaid expenses	113,594	16,429	-	-	-	-	-	-	130,023
Restricted for:									
Debt Service	-	-	-	-	-	-	714,264	912,987	1,627,251
Capital improvements	-	-	-	-	668,891	731,691	-	-	1,400,582
Tri-centennial	-	-	-	13,965	-	-	-	-	13,965
Parks and recreation	-	954,981	-	-	-	-	-	-	954,981
Unassigned	5,501,395	-	-	-	-	-	-	-	5,501,395
TOTAL FUND BALANCES	<u>5,627,620</u>	<u>971,410</u>	<u>-</u>	<u>13,965</u>	<u>668,891</u>	<u>731,691</u>	<u>714,264</u>	<u>912,987</u>	<u>9,640,828</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 6,167,632</u>	<u>\$ 1,130,098</u>	<u>\$ -</u>	<u>\$ 13,965</u>	<u>\$ 687,494</u>	<u>\$ 743,718</u>	<u>\$ 1,014,264</u>	<u>\$ 1,949,444</u>	<u>\$ 11,706,615</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
September 30, 2015

Fund balance - total governmental funds	\$ 9,640,828
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	87,213,171
Less accumulated depreciation	<u>(38,612,186)</u>
	48,600,985
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	4,351,672
Deferred outflows due to pension	943,538
Deferred inflows due to pension	<u>(129,098)</u>
	5,166,112
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(57,858)
Adjustment of deferred revenue	1,191,457
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(20,314,429)</u>
Net position of governmental activities	<u><u>\$ 44,227,095</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2015

	Special Revenue Funds						Debt Service Funds		Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	
REVENUES									
Taxes	\$ 8,135,830	\$ 1,698,113	\$ -	\$ -	\$ 738,190	\$ 1,665,659	\$ -	\$ 290,536	\$ 12,528,328
Licenses and permits	172,338	-	-	-	-	-	-	-	172,338
Intergovernmental revenues	15,400	90,000	-	-	-	8,945	-	-	114,345
Charges for services	159,371	711,618	-	-	-	-	-	-	870,989
Fines and forfeitures	232,983	-	-	-	-	-	-	-	232,983
Interest income	17,029	22	-	-	-	-	4,750	-	21,801
Miscellaneous	98,383	74,780	-	-	3,551	-	159,150	-	335,864
TOTAL REVENUES	8,831,334	2,574,533	-	-	741,741	1,674,604	163,900	290,536	14,276,648
EXPENDITURES									
Current									
General government	395,715	-	-	-	-	-	-	13,186	408,901
Finance	330,659	-	-	-	-	-	-	-	330,659
Other support services	468,496	-	-	-	-	-	-	-	468,496
Information technology	325,412	-	-	-	-	-	-	-	325,412
Municipal court	131,910	-	-	-	-	-	-	-	131,910
Buildings and grounds	257,112	-	-	-	-	-	-	-	257,112
Public safety and health	4,851,650	-	-	-	-	-	-	-	4,851,650
Community development	746,220	-	-	-	-	-	-	-	746,220
Transportation	1,299,236	-	-	-	-	-	-	-	1,299,236
Cemetery	113,795	-	-	-	-	-	-	-	113,795
Parks and recreation	-	2,620,390	-	-	-	-	-	-	2,620,390
Capital improvements	-	-	-	-	698,875	502,356	-	-	1,201,231
Debt Service									
Principal and interest	-	-	-	-	-	-	1,712,237	260,467	1,972,704
TOTAL EXPENDITURES	8,920,205	2,620,390	-	-	698,875	502,356	1,712,237	273,653	14,727,716

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2015

	Special Revenue Funds					Debt Service Funds			Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(88,871)	(45,857)	-	-	42,866	1,172,248	(1,548,337)	16,883	(451,068)
OTHER FINANCING SOURCES (USES)									
Sale of capital assets	-	-	-	-	-	-	-	260,000	260,000
Operating transfers in (out)	739,930	(282,654)	-	-	(82,261)	(1,379,026)	1,544,172	-	540,161
TOTAL OTHER FINANCING SOURCES (USES)	739,930	(282,654)	-	-	(82,261)	(1,379,026)	1,544,172	260,000	800,161
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	651,059	(328,511)	-	-	(39,395)	(206,778)	(4,165)	276,883	349,093
FUND BALANCE, October 1	4,976,561	1,299,921	-	13,965	708,286	938,469	718,429	636,104	9,291,735
FUND BALANCE, September 30	\$ 5,627,620	\$ 971,410	\$ -	\$ 13,965	\$ 668,891	\$ 731,691	\$ 714,264	\$ 912,987	\$ 9,640,828

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, 2015

Net change in fund balances - total governmental funds \$ 349,093

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	1,730,863
Depreciation	(2,278,259)
Disposal of capital assets, net	(52,553)
	<u>(599,949)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	(428,596)
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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.

Repayment of principal on bonds, leases, and other debt	1,222,188
Change in accrued interest payable	2,901
	<u>1,225,089</u>

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>359,307</u>
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Change in net position of governmental activities	<u>\$ 904,944</u>
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See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2015

	Enterprise Fund
	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 829,388
Utilities receivable, net	236,519
Prepaid expenses	<u>18,514</u>
TOTAL CURRENT ASSETS	1,084,421
Noncurrent Assets	
Net pension asset	<u>328,079</u>
TOTAL NONCURRENT ASSETS	328,079
Restricted Assets	
Cash and cash equivalents	468,916
Investments	<u>608,818</u>
TOTAL RESTRICTED ASSETS	1,077,734
Property, Plant and Equipment	
Land	392,583
Buildings and improvements	19,198,509
Sewer mains and lines	27,028,338
Machinery and equipment	<u>1,028,423</u>
	47,647,853
Less accumulated depreciation	<u>(17,408,546)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>30,239,307</u>
	TOTAL ASSETS
	32,729,541
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflow	<u>96,828</u>
	TOTAL DEFERRED
	OUTFLOW OF RESOURCES
	96,828

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
September 30, 2015

	Enterprise Fund
	<u>Sewer Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	33,848
Accrued expenses	26,669
Accrued interest payable	136,386
Arbitrage payable	273,203
Current maturities of long-term debt	<u>1,187,897</u>
TOTAL CURRENT LIABILITIES	1,658,003
Long-Term Liabilities	
Capital leases payable	27,503
Revenue bonds payable, net	15,935,187
Compensated absences payable	<u>37,017</u>
TOTAL LONG-TERM LIABILITIES	<u>15,999,707</u>
TOTAL LIABILITIES	17,657,710
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflow	<u>17,464</u>
TOTAL DEFERRED INFLOW OF RESOURCES	17,464
NET POSITION	
Net investment in capital assets	13,051,703
Restricted	804,531
Unrestricted	<u>1,294,961</u>
TOTAL NET POSITION	<u>\$ 15,151,195</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended September 30, 2015

	Enterprise Fund
	<u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,093,437
Miscellaneous	7,334
	<u>4,100,771</u>
	TOTAL OPERATING REVENUES
	4,100,771
OPERATING EXPENSES	
Personnel services	680,820
Contractual services	133,704
Repairs and maintenance	110,011
Supplies	63,337
Utilities	365,603
Education	2,850
Labs and testing	16,406
Bad debt expense	310
Insurance Expenses	56,752
Depreciation	1,509,330
Miscellaneous	14,956
	<u>2,954,079</u>
	TOTAL OPERATING EXPENSES
	2,954,079
	OPERATING INCOME
	1,146,692
NONOPERATING REVENUES (EXPENSES)	
Interest income	328,555
Interest expense	(654,145)
Loss on disposal of asset	(28,906)
	<u>(354,496)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)
	(354,496)
	INCOME BEFORE OPERATING TRANSFERS
	792,196
OPERATING TRANSFERS (OUT)	<u>(540,161)</u>
	NET INCOME
	252,035
NET POSITION, October 1, as restated	<u>14,899,160</u>
NET POSITION, September 30	<u>\$ 15,151,195</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended September 30, 2015

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,247,978
Cash paid to suppliers	(710,207)
Cash paid to employees	(679,569)
	<u>2,858,202</u>
	NET CASH PROVIDED BY OPERATING ACTIVITIES
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer (out)	(540,161)
	<u>(540,161)</u>
	NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment of bond principal	(1,139,000)
Payment of interest expense	(663,241)
Payment of principal on capital leases	(25,200)
	<u>(1,827,441)</u>
	NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	320,364
Purchase of investments	(18,323)
	<u>302,041</u>
	NET CASH PROVIDED BY INVESTING ACTIVITIES
	NET INCREASE IN CASH AND CASH EQUIVALENTS
	792,641
CASH AND CASH EQUIVALENTS, Beginning of year	<u>505,663</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 1,298,304</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,146,692
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,509,330
(Increase) decrease in:	
Utilities receivable	147,207
Net pension asset	43,661
Deferred pension outflows	(49,707)
Increase (decrease) in:	
Accounts payable	(14,904)
Accrued expenses	(1,985)
Compensated absences	3,462
Arbitrage payable	68,627
Deferred pension inflows	5,819
	<u>2,858,202</u>
	NET CASH PROVIDED BY OPERATING ACTIVITIES
	<u>\$ 2,858,202</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF FIDUCIARY NET POSITION – PRIVATE PURPOSE TRUSTS
 September 30, 2015

	<u>Private-Purpose Trusts</u>
ASSETS	
Cash and cash equivalents	\$ 203,694
LIABILITIES	
Due to others	<u>-</u>
NET POSITION	
Restricted	75,982
Unrestricted	<u>127,712</u>
TOTAL NET POSITION	<u><u>\$ 203,694</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE PURPOSE TRUSTS
Year Ended September 30, 2015

	<u>Private-Purpose Trusts</u>
Additions:	
Donations	\$ 1,000
Deductions:	
Contributions and other	<u>2,500</u>
Changes in Net Position	(1,500)
Net Position, beginning of year	<u>205,194</u>
Net Position, end of year	<u><u>\$ 203,694</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS
 September 30, 2015

	<u>Agency Funds</u>	
	<u>Children's Memorial Trust</u>	<u>Arts Commission</u>
ASSETS		
Cash and cash equivalents	<u>\$ 18,120</u>	<u>\$ 15,528</u>
LIABILITIES		
Due to others	<u>\$ 18,120</u>	<u>\$ 15,528</u>

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 City is organized under the laws of the State of Missouri and 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 no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the City's basic financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Old Drum Fund: The Old Drum Fund is used to account for charges for services that are restricted, committed, or assigned for the City's promotional activities.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The City reports the following major proprietary fund:

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

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 two agency funds. The agency funds consist of the Children's Memorial Trust and the Arts Commission. 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.

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.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing assets, liabilities, deferred inflows and outflows of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The City adopted GASB Statement No. 68 and 71 for the year ended September 30, 2015.

Certain September 30, 2014, amounts have been reclassified to the September 30, 2015, presentation.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2015, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2015, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	12/21/2015 - 1/1/2028	<u>\$ 1,309,216</u>

NOTE C – INVESTMENTS (continued)

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, 2015, 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.

Concentration of Credit Risk

The City's investment policy does not limit the amount it may invest in any one issuer. At September 30, 2015, 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.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE D – ACCOUNTS RECEIVABLE

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

	Accounts Receivable	Allowance	Net Accounts Receivable
GENERAL FUND			
Ad valorem taxes receivable	\$ 24,450	\$ 13,338	\$ 11,112
Sales and use tax receivable	674,796	-	674,796
Franchise tax receivable	292,858	-	292,858
Lodging tax receivable	8,962	-	8,962
	<u>\$ 1,001,066</u>	<u>\$ 13,338</u>	<u>\$ 987,728</u>
PARK FUND			
Ad valorem taxes receivable	\$ 13,280	\$ 7,244	\$ 6,036
Sales and use tax receivable	192,502	-	192,502
	<u>\$ 205,782</u>	<u>\$ 7,244</u>	<u>\$ 198,538</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 19,666</u>	<u>\$ 18,439</u>	<u>\$ 1,227</u>
SPECIAL ASSESSMENTS AND INTERGOVERNMENTAL RECEIVABLE			
Debt Service Fund	\$ 155,000	\$ -	\$ 155,000
Neighborhood Improvement Fund	3,779,223	2,742,766	1,036,457
	<u>\$ 3,934,223</u>	<u>\$ 2,742,766</u>	<u>\$ 1,191,457</u>
UTILITIES RECEIVABLE			
Sewer Fund	<u>\$ 343,541</u>	<u>\$ 107,022</u>	<u>\$ 236,519</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE E – RESTRICTED ASSETS

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
GENERAL FUND		
Court bonds	\$ 2,349	\$ -
PARK FUND		
Refundable deposits	\$ 536	\$ 954,981
TRI-CENTENNIAL FUND		
Tri-Centennial activities	\$ 13,965	\$ 13,965
CAPITAL IMPROVEMENT FUND		
Trustee funds	\$ -	\$ 668,891
CAPITAL IMPROVEMENT HALF CENT FUND		
Trustee funds	\$ -	\$ 731,691
DEBT SERVICE FUND		
Debt service reserves	\$ 706,374	\$ 714,264
NEIGHBORHOOD IMPROVEMENT FUND		
Debt service reserves	\$ 260,938	\$ 912,987
SEWER FUND		
1992 Revenue Bonds		
Principal and interest	\$ 71,840	\$ 71,840
2007 Revenue Bonds		
Rebate account	273,203	-
Principal and interest	608,818	608,818
2010 Revenue Bonds		
Debt service reserve	1	1
Principal and interest	123,872	123,872
	<u>\$ 1,077,734</u>	<u>\$ 804,531</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities of the City of Warrensburg consists of five Certificates of Participation, one capital lease, two Neighborhood Improvement Bonds payable, one developer agreement, and compensated absences payable.

Capital Lease

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>
2016	\$ 28,421	\$ 3,077	\$ 31,498
2017	29,504	1,994	31,498
2018	30,028	1,470	31,498
	<u>\$ 87,953</u>	<u>\$ 6,541</u>	<u>\$ 94,494</u>

This lease agreement provides for cancellation of the lease 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, this lease is accounted for as a noncancellable capital lease in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

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, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 550,000	\$ 166,909	\$ 716,909
2017	710,000	153,044	863,044
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>\$ 7,240,000</u>	<u>\$ 890,122</u>	<u>\$ 8,130,122</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 240,000	\$ 244,287	\$ 484,287
2017	255,000	236,788	491,788
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>\$ 5,680,000</u>	<u>\$ 2,774,175</u>	<u>\$ 8,454,175</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

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.

The total annual minimum lease payments required at September 30, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 220,000	\$ 139,305	\$ 359,305
2017	65,000	132,705	197,705
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>\$ 3,105,000</u>	<u>\$ 1,453,090</u>	<u>\$ 4,558,090</u>

Series 2011 Certificates of Participation

The City issued \$575,000 of Series 2011 Certificates of Participation. The Certificates were issued to finance certain city projects and city buildings. The Certificates of Participation bear interest from 2.0% to 4.0% with principal payments due September 1 and interest payments due March 1 and September 1 each year. The lease is reported in the governmental activities but a portion is to be accounted for within and is to be repaid by the Sewer Fund/Business-Type Activities as shown below.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

The total annual minimum lease payments required at September 30, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 55,000	\$ 3,300	\$ 58,300
2017	55,000	1,100	56,100
	<u>\$ 110,000</u>	<u>\$ 4,400</u>	<u>\$ 114,400</u>
Amount recorded in:			
Governmental Activities			\$ 55,600
Sewer Fund / Business-Type Activities			54,400
		TOTAL	<u>\$ 110,000</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, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 61,000	\$ 17,461	\$ 78,461
2017	63,000	15,735	78,735
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>\$ 617,000</u>	<u>\$ 90,418</u>	<u>\$ 707,418</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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, 2015, are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 6,000	\$ 2,250	\$ 8,250
2017	7,000	1,885	8,885
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
	\$ 43,000	\$ 7,623	\$ 50,623

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 \$1,571,615 at September 30, 2015. At September 30, 2015, special assessments receivable totaled \$3,779,223.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

The total annual principal and interest payments required at September 30, 2015, are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 140,000	\$ 112,163	\$ 252,163
2017	145,000	107,887	252,887
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>\$ 2,980,000</u>	<u>\$ 1,071,626</u>	<u>\$ 4,051,626</u>

Developer Agreement

The City entered into a development agreement with Westwin Investment Corporation (Westwin) to reimburse Westwin for certain public improvements costs. Subject to certain terms and conditions, under the agreement, the City will reimburse the developer 50% of the 1% general sales taxes collected from retail sales at this project location over a scheduled ten (10) year period not to exceed \$81,000. At September 30, 2015, the outstanding amount under this non-interest bearing agreement was \$12,472.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

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

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015
Capital lease - US Bank	\$ 115,330	\$ -	\$ 27,377	\$ 87,953
2001 Neighborhood Improvement Bonds	49,000	-	6,000	43,000
2011 Neighborhood Improvement Bonds	3,115,000	-	135,000	2,980,000
Developer - Westwin Investment Corp.	18,998	-	6,526	12,472
2009 Certificates of Participation	5,950,000	-	270,000	5,680,000
2010 Certificates of Participation	3,315,000	-	210,000	3,105,000
2011 Certificates of Participation	130,400	-	74,800	55,600
2013 Refunding Certificates of Participation	7,720,000	-	480,000	7,240,000
2014 Certificates of Participation	655,000	-	38,000	617,000
Issuance premiums	819	-	273	546
Issuance discounts	(40,766)	-	(2,265)	(38,501)
	21,028,781	-	1,245,711	19,783,070
Compensated Absences	507,836	23,523	-	531,359
TOTAL	<u>\$ 21,536,617</u>	<u>\$ 23,523</u>	<u>\$ 1,245,711</u>	<u>\$ 20,314,429</u>

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, Series 2011 Certificates of Participation, and compensated absences.

Series 2011 Certificates of Participation

The City issued \$575,000 of Series 2011 Certificates of Participation. The Certificates were issued to finance certain city projects and city buildings. The Certificates of Participation bear interest from 2.0% to 4.0% with principal payments due September 1 and interest payments due March 1 and September 1 each year. The Certificates of Participation outstanding at September 30, 2015, are represented in total within governmental activities, but the Business-type activities portion of the obligation at September 30, 2015, is \$54,400.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

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, 2015, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2016	\$ 765,000	\$ 427,975	\$ 72,435	\$ 1,265,410
2017	775,000	397,175	66,973	1,239,148
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>\$ 10,145,000</u>	<u>\$ 2,843,444</u>	<u>\$ 487,698</u>	<u>\$ 13,476,142</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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, 2015, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fee</u>	<u>Total</u>
2016	\$ 396,000	\$ 100,018	\$ 33,790	\$ 529,808
2017	404,000	94,128	31,800	529,928
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>\$ 6,856,500</u>	<u>\$ 824,307</u>	<u>\$ 278,483</u>	<u>\$ 7,959,290</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

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, 2015:

	Balance September 30, 2014	Additions	Retirements	Balance September 30, 2015
2011 Certificates of Participation	\$ 79,600	\$ -	\$ 25,200	\$ 54,400
Revenue Bonds:				
Series 2007 SRF Revenue Bonds	10,895,000	-	750,000	10,145,000
Series 2010 SRF Revenue Bonds	7,245,500	-	389,000	6,856,500
Premium on bonds	102,878	-	8,191	94,687
	18,243,378	-	1,147,191	17,096,187
Compensated Absences	33,555	3,462	-	37,017
TOTAL	<u>\$ 18,356,533</u>	<u>\$ 3,462</u>	<u>\$ 1,172,391</u>	<u>\$ 17,187,604</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 3,072,776	\$ -	\$ 17,097	\$ 3,055,679
Construction in progress	240,449	22,836	148,217	115,068
Total Non-depreciable Capital Assets	3,313,225	<u>\$ 22,836</u>	<u>\$ 165,314</u>	3,170,747
Depreciable Capital Assets:				
Building and improvements	28,627,193	\$ 1,035,573	\$ 16,481	29,646,285
Machinery and equipment	6,240,741	257,774	464,622	6,033,893
Infrastructure	47,782,252	579,994	-	48,362,246
Total Depreciable Capital Assets	82,650,186	<u>\$ 1,873,341</u>	<u>\$ 481,103</u>	84,042,424
Less Accumulated Depreciation	36,762,477	<u>\$ 2,278,259</u>	<u>\$ 428,550</u>	38,612,186
Total Depreciable Capital Assets, Net	45,887,709			45,430,238
Total Capital Assets - Governmental Activities, Net	<u>\$ 49,200,934</u>			<u>\$ 48,600,985</u>

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

General	\$ 4,752
Information Technology	76,770
Buildings and grounds	150,875
Fire	98,517
Police	183,049
Animal control	15,310
Parks	389,924
Community development	8,147
Streets	1,339,648
Cemetery	11,267
	<u>\$ 2,278,259</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 392,583	\$ -	\$ -	\$ 392,583
Total Non-depreciable Capital Assets	392,583	\$ -	\$ -	392,583
Depreciable Capital Assets:				
Buildings and improvements	19,198,509	\$ -	\$ -	19,198,509
Machinery and equipment	1,028,423	-	-	1,028,423
Sewer mains and lines	27,241,744	-	213,406	27,028,338
Total Depreciable Capital Assets	47,468,676	\$ -	\$ 213,406	47,255,270
Less Accumulated Depreciation	16,083,717	\$ 1,509,330	\$ 184,501	17,408,546
Depreciable Capital Assets, Net	31,384,959			29,846,724
Total Capital Assets - Business-Type Activities, Net	\$ 31,777,542			\$ 30,239,307

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.

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

	<u>2015 Valuation</u>
Benefit Multiplier	1.75%
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.

Employees Covered by Benefit Terms. At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	36	8	15
Inactive employees entitled to but not yet receiving benefits	30	22	19
Active employees	57	30	22
	<u>123</u>	<u>60</u>	<u>56</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 7.3% for General, 4.4% for Police, and 5.5% for Fire of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2015.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation for General and Police Divisions
Salary Increase	3.5% to 8.6% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

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, 2015

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)
General Division			
Balance at June 30, 2014	<u>\$ 7,651,018</u>	<u>\$ 9,364,108</u>	<u>\$ (1,713,090)</u>
Changes for the year:			
Service Cost	195,831	-	195,831
Interest	550,515	-	550,515
Difference between expected and actual experiences	(101,923)	-	(101,923)
Contributions - employer	-	217,149	(217,149)
Net investment income	-	177,512	(177,512)
Benefits paid, including refunds	(313,296)	(313,296)	-
Administrative expenses	-	(10,998)	(10,998)
Other changes	-	59,551	(59,551)
Net Changes	<u>331,127</u>	<u>129,918</u>	<u>201,209</u>
Balance at June 30, 2015	<u><u>\$ 7,982,145</u></u>	<u><u>\$ 9,494,026</u></u>	<u><u>\$ (1,511,881)</u></u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
Police Division			
Balance at June 30, 2014	<u>\$ 5,672,119</u>	<u>\$ 7,293,891</u>	<u>\$ (1,621,772)</u>
Changes for the year:			
Service Cost	117,612	-	117,612
Interest	409,425	-	409,425
Difference between expected and actual experiences	(45,023)	-	(45,023)
Contributions - employer	-	118,006	(118,006)
Net investment income	-	180,742	(180,742)
Benefits paid, including refunds	(168,260)	(168,260)	-
Administrative expenses	-	(4,940)	(4,940)
Other changes	-	253,915	(253,915)
Net Changes	<u>313,754</u>	<u>379,463</u>	<u>(65,709)</u>
Balance at June 30, 2015	<u><u>\$ 5,985,873</u></u>	<u><u>\$ 7,673,354</u></u>	<u><u>\$ (1,687,481)</u></u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
Fire Division			
Balance at June 30, 2014	<u>\$ 4,590,124</u>	<u>\$ 6,137,939</u>	<u>\$ (1,547,815)</u>
Changes for the year:			
Service Cost	123,719	-	123,719
Interest	333,000	-	333,000
Difference between expected and actual experiences	(35,403)	-	(35,403)
Contributions - employer	-	100,946	(100,946)
Net investment income	-	120,128	(120,128)
Benefits paid, including refunds	(117,661)	(117,661)	-
Administrative expenses	-	(4,194)	(4,194)
Other changes	-	137,010	(137,010)
Net Changes	<u>303,655</u>	<u>236,229</u>	<u>67,426</u>
Balance at June 30, 2015	<u>\$ 4,893,779</u>	<u>\$ 6,374,168</u>	<u>\$ (1,480,389)</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.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
General Division			
Total Pension Liability	\$ 9,074,653	\$ 7,982,145	\$ 7,072,451
Plan Fiduciary Net Position	9,494,026	9,494,026	9,494,026
Net Pension (Asset)	<u>\$ (419,373)</u>	<u>\$ (1,511,881)</u>	<u>\$ (2,421,575)</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Police Division			
Total Pension Liability	\$ 6,900,473	\$ 5,985,873	\$ 5,235,071
Plan Fiduciary Net Position	7,673,354	7,673,354	7,673,354
Net Pension (Asset)	<u>\$ (772,881)</u>	<u>\$ (1,687,481)</u>	<u>\$ (2,438,283)</u>
	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Fire Division			
Total Pension Liability	\$ 5,605,002	\$ 4,893,779	\$ 4,307,176
Plan Fiduciary Net Position	6,374,168	6,374,168	6,374,168
Net Pension (Asset)	<u>\$ (769,166)</u>	<u>\$ (1,480,389)</u>	<u>\$ (2,066,992)</u>

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

For the year ended 2015, the employer recognized pension expense of \$45,421 in the general division, pension revenue of \$223,676 in the police division, and pension revenue of \$87,985 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	General		Police		Fire	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences in experiences	\$ -	\$ (80,478)	\$ -	\$ (37,300)	\$ -	\$ (28,784)
Differences in assumptions	-	-	-	-	-	-
Excess investment returns	399,753	-	284,114	-	263,206	-
Contributions subsequent to the measurement date	46,460	-	25,245	-	21,588	-
	<u>\$ 446,213</u>	<u>\$ (80,478)</u>	<u>\$ 309,359</u>	<u>\$ (37,300)</u>	<u>\$ 284,794</u>	<u>\$ (28,784)</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

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, 2016.

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

Year Ending June 30,	General Division	Police Division	Fire Division
	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources
2016	\$ 78,493	\$ 63,306	\$ 59,183
2017	78,493	63,306	59,183
2018	78,493	63,306	59,183
2019	83,796	63,304	59,181
2020	-	(6,408)	(2,308)
Thereafter	-	-	-
	<u>\$ 319,275</u>	<u>\$ 246,814</u>	<u>\$ 234,422</u>

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of October 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71 and for a capital asset addition related to the community center roof and decking project that was expensed in the prior year.

	Business-Type	Governmental	Total
	Activities	Activities	
NET POSITION, as previously stated September 30, 2014	\$ 14,491,011	\$ 38,420,622	\$ 52,911,633
Deferred pension outflows	47,121	388,980	436,101
Deferred pension inflows	(11,645)	(93,113)	(104,758)
Net pension asset	371,741	4,510,936	4,882,677
Net pension obligation	932	43,590	44,522
Capital asset	-	51,136	51,136
NET POSITION, as restated October 1, 2014	<u>\$ 14,899,160</u>	<u>\$ 43,322,151</u>	<u>\$ 58,221,311</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE K – 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>2014</u>
Assessed Valuation	
Real estate	\$ 164,506,692
Personal property	<u>37,439,545</u>
TOTAL	<u><u>\$ 201,946,237</u></u>
	<u>2014</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, 2015, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 20,194,624	\$ 20,194,624	\$ 40,389,248
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 20,194,624</u></u>	<u><u>\$ 20,194,624</u></u>	<u><u>\$ 40,389,248</u></u>

(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.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE L – UNEARNED REVENUE AND DEFERRED INFLOWS

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, taxes, and court fines. All of the deferred revenue at September 30, 2015, is accounted for as follows:

PARK FUND	
Class fees	<u>\$ 33,342</u>
NEIGHBORHOOD IMPROVEMENT FUND	
Special assessments	<u>\$ 1,036,457</u>
DEBT SERVICE FUND	
Interlocal agreement with school district	<u>\$ 155,000</u>

NOTE M – 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.

NOTE N – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2015, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 771,003	\$ 31,073
Park Fund	21,000	303,654
Capital Improvement Transportation Fund	-	82,261
Capital Improvement Half Cent Fund	-	1,379,026
Debt Service Fund	1,544,172	-
Sewer Fund	-	540,161
	<u>\$ 2,336,175</u>	<u>\$ 2,336,175</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE N – INTERFUND TRANSFERS (continued)

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 O – INTERNAL BALANCES

Internal balances as of September 30, 2015, consisted of the following:

	General Fund	Park Fund	Debt Service Fund	Sewer Fund
Internal Balances	<u>\$ 216,821</u>	<u>\$ (71,821)</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, 2015, balances of interfund amounts receivable or payable have been recorded within the fund financial statements

NOTE P – 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 \$20,669,251. Principal and interest paid for the current year and total customer net revenues were \$1,703,073 and \$2,656,022, respectively.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE Q – COMMITMENTS

As of September 30, 2015, the City had commitments as follows:

<u>Company</u>	<u>Purpose</u>	<u>Commitment</u>
Great River Engineering	Stormwater Management Plan	\$ 229,111
LPA Consultant Services	Downtown Revitalization Project	\$ 90,337

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2015

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2015
	<u> </u>
TOTAL PENSION LIABILITY	
Service Cost	\$ 437,162
Interest on the Total Pension Liability	1,292,940
Difference between expected and actual experience	(182,349)
Benefit Payments	<u>(599,217)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	948,536
TOTAL PENSION LIABILITY, BEGINNING	<u>17,913,261</u>
TOTAL PENSION LIABILITY, ENDING	18,861,797
PLAN FIDUCIARY NET POSITION	
Contributions - employer	436,101
Contributions - employee	-
Pension Plan Net Investment Income	478,382
Benefit Payments	(599,217)
Pension Plan Administrative Expense	(20,132)
Other	<u>450,476</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	745,610
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>22,795,938</u>
PLAN FIDUCIARY NET POSITION, ENDING	<u>23,541,548</u>
EMPLOYER NET PENSION (ASSET)	<u><u>\$ (4,679,751)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	124.81%
Covered employee payroll	\$ 4,807,182
Employer's net pension asset as a percentage of covered employee payroll	(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, 2015

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 421,140	\$ 479,472	\$ 521,963	\$ 493,031	\$ 465,772	\$ 346,129	\$ 340,956	\$ 351,560	\$ 310,203	\$ 309,658
Contributions in relation to the actuarially determined contribution	421,140	479,472	474,502	436,855	392,554	346,129	340,956	351,560	310,203	309,650
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,461</u>	<u>\$ 56,176</u>	<u>\$ 73,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>
Covered-employee payroll	\$ 4,972,607	\$ 4,921,620	\$ 4,869,803	\$ 4,975,442	\$ 5,042,751	\$ 5,109,242	\$ 4,678,972	\$ 4,546,991	\$ 4,080,423	\$ 3,918,862
Contributions as a percentage of covered-employee payroll	8.47%	9.74%	9.74%	8.78%	7.78%	6.77%	7.29%	7.73%	7.60%	7.90%

See accompanying notes to the required schedules.

CITY OF WARRENSBURG, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2015

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2015.

Notes: The roll-forward of total pension liability from February 28, 2015, to June 30, 2015, 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

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 15 years

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

Inflation – 3.5% wage inflation; 3.0% price inflation

Salary Increases – 3.5% to 8.6% including wage inflation

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

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

Mortality – 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

Other Information – None

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 694,000	\$ 694,000	\$ 700,203	\$ 6,203
City sales tax	4,206,650	4,206,650	4,246,775	40,125
Financial institution tax	3,064	3,064	3,713	649
Railroad and utility tax	29,400	29,400	31,241	1,841
Utility franchise tax	2,567,000	2,567,000	2,984,844	417,844
Surtax	21,980	21,980	24,512	2,532
Lodging tax	98,000	105,000	107,763	2,763
Cigarette tax	43,000	43,000	36,779	(6,221)
	<u>7,663,094</u>	<u>7,670,094</u>	<u>8,135,830</u>	<u>465,736</u>
Licenses and Permits				
Occupational licenses	93,456	93,456	91,745	(1,711)
Building permits	73,475	73,475	80,593	7,118
	<u>166,931</u>	<u>166,931</u>	<u>172,338</u>	<u>5,407</u>
Intergovernmental Revenues				
Grants	237,055	151,555	15,400	(136,155)
	<u>237,055</u>	<u>151,555</u>	<u>15,400</u>	<u>(136,155)</u>
Charges for Services				
Cemetery services	59,725	59,725	112,365	52,640
Animal shelter	60,000	60,000	47,006	(12,994)
	<u>119,725</u>	<u>119,725</u>	<u>159,371</u>	<u>39,646</u>
Fines and Forfeitures				
City court fines	344,550	344,550	228,417	(116,133)
Police training fees	-	-	4,566	4,566
	<u>344,550</u>	<u>344,550</u>	<u>232,983</u>	<u>(111,567)</u>
Miscellaneous				
Interest income	15,250	15,250	17,029	1,779
Other	54,925	85,449	98,383	12,934
	<u>70,175</u>	<u>100,699</u>	<u>115,412</u>	<u>14,713</u>
TOTAL REVENUES	<u>8,601,530</u>	<u>8,553,554</u>	<u>8,831,334</u>	<u>277,780</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
General government	415,348	418,266	395,715	22,551
Finance	357,830	355,407	330,659	24,748
Other support services	500,082	556,534	468,496	88,038
Information technology	302,069	348,056	325,412	22,644
Municipal court	145,596	145,596	131,910	13,686
Buildings and grounds	243,694	251,534	257,112	(5,578)
Public safety and health	5,141,811	5,056,267	4,851,650	204,617
Community development	1,041,570	1,047,933	746,220	301,713
Transportation	1,354,694	1,355,016	1,299,236	55,780
Cemetery	112,203	112,203	113,795	(1,592)
TOTAL EXPENDITURES	<u>9,614,897</u>	<u>9,646,812</u>	<u>8,920,205</u>	<u>726,607</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,013,367)	(1,093,258)	(88,871)	1,004,387
OTHER FINANCING SOURCES (USES)				
Operating transfers in	760,227	760,227	771,003	10,776
Operating transfers (out)	-	-	(31,073)	(31,073)
TOTAL OTHER FINANCING SOURCES (USES)	<u>760,227</u>	<u>760,227</u>	<u>739,930</u>	<u>(20,297)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(253,140)	(333,031)	651,059	984,090
FUND BALANCE, October 1	<u>4,976,561</u>	<u>4,976,561</u>	<u>4,976,561</u>	-
FUND BALANCE, September 30	<u>\$ 4,723,421</u>	<u>\$ 4,643,530</u>	<u>\$ 5,627,620</u>	<u>\$ 984,090</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 376,500	\$ 380,000	\$ 380,299	\$ 299
Sales tax	1,176,500	1,246,500	1,287,534	41,034
Other taxes	27,500	30,280	30,280	-
Intergovernmental	55,000	90,000	90,000	-
Charges for services	767,050	691,250	711,618	20,368
Interest income	-	-	22	22
Miscellaneous	20,200	84,895	74,780	(10,115)
TOTAL REVENUES	2,422,750	2,522,925	2,574,533	51,608
EXPENDITURES				
Current				
Park	498,763	450,011	412,299	37,712
Park maintenance	351,155	482,355	356,282	126,073
Park recreation programs	767,745	727,745	687,786	39,959
Community center	476,239	1,266,350	1,164,023	102,327
TOTAL EXPENDITURES	2,093,902	2,926,461	2,620,390	306,071
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	328,848	(403,536)	(45,857)	357,679
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	21,000	21,000
Operating transfers (out)	-	-	(303,654)	(303,654)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(282,654)	(282,654)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	328,848	(403,536)	(328,511)	75,025
FUND BALANCE, October 1	1,299,921	1,299,921	1,299,921	-
FUND BALANCE, September 30	\$ 1,628,769	\$ 896,385	\$ 971,410	\$ 75,025

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT TRANSPORTATION FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motor fuel and vehicle taxes	\$ 691,000	\$ 691,000	\$ 738,190	\$ 47,190
Intergovernmental revenues	72,000	72,000	-	(72,000)
Miscellaneous	25	25	3,551	3,526
TOTAL REVENUES	763,025	763,025	741,741	(21,284)
EXPENDITURES				
Current				
Capital improvements	994,900	1,093,525	698,875	394,650
TOTAL EXPENDITURES	994,900	1,093,525	698,875	394,650
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(231,875)	(330,500)	42,866	373,366
OTHER FINANCING (USES)				
Operating transfers (out)	(81,795)	(81,795)	(82,261)	(466)
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(313,670)	(412,295)	(39,395)	372,900
FUND BALANCE, October 1	708,286	708,286	708,286	-
FUND BALANCE, September 30	\$ 394,616	\$ 295,991	\$ 668,891	\$ 372,900

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT HALF CENT FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales and use tax	\$ 1,705,890	\$ 1,705,890	\$ 1,665,659	\$ (40,231)
Intergovernmental revenues	-	-	8,945	8,945
TOTAL REVENUES	1,705,890	1,705,890	1,674,604	(31,286)
EXPENDITURES				
Current				
Capital improvements	373,899	783,145	502,356	280,789
TOTAL EXPENDITURES	373,899	783,145	502,356	280,789
EXCESS OF REVENUES OVER EXPENDITURES	1,331,991	922,745	1,172,248	249,503
OTHER FINANCING (USES)				
Operating transfers (out)	(1,383,312)	(1,383,312)	(1,379,026)	4,286
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(51,321)	(460,567)	(206,778)	253,789
FUND BALANCE, October 1	938,469	938,469	938,469	-
FUND BALANCE, September 30	\$ 887,148	\$ 477,902	\$ 731,691	\$ 253,789

CITY OF WARRENSBURG, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2015

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, 2015, 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, 2015

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
ASSETS					
Cash and cash equivalents	\$ 140,040	\$ 24,851	\$ 20,708	\$ 18,095	\$ 203,694
LIABILITIES					
Due to others	-	-	-	-	-
NET POSITION					
Restricted	70,281	5,548	-	153	75,982
Unrestricted	69,759	19,303	20,708	17,942	127,712
TOTAL NET POSITION	<u>\$ 140,040</u>	<u>\$ 24,851</u>	<u>\$ 20,708</u>	<u>\$ 18,095</u>	<u>\$ 203,694</u>

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended September 30, 2015

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
Additions:					
Donations	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Deductions:					
Contributions and other	1,500	-	-	1,000	2,500
Changes in Net Position	(1,500)	-	-	-	(1,500)
Net Position, beginning of year	141,540	24,851	20,708	18,095	205,194
Net Position, end of year	<u>\$ 140,040</u>	<u>\$ 24,851</u>	<u>\$ 20,708</u>	<u>\$ 18,095</u>	<u>\$ 203,694</u>



**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 governmental activities, business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2015, 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 January 18, 2016.

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.

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.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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
January 18, 2016



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, 2015, 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. New Overtime Rules

The Department of Labor has proposed updating regulations regarding the salary level required for overtime exemptions to more than double the salary threshold that determines which workers are eligible for time-and-half pay when working more than 40 hours in a week. Under the proposal, salaried workers earning less than \$50,440 would have to start tracking their hours more closely than ever before. It is anticipated that these new requirements will become effective sometime in 2016 and there will be a period of time allowed for becoming compliant.

We Commend:

The City for becoming aware of the proposed new requirements for overtime pay and for determining the effect of these new requirements on the City's finances. The City has identified the employees in the City that will fall under these new requirements and has developed a strategy to mitigate the impact of these new requirements on the City.

2. 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* (OMNI Circular). This new circular significantly changes the grant compliance requirements governments must follow in complying with federal grants. The compliance requirements are effective for awards made after December 26, 2014.

The new OMNI Circular changes grant compliance requirements in the areas of allowable costs, procurement, real property management and sub-recipient monitoring. The new Circular 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 Circular requires governments receiving federal funds to have a **written** conflict of interest policy with **penalties** for non-compliance. The OMNI Circular also significantly changed sub-recipient monitoring and communication requirements for pass-through grants.

We Recommend:

The City require individuals charged with ensuring grant compliance, receive training on the new OMNI Circular. We also recommend the City adopt plans and policies to ensure compliance with the new OMNI Circular.

3. Internal Control Review

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

We 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.

4. Segregation of Duties

The City does 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 Recommend:

The City separate which employees can print and write checks from those employees that can enter an invoice.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri
Page Three

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
January 18, 2016



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, 2015, and have issued our report thereon dated January 18, 2016. 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 September 28, 2015, 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 September 28, 2015.

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. As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended September 30, 2015. 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 collectibility 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

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 January 18, 2016.

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

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
January 18, 2016