

CITY OF WARRENSBURG, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2012

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Warrensburg, Missouri's management. 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 *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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and each major fund of the City of Warrensburg, Missouri, as of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedule of funding progress 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.

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 as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The Other Financial Information and the Schedule of Expenditures of Federal Awards 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

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, 2012. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The net assets of the City's governmental activities increased by \$476,977 for the year as a result of current year activities. The net assets of the City's business activities increased \$99,948 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2012, by \$53.4 million (net assets). Of this amount, \$7.4 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2.3 million.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets 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 Assets 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 assets and changes in them. The City's net assets – 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 assets are one indicator of whether its financial health is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

In the Statement of Net Assets and the Statement of Activities, we divide the City into three 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 Assets 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 Assets 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, 2012**

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of September 30, 2012 and 2011:

	Governmental Activities	Business-Type Activities	Total September 30, 2012	Total September 30, 2011
Current and other assets	\$ 11,896,374	\$ 1,520,863	\$ 13,417,237	\$ 13,695,082
Capital assets	50,872,132	32,320,615	83,192,747	83,297,076
TOTAL ASSETS	62,768,506	33,841,478	96,609,984	96,992,158
Other liabilities	1,613,964	1,758,214	3,372,178	1,990,070
Long-term liabilities outstanding	22,239,157	17,595,895	39,835,052	42,176,259
TOTAL LIABILITIES	23,853,121	19,354,109	43,207,230	44,166,329
Net assets:				
Invested in capital assets				
net of related debt	28,342,430	13,366,416	41,708,846	40,465,783
Restricted	3,438,361	892,552	4,330,913	8,063,111
Unrestricted	7,134,594	228,401	7,362,995	4,296,935
TOTAL NET ASSETS	<u>\$ 38,915,385</u>	<u>\$ 14,487,369</u>	<u>\$ 53,402,754</u>	<u>\$ 52,825,829</u>

Total net assets of the City increased \$576,925 for the year due to current year activity. Total liabilities for the City have decreased by \$959,099 due to the repayment of bond principal and capital lease principal. Net capital assets for the governmental activities totaled \$50.9 million as of September 30, 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

CHANGE IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2012	Total Year Ended September 30, 2011
REVENUES				
Program Revenues				
Charges for services	\$ 1,374,707	\$ 3,433,816	\$ 4,808,523	\$ 4,674,401
Operating grants and contributions	92,262	-	92,262	38,273
Capital grants and contributions	578,761	-	578,761	3,014,904
General Revenues				
Property taxes	1,063,685	-	1,063,685	1,058,849
Sales taxes	6,464,163	-	6,464,163	6,258,283
Motor vehicle taxes	670,829	-	670,829	190,940
Other taxes	190,193	-	190,193	-
Franchise fees	2,439,587	-	2,439,587	2,555,506
Intergovernmental	-	-	-	594,658
Interest	217	459,180	459,397	589,145
Other revenue	129,238	-	129,238	131,142
Gain on disposal of assets	19,697	535	20,232	-
Transfers	292,110	(292,110)	-	-
TOTAL REVENUES	13,315,449	3,601,421	16,916,870	19,106,101
EXPENSES				
General government	303,001	-	303,001	764,986
Finance and support services	781,366	-	781,366	1,044,697
Municipal court	160,925	-	160,925	-
Information technology	258,002	-	258,002	-
Buildings and grounds	316,180	-	316,180	-
Public safety and health	4,724,411	-	4,724,411	4,864,477
Community development	628,602	-	628,602	720,765
Transportation	2,079,620	-	2,079,620	2,805,182
Cemetery	121,488	-	121,488	158,912
Parks and recreation	2,442,889	-	2,442,889	2,292,227
Debt service	1,021,988	788,293	1,810,281	1,022,489
Sewer	-	2,713,180	2,713,180	3,268,764
TOTAL EXPENSES	12,838,472	3,501,473	16,339,945	16,942,499
INCREASE IN NET ASSETS	\$ 476,977	\$ 99,948	\$ 576,925	\$ 2,163,602

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

Governmental Activities

Governmental activities increased the net assets of the City by \$476,977. Total tax revenues for the City were \$10.8 million, which represents 81% of the financing of these activities. Program revenues for the functions totaled \$2.0 million or 15% 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	\$ 303,001	\$ 129,676
Finance and support services	781,366	781,366
Municipal court	160,925	160,925
Information technology	258,002	258,002
Buildings and grounds	316,180	316,180
Public safety and health	4,724,411	4,241,739
Community development	628,602	594,620
Transportation	2,079,620	1,527,002
Cemetery	121,488	73,648
Parks and recreation	2,442,889	1,687,596
Debt Service	1,021,988	1,021,988
	\$ 12,838,472	\$ 10,792,742

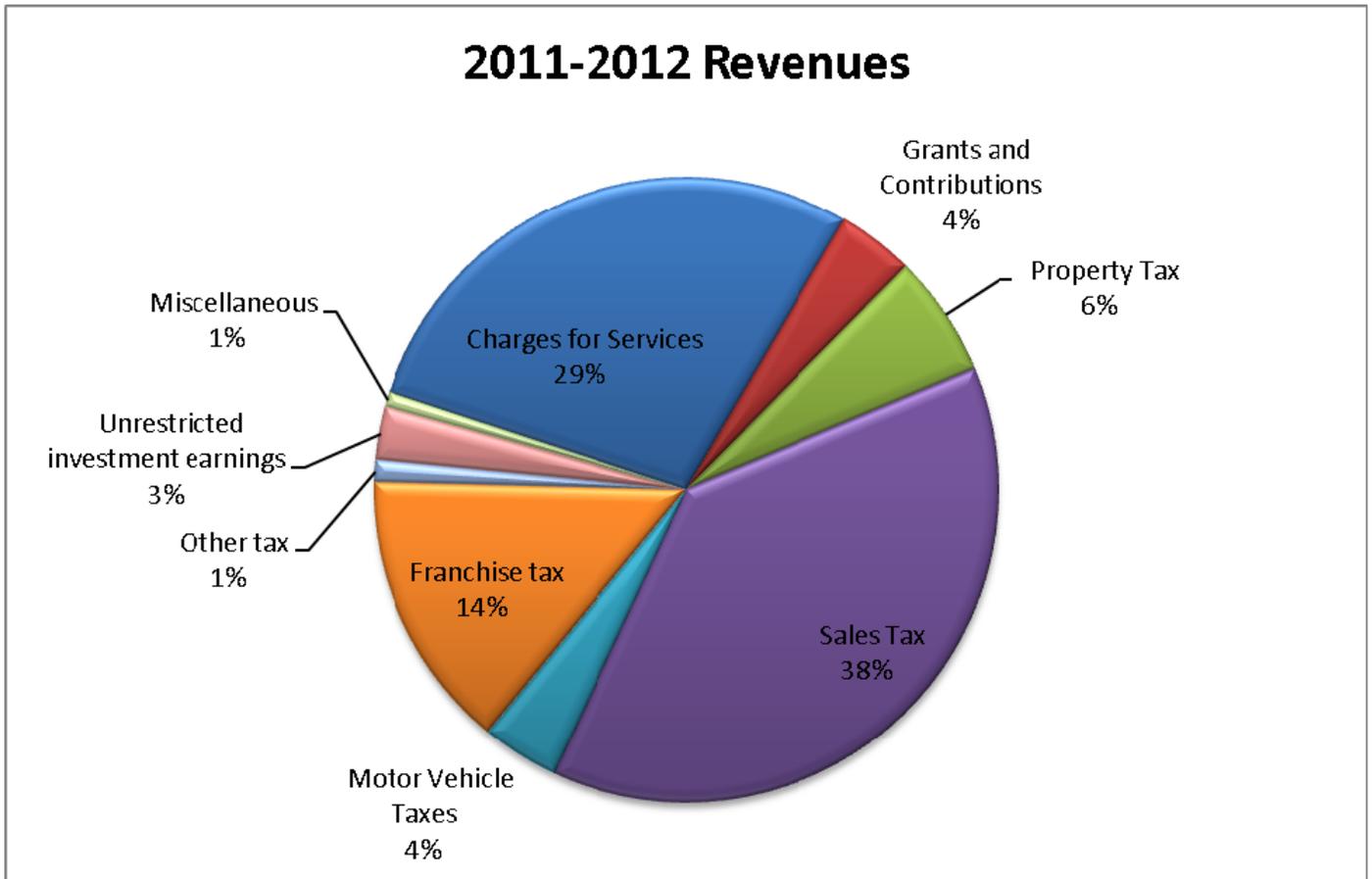
Business-Type Activities

Business-type activities increased the City's net assets by \$99,948. Last year the business-type activities increased \$311,390.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

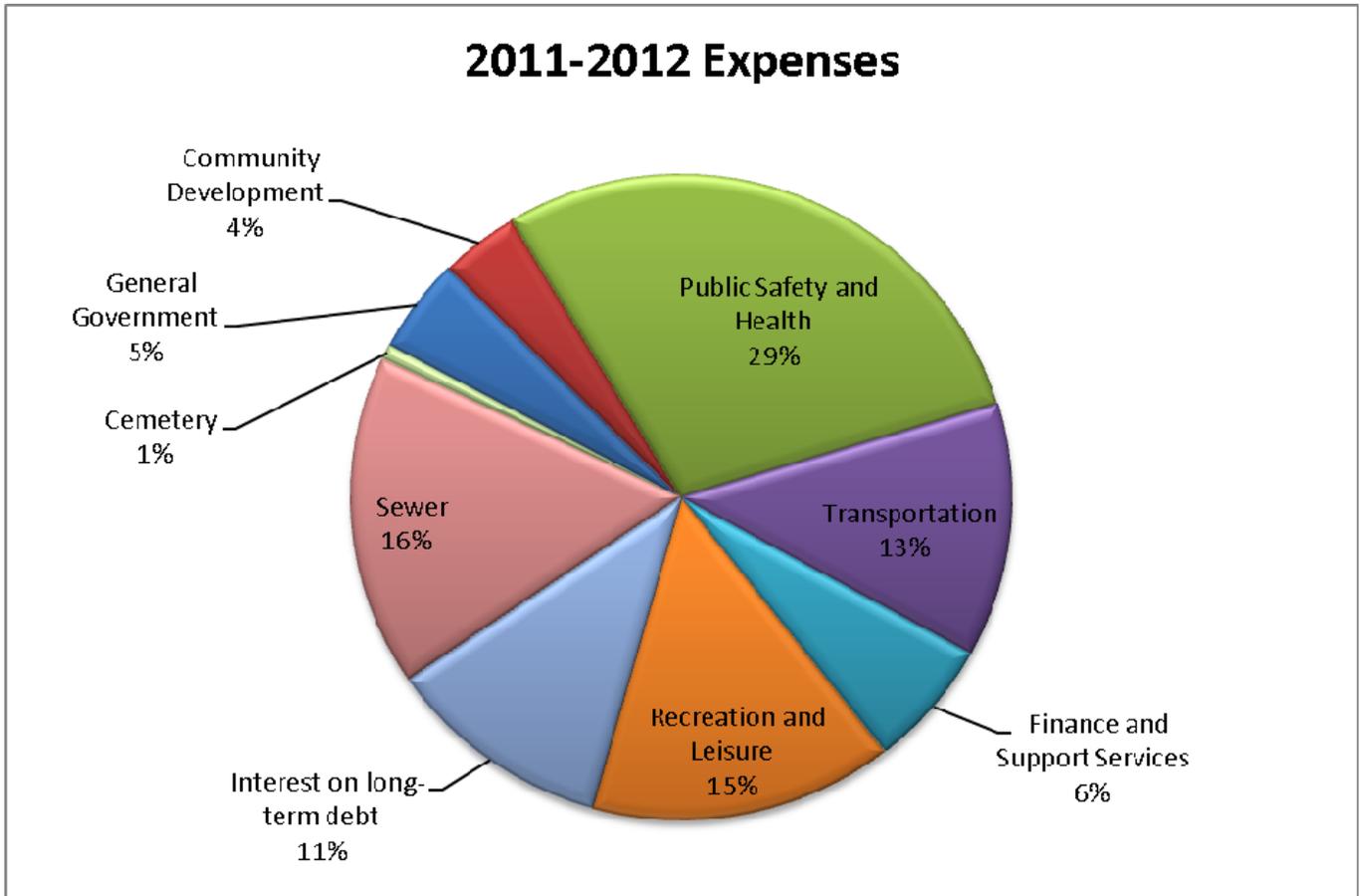
Financial Analysis of the City's Funds

The revenue sources for the City are diverse as illustrated in the pie chart below. The largest source of revenue is Sales Taxes at 38% of the total, with the next largest portion being Charges for Services at 29%, followed by Franchise Taxes at 14% of the total revenues.



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

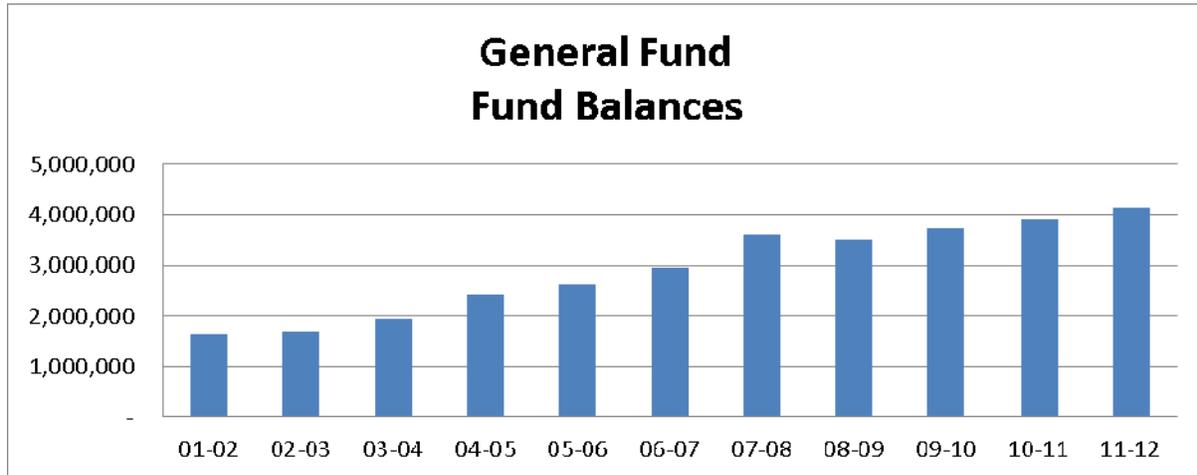
As the pie chart below indicates, the City provides a wide array of services. The largest category of services in terms of spending is Public Safety and Health at 29%, which primarily reflects the cost of providing police and fire protection services to the community. The three largest categories of spending are relatively close with the Sewer utility at 16%, Recreation and Leisure at 15%, and Transportation or street department at 13%.



The combined fund balances of the City's governmental funds as of September 30, 2012, were \$7.6 million. The General Fund increased by \$250,338. The Park Fund decreased by \$117,262. The Old Drum Fund decreased by \$6,855. The Tri-Centennial Fund decreased by \$1. The Capital Improvement Fund decreased by \$645,906. The Debt Service Fund increased by \$3,253. The Neighborhood Improvement Fund increased by \$1,862.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

In order to help address the question of how the city is performing over time, the below bar graph provides a historical picture of the ending fund balance 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 \$7,815,962 was increased to \$7,826,989.
- The total original expenditures budget of \$8,438,776 was decreased to \$8,436,524.
- The original budget for other sources, uses and transfers of \$450,771 was increased to \$450,822.

Fiscal year end budget adjustments were presented and approved by City Council at the September 30, 2012, meeting. The year-end budget adjustments were done to comply with Chapter 67, RSMo.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$50.9 million (net of accumulated depreciation) as of September 30, 2012. This represents an increase of \$174,880 from the prior year due primarily to infrastructure additions net of the current year provisions for depreciation. Net capital assets for business-type activities were \$32.3 million as of September 30, 2012. This represents a decrease of \$279,209 from the prior year due primarily to the current year provisions for depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2012**

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2012, was \$23.3 million, which is a decrease of \$879,485 due to current year principal payments.

Total debt and long-term obligations of the business-type activities as of September 30, 2012, was \$18.7 million, which is up by \$684,260 from the prior year due to payments made on the City's capital leases and revenue bonds and the issuance of Series 2010 SRF Revenue bonds in the amount of \$2,070,257.

Economic Factors and Next Year's Budget

City spending patterns will continue to require a more conservative approach to help rebuild reserves and careful monitoring considering the sensitive local, state and national economies.

Economic Development – The City continues to take a proactive approach to economic development focused on growing revenues through the growth of the community while minimizing risks. Towards this end, management has undertaken specific initiatives to enhance its economic development tool kit over the coming fiscal year. Included in these initiatives are making the financial incentives application and review process more efficient and user friendly, strengthening relationships with its economic development partners, reorganization of the Community Development department, restructuring internal processes aimed at creating a more business friendly one stop shop with flexibility where practical, and focusing promotion on creating a solid brand identity throughout City operations.

Sales tax revenues increased 3.3% in fiscal year 2012. Staff will continue to monitor the situation closely but anticipates sales tax growth of 1% in fiscal year 2013 and opted to budget conservatively with essentially flat revenues. Warrensburg has a solid economic base with a low unemployment rate, relative to other areas of the United States. With the growth and stability of the University of Central Missouri, and other major employers in the area such as Whiteman Air Force Base, and health care providers, the City has been able to offset much of the adverse impact of the loss of employment from other employers. The City continues 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 ASSETS
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 3,841,841	\$ -	\$ 3,841,841
Taxes receivable, net	1,476,445	-	1,476,445
Utilities receivable, net	-	641,990	641,990
Other accounts receivable, net	3,986	-	3,986
Special assessments receivable	2,845,987	-	2,845,987
Court fines receivable, net	1,313	-	1,313
Intergovernmental receivable	1,057,203	-	1,057,203
Inventory	12,881	-	12,881
Prepaid expenses	132,710	3,747	136,457
Restricted cash and cash equivalents	1,877,548	254,304	2,131,852
Restricted investments	-	704,066	704,066
Internal balances	314,933	(314,933)	-
Deferred bond issuance costs	331,527	231,689	563,216
Capital Assets:			
Non-depreciable	4,201,117	1,587,283	5,788,400
Depreciable, net	46,671,015	30,733,332	77,404,347
TOTAL ASSETS	62,768,506	33,841,478	96,609,984
LIABILITIES			
Current			
Accounts payable	215,441	397,763	613,204
Accrued expenses	236,080	20,709	256,789
Deferred revenue	45,104	-	45,104
Court bonds payable	1,585	-	1,585
Refundable permits	24,970	-	24,970
Accrued interest payable	77,980	169,924	247,904
Arbitrage payable	-	65,818	65,818
Current maturities of long-term debt	1,012,804	1,104,000	2,116,804
	1,613,964	1,758,214	3,372,178
Noncurrent			
Capital leases payable	141,702	95,600	237,302
Neighborhood improvement bonds payable	3,170,000	-	3,170,000
Certificates of participation payable	18,205,196	-	18,205,196
Revenue bonds payable	-	17,464,137	17,464,137
Developer agreements payable	203,237	-	203,237
Net pension obligation payable	37,699	4,479	42,178
Compensated absences payable	481,323	31,679	513,002
	22,239,157	17,595,895	39,835,052
TOTAL LIABILITIES	23,853,121	19,354,109	43,207,230
NET ASSETS			
Invested in capital assets, net of related debt	28,342,430	13,366,416	41,708,846
Restricted	3,438,361	892,552	4,330,913
Unrestricted	7,134,594	228,401	7,362,995
TOTAL NET ASSETS	\$ 38,915,385	\$ 14,487,369	\$ 53,402,754

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$ (303,001)	\$ 160,125	\$ 13,200	\$ -	\$ (129,676)	\$ -	\$ (129,676)
Finance and support services	(781,366)	-	-	-	(781,366)	-	(781,366)
Municipal court	(160,925)	-	-	-	(160,925)	-	(160,925)
Information technology	(258,002)	-	-	-	(258,002)	-	(258,002)
Buildings and grounds	(316,180)	-	-	-	(316,180)	-	(316,180)
Public safety and health	(4,724,411)	412,999	35,547	34,126	(4,241,739)	-	(4,241,739)
Community development	(628,602)	-	33,982	-	(594,620)	-	(594,620)
Transportation	(2,079,620)	-	7,983	544,635	(1,527,002)	-	(1,527,002)
Cemetery	(121,488)	47,840	-	-	(73,648)	-	(73,648)
Parks and recreation	(2,442,889)	753,743	1,550	-	(1,687,596)	-	(1,687,596)
Debt Service	(1,021,988)	-	-	-	(1,021,988)	-	(1,021,988)
TOTAL GOVERNMENTAL ACTIVITIES	(12,838,472)	1,374,707	92,262	578,761	(10,792,742)	-	(10,792,742)
Business-Type Activities							
Sewer	(3,501,473)	3,433,816	-	-	-	(67,657)	(67,657)
TOTAL BUSINESS-TYPE ACTIVITIES	(3,501,473)	3,433,816	-	-	-	(67,657)	(67,657)
TOTAL PRIMARY GOVERNMENT	\$ (16,339,945)	\$ 4,808,523	\$ 92,262	\$ 578,761	(10,792,742)	(67,657)	(10,860,399)
General Revenues:							
					1,063,685	-	1,063,685
					6,464,163	-	6,464,163
					670,829	-	670,829
					190,193	-	190,193
					2,439,587	-	2,439,587
					217	459,180	459,397
					129,238	-	129,238
					19,697	535	20,232
					292,110	(292,110)	-
				Total General Revenues and Transfers	11,269,719	167,605	11,437,324
				Changes in Net Assets	476,977	99,948	576,925
				Net Assets, Beginning of year, as restated	38,438,408	14,387,421	52,825,829
				Net Assets, End of year	\$ 38,915,385	\$ 14,487,369	\$ 53,402,754

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2012

	Special Revenue Funds					Debt Service Funds		Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Fund	Debt Service Fund	Neighborhood Improvement Fund	
ASSETS								
Cash and cash equivalents	\$ 3,054,235	\$ 362,244	\$ 14	\$ -	\$ 425,348	\$ -	\$ -	\$ 3,841,841
Taxes receivable, net	918,611	188,040	-	-	369,794	-	-	1,476,445
Intergovernmental receivable	-	-	-	-	462,203	595,000	-	1,057,203
Other accounts receivable	3,986	-	-	-	-	-	-	3,986
Special assessments receivable	-	-	-	-	-	-	2,845,987	2,845,987
Court fines receivable, net	1,313	-	-	-	-	-	-	1,313
Due from other funds	400,647	-	-	-	-	-	-	400,647
Inventory	12,881	-	-	-	-	-	-	12,881
Prepaid expenses	117,259	15,451	-	-	-	-	-	132,710
Restricted cash and cash equivalents	1,585	801	-	13,965	5,313	1,594,947	260,937	1,877,548
TOTAL ASSETS	\$ 4,510,517	\$ 566,536	\$ 14	\$ 13,965	\$ 1,262,658	\$ 2,189,947	\$ 3,106,924	\$ 11,650,561
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$ 124,946	\$ 33,736	\$ 14	\$ -	\$ 56,245	\$ -	\$ 500	\$ 215,441
Accrued expenses	212,148	23,932	-	-	-	-	-	236,080
Court bonds payable	1,585	-	-	-	-	-	-	1,585
Developer agreement payable	24,970	-	-	-	-	-	-	24,970
Due to other funds	-	85,714	-	-	-	-	-	85,714
Deferred revenue	-	45,104	-	-	-	595,000	2,845,987	3,486,091
TOTAL LIABILITIES	363,649	188,486	14	-	56,245	595,000	2,846,487	4,049,881

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2012

	Special Revenue Funds					Debt Service Funds		Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Fund	Debt Service Fund	Neighborhood Improvement Fund	
Fund Balances								
Nonspendable:								
Inventory	12,881	-	-	-	-	-	-	12,881
Prepaid expenses	117,259	15,451	-	-	-	-	-	132,710
Restricted for:								
Debt Service	-	-	-	-	-	1,594,947	260,437	1,855,384
Capital improvements	-	-	-	-	1,206,413	-	-	1,206,413
Tri-centennial	-	-	-	13,965	-	-	-	13,965
Parks and recreation	-	362,599	-	-	-	-	-	362,599
Unassigned	4,016,728	-	-	-	-	-	-	4,016,728
TOTAL FUND BALANCES	4,146,868	378,050	-	13,965	1,206,413	1,594,947	260,437	7,600,680
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,510,517	\$ 566,536	\$ 14	\$ 13,965	\$ 1,262,658	\$ 2,189,947	\$ 3,106,924	\$ 11,650,561

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET ASSETS
September 30, 2012

Fund balance - total governmental funds	\$ 7,600,680
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	83,338,269
Less accumulated depreciation	<u>(32,466,137)</u>
	50,872,132
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(77,980)
Adjustment of deferred revenue	3,440,987
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(23,251,961)
Unamortized debt issuance costs	<u>331,527</u>
Net assets of governmental activities	<u><u>\$ 38,915,385</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2012

	General Fund	Special Revenue Funds			Debt Service Funds		Total Governmental Funds	
		Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Fund	Debt Service Fund		Neighborhood Improvement Fund
REVENUES								
Taxes	\$ 7,077,644	\$ 1,481,951	\$ -	\$ -	\$ 2,212,274	\$ -	\$ 56,588	\$ 10,828,457
Licenses and permits	143,376	-	-	-	-	-	-	143,376
Intergovernmental revenues	93,238	1,550	-	-	576,235	-	-	671,023
Charges for services	89,390	753,743	16,749	-	-	-	-	859,882
Fines and forfeitures	371,449	-	-	-	-	-	-	371,449
Interest income	-	-	-	-	23	194	-	217
Miscellaneous	69,480	13,463	1,007	-	36,000	9,288	-	129,238
TOTAL REVENUES	7,844,577	2,250,707	17,756	-	2,824,532	9,482	56,588	13,003,642
EXPENDITURES								
Current								
General government	259,858	-	37,752	-	-	-	-	297,610
Finance and support services	777,262	-	-	-	-	-	-	777,262
Municipal court	160,079	-	-	-	-	-	-	160,079
Information technology	256,648	-	-	-	-	-	-	256,648
Buildings and grounds	190,040	-	-	-	-	-	-	190,040
Public safety and health	4,458,995	-	-	-	-	-	-	4,458,995
Community development	691,028	-	-	-	-	-	-	691,028
Transportation	1,060,834	-	-	-	-	-	-	1,060,834
Cemetery	110,261	-	-	-	-	-	-	110,261
Parks and recreation	-	2,128,988	-	-	-	-	-	2,128,988
Capital improvements	-	-	-	-	1,880,335	-	-	1,880,335
Debt Service								
Principal and interest	-	-	-	-	-	1,672,991	144,949	1,817,940
TOTAL EXPENDITURES	7,965,005	2,128,988	37,752	-	1,880,335	1,672,991	144,949	13,830,020

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)

Year Ended September 30, 2012

	Special Revenue Funds				Debt Service Funds		Total Governmental Funds	
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Fund	Debt Service Fund		Neighborhood Improvement Fund
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(120,428)	121,719	(19,996)	-	944,197	(1,663,509)	(88,361)	(826,378)
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	19,697	-	-	-	-	-	-	19,697
Operating transfers in (out)	351,069	(238,981)	13,141	(1)	(1,590,103)	1,666,762	90,223	292,110
TOTAL OTHER FINANCING SOURCES (USES)	370,766	(238,981)	13,141	(1)	(1,590,103)	1,666,762	90,223	311,807
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	250,338	(117,262)	(6,855)	(1)	(645,906)	3,253	1,862	(514,571)
FUND BALANCE, October 1, as restated	3,896,530	495,312	6,855	13,966	1,852,319	1,591,694	258,575	8,115,251
FUND BALANCE, September 30	<u>\$ 4,146,868</u>	<u>\$ 378,050</u>	<u>\$ -</u>	<u>\$ 13,965</u>	<u>\$ 1,206,413</u>	<u>\$ 1,594,947</u>	<u>\$ 260,437</u>	<u>\$ 7,600,680</u>

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, 2012

Net change in fund balances - total governmental funds \$ (514,571)

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 capital outlays
 exceeded depreciation for the year.

Capital outlay	2,288,624
Depreciation	(2,056,686)
Disposal of capital assets, net	(57,058)
	<u>174,880</u>

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	934,710
Issuance cost amortization	(26,956)
Change in accrued interest payable	(5,873)
	<u>901,881</u>

Some expenditures reported in the governmental funds represent the use of current
 financial resources and were recognized in the statement of activities when incurred. (85,213)

Change in net assets of governmental activities \$ 476,977

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUND
September 30, 2012

	Enterprise Fund
	<u>Sewer Fund</u>
ASSETS	
Current Assets	
Utilities receivable, net	\$ 641,990
Prepaid expenses	3,747
	<u>645,737</u>
	TOTAL CURRENT ASSETS
Restricted Assets	
Cash and cash equivalents	254,304
Investments	704,066
	<u>958,370</u>
	TOTAL RESTRICTED ASSETS
Deferred Bond Issuance Costs, net	231,689
Property, Plant and Equipment	
Land	392,583
Construction in progress	1,194,700
Buildings and improvements	19,125,908
Sewer mains and lines	23,850,564
Machinery and equipment	915,041
	<u>45,478,796</u>
Less accumulated depreciation	<u>(13,158,181)</u>
	TOTAL PROPERTY, PLANT AND EQUIPMENT
	<u>32,320,615</u>
	TOTAL ASSETS
	34,156,411

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF NET ASSETS – PROPRIETARY FUND (continued)
 September 30, 2012

	Enterprise Fund
	Sewer Fund
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	397,763
Accrued expenses	20,709
Accrued interest payable	169,924
Arbitrage payable	65,818
Due to other funds	314,933
Current maturities of long-term debt	<u>1,104,000</u>
TOTAL CURRENT LIABILITIES	2,073,147
Long-Term Liabilities	
Capital leases payable	95,600
Revenue bonds payable, net	17,464,137
Net pension obligation payable	4,479
Compensated absences payable	<u>31,679</u>
TOTAL LONG-TERM LIABILITIES	<u>17,595,895</u>
TOTAL LIABILITIES	<u>19,669,042</u>
Net Assets	
Invested in capital assets, net of related debt	13,366,416
Restricted	892,552
Unrestricted	<u>228,401</u>
TOTAL NET ASSETS	<u><u>\$ 14,487,369</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUND
Year Ended September 30, 2012

	Enterprise Fund
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 3,430,602
Miscellaneous	3,214
	<hr/>
TOTAL OPERATING REVENUES	3,433,816
OPERATING EXPENSES	
Personnel services	686,202
Contractual services	165,022
Repairs and maintenance	36,956
Supplies	27,185
Utilities	339,591
Education	4,513
Labs and testing	33,865
Depreciation	1,408,110
Miscellaneous	11,736
	<hr/>
TOTAL OPERATING EXPENSES	2,713,180
	<hr/>
OPERATING INCOME	720,636
NONOPERATING REVENUES (EXPENSES)	
Interest income	459,180
Interest expense	(788,293)
Gain on sale of equipment	535
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	(328,578)
	<hr/>
INCOME BEFORE OPERATING TRANSFERS	392,058
OPERATING TRANSFERS (OUT)	(292,110)
	<hr/>
NET INCOME	99,948
NET ASSETS, October 1, as restated	14,387,421
	<hr/>
NET ASSETS, September 30	<u>\$ 14,487,369</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended September 30, 2012

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,447,299
Cash paid to suppliers	(1,026,001)
Cash paid to employees	(685,832)
	<u>1,735,466</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,735,466
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Due (to) other governments	(1,139,654)
Operating transfer (out)	(292,110)
	<u>(1,431,764)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,431,764)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from issuance of long-term debt	2,070,257
Purchase of fixed assets	(1,128,901)
Proceeds from sale of fixed assets	535
Payment of bond principal	(1,381,000)
Payment of interest expense	(775,991)
Payment of principal on capital leases	(23,500)
	<u>(1,238,600)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,238,600)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	450,989
Purchase of investments	(704,066)
	<u>(253,077)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(253,077)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,187,975)
CASH AND CASH EQUIVALENTS, Beginning of year	1,442,279
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 254,304</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 720,636
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,408,110
(Increase) decrease in:	
Utilities receivable	13,483
Increase (decrease) in:	
Accounts payable	(75,966)
Accrued expenses	(29,532)
Compensated absences	25,423
Arbitrage payable	(331,167)
Net pension obligation	4,479
	<u>1,735,466</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,735,466

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2012

		<u>Agency Funds</u>	
	<u>Private-Purpose Trusts</u>	<u>Children's Memorial Trust</u>	<u>Arts Commission</u>
ASSETS			
Cash and cash equivalents	\$ 211,494	\$ 4,597	\$ 6,064
LIABILITIES			
Due to others	-	\$ 4,597	\$ 6,064
NET ASSETS			
Restricted	74,023		
Unrestricted	137,471		
TOTAL NET ASSETS	<u>\$ 211,494</u>		

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Year Ended September 30, 2012

	<u>Private-Purpose Trusts</u>
Additions:	
Donations	\$ 1,000
Deductions:	
Contributions and other	<u>5,600</u>
Changes in Net Assets	(4,600)
Net Assets, beginning of year	<u>216,094</u>
Net Assets, end of year	<u><u>\$ 211,494</u></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. In accordance with GASB Section 1600.131 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds and similar trust funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

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

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that 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 Assets and the Statement of Activities) and fund financial statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

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

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

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 Fund: The Capital Improvement 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

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

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

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

Use of Estimates

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

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 FASB Accounting Standards Codification (ASC) Topic No. 835-20-30 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Net Assets

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

Invested in Capital Assets, Net of Related Debt – 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 assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

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

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

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

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

NOTE 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, 2012, all bank balances on deposit are entirely insured or collateralized.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2012, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	1/1/2019 - 1/1/2028	<u>\$ 704,066</u>

Guaranteed Investment Contracts

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

Interest Rate Risk

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

Custodial Credit Risk

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

At September 30, 2012, the City's deposits were insured by Federal depository insurance and uninsured deposits were fully collateralized by securities held in the City's name by their financial and government obligations and, accordingly, the City was not exposed to such credit risks.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE C – INVESTMENTS (continued)

Concentration of Credit Risk

The City’s investment policy does not limit the amount it may invest in any one issuer. At September 30, 2012, the City’s only investments were amounts held in trust invested in Guaranteed Investment Contracts on deposit with United Missouri Bank. The trust agreement requires that these amounts be collateralized in the amount of 100% of the value of the investment, and, accordingly, the City was not exposed to such credit risks.

NOTE D – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
GENERAL FUND			
Ad valorem taxes receivable	\$ 25,251	\$ 13,786	\$ 11,465
Sales and use tax receivable	636,147	-	636,147
Franchise tax receivable	263,276	-	263,276
Lodging tax receivable	7,723	-	7,723
	<u>\$ 932,397</u>	<u>\$ 13,786</u>	<u>\$ 918,611</u>
PARK FUND			
Ad valorem taxes receivable	\$ 13,613	\$ 7,487	\$ 6,126
Sales and use tax receivable	181,914	-	181,914
	<u>\$ 195,527</u>	<u>\$ 7,487</u>	<u>\$ 188,040</u>
CAPITAL FUND			
Sales and use tax receivable	\$ 256,140	\$ -	\$ 256,140
Motor fuel and vehicle taxes receivable	113,654	-	113,654
	<u>\$ 369,794</u>	<u>\$ -</u>	<u>\$ 369,794</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 19,752</u>	<u>\$ 18,439</u>	<u>\$ 1,313</u>
UTILITIES RECEIVABLE			
Sewer Fund	<u>\$ 653,031</u>	<u>\$ 11,041</u>	<u>\$ 641,990</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE E – RESTRICTED ASSETS

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

	Restricted Cash and Investments	Restricted Net Assets
GENERAL FUND		
Court bonds	\$ 1,585	\$ -
PARK FUND		
Refundable deposits	\$ 801	\$ 362,599
TRI-CENTENNIAL FUND		
Tri-Centennial activities	\$ 13,965	\$ 13,965
CAPITAL IMPROVEMENT FUND		
Trustee funds	\$ 5,313	\$ 1,206,413
DEBT SERVICE FUND		
Debt service reserves	\$ 1,594,947	\$ 1,594,947
NEIGHBORHOOD IMPROVEMENT FUND		
Debt service reserves	\$ 260,937	\$ 260,437
SEWER FUND		
1992 Revenue Bonds		
Debt service reserve	\$ 2,934	\$ 2,934
Principal and interest	187,172	187,172
2007 Revenue Bonds		
Rebate account	65,818	-
Principal and interest	590,797	590,797
2010 Revenue Bonds		
Debt service reserve	1	1
Principal and interest	111,309	111,309
2011 Certificates of Participation	339	339
	<u>\$ 958,370</u>	<u>\$ 892,552</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Warrensburg consists of six Certificates of Participation, one capital lease, two Neighborhood Improvement Bonds payable, three developer agreements, net pension obligation payable, 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 September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 12,804	\$ 18,694	\$ 31,498
2014	26,372	5,126	31,498
2015	27,377	4,121	31,498
2016	28,421	3,077	31,498
2017	29,504	1,994	31,498
2018	30,028	1,470	31,498
	<u>\$ 154,506</u>	<u>\$ 34,482</u>	<u>\$ 188,988</u>

This lease agreement provides for cancellation of the lease on the annual renewal dates 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*.

Series 2003 Certificates of Participation

The City issued \$714,000 of Series 2003 Certificates of Participation. The Certificates were issued to finance the purchase of a fire truck. The Certificates of Participation bear interest from 1.625% to 4.35% 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, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 85,000	\$ 3,697	\$ 88,697

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Series 2007 Certificates of Participation

The City issued \$8,915,000 of Series 2007 Certificates of Participation. The Certificates were issued to finance the city building improvements and public safety equipment. The Certificates of Participation bear interest from 4.0% to 4.3% 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, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 275,000	\$ 351,498	\$ 626,498
2014	325,000	340,497	665,497
2015	375,000	327,498	702,498
2016	450,000	312,497	762,497
2017	610,000	294,498	904,498
2018	550,000	270,097	820,097
2019	640,000	248,098	888,098
2020	710,000	222,177	932,177
2021	800,000	193,068	993,068
2022	890,000	159,867	1,049,867
2023	985,000	122,488	1,107,488
2024	1,875,000	80,625	1,955,625
	<u>\$ 8,485,000</u>	<u>\$ 2,922,908</u>	<u>\$ 11,407,908</u>

Series 2008B Certificates of Participation

The City issued \$655,000 of Series 2008B Certificates of Participation. The Certificates were issued to finance the purchase of city vehicles and equipment. The Certificates of Participation bear interest from 5.0% to 5.25% 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, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 120,000	\$ 9,450	\$ 129,450
2014	60,000	3,150	63,150
	<u>\$ 180,000</u>	<u>\$ 12,600</u>	<u>\$ 192,600</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE F – LONG-TERM DEBT – 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, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 220,000	\$ 266,938	\$ 486,938
2014	265,000	260,337	525,337
2015	270,000	252,388	522,388
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>\$ 6,435,000</u>	<u>\$ 3,553,838</u>	<u>\$ 9,988,838</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE F – LONG-TERM DEBT – 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, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 205,000	\$ 159,093	\$ 364,093
2014	210,000	152,430	362,430
2015	210,000	145,605	355,605
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>\$ 3,730,000</u>	<u>\$ 1,910,218</u>	<u>\$ 5,640,218</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

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.

The total annual minimum lease payments required at September 30, 2012, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 125,000	\$ 14,150	\$ 139,150
2014	125,000	10,088	135,088
2015	100,000	6,150	106,150
2016	55,000	3,300	58,300
2017	55,000	1,100	56,100
	<u>\$ 460,000</u>	<u>\$ 34,788</u>	<u>\$ 494,788</u>
Amount recorded in:			
Governmental Activities			\$ 329,400
Sewer Fund / Business-Type Activities			<u>130,600</u>
		TOTAL	<u>\$ 460,000</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE F – LONG-TERM DEBT – 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, 2012, are as follows:

Year Ended September 30,	Principal	Interest	Total
2013	\$ 5,000	\$ 3,235	\$ 8,235
2014	6,000	2,925	8,925
2015	6,000	2,587	8,587
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
	<u>\$ 60,000</u>	<u>\$ 16,370</u>	<u>\$ 76,370</u>

Neighborhood Improvements Bonds – Series 2011

The City issued \$3,115,000 of Series 2011 Neighborhood Improvement Bonds. The Bonds were issued to retire Series 2009 Municipal Temporary Notes which were originally issued to fund improvements related to the Hawthorne Redevelopment Project. The bonds bear interest from 3.0% to 4.375% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess property owners within the Hawthorne Redevelopment Project the \$3,115,000 cost of such improvements. The special assessments received will be used for bond payments. At September 30, 2012, special assessments receivable totaled \$2,845,987.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

The total annual principal and interest payments required at September 30, 2012, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ -	\$ 118,312	\$ 118,312
2014	-	118,312	118,312
2015	135,000	116,288	251,288
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>\$ 3,115,000</u>	<u>\$ 1,424,538</u>	<u>\$ 4,539,538</u>

Developer Agreements

The City entered into a redevelopment agreement with a developer to provide reimbursements for certain costs incurred by the developer for the Family Video Movie Club project. 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 an eight (8) year period not to exceed \$25,000. At September 30, 2012, the outstanding amount due under this noninterest bearing agreement was \$25,000.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

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

The City entered into a development agreement with Lowe’s Home Centers, Inc. (Lowe’s) to reimburse Lowe’s 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 six (6) year period not to exceed \$591,336 plus interest, at the prime lending rates, on any unpaid balance. At September 30, 2012, the outstanding amount under this agreement was \$143,668.

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, 2012, the outstanding amount under this non-interest bearing agreement was \$34,569.

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

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
Capital lease - First Central Bank	\$ 44,000	\$ -	\$ 44,000	\$ -
Capital lease - US Bank	154,506	-	-	154,506
2001 Neighborhood Improvement Bonds	65,000	-	5,000	60,000
2011 Neighborhood Improvement Bonds	3,115,000	-	-	3,115,000
Developer - Family Video	25,000	-	-	25,000
Developer - Lowe's Home Centers	239,620	-	95,952	143,668
Developer - Westwin Investment Corp.	42,828	-	8,259	34,569
2003 Certificates of Participation	165,000	-	80,000	85,000
2007 Certificates of Participation	8,700,000	-	215,000	8,485,000
2008B Certificates of Participation	290,000	-	110,000	180,000
2009 Certificates of Participation	6,660,000	-	225,000	6,435,000
2010 Certificates of Participation	3,790,000	-	60,000	3,730,000
2011 Certificates of Participation	420,900	-	91,500	329,400
Issuance premiums	1,638	-	273	1,365
Issuance discounts	(47,561)	-	(1,992)	(45,569)
	<u>23,665,931</u>	-	<u>932,992</u>	<u>22,732,939</u>
Net Pension Obligation Payable	24,477	13,222	-	37,699
Compensated Absences	441,038	40,285	-	481,323
TOTAL	<u>\$ 24,131,446</u>	<u>\$ 53,507</u>	<u>\$ 932,992</u>	<u>\$ 23,251,961</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Long-term debt in the Sewer Fund consists of the 1992, 2007, and 2010 Sewer System Revenue Bonds, Series 2011 Certificates of Participation, net pension obligation payable, 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, 2012, are represented in total within governmental activities, but the Business-type activities portion of the obligation at September 30, 2012, is \$130,600.

1992 Sewer System Revenue Bonds

The City entered into an agreement with the State Environmental Improvement and Energy Resources Authority, the City issued \$6.8 million in Sewer System Revenue Bonds, Series 1992A. The bonds bear interest at 5.6% to 6.55%. 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 revolving fund, which consists of 83.33% federal dollars and 16.67% state dollars, is designed to serve as a guarantee for local municipalities’ sewer revenue bond financing. 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 50% 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 50% 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 1992A revenue bonds outstanding at September 30, 2012, are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 530,000	\$ 71,723	\$ 601,723
2014	565,000	37,008	602,008
	<u>\$ 1,095,000</u>	<u>\$ 108,731</u>	<u>\$ 1,203,731</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE G – LONG-TERM DEBT – 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, 2012, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2013	\$ 730,000	\$ 517,475	\$ 88,286	\$ 1,335,761
2014	740,000	488,075	83,074	1,311,149
2015	750,000	458,275	77,790	1,286,065
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>\$ 12,365,000</u>	<u>\$ 4,307,269</u>	<u>\$ 736,848</u>	<u>\$ 17,409,117</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

2010 Sewerage System Revenue Bonds

Through September 30, 2012, the City has issued \$5,319,877, out of a maximum of \$8,548,500, in 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 City anticipates utilizing the full amount of the bonds to fund current and future projects.

The annual debt service requirements to amortize the principal on the 2010 revenue bonds outstanding at September 30, 2012, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2013	\$ 374,000	\$ 71,941	\$ 46,739	\$ 492,680
2014	382,000	66,376	42,938	491,314
2015	389,000	60,693	39,064	488,757
2016	396,000	54,914	35,123	486,037
2017	404,000	49,023	31,104	484,127
2018	412,000	43,014	27,003	482,017
2019	420,000	36,887	22,824	479,711
2020	430,000	30,634	18,548	479,182
2021	438,000	24,241	14,189	476,430
2022	446,000	17,729	9,748	473,477
2023	456,000	11,091	5,123	472,214
2024	406,877	4,312	879	412,068
	<u>\$ 4,953,877</u>	<u>\$ 470,855</u>	<u>\$ 293,282</u>	<u>\$ 5,718,014</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

Changes in Long-Term Debt - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term debt for the year ended September 30, 2012:

	Balance September 30, 2011	Additions	Retirements	Balance September 30, 2012
2011 Certificates of Participation	\$ 154,100	\$ -	\$ 23,500	\$ 130,600
Revenue Bonds:				
Series 1992 SRF Revenue Bonds	1,590,000	-	495,000	1,095,000
Series 2007 SRF Revenue Bonds	12,885,000	-	520,000	12,365,000
Series 2010 SRF Revenue Bonds	3,249,620	2,070,257	366,000	4,953,877
Premium on bonds	127,451	-	8,191	119,260
	<u>17,852,071</u>	<u>2,070,257</u>	<u>1,389,191</u>	<u>18,533,137</u>
Net Pension Obligation Payable	3,208	1,271	-	4,479
Compensated Absences	6,256	25,423	-	31,679
TOTAL	<u>\$ 18,015,635</u>	<u>\$ 2,096,951</u>	<u>\$ 1,412,691</u>	<u>\$ 18,699,895</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2012, was as follows:

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,644,401	\$ -	\$ -	\$ 2,644,401
Construction in progress	2,885,626	1,320,452	2,649,362	1,556,716
Total Non-depreciable Capital Assets	5,530,027	<u>\$ 1,320,452</u>	<u>\$ 2,649,362</u>	4,201,117
Depreciable Capital Assets:				
Building and improvements	28,222,886	\$ 353,401	\$ -	28,576,287
Machinery and equipment	5,506,101	214,050	106,126	5,614,025
Infrastructure	42,185,540	3,050,083	288,783	44,946,840
Total Depreciable Capital Assets	75,914,527	<u>\$ 3,617,534</u>	<u>\$ 394,909</u>	79,137,152
Less Accumulated Depreciation	30,747,302	<u>\$ 2,056,686</u>	<u>\$ 337,851</u>	32,466,137
Total Depreciable Capital Assets, Net	45,167,225			46,671,015
Total Capital Assets - Governmental Activities, Net	<u>\$ 50,697,252</u>			<u>\$ 50,872,132</u>

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

General	\$ 3,818
Buildings and grounds	154,231
Fire	97,137
Police	174,940
Animal control	17,458
Parks	317,116
Community development	8,147
Streets	1,273,195
Cemetery	10,644
	<u>\$ 2,056,686</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2011	Additions	Deletions	Balance September 30, 2012
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 309,583	\$ 83,000	\$ -	\$ 392,583
CIP	209,097	985,603	-	1,194,700
Total Non-depreciable Capital Assets	518,680	<u>\$ 1,068,603</u>	<u>\$ -</u>	1,587,283
Depreciable Capital Assets:				
Buildings and improvements	19,082,399	\$ 43,509	\$ -	19,125,908
Machinery and equipment	905,252	16,789	7,000	915,041
Sewer mains and lines	23,850,564	-	-	23,850,564
Total Depreciable Capital Assets	43,838,215	<u>\$ 60,298</u>	<u>\$ 7,000</u>	43,891,513
Less Accumulated Depreciation	11,757,071	<u>\$ 1,408,110</u>	<u>\$ 7,000</u>	13,158,181
Depreciable Capital Assets, Net	<u>32,081,144</u>			<u>30,733,332</u>
Total Capital Assets - Business-Type Activities, Net	<u>\$ 32,599,824</u>			<u>\$ 32,320,615</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Warrensburg participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan that provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's 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 it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

Funding Status

Full-time employees of the City of Warrensburg do not contribute to the pension plan. The June 30th statutorily required contribution rates are 9.3% (General), 9.0% (Police) and 7.4% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 452,025
Interest on net pension obligation	2,007
Adjustment to annual required contribution	<u>(1,527)</u>
Annual pension cost	452,505
Actual contributions	<u>438,012</u>
Increase (decrease) in NPO	14,493
NPO beginning of year	<u>27,685</u>
NPO end of year	<u><u>\$ 42,178</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009, and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2009, was 30 years for the General division, 30 years for the Police division, and 7 years for the Fire division. The amortization period as of February 28, 2010, was 30 years for the General division, 30 years for the Police division, and 5 years for the Fire division.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information			
Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	\$ 341,192	100.0%	\$ -
2011	413,211	93.3%	27,685
2012	452,505	96.8%	42,178

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2012	\$ 11,271,869	\$ 11,799,390	\$ 527,521	96%	\$ 4,966,478	11%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

	2011
Assessed Valuation	
Real estate	\$ 162,731,648
Personal property	29,644,064
TOTAL	\$ 192,375,712

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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

	<u>2011</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$.3515
Park levy	<u>.1909</u>
TOTAL	<u>\$.5424</u>

The legal debt margin at September 30, 2012, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 19,237,571	\$ 19,237,571	\$ 38,475,142
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 19,237,571</u>	<u>\$ 19,237,571</u>	<u>\$ 38,475,142</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, 2012

NOTE K – DEFERRED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years, taxes, and court fines. All of the deferred revenue at September 30, 2012, is accounted for as follows:

PARK FUND	
Class fees	\$ <u>45,104</u>
NEIGHBORHOOD IMPROVEMENT FUND	
Special assessments	\$ <u>2,845,987</u>
DEBT SERVICE FUND	
Interlocal agreement with school district	\$ <u>595,000</u>

NOTE L – RISK MANAGEMENT

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

NOTE M – DEFERRED BOND AND OTHER DEBT ISSUE COSTS

During 2011, the City issued the Series 2011 Certificates of Participation and Series 2011 Neighborhood Improvement Bonds and a capital lease. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 6 years, 20 years, and 6 years respectively.

During 2010, the City issued the Series 2010 Sewerage System Revenue Bonds and Series 2010 Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 20 years and 19 years, respectively.

During 2009, the City issued the Series 2009 Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 24 years.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE M – DEFERRED BOND AND OTHER DEBT ISSUE COSTS (continued)

During 2008, the City issued the Series 2008B Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 5 years.

During 2007, the City issued the Series 2007 Sewerage System Refunding and Improvement Revenue Bonds and Series 2007 Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 20 years and 17 years, respectively.

During 2003, the City issued the Series 2003 Certificates of Participation. The issue costs will be amortized as an adjustment to interest expense using straight-line amortization over 10 years.

These deferred bond and other debt issue costs are presented net of current amortization as follows:

	Total Bond Issue Costs	Accumulated Amortization September 30, 2011	Current Amortization	Net Bond Issue Costs
Business-Type Activities	\$ 520,994	\$ 273,560	\$ 15,745	\$ 231,689
Governmental Activities	\$ 572,625	\$ 214,142	\$ 26,956	\$ 331,527

NOTE N – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2012, consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 506,081	\$ 155,012
Park Fund	3,745	242,726
Old Drum Fund	13,141	-
Tri-Centennial Fund	-	1
Capital Fund	10,010	1,600,113
Debt Service Fund	1,666,772	10
Neighborhood Improvement Fund	90,223	-
Sewer Fund	-	292,110
	<u>\$ 2,289,972</u>	<u>\$ 2,289,972</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

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 December 31, 2012, consisted of the following:

	General Fund	Park Fund	Sewer Fund
Internal Balances	<u>\$ 400,647</u>	<u>\$ (85,714)</u>	<u>\$ (314,933)</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 December 31, 2012, 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 1992A, 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 \$23,300,732. Principal and interest paid for the current year and total customer net revenues were \$2,065,628 and \$2,128,746, respectively.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE Q – COMMITMENTS

At September 30, 2012, the City was committed to various contracts relating to the North Pump Station Project as follows:

- HDR Engineering contract remaining in the amount of \$60,210.
- Kissick Construction Company contract remaining in the amount of \$844,497.
- VF Anderson Builders, LLC contract remaining in the amount of \$930,197.

NOTE R – SUBSEQUENT EVENTS

At September 30, 2012, the City had issued only \$5,319,877 of the maximum of \$8,548,500 available on the Series 2010 Sewerage System Revenue Bonds for the sewer project. On March 6, 2013, the City issued \$8,485,000 in Series 2013 Refunding Certificates of Participation for the purpose of advance refunding outstanding Series 2007 Certificates of Participation. Also, after September 30, 2012, the City initiated foreclosure proceedings against the Hawthorne Development property owners in an effort to collect assessments related to neighborhood improvement bonds. On April 5, 2013, a sheriff's sale was held and foreclosed lots were sold. As a result of this sale, the City was able to recover revenues from assessments on the foreclosed properties.

NOTE S – RESTATEMENT

On October 1, 2011, the City restated its balances as follows:

Governmental Activities

Net Assets, as previously stated, September 30, 2011	\$ 37,391,450
Close Cemetery Fund to General Fund	892,338
Prepaid insurance	117,240
Interest payable	37,380
Net Assets, as restated, October 1, 2011	<u>\$ 38,438,408</u>

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2012

NOTE S – RESTATEMENT (continued)

Business-type Activities

Fund Balance, as previously stated, September 30, 2011	\$ 15,706,380
Close Cemetery Fund to General Fund	(892,338)
Arbitrage payable	(429,930)
Prepaid insurance	3,309
Net Assets, as restated, October 1, 2011	<u>\$ 14,387,421</u>

General Fund

Fund Balance, as previously stated, September 30, 2011	\$ 3,229,746
Close Cemetery Fund	892,338
Close Convention and Tourism (Lodging Tax) Fund	117
Remove cemetery capital assets, net	(322,406)
Prepaid insurance	103,590
Establish Old Drum Fund	(6,855)
Net Assets, as restated, October 1, 2011	<u>\$ 3,896,530</u>

Old Drum Fund

Fund Balance, as previously stated, September 30, 2011	\$ -
From General Fund	6,855
Net Assets, as restated, October 1, 2011	<u>\$ 6,855</u>

Capital Improvement Fund

Fund Balance, as previously stated, September 30, 2011	\$ 1,203,332
Close 1/2 Cent Sales Tax Fund to Capital Improvement Fund	648,987
Net Assets, as restated, October 1, 2011	<u>\$ 1,852,319</u>

1/2 Cent Sales Tax Fund

Fund Balance, as previously stated, September 30, 2011	\$ 648,987
Close 1/2 Cent Sales Tax Fund to Capital Improvement Fund	(648,987)
Net Assets, as restated, October 1, 2011	<u>\$ -</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2012

NOTE S – RESTATEMENT (continued)

3/8 Cent Sales Tax Fund

Fund Balance, as previously stated, September 30, 2011	\$ 128,388
Close 3/8 Cent Sales Tax Fund to Park Fund	<u>(128,388)</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ -</u></u>

Park Fund

Fund Balance, as previously stated, September 30, 2011	\$ 353,274
Close 3/8 Cent Sales Tax Fund to Park Fund	128,388
Prepaid insurance	<u>13,650</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ 495,312</u></u>

Hawthorne Development Fund

Fund Balance, as previously stated, September 30, 2011	\$ 252,408
Close Hawthorne Development Fund to Neighborhood Improvement Fund	<u>(252,408)</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ -</u></u>

Neighborhood Improvement District Fund

Fund Balance, as previously stated, September 30, 2011	\$ 6,167
Close Neighborhood Improvement District Fund to Neighborhood Improvement Fund	<u>(6,167)</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ -</u></u>

Neighborhood Improvement Fund

Fund Balance, as previously stated, September 30, 2011	\$ -
Close Neighborhood Improvement District Fund	6,167
Close Hawthorne Development Fund	<u>252,408</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ 258,575</u></u>

Sewer Fund

Fund Balance, as previously stated, September 30, 2011	\$ 14,814,042
Close 3/8 Cent Sales Tax Fund to Park Fund	(429,930)
Prepaid insurance	<u>3,309</u>
Net Assets, as restated, October 1, 2011	<u><u>\$ 14,387,421</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENSBURG, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended September 30, 2012

Missouri Local Government Employees Retirement System (LAGERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2010	\$ 9,058,253	\$ 9,791,527	\$ 733,274	93%	\$ 5,027,106	15%
2/28/2011	10,186,481	11,308,035	1,121,554	90%	5,068,831	22%
2/29/2012	11,271,869	11,799,390	527,521	96%	4,966,478	11%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 644,120	\$ 644,120	\$ 652,699	\$ 8,579
City sales tax	3,660,980	3,660,980	3,816,992	156,012
Financial institution tax	946	946	2,315	1,369
Railroad and utility tax	22,737	22,737	21,456	(1,281)
Utility franchise tax	2,505,914	2,505,914	2,439,587	(66,327)
Surtax	18,590	18,590	18,743	153
Lodging tax	88,000	88,000	84,482	(3,518)
Cigarette tax	37,500	37,500	41,370	3,870
	<u>6,978,787</u>	<u>6,978,787</u>	<u>7,077,644</u>	<u>98,857</u>
Licenses and Permits				
Occupational licenses	91,763	91,763	88,030	(3,733)
Building permits	45,000	45,000	55,346	10,346
	<u>136,763</u>	<u>136,763</u>	<u>143,376</u>	<u>6,613</u>
Intergovernmental Revenues				
Grants	127,592	130,792	93,238	(37,554)
Charges for Services				
Cemetery services	35,500	35,500	47,840	12,340
Animal shelter	-	-	41,550	41,550
	<u>35,500</u>	<u>35,500</u>	<u>89,390</u>	<u>53,890</u>
Fines and Forfeitures				
City court fines	419,090	419,090	361,496	(57,594)
Police training fees	9,550	9,550	9,953	403
	<u>428,640</u>	<u>428,640</u>	<u>371,449</u>	<u>(57,191)</u>
Miscellaneous				
Interest income	7,000	7,000	-	(7,000)
Other	101,680	109,507	69,480	(40,027)
	<u>108,680</u>	<u>116,507</u>	<u>69,480</u>	<u>(47,027)</u>
TOTAL REVENUES	<u>7,815,962</u>	<u>7,826,989</u>	<u>7,844,577</u>	<u>17,588</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
General government	259,932	259,932	259,858	74
Finance and support services	836,064	836,064	777,262	58,802
Municipal court	174,042	174,042	160,079	13,963
Information technology	301,797	303,813	256,648	47,165
Buildings and grounds	198,670	198,670	190,040	8,630
Public safety and health	4,723,483	4,721,345	4,458,995	262,350
Community development	699,141	696,841	691,028	5,813
Transportation	1,191,511	1,191,511	1,060,834	130,677
Cemetery	54,136	54,306	110,261	(55,955)
TOTAL EXPENDITURES	8,438,776	8,436,524	7,965,005	471,519
(DEFICIT) OF REVENUES				
OVER EXPENDITURES	(622,814)	(609,535)	(120,428)	489,107
OTHER FINANCING				
SOURCES (USES)				
Sale of assets	5,000	5,051	19,697	14,646
Operating transfers in	952,064	952,064	506,081	(445,983)
Operating transfers (out)	(506,293)	(506,293)	(155,012)	351,281
TOTAL OTHER FINANCING				
SOURCES (USES)	450,771	450,822	370,766	(80,056)
EXCESS (DEFICIT) OF REVENUES				
AND OTHER SOURCES OVER				
EXPENDITURES AND OTHER (USES)	(172,043)	(158,713)	250,338	409,051
FUND BALANCE, October 1, as restated	3,896,530	3,896,530	3,896,530	-
FUND BALANCE, September 30	<u>\$ 3,724,487</u>	<u>\$ 3,737,817</u>	<u>\$ 4,146,868</u>	<u>\$ 409,051</u>

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 349,791	\$ 349,791	\$ 354,398	\$ 4,607
Sales tax	1,069,956	1,069,956	1,105,726	35,770
Other taxes	22,438	22,438	21,827	(611)
Intergovernmental	100,000	100,000	1,550	(98,450)
Charges for services	832,985	832,985	753,743	(79,242)
Interest income	335	335	-	(335)
Miscellaneous	41,150	41,150	13,463	(27,687)
TOTAL REVENUES	2,416,655	2,416,655	2,250,707	(165,948)
EXPENDITURES				
Current				
Park	408,540	442,713	284,184	158,529
Park maintenance	296,327	307,020	293,843	13,177
Park recreation programs	849,169	838,663	805,570	33,093
Community center	583,930	768,050	745,391	22,659
TOTAL EXPENDITURES	2,137,966	2,356,446	2,128,988	227,458
EXCESS OF REVENUES OVER EXPENDITURES				
	278,689	60,209	121,719	61,510
OTHER FINANCING SOURCES				
Operating transfers in	-	-	3,745	3,745
Operating transfers (out)	-	-	(242,726)	(242,726)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(238,981)	(238,981)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES				
	278,689	60,209	(117,262)	(177,471)
FUND BALANCE, October 1, as restated	495,312	495,312	495,312	-
FUND BALANCE, September 30	\$ 774,001	\$ 555,521	\$ 378,050	\$ (177,471)

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – OLD DRUM FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services	\$ 31,300	\$ 31,300	\$ 16,749	\$ (14,551)
Miscellaneous	1,044	1,044	1,007	(37)
TOTAL REVENUES	32,344	32,344	17,756	(14,588)
EXPENDITURES				
Current				
Miscellaneous	42,676	42,676	37,752	4,924
TOTAL EXPENDITURES	42,676	42,676	37,752	4,924
(DEFICIT) OF REVENUES OVER EXPENDITURES	(10,332)	(10,332)	(19,996)	(9,664)
OTHER FINANCING SOURCES				
Operating transfers in	3,477	3,477	13,141	9,664
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(6,855)	(6,855)	(6,855)	-
FUND BALANCE, October 1, as restated	6,855	6,855	6,855	-
FUND BALANCE September 30	\$ -	\$ -	\$ -	\$ -

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND
 Year Ended September 30, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales and use tax	\$ 1,415,000	\$ 1,415,000	1,541,445	\$ 126,445
Motor fuel and vehicle taxes	706,844	706,844	670,829	(36,015)
Intergovernmental revenues	864,521	664,521	576,235	(88,286)
Interest income	3,004	3,004	23	(2,981)
Miscellaneous	295,007	295,007	36,000	(259,007)
TOTAL REVENUES	3,284,376	3,084,376	2,824,532	(259,844)
EXPENDITURES				
Current				
Capital improvements	1,902,788	1,855,768	1,880,335	(24,567)
TOTAL EXPENDITURES	1,902,788	1,855,768	1,880,335	(24,567)
EXCESS OF REVENUES OVER EXPENDITURES	1,381,588	1,228,608	944,197	(284,411)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	10,010	10,010
Operating transfers (out)	(1,487,474)	(1,578,197)	(1,600,113)	(21,916)
TOTAL OTHER FINANCING SOURCES (USES)	(1,487,474)	(1,578,197)	(1,590,103)	(11,906)
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(105,886)	(349,589)	(645,906)	(296,317)
FUND BALANCE, October 1, as restated	1,852,319	1,852,319	1,852,319	-
FUND BALANCE, September 30	<u>\$ 1,746,433</u>	<u>\$ 1,502,730</u>	<u>\$ 1,206,413</u>	<u>\$ (296,317)</u>

CITY OF WARRENSBURG, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2012

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 for the year ended September 30, 2012, therefore, no budgetary comparison schedule has been presented.

OTHER FINANCIAL INFORMATION

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 Year Ended September 30, 2012

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
ASSETS					
Cash and cash equivalents	\$ 146,940	\$ 24,851	\$ 21,608	\$ 18,095	\$ 211,494
LIABILITIES					
Due to others	-	-	-	-	-
NET ASSETS					
Restricted	69,023	5,000	-	-	74,023
Unrestricted	77,917	19,851	21,608	18,095	137,471
TOTAL NET ASSETS	<u>\$ 146,940</u>	<u>\$ 24,851</u>	<u>\$ 21,608</u>	<u>\$ 18,095</u>	<u>\$ 211,494</u>

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 Year Ended September 30, 2012

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson-Stevenson	
Additions:					
Donations	\$ -	\$ -	\$ -	\$ 1,000	\$ 1,000
Deductions:					
Contributions and other	4,600	-	-	1,000	5,600
Changes in Net Assets	(4,600)	-	-	-	(4,600)
Net Assets, beginning of year	151,540	24,851	21,608	18,095	216,094
Net Assets, end of year	<u>\$ 146,940</u>	<u>\$ 24,851</u>	<u>\$ 21,608</u>	<u>\$ 18,095</u>	<u>\$ 211,494</u>



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**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 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, 2012, and have issued our report thereon dated March 13, 2013. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Warrensburg, Missouri, is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit, we considered the City of Warrensburg, Missouri's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

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*.

We noted certain other matters that we have reported to the management of the City of Warrensburg, Missouri, in a separate letter dated March 13, 2013.

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

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 13, 2013



DAVIS, LYNN &
MOOTS, P.C.
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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Compliance

We have audited the compliance of the City of Warrensburg, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Warrensburg, Missouri's major federal programs for the year ended September 30, 2012. The City of Warrensburg, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the City of Warrensburg, Missouri's management. Our responsibility is to express an opinion on the City of Warrensburg, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Warrensburg, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Warrensburg, Missouri's compliance with those requirements.

In our opinion, the City of Warrensburg, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2012.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Internal Control over Compliance

Management of the City of Warrensburg, Missouri, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Warrensburg, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor and City Council, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 13, 2013

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2012

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>U.S. DEPARTMENT OF THE INTERIOR</u>			
Direct			
Historic Preservation Fund Grants - In - Aid	15.904	N/A	\$ 13,200
TOTAL U.S. DEPARTMENT OF THE INTERIOR			13,200
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grant	14.228	2007-DT-02	102,600
Direct			
Community Challenge Planning Grant Program	14.704	N/A	44,900
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			147,500
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Highway Planning and Construction	20.205	STP 6300(404)	335,645
Direct			
National Infrastructure Investments	20.933	N/A	58,964
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			394,609
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Missouri Department of Natural Resources			
Capitalization Grant for Clean Water State Revolving Fund	66.458	C295510-03	1,383,272
TOTAL ENVIRONMENTAL PROTECTION AGENCY			1,383,272
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,938,581

N/A - Not Applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

CITY OF WARRENSBURG, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the financial statements.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No material weaknesses were disclosed during the audit of the financial statements.
4. No instances of noncompliance material to the financial statements were disclosed during the audit.
5. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
6. The auditors' report on compliance for the major federal award programs expresses an unqualified opinion.
7. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
8. The programs tested as major programs were:

Capitalization Grant for Clean Water State Revolving Fund	66.458
Highway Planning and Construction	20.205
9. The threshold for determining Type A programs was \$300,000.
10. The City of Warrensburg, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None noted

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended September 30, 2012

There were no prior year audit findings.