

**CITY OF WARRENSBURG, MISSOURI**

**BASIC FINANCIAL STATEMENTS**

**Year Ended September 30, 2013**

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## **INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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

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

3828 South Avenue • Springfield, Missouri 65807 • 417-882-0904 • fax 417-882-4343  
500 West Main Street, Suite 200 • Branson, Missouri 65616 • 417-334-2987 • fax 417-336-3403

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Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## **Other Matters**

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, and the 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.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warrensburg, Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2013.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, on our consideration of the City of Warrensburg, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warrensburg, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC  
April 17, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

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, 2013. Please read it in conjunction with the City's financial statements, which begin on page 17.

***Financial Highlights***

- The Net Position of the City's governmental activities increased by \$373,400 for the year as a result of current year activities. The net position of the City's business activities increased \$239,201 for the year.
- The assets of the City exceeded its liabilities as of September 30, 2013, by \$54.2 million (net position). 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 \$711,205.

***Using This Annual Report***

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

***Government-Wide Financial Statements***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

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

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

***Fund Financial Statements***

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

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

***Notes to the Basic Financial Statements***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

*Government-Wide Financial Analysis*

**NET POSITION**

The following table presents the condensed Statement of Net Position for the City as of September 30, 2013 and 2012:

	Governmental Activities	Business-Type Activities	Total September 30, 2013	Total September 30, 2012 as restated
Current and other assets	\$ 11,914,422	\$ 1,700,282	\$ 13,614,704	\$ 12,854,021
Capital assets	50,563,329	33,222,084	83,785,413	83,902,812
TOTAL ASSETS	62,477,751	34,922,366	97,400,117	96,756,833
Other liabilities	1,899,748	2,214,318	4,114,066	3,372,178
Long-term liabilities outstanding	20,910,680	18,213,167	39,123,847	39,835,052
TOTAL LIABILITIES	22,810,428	20,427,485	43,237,913	43,207,230
Net position:				
Net investment in capital assets	29,017,146	13,280,450	42,297,596	41,708,846
Restricted	3,560,249	911,825	4,472,074	4,330,913
Unrestricted	7,089,928	302,606	7,392,534	7,509,844
TOTAL NET POSITION	\$ 39,667,323	\$ 14,494,881	\$ 54,162,204	\$ 53,549,603

Total net position of the City increased \$612,601 for the year due to current year activity and proceeds from a sheriff's sale. Total liabilities for the City have increased by \$30,683. Net capital assets for the governmental activities totaled \$50.6 million as of September 30, 2013.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

**CHANGE IN NET POSITION**

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2013	Total Year Ended September 30, 2012
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 1,369,285	\$ 3,726,415	\$ 5,095,700	\$ 4,808,523
Operating grants and contributions	53,163	-	53,163	92,262
Capital grants and contributions	150,752	-	150,752	578,761
General Revenues				
Property taxes	1,597,562	-	1,597,562	1,063,685
Sales taxes	6,646,512	-	6,646,512	6,464,163
Motor vehicle taxes	677,556	-	677,556	670,829
Other taxes	208,870	-	208,870	190,193
Franchise fees	2,479,758	-	2,479,758	2,439,587
Interest	41,476	448,190	489,666	459,397
Other revenue	383,301	-	383,301	129,238
Gain on disposal of assets	-	1,500	1,500	20,232
Transfers	292,112	(292,112)	-	-
<b>TOTAL REVENUES</b>	<b>13,900,347</b>	<b>3,883,993</b>	<b>17,784,340</b>	<b>16,916,870</b>
<b>EXPENSES</b>				
General government	408,957	-	408,957	303,001
Finance	247,258	-	247,258	284,467
Other support services	500,429	-	500,429	496,899
Information technology	245,557	-	245,557	258,002
Municipal court	160,579	-	160,579	160,925
Buildings and grounds	367,932	-	367,932	316,180
Public safety and health	4,783,102	-	4,783,102	4,724,411
Community development	125,285	-	125,285	628,602
Transportation	2,465,802	-	2,465,802	2,079,620
Cemetery	114,854	-	114,854	121,488
Parks and recreation	2,236,951	-	2,236,951	2,442,889
Debt service	1,870,241	692,422	2,562,663	1,810,281
Sewer	-	2,952,370	2,952,370	2,713,180
<b>TOTAL EXPENSES</b>	<b>13,526,947</b>	<b>3,644,792</b>	<b>17,171,739</b>	<b>16,339,945</b>
<b>INCREASE IN NET ASSETS</b>	<b>\$ 373,400</b>	<b>\$ 239,201</b>	<b>\$ 612,601</b>	<b>\$ 576,925</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

***Governmental Activities***

Governmental activities increased the net position of the City by \$373,400. Total tax revenues for the City were \$11.6 million, which represents 84% of the financing of these activities. Program revenues for the functions totaled \$1.5 million or 11% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF WARRENSBURG'S GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
General government	\$ 408,957	\$ 236,667
Finance	247,258	247,258
Other support services	500,429	500,429
Information technology	245,557	245,557
Municipal court	160,579	160,579
Buildings and grounds	367,932	367,932
Public safety and health	4,783,102	4,368,949
Community development	125,285	99,610
Transportation	2,465,802	2,332,550
Cemetery	114,854	28,973
Parks and recreation	2,236,951	1,495,002
Debt Service	1,870,241	1,870,241
	\$ 13,526,947	\$ 11,953,747

***Business-Type Activities***

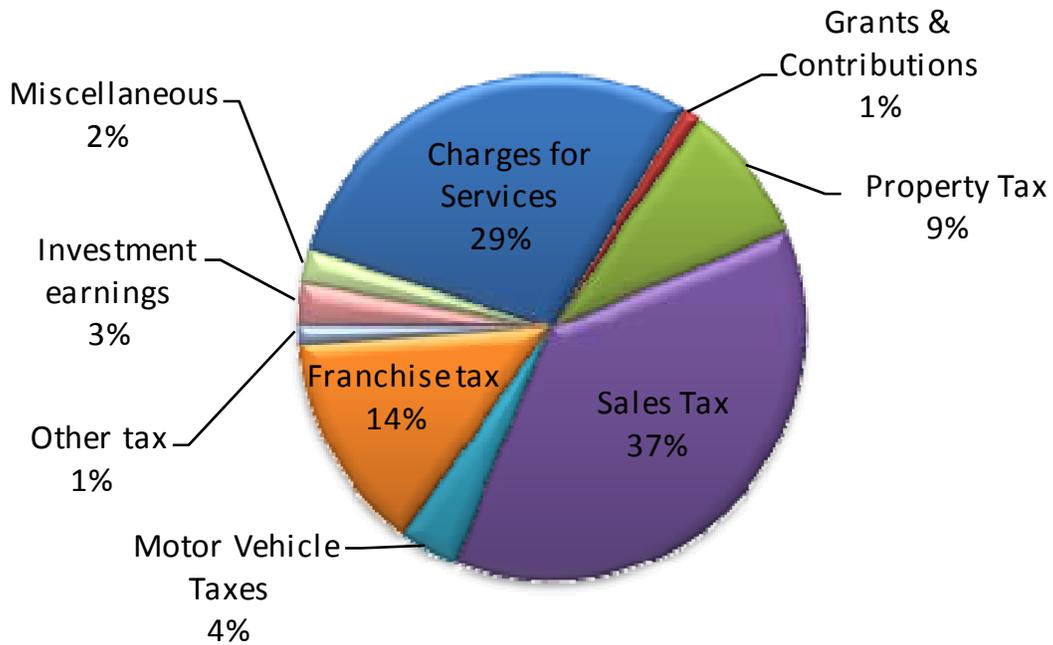
Business-type activities increased the City's net position by \$239,201. Last year the business-type activities increased \$99,948.

MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013

*Financial Analysis of the City's Funds*

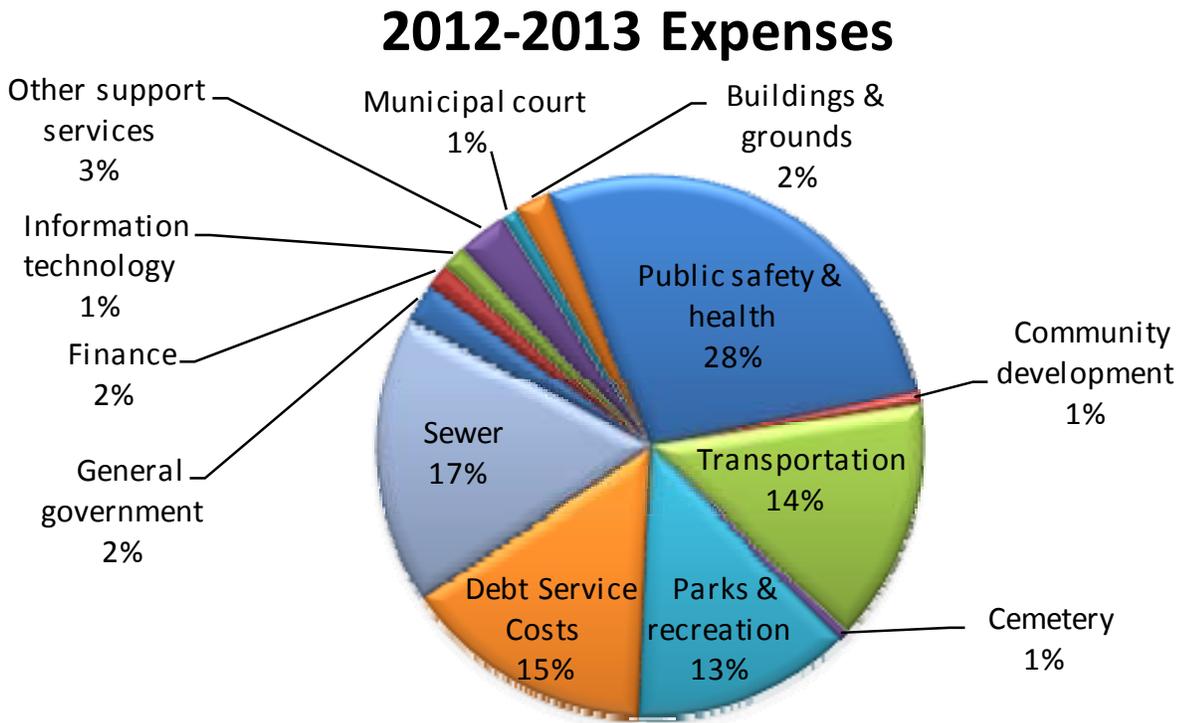
The revenue sources for the City are diverse as illustrated in the pie chart below. The largest source of revenue is Sales Taxes at 37% of the total, with the next largest portion being Charges for Services at 29%, and Franchise Taxes at 14% of the total revenues.

**2012-2013 Revenues**



**MANAGEMENT’S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

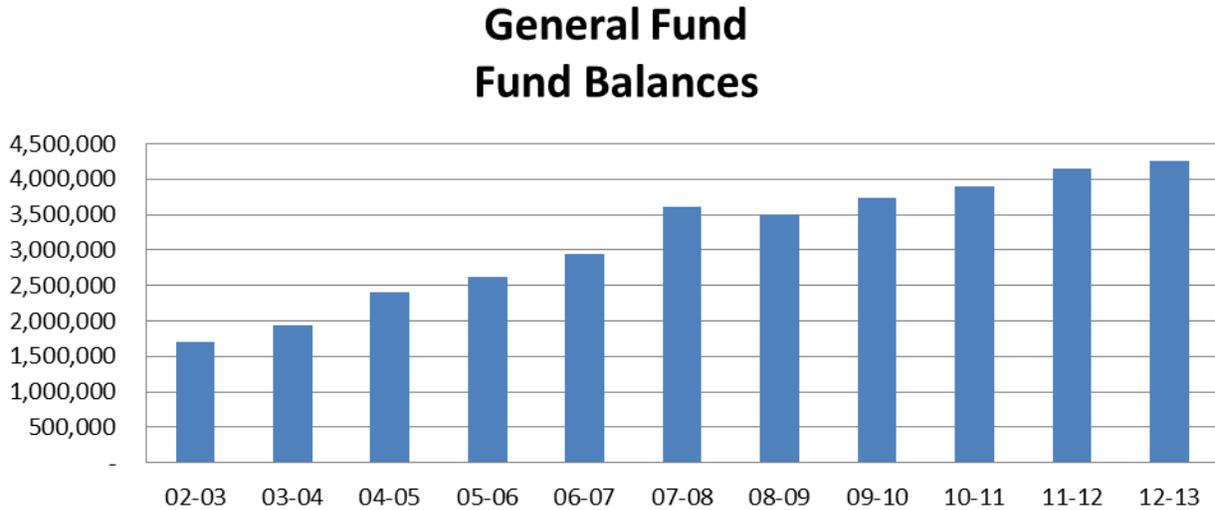
As the pie chart below indicates the City provides a wide array of services. The largest category of services in terms of spending is for Public Safety and Health at 28%, which is for providing services to the community primarily through its Police and Fire departments. The next four largest categories of spending are relatively close with the Sewer utility at 17%, Debt service costs at 15%, Transportation or street department at 14%, and Parks and recreation at 13%.



The combined fund balances of the City’s governmental funds as of September 30, 2013, were \$7.8 million. The General Fund increased by \$112,776. The Park Fund increased by \$197,768. The Old Drum Fund increased by \$111. The Capital Improvement Fund increased by \$373,062. The Debt Service Fund decreased by \$882,706. The Neighborhood Improvement Fund increased by \$433,209.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

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 \$7,947,095 was increased by \$151,493 to \$8,098,588. Most of this increase was from tax revenues being higher than originally projected.
- The total original budgeted expenditures of \$8,269,875 were increased by \$385,806 to \$8,655,681. Most of this increase was from a wage increase awarded mid-year, along with Council's unfunded priorities listing reviewed and added through mid-year budget amendments.
- The original budget for other sources, uses and transfers of \$302,936 was decreased to \$286,657.

Fiscal year end budget adjustments were presented and approved by City Council at the September 23, 2013, 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 \$50.6 million (net of accumulated depreciation) as of September 30, 2013. This represents a decrease of \$1,018,868 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 \$33.2 million as of September 30, 2013. This represents an increase of \$901,469 from the prior year due primarily to the addition of sewer lines and other assets offset in part by current year provisions for depreciation.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF WARRENSBURG, MISSOURI  
SEPTEMBER 30, 2013**

**Debt**

Total debt and long-term obligations of the governmental activities as of September 30, 2013, was \$22.1 million, which is a decrease of \$1.1 million due to current year principal payments and the refunding of the Series 2007 Certificates of Participation.

Total debt and long-term obligations of the business-type activities as of September 30, 2013, was \$19.9 million, which is up by \$1.2 million from the prior year due to the additional borrowing under the Series 2010 SRF Revenue bonds to fund the capital additions of sewer lines mentioned above, net of the payments made on the City's capital leases and revenue bonds.

***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 2.8% in fiscal year 2013. Staff will continue to monitor the situation closely but anticipates sales tax growth of 3% in fiscal year 2014 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 POSITION  
September 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 5,540,803	\$ -	\$ 5,540,803
Taxes receivable, net	1,532,737	-	1,532,737
Utilities receivable, net	-	793,779	793,779
Other accounts receivable, net	2,879	-	2,879
Special assessments receivable	2,971,628	-	2,971,628
Court fines receivable, net	322	-	322
Intergovernmental receivable	604,287	-	604,287
Inventory	12,794	-	12,794
Prepaid expenses	121,257	4,736	125,993
Restricted cash and cash equivalents	983,529	255,580	1,239,109
Restricted investments	-	790,373	790,373
Internal balances	144,186	(144,186)	-
Capital Assets:			
Non-depreciable	3,262,089	392,583	3,654,672
Depreciable, net	47,301,240	32,829,501	80,130,741
<b>TOTAL ASSETS</b>	<b>62,477,751</b>	<b>34,922,366</b>	<b>97,400,117</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable	270,261	164,485	434,746
Accrued expenses	339,923	24,081	364,004
Unearned revenue	41,215	-	41,215
Court bonds payable	4,692	-	4,692
Refundable permits	1,803	-	1,803
Accrued interest payable	62,241	163,158	225,399
Arbitrage payable	-	134,127	134,127
Current maturities of long-term debt	1,179,613	1,728,467	2,908,080
	1,899,748	2,214,318	4,114,066
<b>Noncurrent</b>			
Capital leases payable	115,330	65,821	181,151
Neighborhood improvement bonds payable	3,164,000	-	3,164,000
Certificates of participation payable	17,087,240	-	17,087,240
Revenue bonds payable	-	18,113,609	18,113,609
Developer agreements payable	27,172	-	27,172
Net pension obligation payable	42,495	2,058	44,553
Compensated absences payable	474,443	31,679	506,122
	20,910,680	18,213,167	39,123,847
<b>TOTAL LIABILITIES</b>	<b>22,810,428</b>	<b>20,427,485</b>	<b>43,237,913</b>
<b>NET POSITION</b>			
Net investment in capital assets	29,017,146	13,280,450	42,297,596
Restricted	3,560,249	911,825	4,472,074
Unrestricted	7,089,928	302,606	7,392,534
<b>TOTAL NET POSITION</b>	<b>\$ 39,667,323</b>	<b>\$ 14,494,881</b>	<b>\$ 54,162,204</b>

See accompanying notes.



CITY OF WARRENSBURG, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2013

	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	
<b>ASSETS</b>								
Cash and cash equivalents	\$ 3,295,670	\$ 587,101	\$ 111	\$ -	\$ 1,224,825	\$ -	\$ 433,096	\$ 5,540,803
Taxes receivable, net	953,064	197,230	-	-	382,443	-	-	1,532,737
Intergovernmental receivable	-	-	-	-	-	604,287	-	604,287
Other accounts receivable	-	2,879	-	-	-	-	-	2,879
Special assessments receivable	-	-	-	-	-	-	2,971,628	2,971,628
Court fines receivable, net	322	-	-	-	-	-	-	322
Due from other funds	374,900	-	-	-	-	-	-	374,900
Inventory	12,794	-	-	-	-	-	-	12,794
Prepaid expenses	106,361	14,896	-	-	-	-	-	121,257
Restricted cash and cash equivalents	4,692	534	-	13,965	-	703,401	260,937	983,529
<b>TOTAL ASSETS</b>	<b>\$ 4,747,803</b>	<b>\$ 802,640</b>	<b>\$ 111</b>	<b>\$ 13,965</b>	<b>\$ 1,607,268</b>	<b>\$ 1,307,688</b>	<b>\$ 3,665,661</b>	<b>\$ 12,145,136</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 178,127	\$ 63,954	\$ -	\$ -	\$ 27,793	\$ -	\$ 387	\$ 270,261
Accrued expenses	303,537	35,939	-	-	-	447	-	339,923
Court bonds payable	4,692	-	-	-	-	-	-	4,692
Developer agreement payable	1,803	-	-	-	-	-	-	1,803
Due to other funds	-	85,714	-	-	-	145,000	-	230,714
Unearned revenue	-	41,215	-	-	-	-	-	41,215
<b>TOTAL LIABILITIES</b>	<b>488,159</b>	<b>226,822</b>	<b>-</b>	<b>-</b>	<b>27,793</b>	<b>145,447</b>	<b>387</b>	<b>888,608</b>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)  
September 30, 2013

	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	
Deferred Inflows of Resources								
Deferred revenue - special assessments	-	-	-	-	-	450,000	2,971,628	3,421,628
Fund Balances								
Nonspendable:								
Inventory	12,794	-	-	-	-	-	-	12,794
Prepaid expenses	106,361	14,896	-	-	-	-	-	121,257
Restricted for:								
Debt Service	-	-	-	-	-	712,241	693,646	1,405,887
Capital improvements	-	-	-	-	1,579,475	-	-	1,579,475
Tri-centennial	-	-	-	13,965	-	-	-	13,965
Parks and recreation	-	560,922	-	-	-	-	-	560,922
Unassigned	4,140,489	-	111	-	-	-	-	4,140,600
TOTAL FUND BALANCES	<u>4,259,644</u>	<u>575,818</u>	<u>111</u>	<u>13,965</u>	<u>1,579,475</u>	<u>712,241</u>	<u>693,646</u>	<u>7,834,900</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 4,747,803</u>	<u>\$ 802,640</u>	<u>\$ 111</u>	<u>\$ 13,965</u>	<u>\$ 1,607,268</u>	<u>\$ 1,307,688</u>	<u>\$ 3,665,661</u>	<u>\$ 12,145,136</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
September 30, 2013

Fund balance - total governmental funds	\$ 7,834,900
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	85,148,495
Less accumulated depreciation	<u>(34,585,166)</u>
	50,563,329
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(62,241)
Adjustment of deferred revenue	3,421,628
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(22,090,293)</u>
Net position of governmental activities	<u><u>\$ 39,667,323</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
Year Ended September 30, 2013

	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
<b>REVENUES</b>								
Taxes	\$ 7,255,706	\$ 1,532,615	\$ -	\$ -	\$ 2,265,179	\$ -	\$ 556,758	\$ 11,610,258
Licenses and permits	169,570	-	-	-	-	-	-	169,570
Intergovernmental revenues	12,752	10,000	-	-	133,252	-	-	156,004
Charges for services	146,482	731,949	120	-	-	-	-	878,551
Fines and forfeitures	326,164	-	-	-	-	-	-	326,164
Interest income	15,066	4	-	-	12	11,328	-	26,410
Miscellaneous	103,590	40,262	-	-	10,280	161,505	-	315,637
<b>TOTAL REVENUES</b>	<b>8,029,330</b>	<b>2,314,830</b>	<b>120</b>	<b>-</b>	<b>2,408,723</b>	<b>172,833</b>	<b>556,758</b>	<b>13,482,594</b>
<b>EXPENDITURES</b>								
Current								
General government	302,826	-	15,009	-	-	-	86,159	403,994
Finance	247,312	-	-	-	-	-	-	247,312
Other support services	500,425	-	-	-	-	-	-	500,425
Information technology	245,611	-	-	-	-	-	-	245,611
Municipal court	160,613	-	-	-	-	-	-	160,613
Buildings and grounds	244,003	-	-	-	-	-	-	244,003
Public safety and health	4,542,588	-	-	-	-	-	-	4,542,588
Community development	723,583	-	-	-	-	-	-	723,583
Transportation	1,230,588	-	-	-	-	-	-	1,230,588
Cemetery	105,081	-	-	-	-	-	-	105,081
Parks and recreation	-	1,878,178	-	-	-	-	-	1,878,178
Capital improvements	-	-	-	-	534,011	-	-	534,011
Debt Service								
Principal and interest	-	-	-	-	-	11,187,873	127,110	11,314,983
<b>TOTAL EXPENDITURES</b>	<b>8,302,630</b>	<b>1,878,178</b>	<b>15,009</b>	<b>-</b>	<b>534,011</b>	<b>11,187,873</b>	<b>213,269</b>	<b>22,130,970</b>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI

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

Year Ended September 30, 2013

	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	(273,300)	436,652	(14,889)	-	1,874,712	(11,015,040)	343,489	(8,648,376)
OTHER FINANCING SOURCES (USES)								
Refunding bond proceeds	-	-	-	-	-	8,485,000	-	8,485,000
Lease proceeds	105,484	-	-	-	-	-	-	105,484
Operating transfers in (out)	280,592	(238,884)	15,000	-	(1,501,650)	1,647,334	89,720	292,112
TOTAL OTHER FINANCING SOURCES (USES)	386,076	(238,884)	15,000	-	(1,501,650)	10,132,334	89,720	8,882,596
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	112,776	197,768	111	-	373,062	(882,706)	433,209	234,220
FUND BALANCE, October 1	4,146,868	378,050	-	13,965	1,206,413	1,594,947	260,437	7,600,680
FUND BALANCE, September 30	<u>\$ 4,259,644</u>	<u>\$ 575,818</u>	<u>\$ 111</u>	<u>\$ 13,965</u>	<u>\$ 1,579,475</u>	<u>\$ 712,241</u>	<u>\$ 693,646</u>	<u>\$ 7,834,900</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, 2013

Net change in fund balances - total governmental funds \$ 234,220

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

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

Capital outlay	1,107,494
Depreciation	<u>(2,126,362)</u>
	(1,018,868)

Some revenues reported in the governmental funds represent current financial resources and were recognized in the statement of activities when earned	125,641
--	---------

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

Lease proceeds	(105,484)
Repayment of principal on bonds, leases, and other debt	9,607,152
Bond proceeds	(8,485,000)
Change in accrued interest payable	<u>15,739</u>
	<u>1,032,407</u>
Change in net position of governmental activities	<u>\$ 373,400</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
STATEMENT OF NET POSITION – PROPRIETARY FUND  
September 30, 2013

	Enterprise Fund
	<u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Utilities receivable, net	\$ 793,779
Prepaid expenses	4,736
	<u>798,515</u>
	TOTAL CURRENT ASSETS
	798,515
Restricted Assets	
Cash and cash equivalents	255,580
Investments	790,373
	<u>1,045,953</u>
	TOTAL RESTRICTED ASSETS
	1,045,953
Property, Plant and Equipment	
Land	392,583
Buildings and improvements	19,153,130
Sewer mains and lines	27,241,744
Machinery and equipment	1,012,597
	<u>47,800,054</u>
Less accumulated depreciation	<u>(14,577,970)</u>
	TOTAL PROPERTY, PLANT AND EQUIPMENT
	33,222,084
	<u>TOTAL ASSETS</u>
	35,066,552

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)  
September 30, 2013

	Enterprise Fund
	Sewer Fund
	<u>          </u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities</b>	
Accounts payable	164,485
Accrued expenses	24,081
Accrued interest payable	163,158
Arbitrage payable	134,127
Due to other funds	144,186
Current maturities of long-term debt	<u>1,728,467</u>
	<b>TOTAL CURRENT LIABILITIES</b>
	2,358,504
<b>Long-Term Liabilities</b>	
Capital leases payable	65,821
Revenue bonds payable, net	18,113,609
Net pension obligation payable	2,058
Compensated absences payable	<u>31,679</u>
	<b>TOTAL LONG-TERM LIABILITIES</b>
	18,213,167
	<b>TOTAL LIABILITIES</b>
	<u>20,571,671</u>
<b>Net Position</b>	
Net investment in capital assets	13,280,450
Restricted	911,825
Unrestricted	<u>302,606</u>
	<b>TOTAL NET POSITION</b>
	<u><u>\$ 14,494,881</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND  
 Year Ended September 30, 2013

	Enterprise Fund
	Sewer Fund
OPERATING REVENUES	
Charges for services	\$ 3,719,977
Miscellaneous	6,438
	<hr/>
TOTAL OPERATING REVENUES	3,726,415
OPERATING EXPENSES	
Personnel services	707,945
Contractual services	183,931
Repairs and maintenance	64,059
Supplies	98,655
Utilities	330,008
Education	3,098
Labs and testing	23,988
Bad debt expense	100,037
Depreciation	1,429,962
Miscellaneous	10,687
	<hr/>
TOTAL OPERATING EXPENSES	2,952,370
OPERATING INCOME	774,045
NONOPERATING REVENUES (EXPENSES)	
Interest income	448,190
Interest expense	(692,422)
Gain on sale of equipment	1,500
	<hr/>
TOTAL NONOPERATING REVENUES (EXPENSES)	(242,732)
INCOME BEFORE OPERATING TRANSFERS	531,313
OPERATING TRANSFERS (OUT)	(292,112)
	<hr/>
NET INCOME	239,201
NET POSITION, October 1, as restated	14,255,680
NET POSITION, September 30	<u>\$ 14,494,881</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUND  
Year Ended September 30, 2013

	Enterprise Fund
	Sewer Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 3,574,626
Cash paid to suppliers	(980,421)
Cash paid to employees	(706,994)
	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	1,887,211
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Due (to) other governments	(170,747)
Operating transfer (out)	(292,112)
	<hr/>
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	(462,859)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of long-term debt	2,915,654
Purchase of fixed assets	(2,331,431)
Proceeds from sale of fixed assets	1,500
Payment of bond principal	(1,634,000)
Payment of interest expense	(699,188)
Payment of principal on capital leases	(29,303)
	<hr/>
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	(1,776,768)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	439,999
Purchase of investments	(86,307)
	<hr/>
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	353,692
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	1,276
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	254,304
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<u>\$ 255,580</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income	\$ 774,045
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,429,962
(Increase) decrease in:	
Utilities receivable	(151,789)
Prepaid expenses	(989)
Increase (decrease) in:	
Accounts payable	(233,278)
Accrued expenses	3,372
Arbitrage payable	68,309
Net pension obligation	(2,421)
	<hr/>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 1,887,211</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
STATEMENT OF FIDUCIARY NET POSITION  
September 30, 2013

		<u>Agency Funds</u>	
	<u>Private-Purpose Trusts</u>	<u>Children's Memorial Trust</u>	<u>Arts Commission</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 208,294	\$ 8,874	\$ 8,352
<b>LIABILITIES</b>			
Due to others	-	\$ 8,874	\$ 8,352
<b>NET POSITION</b>			
Restricted	75,982		
Unrestricted	132,312		
<b>TOTAL NET POSITION</b>	<u>\$ 208,294</u>		

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 Year Ended September 30, 2013

	<u>Private-Purpose Trusts</u>
Additions:	
Donations	\$ -
Deductions:	
Contributions and other	<u>3,200</u>
Changes in Net Position	(3,200)
Net Position, beginning of year	<u>211,494</u>
Net Position, end of year	<u><u>\$ 208,294</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. The following is a summary of the more significant policies.

### Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the City's basic financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

### Government-Wide and Fund Financial Statements

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

### *GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*FUND FINANCIAL STATEMENTS*

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

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

The City reports the following major governmental funds:

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Compensated Absences

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Use of Estimates

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

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with 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.

Revenue Recognition - Property Taxes

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

Deposits and Investments

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

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

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

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

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

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

Fund Balance Classification

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended September 30, 2013.

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, 2013, all bank balances on deposit are entirely insured or collateralized.

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2013, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	1/1/2019 - 1/1/2028	<u>\$ 790,373</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, 2013, 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, 2013

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, 2013, 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:

	Accounts Receivable	Allowance	Net Accounts Receivable
<b>GENERAL FUND</b>			
Ad valorem taxes receivable	\$ 26,258	\$ 14,442	\$ 11,816
Sales and use tax receivable	659,088	-	659,088
Franchise tax receivable	274,174	-	274,174
Lodging tax receivable	7,986	-	7,986
	<u>\$ 967,506</u>	<u>\$ 14,442</u>	<u>\$ 953,064</u>
<b>PARK FUND</b>			
Ad valorem taxes receivable	\$ 14,261	\$ 7,844	\$ 6,417
Sales and use tax receivable	190,813	-	190,813
	<u>\$ 205,074</u>	<u>\$ 7,844</u>	<u>\$ 197,230</u>
<b>CAPITAL FUND</b>			
Sales and use tax receivable	\$ 265,731	\$ -	\$ 265,731
Motor fuel and vehicle taxes receivable	116,712	-	116,712
	<u>\$ 382,443</u>	<u>\$ -</u>	<u>\$ 382,443</u>
<b>COURT FINES RECEIVABLE</b>			
General Fund	\$ 18,761	\$ 18,439	\$ 322
<b>SPECIAL ASSESSMENTS RECEIVABLE</b>			
Debt Service Fund	\$ 450,000	\$ -	\$ 450,000
Neighborhood Improvement Fund	4,551,597	1,579,969	2,971,628
	<u>\$ 5,001,597</u>	<u>\$ 1,579,969</u>	<u>\$ 3,421,628</u>
<b>UTILITIES RECEIVABLE</b>			
Sewer Fund	\$ 904,820	\$ 111,041	\$ 793,779

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE E – RESTRICTED ASSETS

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
<b>GENERAL FUND</b>		
Court bonds	\$ 4,692	\$ -
<b>PARK FUND</b>		
Refundable deposits	\$ 534	\$ 560,922
<b>TRI-CENTENNIAL FUND</b>		
Tri-Centennial activities	\$ 13,965	\$ 13,965
<b>CAPITAL IMPROVEMENT FUND</b>		
Trustee funds	\$ -	\$ 1,579,475
<b>DEBT SERVICE FUND</b>		
Debt service reserves	\$ 703,401	\$ 703,401
<b>NEIGHBORHOOD IMPROVEMENT FUND</b>		
Debt service reserves	\$ 260,937	\$ 693,646
<b>SEWER FUND</b>		
1992 Revenue Bonds		
Debt service reserve	\$ 4,107	\$ 4,107
Principal and interest	192,796	192,796
2007 Revenue Bonds		
Rebate account	134,128	-
Principal and interest	593,470	593,470
2010 Revenue Bonds		
Debt service reserve	1	1
Principal and interest	121,451	121,451
	<u>\$ 1,045,953</u>	<u>\$ 911,825</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt of the City of Warrensburg consists of six Certificates of Participation, three capital leases, two Neighborhood Improvement Bonds payable, one developer agreement, net pension obligation payable, and compensated absences payable.

Capital Leases

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

Year Ended September 30,	Principal	Interest	Total
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>\$ 141,702</u>	<u>\$ 15,788</u>	<u>\$ 157,490</u>

On December 12, 2012, the City entered into a lease purchase agreement to finance a Bobcat excavator for \$52,988. The agreement requires a final payment of \$46,605, including interest of \$1,023 at 4.49%. The City has opted to allocate approximately half of the debt outstanding to Governmental Activities and half to Business-Type Activities. Therefore, \$22,791 in principal is due during fiscal year 2014 from Governmental Activities. Also, \$22,791 in principal is due from Business-Type Activities during fiscal year 2014.

On December 12, 2012, the City entered into a lease purchase agreement to finance two skid steer loaders. The agreement requires a single payment of \$70,169 on December 12, 2013, which includes the entire September 30, 2013, outstanding principal of \$68,629 and interest expense of \$1,540.

These lease agreements provide for cancellation of the leases on the annual renewal dates if the City should fail to appropriate funds. However, the City does not foresee exercising its options to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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

Series 2013 Certificates of Participation

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

The total annual minimum lease payments required at September 30, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 435,000	\$ 189,057	\$ 624,057
2015	480,000	178,600	658,600
2016	550,000	166,909	716,909
2017	710,000	153,044	863,044
2018	640,000	136,829	776,829
2019	725,000	121,201	846,201
2020	785,000	103,811	888,811
2021	865,000	84,894	949,894
2022	940,000	64,155	1,004,155
2023	1,020,000	41,595	1,061,595
2024	1,005,000	17,684	1,022,684
	<u>\$ 8,155,000</u>	<u>\$ 1,257,779</u>	<u>\$ 9,412,779</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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 60,000	\$ 3,150	\$ 63,150

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 6,215,000</u>	<u>\$ 3,286,900</u>	<u>\$ 9,501,900</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 3,525,000</u>	<u>\$ 1,751,125</u>	<u>\$ 5,276,125</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 335,000</u>	<u>\$ 20,638</u>	<u>\$ 355,638</u>
Amount recorded in:			
Governmental Activities			\$ 230,000
Sewer Fund / Business-Type Activities			<u>105,000</u>
		TOTAL	<u>\$ 335,000</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 55,000</u>	<u>\$ 13,135</u>	<u>\$ 68,135</u>

Neighborhood Improvements Bonds – Series 2011

The City issued \$3,115,000 of Series 2011 Neighborhood Improvement Bonds. The Bonds were issued to retire Series 2009 Municipal Temporary Notes which were originally issued to fund improvements related to the Hawthorne Redevelopment Project. The bonds bear interest from 3.0% to 4.375% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess property owners within the Hawthorne Redevelopment Project the \$3,115,000 cost of such improvements. The special assessments received will be used for bond payments. During the year ended September 30, 2013, the City acquired various lots of property within the Hawthorne Development through a sheriff's tax sale. As such, the City will be absorbing a proportionate share of the debt service. The present value of the special assessments on City-owned property is \$1,840,096 at September 30, 2013. At September 30, 2013, special assessments receivable totaled \$4,551,697.

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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

The total annual principal and interest payments required at September 30, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,306,226</u>	<u>\$ 4,421,226</u>

Developer Agreement

The City entered into a development agreement with Westwin Investment Corporation (Westwin) to reimburse Westwin for certain public improvements costs. Subject to certain terms and conditions, under the agreement, the City will reimburse the developer 50% of the 1% general sales taxes collected from retail sales at this project location over a scheduled ten (10) year period not to exceed \$81,000. At September 30, 2013, the outstanding amount under this non-interest bearing agreement was \$27,172.

CITY OF WARRENSBURG, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013

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

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

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
Capital lease - US Bank	\$ 154,506	\$ -	\$ 12,804	\$ 141,702
Capital lease - Kansas State Bank	-	78,990	10,361	68,629
Capital lease - Kansas State Bank	-	26,494	3,703	22,791
2001 Neighborhood Improvement Bonds	60,000	-	5,000	55,000
2011 Neighborhood Improvement Bonds	3,115,000	-	-	3,115,000
Developer - Family Video	25,000	-	25,000	-
Developer - Lowe's Home Centers	143,668	-	143,668	-
Developer - Westwin Investment Corp.	34,569	-	7,397	27,172
2003 Certificates of Participation	85,000	-	85,000	-
2007 Certificates of Participation	8,485,000	-	8,485,000	-
2008B Certificates of Participation	180,000	-	120,000	60,000
2009 Certificates of Participation	6,435,000	-	220,000	6,215,000
2010 Certificates of Participation	3,730,000	-	205,000	3,525,000
2011 Certificates of Participation	329,400	-	99,400	230,000
2013 Refunding Certificates of Participation	-	8,485,000	330,000	8,155,000
Issuance premiums	1,365	-	273	1,092
Issuance discounts	(45,569)	-	(2,538)	(43,031)
	<u>22,732,939</u>	<u>8,590,484</u>	<u>9,750,068</u>	<u>21,573,355</u>
Net Pension Obligation Payable	37,699	4,796	-	42,495
Compensated Absences	481,323	-	6,880	474,443
TOTAL	<u>\$ 23,251,961</u>	<u>\$ 8,595,280</u>	<u>\$ 9,756,948</u>	<u>\$ 22,090,293</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, one capital lease payable, 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, 2013, are represented in total within governmental activities, but the Business-type activities portion of the obligation at September 30, 2013, is \$105,000.

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, 2013, are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	<u>\$ 565,000</u>	<u>\$ 37,008</u>	<u>\$ 602,008</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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, 2013, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
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>\$ 11,635,000</u>	<u>\$ 3,789,794</u>	<u>\$ 648,562</u>	<u>\$ 16,073,356</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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

2010 Sewerage System Revenue Bonds

Through September 30, 2013, the City has issued \$8,209,037, 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 2013 revenue bonds outstanding at September 30, 2013, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2014	\$ 361,497	\$ 109,324	\$ 37,560	\$ 508,381
2015	389,000	105,798	35,743	530,541
2016	396,000	100,018	33,790	529,808
2017	404,000	94,128	31,800	529,928
2018	412,000	88,119	29,770	529,889
2019	420,000	81,992	27,700	529,692
2020	430,000	75,739	25,588	531,327
2021	438,000	69,345	23,428	530,773
2022	446,000	62,833	21,288	530,121
2023	456,000	56,196	18,985	531,181
2024	464,000	49,417	16,695	530,112
2025	474,000	42,513	14,363	530,876
2026	483,000	35,468	11,983	530,451
2027	493,000	28,283	9,555	530,838
2028	503,000	20,949	7,078	531,027
2029	513,000	13,468	4,550	531,018
2030	386,540	5,839	1,973	394,352
	<u>\$ 7,469,037</u>	<u>\$ 1,039,429</u>	<u>\$ 351,849</u>	<u>\$ 8,860,315</u>

CITY OF WARRENSBURG, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013

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, 2013:

	Balance September 30, 2012	Additions	Retirements	Balance September 30, 2013
2011 Certificates of Participation	\$ 130,600	\$ -	\$ 25,600	\$ 105,000
Capital lease - Kansas State Bank	-	26,494	3,703	22,791
	<u>130,600</u>	<u>26,494</u>	<u>29,303</u>	<u>127,791</u>
Revenue Bonds:				
Series 1992 SRF Revenue Bonds	1,095,000	-	530,000	565,000
Series 2007 SRF Revenue Bonds	12,365,000	-	730,000	11,635,000
Series 2010 SRF Revenue Bonds	4,953,877	2,889,160	374,000	7,469,037
Premium on bonds	119,260	-	8,191	111,069
	<u>18,533,137</u>	<u>2,889,160</u>	<u>1,642,191</u>	<u>19,780,106</u>
Net Pension Obligation Payable	4,479	-	2,421	2,058
Compensated Absences	31,679	-	-	31,679
TOTAL	<u>\$ 18,699,895</u>	<u>\$ 2,915,654</u>	<u>\$ 1,673,915</u>	<u>\$ 19,941,634</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 2,644,401	\$ 428,375	\$ -	\$ 3,072,776
Construction in progress	1,556,716	12,347	1,379,750	189,313
Total Non-depreciable Capital Assets	4,201,117	<u>\$ 440,722</u>	<u>\$ 1,379,750</u>	3,262,089
Depreciable Capital Assets:				
Building and improvements	28,576,287	\$ 13,027	\$ -	28,589,314
Machinery and equipment	5,614,025	223,375	7,333	5,830,067
Infrastructure	45,656,905	1,810,120	-	47,467,025
Total Depreciable Capital Assets	79,847,217	<u>\$ 2,046,522</u>	<u>\$ 7,333</u>	81,886,406
Less Accumulated Depreciation	32,466,137	<u>\$ 2,126,362</u>	<u>\$ 7,333</u>	34,585,166
Total Depreciable Capital Assets, Net	47,381,080			47,301,240
Total Capital Assets - Governmental Activities, Net	<u>\$ 51,582,197</u>			<u>\$ 50,563,329</u>

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

General	\$ 5,049
Buildings and grounds	154,231
Fire	97,137
Police	170,313
Animal control	16,772
Parks	359,173
Community development	8,147
Streets	1,305,744
Cemetery	9,796
	<u>\$ 2,126,362</u>

CITY OF WARRENSBURG, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2012	Additions	Deletions	Balance September 30, 2013
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 392,583	\$ -	\$ -	\$ 392,583
CIP	1,194,700	-	1,194,700	-
Total Non-depreciable Capital Assets	1,587,283	\$ -	\$ 1,194,700	392,583
Depreciable Capital Assets:				
Buildings and improvements	19,125,908	\$ 27,222	\$ -	19,153,130
Machinery and equipment	915,041	97,556	-	1,012,597
Sewer mains and lines	23,850,564	3,391,180	-	27,241,744
Total Depreciable Capital Assets	43,891,513	\$ 3,515,958	\$ -	47,407,471
Less Accumulated Depreciation	13,158,181	\$ 1,419,789	\$ -	14,577,970
Depreciable Capital Assets, Net	30,733,332			32,829,501
Total Capital Assets - Business-Type Activities, Net	\$ 32,320,615			\$ 33,222,084

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, 2013

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 30<sup>th</sup> statutorily required contribution rates are 10.3% (General), 10.0% (Police) and 8.4% (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	\$ 470,565
Interest on net pension obligation	3,058
Adjustment to annual required contribution	<u>(3,506)</u>
Annual pension cost	470,117
Actual contributions	<u>467,742</u>
Increase (decrease) in NPO	2,375
NPO beginning of year	<u>42,178</u>
NPO end of year	<u><u>\$ 44,553</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2010, and February 28, 2011, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, 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, 2010, was 30 years for the General division, 30 years for the Police division, and 5 years for the Fire division. The amortization period as of February 28, 2011, was 19 years for the General division, 30 years for the Police division, and 1 year for the Fire division.

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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
2011	\$ 413,211	93.3%	\$ 27,685
2012	452,505	96.8%	42,178
2013	470,117	99.5%	44,553

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	UAL as a Percentage of Covered Payroll
2/28/2013	12,332,389	12,024,789	(307,600)	103%	4,806,783	0%

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:

	2012
Assessed Valuation	
Real estate	\$ 163,016,538
Personal property	29,135,432
TOTAL	<u>\$ 192,151,970</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

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

	<u>2012</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$ .3594
Park levy	<u>.1952</u>
TOTAL	<u>\$ .5546</u>

The legal debt margin at September 30, 2013, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 19,215,197	\$ 19,215,197	\$ 38,430,394
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 19,215,197</u>	<u>\$ 19,215,197</u>	<u>\$ 38,430,394</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.

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, 2013, is accounted for as follows:

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE K – DEFERRED REVENUE (continued)

PARK FUND	
Class fees	<u>\$ 41,215</u>
NEIGHBORHOOD IMPROVEMENT FUND	
Special assessments	<u>\$ -</u>
DEBT SERVICE FUND	
Interlocal agreement with school district	<u>\$ 450,000</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 – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2013, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 497,588	\$ 216,996
Park Fund	-	238,884
Old Drum Fund	15,000	-
Capital Fund	-	1,501,650
Debt Service Fund	1,647,334	-
Neighborhood Improvement Fund	89,720	-
Sewer Fund	-	292,112
	<u>\$ 2,249,642</u>	<u>\$ 2,249,642</u>

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE M – 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 N – INTERNAL BALANCES

Internal balances as of September 30, 2013, consisted of the following:

	General Fund	Park Fund	Debt Service Fund	Sewer Fund
Internal Balances	\$ 374,900	\$ (85,714)	\$ (145,000)	\$ (144,186)

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, 2013, balances of interfund amounts receivable or payable have been recorded within the fund financial statements

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 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 \$24,497,556. Principal and interest paid for the current year and total customer net revenues were \$2,310,360 and \$2,304,044, respectively.

CITY OF WARRENSBURG, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2013

NOTE P – SUBSEQUENT EVENTS

At September 30, 2013, the City had issued only \$8,209,037 of the maximum of \$8,548,500 available on the Series 2010 Sewerage System Revenue Bonds for the sewer project.

NOTE Q – RESTATEMENT

On October 1, 2012, the City restated its balances as follows:

Governmental Activities

Net Assets, as previously stated, September 30, 2012	\$ 38,915,385
Capital assets	710,065
Bond issue costs	<u>(331,527)</u>
Net Assets, as restated, October 1, 2012	<u><u>\$ 39,293,923</u></u>

Business-type Activities

Fund Balance, as previously stated, September 30, 2012	\$ 14,487,369
Bond issue costs	<u>(231,689)</u>
Net Assets, as restated, October 1, 2012	<u><u>\$ 14,255,680</u></u>

Sewer Fund

Fund Balance, as previously stated, September 30, 2012	\$ 14,487,369
Bond issue costs	<u>(231,689)</u>
Net Assets, as restated, October 1, 2012	<u><u>\$ 14,255,680</u></u>

CITY OF WARRENSBURG, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2013

NOTE R – DEBT REFUNDING

On March 6, 2013, the City issued \$8,485,000 in Series 2013 Refunding Certificates of Participation with an interest rate of 2.35%. On March 6, 2012, the City issued and used the net proceeds to fund an advance refunding escrow trust to pay principal and interest as it becomes due on the Series 2007 Certificates of Participation from September 1, 2013, to September 1, 2015. On September 1, 2015, the refunding escrow will prepay the remaining \$7,510,000 in principal on the Series 2007 Certificates of Participation. The Series 2007 Certificates of Participation had an interest rate ranging from 4.0% to 4.3%.

As a result of the advance refunding, the City reduced its debt service requirements by \$1,671,171, which resulted in an economic gain (difference between the present value of the debt service payments on old and new debt) of \$941,702.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF WARRENSBURG, MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 Year Ended September 30, 2013

**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
2/28/2011	\$ 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%
2/28/2013	12,332,389	12,024,789	(307,600)	103%	4,806,783	0%

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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes	\$ 638,879	\$ 661,000	\$ 674,545	\$ 13,545
City sales tax	3,818,789	3,919,000	3,917,753	(1,247)
Financial institution tax	2,200	2,200	3,269	1,069
Railroad and utility tax	22,000	25,199	25,199	-
Utility franchise tax	2,509,829	2,512,207	2,479,758	(32,449)
Surtax	18,700	18,700	21,249	2,549
Lodging tax	81,000	81,000	90,101	9,101
Cigarette tax	35,000	45,000	43,832	(1,168)
	<u>7,126,397</u>	<u>7,264,306</u>	<u>7,255,706</u>	<u>(8,600)</u>
Licenses and Permits				
Occupational licenses	87,872	87,872	90,241	2,369
Building permits	56,475	56,475	79,329	22,854
	<u>144,347</u>	<u>144,347</u>	<u>169,570</u>	<u>25,223</u>
Intergovernmental Revenues				
Grants	136,791	136,791	12,752	(124,039)
Charges for Services				
Cemetery services	36,300	50,000	55,925	5,925
Animal shelter	45,000	60,000	69,610	9,610
Other services	10,635	16,260	20,947	4,687
	<u>91,935</u>	<u>126,260</u>	<u>146,482</u>	<u>20,222</u>
Fines and Forfeitures				
City court fines	414,401	369,402	317,918	(51,484)
Police training fees	2,524	2,524	8,246	5,722
	<u>416,925</u>	<u>371,926</u>	<u>326,164</u>	<u>(45,762)</u>
Miscellaneous				
Interest income	14,400	14,400	15,066	666
Other	16,300	40,558	103,590	63,032
	<u>30,700</u>	<u>54,958</u>	<u>118,656</u>	<u>63,698</u>
<b>TOTAL REVENUES</b>	<u>7,947,095</u>	<u>8,098,588</u>	<u>8,029,330</u>	<u>(69,258)</u>

CITY OF WARRENSBURG, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)  
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>				
Current				
General government	312,292	316,358	302,826	13,532
Finance	217,550	254,889	247,312	7,577
Other support services	493,002	500,211	500,425	(214)
Information technology	166,513	317,911	245,611	72,300
Municipal court	287,113	172,312	160,613	11,699
Buildings and grounds	205,281	215,079	244,003	(28,924)
Public safety and health	4,686,828	4,788,203	4,542,588	245,615
Community development	680,339	864,234	723,583	140,651
Transportation	1,105,655	1,110,782	1,230,588	(119,806)
Cemetery	115,302	115,702	105,081	10,621
<b>TOTAL EXPENDITURES</b>	<b>8,269,875</b>	<b>8,655,681</b>	<b>8,302,630</b>	<b>353,051</b>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	(322,780)	(557,093)	(273,300)	283,793
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	10,000	10,000	-	(10,000)
Lease proceeds	-	-	105,484	105,484
Operating transfers in	497,587	497,587	497,588	1
Operating transfers (out)	(204,651)	(220,930)	(216,996)	3,934
<b>TOTAL OTHER FINANCING         SOURCES (USES)</b>	<b>302,936</b>	<b>286,657</b>	<b>386,076</b>	<b>99,419</b>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>				
	(19,844)	(270,436)	112,776	383,212
FUND BALANCE, October 1	4,146,868	4,146,868	4,146,868	-
FUND BALANCE, September 30	<u>\$ 4,127,024</u>	<u>\$ 3,876,432</u>	<u>\$ 4,259,644</u>	<u>\$ 383,212</u>

CITY OF WARRENSBURG, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – PARK FUND  
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
Ad valorem taxes	\$ 343,755	\$ 365,968	\$ 366,259	\$ 291
Sales tax	1,064,482	1,132,237	1,141,136	8,899
Other taxes	22,100	25,220	25,220	-
Intergovernmental	-	10,000	10,000	-
Charges for services	825,000	727,824	731,949	4,125
Interest income	-	-	4	4
Miscellaneous	16,600	41,117	40,262	(855)
TOTAL REVENUES	<u>2,271,937</u>	<u>2,302,366</u>	<u>2,314,830</u>	<u>12,464</u>
<b>EXPENDITURES</b>				
Current				
Park	272,485	327,734	278,367	49,367
Park maintenance	311,538	329,280	320,227	9,053
Park recreation programs	818,277	820,863	759,430	61,433
Community center	550,735	559,995	520,154	39,841
TOTAL EXPENDITURES	<u>1,953,035</u>	<u>2,037,872</u>	<u>1,878,178</u>	<u>159,694</u>
EXCESS OF REVENUES OVER EXPENDITURES	318,902	264,494	436,652	172,158
<b>OTHER FINANCING (USES)</b>				
Operating transfers (out)	(238,900)	(238,900)	(238,884)	16
TOTAL OTHER FINANCING (USES)	<u>(238,900)</u>	<u>(238,900)</u>	<u>(238,884)</u>	<u>16</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	80,002	25,594	197,768	172,174
FUND BALANCE, October 1	<u>378,050</u>	<u>378,050</u>	<u>378,050</u>	-
FUND BALANCE, September 30	<u>\$ 458,052</u>	<u>\$ 403,644</u>	<u>\$ 575,818</u>	<u>\$ 172,174</u>

CITY OF WARRENSBURG, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – OLD DRUM FUND  
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Charges for services	\$ 500	\$ 500	\$ 120	\$ (380)
TOTAL REVENUES	500	500	120	(380)
<b>EXPENDITURES</b>				
Current				
Miscellaneous	15,500	15,500	15,009	491
TOTAL EXPENDITURES	15,500	15,500	15,009	491
(DEFICIT) OF REVENUES OVER EXPENDITURES	(15,000)	(15,000)	(14,889)	111
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	15,000	15,000	15,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	-	-	111	111
FUND BALANCE, October 1	-	-	-	-
FUND BALANCE September 30	\$ -	\$ -	\$ 111	\$ 111

CITY OF WARRENSBURG, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND  
 Year Ended September 30, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Sales and use tax	\$ 1,540,368	\$ 1,540,368	1,587,623	\$ 47,255
Motor fuel and vehicle taxes	679,853	679,853	677,556	(2,297)
Intergovernmental revenues	-	-	133,252	133,252
Interest income	-	-	12	12
Miscellaneous	-	9,410	10,280	870
<b>TOTAL REVENUES</b>	<b>2,220,221</b>	<b>2,229,631</b>	<b>2,408,723</b>	<b>179,092</b>
<b>EXPENDITURES</b>				
Current				
Capital improvements	970,000	1,120,370	534,011	586,359
<b>TOTAL EXPENDITURES</b>	<b>970,000</b>	<b>1,120,370</b>	<b>534,011</b>	<b>586,359</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>1,250,221</b>	<b>1,109,261</b>	<b>1,874,712</b>	<b>765,451</b>
<b>OTHER FINANCING (USES)</b>				
Operating transfers (out)	(1,567,813)	(1,500,696)	(1,501,650)	(954)
<b>TOTAL OTHER FINANCING (USES)</b>	<b>(1,567,813)</b>	<b>(1,500,696)</b>	<b>(1,501,650)</b>	<b>(954)</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)</b>	<b>(317,592)</b>	<b>(391,435)</b>	<b>373,062</b>	<b>764,497</b>
FUND BALANCE, October 1	1,206,413	1,206,413	1,206,413	-
FUND BALANCE, September 30	\$ 888,821	\$ 814,978	\$ 1,579,475	\$ 764,497

CITY OF WARRENSBURG, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
Year Ended September 30, 2013

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, 2013, therefore, no budgetary comparison schedule has been presented.

## **OTHER FINANCIAL INFORMATION**

CITY OF WARRENSBURG, MISSOURI  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 Year Ended September 30, 2013

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 144,240	\$ 24,851	\$ 21,108	\$ 18,095	\$ 208,294
<b>LIABILITIES</b>					
Due to others	-	-	-	-	-
<b>NET ASSETS</b>					
Restricted	70,281	5,548	-	153	75,982
Unrestricted	73,959	19,303	21,108	17,942	132,312
<b>TOTAL NET ASSETS</b>	<u>\$ 144,240</u>	<u>\$ 24,851</u>	<u>\$ 21,108</u>	<u>\$ 18,095</u>	<u>\$ 208,294</u>

CITY OF WARRENSBURG, MISSOURI  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 Year Ended September 30, 2013

	Private-Purpose Trusts				Total
	Stevenson	Brown	Crissey	Anderson- Stevenson	
Additions:					
Donations	\$ -	\$ -	\$ -	\$ -	\$ -
Deductions:					
Contributions and other	2,700	-	500	-	3,200
Changes in Net Assets	(2,700)	-	(500)	-	(3,200)
Net Assets, beginning of year	146,940	24,851	21,608	18,095	211,494
Net Assets, end of year	<u>\$ 144,240</u>	<u>\$ 24,851</u>	<u>\$ 21,108</u>	<u>\$ 18,095</u>	<u>\$ 208,294</u>



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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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

Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Warrensburg, Missouri's basic financial statements, and have issued our report thereon, dated April 17, 2014.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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500 West Main Street, Suite 200 • Branson, Missouri 65616 • 417-334-2987 • fax 417-336-3403

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Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

KPM CPAs, PC

KPM CPAs, PC  
April 17, 2014



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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

**Compliance**

We have audited the City of Warrensburg, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2013. The City of Warrensburg, Missouri's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the City of Warrensburg, Missouri's major federal program based on our audit of the types of compliance requirements referred to above. 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's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Warrensburg, Missouri's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City of Warrensburg, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2013.

### **Internal Control over Compliance**

Management of the City of Warrensburg, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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. However, material weaknesses may exist that have not been identified.

Honorable Mayor and City Council  
City of Warrensburg  
Warrensburg, Missouri

This report is intended solely for the information and use of the City Council, management, others within the City, 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.

*KPM CPAs, PC*

KPM CPAs, PC  
April 17, 2014

CITY OF WARRENSBURG, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended September 30, 2013

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	\$ 10,000
TOTAL U.S. DEPARTMENT OF THE INTERIOR			10,000
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Missouri Department of Health and Senior Services			
Summer Food Service Program for Children	10.559	ERS0462751S	18,695
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Missouri Department of Economic Development			
Community Development Block Grant	14.228	2007-DT-02	92,932
Direct			
Community Challenge Planning Grant Program	14.704	N/A	5,000
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			97,932
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Missouri Department of Transportation			
Highway Planning and Construction	20.205	STP 6300(404)	4,284
Direct			
National Infrastructure Investments	20.933	N/A	31,036
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			35,320
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Missouri Department of Natural Resources			
Capitalization Grant for Clean Water State Revolving Fund	66.458	C295510-03	2,109,455
TOTAL ENVIRONMENTAL PROTECTION AGENCY			2,109,455
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,271,402

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, 2013

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified 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 program.
6. The auditors' report on compliance for the major federal award program expresses an unmodified opinion.
7. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
8. The program tested as a major program was:

Capitalization Grant for Clean Water State Revolving Fund	66.458
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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 program.

CITY OF WARRENSBURG, MISSOURI  
SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2013

There were no prior year audit findings.