

CITY OF WARRENSBURG, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2016

TABLE OF CONTENTS

| | |
|---|----|
| INDEPENDENT AUDITORS' REPORT | 4 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 8 |
| BASIC FINANCIAL STATEMENTS | |
| Statement of Net Position | 17 |
| Statement of Activities..... | 19 |
| Balance Sheet – Governmental Funds | 21 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 23 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 24 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 26 |
| Statement of Net Position – Proprietary Fund | 27 |
| Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund | 29 |
| Statement of Cash Flows – Proprietary Fund | 30 |
| Combined Statement of Fiduciary Net Position – Private Purpose Trusts | 31 |
| Combined Statement of Changes in Fiduciary Net Position – Private Purpose Trusts | 32 |
| Statement of Changes in Fiduciary Net Position – Agency Funds | 33 |
| Notes to Basic Financial Statements..... | 34 |
| REQUIRED SUPPLEMENTARY INFORMATION | |
| Schedule of Changes in Net Pension Asset and Related Ratios | 69 |
| Schedule of Contributions..... | 70 |

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

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

OTHER FINANCIAL INFORMATION

| | |
|--|----|
| Combining Statement of Fiduciary Net Position | 79 |
| Combining Statement of Changes in Fiduciary Net Position | 80 |

OTHER REPORTING REQUIREMENTS

| | |
|---|----|
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 82 |
|---|----|



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), budgetary comparison information, the Schedule of Changes in Net Pension Asset and Related Ratios, and the Schedule of Contributions and related notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, on our consideration of the City of Warrensburg, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warrensburg, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

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, 2016. Please read it in conjunction with the City's financial statements, which begin on page 17.

Financial Highlights

- The Net Position of the City's governmental activities decreased by \$1,372,883 for the year as a result of current year activities. The net position of the City's business activities increased \$254,218 for the year.
- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources as of September 30, 2016, by \$58.3 million (net position). Of this amount, \$12.4 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,513,990.

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, 2016**

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, 2016**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2016 and 2015:

| | Governmental Activities | Business-Type Activities | Total September 30, 2016 | Total September 30, 2015 |
|--------------------------------------|----------------------------|-----------------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Current and other assets | \$ 13,204,560 | \$ 2,674,181 | \$ 15,878,741 | \$ 18,331,700 |
| Capital assets | 46,853,552 | 28,927,762 | 75,781,314 | 78,840,292 |
| TOTAL ASSETS | 60,058,112 | 31,601,943 | 91,660,055 | 97,171,992 |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred outflow of resources | 2,678,434 | 269,074 | 2,947,508 | 1,040,366 |
| LIABILITIES | | | | |
| Other liabilities | 1,781,519 | 1,650,939 | 3,432,458 | 3,601,747 |
| Long-term liabilities outstanding | 17,784,632 | 14,787,137 | 32,571,769 | 35,085,759 |
| TOTAL LIABILITIES | 19,566,151 | 16,438,076 | 36,004,227 | 38,687,506 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred inflow of resources | 316,183 | 27,528 | 343,711 | 146,562 |
| NET POSITION | | | | |
| Net investment in capital assets | 28,381,983 | 12,961,625 | 41,343,608 | 41,882,090 |
| Restricted | 3,690,541 | 809,867 | 4,500,408 | 4,801,310 |
| Unrestricted | 10,781,688 | 1,633,921 | 12,415,609 | 12,694,890 |
| TOTAL NET POSITION | \$ 42,854,212 | \$ 15,405,413 | \$ 58,259,625 | \$ 59,378,290 |

Total net position of the City decreased \$1,118,665 for the year due to current year activity. Total liabilities for the City have decreased by \$2,683,279. Net capital assets for the governmental activities totaled \$46.9 million as of September 30, 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

CHANGE IN NET POSITION

| | Governmental Activities | Business-Type Activities | Total Year Ended September 30, 2016 | Total Year Ended September 30, 2015 |
|--|----------------------------|-----------------------------|--|--|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 1,529,327 | \$ 4,120,944 | \$ 5,650,271 | \$ 5,377,081 |
| Operating grants and contributions | 1,392 | - | 1,392 | 15,400 |
| Capital grants and contributions | 55,200 | - | 55,200 | 98,945 |
| General Revenues | | | | |
| Property taxes | 872,501 | - | 872,501 | 1,080,502 |
| Sales taxes | 7,389,633 | - | 7,389,633 | 7,199,968 |
| Motor vehicle taxes | 740,935 | - | 740,935 | 738,190 |
| Other taxes | 226,071 | - | 226,071 | 246,228 |
| Franchise fees | 2,513,128 | - | 2,513,128 | 2,984,844 |
| Interest | 61,171 | 312,039 | 373,210 | 350,356 |
| Other revenue | 149,960 | - | 149,960 | 147,990 |
| Gain (loss) on disposal of assets | 261,299 | - | 261,299 | 161,445 |
| Transfers | 517,159 | (517,159) | - | - |
| TOTAL REVENUES, GAINS AND TRANSFERS | 14,317,776 | 3,915,824 | 18,233,600 | 18,400,949 |
| EXPENSES | | | | |
| General government | 431,504 | - | 431,504 | 416,133 |
| Finance | 437,963 | - | 437,963 | 332,590 |
| Other support services | 416,935 | - | 416,935 | 468,496 |
| Information technology | 614,408 | - | 614,408 | 566,827 |
| Municipal court | 158,933 | - | 158,933 | 132,713 |
| Buildings and grounds | 410,901 | - | 410,901 | 409,574 |
| Public safety and health | 5,634,121 | - | 5,634,121 | 4,650,735 |
| Community development | 785,619 | - | 785,619 | 814,633 |
| Transportation | 3,452,658 | - | 3,452,658 | 2,792,338 |
| Cemetery | 110,408 | - | 110,408 | 125,759 |
| Parks and recreation | 2,541,168 | - | 2,541,168 | 2,195,330 |
| Debt service | 696,041 | 600,845 | 1,296,886 | 1,384,763 |
| Sewer | - | 3,060,761 | 3,060,761 | 2,954,079 |
| TOTAL EXPENSES | 15,690,659 | 3,661,606 | 19,352,265 | 17,243,970 |
| INCREASE (DECREASE) IN NET ASSETS | \$ (1,372,883) | \$ 254,218 | \$ (1,118,665) | \$ 1,156,979 |

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

Governmental Activities

Governmental activities decreased the net position of the City by \$1,372,883. Total tax revenues for the City were \$11.7 million, which represents 82% of the financing of these activities. Program revenues for the functions totaled \$1.6 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 | \$ 431,504 | \$ 221,688 |
| Finance | 437,963 | 437,963 |
| Other support services | 416,935 | 416,935 |
| Information technology | 614,408 | 614,408 |
| Municipal court | 158,933 | 158,933 |
| Buildings and grounds | 410,901 | 410,901 |
| Public safety and health | 5,634,121 | 5,257,183 |
| Community development | 785,619 | 785,619 |
| Transportation | 3,452,658 | 3,407,458 |
| Cemetery | 110,408 | (31,783) |
| Parks and recreation | 2,541,168 | 1,729,394 |
| Debt Service | 696,041 | 696,041 |
| | \$ 15,690,659 | \$ 14,104,740 |

Business-Type Activities

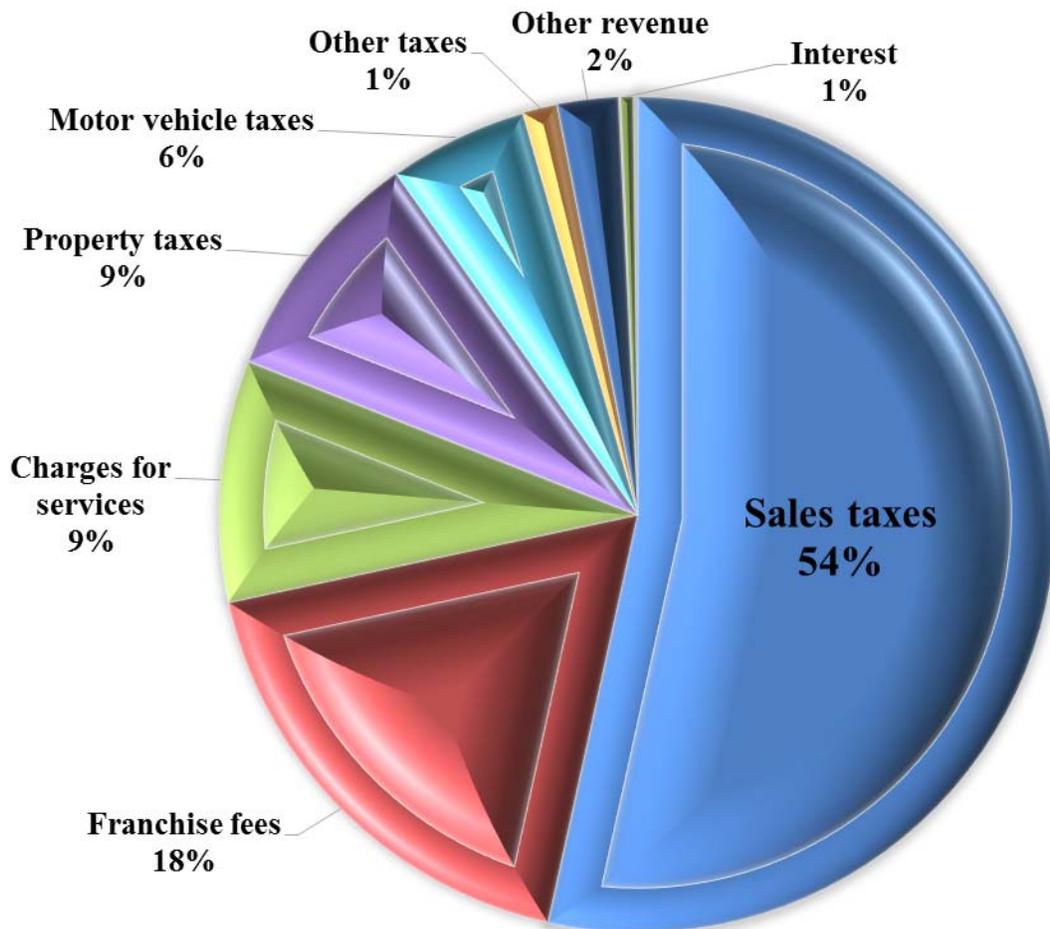
Business-type activities increased the City's net position by \$254,218. Last year the business-type activities increased \$252,035.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016

Financial Analysis of the City's Funds

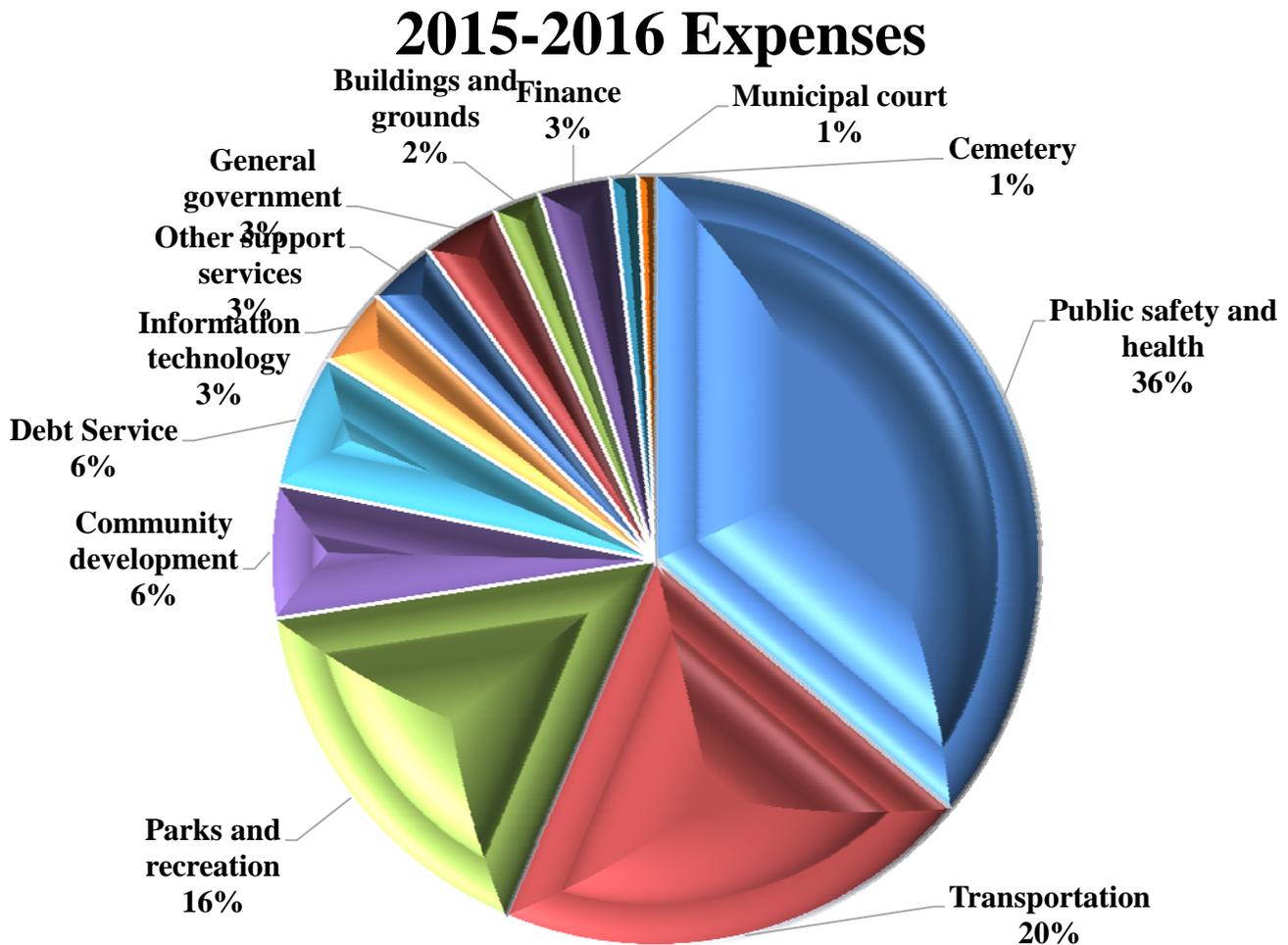
Revenue sources for the City of Warrensburg are illustrated in the pie chart below. Sales Taxes, which are the largest source of revenue, have increased in proportion size from 52% in 2014-2015 to 54% in 2015-2016. The next largest portion, Franchise fees, decreased from 22% to 18% mostly due to the decreased natural gas prices. Other revenues that include Property, Motor vehicle and other taxes remained similar to previous years, while Interest revenue increased due to more aggressive banking on behalf of the City.

2015-2016 Revenues



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

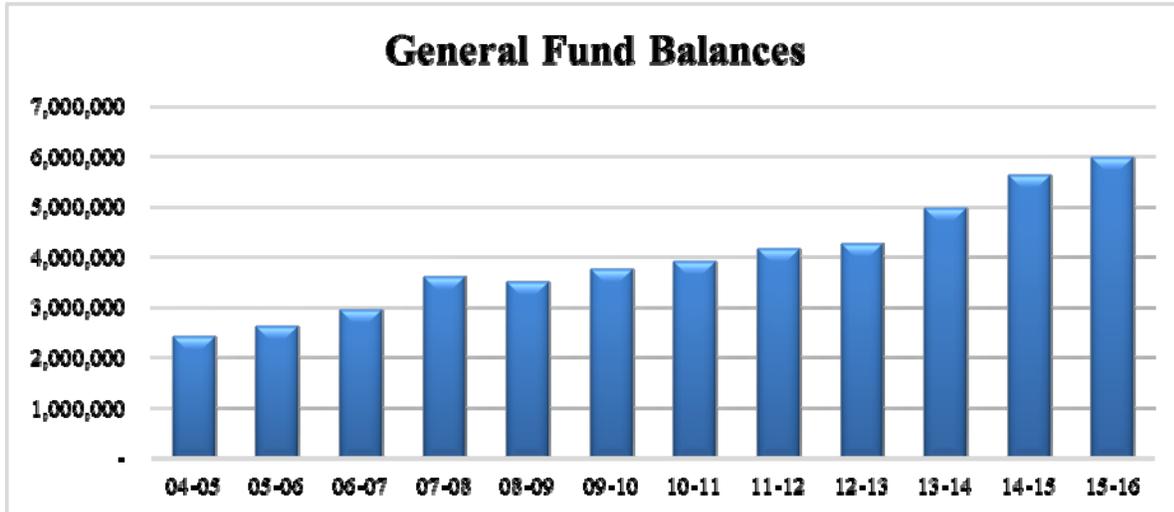
Within the wide array of services provided by the City of Warrensburg, there are 5 major categories that comprise 84% of the total. These services are Public Safety and Health (which includes Fire and Law enforcement), Transportation, Parks and Recreation, Community Development, and Debt Service. The largest portion, Public Safety and Health, increased from 34% of the total in 2014-2015 to 36% in 2015-2016.



The combined fund balances of the City's governmental funds as of September 30, 2016, were \$9.9 million. The General Fund increased by \$537,698. The Park Fund increased by \$49,563. The Tri-Centennial Fund increased by \$115. The Capital Improvement Transportation Fund decreased by \$156,860. The Capital Improvement Half-Cent Fund decreased by \$48,738. The Debt Service Fund increased by \$8,945. The Neighborhood Improvement Fund decreased by \$158,375.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

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



General Fund Budgetary Highlights

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

- The original revenue budget of \$8,708,014 was increased by \$1,392 to \$8,709,406.
- The total original budgeted expenditures of \$9,931,839 were increased by \$90,601 to \$10,022,440. Most of this increase was from an increase in buildings and grounds.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$46.9 million (net of accumulated depreciation) as of September 30, 2016. This represents a decrease of \$1,747,433 from the prior year due primarily to building and improvement additions along with infrastructure additions and machinery and equipment additions net of the current year provisions for depreciation. Net capital assets for business-type activities were \$28.9 million as of September 30, 2016. This represents a decrease of \$1,311,545 from the prior year due primarily to current year provisions for depreciation.

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2016, was \$21.5 million, which is an increase of \$1.2 million due to the addition of the Keystone TIF net of current year principal payments.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

Total debt and long-term obligations of the business-type activities as of September 30, 2016, was \$16.0 million, which is down by \$1.2 million from the prior year due to the payments made on the City's Certificates of Participation and revenue bonds.

Economic Factors and Next Year's Budget

The City continues to experience moderate growth in overall General Fund revenues, which is a positive. This is mainly driven by sales tax growth within the community. Some revenues streams have declined, with the most significant one being franchise fees. Given the City's extreme dependence on sales tax revenues, it is imperative that a constant focus is applied to sustaining growth in this revenue stream. Efforts such as the "Love What's Local" has become increasingly more important to the vitality of the City. However, the real driver for growth in our community will be to increase population and discretionary income levels within the city limits and local region.

Ideally the City would diversify its revenue streams to decrease dependency upon sales tax, particularly by developing stronger property tax revenues. However, the Missouri legislature's enactment of the Hancock Amendment has made doing this a difficult task. It has been recommended that the Council consider placing significant infrastructure and capital purchases on the ballot to increase property taxes, and allow the citizens to vote on these important community measures. Examples of projects and capital purchases include:

- Maguire Street Corridor
- Veteran's Road Extension
- Cooper St. Extension
- Traffic Signal Upgrades
- Public Safety Apparatus
- Technology Investments.

In the budget for fiscal year 2017, the City has decided to invest in its most valuable and expensive asset, its employees. Key cost factors are health insurance, wages, and leave benefits. The costs of changes in these areas are significant and the City cannot alter all of them at once. Management is recommending restructuring the most volatile factor, health insurance, in an effort to stabilize and better manage future costs. Eventually wage issues and retirement benefits will need to be addressed in future fiscal years, but doing so will be much easier when health insurance costs are less volatile. This fiscal year's budget represents a very proactive approach in addressing current and future challenges while also seeking to improve tomorrow's financial health for the City.

Contacting the City's Financial Management

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

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION
September 30, 2016

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|--------------|--|
| | Governmental Activities | Business-Type Activities | Total | Warrensburg Convention and Visitors Bureau |
| ASSETS | | | | |
| Cash and cash equivalents - unrestricted | \$ 7,621,173 | \$ 1,032,387 | \$ 8,653,560 | \$ 121,913 |
| Taxes receivable, net | 1,593,156 | - | 1,593,156 | - |
| Utilities receivable, net | - | 383,459 | 383,459 | - |
| Other accounts receivable, net | 15,362 | - | 15,362 | - |
| Special assessments receivable, net | 725,732 | - | 725,732 | - |
| Court fines receivable, net | 1,227 | - | 1,227 | - |
| Inventory | 12,596 | - | 12,596 | - |
| Prepaid expenses | 138,025 | 19,784 | 157,809 | - |
| Restricted cash and cash equivalents | 288,117 | 68,646 | 356,763 | - |
| Restricted investments | 711,229 | 1,043,707 | 1,754,936 | - |
| Net pension asset | 2,097,943 | 126,198 | 2,224,141 | - |
| Capital Assets: | | | | |
| Non-depreciable | 3,206,706 | 392,583 | 3,599,289 | - |
| Depreciable, net | 43,646,846 | 28,535,179 | 72,182,025 | - |
| TOTAL ASSETS | 60,058,112 | 31,601,943 | 91,660,055 | 121,913 |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred pension outflow | 2,678,434 | 269,074 | 2,947,508 | - |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | 2,678,434 | 269,074 | 2,947,508 | - |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2016

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------------|--|
| | Governmental Activities | Business-Type Activities | Total | Warrensburg Convention and Visitors Bureau |
| LIABILITIES | | | | |
| Current | | | | |
| Accounts payable | 345,607 | 31,602 | 377,209 | 4,386 |
| Accrued expenses | 94,527 | 10,778 | 105,305 | - |
| Unearned revenue | 45,894 | - | 45,894 | - |
| Court bonds payable | 12,565 | - | 12,565 | - |
| Accrued interest payable | 54,549 | 127,073 | 181,622 | - |
| Arbitrage payable | - | 302,486 | 302,486 | - |
| Current maturities of long-term debt | 1,228,377 | 1,179,000 | 2,407,377 | - |
| | 1,781,519 | 1,650,939 | 3,432,458 | 4,386 |
| Noncurrent | | | | |
| Capital leases payable | 32,155 | - | 32,155 | - |
| Neighborhood improvement bonds payable | 2,736,000 | - | 2,736,000 | - |
| Certificates of participation payable | 14,475,037 | - | 14,475,037 | - |
| Revenue bonds payable, net | - | 14,747,996 | 14,747,996 | - |
| Developer agreements payable | 6,102 | - | 6,102 | - |
| Compensated absences payable | 535,338 | 39,141 | 574,479 | - |
| | 17,784,632 | 14,787,137 | 32,571,769 | - |
| TOTAL LIABILITIES | 19,566,151 | 16,438,076 | 36,004,227 | 4,386 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred pension inflow | 316,183 | 27,528 | 343,711 | - |
| TOTAL DEFERRED INFLOW OF RESOURCES | 316,183 | 27,528 | 343,711 | - |
| NET POSITION | | | | |
| Net investment in capital assets | 28,381,983 | 12,961,625 | 41,343,608 | - |
| Restricted | 3,690,541 | 809,867 | 4,500,408 | - |
| Unrestricted | 10,781,688 | 1,633,921 | 12,415,609 | 117,527 |
| TOTAL NET POSITION | \$ 42,854,212 | \$ 15,405,413 | \$58,259,625 | \$ 117,527 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

| Functions/Programs | Net (Expenses), Revenues and Changes in Net Position | | | | | | | |
|--------------------------------|--|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|--------------|--|
| | Expenses | Program Revenues | | | Primary Government | | | Component Unit |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Warrensburg Convention and Visitors Bureau |
| Primary Government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ (431,504) | \$ 208,424 | \$ 1,392 | \$ - | \$ (221,688) | \$ - | \$ (221,688) | \$ - |
| Finance | (437,963) | - | - | - | (437,963) | - | (437,963) | - |
| Other support services | (416,935) | - | - | - | (416,935) | - | (416,935) | - |
| Information technology | (614,408) | - | - | - | (614,408) | - | (614,408) | - |
| Municipal court | (158,933) | - | - | - | (158,933) | - | (158,933) | - |
| Buildings and grounds | (410,901) | - | - | - | (410,901) | - | (410,901) | - |
| Public safety and health | (5,634,121) | 376,938 | - | - | (5,257,183) | - | (5,257,183) | - |
| Community development | (785,619) | - | - | - | (785,619) | - | (785,619) | - |
| Transportation | (3,452,658) | - | - | 45,200 | (3,407,458) | - | (3,407,458) | - |
| Cemetery | (110,408) | 142,191 | - | - | 31,783 | - | 31,783 | - |
| Parks and recreation | (2,541,168) | 801,774 | - | 10,000 | (1,729,394) | - | (1,729,394) | - |
| Debt Service | (696,041) | - | - | - | (696,041) | - | (696,041) | - |
| TOTAL GOVERNMENTAL ACTIVITIES | (15,690,659) | 1,529,327 | 1,392 | 55,200 | (14,104,740) | - | (14,104,740) | - |
| Business-Type Activities | | | | | | | | |
| Sewer | (3,661,606) | 4,120,944 | - | - | - | 459,338 | 459,338 | - |
| TOTAL BUSINESS-TYPE ACTIVITIES | (3,661,606) | 4,120,944 | - | - | - | 459,338 | 459,338 | - |
| TOTAL PRIMARY GOVERNMENT | \$ (19,352,265) | \$ 5,650,271 | \$ 1,392 | \$ 55,200 | (14,104,740) | 459,338 | (13,645,402) | - |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2016

| Component Unit | Net (Expenses), Revenues and Changes in Net Position | | | | | | | |
|---|--|----------------------------|--|---|----------------------------|-----------------------------|---------------|--|
| | Expenses | Program Revenues | | | Primary Government | | | Component Unit |
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | Warrensburg Convention and Visitors Bureau |
| Warrensburg Convention and Visitors Bureau | \$ (83,412) | \$ 106,841 | \$ - | \$ - | - | - | - | 23,429 |
| | | General Revenues: | | | | | | |
| | | | | Property taxes | 872,501 | - | 872,501 | - |
| | | | | Sales taxes | 7,389,633 | - | 7,389,633 | - |
| | | | | Motor vehicle taxes | 740,935 | - | 740,935 | - |
| | | | | Other taxes | 226,071 | - | 226,071 | - |
| | | | | Franchise fees | 2,513,128 | - | 2,513,128 | - |
| | | | | Interest | 61,171 | 312,039 | 373,210 | - |
| | | | | Other revenue | 149,960 | - | 149,960 | - |
| | | | | Gain on disposal of assets | 261,299 | - | 261,299 | - |
| | | | | Transfers | 517,159 | (517,159) | - | - |
| | | | | Total General Revenues, Gains and Transfers | 12,731,857 | (205,120) | 12,526,737 | - |
| | | | | Changes in Net Position | (1,372,883) | 254,218 | (1,118,665) | 23,429 |
| | | | | Net Position, Beginning of year | 44,227,095 | 15,151,195 | 59,378,290 | 94,098 |
| | | | | Net Position, End of year | \$ 42,854,212 | \$ 15,405,413 | \$ 58,259,625 | \$ 117,527 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2016

| | Special Revenue Funds | | | | | | Debt Service Funds | | | Total Governmental Funds |
|---|-----------------------|---------------------|---------------------|------------------------|--|---|-------------------------|-------------------------------------|---------------------------------------|--------------------------------|
| | General Fund | Park Fund | Old Drum Fund | Tri-Centennial Fund | Capital Improvement Transportation Fund | Capital Improvement Half Cent Fund | Debt Service Fund | Neighborhood Improvement Fund | Tax Increment Financing Fund | |
| ASSETS | | | | | | | | | | |
| Cash and cash equivalents | \$ 5,088,420 | \$ 950,348 | \$ - | \$ - | \$ 395,086 | \$ 527,509 | \$ 156,985 | \$ 502,825 | \$ - | \$ 7,621,173 |
| Taxes receivable, net | 990,902 | 203,137 | - | - | 124,166 | 274,951 | - | - | - | 1,593,156 |
| Other accounts receivable | - | 15,362 | - | - | - | - | - | - | - | 15,362 |
| Special assessments receivable, net | - | - | - | - | - | - | - | 725,732 | - | 725,732 |
| Court fines receivable, net | 1,227 | - | - | - | - | - | - | - | - | 1,227 |
| Due from other funds | 216,821 | - | - | - | - | - | - | - | - | 216,821 |
| Inventory | 12,596 | - | - | - | - | - | - | - | - | 12,596 |
| Prepaid expenses | 120,708 | 17,317 | - | - | - | - | - | - | - | 138,025 |
| Restricted cash and cash equivalents | 12,565 | 534 | - | 14,080 | - | - | - | 260,938 | - | 288,117 |
| Restricted investments | - | 5 | - | - | - | - | 711,224 | - | - | 711,229 |
| TOTAL ASSETS | \$ 6,443,239 | \$ 1,186,703 | \$ - | \$ 14,080 | \$ 519,252 | \$ 802,460 | \$ 868,209 | \$ 1,489,495 | \$ - | \$ 11,323,438 |
| LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | | | | | | | | | | |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ 182,067 | \$ 36,777 | \$ - | \$ - | \$ 7,221 | \$ 119,507 | \$ - | \$ 35 | \$ - | \$ 345,607 |
| Accrued expenses | 83,289 | 11,238 | - | - | - | - | - | - | - | 94,527 |
| Court bonds payable | 12,565 | - | - | - | - | - | - | - | - | 12,565 |
| Due to other funds | - | 71,821 | - | - | - | - | 145,000 | - | - | 216,821 |
| Unearned revenue | - | 45,894 | - | - | - | - | - | - | - | 45,894 |
| TOTAL LIABILITIES | 277,921 | 165,730 | - | - | 7,221 | 119,507 | 145,000 | 35 | - | 715,414 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2016

| | Special Revenue Funds | | | | | Debt Service Funds | | | Total Governmental Funds |
|---|-----------------------|---------------------|---------------------|------------------------|--|---|-------------------------|-------------------------------------|--------------------------------|
| | General Fund | Park Fund | Old Drum Fund | Tri-Centennial Fund | Capital Improvement Transportation Fund | Capital Improvement Half Cent Fund | Debt Service Fund | Neighborhood Improvement Fund | |
| Deferred Inflow of Resources | | | | | | | | | |
| Deferred revenue - | | | | | | | | | |
| special assessments | - | - | - | - | - | - | 734,848 | - | 734,848 |
| Fund Balances | | | | | | | | | |
| Nonspendable: | | | | | | | | | |
| Inventory | 12,596 | - | - | - | - | - | - | - | 12,596 |
| Prepaid expenses | 120,708 | 17,317 | - | - | - | - | - | - | 138,025 |
| Restricted for: | | | | | | | | | |
| Debt Service | - | - | - | - | - | 723,209 | 754,612 | - | 1,477,821 |
| Capital improvements | - | - | - | - | 512,031 | 682,953 | - | - | 1,194,984 |
| Tri-centennial | - | - | - | 14,080 | - | - | - | - | 14,080 |
| Parks and recreation | - | 1,003,656 | - | - | - | - | - | - | 1,003,656 |
| Unassigned | 6,032,014 | - | - | - | - | - | - | - | 6,032,014 |
| TOTAL FUND BALANCES | 6,165,318 | 1,020,973 | - | 14,080 | 512,031 | 723,209 | 754,612 | - | 9,873,176 |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES | \$ 6,443,239 | \$ 1,186,703 | \$ - | \$ 14,080 | \$ 519,252 | \$ 802,460 | \$ 868,209 | \$ - | \$ 11,323,438 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
September 30, 2016

| | |
|--|-----------------------------|
| Fund balance - total governmental funds | \$ 9,873,176 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | |
| Governmental capital assets | 87,645,265 |
| Less accumulated depreciation | <u>(40,791,713)</u> |
| | 46,853,552 |
| The net pension asset is not available to pay for the current-period expenditures, and therefore, is not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items: | |
| Net pension asset | 2,097,943 |
| Deferred outflows due to pension | 2,678,434 |
| Deferred inflows due to pension | <u>(316,183)</u> |
| | 4,460,194 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due | (54,549) |
| Adjustment of deferred revenue | 734,848 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | <u>(19,013,009)</u> |
| Net position of governmental activities | <u><u>\$ 42,854,212</u></u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
 Year Ended September 30, 2016

| | Special Revenue Funds | | | | | | Debt Service Funds | | | Total Governmental Funds |
|----------------------------|-----------------------|------------------|---------------------|------------------------|--|---|-------------------------|-------------------------------------|------------------------------------|--------------------------------|
| | General Fund | Park Fund | Old Drum Fund | Tri-Centennial Fund | Capital Improvement Transportation Fund | Capital Improvement Half Cent Fund | Debt Service Fund | Neighborhood Improvement Fund | Tax Increment Financing Fund | |
| REVENUES | | | | | | | | | | |
| Taxes | \$ 7,782,241 | \$ 1,699,952 | \$ - | \$ - | \$ 740,935 | \$ 1,759,480 | \$ - | \$ 58,728 | \$ 2,541 | \$ 12,043,877 |
| Licenses and permits | 208,424 | - | - | - | - | - | - | - | - | 208,424 |
| Intergovernmental revenues | 1,392 | 10,000 | - | - | 45,198 | 2 | - | - | - | 56,592 |
| Charges for services | 198,039 | 801,774 | - | - | - | - | - | - | - | 999,813 |
| Fines and forfeitures | 321,090 | - | - | - | - | - | - | - | - | 321,090 |
| Interest income | 40,922 | 7,705 | - | 115 | - | - | 12,429 | - | - | 61,171 |
| Miscellaneous | 113,504 | 18,731 | - | - | 7,226 | 5,849 | 159,650 | - | - | 304,960 |
| TOTAL REVENUES | 8,665,612 | 2,538,162 | - | 115 | 793,359 | 1,765,331 | 172,079 | 58,728 | 2,541 | 13,995,927 |
| EXPENDITURES | | | | | | | | | | |
| Current | | | | | | | | | | |
| General government | 398,406 | - | - | - | - | - | - | 6,127 | - | 404,533 |
| Finance | 401,239 | - | - | - | - | - | - | - | - | 401,239 |
| Other support services | 411,817 | - | - | - | - | - | - | - | - | 411,817 |
| Information technology | 439,357 | - | - | - | - | - | - | - | - | 439,357 |
| Municipal court | 150,716 | - | - | - | - | - | - | - | - | 150,716 |
| Buildings and grounds | 262,635 | - | - | - | - | - | - | - | - | 262,635 |
| Public safety and health | 4,773,601 | - | - | - | - | - | - | - | - | 4,773,601 |
| Community development | 735,817 | - | - | - | - | - | - | 2,541 | - | 738,358 |
| Transportation | 1,221,661 | - | - | - | - | - | - | - | - | 1,221,661 |
| Cemetery | 95,260 | - | - | - | - | - | - | - | - | 95,260 |
| Parks and recreation | - | 2,140,638 | - | - | - | - | - | - | - | 2,140,638 |
| Capital improvements | - | - | - | - | 889,809 | 402,766 | - | - | - | 1,292,575 |
| Debt Service | | | | | | | | | | |
| Principal and interest | - | - | - | - | - | - | 1,737,372 | 261,007 | - | 1,998,379 |
| TOTAL EXPENDITURES | 8,890,509 | 2,140,638 | - | - | 889,809 | 402,766 | 1,737,372 | 267,134 | 2,541 | 14,330,769 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)
 Year Ended September 30, 2016

| | Special Revenue Funds | | | | | | Debt Service Funds | | | Total Governmental Funds |
|---|-----------------------|---------------------|---------------------|------------------------|--|---|-------------------------|-------------------------------------|------------------------------------|--------------------------------|
| | General Fund | Park Fund | Old Drum Fund | Tri-Centennial Fund | Capital Improvement Transportation Fund | Capital Improvement Half Cent Fund | Debt Service Fund | Neighborhood Improvement Fund | Tax Increment Financing Fund | |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (224,897) | 397,524 | - | 115 | (96,450) | 1,362,565 | (1,565,293) | (208,406) | - | (334,842) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Sale of capital assets | - | - | - | - | - | - | - | 50,031 | - | 50,031 |
| Operating transfers in (out) | 762,595 | (347,961) | - | - | (60,410) | (1,411,303) | 1,574,238 | - | - | 517,159 |
| TOTAL OTHER FINANCING SOURCES (USES) | 762,595 | (347,961) | - | - | (60,410) | (1,411,303) | 1,574,238 | 50,031 | - | 567,190 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | 537,698 | 49,563 | - | 115 | (156,860) | (48,738) | 8,945 | (158,375) | - | 232,348 |
| FUND BALANCE, October 1 | 5,627,620 | 971,410 | - | 13,965 | 668,891 | 731,691 | 714,264 | 912,987 | - | 9,640,828 |
| FUND BALANCE, September 30 | <u>\$ 6,165,318</u> | <u>\$ 1,020,973</u> | <u>\$ -</u> | <u>\$ 14,080</u> | <u>\$ 512,031</u> | <u>\$ 682,953</u> | <u>\$ 723,209</u> | <u>\$ 754,612</u> | <u>\$ -</u> | <u>\$ 9,873,176</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, 2016

Net change in fund balances - total governmental funds \$ 232,348

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 | 589,455 |
| Depreciation | (2,290,278) |
| Disposal of capital assets, net | (46,610) |
| | <u>(1,747,433)</u> |

| | |
|--|-----------|
| Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned | (456,609) |
|--|-----------|

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

| | |
|---|------------------|
| Repayment of principal on bonds, leases, and other debt | 1,301,420 |
| Change in accrued interest payable | 3,309 |
| | <u>1,304,729</u> |

| | |
|--|-----------|
| Some expenditures reported in the governmental fund represent the use of current financial resources and were recognized in the Statement of Activities when incurred | (705,918) |
|--|-----------|

| | |
|---|-----------------------|
| Change in net position of governmental activities | <u>\$ (1,372,883)</u> |
|---|-----------------------|

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2016

| | Enterprise Fund |
|--|---------------------|
| | <u>Sewer Fund</u> |
| ASSETS | |
| Current Assets | |
| Cash and cash equivalents | \$ 1,032,387 |
| Utilities receivable, net | 383,459 |
| Prepaid expenses | <u>19,784</u> |
| TOTAL CURRENT ASSETS | 1,435,630 |
| Noncurrent Assets | |
| Net pension asset | <u>126,198</u> |
| TOTAL NONCURRENT ASSETS | 126,198 |
| Restricted Assets | |
| Cash and cash equivalents | 68,646 |
| Investments | <u>1,043,707</u> |
| TOTAL RESTRICTED ASSETS | 1,112,353 |
| Property, Plant and Equipment | |
| Land | 392,583 |
| Buildings and improvements | 19,361,104 |
| Sewer mains and lines | 27,028,338 |
| Machinery and equipment | <u>1,051,369</u> |
| | 47,833,394 |
| Less accumulated depreciation | <u>(18,905,632)</u> |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | <u>28,927,762</u> |
| TOTAL ASSETS | 31,601,943 |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred pension outflow | <u>269,074</u> |
| TOTAL DEFERRED OUTFLOW OF RESOURCES | 269,074 |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
September 30, 2016

| | Enterprise Fund |
|---------------------------------------|-----------------------------|
| | <u>Sewer Fund</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts payable | 31,602 |
| Accrued expenses | 10,778 |
| Accrued interest payable | 127,073 |
| Arbitrage payable | 302,486 |
| Current maturities of long-term debt | <u>1,179,000</u> |
| TOTAL CURRENT LIABILITIES | 1,650,939 |
| Long-Term Liabilities | |
| Revenue bonds payable, net | 14,747,996 |
| Compensated absences payable | <u>39,141</u> |
| TOTAL LONG-TERM LIABILITIES | <u>14,787,137</u> |
| TOTAL LIABILITIES | 16,438,076 |
| DEFERRED INFLOW OF RESOURCES | |
| Deferred pension inflow | <u>27,528</u> |
| TOTAL DEFERRED INFLOW OF RESOURCES | 27,528 |
| NET POSITION | |
| Net investment in capital assets | 12,961,625 |
| Restricted | 809,867 |
| Unrestricted | <u>1,633,921</u> |
| TOTAL NET POSITION | <u><u>\$ 15,405,413</u></u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended September 30, 2016

| | Enterprise Fund |
|-------------------------------------|---|
| | <u>Sewer Fund</u> |
| OPERATING REVENUES | |
| Charges for services | \$ 4,113,769 |
| Miscellaneous | 7,175 |
| | <u>4,120,944</u> |
| | TOTAL OPERATING REVENUES |
| | 4,120,944 |
| OPERATING EXPENSES | |
| Personnel services | 790,845 |
| Contractual services | 144,333 |
| Repairs and maintenance | 140,212 |
| Supplies | 62,535 |
| Utilities | 337,012 |
| Education | 2,259 |
| Labs and testing | 15,859 |
| Insurance Expenses | 52,549 |
| Depreciation | 1,497,086 |
| Miscellaneous | 18,071 |
| | <u>3,060,761</u> |
| | TOTAL OPERATING EXPENSES |
| | 3,060,761 |
| | OPERATING INCOME |
| | 1,060,183 |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest income | 312,039 |
| Interest expense | (600,845) |
| | <u>(288,806)</u> |
| | TOTAL NONOPERATING REVENUES (EXPENSES) |
| | (288,806) |
| | INCOME BEFORE OPERATING TRANSFERS |
| | 771,377 |
| OPERATING TRANSFERS (OUT) | <u>(517,159)</u> |
| | NET INCOME |
| | 254,218 |
| NET POSITION, October 1 | <u>15,151,195</u> |
| NET POSITION, September 30 | <u>\$ 15,405,413</u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended September 30, 2016

| | Enterprise Fund |
|--|---------------------|
| | Sewer Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from customers | \$ 3,974,004 |
| Cash paid to suppliers | (747,063) |
| Cash paid to employees | (764,913) |
| | <hr/> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 2,462,028 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Operating transfer (out) | (517,159) |
| | <hr/> |
| NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES | (517,159) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of fixed assets | (185,541) |
| Payment of bond principal | (1,161,000) |
| Payment of interest expense | (610,158) |
| Payment of principal on capital leases | (54,400) |
| | <hr/> |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (2,011,099) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest received on investments | 303,848 |
| Purchase of investments | (434,889) |
| | <hr/> |
| NET CASH (USED) BY INVESTING ACTIVITIES | (131,041) |
| NET (DECREASE) IN CASH AND CASH EQUIVALENTS | (197,271) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 1,298,304 |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 1,101,033</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income | \$ 1,060,183 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 1,497,086 |
| (Increase) decrease in: | |
| Utilities receivable | (146,940) |
| Prepaid expenses | (1,270) |
| Net pension asset | 201,881 |
| Deferred pension outflows | (172,246) |
| Increase (decrease) in: | |
| Accounts payable | (2,246) |
| Accrued expenses | (15,891) |
| Compensated absences | 2,124 |
| Arbitrage payable | 29,283 |
| Deferred pension inflows | 10,064 |
| | <hr/> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 2,462,028</u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF FIDUCIARY NET POSITION – PRIVATE PURPOSE TRUSTS
 September 30, 2016

| | <u>Private-Purpose Trusts</u> |
|---------------------------|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 203,757 |
| LIABILITIES | |
| Due to others | <u>-</u> |
| NET POSITION | |
| Restricted | 75,982 |
| Unrestricted | <u>127,775</u> |
| TOTAL NET POSITION | <u>\$ 203,757</u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE PURPOSE
 TRUSTS
 Year Ended September 30, 2016

| | <u>Private-Purpose Trusts</u> |
|---------------------------------|-----------------------------------|
| Additions: | |
| Donations | \$ 2,663 |
| Deductions: | |
| Contributions and other | <u>2,600</u> |
| Changes in Net Position | 63 |
| Net Position, beginning of year | <u>203,694</u> |
| Net Position, end of year | <u><u>\$ 203,757</u></u> |

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS
 September 30, 2016

| | Agency Funds | | |
|---------------------------|---------------------------------|--------------------|------------------------|
| | Children's Memorial Trust | Arts Commission | Public Arts Fund |
| ASSETS | | | |
| Cash and cash equivalents | \$ 17,988 | \$ 21,126 | \$ 691 |
| LIABILITIES | | | |
| Due to others | \$ 17,988 | \$ 21,126 | \$ 691 |

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

Component Unit

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

Government-Wide and Fund Financial Statements

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major fiduciary funds:

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

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

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

Inventories

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

Compensated Absences

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

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

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

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

Use of Estimates

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

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

Revenue Recognition - Property Taxes

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

Deposits and Investments

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

Net Position

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

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

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

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

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

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

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

Deferred Outflows/Inflows of Resources

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

NOTE B – CASH AND CASH EQUIVALENTS

Primary Government

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2016, all bank balances on deposit are entirely insured or collateralized.

Warrensburg Convention and Visitors Bureau

State statutes require that the Bureau's deposits be insured or collateralized in the name of the Bureau by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2016, all bank balances on deposit are entirely insured or collateralized.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE C – INVESTMENTS

Primary Government

Investments of the City as of September 30, 2016, are as follows:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Amount</u> |
|---------------------------------|-----------------------|---------------------|
| Guaranteed Investment Contracts | 12/21/2016 - 1/1/2028 | <u>\$ 1,754,936</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, 2016, 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, 2016

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, 2016, the City’s only investments were amounts held in trust invested in Guaranteed Investment Contracts on deposit with United Missouri Bank. The trust agreement requires that these amounts be collateralized in the amount of 100% of the value of the investment, and, accordingly, the City was not exposed to such credit risks.

NOTE D – ACCOUNTS RECEIVABLE

Primary Government

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

| | <u>Accounts Receivable</u> | <u>Allowance</u> | <u>Net Accounts Receivable</u> |
|---------------------------------------|--------------------------------|---------------------|------------------------------------|
| GENERAL FUND | | | |
| Ad valorem taxes receivable | \$ 22,639 | \$ 13,338 | \$ 9,301 |
| Sales and use tax receivable | 679,658 | - | 679,658 |
| Franchise tax receivable | 292,857 | - | 292,857 |
| Lodging tax receivable | 9,086 | - | 9,086 |
| | <u>\$ 1,004,240</u> | <u>\$ 13,338</u> | <u>\$ 990,902</u> |
| PARK FUND | | | |
| Ad valorem taxes receivable | \$ 12,481 | \$ 7,244 | \$ 5,237 |
| Sales and use tax receivable | 197,900 | - | 197,900 |
| | <u>\$ 210,381</u> | <u>\$ 7,244</u> | <u>\$ 203,137</u> |
| COURT FINES RECEIVABLE | | | |
| General Fund | <u>\$ 19,666</u> | <u>\$ 18,439</u> | <u>\$ 1,227</u> |
| SPECIAL ASSESSMENTS RECEIVABLE | | | |
| Neighborhood Improvement Fund | <u>\$ 3,711,401</u> | <u>\$ 2,985,669</u> | <u>\$ 725,732</u> |
| UTILITIES RECEIVABLE | | | |
| Sewer Fund | <u>\$ 490,481</u> | <u>\$ 107,022</u> | <u>\$ 383,459</u> |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E – RESTRICTED ASSETS

Primary Government

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

| | Restricted Cash and Investments | Restricted Net Position |
|---|---------------------------------------|----------------------------|
| GENERAL FUND | | |
| Court bonds | \$ 12,565 | \$ - |
| PARK FUND | | |
| Refundable deposits and trustee funds | \$ 539 | \$ 1,003,656 |
| TRI-CENTENNIAL FUND | | |
| Tri-Centennial activities | \$ 14,080 | \$ 14,080 |
| CAPITAL IMPROVEMENT FUND | | |
| Trustee funds | \$ - | \$ 512,031 |
| CAPITAL IMPROVEMENT HALF CENT FUND | | |
| Trustee funds | \$ - | \$ 682,953 |
| DEBT SERVICE FUND | | |
| Debt service reserves | \$ 711,224 | \$ 723,209 |
| NEIGHBORHOOD IMPROVEMENT FUND | | |
| Debt service reserves | \$ 260,938 | \$ 754,612 |
| SEWER FUND | | |
| 1992 Revenue Bonds | | |
| Principal and interest | \$ 68,646 | \$ 68,646 |
| 2007 Revenue Bonds | | |
| Rebate account | 302,486 | - |
| Principal and interest | 616,814 | 616,814 |
| 2010 Revenue Bonds | | |
| Debt service reserve | 1 | 1 |
| Principal and interest | 124,406 | 124,406 |
| | <u>\$ 1,112,353</u> | <u>\$ 809,867</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

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

Capital Lease

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

| <u>Year Ended September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|------------------|-----------------|------------------|
| 2017 | \$ 29,504 | \$ 1,994 | \$ 31,498 |
| 2018 | 30,028 | 1,470 | 31,498 |
| | <u>\$ 59,532</u> | <u>\$ 3,464</u> | <u>\$ 62,996</u> |

This lease agreement provides for cancellation of the lease on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

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.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

| <u>Year Ended September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 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>\$ 6,690,000</u> | <u>\$ 723,213</u> | <u>\$ 7,413,213</u> |

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.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|---------------------|---------------------|---------------------|
| 2017 | \$ 255,000 | \$ 236,788 | \$ 491,788 |
| 2018 | 270,000 | 226,587 | 496,587 |
| 2019 | 245,000 | 217,138 | 462,138 |
| 2020 | 245,000 | 207,337 | 452,337 |
| 2021 | 230,000 | 197,538 | 427,538 |
| 2022 | 235,000 | 188,337 | 423,337 |
| 2023 | 255,000 | 178,938 | 433,938 |
| 2024 | 585,000 | 168,737 | 753,737 |
| 2025 | 160,000 | 145,338 | 305,338 |
| 2026 | 195,000 | 138,137 | 333,137 |
| 2027 | 230,000 | 129,363 | 359,363 |
| 2028 | 260,000 | 119,012 | 379,012 |
| 2029 | 300,000 | 107,313 | 407,313 |
| 2030 | 340,000 | 93,812 | 433,812 |
| 2031 | 390,000 | 77,663 | 467,663 |
| 2032 | 430,000 | 59,138 | 489,138 |
| 2033 | 815,000 | 38,712 | 853,712 |
| | <u>\$ 5,440,000</u> | <u>\$ 2,529,888</u> | <u>\$ 7,969,888</u> |

Series 2010 Certificates of Participation

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

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|---------------------|---------------------|---------------------|
| 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>\$ 2,885,000</u> | <u>\$ 1,313,785</u> | <u>\$ 4,198,785</u> |

Series 2014 Certificates of Participation

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|-------------------|------------------|-------------------|
| 2017 | \$ 63,000 | \$ 15,735 | \$ 78,735 |
| 2018 | 65,000 | 13,952 | 78,952 |
| 2019 | 67,000 | 12,112 | 79,112 |
| 2020 | 69,000 | 10,216 | 79,216 |
| 2021 | 70,000 | 8,264 | 78,264 |
| 2022 | 72,000 | 6,283 | 78,283 |
| 2023 | 74,000 | 4,245 | 78,245 |
| 2024 | 76,000 | 2,150 | 78,150 |
| | <u>\$ 556,000</u> | <u>\$ 72,957</u> | <u>\$ 628,957</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

Neighborhood Improvements Bonds – Series 2001

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

The total annual principal and interest payments required at September 30, 2016, are as follows:

| Year Ended September 30, | Principal | Interest | Total |
|-----------------------------|-----------|----------|-----------|
| 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 |
| | \$ 37,000 | \$ 5,373 | \$ 42,373 |

Neighborhood Improvements Bonds – Series 2011

The City issued \$3,115,000 of Series 2011 Neighborhood Improvement Bonds. The Bonds were issued to retire Series 2009 Municipal Temporary Notes which were originally issued to fund improvements related to the Hawthorne Redevelopment Project. The bonds bear interest from 3.0% to 4.375% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess property owners within the Hawthorne Redevelopment Project the \$3,115,000 cost of such improvements. The special assessments received will be used for bond payments. During the year ended September 30, 2013, the City acquired various lots of property within the Hawthorne Development through a sheriff's tax sale. As such, the City will be absorbing a proportionate share of the debt service. The City intends to service debt principal and interest payments by using reserves created from pre-payments of special assessments by other property owners. If the City-owned lots have not been sold by the time the reserves have been depleted, the City will meet its obligation to provide for payments of principal and interest on these bonds. The present value of the special assessments on City-owned property is \$2,985,669 at September 30, 2016. At September 30, 2016, special assessments receivable totaled \$3,711,401.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

The total annual principal and interest payments required at September 30, 2016, are as follows:

| <u>Year Ended September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 145,000 | \$ 107,887 | \$ 252,887 |
| 2018 | 150,000 | 103,463 | 253,463 |
| 2019 | 155,000 | 98,694 | 253,694 |
| 2020 | 160,000 | 93,575 | 253,575 |
| 2021 | 165,000 | 88,088 | 253,088 |
| 2022 | 170,000 | 82,225 | 252,225 |
| 2023 | 180,000 | 75,650 | 255,650 |
| 2024 | 185,000 | 68,350 | 253,350 |
| 2025 | 190,000 | 60,850 | 250,850 |
| 2026 | 200,000 | 52,925 | 252,925 |
| 2027 | 210,000 | 44,469 | 254,469 |
| 2028 | 220,000 | 35,600 | 255,600 |
| 2029 | 225,000 | 26,141 | 251,141 |
| 2030 | 235,000 | 16,078 | 251,078 |
| 2031 | 250,000 | 5,468 | 255,468 |
| | <u>\$ 2,840,000</u> | <u>\$ 959,463</u> | <u>\$ 3,799,463</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, 2016, the outstanding amount under this non-interest bearing agreement was \$6,102.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

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

| | Balance September 30, 2015 | Additions | Retirements | Balance September 30, 2016 |
|--|----------------------------------|-----------------|---------------------|----------------------------------|
| Capital lease - US Bank | \$ 87,953 | \$ - | \$ 28,421 | \$ 59,532 |
| 2001 Neighborhood Improvement Bonds | 43,000 | - | 6,000 | 37,000 |
| 2011 Neighborhood Improvement Bonds | 2,980,000 | - | 140,000 | 2,840,000 |
| Developer - Westwin Investment Corp. | 12,472 | - | 6,370 | 6,102 |
| 2009 Certificates of Participation | 5,680,000 | - | 240,000 | 5,440,000 |
| 2010 Certificates of Participation | 3,105,000 | - | 220,000 | 2,885,000 |
| 2011 Certificates of Participation | 55,600 | - | 55,600 | - |
| 2013 Refunding Certificates of Participation | 7,240,000 | - | 550,000 | 6,690,000 |
| 2014 Certificates of Participation | 617,000 | - | 61,000 | 556,000 |
| Issuance premiums | 546 | - | 273 | 273 |
| Issuance discounts | (38,501) | - | (2,265) | (36,236) |
| | <u>19,783,070</u> | - | <u>1,305,399</u> | <u>18,477,671</u> |
| Compensated Absences | 531,359 | 3,979 | - | 535,338 |
| TOTAL | <u>\$ 20,314,429</u> | <u>\$ 3,979</u> | <u>\$ 1,305,399</u> | <u>\$ 19,013,009</u> |

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

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

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

2007 Sewerage System Refunding and Improvement Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 2007 revenue bonds outstanding at September 30, 2016, are as follows:

| Year Ended September 30, | Principal | Interest | Administrative Fee | Total |
|-----------------------------|---------------------|---------------------|-----------------------|----------------------|
| 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>\$ 9,380,000</u> | <u>\$ 2,415,469</u> | <u>\$ 415,263</u> | <u>\$ 12,210,732</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

2010 Sewerage System Revenue Bonds

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

The annual debt service requirements to amortize the principal on the 2010 revenue bonds outstanding at September 30, 2016, are as follows:

| <u>Year Ended September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Administrative Fee</u> | <u>Total</u> |
|-------------------------------------|---------------------|-------------------|-------------------------------|---------------------|
| 2017 | \$ 404,000 | \$ 94,128 | \$ 31,800 | \$ 529,928 |
| 2018 | 412,000 | 88,119 | 29,770 | 529,889 |
| 2019 | 420,000 | 81,992 | 27,700 | 529,692 |
| 2020 | 430,000 | 75,739 | 25,587 | 531,326 |
| 2021 | 438,000 | 69,345 | 23,428 | 530,773 |
| 2022 | 446,000 | 62,833 | 21,228 | 530,061 |
| 2023 | 456,000 | 56,196 | 18,985 | 531,181 |
| 2024 | 464,000 | 49,417 | 16,695 | 530,112 |
| 2025 | 474,000 | 42,513 | 14,362 | 530,875 |
| 2026 | 483,000 | 35,468 | 11,983 | 530,451 |
| 2027 | 493,000 | 28,283 | 9,555 | 530,838 |
| 2028 | 503,000 | 20,949 | 7,078 | 531,027 |
| 2029 | 513,000 | 13,468 | 4,550 | 531,018 |
| 2030 | 524,500 | 5,839 | 1,972 | 532,311 |
| | <u>\$ 6,460,500</u> | <u>\$ 724,289</u> | <u>\$ 244,693</u> | <u>\$ 7,429,482</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

Changes in Long-Term Liabilities - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term liabilities for the year ended September 30, 2016:

| | Balance September 30, 2015 | Additions | Retirements | Balance September 30, 2016 |
|------------------------------------|----------------------------------|-----------------|---------------------|----------------------------------|
| 2011 Certificates of Participation | \$ 54,400 | \$ - | \$ 54,400 | \$ - |
| Revenue Bonds: | | | | |
| Series 2007 SRF Revenue Bonds | 10,145,000 | - | 765,000 | 9,380,000 |
| Series 2010 SRF Revenue Bonds | 6,856,500 | - | 396,000 | 6,460,500 |
| Premium on bonds | 94,687 | - | 8,191 | 86,496 |
| | 17,096,187 | - | 1,169,191 | 15,926,996 |
| Compensated Absences | 37,017 | 2,124 | - | 39,141 |
| TOTAL | <u>\$ 17,187,604</u> | <u>\$ 2,124</u> | <u>\$ 1,223,591</u> | <u>\$ 15,966,137</u> |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

| | Balance September 30, 2015 | Additions | Deletions | Balance September 30, 2016 |
|--|----------------------------------|---------------------|-------------------|----------------------------------|
| Governmental Activities | | | | |
| Non-depreciable Capital Assets: | | | | |
| Land | \$ 3,055,679 | \$ - | \$ - | \$ 3,055,679 |
| Construction in progress | 115,068 | 35,959 | - | 151,027 |
| Total Non-depreciable Capital Assets | <u>3,170,747</u> | <u>\$ 35,959</u> | <u>\$ -</u> | <u>3,206,706</u> |
| Depreciable Capital Assets: | | | | |
| Building and improvements | 29,646,285 | \$ 65,970 | \$ - | 29,712,255 |
| Machinery and equipment | 6,033,893 | 422,968 | 157,361 | 6,299,500 |
| Infrastructure | 48,362,246 | 64,558 | - | 48,426,804 |
| Total Depreciable Capital Assets | 84,042,424 | <u>\$ 553,496</u> | <u>\$ 157,361</u> | 84,438,559 |
| Less Accumulated Depreciation | <u>38,612,186</u> | <u>\$ 2,290,278</u> | <u>\$ 110,751</u> | 40,791,713 |
| Total Depreciable Capital Assets, Net | <u>45,430,238</u> | | | <u>43,646,846</u> |
| Total Capital Assets - Governmental Activities, Net | <u>\$ 48,600,985</u> | | | <u>\$ 46,853,552</u> |

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

| | |
|------------------------|---------------------|
| General | \$ 1,477 |
| Information Technology | 86,861 |
| Buildings and grounds | 138,214 |
| Fire | 94,005 |
| Police | 189,202 |
| Animal control | 15,155 |
| Parks | 386,370 |
| Community development | 2,735 |
| Streets | 1,366,732 |
| Cemetery | 9,527 |
| | <u>\$ 2,290,278</u> |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS (continued)

| | Balance September 30, 2015 | Additions | Deletions | Balance September 30, 2016 |
|---|----------------------------------|--------------|-----------|----------------------------------|
| Business-Type Activities | | | | |
| Sewer | | | | |
| Non-depreciable Capital Assets: | | | | |
| Land | \$ 392,583 | \$ - | \$ - | \$ 392,583 |
| Total Non-depreciable Capital Assets | 392,583 | \$ - | \$ - | 392,583 |
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 19,198,509 | \$ 162,595 | \$ - | 19,361,104 |
| Machinery and equipment | 1,028,423 | 22,946 | - | 1,051,369 |
| Sewer mains and lines | 27,028,338 | - | - | 27,028,338 |
| Total Depreciable Capital Assets | 47,255,270 | \$ 185,541 | \$ - | 47,440,811 |
| Less Accumulated Depreciation | 17,408,546 | \$ 1,497,086 | \$ - | 18,905,632 |
| Depreciable Capital Assets, Net | 29,846,724 | | | 28,535,179 |
| Total Capital Assets - Business-Type Activities, Net | \$ 30,239,307 | | | \$ 28,927,762 |

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

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

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

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the benefit terms:

| | <u>General</u> | <u>Police</u> | <u>Fire</u> | <u>Total</u> |
|--|----------------|---------------|-------------|--------------|
| Inactive employees or beneficiaries currently receiving benefits | 37 | 11 | 14 | 62 |
| Inactive employees entitled to but not yet receiving benefits | 29 | 25 | 23 | 77 |
| Active employees | 60 | 30 | 21 | 111 |
| | <u>126</u> | <u>66</u> | <u>58</u> | <u>250</u> |

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Employer contribution rates are 5.7% for General, 3.4% for Police, and 3.2% for Fire of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 29, 2016.

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------|-------------------|--|
| Equity | 43.00% | 5.29% |
| Fixed Income | 26.00% | 2.23% |
| Real Assets | 21.00% | 3.31% |
| Strategic Assets | 10.00% | 5.73% |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Asset

| | Increase (Decrease) | | |
|---|-----------------------------------|--------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Pension (b) | Net Pension (Asset) (a) - (b) |
| General Division | | | |
| Balance at June 30, 2015 | \$ 7,982,145 | \$ 9,494,026 | \$ (1,511,881) |
| Changes for the year: | | | |
| Service Cost | 195,837 | - | 195,837 |
| Interest | 573,972 | - | 573,972 |
| Difference between expected and actual experiences | (82,399) | - | (82,399) |
| Changes of assumptions | 380,446 | - | 380,446 |
| Contributions - employer | - | 187,574 | (187,574) |
| Contributions - employee | - | 11,176 | (11,176) |
| Net investment income | - | (24,292) | 24,292 |
| Benefits paid, including refunds | (328,748) | (328,748) | - |
| Administrative expenses | - | (9,928) | 9,928 |
| Other changes | - | (40,094) | 40,094 |
| Net Changes | 739,108 | (204,312) | 943,420 |
| Balance at June 30, 2016 | 8,721,253 | 9,289,714 | (568,461) |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

| | Increase (Decrease) | | |
|---|-----------------------------------|--------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Pension (b) | Net Pension (Asset) (a) - (b) |
| Police Division | | | |
| Balance at June 30, 2015 | 5,985,873 | 7,673,354 | (1,687,481) |
| Changes for the year: | | | |
| Service Cost | 112,388 | - | 112,388 |
| Interest | 430,227 | - | 430,227 |
| Difference between expected and actual experiences | 242,136 | - | 242,136 |
| Changes of assumptions | 193,746 | - | 193,746 |
| Contributions - employer | - | 65,942 | (65,942) |
| Net investment income | - | (15,402) | 15,402 |
| Benefits paid, including refunds | (217,642) | (217,642) | - |
| Administrative expenses | - | (5,134) | 5,134 |
| Other changes | - | (112,616) | 112,616 |
| Net Changes | 760,855 | (284,852) | 1,045,707 |
| Balance at June 30, 2016 | 6,746,728 | 7,388,502 | (641,774) |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

| | Increase (Decrease) | | |
|---|-----------------------------------|--------------------------------------|-------------------------------------|
| | Total Pension Liability (a) | Plan Fiduciary Net Pension (b) | Net Pension (Asset) (a) - (b) |
| Fire Division | | | |
| Balance at June 30, 2015 | 4,893,779 | 6,374,168 | (1,480,389) |
| Changes for the year: | | | |
| Service Cost | 122,903 | - | 122,903 |
| Interest | 354,601 | - | 354,601 |
| Difference between expected and actual experiences | (213,640) | - | (213,640) |
| Changes of assumptions | 145,285 | - | 145,285 |
| Contributions - employer | - | 73,592 | (73,592) |
| Net investment income | - | (13,326) | 13,326 |
| Benefits paid, including refunds | (128,469) | (128,469) | - |
| Administrative expenses | - | (3,786) | 3,786 |
| Other changes | - | (113,814) | 113,814 |
| Net Changes | 280,680 | (185,803) | 466,483 |
| Balance at June 30, 2016 | 5,174,459 | 6,188,365 | (1,013,906) |
| Total Plan Balances at June 30, 2016 | \$ 20,642,440 | \$ 22,866,581 | \$ (2,224,141) |

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

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

| | 1% Decrease 6.25% | Current Single Discount Rate Assumption 7.25% | 1% Increase 8.25% |
|--|----------------------|--|-----------------------|
| General Division | | | |
| Total Pension Liability | \$ 9,993,668 | \$ 8,721,253 | \$ 7,675,592 |
| Plan Fiduciary Net Position | 9,289,714 | 9,289,714 | 9,289,714 |
| Net Pension Liability/(Asset) | 703,954 | (568,461) | (1,614,122) |
| Police Division | | | |
| Total Pension Liability | 7,812,076 | 6,746,728 | 5,884,847 |
| Plan Fiduciary Net Position | 7,388,502 | 7,388,502 | 7,388,502 |
| Net Pension Liability/(Asset) | 423,574 | (641,774) | (1,503,655) |
| Fire Division | | | |
| Total Pension Liability | 5,974,561 | 5,174,459 | 4,523,238 |
| Plan Fiduciary Net Position | 6,188,365 | 6,188,365 | 6,188,365 |
| Net Pension (Asset) | (213,804) | (1,013,906) | (1,665,127) |
| Total Net Pension Liability/(Asset) | \$ 913,724 | \$ (2,224,141) | \$ (4,782,904) |

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

For the year ended 2016, the employer recognized pension expense of \$408,685 in the general division, pension expense of \$382,846 in the police division, and pension expense of \$281,194 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

| | Deferred Outflow of Resources | Deferred Inflow of Resources | Net Deferred Outflows of Resources |
|---|-------------------------------------|------------------------------------|--|
| General Division | | | |
| Differences in experiences | \$ - | \$ (123,999) | \$ (123,999) |
| Differences in assumptions | 299,954 | - | 299,954 |
| Excess investment returns | 864,773 | - | 864,773 |
| Contributions subsequent to the measurement date | 47,316 | - | 47,316 |
| | 1,212,043 | (123,999) | 1,088,044 |

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

| | Deferred Outflow of Resources | Deferred Inflow of Resources | Net Deferred Outflows of Resources |
|---|-------------------------------------|------------------------------------|--|
| Police Division | | | |
| Differences in experiences | 195,172 | (29,577) | 165,595 |
| Differences in assumptions | 156,168 | - | 156,168 |
| Excess investment returns | 662,783 | - | 662,783 |
| Contributions subsequent to the measurement date | 16,316 | - | 16,316 |
| | <u>1,030,439</u> | <u>(29,577)</u> | <u>1,000,862</u> |
| Fire Division | | | |
| Differences in experiences | - | (190,135) | (190,135) |
| Differences in assumptions | 114,227 | - | 114,227 |
| Excess investment returns | 572,852 | - | 572,852 |
| Contributions subsequent to the measurement date | 17,947 | - | 17,947 |
| | <u>705,026</u> | <u>(190,135)</u> | <u>514,891</u> |
| Total | <u>\$ 2,947,508</u> | <u>\$ (343,711)</u> | <u>\$ 2,603,797</u> |

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

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

| Year Ending June 30, | General Division Net Deferred Outflows of Resources | Police Division Net Deferred Outflows of Resources | Fire Division Net Deferred Outflows of Resources | Total Net Deferred Outflows of Resources |
|-------------------------|--|---|---|---|
| 2017 | \$ 330,107 | \$ 276,589 | \$ 156,380 | \$ 763,076 |
| 2018 | 282,791 | 260,273 | 138,433 | 681,497 |
| 2019 | 288,094 | 260,271 | 138,431 | 686,796 |
| 2020 | 187,052 | 190,557 | 81,647 | 459,256 |
| 2021 | - | 13,172 | - | 13,172 |
| Thereafter | - | - | - | - |
| | <u>\$ 1,088,044</u> | <u>\$ 1,000,862</u> | <u>\$ 514,891</u> | <u>\$ 2,603,797</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Payable to the Pension Plan

At September 30, 2016, the City had no outstanding contributions reported as payable to the pension plan.

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

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

| | |
|--|-----------------------|
| | <u>2015</u> |
| Assessed Valuation | |
| Real estate | \$ 170,112,990 |
| Personal property | <u>38,493,135</u> |
| TOTAL | <u>\$ 208,606,125</u> |
| | <u>2015</u> |
| Tax Rate Per \$100 of Assessed Valuation | |
| General levy | \$.3608 |
| Park levy | <u>.1960</u> |
| TOTAL | <u>\$.5568</u> |

The legal debt margin at September 30, 2016, was computed as follows:

| | <u>General Obligation Bonds</u> | | |
|----------------------------------|---------------------------------|-----------------------|----------------------|
| | <u>Ordinary (1)</u> | <u>Additional (2)</u> | <u>Total</u> |
| Constitutional debt limit | \$ 20,860,613 | \$ 20,860,613 | \$ 41,721,226 |
| General Obligation Bonds payable | <u>-</u> | <u>-</u> | <u>-</u> |
| LEGAL DEBT MARGIN | <u>\$ 20,860,613</u> | <u>\$ 20,860,613</u> | <u>\$ 41,721,226</u> |

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

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

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

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

NOTE K – UNEARNED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years, and class fees. All of the deferred revenue at September 30, 2016, is accounted for as follows:

| | |
|-------------------------------|-------------------|
| PARK FUND | |
| Class fees | <u>\$ 45,894</u> |
| NEIGHBORHOOD IMPROVEMENT FUND | |
| Special assessments | <u>\$ 734,848</u> |

NOTE L – RISK MANAGEMENT

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

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2016, consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|---|---------------------|----------------------|
| General Fund | \$ 790,395 | \$ 27,800 |
| Park Fund | - | 347,961 |
| Capital Improvement Transportation Fund | - | 60,410 |
| Capital Improvement Half Cent Fund | - | 1,411,303 |
| Debt Service Fund | 1,574,238 | - |
| Sewer Fund | - | 517,159 |
| | <u>\$ 2,364,633</u> | <u>\$ 2,364,633</u> |

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

NOTE N – INTERNAL BALANCES

Internal balances as of September 30, 2016, consisted of the following:

| | <u>General Fund</u> | <u>Park Fund</u> | <u>Debt Service Fund</u> | <u>Sewer Fund</u> |
|-------------------|-------------------------|----------------------|------------------------------|-----------------------|
| Internal Balances | <u>\$ 216,821</u> | <u>\$ (71,821)</u> | <u>\$ (145,000)</u> | <u>\$ -</u> |

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, 2016, balances of interfund amounts receivable or payable have been recorded within the fund financial statements

CITY OF WARRENSBURG, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2016

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 2007 and 2010 Sewer Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$18,980,258. Principal and interest paid for the current year and total customer net revenues were \$1,688,993 and \$2,557,269, respectively.

NOTE P – KEYSTONE TAX INCREMENT FINANCING REDEVELOPMENT AGREEMENT

The Keystone TIF is committed to reimburse the developer for public infrastructure improvements in the Keystone Redevelopment Area. There is no debt on the City’s part. However, the City is obligated to repay \$2,500,000 of public infrastructure improvements to the extent that taxes are collected within this District. The City is only obligated if taxes are collected and only through the year 2038. As of September 30, 2016, the City has paid the developer \$0, leaving a remaining balance of \$2,500,000.

NOTE Q – COMMITMENTS

As of September 30, 2016, the City had commitments as follows:

| <u>Company</u> | <u>Purpose</u> | <u>Commitment</u> |
|-------------------------|------------------------------------|-------------------|
| Great River Engineering | Stormwater Management Plan | \$ 153,958 |
| Confluence | Master Site Plan West Park Project | \$ 46,944 |
| Confluence | Comprehensive City Plan Update | \$ 33,802 |

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2016

Missouri Local Government Employees Retirement System (LAGERS)

| | June 30, 2016 | June 30, 2015 |
|---|-----------------------|-----------------------|
| | <u>2016</u> | <u>2015</u> |
| TOTAL PENSION LIABILITY | | |
| Service Cost | \$ 431,128 | \$ 437,162 |
| Interest on the Total Pension Liability | 1,358,800 | 1,292,940 |
| Difference between expected and actual experience | (53,903) | (182,349) |
| Changes of assumptions | 719,477 | - |
| Benefit Payments | <u>(674,859)</u> | <u>(599,217)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 1,780,643 | 948,536 |
| TOTAL PENSION LIABILITY, BEGINNING | <u>18,861,797</u> | <u>17,913,261</u> |
| TOTAL PENSION LIABILITY, ENDING | 20,642,440 | 18,861,797 |
| PLAN FIDUCIARY NET POSITION | | |
| Contributions - employer | 327,108 | 436,101 |
| Contributions - employee | 11,176 | - |
| Pension Plan Net Investment Income | (53,020) | 478,382 |
| Benefit Payments | (674,859) | (599,217) |
| Pension Plan Administrative Expense | (18,848) | (20,132) |
| Other | <u>(266,524)</u> | <u>450,476</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | (674,967) | 745,610 |
| PLAN FIDUCIARY NET POSITION, BEGINNING | <u>23,541,548</u> | <u>22,795,938</u> |
| PLAN FIDUCIARY NET POSITION, ENDING | <u>22,866,581</u> | <u>23,541,548</u> |
| EMPLOYER NET PENSION (ASSET) | <u>\$ (2,224,141)</u> | <u>\$ (4,679,751)</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 110.77% | 124.81% |
| Covered employee payroll | \$ 4,910,908 | \$ 4,807,182 |
| Employer's net pension asset as a percentage of covered employee payroll | (45.29%) | (97.35%) |

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

CITY OF WARRENSBURG, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended September 30, 2016

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

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|---|--------------|--------------|--------------|------------------|------------------|------------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 315,307 | \$ 421,140 | \$ 479,472 | \$ 521,963 | \$ 493,031 | \$ 465,772 | \$ 346,129 | \$ 340,956 | \$ 351,660 | \$ 310,210 |
| Contributions in relation to the actuarially determined contribution | 315,307 | 421,140 | 479,472 | 474,502 | 436,855 | 392,554 | 346,129 | 340,956 | 351,660 | 310,210 |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 47,461</u> | <u>\$ 56,176</u> | <u>\$ 73,218</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 5,176,196 | \$ 4,972,607 | \$ 4,921,620 | \$ 4,869,803 | \$ 4,975,442 | \$ 5,042,751 | \$ 5,109,242 | \$ 4,678,972 | \$ 4,548,291 | \$ 4,080,523 |
| Contributions as a percentage of covered-employee payroll | 6.09% | 8.47% | 9.74% | 9.74% | 8.78% | 7.78% | 6.77% | 7.29% | 7.73% | 7.60% |

See accompanying notes to the required schedules.

CITY OF WARRENSBURG, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 29, 2016.

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 15 years

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

Inflation – 3.25% wage inflation; 3.25% price inflation

Salary Increases – 3.25% to 7.15% including wage inflation

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

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

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

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

Other Information – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|----------------------------|--------------------|------------------|------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 708,000 | \$ 708,000 | \$ 715,511 | \$ 7,511 |
| City sales tax | 4,313,438 | 4,313,438 | 4,349,369 | 35,931 |
| Financial institution tax | 3,200 | 3,200 | 3,486 | 286 |
| Railroad and utility tax | 32,000 | 32,000 | 33,319 | 1,319 |
| Utility franchise tax | 2,635,768 | 2,635,768 | 2,513,128 | (122,640) |
| Surtax | 23,000 | 23,000 | 27,277 | 4,277 |
| Lodging tax | 99,000 | 99,000 | 106,523 | 7,523 |
| Cigarette tax | 43,000 | 43,000 | 33,628 | (9,372) |
| | <u>7,857,406</u> | <u>7,857,406</u> | <u>7,782,241</u> | <u>(75,165)</u> |
| Licenses and Permits | | | | |
| Occupational licenses | 93,456 | 93,456 | 99,529 | 6,073 |
| Building permits | 78,475 | 78,475 | 108,895 | 30,420 |
| | <u>171,931</u> | <u>171,931</u> | <u>208,424</u> | <u>36,493</u> |
| Intergovernmental Revenues | | | | |
| Grants | 20,140 | 21,532 | 1,392 | (20,140) |
| | <u>20,140</u> | <u>21,532</u> | <u>1,392</u> | <u>(20,140)</u> |
| Charges for Services | | | | |
| Cemetery services | 194,163 | 194,163 | 142,191 | (51,972) |
| Animal shelter | 60,000 | 60,000 | 55,848 | (4,152) |
| | <u>254,163</u> | <u>254,163</u> | <u>198,039</u> | <u>(56,124)</u> |
| Fines and Forfeitures | | | | |
| City court fines | 313,500 | 313,500 | 316,908 | 3,408 |
| Police training fees | - | - | 4,182 | 4,182 |
| | <u>313,500</u> | <u>313,500</u> | <u>321,090</u> | <u>7,590</u> |
| Miscellaneous | | | | |
| Interest income | 27,745 | 27,745 | 40,922 | 13,177 |
| Other | 63,129 | 63,129 | 113,504 | 50,375 |
| | <u>90,874</u> | <u>90,874</u> | <u>154,426</u> | <u>63,552</u> |
| TOTAL REVENUES | <u>8,708,014</u> | <u>8,709,406</u> | <u>8,665,612</u> | <u>(43,794)</u> |

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|---------------------|---------------------|---------------------|----------------------------------|
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 507,850 | 490,350 | 398,406 | 91,944 |
| Finance | 375,265 | 405,291 | 401,239 | 4,052 |
| Other support services | 526,656 | 531,240 | 411,817 | 119,423 |
| Information technology | 488,721 | 446,827 | 439,357 | 7,470 |
| Municipal court | 148,425 | 148,425 | 150,716 | (2,291) |
| Buildings and grounds | 285,819 | 358,319 | 262,635 | 95,684 |
| Public safety and health | 5,065,391 | 5,103,210 | 4,773,601 | 329,609 |
| Community development | 1,015,807 | 1,002,290 | 735,817 | 266,473 |
| Transportation | 1,399,508 | 1,418,091 | 1,221,661 | 196,430 |
| Cemetery | 118,397 | 118,397 | 95,260 | 23,137 |
| TOTAL EXPENDITURES | <u>9,931,839</u> | <u>10,022,440</u> | <u>8,890,509</u> | <u>1,131,931</u> |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | | | | |
| | (1,223,825) | (1,313,034) | (224,897) | 1,088,137 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating transfers in | 739,480 | 747,615 | 790,395 | 42,780 |
| Operating transfers (out) | - | (27,840) | (27,800) | 40 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>739,480</u> | <u>719,775</u> | <u>762,595</u> | <u>42,820</u> |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | | | | |
| | (484,345) | (593,259) | 537,698 | 1,130,957 |
| FUND BALANCE, October 1 | <u>5,627,620</u> | <u>5,627,620</u> | <u>5,627,620</u> | <u>-</u> |
| FUND BALANCE, September 30 | <u>\$ 5,143,275</u> | <u>\$ 5,034,361</u> | <u>\$ 6,165,318</u> | <u>\$ 1,130,957</u> |

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARK FUND
 Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-------------------|---------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 382,000 | \$ 382,000 | \$ 388,798 | \$ 6,798 |
| Sales tax | 1,230,000 | 1,230,000 | 1,278,243 | 48,243 |
| Other taxes | 29,500 | 29,500 | 32,911 | 3,411 |
| Intergovernmental | 25,000 | 25,000 | 10,000 | (15,000) |
| Charges for services | 783,550 | 783,550 | 801,774 | 18,224 |
| Interest income | - | - | 7,705 | 7,705 |
| Miscellaneous | 20,200 | 20,200 | 18,731 | (1,469) |
| TOTAL REVENUES | 2,470,250 | 2,470,250 | 2,538,162 | 67,912 |
| EXPENDITURES | | | | |
| Current | | | | |
| Park | 397,661 | 433,229 | 388,176 | 45,053 |
| Park maintenance | 436,346 | 507,246 | 460,285 | 46,961 |
| Park recreation programs | 803,865 | 807,865 | 740,359 | 67,506 |
| Community center | 518,540 | 563,340 | 551,818 | 11,522 |
| TOTAL EXPENDITURES | 2,156,412 | 2,311,680 | 2,140,638 | 171,042 |
| EXCESS OF REVENUES OVER EXPENDITURES | 313,838 | 158,570 | 397,524 | 238,954 |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | (308,024) | (350,804) | (347,961) | 2,843 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES) | 5,814 | (192,234) | 49,563 | 241,797 |
| FUND BALANCE, October 1 | 971,410 | 971,410 | 971,410 | - |
| FUND BALANCE, September 30 | <u>\$ 977,224</u> | <u>\$ 779,176</u> | <u>\$ 1,020,973</u> | <u>\$ 241,797</u> |

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT TRANSPORTATION FUND
 Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|------------|----------------------------------|
| REVENUES | | | | |
| Motor fuel and vehicle taxes | \$ 691,000 | \$ 691,000 | \$ 740,935 | \$ 49,935 |
| Intergovernmental revenues | - | - | 45,198 | 45,198 |
| Miscellaneous | 6,576 | 6,576 | 7,226 | 650 |
| TOTAL REVENUES | 697,576 | 697,576 | 793,359 | 95,783 |
| EXPENDITURES | | | | |
| Current | | | | |
| Capital improvements | 785,150 | 1,066,583 | 889,809 | 176,774 |
| TOTAL EXPENDITURES | 785,150 | 1,066,583 | 889,809 | 176,774 |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | (87,574) | (369,007) | (96,450) | 272,557 |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | (61,511) | (61,511) | (60,410) | 1,101 |
| (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES) | (149,085) | (430,518) | (156,860) | 273,658 |
| FUND BALANCE, October 1 | 668,891 | 668,891 | 668,891 | - |
| FUND BALANCE, September 30 | \$ 519,806 | \$ 238,373 | \$ 512,031 | \$ 273,658 |

CITY OF WARRENSBURG, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT HALF CENT FUND
 Year Ended September 30, 2016

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|--------------|----------------------------------|
| REVENUES | | | | |
| Sales and use tax | \$ 1,722,949 | \$ 1,722,949 | \$ 1,759,480 | \$ 36,531 |
| Intergovernmental revenues | 380,000 | 380,000 | 2 | (379,998) |
| Miscellaneous | 5,510 | 5,510 | 5,849 | 339 |
| TOTAL REVENUES | 2,108,459 | 2,108,459 | 1,765,331 | (343,128) |
| EXPENDITURES | | | | |
| Current | | | | |
| Capital improvements | 762,494 | 915,280 | 402,766 | 512,514 |
| TOTAL EXPENDITURES | 762,494 | 915,280 | 402,766 | 512,514 |
| EXCESS OF REVENUES OVER EXPENDITURES | | | | |
| | 1,345,965 | 1,193,179 | 1,362,565 | 169,386 |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | (1,413,071) | (1,413,071) | (1,411,303) | 1,768 |
| (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES) | | | | |
| | (67,106) | (219,892) | (48,738) | 171,154 |
| FUND BALANCE, October 1 | 731,691 | 731,691 | 731,691 | - |
| FUND BALANCE, September 30 | \$ 664,585 | \$ 511,799 | \$ 682,953 | \$ 171,154 |

CITY OF WARRENSBURG, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2016

Budgets and Budgetary Accounting

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

1. Prior to October, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by City Council on approved budget adjustment forms.
7. No activity was budgeted for the Tri-Centennial Fund or Old Drum Fund for the year ended September 30, 2016, 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, 2016

| | Private-Purpose Trusts | | | | Total |
|---------------------------|------------------------|------------------|------------------|------------------------|-------------------|
| | Stevenson | Brown | Crissey | Anderson- Stevenson | |
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 139,580 | 25,055 | \$ 20,878 | 18,244 | \$ 203,757 |
| LIABILITIES | | | | | |
| Due to others | - | - | - | - | - |
| NET POSITION | | | | | |
| Restricted | 70,281 | 5,548 | - | 153 | 75,982 |
| Unrestricted | 69,299 | 19,507 | 20,878 | 18,091 | 127,775 |
| TOTAL NET POSITION | <u>\$ 139,580</u> | <u>\$ 25,055</u> | <u>\$ 20,878</u> | <u>\$ 18,244</u> | <u>\$ 203,757</u> |

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended September 30, 2016

| | Private-Purpose Trusts | | | | Total |
|---------------------------------|------------------------|------------------|------------------|------------------------|-------------------|
| | Stevenson | Brown | Crissey | Anderson- Stevenson | |
| Additions: | | | | | |
| Donations | \$ 1,140 | \$ 204 | \$ 170 | \$ 1,149 | \$ 2,663 |
| Deductions: | | | | | |
| Contributions and other | 1,600 | - | - | 1,000 | 2,600 |
| Changes in Net Position | (460) | 204 | 170 | 149 | 63 |
| Net Position, beginning of year | 140,040 | 24,851 | 20,708 | 18,095 | 203,694 |
| Net Position, end of year | <u>\$ 139,580</u> | <u>\$ 25,055</u> | <u>\$ 20,878</u> | <u>\$ 18,244</u> | <u>\$ 203,757</u> |

OTHER REPORTING REQUIREMENTS



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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Primary Government which includes the governmental activities, business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Warrensburg, Missouri's basic financial statements, and have issued our report thereon, dated January 18, 2017.

We have also audited the discretely presented component unit, Warrensburg Convention and Visitors Bureau, and issued our report dated January 18, 2017. This report does not include our testing of internal control over financial reporting or compliance and other matters that are reported for the discretely presented component unit.

Internal Control over Financial Reporting

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

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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

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

Compliance and Other Matters

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

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

In planning and performing our audit of the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2016, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

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

1. New Overtime Rules

The Department of Labor has issued a new ruling which updates the regulations determining which salaried employees are entitled to the Fair Labor Standards Act's minimum wage and overtime pay protections. The new rule increases the salary threshold for salaried workers from \$23,660 to \$47,476 per year. Workers making less than the new salary threshold are entitled to overtime pay when working more than 40 hours per week. The new rule also automatically updates the salary threshold every three years, based on wage growth over time. The final rule was to become effective on December 1, 2016, however on November 22, 2016, a U.S. District Court Judge granted an Emergency Motion for Preliminary Injunction which prevents the Department of Labor from implementing and enforcing the new ruling.

We Commend:

The City for becoming familiar with the new requirements for overtime pay and determining the effect of these new requirements on the City's finances. The City has identified the employees that will fall under these new requirements and developed a strategy to mitigate the impact of these new requirements if/when they become effective, as the Department of Labor disagrees with the decision by the court and is currently considering its legal options to the injunction.

2. Federal Grant Compliance

On December 26, 2013, the Office of Management and Budget issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This new circular significantly changes the grant compliance requirements governments must follow in complying with federal grants. The compliance requirements are effective for awards made after December 26, 2014.

The new Uniform Guidance changes grant compliance requirements in the areas of allowable costs, procurement, real property management and sub-recipient monitoring. The new Uniform Guidance also has new requirements regarding internal controls and includes the requirement that governments have **written** procedures for cash management and allowable cost determination. The new Uniform Guidance requires governments receiving federal funds to have a **written** conflict of interest policy with **penalties** for non-compliance. The Uniform Guidance also significantly changed sub-recipient monitoring and communication requirements for pass-through grants.

We Recommend:

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

3. Internal Audit Procedures

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

We Recommend:

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

4. Segregation of Duties

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

We Recommend:

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

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

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

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2016, and have issued our report thereon dated January 18, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 31, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated August 31, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Warrensburg, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015-2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

- Accounts Receivable

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 18, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017