

City of Warsaw, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2018

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Warsaw
Warsaw, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2018, 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 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 *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 from material misstatement.

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Honorable Mayor and Board of Aldermen
City of Warsaw
Warsaw, 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 on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with 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, budgetary comparison schedules and pension information 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 Board of Aldermen
City of Warsaw
Warsaw, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2019, on our consideration of the City of Warsaw, Missouri's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warsaw, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018

The management’s discussion and analysis of the City of Warsaw’s financial performance provides an overview of the City’s financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the City’s financial statements, which begin on page 18.

Financial Highlights

- The net position of the City’s governmental activities increased by \$392,572 for the year as a result of current year activities. The net position of the City’s business activities increased by \$38,946 for the year.
- The assets of the City exceeded its liabilities as of December 31, 2018, by \$19,746,153 (net position). Of this amount \$2,807,235 was unrestricted and may be used to meet future obligations of the City.

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, liabilities, and deferred inflows/outflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City’s financial health, or financial position. Over time, increases or decreases in the City’s net position are indicators of whether its financial health is improving or deteriorating.

It is important to understand that the Governmental Activities and Government Funds relate to revenue/expenses of all our funds with the exception of the Utilities. The Business-Type Activities and the Enterprise Funds relate only to the Utilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018

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 water and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the Board of Aldermen establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

Our Governmental Funds are the funds that create the revenue to operate various departments.

1. General Fund
2. Capital Improvement Fund
3. Parks Fund
4. Transportation Fund

Within the General Fund are various taxes. One of these is the City sales tax. The City Sales Tax includes the Use Tax. The Use Tax is a tax on internet sales. This tax has been steadily climbing. We must realize that with increasing purchase from online sources, this means that less purchases will occur at our local stores. An example of this is Truman Bicycle Shop. Online sales were a big factor in the closure of the business.

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018

The utilities are a combination of water and sewer. This makes up the Enterprise (Utility) Fund. The simplest way to think of this fund is that it operates like a retail store. The business (city) is selling a product to the public. This product has to rely on other operating factors to keep the business operating without loss. These factors include maintenance, debts, employee costs, and inflation. Like any successful business, the goal is to operate at a profit each year and develop a cash reserve to be able to meet unforeseen items and be able to pay for future expansion.

- Enterprise 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 enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of 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 water and sewer are provided here.

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 WARSAW, MISSOURI
December 31, 2018**

Government-Wide Financial Analysis

Below are all of our funds together:

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2018, and December 31, 2017:

	Governmental Activities	Business-Type Activities	Total December 31, 2018	Total December 31, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Current and other assets	\$ 3,364,329	\$ 1,097,190	\$ 4,461,519	\$ 4,137,874
Capital assets, net	<u>10,714,522</u>	<u>9,251,293</u>	<u>19,965,815</u>	<u>20,277,294</u>
	14,078,851	10,348,483	24,427,334	24,415,168
Deferred Outflow of Resources				
Deferred pension outflows	135,377	3,334	138,711	183,388
Liabilities				
Current liabilities	195,300	435,764	631,064	633,157
Long-term liabilities	<u>1,444,420</u>	<u>2,547,359</u>	<u>3,991,779</u>	<u>4,568,066</u>
	1,639,720	2,983,123	4,622,843	5,201,223
Deferred Inflow of Resources				
Deferred pension inflows	192,562	4,487	197,049	82,698
Net Position				
Net investment in capital assets	9,205,244	6,437,776	15,643,020	15,544,229
Restricted	1,215,672	80,226	1,295,898	942,754
Unrestricted	<u>1,961,030</u>	<u>846,205</u>	<u>2,807,235</u>	<u>2,827,652</u>
	<u>\$ 12,381,946</u>	<u>\$ 7,364,207</u>	<u>\$ 19,746,153</u>	<u>\$ 19,314,635</u>

Summary of the Net Position

Total net position of the City increased by \$431,518 for the year due to current year activity. Total liabilities for the City have decreased by \$578,379. Restricted net position of the City totaled \$1,295,898 as of December 31, 2018. This amount represents monies that are restricted for debt service and capital improvement projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2018	Total Year Ended December 31, 2017
REVENUES				
Program Revenues				
Charges for services	\$ 525,593	\$ 966,462	\$ 1,492,055	\$ 1,587,937
Capital grants and contributions	151,148	-	151,148	693,721
General Revenues				
Sales taxes	2,198,754	-	2,198,754	2,236,592
Ad valorem taxes	119,513	-	119,513	115,847
Intangible tax	191	-	191	130
Motor vehicle and gas taxes	85,923	-	85,923	85,818
Surtax	12,028	-	12,028	14,648
Franchise fees	195,459	-	195,459	174,129
Interest	63,626	-	63,626	31,160
Other revenue	47,352	31,494	78,846	83,572
Gain on sale of assets	-	-	-	9,100
TOTAL REVENUES	3,399,587	997,956	4,397,543	5,032,654
EXPENSES				
Administrative	512,802	-	512,802	627,238
Police	451,384	-	451,384	576,186
Recreation	81,833	-	81,833	84,318
Community building	72,827	-	72,827	63,630
Solid waste	107,203	-	107,203	103,494
Airport	230,178	-	230,178	278,176
Park	416,409	-	416,409	375,611
Pool	170,243	-	170,243	197,261
Golf course	326,270	-	326,270	244,137
Street	476,621	-	476,621	346,424
Community development	94,259	-	94,259	-
Debt service	66,986	-	66,986	166,318
Water and sewer	-	959,010	959,010	1,019,545
TOTAL EXPENSES	3,007,015	959,010	3,966,025	4,082,338
INCREASE IN NET POSITION	\$ 392,572	\$ 38,946	\$ 431,518	\$ 950,316

**MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018**

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$392,572. Tax revenues for the City were \$2,611,868, which represents 77% of the financing of these activities. Program revenues for the functions totaled \$676,741 or approximately 20% of the financing. The following table shows the cost of the City’s programs as well as each programs 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 WARSAW’S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 512,802	\$ 417,518
Police	451,384	432,815
Recreation	81,833	56,735
Community building	72,827	72,827
Solid waste	107,203	(1,964)
Airport	230,178	14,629
Pool	170,243	123,656
Park	416,409	416,409
Golf course	326,270	190,052
Street	476,621	476,621
Community development	94,259	63,990
Debt service	66,986	66,986
	\$ 3,007,015	\$ 2,330,274

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City’s net position by \$38,946.

Financial Analysis of the City’s Funds (Governmental Funds and Not Utilities)

The combined fund balances of the City’s governmental funds as of December 31, 2018, were \$3,293,860. The General Fund increased by \$46,110. The Transportation Fund increased by \$95,736. The Capital Improvement Fund increased by \$420,175. The Parks Fund decreased by \$144,364.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018**

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2018:

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Ad valorem taxes	\$ 122,000	\$ 119,513	\$ 119,513
Intangible tax	250	191	191
City sales tax	930,000	1,003,465	1,003,465
Franchise fees	178,000	195,459	195,459
Surtax	14,100	12,028	12,028
	<u>1,244,350</u>	<u>1,330,656</u>	<u>1,330,656</u>
Licenses and Permits			
Occupational licenses	61,000	46,670	46,670
Building permits	10,000	8,970	8,970
Other	1,250	2,947	2,947
	<u>72,250</u>	<u>58,587</u>	<u>58,587</u>
Charges for Services			
Golf course	234,600	136,218	136,218
Trash	106,300	109,167	109,167
Recreation	27,300	25,098	25,098
	<u>368,200</u>	<u>270,483</u>	<u>270,483</u>
Fines and Forfeitures			
City court fines	20,400	18,477	18,477
CVC fees	34	92	92
	<u>20,434</u>	<u>18,569</u>	<u>18,569</u>
Miscellaneous			
Interest	23,000	63,626	63,626
Rental income	42,900	36,697	36,697
Other	3,800	39,738	39,738
	<u>69,700</u>	<u>140,061</u>	<u>140,061</u>
TOTAL REVENUES	<u>1,774,934</u>	<u>1,818,356</u>	<u>1,818,356</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018**

General Fund Budgetary Highlights (continued)

	Original Budget	Final Budget	Actual
EXPENDITURES			
Current			
Administrative	523,246	727,890	727,890
Police	583,272	436,745	436,745
Recreation	98,556	82,230	82,230
Community building	72,112	74,316	74,316
Solid waste	106,282	108,025	108,025
Golf course	262,443	332,854	332,854
Community development	-	548	548
Debt Service	-	9,638	9,638
TOTAL EXPENDITURES	1,645,911	1,772,246	1,772,246
EXCESS OF REVENUES OVER EXPENDITURES			
	\$ 129,023	\$ 46,110	\$ 46,110

The governmental and business-type activities of the City continue to increase the City's net position with improvements in infrastructure and capital equipment for expanded community, social and economic growth through budgeting, bidding and financing policies to expand and maintain services, to improve the quality of life and to provide an atmosphere for the promotion of private and entrepreneur business growth.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$10,714,522 net of depreciation as of December 31, 2018. This represents a \$175,081 decrease, net of depreciation, from the prior year. Capital assets for business-type activities were \$9,251,293 net of depreciation as of December 31, 2018. This represents net capital asset additions of \$211,371, and \$347,769 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2018, was \$1,542,971, which includes debt retirements, long-term liabilities reductions of \$132,641.

Total debt of the business-type activities as of December 31, 2018, was \$2,813,517, which includes debt retirement of \$277,629.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018

Economic Factors and Next Year's Budget

By investing in infrastructure improvements relating to waterfront development and utility improvements, the City of Warsaw has placed itself on a path to become a major tourist destination in the region.

Relating to the waterfront, the downtown area is capitalizing on the improvements in the Drake Harbor Recreation Area. These improvements attract visitors by watercraft that dock and go to services in the downtown. This, combined with more vehicle visitors, downtown is seeing more events and new businesses opening.

The majority of the public waterfront recreation improvements are complete. With this, a shift to improving services to the interior of the community should be an utmost priority to the City government in order to achieve complete community revitalization. Private investors need to be attracted to construct developments as outlined in our Comprehensive Plan, *Building on Success to Capitalize on the Future*. Private development was a major focus of the plan that includes land use, business recruitment and transportation improvement plans. Mixed use development along Main Street, along with encouraging residential use on our northern city limits, will create a diverse economy that will help to promote Warsaw as both a place to visit and live.

Revenues from the water and sewer system are needed to continue to build a cash reserve, while also funding projects. To help this occur, the City set incremental rate increases to build reserves and fund projects. To not burden the utility fund, the City should continue to take the debt service for the MAMU from the Capital Improvement until the note is retired in 2025. In following years to 2025, the utility fund has to fund its own needs and not rely on the Capital Improvement Fund.

The retirement of the debt service in 2017 for the 94B SRF and the MAMU retired in 2025 will create approximately \$290,000 in additional funds in the Capital Improvement Fund for roadway projects. Roadway investment that include sidewalks, stormwater, bicycle lanes and landscape are critical to complement the quality of life improvements that the trails and parks have gained national recognition for.

There is great excitement in the community with all that has been accomplished. This excitement is spilling over to those that visit. Warsaw has become a respected model for revitalization of a rural community. Much has been achieved, but much still needs to be started and completed. The future is bright if Warsaw stays the course and continues the approach taken over the last 20 years.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2018**

Contacting the City's Financial Management

For additional information or questions, please contact any of the following members of City management at:

City of Warsaw
181 Harrison, Box 68
Warsaw, Missouri 65355
(660) 438-5522
cityclerk@welcometowarsaw.com

Eddie Simons, Mayor
Randy Pogue, City Administrator
Jessica Kendall, City Clerk

CITY OF WARSAW, MISSOURI
STATEMENT OF NET POSITION
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 2,749,346	\$ 770,646	\$ 3,519,992
Ad valorem taxes receivable, net	123,179	-	123,179
Utilities receivable, net	19,414	137,749	157,163
Intergovernmental receivable	30,269	-	30,269
Other receivable, net	39,218	-	39,218
Sales tax receivable	337,338	-	337,338
Inventory	7,683	47,823	55,506
Prepaid expenses	27,031	1,540	28,571
Noncurrent			
Restricted cash and cash equivalents	30,851	139,432	170,283
Capital Assets:			
Non-depreciable	664,754	96,734	761,488
Depreciable, net	10,049,768	9,154,559	19,204,327
TOTAL ASSETS	14,078,851	10,348,483	24,427,334
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	135,377	3,334	138,711
LIABILITIES			
Current			
Accounts payable	22,182	89,875	112,057
Accrued expenses	47,387	534	47,921
Deposits payable	-	59,206	59,206
Court bonds payable	900	-	900
Accrued interest payable	-	18,859	18,859
Current maturities of long-term debt	124,831	267,290	392,121
	195,300	435,764	631,064
Noncurrent			
Compensated absences payable	33,693	-	33,693
Capital leases payable	54,447	-	54,447
Bonds payable	-	1,738,400	1,738,400
Lease certificates of participation payable	1,330,000	807,827	2,137,827
Net pension liability	26,280	1,132	27,412
	1,444,420	2,547,359	3,991,779
TOTAL LIABILITIES	1,639,720	2,983,123	4,622,843
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	192,562	4,487	197,049
NET POSITION			
Net investment in capital assets	9,205,244	6,437,776	15,643,020
Restricted			
Capital projects	1,185,721	-	1,185,721
Debt service	29,951	80,226	110,177
Unrestricted	1,961,030	846,205	2,807,235
TOTAL NET POSITION	\$ 12,381,946	\$ 7,364,207	\$ 19,746,153

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (512,802)	\$ 95,284	\$ -	\$ -	\$ (417,518)	\$ -	\$ (417,518)
Police	(451,384)	18,569	-	-	(432,815)	-	(432,815)
Recreation	(81,833)	25,098	-	-	(56,735)	-	(56,735)
Community building	(72,827)	-	-	-	(72,827)	-	(72,827)
Solid waste	(107,203)	109,167	-	-	1,964	-	1,964
Airport	(230,178)	94,670	-	120,879	(14,629)	-	(14,629)
Pool	(170,243)	46,587	-	-	(123,656)	-	(123,656)
Park	(416,409)	-	-	-	(416,409)	-	(416,409)
Golf course	(326,270)	136,218	-	-	(190,052)	-	(190,052)
Street	(476,621)	-	-	-	(476,621)	-	(476,621)
Community development	(94,259)	-	-	30,269	(63,990)	-	(63,990)
Debt service	(66,986)	-	-	-	(66,986)	-	(66,986)
TOTAL GOVERNMENTAL ACTIVITIES	(3,007,015)	525,593	-	151,148	(2,330,274)	-	(2,330,274)
Business-Type Activities							
Water and sewer	(959,010)	966,462	-	-	-	7,452	7,452
TOTAL BUSINESS-TYPE ACTIVITIES	(959,010)	966,462	-	-	-	7,452	7,452
TOTAL GOVERNMENT	\$ (3,966,025)	\$ 1,492,055	\$ -	\$ 151,148	(2,330,274)	7,452	(2,322,822)
General Revenues:							
					2,198,754	-	2,198,754
					119,513	-	119,513
					191	-	191
					85,923	-	85,923
					12,028	-	12,028
					195,459	-	195,459
					63,626	-	63,626
					47,352	31,494	78,846
				Total General Revenues	2,722,846	31,494	2,754,340
				Changes in Net Position	392,572	38,946	431,518
				Net Position, Beginning of year	11,989,374	7,325,261	19,314,635
				Net Position, End of year	\$ 12,381,946	\$ 7,364,207	\$ 19,746,153

See accompanying notes.

CITY OF WARSAW, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
ASSETS					
Cash and cash equivalents - unrestricted	\$ 953,714	\$ 701,146	\$ 1,090,657	\$ 3,829	\$ 2,749,346
Ad valorem taxes receivable, net	123,179	-	-	-	123,179
Sales tax receivable	155,321	49,018	67,642	65,357	337,338
Utilities receivable	19,414	-	-	-	19,414
Intergovernmental receivable	-	-	30,269	-	30,269
Other receivables, net	39,218	-	-	-	39,218
Inventory	-	7,683	-	-	7,683
Prepaid expenses	18,884	4,429	689	3,029	27,031
Restricted cash and cash equivalents	900	-	29,951	-	30,851
TOTAL ASSETS	\$ 1,310,630	\$ 762,276	\$ 1,219,208	\$ 72,215	\$ 3,364,329
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 14,121	\$ 4,261	\$ -	\$ 3,800	\$ 22,182
Accrued expenses	29,328	5,328	3,536	9,195	47,387
Court bonds payable	900	-	-	-	900
TOTAL LIABILITIES	44,349	9,589	3,536	12,995	70,469
Fund Balances					
Nonspendable:					
Inventory	-	7,683	-	-	7,683
Prepaid items	18,884	4,429	-	3,029	26,342
Restricted for:					
Capital improvement	-	-	1,185,721	-	1,185,721
Debt service	-	-	29,951	-	29,951
Assigned to:					
Transportation	-	740,575	-	-	740,575
Parks Fund	-	-	-	56,191	56,191
Unassigned	1,247,397	-	-	-	1,247,397
TOTAL FUND BALANCES	1,266,281	752,687	1,215,672	59,220	3,293,860
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,310,630	\$ 762,276	\$ 1,219,208	\$ 72,215	\$ 3,364,329

See accompanying notes.

CITY OF WARSAW, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
 OF NET POSITION
 December 31, 2018

Fund balance - total governmental funds	\$ 3,293,860
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	19,696,917
Less accumulated depreciation	<u>(8,982,395)</u>
	10,714,522
The net pension liability and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension liability	(26,280)
Deferred outflows due to pensions	135,377
Deferred inflows due to pensions	<u>(192,562)</u>
	(83,465)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,542,971)</u>
Net position of governmental activities	<u><u>\$ 12,381,946</u></u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2018

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
REVENUES					
Taxes	\$ 1,330,656	\$ 408,426	\$ 442,916	\$ 429,870	\$ 2,611,868
Licenses and permits	58,587	-	-	-	58,587
Intergovernmental revenues	-	120,879	30,269	-	151,148
Charges for services	270,483	94,670	-	46,587	411,740
Rental income	36,697	-	-	-	36,697
Fines and forfeitures	18,569	-	-	-	18,569
Interest revenue	63,626	-	-	-	63,626
Miscellaneous	39,738	2,644	-	4,970	47,352
TOTAL REVENUES	1,818,356	626,619	473,185	481,427	3,399,587
EXPENDITURES					
Current					
Administrative	727,890	-	-	-	727,890
Police	436,745	-	-	-	436,745
Recreation	82,230	-	-	-	82,230
Community building	74,316	-	-	-	74,316
Solid waste	108,025	-	-	-	108,025
Airport	-	178,334	-	-	178,334
Pool	-	-	-	120,801	120,801
Park	-	-	-	356,727	356,727
Golf course	332,854	-	-	-	332,854
Street	-	317,363	-	-	317,363
Community development	548	-	-	-	548
Capital improvement	-	35,186	52,129	-	87,315
Debt service	9,638	-	-	149,144	158,782
TOTAL EXPENDITURES	1,772,246	530,883	52,129	626,672	2,981,930
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	46,110	95,736	421,056	(145,245)	417,657
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	-	-	(881)	881	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(881)	881	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	46,110	95,736	420,175	(144,364)	417,657
FUND BALANCE, January 1	1,220,171	656,951	795,497	203,584	2,876,203
FUND BALANCE, December 31	\$ 1,266,281	\$ 752,687	\$ 1,215,672	\$ 59,220	\$ 3,293,860

See accompanying notes.

CITY OF WARSAW, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2018

Net change in fund balances - total governmental funds \$ 417,657

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

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

Capital outlay	455,814
Depreciation	(630,895)
	<u>(175,081)</u>

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

Change in pension related costs	26,465
Change in compensated absences	(9,110)
	<u>17,355</u>

The issuance of long-term debt provides current financial resources to
 governmental funds. The repayment of principal on long-term debt is a
 use of current financial resources of governmental funds. The following
 is the detail of the net effect of these differences.

Repayment of principal on long-term debt	<u>132,641</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 392,572</u></u>
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CITY OF WARSAW, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
December 31, 2018

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 770,646
Utilities receivable, net	137,749
Inventory	47,823
Prepaid expenses	<u>1,540</u>
TOTAL CURRENT ASSETS	957,758
Restricted Assets	
Cash and cash equivalents	<u>139,432</u>
TOTAL RESTRICTED ASSETS	139,432
Property, Plant and Equipment	
Buildings and improvements	5,500
Construction in progress	96,734
Water lines and wells	2,106,836
Sewer lines and plant	11,365,568
Major moveable equipment	<u>798,926</u>
	14,373,564
Less accumulated depreciation	<u>(5,122,271)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,251,293</u>
TOTAL ASSETS	10,348,483
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	<u>3,334</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	3,334

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND (continued)
December 31, 2018

	<u>Water and Sewer Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	89,875
Accrued expenses	534
Accrued interest payable	18,859
Customer deposits	59,206
Current maturities of long-term debt	<u>267,290</u>
TOTAL CURRENT LIABILITIES	435,764
Long-Term Liabilities	
Revenue bonds payable	1,738,400
Lease purchase payable	807,827
Net pension liability	<u>1,132</u>
TOTAL LONG-TERM LIABILITIES	<u>2,547,359</u>
TOTAL LIABILITIES	2,983,123
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>4,487</u>
TOTAL DEFERRED INFLOW OF RESOURCES	4,487
NET POSITION	
Net investment in capital assets	6,437,776
Restricted	80,226
Unrestricted	<u>846,205</u>
TOTAL NET POSITION	<u><u>\$ 7,364,207</u></u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended December 31, 2018

	<u>Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services	
Water	\$ 451,520
Sewer	<u>514,942</u>
TOTAL OPERATING REVENUES	<u>966,462</u>
OPERATING EXPENSES	
Water	
Salaries & wages	11,412
Employee benefits	9,005
Materials and supplies	2,686
Utilities	30,998
Repairs and maintenance	7,467
Insurance	11,935
Depreciation	113,738
Professional services	180,447
Miscellaneous	2,251
TOTAL OPERATING EXPENSES-WATER	<u>369,939</u>
Sewer	
Salaries & wages	10,720
Employee benefits	9,077
Materials and supplies	3,651
Utilities	46,706
Repairs and maintenance	10,027
Insurance	12,015
Depreciation	234,031
Professional services	168,338
Miscellaneous	8,349
TOTAL OPERATING EXPENSES-SEWER	<u>502,914</u>
TOTAL OPERATING EXPENSES	<u>872,853</u>
OPERATING INCOME	93,609
NONOPERATING REVENUE (EXPENSES)	
Interest expense-Water	(11,478)
Interest expense-Sewer	(74,679)
Other	31,494
TOTAL NONOPERATING (EXPENSES)	<u>(54,663)</u>
NET INCOME	38,946
NET POSITION, January 1	<u>7,325,261</u>
NET POSITION, December 31	<u>\$ 7,364,207</u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2018

	<u>Water and Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 980,533
Payments to suppliers	(431,923)
Payments to employees	(19,755)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	528,855
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(211,371)
Principal payments on long-term debt	(277,629)
Interest paid on long-term debt	(54,663)
	<hr/>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(543,663)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,808)
CASH AND CASH EQUIVALENTS, Beginning of year	<hr/> 924,886
CASH AND CASH EQUIVALENTS, End of year	910,078
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<hr/> (139,432)
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 770,646</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 93,609
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	347,769
(Increase) decrease in:	
Utilities receivable	9,920
Inventory	(1,468)
Deferred pension outflow	(1,264)
Increase (decrease) in:	
Accounts and other payables	78,363
Accrued expenses	(668)
Deferred pension inflow	3,963
Net pension liability	(1,369)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 528,855</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warsaw, Missouri, (the City) was incorporated in 1902 under the provisions of the State of Missouri. The City operates under a Board of Aldermen - Mayor form of government and provides the following services as authorized by its charter: public safety, streets, sanitation, airport, recreation, public improvements, planning, and general administrative services. Other services include water and 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 accounting policies.

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

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

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Transportation Fund: The Transportation Fund of the City is used to account for resources restricted, committed or assigned for repair and maintenance activities within the City.

Capital Improvement Fund: The Capital Improvement Fund is used to account for the Capital Improvement Sales Tax and other resources restricted, committed or assigned for improvement projects.

Parks Fund: The Parks Fund is used to account for resources restricted, committed or assigned to the swimming pool and park system.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary fund:

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City’s water and sewer operations.

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 where historical records are available and at an estimated historical cost where 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, 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:

Buildings and improvements	30 years
Sewer lines and treatment plant	50 years
Water lines and wells	50 years
Major moveable equipment	5 - 10 years
Infrastructure	30 - 50 years

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

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are defined as deposits available on demand or with an original maturity of less than three months at the time of purchase.

Inventories

Inventories are stated at cost using the first-in, first-out method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

City personnel policy allows employees to accumulate 30 days of vacation leave which vests with the employee. Utilization of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on City expenditures in any one year. Compensated absences are recorded as a liability in the Statement of Net Position.

Use of Estimates

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

Interest Capitalization

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

Revenue Recognition – Property Taxes

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

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenues and expenses are considered nonoperating.

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 Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board 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.

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – This consists of net position that is 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.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net 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 one item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan on the Statement of Net Position. 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 liability, deferred outflow of resources and deferred inflow 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.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2018, all bank balances on deposit are entirely insured or collateralized.

NOTE C – RECEIVABLES

The City's receivables are presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
AD VALOREM TAXES RECEIVABLE			
General Fund	\$ 130,993	\$ 7,814	\$ 123,179
SALES TAXES RECEIVABLE			
General Fund	\$ 155,321	\$ -	\$ 155,321
Transportation Fund	49,018	-	49,018
Parks Fund	65,357	-	65,357
Capital Improvement Fund	67,642	-	67,642
	<u>\$ 337,338</u>	<u>\$ -</u>	<u>\$ 337,338</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 159,596	\$ 21,847	\$ 137,749
General Fund	19,414	-	19,414
	<u>\$ 179,010</u>	<u>\$ 21,847</u>	<u>\$ 157,163</u>
INTERGOVERNMENTAL RECEIVABLE			
Capital Improvement Fund	\$ 30,269	\$ -	\$ 30,269
OTHER RECEIVABLE			
General Fund	\$ 45,319	\$ 6,101	\$ 39,218

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE D – RESTRICTED ASSETS

Business-Type Activities

The 2009 and 2012 Water and Sewer Revenue Bond ordinances established amounts required to be deposited in certain sinking and reserve fund accounts. All required deposits to these funds have been made.

These special reserves consist of cash and cash equivalents and are reported in the accompanying Statement of Net Position as restricted cash and cash equivalents, and restricted net position. Restricted assets also include cash and cash equivalents restricted for water and sewer system improvements and customer meter deposits. These restrictions are as follows:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Net Position</u>
2012 Bond Principal and Interest	\$ 20,505	\$ 20,505
2009 Bond Principal and Interest	59,721	59,721
Customer Deposits	59,206	-
Total Business-Type Activities	<u>\$ 139,432</u>	<u>\$ 80,226</u>

Governmental Activities

Cash and cash equivalents, fund balance, and net position have been restricted in the following funds and activities:

	<u>Restricted Cash and Cash Equivalents</u>	<u>Restricted Fund Balance</u>	<u>Restricted Net Position</u>
GENERAL FUND			
Court bonds	\$ 900	\$ -	\$ -
CAPITAL IMPROVEMENT FUND			
Capital improvement projects	-	1,185,721	1,185,721
2012 COP Lease Revenue Reserve Fund	29,951	29,951	29,951
Total Governmental Activities	<u>\$ 30,851</u>	<u>\$ 1,215,672</u>	<u>\$ 1,215,672</u>

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

Combined Water and Sewer Fund long-term liabilities consists of the 2009 Combined Water and Sewerage System Revenue Bonds, 2012 Combined Waterworks and Sewerage System Revenue Bonds, the 2005 Missouri Association of Municipal Utilities certificates of participation, and two capital leases.

2009 Combined Water and Sewerage System Revenue Bonds - ARRA

In 2011, the City issued \$2,030,300 in Direct Loan Program – American Recovery and Reinvestment Act (ARRA) combined waterworks and sewerage system revenue bonds, Series 2009, for the purpose of extending and improving the City’s combined waterworks and sewerage system. The bonds bear interest at 1.49%. 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.

Debt service requirements for the 2009 revenue bonds are listed in the following table:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>.25% Admin Fee</u>	<u>Total</u>
2019	\$ 100,400	\$ 12,660	\$ 3,258	\$ 116,318
2020	102,700	11,155	3,007	116,862
2021	105,000	9,617	2,751	117,368
2022	107,400	8,044	2,488	117,932
2023	109,800	6,434	2,220	118,454
2024	112,400	4,788	1,945	119,133
2025	114,900	3,105	1,664	119,669
2026	117,500	1,383	1,377	120,260
2027	120,200	2,017	1,083	123,300
2028	122,900	1,412	783	125,095
2029	125,700	794	475	126,969
2030	64,400	161	161	64,722
	<u>\$ 1,303,300</u>	<u>\$ 61,570</u>	<u>\$ 21,212</u>	<u>\$ 1,386,082</u>

2012 Combined Waterworks and Sewerage System Revenue Bonds

In 2012, the City issued Direct Loan Program – Combined Waterworks and Sewerage System Revenue Bonds, Series 2012, for the purpose of extending and improving the City’s combined waterworks and sewerage system. The bonds bear interest at 1.25%. 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. At December 31, 2018, the City has issued \$733,817 of the maximum \$739,000 bond issue.

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

Debt service requirements for the Series 2012 Revenue Bonds are listed in the following table:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2019	\$ 35,000	\$ 7,081	\$ 2,833	\$ 44,914
2020	36,000	6,638	2,655	45,293
2021	36,000	6,188	2,475	44,663
2022	37,000	5,738	2,295	45,033
2023	38,000	5,269	2,107	45,376
2024	38,000	4,794	1,917	44,711
2025	39,000	4,319	1,727	45,046
2026	40,000	3,825	1,530	45,355
2027	40,000	3,325	1,330	44,655
2028	41,000	2,825	1,130	44,955
2029	42,000	2,306	923	45,229
2030	42,000	1,781	713	44,494
2031	44,000	1,250	500	45,750
2032	44,000	700	280	44,980
2033	18,500	111	45	18,656
	<u>\$ 570,500</u>	<u>\$ 56,150</u>	<u>\$ 22,460</u>	<u>\$ 649,110</u>

2005A MAMU Lease Purchase

On July 28, 2005, the City entered into a lease purchase agreement with the Missouri Association of Municipal Utilities for the acquisition and construction of sewer system improvements. The lease agreement calls for varying monthly principal payments through 2025 with interest at 3.88%. Current maturity of the lease principal is \$114,000.

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

The total minimum lease payments required at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2019	\$ 120,000	\$ 32,738	\$ 9,622	\$ 162,360
2020	124,000	28,080	8,831	160,911
2021	132,000	23,045	7,976	163,021
2022	137,000	18,100	6,904	162,004
2023	144,000	12,404	6,169	162,573
2024	151,000	6,757	5,212	162,969
2025	91,000	1,166	2,568	94,734
	<u>\$ 899,000</u>	<u>\$ 122,290</u>	<u>\$ 47,282</u>	<u>\$ 1,068,572</u>

Capital Lease Agreement – Sewer Jet

On April 25, 2017, the City entered into a lease purchase obligation to acquire a 2017 Ford F350 with snow plow equipment and a Sewer Jet. 60.4% of the lease was recorded as long-term debt within the business-type activities and 39.6% was recorded as long-term debt within the governmental activities. The lease requires monthly payments of \$1,753, which includes interest at 3.06%.

The total minimum lease payments required at December 31, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 11,890	\$ 1,125	\$ 13,015
2020	12,259	756	13,015
2021	12,640	375	13,015
2022	3,928	41	3,969
	<u>\$ 40,717</u>	<u>\$ 2,297</u>	<u>\$ 43,014</u>

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

These lease purchase agreements provide 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 right to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with Governmental Accounting Standards Board (GASB) Section L20, “Leases.”

A summary of the changes in long-term liabilities – business-type activities for the year ended December 31, 2018, is as follows:

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
Long-Term Liabilities					
2009 Revenue Bonds	\$ 1,401,500	\$ -	\$ 98,200	\$ 1,303,300	\$ 100,400
2012 Revenue Bonds	604,300	-	33,800	570,500	35,000
2005A MAMU Certificates of Participation	1,013,000	-	114,000	899,000	120,000
Capital Lease - SCADA System	20,096	-	20,096	-	-
Capital Lease - Sewer Jet	52,250	-	11,533	40,717	11,890
	<u>\$ 3,091,146</u>	<u>\$ -</u>	<u>\$ 277,629</u>	<u>\$ 2,813,517</u>	<u>\$ 267,290</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2018, consists of one certificate of participation, six capital lease obligations, and compensated absences payable.

Certificates of Participation

During 2012, the City issued \$1,845,000 in Certificates of Participation to finance the costs related to construction, furnishing and equipping of a new swimming pool. The 2012 certificates bear interest at 1.35% to 4.75%. Interest payments are due in semi-annual installments on January 1 and July 1 of each year with annual principal payments due July 1 of each year.

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

The annual debt service requirements to amortize the principal on the 2012 Certificates of Participation outstanding at December 31, 2018, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 80,000	\$ 59,902	\$ 139,902
2020	80,000	57,862	137,862
2021	85,000	55,582	140,582
2022	85,000	52,990	137,990
2023	90,000	50,100	140,100
2024	90,000	46,050	136,050
2025	95,000	42,000	137,000
2026	100,000	37,726	137,726
2027	105,000	33,226	138,226
2028	110,000	28,500	138,500
2029	115,000	23,274	138,274
2030	120,000	17,812	137,812
2031	125,000	12,112	137,112
2032	130,000	6,176	136,176
	<u>\$ 1,410,000</u>	<u>\$ 523,312</u>	<u>\$ 1,933,312</u>

Capital Lease Agreement – Truck

On August 13, 2015, the City entered into a lease purchase obligation to acquire a Ford truck for the street department. The lease requires monthly payments of \$1,192, which includes interest at 2.650%. The City will make the final payment in 2019.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	<u>\$ 9,443</u>	<u>\$ 94</u>	<u>\$ 9,537</u>

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

Capital Lease Agreement – ProGator Spreader

On July 16, 2015, the City entered into a lease purchase obligation to acquire a ProGator spreader for the golf department. The lease requires annual payments of \$5,314, which includes interest at 2.75%. The City will make the final payment in 2020.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 5,030	\$ 284	\$ 5,314
2020	5,170	144	5,314
	<u>\$ 10,200</u>	<u>\$ 428</u>	<u>\$ 10,628</u>

Capital Lease Agreement – Park Trucks & Fairway Mower

On May 20, 2016, the City entered into a lease purchase obligation to acquire two trucks and a fairway mower for the parks department. The lease requires monthly payments of \$1,372, which includes interest at 2.89%. The City will make the final payment in 2020.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 16,010	\$ 448	\$ 16,458
2020	6,808	50	6,858
	<u>\$ 22,818</u>	<u>\$ 498</u>	<u>\$ 39,774</u>

Capital Lease Agreement – Ford F350

On April 25, 2017, the City entered into a lease purchase obligation to acquire a 2017 Ford F350 with snow plow equipment and a Sewer Jet. 39.6% was recorded as long-term debt within the governmental activities and 60.4% of the lease was recorded as long-term debt within the business-type activities. The lease requires monthly payments of \$1,753, which includes interest at 3.06%. The City will make the final payment in 2022.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 7,331	\$ 693	\$ 8,024
2020	7,559	465	8,024
2021	7,793	231	8,024
2022	4,771	27	4,798
	<u>\$ 27,454</u>	<u>\$ 1,416</u>	<u>\$ 28,870</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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

Capital Lease Agreement – Skidsteer

On October 3, 2017, the City entered into a lease purchase obligation to acquire a 2015 Caterpillar Skidsteer. The lease requires annual payments of \$7,901, which includes interest at 2.97%. The City will make the final payment in 2022.

Year Ending December 31,	Principal	Interest	Total
2019	\$ 7,017	\$ 884	\$ 7,901
2020	7,228	673	7,901
2021	7,446	455	7,901
2022	7,672	229	7,901
	<u>\$ 29,363</u>	<u>\$ 2,241</u>	<u>\$ 31,604</u>

These lease purchase agreements provide 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 right to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with Governmental Accounting Standards Board (GASB) Section L20, “Leases.”

Changes in Long-Term Liabilities – Governmental Activities

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2018:

	Balance December 31, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
2012 Certificates of Participation	\$ 1,485,000	\$ -	\$ 75,000	\$ 1,410,000	\$ 80,000
Truck Lease Purchase	23,299	-	13,856	9,443	9,443
Police Car Lease Purchase	9,415	-	9,415	-	-
ProGator Spreader Lease Purchase	15,093	-	4,893	10,200	5,030
Truck/Mower Lease Purchase	38,372	-	15,554	22,818	16,010
Ford F350 Lease Purchase	34,565	-	7,111	27,454	7,331
Skidsteer Lease Purchase	36,175	-	6,812	29,363	7,017
Compensated Absences Payable	24,583	9,110	-	33,693	-
	<u>\$ 1,666,502</u>	<u>\$ 9,110</u>	<u>\$ 132,641</u>	<u>\$ 1,542,971</u>	<u>\$ 124,831</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Nondepreciable Capital Assets				
Construction in progress	\$ -	\$ 98,996	\$ -	\$ 98,996
Land	559,978	5,780	-	565,758
Total Nondepreciable Capital Assets	559,978	<u>\$ 104,776</u>	<u>\$ -</u>	664,754
Depreciable Capital Assets				
Building and improvements	5,954,935	\$ 204,220	\$ -	6,159,155
Equipment and vehicles	1,367,792	56,190	-	1,423,982
Infrastructure	11,358,398	90,628	-	11,449,026
Total Depreciable Capital Assets	18,681,125	<u>\$ 351,038</u>	<u>\$ -</u>	19,032,163
Less Accumulated Depreciation	8,351,500	<u>\$ 630,895</u>	<u>\$ -</u>	8,982,395
Total Depreciable Capital Assets, net	<u>10,329,625</u>			<u>10,049,768</u>
Total Governmental Activities Capital Assets, net	<u>\$ 10,889,603</u>			<u>\$ 10,714,522</u>

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

Administrative	\$ 11,826
Street	213,183
Community development	93,711
Recreation	1,606
Police	19,203
Golf course	17,297
Pool	63,563
Airport	119,064
Park	91,442
	<u>\$ 630,895</u>

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE G – CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES	2017	Additions	Deletions	2018
Water and Sewer				
Nondepreciable Capital Assets				
Construction in progress	\$ -	\$ 96,734	\$ -	\$ 96,734
Depreciable Capital Assets:				
Buildings and improvements	\$ 5,500	\$ -	\$ -	\$ 5,500
Water lines and wells	2,035,298	71,538	-	2,106,836
Sewer lines and plant	11,332,169	33,399	-	11,365,568
Machinery and equipment	789,226	9,700	-	798,926
Total Depreciable Capital Assets	14,162,193	\$ 114,637	\$ -	14,276,830
Less Accumulated Depreciation	4,774,502	\$ 347,769	\$ -	5,122,271
Total Depreciable Capital Assets, net	9,387,691			9,154,559
Total Business-Type Activities Capital Assets, net	\$ 9,387,691			\$ 9,251,293

NOTE H – 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 WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE H – 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 and fire) 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 fire) and receive a reduced allowance.

	<u>2018 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, 2018, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	9	4	13
Inactive employees entitled to but not yet receiving benefits	14	2	16
Active employees	<u>15</u>	<u>5</u>	<u>20</u>
	<u>38</u>	<u>11</u>	<u>49</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. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 12.5% (General) and 12.8% (Police) of annual covered payroll.

Net Pension Liability. The employer’s net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE H – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 28, 2018, 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
Investment rate of return	7.25%, net of investment and administrative 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 28, 2018, 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%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 1,742,199	\$ 1,575,459	\$ 166,740
Changes for the year:			
Service cost	49,409	-	49,409
Interest	126,921	-	126,921
Difference between expected and actual experiences	(54,886)	-	(54,886)
Contributions - employer	-	65,097	(65,097)
Net investment income	-	193,693	(193,693)
Benefits paid, including refunds	(32,228)	(32,228)	-
Administrative expenses	-	(3,245)	3,245
Other changes	-	4,348	(4,348)
Net Changes	89,216	227,665	(138,449)
Balances at end of year	1,831,415	1,803,124	28,291
<i>Police Division</i>			
Balances at beginning of year	663,475	618,640	44,835
Changes for the year:			
Service cost	20,516	-	20,516
Interest	45,533	-	45,533
Difference between expected and actual experiences	36,503	-	36,503
Contributions - employer	-	21,756	(21,756)
Net investment income	-	109,900	(109,900)
Benefits paid, including refunds	(92,635)	(92,635)	-
Administrative expenses	-	(939)	939
Other changes	-	17,549	(17,549)
Net Changes	9,917	55,631	(45,714)
Balances at end of year	673,392	674,271	(879)
Total Plan Balances at End of Year	\$ 2,504,807	\$ 2,477,395	\$ 27,412
Governmental Activities			\$ 26,280
Business-Type Activities			1,132
			\$ 27,412

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – EMPLOYEE PENSION PLAN (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following present the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer’s Net Pension Liability 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.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 2,096,975	\$ 1,831,415	\$ 1,612,572
Fiduciary Net Position	1,803,124	1,803,124	1,803,124
Net Pension Liability/(Asset)	293,851	28,291	(190,552)
<i>Police Division</i>			
Total Pension Liability	776,097	673,392	590,491
Fiduciary Net Position	674,271	674,271	674,271
Net Pension Liability/(Asset)	101,826	(879)	(83,780)
Total Net Pension Liability/(Asset)	<u>\$ 395,677</u>	<u>\$ 27,412</u>	<u>\$ (274,332)</u>

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

For the year ended 2018, the employer recognized pension expense of \$100,044 in the general division and \$11,928 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ 19,237	\$ (66,317)	\$ (47,080)
Differences in assumptions	29,570	-	29,570
Excess investment returns	-	(45,854)	(45,854)
Contributions subsequent to the measurement date*	34,531	-	34,531
	83,338	(112,171)	(28,833)

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
<i>Police Division</i>			
Differences in experiences	30,860	(37,003)	(6,143)
Differences in assumptions	13,002	-	13,002
Excess investment returns	-	(47,875)	(47,875)
Contributions subsequent to the measurement date*	11,511	-	11,511
	<u>55,373</u>	<u>(84,878)</u>	<u>(29,505)</u>
	<u>\$ 138,711</u>	<u>\$ (197,049)</u>	<u>\$ (58,338)</u>
Governmental Activities	\$ 135,377	\$ (192,562)	\$ (57,185)
Business-Type Activities	<u>3,334</u>	<u>(4,487)</u>	<u>(1,153)</u>
	<u>\$ 138,711</u>	<u>\$ (197,049)</u>	<u>\$ (58,338)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Liability for the year ending December 31, 2018.

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

Year Ending December 31,	General Net Deferred Outflows (Inflows) of Resources	Police Net Deferred Outflows (Inflows) of Resources	Total Net Deferred Outflows (Inflows) of Resources
2019	\$ 5,716	\$ (6,102)	\$ (386)
2020	(11,024)	(11,303)	(22,327)
2021	(40,748)	(18,740)	(59,488)
2022	(17,308)	(11,359)	(28,667)
2023	-	3,995	3,995
Thereafter	-	2,493	2,493
	<u>\$ (63,364)</u>	<u>\$ (41,016)</u>	<u>\$ (104,380)</u>

CITY OF WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE H – EMPLOYEE PENSION PLAN (continued)

Payable to the Pension Plan

At December 31, 2018 the City reported \$3,603 as payable to the pension plan.

NOTE I – 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>2018</u>
Assessed Valuation	
Real estate	\$ 21,696,465
Personal property	<u>4,617,554</u>
TOTAL	<u><u>\$ 26,314,019</u></u>
	<u>2018</u>
Tax Rates Per \$100 of Assessed Valuation	
General revenue	<u><u>\$.4615</u></u>

The legal debt margin at December 31, 2018, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 2,631,402	\$ 2,631,402	\$ 5,262,804
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 2,631,402</u></u>	<u><u>\$ 2,631,402</u></u>	<u><u>\$ 5,262,804</u></u>

NOTE I – 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 J – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2018, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of losses 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 commercial insurance companies. 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 WARSAW, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE L – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2018, were as follows:

	Parks Fund	Capital Improvement Fund	Total
Transfers in	\$ 881	\$ -	\$ 881
Transfers (out)	-	(881)	(881)
	<u>\$ 881</u>	<u>\$ (881)</u>	<u>\$ -</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 Water and Sewer Fund and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE M – COMMITMENTS

At December 31, 2018, the City was committed to the following contracts:

The City entered into a contract in 2013 with People Services in order to obtain personnel to operate and maintain the City’s waterworks and sewerage system. The contract called for monthly payments to People Services in the amount of \$26,994 for January 1, 2018, to December 31, 2018, and rates will be adjusted beyond this date. The contract term runs from November 2013 to December 31, 2019.

The City entered into a contract with GreatLIFE Warsaw, LLC to promote and provide for the management of Shawnee Bend Golf Course. The contract calls for monthly payments of \$2,800 per month in 2018 plus 10% of revenues over the revenue goal of \$195,000. The contract term runs from March 2016 to February 2021.

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE M – COMMITMENTS (continued)

The City was committed the following vendors and projects at December 31, 2018:

<u>Project</u>	<u>Total</u>
Greatlife Warsaw, LLC - Shawnee Bend Golf Course	\$ 435,000
B Dean Construction, LLC - airport improvements	884,064
Burns & McDonnell - airport improvement engineering	135,984
SMI-Co Contracting Group, LLC - lift station	375,958

NOTE N – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 2009 Combined Water and Sewer Bond, and 2012 Combined Waterworks and Sewerage Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2030. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal, interest and fees remaining to be paid on the bonds is \$2,035,192. Principal, interest and fees paid for the current year and total customer net revenues were \$172,132 and \$441,378, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARSAW, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)

	2018	2017	2016	2015
TOTAL PENSION LIABILITY				
Service Cost	\$ 69,925	\$ 69,000	\$ 74,775	\$ 61,979
Interest on the Total Pension Liability	172,454	160,287	147,372	119,588
Changes of benefit terms	-	-	-	239,588
Difference between expected and actual experience	(18,383)	21,042	(93,315)	(5,855)
Change of assumptions	-	-	92,564	-
Benefit Payments	(124,863)	(42,482)	(38,440)	(38,281)
NET CHANGE IN TOTAL PENSION LIABILITY	99,133	207,847	182,956	377,019
TOTAL PENSION LIABILITY, BEGINNING	2,405,674	2,197,827	2,014,871	1,637,852
TOTAL PENSION LIABILITY, ENDING	2,504,807	2,405,674	2,197,827	2,014,871
PLAN FIDUCIARY NET POSITION				
Contributions - employer	86,853	87,860	94,881	91,605
Pension Plan Net Investment Income	303,593	228,704	(3,755)	36,453
Benefit Payments	(124,863)	(42,482)	(38,440)	(38,281)
Pension Plan Administrative Expense	(4,184)	(3,794)	(3,702)	(4,195)
Other	21,897	6,494	(11,244)	56,685
NET CHANGE IN PLAN FIDUCIARY NET POSITION	283,296	276,782	37,740	142,267
PLAN FIDUCIARY NET POSITION, BEGINNING	2,194,099	1,917,317	1,879,577	1,737,310
PLAN FIDUCIARY NET POSITION, ENDING	2,477,395	2,194,099	1,917,317	1,879,577
EMPLOYER NET PENSION LIABILITY	\$ 27,412	\$ 211,575	\$ 280,510	\$ 135,294
Plan fiduciary net position as a percentage of the total pension liability	98.91%	91.21%	87.24%	93.29%
Covered employee payroll	\$ 655,212	\$ 758,804	\$ 700,824	\$ 857,321
Employer's net pension liability as a percentage of covered employee payroll	4.18%	27.88%	40.03%	15.78%

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

CITY OF WARSAW, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 91,064	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729	\$ 99,825	\$ 107,909	\$ 95,467	\$ 95,905	\$ 85,230
Contributions in relation to the actuarially determined contribution	91,064	88,780	84,707	100,390	82,729	99,825	107,909	95,467	93,376	85,230
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,529</u>	<u>\$ -</u>
Covered-employee payroll	\$ 713,390	\$ 728,324	\$ 723,244	\$ 833,550	\$ 817,205	\$ 910,178	\$ 926,082	\$ 880,632	\$ 889,727	\$ 858,960
Contributions as a percentage of covered-employee payroll	12.76%	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%	10.84%	10.49%	9.92%

CITY OF WARSAW, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2018

Valuation Date: February 28, 2018

Notes: The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, 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 19 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

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

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

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

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

Other Information – None

CITY OF WARSAW, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 122,000	\$ 119,513	\$ 119,513	\$ -
Intangible tax	250	191	191	-
City sales tax	930,000	1,003,465	1,003,465	-
Franchise fees	178,000	195,459	195,459	-
Surtax	14,100	12,028	12,028	-
	<u>1,244,350</u>	<u>1,330,656</u>	<u>1,330,656</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	61,000	46,670	46,670	-
Building permits	10,000	8,970	8,970	-
Other	1,250	2,947	2,947	-
	<u>72,250</u>	<u>58,587</u>	<u>58,587</u>	<u>-</u>
Charges for Services				
Golf course	234,600	136,218	136,218	-
Trash	106,300	109,167	109,167	-
Recreation	27,300	25,098	25,098	-
	<u>368,200</u>	<u>270,483</u>	<u>270,483</u>	<u>-</u>
Fines and Forfeitures				
City court fines	20,400	18,477	18,477	-
CVC fees	34	92	92	-
	<u>20,434</u>	<u>18,569</u>	<u>18,569</u>	<u>-</u>
Miscellaneous				
Interest	23,000	63,626	63,626	-
Rental income	42,900	36,697	36,697	-
Other	3,800	39,738	39,738	-
	<u>69,700</u>	<u>140,061</u>	<u>140,061</u>	<u>-</u>
TOTAL REVENUES	<u>1,774,934</u>	<u>1,818,356</u>	<u>1,818,356</u>	<u>-</u>

CITY OF WARSAW, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	523,246	727,890	727,890	-
Police	583,272	436,745	436,745	-
Recreation	98,556	82,230	82,230	-
Community building	72,112	74,316	74,316	-
Solid waste	106,282	108,025	108,025	-
Golf course	262,443	332,854	332,854	-
Community development	-	548	548	-
Debt service	-	9,638	9,638	-
TOTAL EXPENDITURES	<u>1,645,911</u>	<u>1,772,246</u>	<u>1,772,246</u>	-
EXCESS OF REVENUES OVER EXPENDITURES	129,023	46,110	46,110	-
FUND BALANCE, January 1	<u>1,220,171</u>	<u>1,220,171</u>	<u>1,220,171</u>	-
FUND BALANCE, December 31	<u><u>\$ 1,349,194</u></u>	<u><u>\$ 1,266,281</u></u>	<u><u>\$ 1,266,281</u></u>	<u><u>\$ -</u></u>

CITY OF WARSAW, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Transportation sales tax	\$ 300,000	\$ 322,503	\$ 322,503	\$ -
Fuel tax	55,000	57,120	57,120	-
Motor vehicle sales tax	25,000	28,803	28,803	-
	<u>380,000</u>	<u>408,426</u>	<u>408,426</u>	<u>-</u>
Intergovernmental Revenues				
MoDOT FLAP grant	247,144	120,879	120,879	-
	<u>247,144</u>	<u>120,879</u>	<u>120,879</u>	<u>-</u>
Charges for Services				
Airport rental fees	37,875	42,227	42,227	-
Airport fuel sales	50,000	52,443	52,443	-
	<u>87,875</u>	<u>94,670</u>	<u>94,670</u>	<u>-</u>
Miscellaneous				
Other	500	2,644	2,644	-
	<u>500</u>	<u>2,644</u>	<u>2,644</u>	<u>-</u>
TOTAL REVENUES	<u>715,519</u>	<u>626,619</u>	<u>626,619</u>	<u>-</u>
EXPENDITURES				
Current				
Airport	364,712	178,334	178,334	-
Streets	337,681	317,363	317,363	-
Capital improvements	10,000	35,186	35,186	-
	<u>712,393</u>	<u>530,883</u>	<u>530,883</u>	<u>-</u>
TOTAL EXPENDITURES	<u>712,393</u>	<u>530,883</u>	<u>530,883</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	3,126	95,736	95,736	-
FUND BALANCE, January 1	656,951	656,951	656,951	-
FUND BALANCE, December 31	<u>\$ 660,077</u>	<u>\$ 752,687</u>	<u>\$ 752,687</u>	<u>\$ -</u>

CITY OF WARSAW, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Capital improvements sales tax	\$ 415,000	\$ 442,916	\$ 442,916	\$ -
Intergovernmental Revenues				
Grant revenue	49,250	30,269	30,269	-
TOTAL REVENUES	464,250	473,185	473,185	-
EXPENDITURES				
Capital improvements	152,775	52,129	52,129	-
TOTAL EXPENDITURES	152,775	52,129	52,129	-
EXCESS OF REVENUES OVER EXPENDITURES	311,475	421,056	421,056	-
OTHER FINANCING (USES)				
Transfers (out)	(135,000)	(881)	(881)	-
TOTAL OTHER FINANCING (USES)	(135,000)	(881)	(881)	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	176,475	420,175	420,175	-
FUND BALANCE, January 1	795,497	795,497	795,497	-
FUND BALANCE, December 31	\$ 971,972	\$ 1,215,672	\$ 1,215,672	\$ -

CITY OF WARSAW, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – PARKS FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Park sales tax	\$ 400,000	\$ 429,870	\$ 429,870	\$ -
Charges for Services				
Pool fees	47,825	46,102	46,102	-
Park fees	1,500	485	485	-
	<u>49,325</u>	<u>46,587</u>	<u>46,587</u>	<u>-</u>
Miscellaneous				
Other	-	4,970	4,970	-
	<u>-</u>	<u>4,970</u>	<u>4,970</u>	<u>-</u>
TOTAL REVENUES	449,325	481,427	481,427	-
EXPENDITURES				
Current				
Pool	102,611	120,801	120,801	-
Park	355,225	356,727	356,727	-
Debt service	137,865	149,144	149,144	-
	<u>595,701</u>	<u>626,672</u>	<u>626,672</u>	<u>-</u>
TOTAL EXPENDITURES	595,701	626,672	626,672	-
(DEFICIT) OF REVENUES OVER EXPENDITURES	(146,376)	(145,245)	(145,245)	-
OTHER FINANCING SOURCES				
Transfers in	-	881	881	-
	<u>-</u>	<u>881</u>	<u>881</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	-	881	881	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(146,376)	(144,364)	(144,364)	-
FUND BALANCE, January 1	203,584	203,584	203,584	-
FUND BALANCE, December 31	<u>\$ 57,208</u>	<u>\$ 59,220</u>	<u>\$ 59,220</u>	<u>\$ -</u>

CITY OF WARSAW, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2018

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 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 Board of Aldermen in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Board which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. 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 the Board of Aldermen on approved budget adjustment forms.

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 Board of Aldermen
City of Warsaw
Warsaw, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Warsaw, Missouri's basic financial statements, and have issued our report thereon, dated June 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Warsaw, 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 Warsaw, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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Honorable Mayor and Board of Aldermen
City of Warsaw
Warsaw, Missouri

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2018-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warsaw, 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*.

City of Warsaw, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Warsaw, 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 Warsaw, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 19, 2019

CITY OF WARSAW, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2018

2018-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: Due to limitations of available resources, it is not practical for the City to utilize resources to employ additional personnel to segregate duties further. The City will monitor the situation and employ mitigating controls where possible to reduce the risk to the City.