

City of Warsaw, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2019

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, 2019, 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.

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.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343

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, 2019, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warsaw, Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, 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 23, 2020

Management's Discussion & Analysis

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

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, 2019. Please read it in conjunction with the City's financial statements, which begin on page 20.

Financial Highlights

The net position of the City's governmental activities decreased by \$49,405 for the year as a result of current year activities. The net position of the City's business activities increased by \$314,821 for the year.

The assets of the City exceeded its liabilities as of December 31, 2019, by \$20,011,569 (net position). Of this amount \$3,311,959 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.

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.

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

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.

- General Fund
- Capital Improvement Fund
- Parks Fund
- 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.

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.

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

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, 2019, and December 31, 2018:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2019</u>	<u>Total December 31, 2018</u>
Assets				
Current and other assets	\$ 3,453,351	\$ 1,390,203	\$ 4,843,554	\$ 4,461,519
Capital assets, net	10,935,738	9,137,066	20,072,804	19,965,815
	<u>14,389,089</u>	<u>10,527,269</u>	<u>24,916,358</u>	<u>24,427,334</u>
Deferred Outflow of Resources				
Deferred pension outflows	150,271	2,113	152,384	138,711
Liabilities				
Current liabilities	388,785	379,929	768,714	631,064
Long-term liabilities	1,637,882	2,466,068	4,103,950	3,991,779
	<u>2,026,667</u>	<u>2,845,997</u>	<u>4,872,664</u>	<u>4,622,843</u>
Deferred Inflow of Resources				
Deferred pension inflows	180,152	4,357	184,509	197,049
Net Position				
Net investment in capital assets	9,192,334	6,377,039	15,569,373	15,643,020
Restricted	1,048,392	81,845	1,130,237	1,295,898
Unrestricted	2,091,815	1,220,144	3,311,959	2,807,235
	<u>\$ 12,332,541</u>	<u>\$ 7,679,028</u>	<u>\$ 20,011,569</u>	<u>\$ 19,746,153</u>

Summary of the Net Position

Total net position of the City increased by \$265,416 for the year due to current year activity. Total liabilities for the City have decreased by \$249,821. Restricted net position of the City totaled \$1,130,237 as of December 31, 2019. This amount represents monies that are restricted for debt service and capital improvement projects.

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

Change in Net Position

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2019	Total Year Ended December 31, 2018
Revenues				
Program Revenues				
Charges for services	\$ 588,763	\$ 1,159,109	\$ 1,747,872	\$ 1,492,055
Capital grants and contributions	1,295,814	-	1,295,814	151,148
General Revenues				
Sales taxes	2,340,432	-	2,340,432	2,198,754
Ad valorem taxes	129,758	-	129,758	119,513
Intangible tax	219	-	219	191
Motor vehicle and gas taxes	86,628	-	86,628	85,923
Surtax	11,313	-	11,313	12,028
Franchise fees	165,283	-	165,283	195,459
Interest	88,692	216	88,908	63,626
Other revenue	26,579	7,245	33,824	78,846
Transfers	(161,242)	161,242	-	-
Total Revenues	4,572,239	1,327,812	5,900,051	4,397,543
Expenses				
Administrative	496,860	-	496,860	512,802
Police	568,770	-	568,770	451,384
Recreation	45,772	-	45,772	81,833
Community building	85,779	-	85,779	72,827
Solid waste	96,784	-	96,784	107,203
Airport	1,139,079	-	1,139,079	230,178
Park	420,021	-	420,021	416,409
Pool	151,675	-	151,675	170,243
Golf course	359,134	-	359,134	326,270
Street	1,164,320	-	1,164,320	476,621
Community development	27,488	-	27,488	94,259
Debt service	65,962	-	65,962	66,986
Water and sewer	-	1,012,991	1,012,991	959,010
Total Expenses	4,621,644	1,012,991	5,634,635	3,966,025
Increase (Decrease) in Net Position	\$ (49,405)	\$ 314,821	\$ 265,416	\$ 431,518

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities decreased the net position of the City by \$49,405. Tax revenues for the City were \$2,733,633, which represents 58% of the financing of these activities. Program revenues for the functions totaled \$1,884,577 or approximately 40% 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	\$ 496,860	\$ 383,936
Police	568,770	548,523
Recreation	45,772	33,630
Community building	85,779	85,779
Solid waste	96,784	(14,476)
Airport	1,139,079	(178,965)
Pool	151,675	92,270
Park	420,021	420,021
Golf course	359,134	170,619
Street	1,164,320	1,164,320
Community development	27,488	(34,552)
Debt service	65,962	65,962
	<u>\$ 4,621,644</u>	<u>\$ 2,737,067</u>

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$314,821.

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, 2019, were \$3,230,287. The General Fund increased by \$258,932. The Transportation Fund decreased by \$171,857. The Capital Improvement Fund decreased by \$167,280. The Parks Fund increased by \$16,632.

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2019:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes			
Ad valorem taxes	\$ 118,500	\$ 129,758	\$ 129,758
Intangible tax	225	219	219
City sales tax	970,000	1,054,627	1,054,627
Franchise fees	178,000	165,283	165,283
Surtax	14,100	11,313	11,313
	<u>1,280,825</u>	<u>1,361,200</u>	<u>1,361,200</u>
Licenses and Permits			
Occupational licenses	51,500	67,815	67,815
Building permits	10,000	4,254	4,254
Other	850	1,400	1,400
	<u>62,350</u>	<u>73,469</u>	<u>73,469</u>
Charges for Services			
Golf course	207,850	188,515	188,515
Trash	106,300	111,260	111,260
Recreation	24,550	12,142	12,142
	<u>338,700</u>	<u>311,917</u>	<u>311,917</u>
Fines and Forfeitures			
City court fines	20,100	20,200	20,200
CVC fees	17	47	47
	<u>20,117</u>	<u>20,247</u>	<u>20,247</u>
Miscellaneous			
Interest	30,000	88,692	88,692
Rental income	34,900	39,455	39,455
Other	4,400	20,639	20,639
	<u>69,300</u>	<u>148,786</u>	<u>148,786</u>
Other Financing Sources			
Lease proceeds	-	50,000	50,000
Total Revenues	<u>1,771,292</u>	<u>1,965,619</u>	<u>1,965,619</u>

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual
Expenditures			
Current			
Administrative	478,791	504,788	504,788
Police	556,026	562,080	562,080
Recreation	75,363	46,169	46,169
Community building	92,307	87,268	87,268
Solid waste	101,110	97,606	97,606
Golf course	317,850	343,181	343,181
Transfers to other funds	-	65,595	65,595
	1,621,447	1,706,687	1,706,687
Total Expenditures			
	1,621,447	1,706,687	1,706,687
<i>Excess of Revenues over Expenditures</i>	<u>\$ 149,845</u>	<u>\$ 258,932</u>	<u>\$ 258,932</u>

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 & Debt Administration

Capital Assets

Capital assets of the governmental activities were \$10,935,738 net of depreciation as of December 31, 2019. This represents a \$221,216 increase, net of depreciation, from the prior year. Capital assets for business-type activities were \$9,040,332 net of depreciation as of December 31, 2019. This represents net capital asset additions of \$114,227, and \$318,243 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2019, was \$1,777,864, which includes debt retirements, long-term liabilities reductions of \$1,481,874 and proceeds of new debt and increased compensated absences totaling \$1,716,767.

Total debt of the business-type activities as of December 31, 2019, was \$2,760,027, which includes debt retirement of \$275,490 and debt proceeds for a new lift station of \$222,000.

Economic Factors and Next Year's Budget

The investment in infrastructure improvements, relating to waterfront development and utility, will continue over the next few years. Past efforts have already shown benefit in a year to year increase in sales tax revenue. The increases allow Warsaw to continue on a path to being a major tourist destination in the region.

The downtown is capitalizing on the improvements in the Drake Harbor Recreation Area. Increased events, attraction of visitors by watercraft and day trip visitors use the services in the downtown. As the award winning trails gain more attention, bicyclists will venture to the community and explore the downtown.

City of Warsaw

Management's Discussion & Analysis

Year Ended December 31, 2019

With the recent increases in the water rates, the City positioned itself to use \$1,278,000 in bond capacity combined with \$2,000,000 in grants to replace obsolete water mains in 2021. This continues the community's past efforts of combining grants with City funds for community improvements. Revenues from the combined utility system need to continue building a cash reserve. The water revenues have sufficiently stabilized toward this effort, but the sewer revenues are still not adequate. The governing body should examine how to balance the two utilities to meet the needs of both. This should also include relieving the Capital Improvement Fund of subsidizing the Utility Fund.

With the retirement of the MAMU debt service in 2025, this will create approximately \$165,000 of additional funds in the Capital Improvement Fund. Roadway and stormwater investment is critical to complement the quality of life improvements that the trails and parks have gained national recognition for. As the stormwater plan nears completion, the City needs to create a Capital Improvements Plan for this service.

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 23 years.

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 a transportation improvement plan. 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.

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

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 2,646,300	\$ 1,021,954	\$ 3,668,254
Ad valorem taxes receivable, net	142,640	-	142,640
Utilities receivable, net	20,831	192,480	213,311
Intergovernmental receivable	224,223	-	224,223
Other receivable, net	41,786	-	41,786
Sales tax receivable	341,261	-	341,261
Inventory	2,636	26,980	29,616
Prepaid expenses	32,774	1,540	34,314
Noncurrent			
Restricted cash and cash equivalents	900	146,299	147,199
Net pension asset	-	950	950
Capital Assets:			
Non-depreciable	1,022,844	96,734	1,119,578
Depreciable, net	9,912,894	9,040,332	18,953,226
Total Assets	14,389,089	10,527,269	24,916,358
Deferred Outflow of Resources			
Deferred pension outflows	150,271	2,113	152,384
Liabilities			
Current			
Accounts payable	187,486	-	187,486
Accrued expenses	34,678	6,612	41,290
Deposits payable	-	64,454	64,454
Court bonds payable	900	-	900
Accrued interest payable	-	14,904	14,904
Current maturities of long-term debt	165,721	293,959	459,680
	388,785	379,929	768,714
Noncurrent			
Compensated absences payable	34,460	-	34,460
Capital leases payable	1,577,683	-	1,577,683
Bonds payable	-	1,599,900	1,599,900
Lease certificates of participation payable	-	866,168	866,168
Net pension liability	25,739	-	25,739
	1,637,882	2,466,068	4,103,950
Total Liabilities	2,026,667	2,845,997	4,872,664
Deferred Inflow of Resources			
Deferred pension inflows	180,152	4,357	184,509
Net Position			
Net investment in capital assets	9,192,334	6,377,039	15,569,373
Restricted			
Capital projects	1,048,392	-	1,048,392
Grant proceeds	-	-	-
Debt service	-	81,845	81,845
Unrestricted	2,091,815	1,220,144	3,311,959
Total Net Position	\$ 12,332,541	\$ 7,679,028	\$ 20,011,569

See accompanying notes to the financial statements.

City of Warsaw

Statement of Activities

Year Ended December 31, 2019

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	\$ (496,860)	\$ 112,924	\$ -	\$ -	\$ (383,936)	\$ -	\$ (383,936)
Police	(568,770)	20,247	-	-	(548,523)	-	(548,523)
Recreation	(45,772)	12,142	-	-	(33,630)	-	(33,630)
Community building	(85,779)	-	-	-	(85,779)	-	(85,779)
Solid waste	(96,784)	111,260	-	-	14,476	-	14,476
Airport	(1,139,079)	94,270	-	1,223,774	178,965	-	178,965
Pool	(151,675)	49,405	-	10,000	(92,270)	-	(92,270)
Park	(420,021)	-	-	-	(420,021)	-	(420,021)
Golf course	(359,134)	188,515	-	-	(170,619)	-	(170,619)
Street	(1,164,320)	-	-	-	(1,164,320)	-	(1,164,320)
Community development	(27,488)	-	-	62,040	34,552	-	34,552
Debt service	(65,962)	-	-	-	(65,962)	-	(65,962)
Total Governmental Activities	(4,621,644)	588,763	-	1,295,814	(2,737,067)	-	(2,737,067)
Business-Type Activities							
Water and sewer	(1,012,991)	1,159,109	-	-	-	146,118	146,118
Total Business-Type Activities	(1,012,991)	1,159,109	-	-	-	146,118	146,118
Total Government	\$ (5,634,635)	\$ 1,747,872	\$ -	\$ 1,295,814	(2,737,067)	146,118	(2,590,949)
		General Revenues					
					2,340,432	-	2,340,432
					129,758	-	129,758
					219	-	219
					86,628	-	86,628
					11,313	-	11,313
					165,283	-	165,283
					88,692	216	88,908
					26,579	7,245	33,824
					(161,242)	161,242	-
					2,687,662	168,703	2,856,365
					(49,405)	314,821	265,416
					12,381,946	7,364,207	19,746,153
					\$ 12,332,541	\$ 7,679,028	\$ 20,011,569

See accompanying notes to the financial statements.

City of Warsaw

Balance Sheet – Governmental Funds

December 31, 2019

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Assets					
Cash and cash equivalents - unrestricted	\$ 1,183,820	\$ 543,512	\$ 918,968	\$ -	\$ 2,646,300
Ad valorem taxes receivable, net	142,640	-	-	-	142,640
Sales tax receivable	153,142	50,309	70,732	67,078	341,261
Utilities receivable	20,831	-	-	-	20,831
Intergovernmental receivable	-	162,683	61,540	-	224,223
Other receivables, net	41,786	-	-	-	41,786
Inventory	-	2,636	-	-	2,636
Prepaid expenses	18,884	4,428	688	8,774	32,774
Restricted cash and cash equivalents	900	-	-	-	900
Total Assets	\$ 1,562,003	\$ 763,568	\$ 1,051,928	\$ 75,852	\$ 3,453,351
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 8,296	\$ 179,190	\$ -	\$ -	\$ 187,486
Accrued expenses	27,594	3,548	3,536	-	34,678
Court bonds payable	900	-	-	-	900
Total Liabilities	36,790	182,738	3,536	-	223,064
Fund Balances					
Nonspendable:					
Inventory	-	2,636	-	-	2,636
Prepaid items	18,884	4,428	-	8,774	32,086
Restricted for:					
Capital improvement	-	-	1,048,392	-	1,048,392
Assigned to:					
Transportation	-	573,766	-	-	573,766
Parks Fund	-	-	-	67,078	67,078
Unassigned	1,506,329	-	-	-	1,506,329
Total Fund Balances	1,525,213	580,830	1,048,392	75,852	3,230,287
Total Liabilities and Fund Balances	\$ 1,562,003	\$ 763,568	\$ 1,051,928	\$ 75,852	\$ 3,453,351

See accompanying notes to the financial statements.

City of Warsaw

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2019

Fund balance - total governmental funds	\$ 3,230,287
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	20,479,003
Less accumulated depreciation	<u>(9,543,265)</u>
	10,935,738
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	(25,739)
Deferred outflows due to pensions	150,271
Deferred inflows due to pensions	<u>(180,152)</u>
	(55,620)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,777,864)</u>
Net position of governmental activities	<u>\$ 12,332,541</u>

See accompanying notes to the financial statements.

City of Warsaw

Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds

Year Ended December 31, 2019

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Revenues					
Taxes	\$ 1,361,200	\$ 431,749	\$ 480,534	\$ 460,150	\$ 2,733,633
Licenses and permits	73,469	-	-	-	73,469
Intergovernmental revenues	-	1,223,774	62,040	10,000	1,295,814
Charges for services	311,917	94,270	-	49,405	455,592
Rental income	39,455	-	-	-	39,455
Fines and forfeitures	20,247	-	-	-	20,247
Interest revenue	88,692	-	-	-	88,692
Miscellaneous	20,639	4,440	1,500	-	26,579
Total Revenues	1,915,619	1,754,233	544,074	519,555	4,733,481
Expenditures					
Current					
Administrative	504,788	-	-	-	504,788
Police	562,080	-	-	-	562,080
Recreation	46,169	-	-	-	46,169
Community building	87,268	-	-	-	87,268
Solid waste	97,606	-	-	-	97,606
Airport	-	1,022,717	-	-	1,022,717
Pool	-	-	-	104,650	104,650
Park	-	-	-	331,483	331,483
Golf course	343,181	-	-	-	343,181
Street	-	885,815	-	-	885,815
Capital improvement	-	298,058	520,161	-	818,219
Debt service	-	-	-	1,547,836	1,547,836
Total Expenditures	1,641,092	2,206,590	520,161	1,983,969	6,351,812
<i>Excess (Deficit) of Revenues over</i>	274,527	(452,357)	23,913	(1,464,414)	(1,618,331)
Other Financing Sources (Uses)					
Lease proceeds	50,000	280,500	-	1,385,500	1,716,000
Operating transfers in (out)	(65,595)	-	(191,193)	95,546	(161,242)
Total Other Financing Sources (Uses)	(15,595)	280,500	(191,193)	1,481,046	1,554,758
<i>Excess (Deficit) of Revenues and other Sources over Expenditures and other</i>	258,932	(171,857)	(167,280)	16,632	(63,573)
Fund Balance, January 1	1,266,281	752,687	1,215,672	59,220	3,293,860
Fund Balance, December 31	\$ 1,525,213	\$ 580,830	\$ 1,048,392	\$ 75,852	\$ 3,230,287

See accompanying notes to the financial statements.

City of Warsaw

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended December 31, 2019

Net change in fund balances - total governmental funds	\$ (63,573)
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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	782,086
Depreciation	(560,870)
	<u>221,216</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	27,845
Change in compensated absences	(767)
	<u>27,078</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	1,481,874
Change in Net Position of Governmental Activities	<u><u>\$ (49,405)</u></u>

See accompanying notes to the financial statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2019

	Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,021,954
Utilities receivable, net	192,480
Inventory	26,980
Prepaid expenses	1,540
Total Current Assets	<u>1,242,954</u>
Restricted Assets	
Cash and cash equivalents	146,299
Total Restricted Assets	<u>146,299</u>
Net Pension Asset	950
Property, Plant and Equipment	
Buildings and improvements	5,500
Construction in progress	96,734
Water lines and wells	2,310,852
Sewer lines and plant	11,365,568
Major moveable equipment	798,926
	<u>14,577,580</u>
Less accumulated depreciation	<u>(5,440,514)</u>
Total Property, Plant, and Equipment	<u>9,137,066</u>
Total Assets	<u>10,527,269</u>
Deferred Outflow of Resources	
Deferred pension outflows	2,113
Total Deferred Outflow of Resources	<u>2,113</u>

See accompanying notes to the financial statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2019

	Water and Sewer Fund
Liabilities	
Current Liabilities	
Accrued expenses	6,612
Accrued interest payable	14,904
Customer deposits	64,454
Current maturities of long-term debt	293,959
Total Current Liabilities	<u>379,929</u>
Long-Term Liabilities	
Revenue bonds payable	1,599,900
Lease purchase payable	866,168
Total Long-Term Liabilities	<u>2,466,068</u>
Total Liabilities	<u>2,845,997</u>
Deferred Inflow of Resources	
Deferred pension inflows	4,357
Total Deferred Inflow of Resources	<u>4,357</u>
Net Position	
Net investment in capital assets	6,377,039
Restricted	81,845
Unrestricted	1,220,144
Total Net Position	<u><u>\$ 7,679,028</u></u>

See accompanying notes to the financial statements.

City of Warsaw

Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund

Year Ended December 31, 2019

	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 554,940
Sewer	604,169
Total Operating Revenues	1,159,109
Operating Expenses	
Water	
Salaries & wages	15,186
Employee benefits	11,578
Materials and supplies	3,510
Utilities	28,759
Repairs and maintenance	64,468
Insurance	12,631
Depreciation	107,083
Professional services	214,340
Miscellaneous	3,699
Total Operating Expenses-Water	461,254
Sewer	
Salaries & wages	11,462
Employee benefits	11,745
Materials and supplies	2,425
Utilities	44,847
Repairs and maintenance	44,171
Insurance	14,641
Depreciation	211,160
Professional services	110,372
Miscellaneous	3,479
Total Operating Expenses-Sewer	454,302
Total Operating Expenses	915,556
Operating Income	243,553
Nonoperating Revenue (Expenses)	
Interest expense-Water	(10,151)
Interest expense-Sewer	(87,284)
Other	7,245
Total Nonoperating (Expenses)	(89,974)
Total Net Income before Operating Transfers	153,579
Net Operating Transfers In	161,242
Net Income	314,821
Net Position, January 1	7,364,207
Net Position, December 31	\$ 7,679,028

See accompanying notes to the financial statements.

City of Warsaw

Statement of Cash Flows – Enterprise Fund

Year Ended December 31, 2019

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,109,626
Payments to suppliers	(639,581)
Payments to employees	(21,677)
Net Cash Provided by Operating Activities	448,368
Cash Flows from Noncapital Financing Activities	
Transfer from other funds	161,242
Net Cash Provided By Noncapital Financing Activities	161,242
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(204,016)
Capital lease proceeds	222,000
Principal payments on long-term debt	(275,490)
Interest paid on long-term debt	(94,145)
Net Cash (Used) by Capital and Related Financing Activities	(351,651)
Cash Flows from Investing Activities	
Interest on investments	216
Net Cash Provided by Investing Activities	216
Net Increase in Cash and Cash Equivalents	258,175
Cash and Cash Equivalents, Beginning of year	910,078
Cash and Cash Equivalents, End of year	1,168,253
Less Restricted Cash and Cash Equivalents	(146,299)
Unrestricted Cash and Cash Equivalents	\$ 1,021,954
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 243,553
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	318,243
(Increase) decrease in:	
Utilities receivable	(54,731)
Inventory	20,843
Deferred pension outflow	1,221
Increase (decrease) in:	
Accounts and other payables	(84,627)
Accrued expenses	6,078
Deferred pension inflow	(130)
Net pension liability	(2,082)
Net Cash Provided by Operating Activities	\$ 448,368

See accompanying notes to the financial statements.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

1. 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.

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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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.

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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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.

Compensated Absences

City personnel policy allows employees to accumulate 30 days of vacation leave which vests with the employee. Use 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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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.

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.

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

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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.

2. Cash & 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, 2019, all bank balances on deposit are entirely insured or collateralized.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

3. 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	\$ 150,454	\$ 7,814	\$ 142,640
Sales Taxes Receivable			
General Fund	\$ 153,142	\$ -	\$ 153,142
Transportation Fund	50,309	-	50,309
Parks Fund	67,078	-	67,078
Capital Improvement Fund	70,732	-	70,732
	\$ 341,261	\$ -	\$ 341,261
Utilities Receivable			
Water and Sewer Fund	\$ 214,327	\$ 21,847	\$ 192,480
General Fund	20,831	-	20,831
	\$ 235,158	\$ 21,847	\$ 213,311
Intergovernmental Receivable			
Capital Improvement Fund	\$ 61,540	\$ -	\$ 61,540
Other Receivable			
General Fund	\$ 47,887	\$ 6,101	\$ 41,786

4. 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:

City of Warsaw

Notes to the Financial Statements

December 31, 2019

	Restricted Cash and Cash Equivalents	Restricted Net Position
2012 Bond Principal and Interest	\$ 21,282	\$ 21,282
2009 Bond Principal and Interest	60,563	60,563
Customer Deposits	64,454	-
Total Business-Type Activities	\$ 146,299	\$ 81,845

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance	Restricted Net Position
General Fund			
Court bonds	\$ 900	\$ -	\$ -
Capital Improvement Fund			
Capital improvement projects	-	1,048,392	1,048,392
Debt Service Fund			
Debt service	-	-	-
Total Governmental Activities	\$ 900	\$ 1,048,392	\$ 1,048,392

5. 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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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>
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>\$ 1,202,900</u>	<u>\$ 48,910</u>	<u>\$ 17,954</u>	<u>\$ 1,269,764</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, 2019, the City has issued \$733,817 of the maximum \$739,000 bond issue.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fees</u>	<u>Total</u>
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	18,700	111	45	18,856
	<u>\$ 535,700</u>	<u>\$ 49,069</u>	<u>\$ 19,627</u>	<u>\$ 604,396</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.

The total minimum lease payments required at December 31, 2019, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Administrative Fees</u>	<u>Total</u>
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>\$ 779,000</u>	<u>\$ 89,552</u>	<u>\$ 37,660</u>	<u>\$ 906,212</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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, 2019, are as follows:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 12,259	\$ 756	\$ 13,015
2021	12,640	375	13,015
2022	3,928	41	3,969
	<u>\$ 28,827</u>	<u>\$ 1,172</u>	<u>\$ 29,999</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."

A summary of the changes in long-term liabilities – business-type activities for the year ended December 31, 2019, is as follows:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019	Amounts Due Within One Year
Long-Term Liabilities					
2009 Revenue Bonds	\$ 1,303,300	\$ -	\$ 100,400	\$ 1,202,900	\$ 102,700
2012 Revenue Bonds	570,500	-	34,800	535,700	36,000
Direct borrowings:					
2005A MAMU Certificates of Participation	899,000	-	120,000	779,000	124,000
Capital Lease - Sewer Jet	40,717	-	11,890	28,827	12,259
Capital Lease - Lift Station	-	222,000	8,400	213,600	19,000
	<u>\$ 2,813,517</u>	<u>\$ 222,000</u>	<u>\$ 275,490</u>	<u>\$ 2,760,027</u>	<u>\$ 293,959</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2019

6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2019, consists of seven capital lease obligations, and compensated absences payable.

Certificates of Participation

During 2019, the City entered into a \$1,385,500 equipment lease agreement with Farmer’s Bank and Trust to refinance the costs related to construction, furnishing and equipping of a new swimming pool. The 2012 certificates (refunded by 2019 equipment lease purchase) previously accrued interest at 1.35% to 4.75% while the 2019 lease agreement calls for interest of 3.02%. 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.

The annual debt service requirements to amortize the principal on the 2019 equipment lease purchase outstanding at December 31, 2019, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 97,600	\$ 31,963	\$ 129,563
2021	90,600	38,894	129,494
2022	93,400	36,160	129,560
2023	96,200	33,338	129,538
2024	99,100	30,432	129,532
2025	102,100	27,440	129,540
2026	105,200	24,356	129,556
2027	108,400	21,180	129,580
2028	111,600	17,906	129,506
2029	115,000	14,534	129,534
2030	118,500	11,062	129,562
2031	122,100	7,484	129,584
2032	125,700	3,795	129,495
	<u>\$ 1,385,500</u>	<u>\$ 298,544</u>	<u>\$ 1,684,044</u>

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>
2020	\$ 5,170	\$ 144	\$ 5,314

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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.

Year Ending December 31,	Principal	Interest	Total
2020	\$ 6,808	\$ 50	\$ 6,858

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.

Year Ending December 31,	Principal	Interest	Total
2020	\$ 7,559	\$ 465	\$ 8,024
2021	7,793	231	8,024
2022	4,771	27	4,798
	\$ 20,123	\$ 723	\$ 20,846

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
2020	\$ 7,228	\$ 673	\$ 7,901
2021	7,446	455	7,901
2022	7,671	229	7,900
	\$ 22,345	\$ 1,357	\$ 23,702

City of Warsaw

Notes to the Financial Statements

December 31, 2019

Capital Lease Agreement – Police Vehicle

On November 15, 20, the City entered into a lease purchase obligation to acquire a police vehicle. The lease requires annual payments of \$18,014, which includes interest at 3.99%. The City will make the final payment in 2022.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 7,228	\$ 673	\$ 7,901
2021	7,446	455	7,901
2022	7,671	229	7,900
	<u>\$ 22,345</u>	<u>\$ 1,357</u>	<u>\$ 23,702</u>

Capital Lease Agreement – MTFC

In January 2019, the City entered into a financing obligation with the Missouri Transportation Finance Corporation to fund improvements to Route 7 and Commercial Street. The agreement requires annual payments of \$32,028, which includes interest at 2.64%. The City will make the final payment in 2028.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 25,337	\$ 6,691	\$ 32,028
2021	26,006	6,022	32,028
2022	26,692	5,336	32,028
2023	27,397	4,631	32,028
2024	28,120	3,908	32,028
2025	28,862	3,166	32,028
2026	29,624	2,404	32,028
2027	30,407	1,621	32,028
2028	31,013	1,015	32,028
	<u>\$ 253,458</u>	<u>\$ 34,794</u>	<u>\$ 288,252</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."

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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, 2019:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019	Amounts Due Within One Year
Direct Borrowings:					
2012 Certificates of Participation	\$ 1,410,000	\$ -	\$ 1,410,000	\$ -	\$ -
Truck Lease Purchase	9,443	-	9,443	-	-
MTFC Agreement	-	280,500	27,042	253,458	25,337
US Bancorp - Police Vehicle	-	50,000	-	50,000	16,019
ProGator Spreader Lease Purchase	10,200	-	5,030	5,170	5,170
Truck/Mower Lease Purchase	22,818	-	16,010	6,808	6,808
Ford F350 Lease Purchase	27,454	-	7,331	20,123	7,559
Skidsteer Lease Purchase	29,363	-	7,018	22,345	7,228
Pool Equipment Lease Purchase	-	1,385,500	-	1,385,500	97,600
Compensated Absences Payable	33,693	767	-	34,460	-
	<u>\$ 1,542,971</u>	<u>\$ 1,716,767</u>	<u>\$ 1,481,874</u>	<u>\$ 1,777,864</u>	<u>\$ 165,721</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2019

7. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019
Governmental Activities				
Nondepreciable Capital Assets				
Construction in progress	\$ 98,996	\$ 457,086	\$ 98,996	\$ 457,086
Land	565,758	-	-	565,758
Total Nondepreciable Capital Assets	664,754	\$ 457,086	\$ 98,996	1,022,844
Depreciable Capital Assets				
Building and improvements	6,159,155	\$ -	\$ -	6,159,155
Equipment and vehicles	1,423,982	44,500	-	1,468,482
Infrastructure	11,449,026	379,496	-	11,828,522
Total Depreciable Capital Assets	19,032,163	\$ 423,996	\$ -	19,456,159
Less Accumulated Depreciation	8,982,395	\$ 560,870	\$ -	9,543,265
Total Depreciable Capital Assets, net	10,049,768			9,912,894
Total Governmental Activities Capital Assets, net	\$ 10,714,522			\$ 10,935,738

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

Administrative	\$ 14,662
Street	214,939
Community development	27,488
Recreation	1,606
Police	19,406
Golf course	16,004
Pool	61,146
Airport	117,081
Park	88,538
	\$ 560,870

City of Warsaw

Notes to the Financial Statements

December 31, 2019

Business-Type Activities	Balance December 31, 2018	Additions	Deletions	Balance December 31, 2019
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	2,106,836	204,016	-	2,310,852
Sewer lines and plant	11,365,568	-	-	11,365,568
Machinery and equipment	798,926	-	-	798,926
Total Depreciable Capital Assets	14,276,830	\$ 204,016	\$ -	14,480,846
Less Accumulated Depreciation	5,122,271	\$ 318,243	\$ -	5,440,514
Total Depreciable Capital Assets, net	9,154,559			9,040,332
Total Business-Type Activities Capital Assets, net	\$ 9,251,293			\$ 9,137,066

8. 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.

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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

2018 Valuation

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, 2019, the following employees were covered by the benefit terms:

	General	Police	Total
Inactive employees or beneficiaries currently receiving benefits	10	4	14
Inactive employees entitled to but not yet receiving benefits	15	2	17
Active employees	14	7	21
	39	13	52

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

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.

City of Warsaw

Notes to the Financial Statements

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The actuarial assumptions used in the February 28, 2019, 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	Weighted Average Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

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

Notes to the Financial Statements

December 31, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
General Division			
Balances at beginning of year	\$ 1,831,415	\$ 1,803,124	\$ 28,291
Changes for the year:			
Service cost	48,986	-	48,986
Interest	131,826	-	131,826
Difference between expected and actual experiences	(36,238)	-	(36,238)
Contributions - employer	-	66,108	(66,108)
Net investment income	-	130,710	(130,710)
Benefits paid, including refunds	(75,714)	(75,714)	-
Administrative expenses	-	(4,590)	4,590
Other changes	-	7,036	(7,036)
Net Changes	68,860	123,550	(54,690)
Balances at end of year	1,900,275	1,926,674	(26,399)
Police Division			
Balances at beginning of year	673,392	674,271	(879)
Changes for the year:			
Service cost	16,840	-	16,840
Interest	48,041	-	48,041
Difference between expected and actual experiences	56,875	-	56,875
Contributions - employer	-	26,347	(26,347)
Net investment income	-	42,082	(42,082)
Benefits paid, including refunds	(38,749)	(38,749)	-
Administrative expenses	-	(1,449)	1,449
Other changes	-	2,709	(2,709)
Net Changes	83,007	30,940	52,067
Balances at end of year	756,399	705,211	51,188
Total Plan Balances at End of Year	\$ 2,656,674	\$ 2,631,885	\$ 24,789
Governmental Activities			\$ 25,739
Business-Type Activities			(950)
			<u>\$ 24,789</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2019

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%
General Division			
Total Pension Liability	\$ 2,170,845	\$ 1,900,275	\$ 1,677,052
Fiduciary Net Position	1,926,674	1,926,674	1,926,674
Net Pension Liability/(Asset)	244,171	(26,399)	(249,622)
Police Division			
Total Pension Liability	873,154	756,399	662,443
Fiduciary Net Position	705,211	705,211	705,211
Net Pension Liability/(Asset)	167,943	51,188	(42,768)
Total Net Pension Liability/(Asset)	\$ 412,114	\$ 24,789	\$ (292,390)

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

For the year ended 2019, 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
General Division			
Differences in experiences	\$ 7,974	\$ (69,197)	\$ (61,223)
Differences in assumptions	17,423	-	17,423
Excess investment returns	-	(51,821)	(51,821)
Contributions subsequent to the measurement date*	33,301	-	33,301
	58,698	(121,018)	(62,320)

City of Warsaw

Notes to the Financial Statements

December 31, 2019

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Police Division			
Differences in experiences	72,251	(26,209)	46,042
Differences in assumptions	8,485	-	8,485
Excess investment returns	-	(37,282)	(37,282)
Contributions subsequent to the measurement date*	12,950	-	12,950
	93,686	(63,491)	30,195
	\$ 152,384	\$ (184,509)	\$ (32,125)
Governmental Activities	\$ 150,271	\$ (180,152)	\$ (29,881)
Business-Type Activities	2,113	(4,357)	(2,244)
	\$ 152,384	\$ (184,509)	\$ (32,125)

*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, 2020.

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

	General	Police	Total
Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
2020	\$ (20,960)	\$ (181)	\$ (21,141)
2021	(50,684)	(7,618)	(58,302)
2022	(23,930)	(237)	(24,167)
2023	(47)	15,118	15,071
2024	-	10,163	10,163
Thereafter	-	-	-
	\$ (95,621)	\$ 17,245	\$ (78,376)

Payable to the Pension Plan

At December 31, 2019 the City reported \$3,603 as payable to the pension plan.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

9. Assessed Valuation, Tax Levy, & Legal Debt Margin

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

	2018
Assessed Valuation	
Real estate	\$ 21,696,465
Personal property	4,617,554
Total	\$ 26,314,019
	2018
Tax Rates Per \$100 of Assessed Valuation	
General revenue	\$.4615

The legal debt margin at December 31, 2019, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 2,631,402	\$ 2,631,402	\$ 5,262,804
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 2,631,402	\$ 2,631,402	\$ 5,262,804

(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.

10. Claims & 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, 2019, 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.

City of Warsaw

Notes to the Financial Statements

December 31, 2019

11. 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.

12. Interfund Transfers

Transfers between funds of the City for the year ended December 31, 2019, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
General Fund	\$ -	\$ (65,595)	\$ (65,595)
Capital Improvement Fund	-	(191,193)	(191,193)
Parks Fund	95,546	-	95,546
Water and Sewer Fund	161,242	-	161,242
	<u>\$ 256,788</u>	<u>\$ (256,788)</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.

13. Commitments

At December 31, 2019, 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.

The City was committed the following vendors and projects at December 31, 2019:

<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

City of Warsaw

Notes to the Financial Statements

December 31, 2019

14. 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 \$ 561,796, respectively.

15. Risks & Uncertainties

Subsequent to year end, a strain of coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet determinable, but will likely be significant for both the local and global economy. The effects of COVID-19 on the City are also not yet determinable, however COVID-19 has been identified as a significant risk and uncertainty that could impact future operations and result in changes in estimates and assumptions in the financial statements.

16. Debt Refunding

On September 26, 2019, the City entered into an agreement with Farmer's Bank & Trust to refinance Series 2012 Certificates of Participation in the amount of \$1,330,000 on October 18, 2019. As a result of the refinancing arrangement, the City decreased its cash payments for total debt service by \$164,367 and generated an economic gain of \$143,410 (a difference between the present value of the debt service payments on the old and new debt).

Required Supplementary Information

City of Warsaw

Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended December 31, 2019

Missouri Local Government Employees Retirement System (LAGERS)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service Cost	\$ 65,826	\$ 69,925	\$ 69,000	\$ 74,775	\$ 61,979
Interest on the Total Pension Liability	179,867	172,454	160,287	147,372	119,588
Changes of benefit terms	-	-	-	-	239,588
Difference between expected and actual experience	20,637	(18,383)	21,042	(93,315)	(5,855)
Change of assumptions	-	-	-	92,564	-
Benefit Payments	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Net Change in Total Pension Liability	151,867	99,133	207,847	182,956	377,019
Total Pension Liability, Beginning	2,504,807	2,405,674	2,197,827	2,014,871	1,637,852
Total Pension Liability, Ending	2,656,674	2,504,807	2,405,674	2,197,827	2,014,871
Plan Fiduciary Net Position					
Contributions - employer	92,455	86,853	87,860	94,881	91,605
Pension Plan Net Investment Income	172,792	303,593	228,704	(3,755)	36,453
Benefit Payments	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Pension Plan Administrative Expense	(6,039)	(4,184)	(3,794)	(3,702)	(4,195)
Other	9,745	21,897	6,494	(11,244)	56,685
Net Change in Plan Fiduciary Net Position	154,490	283,296	276,782	37,740	142,267
Plan Fiduciary Net Position, Beginning	2,477,395	2,194,099	1,917,317	1,879,577	1,737,310
Plan Fiduciary Net Position, Ending	2,631,885	2,477,395	2,194,099	1,917,317	1,879,577
Employer Net Pension Liability	\$ 24,789	\$ 27,412	\$ 211,575	\$ 280,510	\$ 135,294
Plan fiduciary net position as a percentage of the total pension liability	99.07%	98.91%	91.21%	87.24%	93.29%
Covered employee payroll	\$ 713,855	\$ 655,212	\$ 758,804	\$ 700,824	\$ 857,321
Employer's net pension liability as a percentage of covered employee payroll	3.47%	4.18%	27.88%	40.03%	15.78%

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

City of Warsaw

Schedule of Contributions

Year Ended December 31, 2019

Missouri Local Government Employees Retirement System (LAGERS)

	<u>2019</u>	<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	\$ 101,267	\$ 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	<u>92,664</u>	<u>91,064</u>	<u>88,780</u>	<u>84,707</u>	<u>100,390</u>	<u>82,729</u>	<u>99,825</u>	<u>107,909</u>	<u>95,467</u>	<u>93,376</u>	<u>85,230</u>
Contribution deficiency	<u>\$ 8,603</u>	<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	\$ 735,881	\$ 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	12.59%	12.76%	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%	10.84%	10.49%	9.92%

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

City of Warsaw

Notes to the Schedule of Contributions

Year Ended December 31, 2019

Valuation Date: February 28, 2019

Notes: The roll-forward of total pension liability from February 28, 2019, to June 30, 2019, 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

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 118,500	\$ 129,758	\$ 129,758	\$ -
Intangible tax	225	219	219	-
City sales tax	970,000	1,054,627	1,054,627	-
Franchise fees	178,000	165,283	165,283	-
Surtax	14,100	11,313	11,313	-
	<u>1,280,825</u>	<u>1,361,200</u>	<u>1,361,200</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	51,500	67,815	67,815	-
Building permits	10,000	4,254	4,254	-
Other	850	1,400	1,400	-
	<u>62,350</u>	<u>73,469</u>	<u>73,469</u>	<u>-</u>
Charges for Services				
Golf course	207,850	188,515	188,515	-
Trash	106,300	111,260	111,260	-
Recreation	24,550	12,142	12,142	-
	<u>338,700</u>	<u>311,917</u>	<u>311,917</u>	<u>-</u>
Fines and Forfeitures				
City court fines	20,100	20,200	20,200	-
CVC fees	17	47	47	-
	<u>20,117</u>	<u>20,247</u>	<u>20,247</u>	<u>-</u>
Miscellaneous				
Interest	30,000	88,692	88,692	-
Rental income	34,900	39,455	39,455	-
Other	4,400	20,639	20,639	-
	<u>69,300</u>	<u>148,786</u>	<u>148,786</u>	<u>-</u>
Total Revenues	<u>1,771,292</u>	<u>1,915,619</u>	<u>1,915,619</u>	<u>-</u>

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	478,791	504,788	504,788	-
Police	556,026	562,080	562,080	-
Recreation	75,363	46,169	46,169	-
Community building	92,307	87,268	87,268	-
Solid waste	101,110	97,606	97,606	-
Golf course	317,850	343,181	343,181	-
Total Expenditures	1,621,447	1,641,092	1,641,092	-
<i>Excess of Revenues over Expenditures</i>	149,845	274,527	274,527	-
Other Financing Sources (Uses)				
Lease proceeds	-	50,000	50,000	-
Transfers in (out)	-	(65,595)	(65,595)	-
Total Other Financing Sources (Uses)	-	(15,595)	(15,595)	-
<i>Excess of Revenues and Other Sources over Expenditures</i>	149,845	258,932	258,932	-
Fund Balance, January 1	1,266,281	1,266,281	1,266,281	-
Fund Balance, December 31	\$ 1,416,126	\$ 1,525,213	\$ 1,525,213	\$ -

City of Warsaw

Budgetary Comparison Schedule – Transportation Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Transportation sales tax	\$ 300,000	\$ 345,121	\$ 345,121	\$ -
Fuel tax	55,000	57,601	57,601	-
Motor vehicle sales tax	25,000	29,027	29,027	-
	380,000	431,749	431,749	-
Intergovernmental Revenues				
MoDOT FLAP grant	670,682	1,223,774	1,223,774	-
Charges for Services				
Airport rental fees	45,585	48,597	48,597	-
Airport fuel sales	60,000	45,673	45,673	-
	105,585	94,270	94,270	-
Miscellaneous				
Other	2,500	4,440	4,440	-
Total Revenues	1,158,767	1,754,233	1,754,233	-
Expenditures				
Current				
Airport	836,562	1,022,717	1,022,717	-
Streets	353,150	885,815	885,815	-
Capital improvements	10,000	298,058	298,058	-
Total Expenditures	1,199,712	2,206,590	2,206,590	-
<i>(Deficit) of Revenues over Expenditures</i>	(40,945)	(452,357)	(452,357)	-
Other Financing Sources				
Lease proceeds	-	280,500	280,500	-
Total Other Financing Sources	-	280,500	280,500	-
<i>(Deficit) of Revenues and Other Sources over Expenditures</i>	(40,945)	(171,857)	(171,857)	-
Fund Balance, January 1	752,687	752,687	752,687	-
Fund Balance, December 31	\$ 711,742	\$ 580,830	\$ 580,830	\$ -

City of Warsaw

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Capital improvements sales tax	\$ 415,000	\$ 480,534	\$ 480,534	\$ -
Intergovernmental Revenues				
Grant revenue	-	62,040	62,040	-
Miscellaneous				
Other	-	1,500	1,500	-
Total Revenues	415,000	544,074	544,074	-
Expenditures				
Capital improvements	325,859	520,161	520,161	-
Total Expenditures	325,859	520,161	520,161	-
<i>Excess of Revenues over Expenditures</i>	89,141	23,913	23,913	-
Other Financing (Uses)				
Transfers (out)	-	(191,193)	(191,193)	-
Total Other Financing (Uses)	-	(191,193)	(191,193)	-
<i>Excess (Deficit) of Revenues over Expenditures and other (Uses)</i>	89,141	(167,280)	(167,280)	-
Fund Balance, January 1	1,215,672	1,215,672	1,215,672	-
Fund Balance, December 31	\$ 1,304,813	\$ 1,048,392	\$ 1,048,392	\$ -

City of Warsaw

Budgetary Comparison Schedule – Parks Fund

Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Park sales tax	\$ 410,000	\$ 460,150	\$ 460,150	\$ -
Intergovernmental Revenues	-	10,000	10,000	-
Charges for Services				
Pool fees	46,850	49,300	49,300	-
Park fees	1,500	105	105	-
	48,350	49,405	49,405	-
Total Revenues	458,350	509,555	519,555	-
Expenditures				
Current				
Pool	101,830	104,650	104,650	-
Park	327,990	331,483	331,483	-
Debt service	153,292	1,547,836	1,547,836	-
Total Expenditures	583,112	1,983,969	1,983,969	-
<i>(Deficit) of Revenues over Expenditures</i>	(124,762)	(1,474,414)	(1,464,414)	-
Other Financing Sources				
Lease proceeds	-	1,385,500	1,385,500	-
Transfers in	-	95,546	95,546	-
Total Other Financing Sources	-	1,481,046	1,481,046	-
<i>Excess (Deficit) of Revenues and other Sources over Expenditures</i>	(124,762)	6,632	16,632	-
Fund Balance, January 1	59,220	59,220	59,220	-
Fund Balance, December 31	\$ (65,542)	\$ 75,852	\$ 75,852	\$ -

City of Warsaw

Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2019

Budgets and Budgetary Accounting

The City uses 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, 2019, 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 23, 2020.

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.

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 Questioned Costs, that we consider to be a material weakness. It is identified as item 2019-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warsaw, Missouri's financial statements are free from 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 Questioned Costs. 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 23, 2020



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for the Major Federal Program

We have audited the City of Warsaw, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City of Warsaw, Missouri's major federal program is identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City of Warsaw, Missouri's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Audits* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City of Warsaw, Missouri, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

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1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 23, 2020

City of Warsaw

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation				
Passed Through Missouri Department of Transportation				
Airport Improvement Program	20.106	17-23A-1	\$ -	\$ 815,700
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	FLAP	-	8,000
Highway Planning and Construction	20.205	TAP 3001 (004)	-	350,074
Passed Through Missouri Department of Natural Resources				
Recreational Trails Program	20.219	2017-15	-	61,540
		Cluster total	-	419,614
Total U.S. Department of Transportation			-	1,235,314
U.S. Department of Agriculture				
Direct				
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	-	50,000
Total U.S. Department of Agriculture			-	50,000
U.S. Department of Health and Senior Services				
Quad Lakes				
State Physical Activity and Nutrition Program	93.439	Quad lakes	-	10,000
Total U.S. Department of Health and Senior Services			-	10,000
Total Expenditures of Federal Awards			\$ -	\$ 1,295,314

City of Warsaw

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Warsaw, Missouri, under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Warsaw, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Warsaw, Missouri.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Warsaw, Missouri, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Subrecipients

The City of Warsaw, Missouri, did not provide funds to subrecipients in the current year.

City of Warsaw

Summary Schedule of Findings & Questioned Costs

Year Ended December 31, 2019

Section I – Summary of Audit Results

Financial Statements		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:		Unmodified
Internal Control over Financial Reporting:		
Material weakness(es) identified?		Yes
Significant deficiency(ies) identified?		None Reported
Noncompliance material to financial statements noted?		No
Federal Awards		
Internal control over major federal programs:		
Material weakness(es) identified?		No
Significant deficiency(ies) identified?		None Reported
Type of auditor’s report issued on compliance for major federal program:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?		No
Identification of major federal program:		
CFDA Number(s)	Name of Federal Program or Cluster	
20.106	Airport Improvement Program	
Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?		No

Section II – Financial Statement Findings

Material Weakness

2019-001 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.

City of Warsaw

Summary Schedule of Findings & Questioned Costs

Year Ended December 31, 2019

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 use 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.

Section III – Federal Award Findings and Questioned Costs

None

City of Warsaw

Schedule of Prior Audit Findings

Year Ended December 31, 2019

Material Weakness

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 used 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.

Status: Open