

# City of Warsaw, Missouri

## BASIC FINANCIAL STATEMENTS Year Ended December 31, 2020



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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, 2020, 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.

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## **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, 2020, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021, 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 2, 2021

## **Management's Discussion and Analysis**

# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

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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, 2020. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The net position of the City's governmental activities increased by \$529,424 for the year as a result of current year activities. The net position of the City's business activities increased by \$255,140 for the year.

The assets of the City exceeded its liabilities as of December 31, 2020, by \$20,796,133 (net position). Of this amount \$3,881,959 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 and Analysis

Year Ended December 31, 2020

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### 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 and Analysis

Year Ended December 31, 2020

### 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, 2020, and December 31, 2019:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2020</u>	<u>Total December 31, 2019</u>
<b>Assets</b>				
Current and other assets	\$ 3,950,632	\$ 1,662,080	\$ 5,612,712	\$ 4,843,554
Capital assets, net	10,705,082	9,254,457	19,959,539	20,072,804
	<u>14,655,714</u>	<u>10,916,537</u>	<u>25,572,251</u>	<u>24,916,358</u>
<b>Deferred Outflow of Resources</b>				
Deferred pension outflows	182,448	9,644	192,092	152,384
<b>Liabilities</b>				
Current liabilities	285,284	506,397	791,681	768,714
Long-term liabilities	1,624,317	2,482,534	4,106,851	4,103,950
	<u>1,909,601</u>	<u>2,988,931</u>	<u>4,898,532</u>	<u>4,872,664</u>
<b>Deferred Inflow of Resources</b>				
Deferred pension inflows	66,596	3,082	69,678	184,509
<b>Net Position</b>				
Net investment in capital assets	9,127,363	6,428,189	15,555,552	15,569,373
Restricted	1,277,463	81,423	1,358,886	1,130,237
Unrestricted	2,457,139	1,424,556	3,881,695	3,311,959
	<u>\$ 12,861,965</u>	<u>\$ 7,934,168</u>	<u>\$ 20,796,133</u>	<u>\$ 20,011,569</u>

#### Summary of the Net Position

Total net position of the City increased by \$784,564 for the year due to current year activity. Total liabilities for the City have increased by \$25,868. Restricted net position of the City totaled \$1,358,886 as of December 31, 2020. This amount represents monies that are restricted for debt service and capital improvement projects.



# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

### Change in Net Position

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total Year Ended December 31, 2020</b>	<b>Total Year Ended December 31, 2019</b>
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 347,655	\$ 1,147,200	\$ 1,494,855	\$ 1,747,872
Capital grants and contributions	28,923	-	28,923	1,295,814
<b>General Revenues</b>				
Sales taxes	2,588,031	-	2,588,031	2,340,432
Ad valorem taxes	135,808	-	135,808	129,758
Intangible tax	-	-	-	219
Motor vehicle and gas taxes	83,491	-	83,491	86,628
Surtax	12,258	-	12,258	11,313
Franchise fees	191,016	-	191,016	165,283
Interest	34,077	5	34,082	88,908
Other revenue	29,020	64,297	93,317	33,824
Transfers	(159,756)	159,756	-	-
Gain on sale of assets	25,723	-	25,723	-
<b>Total Revenues</b>	<b>3,316,246</b>	<b>1,371,258</b>	<b>4,687,504</b>	<b>5,900,051</b>
<b>Expenses</b>				
Administrative	607,116	-	607,116	496,860
Police	500,440	-	500,440	568,770
Recreation	21,925	-	21,925	45,772
Community building	50,874	-	50,874	85,779
Solid waste	108,527	-	108,527	96,784
Airport	217,668	-	217,668	1,139,079
Park	358,208	-	358,208	420,021
Pool	167,607	-	167,607	151,675
Golf course	142,385	-	142,385	359,134
Drake harbor amphitheater	20,478	-	20,478	-
Street	584,585	-	584,585	1,164,320
Community development	7,009	-	7,009	27,488
Debt service	-	-	-	65,962
Water and sewer	-	1,116,118	1,116,118	1,012,991
<b>Total Expenses</b>	<b>2,786,822</b>	<b>1,116,118</b>	<b>3,902,940</b>	<b>5,634,635</b>
<b>Increase in Net Position</b>	<b>\$ 529,424</b>	<b>\$ 255,140</b>	<b>\$ 784,564</b>	<b>\$ 265,416</b>

# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

### Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$529,424. Tax revenues for the City were \$3,010,604, which represents 87% of the financing of these activities. Program revenues for the functions totaled \$376,578 or approximately 11% 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

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Administrative	\$ 607,116	\$ 518,745
Police	500,440	492,163
Recreation	21,925	20,610
Community building	50,874	50,874
Solid waste	108,527	(2,410)
Airport	217,668	87,921
Pool	167,607	134,124
Park	358,208	358,208
Golf course	142,385	137,937
Drake harbor amphitheater	20,478	20,478
Street	584,585	584,585
Community development	7,009	7,009
	<u>\$ 2,786,822</u>	<u>\$ 2,410,244</u>

### Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$255,140.

### 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, 2020, were \$3,813,851. The General Fund increased by \$402,951. The Transportation Fund decreased by \$45,206. The Capital Improvement Fund increased by \$229,071. The Parks Fund decreased by \$3,252.

# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

### General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2020:

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes			
Ad valorem taxes	\$ 122,500	\$ 135,808	\$ 135,808
Intangible tax	225	-	-
City sales tax	960,000	1,189,505	1,189,505
Franchise fees	178,000	191,016	191,016
Surtax	14,100	12,258	12,258
	<u>1,274,825</u>	<u>1,528,587</u>	<u>1,528,587</u>
<b>Licenses and Permits</b>			
Occupational licenses	53,500	38,634	38,634
Building permits	8,000	7,832	7,832
Other	1,570	5,387	5,387
	<u>63,070</u>	<u>51,853</u>	<u>51,853</u>
<b>Charges for Services</b>			
Golf course	-	4,448	4,448
Trash	109,700	110,937	110,937
Recreation	14,550	1,315	1,315
	<u>124,250</u>	<u>116,700</u>	<u>116,700</u>
<b>Fines and Forfeitures</b>			
City court fines	20,110	8,257	8,257
CVC fees	50	20	20
	<u>20,160</u>	<u>8,277</u>	<u>8,277</u>
<b>Miscellaneous</b>			
Interest	50,000	34,077	34,077
Rental income	42,280	36,518	36,518
Other	2,500	34,504	34,504
	<u>94,780</u>	<u>105,099</u>	<u>105,099</u>
<b>Total Revenues</b>	<u>1,577,085</u>	<u>1,810,516</u>	<u>1,810,516</u>

# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Expenditures</b>			
Current			
Administrative	650,442	591,912	591,912
Police	559,040	489,429	489,429
Recreation	71,560	20,340	20,340
Community building	52,668	50,900	50,900
Solid waste	107,501	108,548	108,548
Golf course	-	128,422	128,422
Debt Service	-	18,014	18,014
<b>Total Expenditures</b>	<u>1,441,211</u>	<u>1,407,565</u>	<u>1,407,565</u>
<i>Excess of Revenues Over Expenditures</i>	<u>\$ 135,874</u>	<u>\$ 402,951</u>	<u>\$ 402,951</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 \$10,705,082 net of depreciation as of December 31, 2020. This represents a \$230,656 decrease net of depreciation, from the prior year. Capital assets for business-type activities were \$8,839,629 net of depreciation as of December 31, 2020. This represents net capital asset additions of \$117,391, and \$332,524 in depreciation expense during the current year.

### Debt

Total debt of the governmental activities as of December 31, 2020, was \$1,611,614, which includes debt retirements and long-term liabilities reductions of \$166,250.

Total debt of the business-type activities as of December 31, 2020, was \$2,826,268, which includes debt retirement of \$293,759 and debt proceeds for new meters of \$360,000.

## Economic Factors and Next Year's Budget

Investment in the waterfront infrastructure improvements, should continue to enhance all the waterfront parks and create a linear park that is unique to the regional area. These improvements have shown to be both a quality of life and economic development benefit to the community.

The improvements will allow Warsaw to continue on a path to being a major tourist destination in the region.

# City of Warsaw

## Management's Discussion and Analysis

Year Ended December 31, 2020

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The downtown is capitalizing on the improvements in the Drake Harbor Recreation Area. New businesses, 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.

In 2021, the city will use \$1,278,000 in bond capacity combined with \$2,000,000 in grants to replace obsolete water mains. The project will start in the fall of 2021. This project is another example of the community's 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.

In 2025 the MAMU debt service will be retired. 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. The stormwater for the Town Branch has been completed. The City needs to create a Capital Improvements Plan that starts addressing flood control on this tributary to the Lake of Ozarks.

Last year's Managers Report stated the following, "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."

This statement must remain as one of the Warsaw's main focuses on community and economic development.

### **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, 2020

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current			
Cash and cash equivalents - unrestricted	\$ 3,312,714	\$ 1,279,512	\$ 4,592,226
Ad valorem taxes receivable, net	147,870	-	147,870
Utilities receivable, net	20,321	176,563	196,884
Other receivable, net	41,806	-	41,806
Sales tax receivable	385,122	-	385,122
Inventory	9,985	54,806	64,791
Prepaid expenses	31,914	1,540	33,454
Noncurrent			
Restricted cash and cash equivalents	900	149,659	150,559
Capital Assets			
Non-depreciable	585,416	414,828	1,000,244
Depreciable, net	10,119,666	8,839,629	18,959,295
<b>Total Assets</b>	14,655,714	10,916,537	25,572,251
<b>Deferred Outflow of Resources</b>			
Deferred pension outflows	182,448	9,644	192,092
<b>Liabilities</b>			
Current			
Accounts payable	69,860	56,759	126,619
Accrued expenses	66,021	15,024	81,045
Deposits payable	-	68,236	68,236
Court bonds payable	900	-	900
Accrued interest payable	-	13,499	13,499
Current maturities of long-term debt	148,503	352,879	501,382
	285,284	506,397	791,681
Noncurrent			
Compensated absences payable	33,895	-	33,895
Capital leases payable	1,429,216	-	1,429,216
Bonds payable	-	1,458,900	1,458,900
Lease certificates of participation payable	-	1,014,489	1,014,489
Net pension liability	161,206	9,145	170,351
	1,624,317	2,482,534	4,106,851
<b>Total Liabilities</b>	1,909,601	2,988,931	4,898,532
<b>Deferred Inflow of Resources</b>			
Deferred pension inflows	66,596	3,082	69,678
<b>Net Position</b>			
Net investment in capital assets	9,127,363	6,428,189	15,555,552
Restricted			
Capital projects	1,277,463	-	1,277,463
Debt service	-	81,423	81,423
Unrestricted			
	2,457,139	1,424,556	3,881,695
<b>Total Net Position</b>	\$ 12,861,965	\$ 7,934,168	\$ 20,796,133

See accompanying notes to the financial statements.

# City of Warsaw

## Statement of Activities

Year Ended December 31, 2020

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	\$ (607,116)	\$ 88,371	\$ -	\$ -	\$ (518,745)	\$ -	\$ (518,745)
Police	(500,440)	8,277	-	-	(492,163)	-	(492,163)
Recreation	(21,925)	1,315	-	-	(20,610)	-	(20,610)
Community building	(50,874)	-	-	-	(50,874)	-	(50,874)
Solid waste	(108,527)	110,937	-	-	2,410	-	2,410
Airport	(217,668)	110,259	-	19,488	(87,921)	-	(87,921)
Pool	(167,607)	24,048	-	9,435	(134,124)	-	(134,124)
Park	(358,208)	-	-	-	(358,208)	-	(358,208)
Golf course	(142,385)	4,448	-	-	(137,937)	-	(137,937)
Drake harbor amphitheater	(20,478)	-	-	-	(20,478)	-	(20,478)
Street	(584,585)	-	-	-	(584,585)	-	(584,585)
Community development	(7,009)	-	-	-	(7,009)	-	(7,009)
<b>Total Governmental Activities</b>	<u>(2,786,822)</u>	<u>347,655</u>	<u>-</u>	<u>28,923</u>	<u>(2,410,244)</u>	<u>-</u>	<u>(2,410,244)</u>
Business-Type Activities							
Water and sewer	(1,116,118)	1,147,200	-	-	-	31,082	31,082
<b>Total Business-Type Activities</b>	<u>(1,116,118)</u>	<u>1,147,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,082</u>	<u>31,082</u>
<b>Total Government</b>	<u>\$ (3,902,940)</u>	<u>\$ 1,494,855</u>	<u>\$ -</u>	<u>\$ 28,923</u>	<u>(2,410,244)</u>	<u>31,082</u>	<u>(2,379,162)</u>
		General Revenues					
					2,588,031	-	2,588,031
					135,808	-	135,808
					83,491	-	83,491
					12,258	-	12,258
					191,016	-	191,016
					34,077	5	34,082
					29,020	64,297	93,317
					(159,756)	159,756	-
					25,723	-	25,723
		<b>Total General Revenues and Transfers</b>			<u>2,939,668</u>	<u>224,058</u>	<u>3,163,726</u>
		<i>Changes in Net Position</i>			529,424	255,140	784,564
		Net Position, Beginning of year			<u>12,332,541</u>	<u>7,679,028</u>	<u>20,011,569</u>
		<b>Net Position, End of year</b>			<u>\$ 12,861,965</u>	<u>\$ 7,934,168</u>	<u>\$ 20,796,133</u>

See accompanying notes to the financial statements.

# City of Warsaw

## Balance Sheet – Governmental Funds

December 31, 2020

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
<b>Assets</b>					
Cash and cash equivalents - unrestricted	\$ 1,583,277	\$ 524,839	\$ 1,204,598	\$ -	\$ 3,312,714
Ad valorem taxes receivable, net	147,870	-	-	-	147,870
Sales tax receivable	181,706	54,730	75,714	72,972	385,122
Utilities receivable	20,321	-	-	-	20,321
Other receivables, net	41,806	-	-	-	41,806
Inventory	-	9,985	-	-	9,985
Prepaid expenses	18,884	4,429	688	7,913	31,914
Restricted cash and cash equivalents	900	-	-	-	900
<b>Total Assets</b>	<b>\$ 1,994,764</b>	<b>\$ 593,983</b>	<b>\$ 1,281,000</b>	<b>\$ 80,885</b>	<b>\$ 3,950,632</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accounts payable	\$ 8,249	\$ 53,326	\$ -	\$ 8,285	\$ 69,860
Accrued expenses	57,451	5,033	3,537	-	66,021
Court bonds payable	900	-	-	-	900
<b>Total Liabilities</b>	<b>66,600</b>	<b>58,359</b>	<b>3,537</b>	<b>8,285</b>	<b>136,781</b>
<b>Fund Balances</b>					
Nonspendable					
Inventory	-	9,985	-	-	9,985
Prepaid items	18,884	4,429	-	7,913	31,226
Restricted for					
Capital improvement	-	-	1,277,463	-	1,277,463
Assigned to					
Transportation	-	521,210	-	-	521,210
Parks Fund	-	-	-	64,687	64,687
Unassigned	1,909,280	-	-	-	1,909,280
<b>Total Fund Balances</b>	<b>1,928,164</b>	<b>535,624</b>	<b>1,277,463</b>	<b>72,600</b>	<b>3,813,851</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,994,764</b>	<b>\$ 593,983</b>	<b>\$ 1,281,000</b>	<b>\$ 80,885</b>	<b>\$ 3,950,632</b>

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, 2020

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Fund balance - total governmental funds	\$ 3,813,851
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	20,707,782
Less accumulated depreciation	<u>(10,002,700)</u>
	10,705,082
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	(161,206)
Deferred outflows due to pensions	182,448
Deferred inflows due to pensions	<u>(66,596)</u>
	(45,354)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,611,614)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 12,861,965</u></b>

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, 2020

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
<b>Revenues</b>					
Taxes	\$ 1,528,587	\$ 459,312	\$ 521,611	\$ 501,094	\$ 3,010,604
Licenses and permits	51,853	-	-	-	51,853
Intergovernmental revenues	-	19,488	-	9,435	28,923
Charges for services	116,700	110,259	-	24,048	251,007
Rental income	36,518	-	-	-	36,518
Fines and forfeitures	8,277	-	-	-	8,277
Interest revenue	34,077	-	-	-	34,077
Miscellaneous	34,504	6,875	16	13,348	54,743
<b>Total Revenues</b>	<b>1,810,516</b>	<b>595,934</b>	<b>521,627</b>	<b>547,925</b>	<b>3,476,002</b>
<b>Expenditures</b>					
Current					
Administrative	591,912	-	-	-	591,912
Police	489,429	-	-	-	489,429
Recreation	20,340	-	-	-	20,340
Community building	50,900	-	-	-	50,900
Solid waste	108,548	-	-	-	108,548
Airport	-	103,411	-	-	103,411
Pool	-	-	-	107,233	107,233
Park	-	-	-	300,602	300,602
Golf course	128,422	-	-	-	128,422
Street	-	369,058	-	-	369,058
Capital improvement	-	168,671	132,800	-	301,471
Debt service	18,014	-	-	143,342	161,356
<b>Total Expenditures</b>	<b>1,407,565</b>	<b>641,140</b>	<b>132,800</b>	<b>551,177</b>	<b>2,732,682</b>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	402,951	(45,206)	388,827	(3,252)	743,320
<b>Other Financing (Uses)</b>					
Operating transfers (out)	-	-	(159,756)	-	(159,756)
<b>Total Other Financing (Uses)</b>	<b>-</b>	<b>-</b>	<b>(159,756)</b>	<b>-</b>	<b>(159,756)</b>
<i>Excess (Deficit) of Revenues Over Expenditures and Other (Uses)</i>	402,951	(45,206)	229,071	(3,252)	583,564
Fund Balance, January 1	1,525,213	580,830	1,048,392	75,852	3,230,287
<b>Fund Balance, December 31</b>	<b>\$ 1,928,164</b>	<b>\$ 535,624</b>	<b>\$ 1,277,463</b>	<b>\$ 72,600</b>	<b>\$ 3,813,851</b>

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, 2020

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Net change in fund balances - total governmental funds	\$ 583,564
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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	328,898
Depreciation	(558,758)
Gain on disposal of assets	(796)
	<u>(230,656)</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	10,266
Change in compensated absences	565
	<u>10,831</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	165,685
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 529,424</u></u>

See accompanying notes to the financial statements.

# City of Warsaw

## Statement of Net Position – Enterprise Fund

December 31, 2020

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	<b>Water and Sewer Fund</b>
<b>Assets</b>	
Current Assets	
Cash and cash equivalents	\$ 1,279,512
Utilities receivable, net	176,563
Inventory	54,806
Prepaid expenses	1,540
<b>Total Current Assets</b>	<u>1,512,421</u>
Restricted Assets	
Cash and cash equivalents	149,659
<b>Total Restricted Assets</b>	<u>149,659</u>
Property, Plant, and Equipment	
Buildings and improvements	40,587
Construction in progress	414,828
Water lines and wells	2,407,586
Sewer lines and plant	11,365,568
Major moveable equipment	798,926
	<u>15,027,495</u>
Less accumulated depreciation	(5,773,038)
<b>Total Property, Plant, and Equipment</b>	<u>9,254,457</u>
<b>Total Assets</b>	<u>10,916,537</u>
<b>Deferred Outflow of Resources</b>	
Deferred pension outflows	9,644
<b>Total Deferred Outflow of Resources</b>	<u>9,644</u>

See accompanying notes to the financial statements.

# City of Warsaw

## Statement of Net Position – Enterprise Fund

December 31, 2020

	<u>Water and Sewer Fund</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	56,759
Accrued expenses	15,024
Accrued interest payable	13,499
Customer deposits	68,236
Current maturities of long-term debt	352,879
<b>Total Current Liabilities</b>	<u>506,397</u>
Long-Term Liabilities	
Revenue bonds payable	1,458,900
Lease purchase payable	1,014,489
Net pension liability	9,145
<b>Total Long-Term Liabilities</b>	<u>2,482,534</u>
<b>Total Liabilities</b>	<u>2,988,931</u>
<b>Deferred Inflow of Resources</b>	
Deferred pension inflows	3,082
<b>Total Deferred Inflow of Resources</b>	<u>3,082</u>
<b>Net Position</b>	
Net investment in capital assets	6,428,189
Restricted	81,423
Unrestricted	1,424,556
<b>Total Net Position</b>	<u><u>\$ 7,934,168</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, 2020

	<b>Water and Sewer Fund</b>
<b>Operating Revenues</b>	
Charges for services	
Water	\$ 573,551
Sewer	573,649
<b>Total Operating Revenues</b>	<b>1,147,200</b>
<b>Operating Expenses</b>	
Water	
Salaries and wages	20,071
Employee benefits	17,085
Materials and supplies	2,740
Utilities	30,405
Repairs and maintenance	16,679
Insurance	12,732
Depreciation	124,175
Professional services	255,652
Miscellaneous	889
<b>Total Operating Expenses-Water</b>	<b>480,428</b>
Sewer	
Salaries and wages	20,814
Employee benefits	16,755
Materials and supplies	4,936
Utilities	49,861
Repairs and maintenance	68,425
Insurance	14,865
Depreciation	208,349
Professional services	172,370
Miscellaneous	1,226
<b>Total Operating Expenses-Sewer</b>	<b>557,601</b>
<b>Total Operating Expenses</b>	<b>1,038,029</b>
<i>Operating Income</i>	109,171
<b>Nonoperating Revenue (Expenses)</b>	
Interest income	5
Interest expense-Water	(10,067)
Interest expense-Sewer	(68,022)
Other	64,297
<b>Total Nonoperating (Expenses)</b>	<b>(13,787)</b>
<b>Total Net Income before Operating Transfers</b>	<b>95,384</b>
Net Operating Transfers In	159,756
Net Income	255,140
Net Position, January 1	7,679,028
<b>Net Position, December 31</b>	<b>\$ 7,934,168</b>

See accompanying notes to the financial statements.

# City of Warsaw

## Statement of Cash Flows – Enterprise Fund

Year Ended December 31, 2020

	<b>Water and Sewer Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 1,166,899
Payments to suppliers	(639,416)
Payments to employees	(27,455)
<b>Net Cash Provided by Operating Activities</b>	<b>500,028</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfer from other funds	159,756
<b>Net Cash Provided By Noncapital Financing Activities</b>	<b>159,756</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(449,915)
Capital lease proceeds	360,000
Principal payments on long-term debt	(293,759)
Interest paid on long-term debt	(15,197)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	<b>(398,871)</b>
<b>Cash Flows from Investing Activities</b>	
Interest on investments	5
<b>Net Cash Provided by Investing Activities</b>	<b>5</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>260,918</b>
Cash and Cash Equivalents, Beginning of year	1,168,253
<b>Cash and Cash Equivalents, End of year</b>	<b>1,429,171</b>
Less Restricted Cash and Cash Equivalents	(149,659)
<b>Unrestricted Cash and Cash Equivalents</b>	<b>\$ 1,279,512</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating income	\$ 109,171
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	332,524
(Increase) decrease in	
Utilities receivable	15,917
Inventory	(27,826)
Deferred pension outflow	(7,531)
Increase (decrease) in	
Accounts and other payables	60,541
Accrued expenses	8,412
Deferred pension inflow	(1,275)
Net pension liability	10,095
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 500,028</b>

See accompanying notes to the financial statements.

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

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### 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, 2020

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### 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, 2020

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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, 2020

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### 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, 2020

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*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, 2020, all bank balances on deposit are entirely insured or collateralized.

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 3. Receivables

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

	<b>Gross Receivable</b>	<b>Allowance</b>	<b>Net Receivable</b>
<b>Ad Valorem Taxes Receivable</b>			
General Fund	\$ 155,684	\$ 7,814	\$ 147,870
<b>Sales Taxes Receivable</b>			
General Fund	\$ 181,706	\$ -	\$ 181,706
Transportation Fund	54,730	-	54,730
Parks Fund	72,972	-	72,972
Capital Improvement Fund	75,714	-	75,714
	\$ 385,122	\$ -	\$ 385,122
<b>Utilities Receivable</b>			
Water and Sewer Fund	\$ 198,410	\$ 21,847	\$ 176,563
General Fund	20,321	-	20,321
	\$ 218,731	\$ 21,847	\$ 196,884
<b>Other Receivable</b>			
General Fund	\$ 47,907	\$ 6,101	\$ 41,806

### 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:

	<b>Restricted Cash and Cash Equivalents</b>	<b>Restricted Net Position</b>
2012 Bond Principal and Interest	\$ 21,025	\$ 21,025
2009 Bond Principal and Interest	60,398	60,398
Customer Deposits	68,236	-
<b>Total Business-Type Activities</b>	\$ 149,659	\$ 81,423

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### Governmental Activities

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

	<b>Restricted Cash and Cash Equivalents</b>	<b>Restricted Fund Balance</b>	<b>Restricted Net Position</b>
<b>General Fund</b>			
Court bonds	\$ 900	\$ -	\$ -
<b>Capital Improvement Fund</b>			
Capital improvement projects	-	1,277,463	1,277,463
<b>Total Governmental Activities</b>	<b>\$ 900</b>	<b>\$ 1,277,463</b>	<b>\$ 1,277,463</b>

## 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 three capital leases.

### 2009 Combined Water and Sewerage System Revenue Bonds - ARRA

In 2011, the City issued \$2,030,300 in Direct Loan Program – American Recovery and Reinvestment Act (ARRA) combined waterworks and sewerage system revenue bonds, Series 2009, for the purpose of extending and improving the City’s combined waterworks and sewerage system. The bonds bear interest at 1.49%. The principal and interest payments are due January 1 and July 1 of each year. Bonds may be called at any time for redemption under various provisions outlined in the bond ordinance.

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

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>.25% Admin Fee</b>	<b>Total</b>
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
	<b>\$ 1,100,200</b>	<b>\$ 37,755</b>	<b>\$ 14,947</b>	<b>\$ 1,152,902</b>

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 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, 2020, the City has issued \$733,817 of the maximum \$739,000 bond issue.

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

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2021	\$ 36,200	\$ 6,188	\$ 2,475	\$ 44,863
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>\$ 499,900</u>	<u>\$ 42,431</u>	<u>\$ 16,972</u>	<u>\$ 559,303</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, 2020, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
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>\$ 655,000</u>	<u>\$ 61,472</u>	<u>\$ 28,829</u>	<u>\$ 745,301</u>

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 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, 2020, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,640	\$ 375	\$ 13,015
2022	3,928	41	3,969
	<u>\$ 16,568</u>	<u>\$ 416</u>	<u>\$ 16,984</u>

### Capital Lease Agreement – Lift Station

On April 10, 2020, the City entered into an equipment lease purchase obligation in the amount of \$360,000 to fund the purchase of equipment relating to a lift station project. The lease requires varying semi-annual payments of principal and interest. The interest rate for this agreement is at 3.94%.

The total minimum lease payments required at December 31, 2020, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 19,700	\$ 7,474	\$ 27,174
2022	20,400	6,692	27,092
2023	21,200	5,880	27,080
2024	22,200	5,035	27,235
2025	23,000	4,153	27,153
2026	24,000	3,237	27,237
2027	24,900	2,283	27,183
2028	25,900	1,293	27,193
2029	13,300	262	13,562
	<u>\$ 194,600</u>	<u>\$ 36,309</u>	<u>\$ 230,909</u>

### Capital Lease Agreement – Meters

On April 10, 2020, the City entered into a lease purchase obligation in the amount of \$360,000 to fund the City's meter replacement program. The lease requires annual payments of \$57,239, which includes interest at 2.75%.



# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

The total minimum lease payments required at December 31, 2020, are as follows:

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 47,339	\$ 9,900	\$ 57,239
2022	48,641	8,598	57,239
2023	49,979	7,261	57,240
2024	51,353	5,886	57,239
2025	52,765	4,474	57,239
2026	54,216	3,023	57,239
2027	55,707	1,532	57,239
	<u>\$ 360,000</u>	<u>\$ 40,674</u>	<u>\$ 400,674</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, 2020, is as follows:

	<b>Balance December 31, 2019</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2020</b>	<b>Amounts Due Within One Year</b>
Long-Term Liabilities					
2009 Revenue Bonds	\$ 1,202,900	\$ -	\$ 102,700	\$ 1,100,200	\$ 105,000
2012 Revenue Bonds	535,700	-	35,800	499,900	36,200
Direct borrowings					
2005A MAMU Certificates of Participation	779,000	-	124,000	655,000	132,000
Capital Lease - Sewer Jet	28,827	-	12,259	16,568	12,640
Capital Lease - Lift Station	213,600	-	19,000	194,600	19,700
Capital Lease - Meters	-	360,000	-	360,000	47,339
	<u>\$ 2,760,027</u>	<u>\$ 360,000</u>	<u>\$ 293,759</u>	<u>\$ 2,826,268</u>	<u>\$ 352,879</u>

## 6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2020, consists of five capital lease obligations, and compensated absences payable.

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 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, 2020, are as follows:

Year Ending December 31,	Principal	Interest	Total
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>\$ 1,287,900</u>	<u>\$ 266,581</u>	<u>\$ 1,554,481</u>

### Capital Lease Agreement – Ford F350

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

Year Ending December 31,	Principal	Interest	Total
2021	\$ 7,793	\$ 231	\$ 8,024
2022	4,772	26	4,798
	<u>\$ 12,565</u>	<u>\$ 257</u>	<u>\$ 12,822</u>

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 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.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,446	\$ 455	\$ 7,901
2022	7,671	229	7,900
	<u>\$ 15,117</u>	<u>\$ 684</u>	<u>\$ 15,801</u>

### 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>
2021	\$ 16,658	\$ 1,356	\$ 18,014
2022	17,323	691	18,014
	<u>\$ 33,981</u>	<u>\$ 2,047</u>	<u>\$ 36,028</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>
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	31,048	980	32,028
	<u>\$ 228,156</u>	<u>\$ 28,068</u>	<u>\$ 256,224</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, 2020

### 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, 2020:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020	Amounts Due Within One Year
Direct Borrowings					
MTFC Agreement	\$ 253,458	\$ -	\$ 25,302	\$ 228,156	\$ 26,006
US Bancorp - Police Vehicle	50,000	-	16,019	33,981	16,658
ProGator Spreader Lease Purchase	5,170	-	5,170	-	-
Truck/Mower Lease Purchase	6,808	-	6,808	-	-
Ford F350 Lease Purchase	20,123	-	7,558	12,565	7,793
Skidsteer Lease Purchase	22,345	-	7,228	15,117	7,446
Pool Equipment Lease Purchase	1,385,500	-	97,600	1,287,900	90,600
Compensated Absences Payable	34,460	-	565	33,895	-
	<u>\$ 1,777,864</u>	<u>\$ -</u>	<u>\$ 166,250</u>	<u>\$ 1,611,614</u>	<u>\$ 148,503</u>

## 7. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance December 31, 2019	Additions	Deletions	Balance December 31, 2020
<b>Governmental Activities</b>				
Nondepreciable Capital Assets				
Construction in progress	\$ 457,086	\$ 19,658	\$ 457,086	\$ 19,658
Land	565,758	-	-	565,758
<b>Total Nondepreciable Capital Assets</b>	<u>1,022,844</u>	<u>\$ 19,658</u>	<u>\$ 457,086</u>	<u>585,416</u>
<b>Depreciable Capital Assets</b>				
Building and improvements	6,159,155	\$ 546,800	\$ -	6,705,955
Equipment and vehicles	1,468,482	56,505	100,119	1,424,868
Infrastructure	11,828,522	163,021	-	11,991,543
<b>Total Depreciable Capital Assets</b>	<u>19,456,159</u>	<u>\$ 766,326</u>	<u>\$ 100,119</u>	<u>20,122,366</u>
Less Accumulated Depreciation	9,543,265	\$ 558,758	\$ 99,323	10,002,700
<b>Total Depreciable Capital Assets, net</b>	<u>9,912,894</u>			<u>10,119,666</u>
<b>Total Governmental Activities     Capital Assets, net</b>	<u>\$ 10,935,738</u>			<u>\$ 10,705,082</u>

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

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

Administrative	\$ 16,349
Street	217,409
Community development	7,009
Recreation	1,606
Police	19,904
Golf course	13,963
Drake Harbor Amphitheater	20,478
Pool	60,738
Airport	114,304
Park	86,998
	\$ 558,758

	<b>Balance December 31, 2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2020</b>
<b>Business-Type Activities</b>				
Water and Sewer				
Nondepreciable Capital Assets				
Construction in progress	\$ 96,734	\$ 414,828	\$ 96,734	\$ 414,828
Depreciable Capital Assets				
Buildings and improvements	5,500	\$ 35,087	\$ -	40,587
Water lines and wells	2,310,852	96,734	-	2,407,586
Sewer lines and plant	11,365,568	-	-	11,365,568
Machinery and equipment	798,926	-	-	798,926
<b>Total Depreciable Capital Assets</b>	14,480,846	\$ 131,821	\$ -	14,612,667
Less Accumulated Depreciation	5,440,514	\$ 332,524	\$ -	5,773,038
<b>Total Depreciable Capital Assets, net</b>	9,040,332			8,839,629
<b>Total Business-Type Activities     Capital Assets, net</b>	\$ 9,137,066			\$ 9,254,457

## 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

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

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](http://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.

<b>2019 Valuation</b>	
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, 2020, the following employees were covered by the benefit terms:

	<b>General</b>	<b>Police</b>	<b>Total</b>
Inactive employees or beneficiaries currently receiving benefits	11	4	15
Inactive employees entitled to but not yet receiving benefits	13	6	19
Active employees	15	5	20
	39	15	54

*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, 2020, 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

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

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

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

The actuarial assumptions used in the February 29, 2020, 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Weighted Average Long-Term Expected Real Rate of Return</b>
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%	-0.29%

*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, 2020

### Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<b>General Division</b>			
Balances at beginning of year	\$ 1,900,275	\$ 1,926,674	\$ (26,399)
Changes for the year			
Service cost	48,473	-	48,473
Interest	137,354	-	137,354
Difference between expected and actual experiences	40,160	-	40,160
Contributions - employer	-	65,525	(65,525)
Net investment income	-	24,850	(24,850)
Benefits paid, including refunds	(60,161)	(60,161)	-
Administrative expenses	-	(5,110)	5,110
Other changes	-	7,988	(7,988)
Net Changes	<u>165,826</u>	<u>33,092</u>	<u>132,734</u>
Balances at end of year	<u>2,066,101</u>	<u>1,959,766</u>	<u>106,335</u>
<b>Police Division</b>			
Balances at beginning of year	<u>756,399</u>	<u>705,211</u>	<u>51,188</u>
Changes for the year			
Service cost	20,499	-	20,499
Interest	54,158	-	54,158
Difference between expected and actual experiences	(21,598)	-	(21,598)
Contributions - employer	-	27,681	(27,681)
Net investment income	-	8,858	(8,858)
Benefits paid, including refunds	(39,610)	(39,610)	-
Administrative expenses	-	(1,748)	1,748
Other changes	-	5,440	(5,440)
Net Changes	<u>13,449</u>	<u>621</u>	<u>12,828</u>
Balances at end of year	<u>769,848</u>	<u>705,832</u>	<u>64,016</u>
<b>Total Plan Balances at End of Year</b>	<u>\$ 2,835,949</u>	<u>\$ 2,665,598</u>	<u>\$ 170,351</u>
Governmental Activities			\$ 161,206
Business-Type Activities			<u>9,145</u>
			<u>\$ 170,351</u>



# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

*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	Current Single Discount Rate	1% Increase
	6.25%	Assumption 7.25%	8.25%
<b>General Division</b>			
Total Pension Liability	\$ 2,354,774	\$ 2,066,101	\$ 1,827,806
Fiduciary Net Position	1,959,766	1,959,766	1,959,766
Net Pension Liability/(Asset)	395,008	106,335	(131,960)
<b>Police Division</b>			
Total Pension Liability	882,135	769,848	678,171
Fiduciary Net Position	705,832	705,832	705,832
Net Pension Liability/(Asset)	176,303	64,016	(27,661)
<b>Total Net Pension Liability/(Asset)</b>	<b>\$ 571,311</b>	<b>\$ 170,351</b>	<b>\$ (159,621)</b>

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

For the year ended 2020, the employer recognized pension expense of \$57,923 in the general division and \$25,171 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 (Inflows) of Resources
<b>General Division</b>			
Differences in experiences	\$ 27,274	\$ (35,839)	\$ (8,565)
Differences in assumptions	5,276	-	5,276
Contributions subsequent to the measurement date*	48,004	-	48,004
	80,554	(35,839)	44,715

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
<b>Police Division</b>			
Differences in experiences	56,767	(33,839)	22,928
Differences in assumptions	3,968	-	3,968
Contributions subsequent to the measurement date*	5,687	-	5,687
	66,422	(33,839)	32,583
	\$ 146,976	\$ (69,678)	\$ 77,298
Governmental Activities	\$ 182,448	\$ (66,596)	\$ 115,852
Business-Type Activities	9,644	(3,082)	6,562
	\$ 192,092	\$ (69,678)	\$ 122,414

\*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, 2021.

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

	<b>General</b>	<b>Police</b>	<b>Total</b>
<b>Year Ending December 31,</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
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	-	-	-
	\$ (74,661)	\$ 17,426	\$ (57,235)

### Payable to the Pension Plan

At December 31, 2020 the City reported \$3,603 as payable to the pension plan.

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

### 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:

	<b>2020</b>
Assessed Valuation	
Real estate	\$ 22,026,941
Personal property	4,671,151
<b>Total</b>	<b>\$ 26,698,092</b>
	<b>2020</b>
Tax Rates Per \$100 of Assessed Valuation	
General revenue	\$ .4621

The legal debt margin at December 31, 2020, was computed as follows:

	<b>General Obligation Bonds</b>		
	<b>Ordinary (1)</b>	<b>Additional (2)</b>	<b>Total</b>
Constitutional Debt Limit	\$ 2,669,809	\$ 2,669,809	\$ 5,339,618
General Obligation Bonds Payable	-	-	-
<b>Legal Debt Margin</b>	<b>\$ 2,669,809</b>	<b>\$ 2,669,809</b>	<b>\$ 5,339,618</b>

(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, 2020, 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, 2020

### 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, 2020, were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>	<u>Total</u>
General Fund	\$ -	\$ -	\$ -
Capital Improvement Fund	-	(159,756)	(159,756)
Water and Sewer Fund	159,756	-	159,756
	<u>\$ 159,756</u>	<u>\$ (159,756)</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, 2020, 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, 2020:

<u>Project</u>	<u>Total</u>
LePage Engineering - drinking water project	\$ 127,005
Greatlife Warsaw, LLC - Shawnee Bend Gold Course	178,600

# City of Warsaw

## Notes to the Financial Statements

December 31, 2020

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### **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 \$1,712,205. Principal, interest and fees paid for the current year and total customer net revenues were \$162,155 and \$441,695, 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.

## Required Supplementary Information

# City of Warsaw

## Schedule of Changes in Net Pension Liability and Related Ratios

Year Ended December 31, 2020

### Missouri Local Government Employees Retirement System (LAGERS)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total Pension Liability</b>						
Service Cost	\$ 68,972	\$ 65,826	\$ 69,925	\$ 69,000	\$ 74,775	\$ 61,979
Interest on the Total Pension Liability	191,512	179,867	172,454	160,287	147,372	119,588
Changes of benefit terms	-	-	-	-	-	239,588
Difference between expected and actual experience	18,562	20,637	(18,383)	21,042	(93,315)	(5,855)
Change of assumptions	-	-	-	-	92,564	-
Benefit Payments	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
<b>Net Change in Total Pension Liability</b>	<u>179,275</u>	<u>151,867</u>	<u>99,133</u>	<u>207,847</u>	<u>182,956</u>	<u>377,019</u>
Total Pension Liability, Beginning	<u>2,656,674</u>	<u>2,504,807</u>	<u>2,405,674</u>	<u>2,197,827</u>	<u>2,014,871</u>	<u>1,637,852</u>
<b>Total Pension Liability, Ending</b>	<u>2,835,949</u>	<u>2,656,674</u>	<u>2,504,807</u>	<u>2,405,674</u>	<u>2,197,827</u>	<u>2,014,871</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	93,206	92,455	86,853	87,860	94,881	91,605
Pension Plan Net Investment Income	33,708	172,792	303,593	228,704	(3,755)	36,453
Benefit Payments	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Pension Plan Administrative Expense	(6,858)	(6,039)	(4,184)	(3,794)	(3,702)	(4,195)
Other	13,428	9,745	21,897	6,494	(11,244)	56,685
<b>Net Change in Plan Fiduciary Net Position</b>	<u>33,713</u>	<u>154,490</u>	<u>283,296</u>	<u>276,782</u>	<u>37,740</u>	<u>142,267</u>
Plan Fiduciary Net Position, Beginning	<u>2,631,885</u>	<u>2,477,395</u>	<u>2,194,099</u>	<u>1,917,317</u>	<u>1,879,577</u>	<u>1,737,310</u>
<b>Plan Fiduciary Net Position, Ending</b>	<u>2,665,598</u>	<u>2,631,885</u>	<u>2,477,395</u>	<u>2,194,099</u>	<u>1,917,317</u>	<u>1,879,577</u>
<b>Employer Net Pension Liability</b>	<u>\$ 170,351</u>	<u>\$ 24,789</u>	<u>\$ 27,412</u>	<u>\$ 211,575</u>	<u>\$ 280,510</u>	<u>\$ 135,294</u>
Plan fiduciary net position as a percentage of the total pension liability	93.99%	99.07%	98.91%	91.21%	87.24%	93.29%
Covered employee payroll	\$ 718,462	\$ 713,855	\$ 655,212	\$ 758,804	\$ 700,824	\$ 857,321
Employer's net pension liability as a percentage of covered employee payroll	23.71%	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, 2020

### Missouri Local Government Employees Retirement System (LAGERS)

	<u>2020</u>	<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>
Actuarially determined contribution	\$ 93,128	\$ 101,267	\$ 91,064	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729	\$ 99,825	\$ 107,909	\$ 95,467	\$ 95,905
Contributions in relation to the actuarially determined contribution	<u>92,070</u>	<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>
Contribution deficiency	<u>\$ 1,058</u>	<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>
Covered-employee payroll	\$ 718,616	\$ 735,881	\$ 713,390	\$ 728,324	\$ 723,244	\$ 833,550	\$ 817,205	\$ 910,178	\$ 926,082	\$ 880,632	\$ 889,727
Contributions as a percentage of covered-employee payroll	12.81%	12.59%	12.76%	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%	10.84%	10.49%

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, 2020

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**Valuation Date:** February 28, 2020

**Notes:** The roll-forward of total pension liability from February 28, 2020, to June 30, 2020, 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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>				
Taxes				
Ad valorem taxes	\$ 122,500	\$ 135,808	\$ 135,808	\$ -
Intangible tax	225	-	-	-
City sales tax	960,000	1,189,505	1,189,505	-
Franchise fees	178,000	191,016	191,016	-
Surtax	14,100	12,258	12,258	-
	<u>1,274,825</u>	<u>1,528,587</u>	<u>1,528,587</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	53,500	38,634	38,634	-
Building permits	8,000	7,832	7,832	-
Other	1,570	5,387	5,387	-
	<u>63,070</u>	<u>51,853</u>	<u>51,853</u>	<u>-</u>
Charges for Services				
Golf course	-	4,448	4,448	-
Trash	109,700	110,937	110,937	-
Recreation	14,550	1,315	1,315	-
	<u>124,250</u>	<u>116,700</u>	<u>116,700</u>	<u>-</u>
Fines and Forfeitures				
City court fines	20,110	8,257	8,257	-
CVC fees	50	20	20	-
	<u>20,160</u>	<u>8,277</u>	<u>8,277</u>	<u>-</u>
Miscellaneous				
Interest	50,000	34,077	34,077	-
Rental income	42,280	36,518	36,518	-
Other	2,500	34,504	34,504	-
	<u>94,780</u>	<u>105,099</u>	<u>105,099</u>	<u>-</u>
<b>Total Revenues</b>	<u>1,577,085</u>	<u>1,810,516</u>	<u>1,810,516</u>	<u>-</u>

See accompanying notes to the Budgetary Comparison Schedules.

## City of Warsaw

### Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Expenditures</b>				
Current				
Administrative	650,442	591,912	591,912	-
Police	559,040	489,429	489,429	-
Recreation	71,560	20,340	20,340	-
Community building	52,668	50,900	50,900	-
Solid waste	107,501	108,548	108,548	-
Golf course	-	128,422	128,422	-
Debt service	-	18,014	18,014	-
<b>Total Expenditures</b>	<b>1,441,211</b>	<b>1,407,565</b>	<b>1,407,565</b>	<b>-</b>
 <i>Excess of Revenues Over Expenditures</i>	 135,874	 402,951	 402,951	 -
 Fund Balance, January 1	 1,525,213	 1,525,213	 1,525,213	 -
<b>Fund Balance, December 31</b>	<b>\$ 1,661,087</b>	<b>\$ 1,928,164</b>	<b>\$ 1,928,164</b>	<b>\$ -</b>

See accompanying notes to the Budgetary Comparison Schedules.

## City of Warsaw

### Budgetary Comparison Schedule – Transportation Fund

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
Transportation sales tax	\$ 315,000	\$ 375,821	\$ 375,821	\$ -
Fuel tax	55,000	53,984	53,984	-
Motor vehicle sales tax	26,000	29,507	29,507	-
	396,000	459,312	459,312	-
Intergovernmental Revenues				
MoDOT FLAP grant	-	19,488	19,488	-
	-	19,488	19,488	-
Charges for Services				
Airport rental fees	75,855	58,967	58,967	-
Airport fuel sales	60,000	51,292	51,292	-
	135,855	110,259	110,259	-
Miscellaneous				
Other	2,500	6,875	6,875	-
<b>Total Revenues</b>	534,355	595,934	595,934	-
<b>Expenditures</b>				
Current				
Airport	113,423	103,411	103,411	-
Streets	409,298	369,058	369,058	-
Capital improvements	10,800	168,671	168,671	-
<b>Total Expenditures</b>	533,521	641,140	641,140	-
<i>Excess (Deficit) of Revenues Over Expenditures</i>	834	(45,206)	(45,206)	-
Fund Balance, January 1	580,830	580,830	580,830	-
<b>Fund Balance, December 31</b>	\$ 581,664	\$ 535,624	\$ 535,624	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

## City of Warsaw

### Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
Capital improvements sales tax	\$ 415,000	\$ 521,611	\$ 521,611	\$ -
Intergovernmental Revenues				
Grant revenue	63,341	-	-	-
Miscellaneous				
Other	-	16	16	-
<b>Total Revenues</b>	478,341	521,627	521,627	-
<b>Expenditures</b>				
Capital improvements	379,538	132,800	132,800	-
<b>Total Expenditures</b>	379,538	132,800	132,800	-
<i>Excess of Revenues Over Expenditures</i>	98,803	388,827	388,827	-
<b>Other Financing (Uses)</b>				
Transfers (out)	-	(159,756)	(159,756)	-
<b>Total Other Financing (Uses)</b>	-	(159,756)	(159,756)	-
<i>Excess of Revenues Over Expenditures and Other (Uses)</i>	98,803	229,071	229,071	-
Fund Balance, January 1	1,048,392	1,048,392	1,048,392	-
<b>Fund Balance, December 31</b>	\$ 1,147,195	\$ 1,277,463	\$ 1,277,463	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

## City of Warsaw

### Budgetary Comparison Schedule – Parks Fund

Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
Park sales tax	\$ 480,000	\$ 501,094	\$ 501,094	\$ -
Intergovernmental Revenues	13,500	9,435	9,435	-
Charges for Services				
Pool fees	46,600	23,848	23,848	-
Park fees	200	200	200	-
	46,800	24,048	24,048	-
<b>Miscellaneous</b>				
Other	-	13,348	13,348	-
<b>Total Revenues</b>	540,300	547,925	547,925	-
<b>Expenditures</b>				
Current				
Pool	114,841	107,233	107,233	-
Park	350,865	300,602	300,602	-
Debt service	147,175	143,342	143,342	-
<b>Total Expenditures</b>	612,881	551,177	551,177	-
<i>(Deficit) of Revenues Over Expenditures</i>	(72,581)	(3,252)	(3,252)	-
Fund Balance, January 1	75,852	75,852	75,852	-
<b>Fund Balance, December 31</b>	\$ 3,271	\$ 72,600	\$ 72,600	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

# City of Warsaw

## Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2020

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### **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, 2020, 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 2, 2021.

**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) as a basis for designing 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 Responses as item 2020-001, that we consider to be a material weakness.

### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Warsaw, Missouri's Response to Finding**

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

### **Purpose of this Report**

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

*KPM CPAs, PC*

KPM CPAs, PC  
Springfield, Missouri  
June 2, 2021

# City of Warsaw

## Schedule of Findings and Responses

Year Ended December 31, 2020

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### Material Weakness

*2020-001 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 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.