

City of Warsaw, Missouri

Basic Financial Statements
Year Ended December 31, 2021

KPM
CPAS & ADVISORS

Table of Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Statement of Net Position.....	15
Statement of Activities.....	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement Net Position – Enterprise Fund	21
Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund	23
Statement of Cash Flows – Enterprise Fund	24
Notes to the Financial Statements.....	25
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios	48
Schedule of Contributions.....	49
Notes to the Schedule of Contributions	50
Budgetary Comparison Schedule – General Fund	51
Budgetary Comparison Schedule – Transportation Fund	53
Budgetary Comparison Schedule – Capital Improvement Fund	54
Budgetary Comparison Schedule – Parks Fund	55
Notes to the Budgetary Comparison Schedules	56
Other Reporting Requirements	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Schedule of Findings and Responses	60



Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinions

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Warsaw and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 23, 2022, on our consideration of the City of Warsaw, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's 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.

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
June 23, 2022

Management's Discussion and Analysis

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2021

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, 2021. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$1,514,217 for the year as a result of current year activities. The net position of the City's business activities increased by \$247,273 for the year.

The assets of the City exceeded its liabilities as of December 31, 2021, by \$22,557,623 (net position). Of this amount \$5,024,918 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, 2021

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.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2021

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.

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, 2021, and December 31, 2020:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2021</u>	<u>Total December 31, 2020</u>
Assets				
Current and other assets	\$ 5,637,609	\$ 1,562,209	\$ 7,199,818	\$ 5,612,712
Capital assets, net	<u>10,678,093</u>	<u>9,244,260</u>	<u>19,922,353</u>	<u>19,959,539</u>
	16,315,702	10,806,469	27,122,171	25,572,251
Deferred Outflow of Resources				
Deferred pension outflows	94,507	2,760	97,267	192,092
Liabilities				
Current liabilities	217,327	484,939	702,266	791,681
Long-term liabilities	<u>1,338,896</u>	<u>2,119,020</u>	<u>3,457,916</u>	<u>4,106,851</u>
	1,556,223	2,603,959	4,160,182	4,898,532
Deferred Inflow of Resources				
Deferred pension inflows	<u>477,804</u>	<u>23,829</u>	<u>501,633</u>	<u>69,678</u>
Net Position				
Net investment in capital assets	9,218,072	6,771,509	15,989,581	15,555,552
Restricted	1,461,505	81,619	1,543,124	1,358,886
Unrestricted	<u>3,696,605</u>	<u>1,328,313</u>	<u>5,024,918</u>	<u>3,881,695</u>
	<u>\$ 14,376,182</u>	<u>\$ 8,181,441</u>	<u>\$ 22,557,623</u>	<u>\$ 20,796,133</u>

Summary of the Net Position

Total net position of the City increased by \$1,761,490 for the year due to current year activity. Total liabilities for the City have decreased by \$738,350. Restricted net position of the City totaled \$1,543,124 as of December 31, 2021. 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, 2021

Change in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended December 31, 2021</u>	<u>Total Year Ended December 31, 2020</u>
Revenues				
Program Revenues				
Charges for services	\$ 414,111	\$ 1,170,180	\$ 1,584,291	\$ 1,494,855
Operating grants and contributions	222,368	-	222,368	-
Capital grants and contributions	60,606	-	60,606	28,923
General Revenues				
Sales taxes	2,831,357	-	2,831,357	2,588,031
Ad valorem taxes	136,914	-	136,914	135,808
Motor vehicle and gas taxes	91,205	-	91,205	83,491
Surtax	12,965	-	12,965	12,258
Franchise fees	199,215	-	199,215	191,016
Interest	13,332	6	13,338	34,082
Other revenue	92,188	31,024	123,212	93,317
Transfers	(114,116)	114,116	-	-
Gain (loss) on sale of assets	(11,395)	-	(11,395)	25,723
Total Revenues	<u>3,948,750</u>	<u>1,315,326</u>	<u>5,264,076</u>	<u>4,687,504</u>
Expenses				
Administrative	377,596	-	377,596	607,116
Police	455,725	-	455,725	500,440
Recreation	10,699	-	10,699	21,925
Community building	116,628	-	116,628	50,874
Solid waste	96,442	-	96,442	108,527
Airport	316,128	-	316,128	217,668
Park	328,153	-	328,153	358,208
Pool	215,896	-	215,896	167,607
Golf course	100,496	-	100,496	142,385
Drake harbor amphitheater	20,478	-	20,478	20,478
Street	389,283	-	389,283	584,585
Community development	7,009	-	7,009	7,009
Water and sewer	-	1,068,053	1,068,053	1,116,118
Total Expenses	<u>2,434,533</u>	<u>1,068,053</u>	<u>3,502,586</u>	<u>3,902,940</u>
Increase in Net Position	<u>\$ 1,514,217</u>	<u>\$ 247,273</u>	<u>\$ 1,761,490</u>	<u>\$ 784,564</u>

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2021

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$1,514,217. Tax revenues for the City were \$3,271,656, which represents 80% of the financing of these activities. Program revenues for the functions totaled \$697,085 or approximately 17% of the financing. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Warsaw's Governmental Activities

	Total Cost of Services	Net Cost of Services
Administrative	\$ 377,596	\$ 44,131
Police	455,725	441,417
Recreation	10,699	10,699
Community building	116,628	116,628
Solid waste	96,442	(9,947)
Airport	316,128	125,056
Pool	215,896	189,486
Park	328,153	328,153
Golf course	100,496	89,501
Drake harbor amphitheater	20,478	20,478
Street	389,283	389,283
Community development	7,009	(7,437)
	<u>\$ 2,434,533</u>	<u>\$ 1,737,448</u>

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$247,273.

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, 2021, were \$5,048,119. The General Fund increased by \$804,976. The Transportation Fund increased by \$229,530. The Capital Improvement Fund increased by \$184,042. The Parks Fund increased by \$15,720.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2021

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2021:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes			
Ad valorem taxes	\$ 123,100	\$ 136,914	\$ 136,914
Intangible tax	225	-	-
City sales tax	1,080,000	1,309,024	1,309,024
Franchise fees	178,000	199,215	199,215
Surtax	14,100	12,965	12,965
	<u>1,395,425</u>	<u>1,658,118</u>	<u>1,658,118</u>
Licenses and Permits			
Occupational licenses	48,500	37,376	37,376
Building permits	8,000	19,025	19,025
Other	1,560	8,626	8,626
	<u>58,060</u>	<u>65,027</u>	<u>65,027</u>
Intergovernmental Revenues			
ARPA grant	-	222,368	222,368
	<u>-</u>	<u>222,368</u>	<u>222,368</u>
Charges for Services			
Golf course	157,870	10,995	10,995
Trash	110,300	106,389	106,389
Recreation	3,920	-	-
	<u>272,090</u>	<u>117,384</u>	<u>117,384</u>
Fines and Forfeitures			
City court fines	15,150	14,278	14,278
CVC fees	26	30	30
	<u>15,176</u>	<u>14,308</u>	<u>14,308</u>
Miscellaneous			
Interest	50,000	13,332	13,332
Rental income	44,280	46,070	46,070
Other	3,000	9,759	9,759
	<u>97,280</u>	<u>69,161</u>	<u>69,161</u>
Other Financing Sources			
Lease proceeds	-	39,100	39,100
	<u>-</u>	<u>39,100</u>	<u>39,100</u>
Transfers			
Transfers In	-	29,597	29,597
	<u>-</u>	<u>29,597</u>	<u>29,597</u>
Total Revenues	<u>1,838,031</u>	<u>2,215,063</u>	<u>2,215,063</u>

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Expenditures			
Current			
Administrative	547,557	537,148	537,148
Police	607,494	507,254	507,254
Recreation	36,552	10,030	10,030
Community building	101,660	116,628	116,628
Solid waste	98,039	96,442	96,442
Golf course	266,345	124,571	124,571
Debt Service	-	18,014	18,014
Total Expenditures	<u>1,657,647</u>	<u>1,410,087</u>	<u>1,410,087</u>
<i>Excess of Revenues Over Expenditures</i>	<u>\$ 180,384</u>	<u>\$ 804,976</u>	<u>\$ 804,976</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 \$10,678,093 net of depreciation as of December 31, 2021. This represents a \$26,989 decrease net of depreciation, from the prior year. Capital assets for business-type activities were \$9,244,260 net of depreciation as of December 31, 2021. This represents net capital asset additions of \$459,736, and \$345,611 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2021, was \$1,487,888, which includes debt retirements, long-term liabilities reductions of \$162,826, and debt proceeds for a tractor of \$39,100.

Total debt of the business-type activities as of December 31, 2021, was \$2,472,751, which includes debt retirement of \$353,517.

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, 2021

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 2022, the city will continue to use \$1,278,000 in bond capacity combined with \$2,000,000 in grants to replace obsolete watermains. The project started in 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, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 4,428,834	\$ 1,237,372	\$ 5,666,206
Ad valorem taxes receivable, net	165,028	-	165,028
Utilities receivable, net	11,030	89,341	100,371
Other receivable, net	41,514	-	41,514
Sales tax receivable	433,036	-	433,036
Inventory	9,985	54,806	64,791
Prepaid expenses	27,027	1,540	28,567
Noncurrent			
Restricted cash and cash equivalents	-	151,255	151,255
Net pension asset	521,155	27,895	549,050
Capital Assets			
Non-depreciable	868,371	247,381	1,115,752
Depreciable, net	9,809,722	8,996,879	18,806,601
Total Assets	<u>16,315,702</u>	<u>10,806,469</u>	<u>27,122,171</u>
Deferred Outflow of Resources			
Deferred pension outflows	94,507	2,760	97,267
Liabilities			
Current			
Accounts payable	31,174	38,830	70,004
Accrued expenses	37,161	10,679	47,840
Deposits payable	-	69,636	69,636
Accrued interest payable	-	12,063	12,063
Current maturities of long-term debt	148,992	353,731	502,723
	<u>217,327</u>	<u>484,939</u>	<u>702,266</u>
Noncurrent			
Compensated absences payable	27,867	-	27,867
Capital leases payable	1,311,029	-	1,311,029
Bonds payable	-	1,314,500	1,314,500
Lease certificates of participation payable	-	804,520	804,520
	<u>1,338,896</u>	<u>2,119,020</u>	<u>3,457,916</u>
Total Liabilities	<u>1,556,223</u>	<u>2,603,959</u>	<u>4,160,182</u>
Deferred Inflow of Resources			
Deferred pension inflows	477,804	23,829	501,633
Net Position			
Net investment in capital assets	9,218,072	6,771,509	15,989,581
Restricted			
Capital projects	1,461,505	-	1,461,505
Debt service	-	81,619	81,619
Unrestricted	3,696,605	1,328,313	5,024,918
Total Net Position	<u>\$ 14,376,182</u>	<u>\$ 8,181,441</u>	<u>\$ 22,557,623</u>

See accompanying notes to the financial statements.

City of Warsaw

Balance Sheet – Governmental Funds

December 31, 2021

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Assets					
Cash and cash equivalents - unrestricted	\$ 2,319,768	\$ 695,286	\$ 1,402,555	\$ 11,225	\$ 4,428,834
Ad valorem taxes receivable, net	165,028	-	-	-	165,028
Sales tax receivable	204,552	61,562	84,840	82,082	433,036
Utilities receivable	11,030	-	-	-	11,030
Other receivables, net	41,514	-	-	-	41,514
Inventory	-	9,985	-	-	9,985
Prepaid expenses	18,883	4,428	688	3,028	27,027
Total Assets	\$ 2,760,775	\$ 771,261	\$ 1,488,083	\$ 96,335	\$ 5,116,454
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 7,747	\$ 385	\$ 23,042	\$ -	\$ 31,174
Accrued expenses	19,888	5,722	3,536	8,015	37,161
Total Liabilities	27,635	6,107	26,578	8,015	68,335
Fund Balances					
Nonspendable					
Inventory	-	9,985	-	-	9,985
Prepaid items	18,883	4,428	-	3,028	26,339
Restricted for					
Capital improvement	-	-	1,461,505	-	1,461,505
Assigned to					
Transportation	-	750,741	-	-	750,741
Parks Fund	-	-	-	85,292	85,292
Unassigned	2,714,257	-	-	-	2,714,257
Total Fund Balances	2,733,140	765,154	1,461,505	88,320	5,048,119
Total Liabilities and Fund Balances	\$ 2,760,775	\$ 771,261	\$ 1,488,083	\$ 96,335	\$ 5,116,454

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, 2021

Fund balance - total governmental funds	\$ 5,048,119
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	21,210,544
Less accumulated depreciation	<u>(10,532,451)</u>
	10,678,093
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	521,155
Deferred outflows due to pensions	94,507
Deferred inflows due to pensions	<u>(477,804)</u>
	137,858
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,487,888)</u>
Net position of governmental activities	<u><u>\$ 14,376,182</u></u>

See accompanying notes to the financial statements.

City of Warsaw

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

December 31, 2021

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Revenues					
Taxes	\$ 1,658,118	\$ 501,060	\$ 566,029	\$ 546,449	\$ 3,271,656
Licenses and permits	65,027	-	-	-	65,027
Intergovernmental revenues	222,368	46,160	14,446	-	282,974
Charges for services	117,384	144,912	-	26,410	288,706
Rental income	46,070	-	-	-	46,070
Fines and forfeitures	14,308	-	-	-	14,308
Interest revenue	13,332	-	-	-	13,332
Miscellaneous	9,759	71,176	-	11,253	92,188
Total Revenues	2,146,366	763,308	580,475	584,112	4,074,261
Expenditures					
Current					
Administrative	537,148	-	-	-	537,148
Police	507,254	-	-	-	507,254
Recreation	10,030	-	-	-	10,030
Community building	116,628	-	-	-	116,628
Solid waste	96,442	-	-	-	96,442
Airport	-	186,719	-	-	186,719
Pool	-	-	-	153,695	153,695
Park	-	-	-	304,648	304,648
Golf course	124,571	-	-	-	124,571
Street	-	262,064	-	-	262,064
Capital improvement	-	84,995	234,641	-	319,636
Debt service	18,014	-	-	128,128	146,142
Total Expenditures	1,410,087	533,778	234,641	586,471	2,764,977
<i>Excess (Deficit) of Revenues Over Expenditures</i>	736,279	229,530	345,834	(2,359)	1,309,284
Other Financing Sources (Uses)					
Lease proceeds	39,100	-	-	-	39,100
Operating transfers in (out)	29,597	-	(161,792)	18,079	(114,116)
Total Other Financing Sources (Uses)	68,697	-	(161,792)	18,079	(75,016)
<i>Excess of Revenues and Other Financing Sources Over Expenditures and Other</i>	804,976	229,530	184,042	15,720	1,234,268
Fund Balance, January 1	1,928,164	535,624	1,277,463	72,600	3,813,851
Fund Balance, December 31	\$ 2,733,140	\$ 765,154	\$ 1,461,505	\$ 88,320	\$ 5,048,119

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

December 31, 2021

Net change in fund balances - total governmental funds	\$ 1,234,268
--	--------------

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	574,227
Depreciation	(589,821)
(Loss) on disposal of assets	(11,395)
	<u>(26,989)</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	183,212
Change in compensated absences	6,028
	<u>189,240</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.

Lease proceeds	(39,100)
Repayment of principal on long-term debt	156,798
	<u>117,698</u>

Change in Net Position of Governmental Activities	<u><u>\$ 1,514,217</u></u>
--	-----------------------------------

See accompanying notes to the financial statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2021

	Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,237,372
Utilities receivable, net	89,341
Inventory	54,806
Prepaid expenses	1,540
Total Current Assets	<u>1,383,059</u>
Restricted Assets	
Cash and cash equivalents	151,255
Total Restricted Assets	<u>151,255</u>
Net Pension Asset	27,895
Property, Plant, and Equipment	
Buildings and improvements	40,587
Construction in progress	247,381
Water lines and wells	2,765,542
Sewer lines and plant	11,365,568
Major moveable equipment	900,706
	<u>15,319,784</u>
Less accumulated depreciation	(6,075,524)
Total Property, Plant, and Equipment	<u>9,244,260</u>
Total Assets	<u>10,806,469</u>
Deferred Outflow of Resources	
Deferred pension outflows	2,760
Total Deferred Outflow of Resources	<u>2,760</u>

See accompanying notes to the financial statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2021

	Water and Sewer Fund
Liabilities	
Current Liabilities	
Accounts payable	38,830
Accrued expenses	10,679
Accrued interest payable	12,063
Customer deposits	69,636
Current maturities of long-term debt	353,731
Total Current Liabilities	<u>484,939</u>
Long-Term Liabilities	
Revenue bonds payable	1,314,500
Lease purchase payable	804,520
Total Long-Term Liabilities	<u>2,119,020</u>
Total Liabilities	<u>2,603,959</u>
Deferred Inflow of Resources	
Deferred pension inflows	23,829
Total Deferred Inflow of Resources	<u>23,829</u>
Net Position	
Net investment in capital assets	6,771,509
Restricted	81,619
Unrestricted	1,328,313
Total Net Position	<u><u>\$ 8,181,441</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, 2021

	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 609,363
Sewer	560,817
Total Operating Revenues	1,170,180
Operating Expenses	
Water	
Salaries and wages	13,362
Employee benefits	8,896
Materials and supplies	3,261
Utilities	34,060
Repairs and maintenance	24,362
Insurance	13,653
Depreciation	132,597
Professional services	198,256
Miscellaneous	2,247
Total Operating Expenses-Water	430,694
Sewer	
Salaries and wages	15,391
Employee benefits	8,573
Materials and supplies	2,948
Utilities	44,519
Repairs and maintenance	52,071
Insurance	16,092
Depreciation	213,014
Professional services	197,076
Miscellaneous	4,892
Total Operating Expenses-Sewer	554,576
Total Operating Expenses	985,270
<i>Operating Income</i>	184,910
Nonoperating Revenue (Expenses)	
Interest income	6
Interest expense-Water	(17,927)
Interest expense-Sewer	(64,856)
Other	31,024
Total Nonoperating (Expenses)	(51,753)
Total Net Income before Operating Transfers	133,157
Operating Transfers In	114,116
<i>Net Income</i>	247,273
Net Position, January 1	7,934,168
Net Position, December 31	\$ 8,181,441

See accompanying notes to the financial statements.

City of Warsaw

Statement of Cash Flows – Enterprise Fund

Year Ended December 31, 2021

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,258,802
Payments to suppliers	(654,491)
Payments to employees	(59,976)
Net Cash Provided by Operating Activities	544,335
Cash Flows from Noncapital Financing Activities	
Transfer from other funds	114,116
Net Cash Provided By Noncapital Financing Activities	114,116
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(292,289)
Principal payments on long-term debt	(353,517)
Interest paid on long-term debt	(53,195)
Net Cash (Used) by Capital and Related Financing Activities	(699,001)
Cash Flows from Investing Activities	
Interest on investments	6
Net Cash Provided by Investing Activities	6
<i>Net (Decrease) in Cash and Cash Equivalents</i>	<i>(40,544)</i>
Cash and Cash Equivalents, Beginning of year	1,429,171
Cash and Cash Equivalents, End of year	1,388,627
Less Restricted Cash and Cash Equivalents	(151,255)
Unrestricted Cash and Cash Equivalents	\$ 1,237,372
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 184,910
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	302,486
(Increase) decrease in	
Taxes receivable	
Utilities receivable	87,222
Deferred pension outflow	6,884
Increase (decrease) in	
Accounts and other payables	(16,529)
Accrued expenses	(4,345)
Deferred pension inflow	20,747
Net pension liability	(37,040)
Net Cash Provided by Operating Activities	\$ 544,335

See accompanying notes to the financial statements.

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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, 2021

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.

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

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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.

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.

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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.

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.

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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 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, 2021, all bank balances on deposit are entirely insured or collateralized.

City of Warsaw

Notes to the Financial Statements

December 31, 2021

3. Receivables

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

	Gross Receivable	Allowance	Net Receivable
Ad Valorem Taxes Receivable			
General Fund	\$ 167,081	\$ 2,053	\$ 165,028
Sales Taxes Receivable			
General Fund	\$ 204,552	\$ -	\$ 204,552
Transportation Fund	61,562	-	61,562
Parks Fund	82,082	-	82,082
Capital Improvement Fund	84,840	-	84,840
	\$ 433,036	\$ -	\$ 433,036
Utilities Receivable			
Water and Sewer Fund	\$ 99,268	\$ 9,927	\$ 89,341
General Fund	11,030	-	11,030
	\$ 110,298	\$ 9,927	\$ 100,371
Other Receivable			
General Fund	\$ 47,615	\$ 6,101	\$ 41,514

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:

	Restricted Cash and Cash Equivalents	Restricted Net Position
2012 Bond Principal and Interest	\$ 20,803	\$ 20,803
2009 Bond Principal and Interest	60,816	60,816
Customer Deposits	69,636	-
Total Business-Type Activities	\$ 151,255	\$ 81,619

City of Warsaw

Notes to the Financial Statements

December 31, 2021

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance	Restricted Net Position
Capital Improvement Fund			
Capital improvement projects	\$ -	\$ 1,461,505	\$ 1,461,505
Total Governmental Activities	\$ -	\$ 1,461,505	\$ 1,461,505

5. Long-Term Liabilities – Business-Type Activities

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

Series 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 Series 2009 revenue bonds are listed in the following table:

Year Ending December 31,	Principal	Interest	.25% Admin Fee	Total
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
	\$ 995,200	\$ 28,138	\$ 12,196	\$ 1,035,534

City of Warsaw

Notes to the Financial Statements

December 31, 2021

Series 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.

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

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2022	\$ 37,400	\$ 5,738	\$ 2,295	\$ 45,433
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>\$ 464,100</u>	<u>\$ 36,243</u>	<u>\$ 14,497</u>	<u>\$ 514,840</u>

Series 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%.

The total minimum lease payments required at December 31, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
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>\$ 523,000</u>	<u>\$ 38,427</u>	<u>\$ 20,853</u>	<u>\$ 582,280</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 2,890	\$ 41	\$ 2,931

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, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
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
	\$ 174,900	\$ 28,835	\$ 203,735

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, 2021

The total minimum lease payments required at December 31, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
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>\$ 312,661</u>	<u>\$ 30,774</u>	<u>\$ 343,435</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, 2021, is as follows:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Amounts Due Within One Year
Long-Term Liabilities					
2009 Revenue Bonds	\$ 1,100,200	\$ -	\$ 105,000	\$ 995,200	\$ 107,400
2012 Revenue Bonds	499,900	-	35,800	464,100	37,400
Direct borrowings					
2005A MAMU Certificates of Participation	655,000	-	132,000	523,000	137,000
Capital Lease - Sewer Jet	16,568	-	13,678	2,890	2,890
Capital Lease - Lift Station	194,600	-	19,700	174,900	20,400
Capital Lease - Meters	360,000	-	47,339	312,661	48,641
	<u>\$ 2,826,268</u>	<u>\$ -</u>	<u>\$ 353,517</u>	<u>\$ 2,472,751</u>	<u>\$ 353,731</u>

6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2021, consists of five capital lease obligations, and compensated absences payable.

Certificates of Participation

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

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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 Series 2019 equipment lease purchase outstanding at December 31, 2021, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,197,300</u>	<u>\$ 227,687</u>	<u>\$ 1,424,987</u>

Capital Lease Agreement – Ford F350

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 4,131	\$ 667	\$ 4,798

Capital Lease Agreement – Police Vehicle

On November 15, 2019, 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>
2022	\$ 17,323	\$ 691	\$ 18,014

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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.

Year Ending December 31,	Principal	Interest	Total
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	31,065	963	32,028
	<u>\$ 202,167</u>	<u>\$ 22,029</u>	<u>\$ 224,196</u>

Capital Lease Agreement – 2021 Tractor

On January 28, 2021, the City entered into a lease purchase obligation to acquire a 2021 John Deere Tractor. The lease requires annual payments of \$8,404, which includes interest at 2.45%. The City will make the final payment in 2026.

Year Ending December 31,	Principal	Interest	Total
2022	\$ 7,446	\$ 958	\$ 8,404
2023	7,629	775	8,404
2024	7,815	589	8,404
2025	8,007	397	8,404
2026	8,203	201	8,404
	<u>\$ 39,100</u>	<u>\$ 2,920</u>	<u>\$ 42,020</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, 2021

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, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Amounts Due Within One Year
Direct Borrowings					
MTFC Agreement	\$ 228,156	\$ -	\$ 25,989	\$ 202,167	\$ 26,692
US Bancorp - Police Vehicle	33,981	-	16,658	17,323	17,323
Ford F350 Lease Purchase	12,565	-	8,434	4,131	4,131
Skid steer Lease Purchase	15,117	-	15,117	-	-
Pool Equipment Lease Purchase	1,287,900	-	90,600	1,197,300	93,400
Tractor Lease Purchase	-	39,100	-	39,100	7,446
Compensated Absences Payable	33,895	-	6,028	27,867	-
	<u>\$ 1,611,614</u>	<u>\$ 39,100</u>	<u>\$ 162,826</u>	<u>\$ 1,487,888</u>	<u>\$ 148,992</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Governmental Activities				
Nondepreciable Capital Assets				
Construction in progress	\$ 19,658	\$ 282,955	\$ -	\$ 302,613
Land	565,758	-	-	565,758
Total Nondepreciable Capital Assets	585,416	<u>\$ 282,955</u>	<u>\$ -</u>	868,371
Depreciable Capital Assets				
Building and improvements	6,705,955	\$ -	\$ -	6,705,955
Equipment and vehicles	1,424,868	193,032	71,465	1,546,435
Infrastructure	11,991,543	98,240	-	12,089,783
Total Depreciable Capital Assets	20,122,366	<u>\$ 291,272</u>	<u>\$ 71,465</u>	20,342,173
Less Accumulated Depreciation	10,002,700	<u>\$ 589,821</u>	<u>\$ 60,070</u>	10,532,451
Total Depreciable Capital Assets, net	<u>10,119,666</u>			<u>9,809,722</u>
Total Governmental Activities Capital Assets, net	<u>\$ 10,705,082</u>			<u>\$ 10,678,093</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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

Administrative	\$ 20,535
Street	230,461
Community development	7,009
Recreation	669
Police	15,868
Golf course	15,025
Drake Harbor Amphitheater	20,478
Pool	60,738
Airport	129,558
Park	89,480
	\$ 589,821

	Balance December 31, 2020	Additions	Deletions	Balance December 31, 2021
Business-Type Activities				
Water and Sewer				
Nondepreciable Capital Assets				
Construction in progress	\$ 414,828	\$ 190,510	\$ 357,957	\$ 247,381
Depreciable Capital Assets				
Buildings and improvements	40,587	\$ -	\$ -	40,587
Water lines and wells	2,407,586	357,956	-	2,765,542
Sewer lines and plant	11,365,568	-	-	11,365,568
Machinery and equipment	798,926	144,905	43,125	900,706
Total Depreciable Capital Assets	14,612,667	\$ 502,861	\$ 43,125	15,072,403
Less Accumulated Depreciation	5,773,038	\$ 345,611	\$ 43,125	6,075,524
Total Depreciable Capital Assets, net	8,839,629			8,996,879
Total Business-Type Activities Capital Assets, net	\$ 9,254,457			\$ 9,244,260

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

City of Warsaw

Notes to the Financial Statements

December 31, 2021

administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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

	2021 Valuation
Benefit multiplier	1.50% for life
Final average salary	5 years
Member contributions	0%

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

Employees Covered by Benefit Terms. At June 30, 2021, the following employees were covered by the benefit terms:

	General	Police	Total
Inactive employees or beneficiaries currently receiving benefits	14	4	18
Inactive employees entitled to but not yet receiving benefits	12	7	19
Active employees	13	6	19
	39	17	56

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 (Asset). The employer’s net pension (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension (asset) was determined by an actuarial valuation as of February 28, 2021.

City of Warsaw

Notes to the Financial Statements

December 31, 2021

Actuarial Assumptions. The total pension liability in the February 28, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase	2.75% to 6.75% including wage inflation for General Division
Salary increase	2.75% to 6.55% including wage inflation for Police Division
Investment rate of return	7.00% net of investment expenses

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

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

The actuarial assumptions used in the February 28, 2021, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

Discount Rate. The discount rate used to measure the total pension liability is 7.00%. 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, 2021

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
General Division			
Balances at beginning of year	\$ 2,066,101	\$ 1,959,766	\$ 106,335
Changes for the year			
Service cost	48,051	-	48,051
Interest	148,382	-	148,382
Difference between expected and actual experiences	(47,204)	-	(47,204)
Contributions - employer	-	55,448	(55,448)
Net investment income	-	559,415	(559,415)
Change of assumptions	(38,882)	-	(38,882)
Benefits paid, including refunds	(87,639)	(87,639)	-
Administrative expenses	-	(3,389)	3,389
Other (net transfer)	-	15,432	(15,432)
Net Changes	22,708	539,267	(516,559)
Balances at end of year	2,088,809	2,499,033	(410,224)
Police Division			
Balances at beginning of year	769,848	705,832	64,016
Changes for the year			
Service cost	19,133	-	19,133
Interest	55,066	-	55,066
Difference between expected and actual experiences	(38,552)	-	(38,552)
Contributions - employer	-	32,046	(32,046)
Net investment income	-	189,076	(189,076)
Change of assumptions	(6,868)	-	(6,868)
Benefits paid, including refunds	(40,137)	(40,137)	-
Administrative expenses	-	(1,439)	1,439
Other (net transfer)	-	11,938	(11,938)
Net Changes	(11,358)	191,484	(202,842)
Balances at end of year	758,490	897,316	(138,826)
Total Plan Balances at End of Year	\$ 2,847,299	\$ 3,396,349	\$ (549,050)
Governmental Activities			\$ (521,155)
Business-Type Activities			(27,895)
			<u>\$ (549,050)</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2021

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following present the Net Pension Liability (Asset) of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability (Asset) would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
General Division			
Total Pension Liability	\$ 2,369,211	\$ 2,088,809	\$ 1,856,197
Plan Fiduciary Net Position	2,499,033	2,499,033	2,499,033
Net Pension Liability/(Asset)	(129,822)	(410,224)	(642,836)
Police Division			
Total Pension Liability	864,403	758,490	671,699
Plan Fiduciary Net Position	897,316	897,316	897,316
Net Pension Liability/(Asset)	(32,913)	(138,826)	(225,617)
Total Net Pension Liability/(Asset)	\$ (162,735)	\$ (549,050)	\$ (868,453)

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

For the year ended 2021, the employer recognized a pension credit of \$80,357 in the general division and \$28,290 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
General Division			
Differences in experiences	\$ 14,388	\$ (41,724)	\$ (27,336)
Assumption changes	-	(27,591)	(27,591)
Difference between projected and actual investment earnings	-	(281,112)	(281,112)
Contributions subsequent to the measurement date*	26,205	-	26,205
	40,593	(350,427)	(309,834)

City of Warsaw

Notes to the Financial Statements

December 31, 2021

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Police Division			
Differences in experiences	41,283	(50,065)	(8,782)
Assumption changes	-	(5,239)	(5,239)
Difference between projected and actual investment earnings	-	(95,902)	(95,902)
Contributions subsequent to the measurement date*	15,391	-	15,391
	56,674	(151,206)	(94,532)
	\$ 97,267	\$ (501,633)	\$ (404,366)
Governmental Activities	\$ 94,507	\$ (477,804)	\$ (383,297)
Business-Type Activities	2,760	(23,829)	(21,069)
	\$ 97,267	\$ (501,633)	\$ (404,366)

*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, 2022.

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

	General	Police	Total
Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
2022	\$ (96,628)	\$ (33,350)	\$ (129,978)
2023	(84,129)	(17,995)	(102,124)
2024	(71,672)	(22,949)	(94,621)
2025	(83,610)	(33,075)	(116,685)
2026	-	(2,554)	(2,554)
	\$ (336,039)	\$ (109,923)	\$ (445,962)

City of Warsaw

Notes to the Financial Statements

December 31, 2021

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:

	2021
Assessed Valuation	
Real estate	\$ 24,463,852
Personal property	5,372,400
Total	\$ 29,836,252
	2021
Tax Rates Per \$100 of Assessed Valuation	
General revenue	\$ 0.4430

The legal debt margin at December 31, 2021, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 2,983,625	\$ 2,983,625	\$ 5,967,250
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 2,983,625	\$ 2,983,625	\$ 5,967,250

(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, 2021, 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, 2021

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, 2021, were as follows:

	Transfers in	Transfers out	Total
General Fund	\$ 29,597	\$ -	\$ 29,597
Capital Improvement Fund	-	(161,792)	(161,792)
Parks Fund	18,079	-	18,079
Water and Sewer Fund	114,116	-	114,116
	<u>\$ 161,792</u>	<u>\$ (161,792)</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, 2021, the City was committed to the following contracts:

The City entered into a contract in 2021 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 \$3.75 per account for January 1, 2021, to December 31, 2021, and rates will be increased \$0.10 for the remaining two years. The contract term runs from October 2021 to October 2024.

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 \$3,600 per month in 2021 plus 10% of revenues over the revenue goal of \$200,000. The contract term runs from March 2021 to February 2026.

The City was committed the following vendors and projects at December 31, 2021:

Project	Total
Burns and McDonnell - Stormwater 604b Project	\$ 83,215
Do-Rite Construction - Osage Trail Lighting Installation Project	56,075

City of Warsaw

Notes to the Financial Statements

December 31, 2021

14. Subsequent Event

On January 12, 2022, the City entered into a purchase agreement with Foley Equipment Co. in the amount of \$84,995 for a backhoe.

15. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the Series 2009 Combined Water and Sewer Bond and the Series 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 2033. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$1,523,681. Principal and interest paid for the current year and total customer net revenues were \$161,505 and \$530,521, respectively.

Required Supplementary Information

City of Warsaw

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Year Ended December 31, 2021

Missouri Local Government Employees Retirement System (LAGERS)							
	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service Cost	\$ 67,184	\$ 68,972	\$ 65,826	\$ 69,925	\$ 69,000	\$ 74,775	\$ 61,979
Interest on the Total Pension Liability	203,448	191,512	179,867	172,454	160,287	147,372	119,588
Changes of benefit terms	-	-	-	-	-	-	239,588
Difference between expected and actual experience	(85,756)	18,562	20,637	(18,383)	21,042	(93,315)	(5,855)
Change of assumptions	(45,750)	-	-	-	-	92,564	-
Benefit Payments	(127,776)	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Net Change in Total Pension Liability	11,350	179,275	151,867	99,133	207,847	182,956	377,019
Total Pension Liability, Beginning	2,835,949	2,656,674	2,504,807	2,405,674	2,197,827	2,014,871	1,637,852
Total Pension Liability, Ending	2,847,299	2,835,949	2,656,674	2,504,807	2,405,674	2,197,827	2,014,871
Plan Fiduciary Net Position							
Contributions - employer	87,494	93,206	92,455	86,853	87,860	94,881	91,605
Pension Plan Net Investment Income	748,491	33,708	172,792	303,593	228,704	(3,755)	36,453
Benefit Payments	(127,776)	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Pension Plan Administrative Expense	(4,828)	(6,858)	(6,039)	(4,184)	(3,794)	(3,702)	(4,195)
Other	27,370	13,428	9,745	21,897	6,494	(11,244)	56,685
Net Change in Plan Fiduciary Net Position	730,751	33,713	154,490	283,296	276,782	37,740	142,267
Plan Fiduciary Net Position, Beginning	2,665,598	2,631,885	2,477,395	2,194,099	1,917,317	1,879,577	1,737,310
Plan Fiduciary Net Position, Ending	3,396,349	2,665,598	2,631,885	2,477,395	2,194,099	1,917,317	1,879,577
Employer Net Pension Liability (Asset)	\$ (549,050)	\$ 170,351	\$ 24,789	\$ 27,412	\$ 211,575	\$ 280,510	\$ 135,294
Plan fiduciary net position as a percentage of the total pension liability	119.28%	93.99%	99.07%	98.91%	91.21%	87.24%	93.29%
Covered payroll	\$ 663,379	\$ 718,462	\$ 713,855	\$ 655,212	\$ 758,804	\$ 700,824	\$ 857,321
Employer's net pension liability (asset) as a percentage of covered payroll	-82.77%	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, 2021

Missouri Local Government Employees Retirement System (LAGERS)

	<u>2021</u>	<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>
Actuarially determined contribution	\$ 85,351	\$ 93,128	\$ 101,267	\$ 91,064	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729	\$ 99,825	\$ 107,909
Contributions in relation to the actuarially determined contribution	83,975	92,070	92,664	91,064	88,780	84,707	100,390	82,729	99,825	107,909
Contribution deficiency	<u>\$ 1,376</u>	<u>\$ 1,058</u>	<u>\$ 8,603</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>				
 Covered payroll	 \$ 632,826	 \$ 718,616	 \$ 735,881	 \$ 713,390	 \$ 728,324	 \$ 723,244	 \$ 833,550	 \$ 817,205	 \$ 910,178	 \$ 926,082
Contributions as a percentage of covered payroll	13.27%	12.81%	12.59%	12.76%	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%

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, 2021

Valuation Date: February 28, 2021

Notes: The roll-forward of total pension liability from February 28, 2021, to June 30, 2021, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: Level Percentage of Payroll, Closed

Remaining Amortization Period: Multiple bases from 13 to 15 years

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

Inflation: 2.75% wage inflation; 2.25% price inflation

Salary Increases: 2.75% to 6.75% for General Division and 2.75% to 6.55% for Police Division including wage inflation

Investment Rate of Return: 7.00%, 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, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

Other Information: None

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 123,100	\$ 136,914	\$ 136,914	\$ -
Intangible tax	225	-	-	-
City sales tax	1,080,000	1,309,024	1,309,024	-
Franchise fees	178,000	199,215	199,215	-
Surtax	14,100	12,965	12,965	-
	1,395,425	1,658,118	1,658,118	-
Licenses and Permits				
Occupational licenses	48,500	37,376	37,376	-
Building permits	8,000	19,025	19,025	-
Other	1,560	8,626	8,626	-
	58,060	65,027	65,027	-
Intergovernmental Revenues				
ARPA grant	-	222,368	222,368	-
	-	222,368	222,368	-
Charges for Services				
Golf course	157,870	10,995	10,995	-
Trash	110,300	106,389	106,389	-
Recreation	3,920	-	-	-
	272,090	117,384	117,384	-
Fines and Forfeitures				
City court fines	15,150	14,278	14,278	-
CVC fees	26	30	30	-
	15,176	14,308	14,308	-
Miscellaneous				
Interest	50,000	13,332	13,332	-
Rental income	44,280	46,070	46,070	-
Other	3,000	9,759	9,759	-
	97,280	69,161	69,161	-
Total Revenues	1,838,031	2,146,366	2,146,366	-

See accompanying notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	547,557	537,148	537,148	-
Police	607,494	507,254	507,254	-
Recreation	36,552	10,030	10,030	-
Community building	101,660	116,628	116,628	-
Solid waste	98,039	96,442	96,442	-
Golf course	266,345	124,571	124,571	-
Debt service	-	18,014	18,014	-
Total Expenditures	1,657,647	1,410,087	1,410,087	-
 <i>Excess of Revenues Over Expenditures</i>	 180,384	 736,279	 736,279	 -
 Other Financing Sources				
Lease proceeds	-	39,100	39,100	-
Operating transfers in	-	29,597	29,597	-
Total Other Financing Sources	-	68,697	68,697	-
 <i>Excess of Revenues and Other Sources Over Expenditures</i>	 180,384	 804,976	 804,976	 -
 Fund Balance, January 1	 1,928,164	 1,928,164	 1,928,164	 -
Fund Balance, December 31	\$ 2,108,548	\$ 2,733,140	\$ 2,733,140	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Transportation Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Transportation sales tax	\$ 350,000	\$ 409,855	\$ 409,855	\$ -
Fuel tax	55,000	57,538	57,538	-
Motor vehicle sales tax	29,000	33,667	33,667	-
	434,000	501,060	501,060	-
Intergovernmental Revenues				
MoDOT FLAP grant	-	46,160	46,160	-
	-	46,160	46,160	-
Charges for Services				
Airport rental fees	63,745	63,921	63,921	-
Airport fuel sales	60,000	80,991	80,991	-
	123,745	144,912	144,912	-
Miscellaneous				
Other	67,100	71,176	71,176	-
Total Revenues	624,845	763,308	763,308	-
Expenditures				
Current				
Airport	121,256	186,719	186,719	-
Streets	371,962	262,064	262,064	-
Capital improvements	85,000	84,995	84,995	-
Total Expenditures	578,218	533,778	533,778	-
<i>Excess of Revenues over Expenditures</i>	46,627	229,530	229,530	-
Fund Balance, January 1	535,624	535,624	535,624	-
Fund Balance, December 31	\$ 582,251	\$ 765,154	\$ 765,154	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Capital improvements sales tax	\$ 500,000	\$ 566,029	\$ 566,029	\$ -
Intergovernmental Revenues				
Grant revenue	252,923	14,446	14,446	-
Miscellaneous				
Other	651,298	-	-	-
Total Revenues	1,404,221	580,475	580,475	-
Expenditures				
Capital improvements	1,168,561	234,641	234,641	-
Total Expenditures	1,168,561	234,641	234,641	-
<i>Excess of Revenues Over Expenditures</i>	235,660	345,834	345,834	-
Other Financing (Uses)				
Operating transfers (out)	-	(161,792)	(161,792)	-
Total Other Financing (Uses)	-	(161,792)	(161,792)	-
<i>Excess of Revenues Over Expenditures and Other (Uses)</i>	235,660	184,042	184,042	-
Fund Balance, January 1	1,277,463	1,277,463	1,277,463	-
Fund Balance, December 31	\$ 1,513,123	\$ 1,461,505	\$ 1,461,505	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Parks Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Park sales tax	\$ 500,000	\$ 546,449	\$ 546,449	\$ -
Charges for Services				
Pool fees	44,050	25,950	25,950	-
Park fees	200	460	460	-
	44,250	26,410	26,410	-
Miscellaneous				
Other	-	11,253	11,253	-
Total Revenues	544,250	584,112	584,112	-
Expenditures				
Current				
Pool	150,350	153,695	153,695	-
Park	320,231	304,648	304,648	-
Debt service	129,495	128,128	128,128	-
Total Expenditures	600,076	586,471	586,471	-
<i>(Deficit) of Revenues Over Expenditures</i>	(55,826)	(2,359)	(2,359)	-
Other Financing Sources				
Operating transfers in	-	18,079	18,079	-
Total Other Financing Sources	-	18,079	18,079	-
<i>Excess (Deficit) of Revenues and Other Sources over Expenditures</i>	(55,826)	15,720	15,720	-
Fund Balance, January 1	72,600	72,600	72,600	-
Fund Balance, December 31	\$ 16,774	\$ 88,320	\$ 88,320	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

City of Warsaw

Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2021

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 Alderman
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, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Warsaw, Missouri's basic financial statements, and have issued our report thereon dated June 23, 2022.

Report on 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2021-001, that we consider to be a material weakness.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Member of The Leading Edge Alliance

Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

KPM CPAs, PC

KPM CPAS, PC
Springfield, Missouri
June 23, 2022

City of Warsaw

Schedule of Findings and Responses

Year Ended December 31, 2021

Material Weakness

2021-001 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.