

City of Warsaw, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2017

KPM
CPAS & ADVISORS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2018, on our consideration of the City of Warsaw, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warsaw, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC
Springfield, Missouri
April 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

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, 2017. Please read it in conjunction with the City's financial statements, which begin on page 18.

Financial Highlights

- The net position of the City's governmental activities increased by \$714,673 for the year as a result of current year activities. The net position of the City's business activities increased by \$75,709 for the year.
- The assets of the City exceeded its liabilities as of December 31, 2017, by \$19,314,635 (net position). Of this amount \$2,827,652 was unrestricted and may be used to meet future obligations of the City.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, liabilities, and deferred inflows/outflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. The City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

Fund Financial Statements

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

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

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

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

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

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

- Enterprise Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.
- Business-Type Activities – the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer are provided here.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

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, 2017, and December 31, 2016:

	Governmental Activities	Business-Type Activities	Total December 31, 2017	Total December 31, 2016
Assets				
Current and other assets	\$ 3,017,424	\$ 1,120,450	\$ 4,137,874	\$ 3,673,862
Capital assets, net	10,889,603	9,387,691	20,277,294	20,128,902
	13,907,027	10,508,141	24,415,168	23,802,764
Deferred Outflow of Resources				
Deferred pension outflows	181,318	2,070	183,388	295,007
Liabilities				
Current liabilities	273,862	359,295	633,157	553,132
Long-term liabilities	1,742,935	2,825,131	4,568,066	4,928,420
	2,016,797	3,184,426	5,201,223	5,481,552
Deferred Inflow of Resources				
Deferred pension inflows	82,174	524	82,698	91,966
Net Position				
Net investment in capital assets	9,247,684	6,296,545	15,544,229	15,128,678
Restricted	795,497	147,257	942,754	846,468
Unrestricted	1,946,193	881,459	2,827,652	2,549,107
	<u>\$ 11,989,374</u>	<u>\$ 7,325,261</u>	<u>\$ 19,314,635</u>	<u>\$ 18,524,253</u>

Summary of the Net Position

Total net position of the City increased by \$790,382 for the year due to current year activity. Total liabilities for the City have decreased by \$280,329. Restricted net position of the City totaled \$942,754 as of December 31, 2017. This amount represents monies that are restricted for debt service and capital improvement projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2017	Total Year Ended December 31, 2016
REVENUES				
Program Revenues				
Charges for services	\$ 595,717	\$ 992,220	\$ 1,587,937	\$ 1,516,122
Capital grants and contributions	693,721	-	693,721	433,881
General Revenues				
Sales taxes	2,236,592	-	2,236,592	2,164,545
Ad valorem taxes	115,847	-	115,847	112,101
Intangible tax	130	-	130	248
Motor vehicle and gas taxes	85,818	-	85,818	84,130
Surtax	14,648	-	14,648	14,305
Franchise fees	174,129	-	174,129	175,458
Interest	31,160	-	31,160	9,352
Other revenue	83,572	-	83,572	105,367
Transfers	(103,034)	103,034	-	-
Gain on sale of assets	9,100	-	9,100	-
TOTAL REVENUES	3,937,400	1,095,254	5,032,654	4,615,509
EXPENSES				
Administrative	627,238	-	627,238	565,197
Police	576,186	-	576,186	410,059
Recreation	84,318	-	84,318	90,177
Community building	63,630	-	63,630	46,375
Community development	159,934	-	159,934	375,042
Solid waste	103,494	-	103,494	101,236
Airport	278,176	-	278,176	207,318
Park	375,611	-	375,611	251,487
Pool	197,261	-	197,261	176,659
Golf course	244,137	-	244,137	220,421
Street	346,424	-	346,424	638,275
Debt service	166,318	-	166,318	180,002
Water and sewer	-	1,019,545	1,019,545	941,218
TOTAL EXPENSES	3,222,727	1,019,545	4,242,272	4,203,466
INCREASE IN NET POSITION	\$ 714,673	\$ 75,709	\$ 790,382	\$ 412,043

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$714,673. Tax revenues for the City were \$2,627,164, which represents 67% of the financing of these activities. Program revenues for the functions totaled \$1,289,438 or approximately 33% 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	\$ 627,238	\$ 510,145
Police	576,186	550,738
Recreation	84,318	56,415
Community building	63,630	63,630
Community development	159,934	153,849
Solid waste	103,494	(609)
Airport	278,176	(496,303)
Pool	197,261	148,064
Park	375,611	375,611
Golf course	244,137	67,007
Street	346,424	338,424
Debt service	166,318	166,318
	<u>\$ 3,222,727</u>	<u>\$ 1,933,289</u>

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$75,709.

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, 2017, were \$2,876,203. The General Fund decreased by \$1,984. The Transportation Fund increased by \$17,088. The Capital Improvement Fund increased by \$215,734. The Debt Service Fund decreased by \$109,638. The Parks Fund increased by \$132,841.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2017:

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Ad valorem taxes	\$ 118,000	\$ 115,847	\$ 115,847
Intangible tax	370	130	130
City sales tax	903,000	1,021,079	1,021,079
Franchise fees	177,860	174,129	174,129
Surtax	14,000	14,648	14,648
	1,213,230	1,325,833	1,325,833
Licenses and Permits			
Occupational licenses	54,000	56,679	56,679
Building permits	10,000	14,972	14,972
Other	1,800	952	952
	65,800	72,603	72,603
Charges for Services			
Golf course	194,900	177,130	177,130
Trash	106,000	104,103	104,103
Recreation	25,850	27,903	27,903
	326,750	309,136	309,136
Fines and Forfeitures			
City court fines	20,200	25,315	25,315
CVC fees	34	133	133
	20,234	25,448	25,448
Miscellaneous			
Interest	8,000	31,160	31,160
Rental income	43,500	44,490	44,490
Other	1,000	26,643	26,643
	52,500	102,293	102,293
Other Financing Sources			
Transfers in	-	84,887	84,887
TOTAL REVENUES	1,678,514	1,920,200	1,920,200

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

General Fund Budgetary Highlights (continued)

	Original Budget	Final Budget	Actual
EXPENDITURES			
Current			
Administrative	515,348	501,545	501,545
Police	602,973	518,030	518,030
Recreation	116,832	84,118	84,118
Community building	76,477	64,042	64,042
Solid waste	103,302	103,736	103,736
Golf course	301,168	322,969	322,969
Debt Service	-	12,443	12,443
Transfers to other funds	-	315,301	315,301
	-	-	-
TOTAL EXPENDITURES	1,716,100	1,922,184	1,922,184
(DEFICIT) OF REVENUES			
OVER EXPENDITURES	\$ (37,586)	\$ (1,984)	\$ (1,984)

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

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$10,889,603 net of depreciation as of December 31, 2017. This represents a \$432,622 increase, net of depreciation, from the prior year. Capital assets for business-type activities were \$9,387,691 net of depreciation as of December 31, 2017. This represents net capital asset additions of \$58,816 and \$343,046 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2017, was \$1,666,502, which includes debt retirements, long-term liabilities reductions of \$136,405, and additional debt of \$74,788.

Total debt of the business-type activities as of December 31, 2017, was \$3,091,146, which includes debt retirement of \$270,656 and additional debt of \$58,816.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

Economic Factors and Next Year's Budget

The key to Warsaw's economic future is to continue to improve the community's ability to attract tourists, with their expenditures contributing to the City sales tax base. This approach will create the funds needed for other community and economic development. The following is from the 2016 audit:

"As stated in the past five years, the 2017 budget will continue to be conservative and focus more on expenditures more in line with their respective funds. The goal is to have each fund, over the next few years, create enough revenue to fund its own needs with a lesser amount of subsidy from other funds. This move is critical at this time as the sales tax revenues continue to show moderate increases."

This approach is starting to bear fruit. Almost all of the funds have gained in balance, while the community continues to develop critical quality of life improvements. The major beneficiary of this approach has been the Parks Fund and Capital Improvements Fund.

As the City continues to improve and expand its parks and trail network, funds will be needed for maintenance, improvements of current facility and expansion. Additionally, as the new pool ages it will increasingly need more financial attention.

The Capital Improvement Fund showed the largest 2017 increase of all funds. The following is also from the 2016 audit:

"Over the past years, the debt service for the 94B SRF has been taken from the Capital Improvement Fund at an average of \$125,000 annually. Now that this debt has been retired, the Capital Improvement Fund is in a position to start developing a larger cash reserve and move the fund towards investing in community development needs like sidewalks, storm sewer and other physical capital improvements for the community. The City should continue to use these funds as match for grant projects."

It is critical to continue moving the Capital Improvement Fund in the direction of using it for its intended use of community improvements, such as streets, sidewalks, storm water and those capital items that advance the appearance and livability of the community. With the City's history of receiving grants, the Capital Improvement Fund should be used to match grants for the purposes mentioned in this paragraph.

As the City moves closer to retiring the MAMU debt, the utilities should be adjusted appropriately to move the Enterprise Funds (Business-Type Activities) to a point that the fund can finance its own activities without subsidy from the Governmental Funds (Governmental Activities). This especially applies to the sewer portion of the Utility Fund. As the community grows, it has to position this fund to meet the current needs of replacing the aging infrastructure, while being able to meet the needs of the expanding community. A plan needs to be developed that shifts the burden of debt from the Capital Improvement Fund to the Utility Fund.

If the City achieves all that is in this year's Management's Discussion and Analysis, the future is promising for the residents of Warsaw.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARSAW, MISSOURI
December 31, 2017

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
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Warsaw, Missouri 65355
(660) 438-5522
cityclerk@welcometowarsaw.com

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

CITY OF WARSAW, MISSOURI
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,832,512	\$ 726,883	\$ 2,559,395
Ad valorem taxes receivable, net	131,237	-	131,237
Utilities receivable, net	14,546	147,669	162,215
Intergovernmental receivable	553,809	-	553,809
Other receivable, net	46,186	-	46,186
Sales tax receivable	380,126	-	380,126
Inventory	13,076	46,355	59,431
Prepaid expenses	14,199	1,540	15,739
Noncurrent			
Restricted cash and cash equivalents	31,733	198,003	229,736
Capital Assets:			
Non-depreciable	559,978	-	559,978
Depreciable, net	10,329,625	9,387,691	19,717,316
TOTAL ASSETS	13,907,027	10,508,141	24,415,168
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	181,318	2,070	183,388
LIABILITIES			
Current			
Accounts payable	109,155	6,351	115,506
Accrued expenses	31,166	1,202	32,368
Deposits payable	-	55,055	55,055
Court bonds payable	900	-	900
Accrued interest payable	-	18,859	18,859
Current maturities of long-term debt	132,641	277,828	410,469
	273,862	359,295	633,157
Noncurrent			
Compensated absences payable	24,583	-	24,583
Arbitrage payable	-	9,312	9,312
Capital leases payable	99,278	-	99,278
Bonds payable	-	1,873,600	1,873,600
Lease certificates of participation payable	1,410,000	939,718	2,349,718
Net pension liability	209,074	2,501	211,575
	1,742,935	2,825,131	4,568,066
TOTAL LIABILITIES	2,016,797	3,184,426	5,201,223
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	82,174	524	82,698
NET POSITION			
Net investment in capital assets	9,247,684	6,296,545	15,544,229
Restricted			
Capital projects	764,664	-	764,664
Debt service	30,833	147,257	178,090
Unrestricted	1,946,193	881,459	2,827,652
TOTAL NET POSITION	\$ 11,989,374	\$ 7,325,261	\$ 19,314,635

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (627,238)	\$ 117,093	\$ -	\$ -	\$ (510,145)	\$ -	\$ (510,145)
Police	(576,186)	25,448	-	-	(550,738)	-	(550,738)
Recreation	(84,318)	27,903	-	-	(56,415)	-	(56,415)
Community building	(63,630)	-	-	-	(63,630)	-	(63,630)
Community development	(159,934)	-	-	6,085	(153,849)	-	(153,849)
Solid waste	(103,494)	104,103	-	-	609	-	609
Airport	(278,176)	94,843	-	679,636	496,303	-	496,303
Pool	(197,261)	49,197	-	-	(148,064)	-	(148,064)
Park	(375,611)	-	-	-	(375,611)	-	(375,611)
Golf course	(244,137)	177,130	-	-	(67,007)	-	(67,007)
Street	(346,424)	-	-	8,000	(338,424)	-	(338,424)
Debt service	(166,318)	-	-	-	(166,318)	-	(166,318)
TOTAL GOVERNMENTAL ACTIVITIES	(3,222,727)	595,717	-	693,721	(1,933,289)	-	(1,933,289)
Business-Type Activities							
Water and sewer	(1,019,545)	992,220	-	-	-	(27,325)	(27,325)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,019,545)	992,220	-	-	-	(27,325)	(27,325)
TOTAL GOVERNMENT	<u>\$ (4,242,272)</u>	<u>\$ 1,587,937</u>	<u>\$ -</u>	<u>\$ 693,721</u>	<u>(1,933,289)</u>	<u>(27,325)</u>	<u>(1,960,614)</u>
General Revenues and Transfers:							
Sales taxes					2,236,592	-	2,236,592
Ad valorem taxes					115,847	-	115,847
Intangible tax					130	-	130
Motor vehicle taxes					85,818	-	85,818
Surtax					14,648	-	14,648
Franchise fees					174,129	-	174,129
Interest					31,160	-	31,160
Other revenue					83,572	-	83,572
Transfers					(103,034)	103,034	-
Gain on sale of assets					9,100	-	9,100
Total General Revenues and Transfers					<u>2,647,962</u>	<u>103,034</u>	<u>2,750,996</u>
Changes in Net Position					714,673	75,709	790,382
Net Position, Beginning of year					<u>11,274,701</u>	<u>7,249,552</u>	<u>18,524,253</u>
Net Position, End of year					<u>\$ 11,989,374</u>	<u>\$ 7,325,261</u>	<u>\$ 19,314,635</u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017

October 31, 2017

		Special Revenue Funds				
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents - unrestricted	\$ 874,843	\$ 104,555	\$ 717,956	\$ 135,158	\$ -	\$ 1,832,512
Ad valorem taxes receivable, net	131,237	-	-	-	-	131,237
Sales tax receivable	181,443	53,738	73,303	71,642	-	380,126
Utilities receivable	14,546	-	-	-	-	14,546
Intergovernmental receivable	-	553,809	-	-	-	553,809
Other receivables, net	46,186	-	-	-	-	46,186
Inventory	-	13,076	-	-	-	13,076
Prepaid expenses	7,806	2,677	688	3,028	-	14,199
Restricted cash and cash equivalents	900	-	30,833	-	-	31,733
TOTAL ASSETS	\$ 1,256,961	\$ 727,855	\$ 822,780	\$ 209,828	\$ -	\$ 3,017,424
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 15,673	\$ 66,202	\$ 23,753	\$ 3,527	\$ -	\$ 109,155
Accrued expenses	20,217	4,702	3,530	2,717	-	31,166
Court bonds payable	900	-	-	-	-	900
TOTAL LIABILITIES	36,790	70,904	27,283	6,244	-	141,221
Fund Balances						
Nonspendable:						
Inventory	-	13,076	-	-	-	13,076
Prepaid items	7,806	2,677	-	3,028	-	13,511
Restricted for:						
Capital improvement	-	-	764,664	-	-	764,664
Debt service	-	-	30,833	-	-	30,833
Assigned to:						
Transportation	-	641,198	-	-	-	641,198
Parks Fund	-	-	-	200,556	-	200,556
Unassigned	1,212,365	-	-	-	-	1,212,365
TOTAL FUND BALANCES	1,220,171	656,951	795,497	203,584	-	2,876,203
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,256,961	\$ 727,855	\$ 822,780	\$ 209,828	\$ -	\$ 3,017,424

See accompanying notes.

CITY OF WARSAW, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT
OF NET POSITION
December 31, 2017

Fund balance - total governmental funds	\$ 2,876,203
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	19,241,103
Less accumulated depreciation	<u>(8,351,500)</u>
	10,889,603
The net pension liability and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension liability	(209,074)
Deferred outflows due to pensions	181,318
Deferred inflows due to pensions	<u>(82,174)</u>
	(109,930)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,666,502)</u>
Net position of governmental activities	<u><u>\$ 11,989,374</u></u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General Fund	Special Revenue Funds			Debt Service Fund	Total Governmental Funds
		Transportation Fund	Capital Improvement Fund	Parks Fund		
REVENUES						
Taxes	\$ 1,325,833	\$ 414,221	\$ 449,405	\$ 437,705	\$ -	\$ 2,627,164
Licenses and permits	72,603	-	-	-	-	72,603
Intergovernmental revenues	-	687,636	6,085	-	-	693,721
Charges for services	309,136	94,843	-	49,197	-	453,176
Rental income	44,490	-	-	-	-	44,490
Fines and forfeitures	25,448	-	-	-	-	25,448
Interest revenue	31,160	-	-	-	-	31,160
Miscellaneous	26,643	3,908	52,950	71	-	83,572
TOTAL REVENUES	1,835,313	1,200,608	508,440	486,973	-	4,031,334
EXPENDITURES						
Current						
Administrative	501,545	-	-	-	-	501,545
Police	518,030	-	-	-	-	518,030
Recreation	84,118	-	-	-	-	84,118
Community building	64,042	-	-	-	-	64,042
Solid waste	103,736	-	-	-	-	103,736
Airport	-	159,476	-	-	-	159,476
Pool	-	-	-	139,476	-	139,476
Park	-	-	-	294,789	-	294,789
Golf course	322,969	-	-	-	-	322,969
Street	-	1,140,032	-	-	-	1,140,032
Capital improvement	-	74,788	188,828	-	-	263,616
Debt service	12,443	-	-	153,125	750	166,318
TOTAL EXPENDITURES	1,606,883	1,374,296	188,828	587,390	750	3,758,147
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	228,430	(173,688)	319,612	(100,417)	(750)	273,187
OTHER FINANCING SOURCES (USES)						
Lease proceeds	-	74,788	-	-	-	74,788
Sale of assets	-	7,100	-	2,000	-	9,100
Operating transfers in (out)	(230,414)	108,888	(103,878)	231,258	(108,888)	(103,034)
TOTAL OTHER FINANCING SOURCES (USES)	(230,414)	190,776	(103,878)	233,258	(108,888)	(19,146)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(1,984)	17,088	215,734	132,841	(109,638)	254,041
FUND BALANCE, January 1	1,222,155	639,863	579,763	70,743	109,638	2,622,162
FUND BALANCE, December 31	\$ 1,220,171	\$ 656,951	\$ 795,497	\$ 203,584	\$ -	\$ 2,876,203

See accompanying notes.

CITY OF WARSAW, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2017

Net change in fund balances - total governmental funds	\$ 254,041
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 exceeded depreciation for the year.	
Capital outlay	1,091,577
Depreciation	<u>(658,955)</u>
	432,622
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	(33,607)
Change in compensated absences	<u>6,298</u>
	(27,309)
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	(74,788)
Repayment of principal on long-term debt	<u>130,107</u>
	55,319
Change in Net Position of Governmental Activities	<u>\$ 714,673</u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
December 31, 2017

	<u>Water and Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 726,883
Utilities receivable, net	147,669
Inventory	46,355
Prepaid expenses	<u>1,540</u>
TOTAL CURRENT ASSETS	922,447
Restricted Assets	
Cash and cash equivalents	<u>198,003</u>
TOTAL RESTRICTED ASSETS	198,003
Property, Plant and Equipment	
Buildings and improvements	5,500
Water lines and wells	2,035,298
Sewer lines and plant	11,332,169
Major moveable equipment	<u>789,226</u>
	14,162,193
Less accumulated depreciation	<u>(4,774,502)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>9,387,691</u>
TOTAL ASSETS	10,508,141
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	<u>2,070</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	2,070

See accompanying notes.

CITY OF WARSAW, MISSOURI
 STATEMENT OF NET POSITION – ENTERPRISE FUND (continued)
 December 31, 2017

	<u>Water and Sewer Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	6,351
Accrued expenses	1,202
Accrued interest payable	18,859
Customer deposits	55,055
Current maturities of long-term debt	<u>277,828</u>
TOTAL CURRENT LIABILITIES	359,295
Long-Term Liabilities	
Revenue bonds payable	1,873,600
Lease purchase payable	939,718
Arbitrage payable	9,312
Net pension liability	<u>2,501</u>
TOTAL LONG-TERM LIABILITIES	<u>2,825,131</u>
TOTAL LIABILITIES	3,184,426
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>524</u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended December 31, 2017

	Water and Sewer Fund
OPERATING REVENUES	
Charges for services	
Water	\$ 473,225
Sewer	518,995
	<u>992,220</u>
	TOTAL OPERATING REVENUES
OPERATING EXPENSES	
Water	
Salaries & wages	12,703
Employee benefits	5,622
Materials and supplies	6,737
Utilities	26,944
Repairs and maintenance	40,644
Insurance	5,612
Depreciation	112,336
Professional services	166,639
Miscellaneous	1,640
	<u>378,877</u>
	TOTAL OPERATING EXPENSES-WATER
Sewer	
Salaries & wages	10,514
Employee benefits	5,706
Materials and supplies	2,854
Utilities	52,417
Repairs and maintenance	54,583
Insurance	17,273
Depreciation	230,710
Professional services	166,391
Miscellaneous	4,143
	<u>544,591</u>
	TOTAL OPERATING EXPENSES-SEWER
	<u>923,468</u>
	TOTAL OPERATING EXPENSES
	OPERATING INCOME
	68,752
NONOPERATING (EXPENSES)	
Interest expense-Water	(12,340)
Interest expense-Sewer	(83,737)
	<u>(96,077)</u>
	TOTAL NONOPERATING (EXPENSES)
	(27,325)
	TOTAL NET (LOSS) BEFORE OPERATING TRANSFERS
NET OPERATING TRANSFERS IN	<u>103,034</u>
	NET INCOME
	75,709
NET POSITION, January 1	<u>7,249,552</u>
NET POSITION, December 31	<u>\$ 7,325,261</u>

See accompanying notes.

CITY OF WARSAW, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended December 31, 2017

	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 979,315
Payments to suppliers	(556,476)
Payments to employees	(19,466)
NET CASH PROVIDED BY OPERATING ACTIVITIES	403,373
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from other funds	103,034
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	103,034
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(58,816)
Capital lease proceeds	58,816
Principal payments on long-term debt	(270,656)
Interest paid on long-term debt	(96,077)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(366,733)
NET INCREASE IN CASH AND CASH EQUIVALENTS	139,674
CASH AND CASH EQUIVALENTS, Beginning of year	785,212
CASH AND CASH EQUIVALENTS, End of year	924,886
LESS RESTRICTED CASH AND CASH EQUIVALENTS	(198,003)
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 726,883
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 68,752
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	343,046
(Increase) decrease in:	
Utilities receivable	(16,036)
Inventory	10,871
Deferred pension outflow	6,423
Increase (decrease) in:	
Accounts and other payables	(2,119)
Accrued expenses	(950)
Deferred pension inflow	(1,279)
Net pension liability	(5,335)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 403,373

See accompanying notes.

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

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

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

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

Debt Service Fund: The Debt Service Fund of the City is used to account for taxes and payments related to the 1996 General Obligation Industrial Bond issue.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary fund:

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

Capital Assets

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

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

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

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

Pooled Cash and Cash Equivalents

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

Inventories

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

Use of Estimates

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

Interest Capitalization

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

Revenue Recognition – Property Taxes

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

Operating Revenues and Expenses

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

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

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

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

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

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unrestricted – This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

Program Revenues

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2017, all bank balances on deposit are entirely insured or collateralized.

NOTE C – RECEIVABLES

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

	Gross Receivable	Allowance	Net Receivable
AD VALOREM TAXES RECEIVABLE			
General Fund	\$ 139,051	\$ 7,814	\$ 131,237
SALES TAXES RECEIVABLE			
General Fund	\$ 181,443	\$ -	\$ 181,443
Transportation Fund	53,738	-	53,738
Parks Fund	71,642	-	71,642
Capital Improvement Fund	73,303	-	73,303
	<u>\$ 380,126</u>	<u>\$ -</u>	<u>\$ 380,126</u>
UTILITIES RECEIVABLE			
Water and Sewer Fund	\$ 169,516	\$ 21,847	\$ 147,669
General Fund	14,546	-	14,546
	<u>\$ 184,062</u>	<u>\$ 21,847</u>	<u>\$ 162,215</u>
INTERGOVERNMENTAL RECEIVABLE			
Transportation Fund	\$ 553,809	\$ -	\$ 553,809
	<u>\$ 553,809</u>	<u>\$ -</u>	<u>\$ 553,809</u>
OTHER RECEIVABLE			
General Fund	\$ 52,287	\$ 6,101	\$ 46,186
	<u>\$ 52,287</u>	<u>\$ 6,101</u>	<u>\$ 46,186</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE D – RESTRICTED ASSETS

Business-Type Activities

The 1994 Water and Sewer Revenue Bond (fully paid), and 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
1994 Bond Principal and Interest	\$ 22,443	\$ 22,443
1994 Bond Depreciation and Replacement	44,861	44,861
1994 Bond Arbitrage Reserve	9,312	-
2012 Bond Principal and Interest	20,686	20,686
2009 Bond Principal and Interest	59,267	59,267
Customer Deposits	41,434	-
Total Business-Type Activities	<u>\$ 198,003</u>	<u>\$ 147,257</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE D – RESTRICTED ASSETS (continued)

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance	Restricted Net Position
GENERAL FUND			
Court bonds	\$ 900	\$ -	\$ -
CAPITAL IMPROVEMENT FUND			
Capital improvement projects	-	764,664	764,664
2012 COP Lease Revenue Reserve Fund	30,833	30,833	30,833
Total Governmental Activities	<u>\$ 31,733</u>	<u>\$ 795,497</u>	<u>\$ 795,497</u>

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

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

2009 Combined Water and Sewerage System Revenue Bonds - ARRA

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

Year Ending December 31,	Principal	Interest	.25% Admin Fee	Total
2018	\$ 98,200	\$ 14,131	\$ 3,504	\$ 115,835
2019	100,400	12,660	3,258	116,318
2020	102,700	11,155	3,007	116,862
2021	105,000	9,617	2,751	117,368
2022	107,400	8,044	2,488	117,932
2023	109,800	6,434	2,220	118,454
2024	112,400	4,788	1,945	119,133
2025	114,900	3,105	1,664	119,669
2026	117,500	1,383	1,377	120,260
2027	120,200	2,017	1,083	123,300
2028	122,900	1,412	783	125,095
2029	125,700	794	475	126,969
2030	64,400	161	161	64,722
	<u>\$ 1,401,500</u>	<u>\$ 75,701</u>	<u>\$ 24,716</u>	<u>\$ 1,501,917</u>

2012 Combined Waterworks and Sewerage System Revenue Bonds

In 2012, the City issued Direct Loan Program – Combined Waterworks and Sewerage System Revenue Bonds, Series 2012, for the purpose of extending and improving the City's combined waterworks and sewerage system. The bonds bear interest at 1.25%. The principal and interest payments are due January 1 and July 1 of each year. Bonds may be called at any time for redemption under various provisions outlined in the bond ordinance. At December 31, 2017, the City has issued \$733,817 of the maximum \$739,000 bond issue.

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2018	\$ 34,000	\$ 7,506	\$ 3,003	\$ 44,509
2019	35,000	7,081	2,833	44,914
2020	36,000	6,638	2,655	45,293
2021	36,000	6,188	2,475	44,663
2022	37,000	5,738	2,295	45,033
2023	38,000	5,269	2,107	45,376
2024	38,000	4,794	1,917	44,711
2025	39,000	4,319	1,727	45,046
2026	40,000	3,825	1,530	45,355
2027	40,000	3,325	1,330	44,655
2028	41,000	2,825	1,130	44,955
2029	42,000	2,306	923	45,229
2030	42,000	1,781	713	44,494
2031	44,000	1,250	500	45,750
2032	44,000	700	280	44,980
2033	18,300	111	45	18,456
	<u>\$ 604,300</u>	<u>\$ 63,656</u>	<u>\$ 25,463</u>	<u>\$ 693,419</u>

2005A MAMU Lease Purchase

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

The total minimum lease payments required at December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2018	\$ 114,000	\$ 37,325	\$ 10,403	\$ 161,728
2019	120,000	32,738	9,622	162,360
2020	124,000	28,080	8,831	160,911
2021	132,000	23,045	7,976	163,021
2022	137,000	18,100	6,904	162,004
2023	144,000	12,404	6,169	162,573
2024	151,000	6,757	5,212	162,969
2025	91,000	1,166	2,568	94,734
	<u>\$ 1,013,000</u>	<u>\$ 159,615</u>	<u>\$ 57,685</u>	<u>\$ 1,230,300</u>

Capital Lease Agreement – SCADA System

On August 20, 2013, the City entered into a lease purchase obligation to acquire a SCADA system. The lease requires one remaining annual payment of \$20,284, which includes interest, for 2018.

Year Ending December 31,	Principal	Interest	Total
2018	<u>\$ 20,096</u>	<u>\$ 188</u>	<u>\$ 20,284</u>

Capital Lease Agreement – Sewer Jet

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

The total minimum lease payments required at December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 11,532	\$ 1,483	\$ 13,015
2019	11,890	1,125	13,015
2020	12,259	756	13,015
2021	12,640	375	13,015
2022	3,929	41	3,970
	<u>\$ 52,250</u>	<u>\$ 3,780</u>	<u>\$ 56,030</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, 2017, is as follows:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amounts Due Within One Year
Long-Term Liabilities					
2009 Revenue Bonds	\$ 1,497,500	\$ -	\$ 96,000	\$ 1,401,500	\$ 98,200
2012 Revenue Bonds	638,100	-	33,800	604,300	34,000
2005A MAMU Certificates of Participation	1,121,000	-	108,000	1,013,000	114,000
Capital Lease - SCADA System	46,386	-	26,290	20,096	20,096
Capital Lease - Sewer Jet	-	58,816	6,566	52,250	11,532
	<u>\$ 3,302,986</u>	<u>\$ 58,816</u>	<u>\$ 270,656</u>	<u>\$ 3,091,146</u>	<u>\$ 277,828</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2017, consists of one certificate of participation, six capital lease obligations, and compensated absences payable.

Certificates of Participation

During 2012, the City issued \$1,845,000 in Certificates of Participation to finance the costs related to construction, furnishing and equipping of a new swimming pool. The 2012 certificates bear interest at 1.35% to 4.75%. Interest payments are due in semi-annual installments on January 1 and July 1 of each year with annual principal payments due July 1 of each year. The annual debt service requirements to amortize the principal on the 2012 Certificates of Participation outstanding at December 31, 2017, are as follows:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 75,000	\$ 61,666	\$ 136,666
2019	80,000	59,902	139,902
2020	80,000	57,862	137,862
2021	85,000	55,582	140,582
2022	85,000	52,990	137,990
2023	90,000	50,100	140,100
2024	90,000	46,050	136,050
2025	95,000	42,000	137,000
2026	100,000	37,726	137,726
2027	105,000	33,226	138,226
2028	110,000	28,500	138,500
2029	115,000	23,274	138,274
2030	120,000	17,812	137,812
2031	125,000	12,112	137,112
2032	130,000	6,176	136,176
	<u>\$ 1,485,000</u>	<u>\$ 584,978</u>	<u>\$ 2,069,978</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Capital Lease Agreement – Truck

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 13,856	\$ 450	\$ 14,306
2019	9,443	94	9,537
	<u>\$ 23,299</u>	<u>\$ 544</u>	<u>\$ 23,843</u>

Capital Lease Agreement – Car

On March 26, 2015, the City entered into a lease purchase obligation to acquire a car for the police department. The lease requires annual payments of \$9,638, which includes interest at 2.35%. The City will make the final payment in 2018.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,415	\$ 224	\$ 9,639

Capital Lease Agreement – ProGator Spreader

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,894	\$ 420	\$ 5,314
2019	5,030	284	5,314
2020	5,169	145	5,314
	<u>\$ 15,093</u>	<u>\$ 849</u>	<u>\$ 15,942</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Capital Lease Agreement – Park Trucks & Fairway Mower

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 15,554	\$ 904	\$ 16,458
2019	16,010	448	16,458
2020	6,808	50	6,858
	<u>\$ 38,372</u>	<u>\$ 1,402</u>	<u>\$ 39,774</u>

Capital Lease Agreement – Ford F350

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,110	\$ 914	\$ 8,024
2019	7,331	693	8,024
2020	7,559	465	8,024
2021	7,793	231	8,024
2022	4,772	27	4,799
	<u>\$ 34,565</u>	<u>\$ 2,330</u>	<u>\$ 36,895</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

Capital Lease Agreement – Skidsteer

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

Year Ending December 31,	Principal	Interest	Total
2018	\$ 6,812	\$ 1,089	\$ 7,901
2019	7,017	884	7,901
2020	7,228	673	7,901
2021	7,446	455	7,901
2022	7,672	229	7,901
	<u>\$ 36,175</u>	<u>\$ 3,330</u>	<u>\$ 39,505</u>

These lease purchase agreements provide for cancellation of the lease on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its right to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with Governmental Accounting Standards Board (GASB) Section L20, "Leases."

Changes in Long-Term Liabilities – Governmental Activities

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2017:

	Balance December 31, 2016	Additions	Retirements	Balance December 31, 2017	Amounts Due Within One Year
2012 Certificates of Participation	\$ 1,560,000	\$ -	\$ 75,000	\$ 1,485,000	\$ 75,000
Wheel Loader Lease Purchase	3,608	-	3,608	-	-
Truck Lease Purchase	36,793	-	13,494	23,299	13,856
Police Car Lease Purchase	18,611	-	9,196	9,415	9,415
Truck/Car Lease Purchase	4,888	-	4,888	-	-
ProGator Spreader Lease Purchase	19,854	-	4,761	15,093	4,894
Truck/Mower Lease Purchase	53,484	-	15,112	38,372	15,554
Ford F350 Lease Purchase	-	38,613	4,048	34,565	7,110
Skidsteer Lease Purchase	-	36,175	-	36,175	6,812
Compensated Absences Payable	30,881	-	6,298	24,583	-
	<u>\$ 1,728,119</u>	<u>\$ 74,788</u>	<u>\$ 136,405</u>	<u>\$ 1,666,502</u>	<u>\$ 132,641</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
GOVERNMENTAL ACTIVITIES				
Nondepreciable Capital Assets				
Land	\$ 559,978	\$ -	\$ -	\$ 559,978
Total Nondepreciable Capital Assets	559,978	<u>\$ -</u>	<u>\$ -</u>	559,978
Depreciable Capital Assets				
Building and improvements	5,900,985	\$ 53,950	\$ -	5,954,935
Equipment and vehicles	1,374,177	83,288	89,673	1,367,792
Infrastructure	10,404,059	954,339	-	11,358,398
Total Depreciable Capital Assets	17,679,221	<u>\$ 1,091,577</u>	<u>\$ 89,673</u>	18,681,125
Less Accumulated Depreciation	7,782,218	<u>\$ 658,955</u>	<u>\$ 89,673</u>	8,351,500
Total Depreciable Capital Assets, net	9,897,003			10,329,625
Total Governmental Activities Capital Assets, net	<u>\$ 10,456,981</u>			<u>\$ 10,889,603</u>

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

Administrative	\$ 6,236
Street	185,617
Community development	159,934
Recreation	1,606
Police	14,785
Golf course	14,586
Pool	64,308
Airport	119,064
Park	92,819
	<u>\$ 658,955</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE G – CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES	2016	Additions	Deletions	2017
Water and Sewer				
Depreciable Capital Assets:				
Buildings and improvements	\$ 5,500	\$ -	\$ -	\$ 5,500
Water lines and wells	2,035,298	-	-	2,035,298
Sewer lines and plant	11,332,169	-	-	11,332,169
Machinery and equipment	730,410	58,816	-	789,226
Total Depreciable Capital Assets	14,103,377	\$ 58,816	\$ -	14,162,193
Less Accumulated Depreciation	4,431,456	\$ 343,046	\$ -	4,774,502
Total Depreciable Capital Assets, net	9,671,921			9,387,691
Total Business-Type Activities				
Capital Assets, net	\$ 9,671,921			\$ 9,387,691

NOTE H – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

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

	<u>2017 Valuation</u>
Benefit Multiplier	1.50% for life
Final Average Salary	5 Years
Member Contributions	0%

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

Employees Covered by Benefit Terms. At June 30, 2017, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	8	2	10
Inactive employees entitled to but not yet receiving benefits	14	2	16
Active employees	16	7	23
	<u>38</u>	<u>11</u>	<u>49</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 13.1% (General) and 11.8% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 28, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

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

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

The actuarial assumptions used in the February 28, 2017, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
<i>General Division</i>			
Balances at beginning of year	\$ 1,579,914	\$ 1,384,017	\$ 195,897
Changes for the year:			
Service Cost	47,510	-	47,510
Interest	115,060	-	115,060
Difference between expected and actual experiences	32,730	-	32,730
Contributions - employer	-	58,147	(58,147)
Net investment income	-	164,552	(164,552)
Benefits paid, including refunds	(33,015)	(33,015)	-
Administrative expenses	-	(3,035)	3,035
Other changes	-	4,793	(4,793)
Net Changes	162,285	191,442	(29,157)
Balances at end of year	1,742,199	1,575,459	166,740
<i>Police Division</i>			
Balances at beginning of year	617,913	533,300	84,613
Changes for the year:			
Service Cost	21,490	-	21,490
Interest	45,227	-	45,227
Difference between expected and actual experiences	(11,688)	-	(11,688)
Contributions - employer	-	29,713	(29,713)
Net investment income	-	64,152	(64,152)
Benefits paid, including refunds	(9,467)	(9,467)	-
Administrative expenses	-	(759)	759
Other changes	-	1,701	(1,701)
Net Changes	45,562	85,340	(39,778)
Balances at end of year	663,475	618,640	44,835
Total Plan Balances at End of Year	\$ 2,405,674	\$ 2,194,099	\$ 211,575
Governmental Activities			\$ 209,074
Business-Type Activities			2,501
			\$ 211,575

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

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

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 2,004,773	\$ 1,742,199	\$ 1,526,250
Fiduciary Net Position	1,575,459	1,575,459	1,575,459
Net Pension Liability/(Asset)	429,314	166,740	(49,209)
<i>Police Division</i>			
Total Pension Liability	768,455	663,475	577,324
Fiduciary Net Position	618,640	618,640	618,640
Net Pension Liability/(Asset)	149,815	44,835	(41,316)
Total Net Pension Liability/(Asset)	\$ 579,129	\$ 211,575	\$ (90,525)

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

For the year ended 2017, the employer recognized pension expense of \$94,190 in the general division and \$28,006 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ 30,500	\$ (34,901)	\$ (4,401)
Differences in assumptions	41,717	-	41,717
Excess investment returns	38,185	-	38,185
Contributions subsequent to the measurement date*	27,608	-	27,608
	138,010	(34,901)	103,109

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>Police Division</i>			
Differences in experiences	-	(47,797)	(47,797)
Differences in assumptions	17,519	-	17,519
Excess investment returns	13,637	-	13,637
Contributions subsequent to the measurement date*	14,222	-	14,222
	<u>45,378</u>	<u>(47,797)</u>	<u>(2,419)</u>
	<u>\$ 183,388</u>	<u>\$ (82,698)</u>	<u>\$ 100,690</u>
Governmental Activities	\$ 181,318	\$ (82,174)	\$ 99,144
Business-Type Activities	<u>2,070</u>	<u>(524)</u>	<u>1,546</u>
	<u>\$ 183,388</u>	<u>\$ (82,698)</u>	<u>\$ 100,690</u>

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

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

Year Ending December 31,	General Net Deferred Outflows (Inflows) of Resources	Police Net Deferred Outflows (Inflows) of Resources	Total Net Deferred Outflows (Inflows) of Resources
2018	\$ 62,285	\$ 15,872	\$ 78,157
2019	34,676	1,651	36,327
2020	17,936	(3,550)	14,386
2021	(11,788)	(10,987)	(22,775)
2022	-	(3,605)	(3,605)
Thereafter	-	(1,800)	(1,800)
	<u>\$ 103,109</u>	<u>\$ (2,419)</u>	<u>\$ 100,690</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – EMPLOYEE PENSION PLAN (continued)

Payable to the Pension Plan

At December 31, 2017 the City reported \$1,546 as payable to the pension plan.

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

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

	<u>2017</u>
Assessed Valuation	
Real estate	\$ 21,559,583
Personal property	<u>4,618,700</u>
TOTAL	<u>\$ 26,178,283</u>
	<u>2017</u>
Tax Rates Per \$100 of Assessed Valuation	
General revenue	<u>\$.4615</u>

The legal debt margin at December 31, 2017, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional Debt Limit	\$ 2,617,828	\$ 2,617,828	\$ 5,235,656
General Obligation Bonds Payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u>\$ 2,617,828</u>	<u>\$ 2,617,828</u>	<u>\$ 5,235,656</u>

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

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

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

NOTE J – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2017, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE K – RISK MANAGEMENT

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

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE L – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2017, were as follows:

	General Fund	Transportation Fund	Parks Fund	Capital Improvement Fund	Debt Service Fund	Water and Sewer Fund	Total
Transfers in	\$ 84,887	\$ 108,888	\$ 231,258	\$ -	\$ -	\$ 103,034	\$ 528,067
Transfers (out)	(315,301)	-	-	(103,878)	(108,888)	-	(528,067)
	<u>\$ (230,414)</u>	<u>\$ 108,888</u>	<u>\$ 231,258</u>	<u>\$ (103,878)</u>	<u>\$ (108,888)</u>	<u>\$ 103,034</u>	<u>\$ -</u>

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

NOTE M – ARBITRAGE PAYABLE

Under certain provisions in the Federal Tax Code and the 1994 State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bond ordinance, the City is required to rebate arbitrage earnings of tax-exempt debt to the federal government every five years as long as the bonds remain outstanding. Arbitrage earnings occur when the City invests proceeds from its low-interest, tax-exempt debt issue into securities with a higher interest yield. The City had arbitrage earnings during 2017 that reduced interest income and resulted in a long-term liability of \$9,312 in the Water and Sewer Fund.

NOTE N – COMMITMENTS

At December 31, 2017, the City was committed to the following contracts:

The City entered into a contract in 2013 with People Services in order to obtain personnel to operate and maintain the City's waterworks and sewerage system. The contract called for monthly payments to People Services in the amount of \$26,994 for January 1, 2017, to December 31, 2017, and rates will be adjusted beyond this date. The contract term runs from November 2013 to December 31, 2018.

CITY OF WARSAW, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE N – COMMITMENTS (continued)

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

The City was committed to Cook, Flatt, & Strobel Engineers, PA for the following projects:

Project	Total
Truman Dam Access Road and Drake Arbor Road Project	\$ 16,523
Route 7 and Commercial Intersection Improvements	22,542
Street Improvements from Route 7 to Seminary Street	40,627

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the 2009 Combined Water and Sewer Bond, and 2012 Combined Waterworks and Sewerage Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2030. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal, interest and fees remaining to be paid on the bonds is \$2,195,336. Principal, interest and fees paid for the current year and total customer net revenues were \$172,977 and \$411,798, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARSAW, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Year Ended December 31, 2017

Missouri Local Government Employees Retirement System (LAGERS)

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

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

CITY OF WARSAW, MISSOURI
SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2017

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729	\$ 99,825	\$ 107,909	\$ 95,467	\$ 95,905	\$ 85,230	\$ 90,459
Contributions in relation to the actuarially determined contribution	88,780	84,707	100,390	82,729	99,825	107,909	95,467	93,376	85,230	90,459
Contribution deficiency (excess)	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,529</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 728,324	\$ 723,244	\$ 833,550	\$ 817,205	\$ 910,178	\$ 926,082	\$ 880,632	\$ 889,727	\$ 858,960	\$ 869,699
Contributions as a percentage of covered-employee payroll	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%	10.84%	10.49%	9.92%	10.40%

CITY OF WARSAW, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2017

Valuation Date: February 28, 2017

Notes: The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 19 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

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

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

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

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

Other Information – None.

CITY OF WARSAW, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 118,000	\$ 115,847	\$ 115,847	\$ -
Intangible tax	370	130	130	-
City sales tax	903,000	1,021,079	1,021,079	-
Franchise fees	177,860	174,129	174,129	-
Surtax	14,000	14,648	14,648	-
	1,213,230	1,325,833	1,325,833	-
Licenses and Permits				
Occupational licenses	54,000	56,679	56,679	-
Building permits	10,000	14,972	14,972	-
Other	1,800	952	952	-
	65,800	72,603	72,603	-
Charges for Services				
Golf course	194,900	177,130	177,130	-
Trash	106,000	104,103	104,103	-
Recreation	25,850	27,903	27,903	-
	326,750	309,136	309,136	-
Fines and Forfeitures				
City court fines	20,200	25,315	25,315	-
CVC fees	34	133	133	-
	20,234	25,448	25,448	-
Miscellaneous				
Interest	8,000	31,160	31,160	-
Rental income	43,500	44,490	44,490	-
Other	1,000	26,643	26,643	-
	52,500	102,293	102,293	-
TOTAL REVENUES	1,678,514	1,835,313	1,835,313	-

CITY OF WARSAW, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	515,348	501,545	501,545	-
Police	602,973	518,030	518,030	-
Recreation	116,832	84,118	84,118	-
Community building	76,477	64,042	64,042	-
Solid waste	103,302	103,736	103,736	-
Golf course	301,168	322,969	322,969	-
Debt service	-	12,443	12,443	-
TOTAL EXPENDITURES	1,716,100	1,606,883	1,606,883	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(37,586)	228,430	228,430	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	84,887	84,887	-
Transfers (out)	-	(315,301)	(315,301)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(230,414)	(230,414)	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(37,586)	(1,984)	(1,984)	-
FUND BALANCE, January 1	1,222,155	1,222,155	1,222,155	-
FUND BALANCE, December 31	\$ 1,184,569	\$ 1,220,171	\$ 1,220,171	\$ -

CITY OF WARSAW, MISSOURI
BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Transportation sales tax	\$ 300,000	\$ 328,403	\$ 328,403	\$ -
Fuel tax	55,000	57,408	57,408	-
Motor vehicle sales tax	25,000	28,410	28,410	-
	380,000	414,221	414,221	-
Intergovernmental Revenues				
MoDOT FLAP grant	-	679,636	679,636	-
MoDOT TEAP grant	-	8,000	8,000	-
MoDOT Aviation Grant	65,700	-	-	-
	65,700	687,636	687,636	-
Charges for Services				
Airport rental fees	42,000	38,690	38,690	-
Airport fuel sales	35,000	56,153	56,153	-
	77,000	94,843	94,843	-
Miscellaneous				
Other	13,450	3,908	3,908	-
TOTAL REVENUES	536,150	1,200,608	1,200,608	-
EXPENDITURES				
Current				
Airport	148,242	159,476	159,476	-
Streets	276,213	1,140,032	1,140,032	-
Capital improvements	14,507	74,788	74,788	-
TOTAL EXPENDITURES	438,962	1,374,296	1,374,296	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	97,188	(173,688)	(173,688)	-
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	74,788	74,788	-
Sale of assets	-	7,100	7,100	-
Transfers In	102,700	108,888	108,888	-
Transfers (out)	(150,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(47,300)	190,776	190,776	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	49,888	17,088	17,088	-
FUND BALANCE, January 1	639,863	639,863	639,863	-
FUND BALANCE, December 31	\$ 689,751	\$ 656,951	\$ 656,951	\$ -

CITY OF WARSAW, MISSOURI
BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT FUND
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Capital improvements sales tax	\$ 415,000	\$ 449,405	\$ 449,405	\$ -
Intergovernmental Revenues				
Grant revenue	58,580	6,085	6,085	-
Miscellaneous				
Other	-	52,950	52,950	-
TOTAL REVENUES	473,580	508,440	508,440	-
EXPENDITURES				
Capital improvements	466,909	188,828	188,828	-
TOTAL EXPENDITURES	466,909	188,828	188,828	-
EXCESS OF REVENUES OVER EXPENDITURES	6,671	319,612	319,612	-
OTHER FINANCING (USES)				
Transfers (out)	(135,000)	(103,878)	(103,878)	-
TOTAL OTHER FINANCING (USES)	(135,000)	(103,878)	(103,878)	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(128,329)	215,734	215,734	-
FUND BALANCE, January 1	579,763	579,763	579,763	-
FUND BALANCE, December 31	\$ 451,434	\$ 795,497	\$ 795,497	\$ -

CITY OF WARSAW, MISSOURI
BUDGETARY COMPARISON SCHEDULE – PARKS FUND
Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Park sales tax	\$ 400,000	\$ 437,705	\$ 437,705	\$ -
Charges for Services				
Pool fees	47,028	47,947	47,947	-
Park fees	1,500	1,250	1,250	-
	<u>48,528</u>	<u>49,197</u>	<u>49,197</u>	<u>-</u>
Miscellaneous				
Other	-	71	71	-
TOTAL REVENUES	<u>448,528</u>	<u>486,973</u>	<u>486,973</u>	<u>-</u>
EXPENDITURES				
Current				
Pool	128,316	139,476	139,476	-
Park	311,318	294,789	294,789	-
Debt service	152,948	153,125	153,125	-
TOTAL EXPENDITURES	<u>592,582</u>	<u>587,390</u>	<u>587,390</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(144,054)	(100,417)	(100,417)	-
OTHER FINANCING SOURCES				
Sale of assets	-	2,000	2,000	-
Transfers in	75,000	231,258	231,258	-
TOTAL OTHER FINANCING SOURCES	<u>75,000</u>	<u>233,258</u>	<u>233,258</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(69,054)	132,841	132,841	-
FUND BALANCE, January 1	<u>70,743</u>	<u>70,743</u>	<u>70,743</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 1,689</u>	<u>\$ 203,584</u>	<u>\$ 203,584</u>	<u>\$ -</u>

CITY OF WARSAW, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2017

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 1, ordinances are passed by the Board which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen on approved budget adjustment forms.

OTHER REPORTING REQUIREMENTS