

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**NEW ISSUE
BANK QUALIFIED
BOOK ENTRY ONLY**

**S&P'S RATING: AA-
See "Rating" herein.**

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (1) the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, (2) the interest on the Bonds is exempt from income taxation by the State of Missouri and (3) the Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS" in this Official Statement.

OFFICIAL STATEMENT

\$5,550,000 CITY OF WARRENSBURG, MISSOURI GENERAL OBLIGATION BONDS SERIES 2017

Dated: Date of Delivery

**Due: March 1, as shown on
the inside cover page**

The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in authorized denominations. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the bonds, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds.

The Bonds will be issued in the denomination of \$5,000 or any integral multiple thereof. Semiannual interest will be payable on March 1 and September 1, beginning on March 1, 2018. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the payment office of BOKF, N.A., Paying Agent. Interest will be payable by check or draft of the Paying Agent mailed (or by electronic transfer in certain circumstances as described herein) to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date. So long as DTC or its nominee, Cede & Co., is the Bondowner, such payments will be made directly to such Bondowner. DTC is expected, in turn, to remit such payments to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The Bonds are subject to redemption prior to maturity as described herein.

The Bonds and the interest thereon will constitute general obligations of the City, payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

The Bonds are offered when, as and if issued by the City, subject to the approval of legality by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel. Certain legal matters related to the Official Statement will be passed upon by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery at The Depository Trust Company in New York, New York on or about August 30, 2017.

FIDELITY CAPITAL MARKETS

The date of this Official Statement is August 14, 2017.

\$5,550,000
CITY OF WARRENSBURG, MISSOURI
GENERAL OBLIGATION BONDS
SERIES 2017

MATURITY SCHEDULE

Serial Bonds

<u>Due March 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>Yield</u>
2018	\$755,000	5.00%	102.103%	0.80%
2019	835,000	5.00	106.137	0.88
2020	885,000	4.00	107.474	0.97
2021	930,000	4.00	109.974	1.09
2022	980,000	3.00	107.912	1.19
2023	210,000	3.00	108.833	1.33
2024	220,000	2.00	102.578 [†]	1.51
2025	235,000	2.00	101.569 [†]	1.70
2026	245,000	2.00	100.624 [†]	1.88
2027	255,000	2.00	99.741	2.03

[†] Priced to call date.

CITY OF WARRENSBURG, MISSOURI

102 South Holden
Warrensburg, Missouri 64093
(660) 747-9131

CITY OFFICIALS

City Council

Bryan Jacobs, Mayor and Council Member
Danielle Johnston, Council Member
Robin Allen, Council Member
Bob Watts, Council Member
Casey Lund, Council Member

Administrative Officials

Harold Stewart, City Manager
Matthew Lue, Finance Director
Cindy Gabel, City Clerk

MUNICIPAL ADVISOR

Piper Jaffray & Co.
Leawood, Kansas

CERTIFIED PUBLIC ACCOUNTANT

KPM CPAs, PC
Springfield, Missouri

BOND COUNSEL

Gilmore & Bell, P.C.
Kansas City, Missouri

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or others since the date hereof.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of that information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOTT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY STATE SECURITIES OR "BLUE SKY" LAWS. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "anticipate," "projected," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE CITY NOR ANY OTHER PARTY PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THEIR EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES UPON WHICH SUCH STATEMENTS ARE BASED OCCUR.

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OFFICIAL STATEMENT
\$5,550,000
CITY OF WARRENSBURG, MISSOURI
GENERAL OBLIGATION BONDS
SERIES 2017

INTRODUCTION

This introduction is only a brief description and summary of certain information contained in this Official Statement and is qualified in its entirety by reference to more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement.

Purpose of the Official Statement

The purpose of this Official Statement is to furnish information relating to (1) the City of Warrensburg, Missouri (the “City”) and (2) the City’s General Obligation Bonds, Series 2017 (the “Bonds”), to be issued in the aggregate principal amount of \$5,550,000 to fund the costs of projects for the City. The projects include (1) acquiring rights of way, and constructing, extending and improving streets and roads in the City, including but not limited to funding (a) traffic signal upgrades, and (b) the Veteran’s Road extensions (the “Street Projects”) and (2) acquiring, improving, installing and equipping fire vehicles and equipment to serve the City, including without limitation, the acquisition of a ladder fire truck and a pumper fire truck and other fire related equipment (the “Fire Department Projects,” and together with the Street Projects are the “Projects”).

The City

The City is a third class city and political subdivision organized and existing under the laws of the State of Missouri. See the caption “**THE CITY**” herein.

The Bonds

The Bonds are being issued pursuant to an ordinance (the “Bond Ordinance”) adopted by the governing body of the City for the purpose of funding the costs of the Projects and costs related to the issuance of the Bonds. The Bonds represent all of the \$3,500,000 general obligation bonds authorized for the Street Projects authorized by the required majority of the voters of the City at an election held on April 4, 2017, and all of the \$2,050,000 general obligation bonds authorized for the Fire Department Projects authorized by the required majority of the voters of the City at an election held on April 4, 2017. See the caption “**THE BONDS**” herein.

Security and Source of Payment

The Bonds will be general obligations of the City and will be payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all taxable property, real and personal, within the territorial limits of the City. See the caption “**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**” herein.

Financial Statements

Audited financial statements of the City, as of and for the year ended September 30, 2016 are included in **Appendix B** to this Official Statement. These financial statements have been audited by KPM CPAs, PC, Springfield, Missouri, independent certified public accountants, to the extent and for the periods indicated in their report which is also included in **Appendix B** hereto.

THE CITY

The City is a third class city and political subdivision organized and existing under the laws of the State of Missouri. The City is located in Johnson County, Missouri, in the west central portion of the State and approximately 50 miles southeast of the city limits of Kansas City, Missouri. The City encompasses approximately six square miles and has a population of 18,838 persons according to the 2010 Census. See “APPENDIX A: THE CITY” and “APPENDIX B: ACCOUNTANT’S REPORT AND AUDITED FINANCIAL STATEMENTS.”

PLAN OF FINANCING

Authorization and Purpose of Bonds

The Bonds are authorized pursuant to and in full compliance with the Constitution and statutes of the State of Missouri, including particularly Article VI, Section 26 of the Missouri Constitution and Chapters 95 and 108 of the Revised Statutes of Missouri, as amended (the “General Obligation Bond Law”).

The Projects

The Bonds represent all of the voted authority authorized by the required majority of voters of the City at an election held April 4, 2017. The Projects include (1) acquiring rights of way, and constructing, extending and improving streets and roads in the City, including but not limited to funding (i) traffic signal upgrades, and (ii) the Veteran’s Road extensions and (2) acquiring, improving, installing and equipping fire vehicles and equipment to serve the City, including without limitation, the acquisition of a ladder fire truck and a pumper fire truck and other fire related equipment. The City will deposit \$5,806,162.20 of the proceeds of the Bonds in the Project Fund established under the Bond Ordinance to pay costs of the Projects, in accordance with the plans and specifications of the Projects. The Projects are estimated to be completed by the end of 2018.

Sources and Uses of Funds

The following table summarizes the estimated sources of funds and the expected uses of such funds, in connection with the plan of financing:

Sources of Funds:

Principal Amount of the Bonds	\$5,550,000.00
Net Original Issue Premium	<u>332,338.70</u>
Total.....	<u>\$5,882,338.70</u>

Uses of Funds:

Deposit for costs of the Projects	\$5,806,162.20
Costs of Issuance including Underwriter’s Discount.....	<u>76,176.50</u>
Total.....	<u>\$5,882,338.70</u>

THE BONDS

The following is a summary of certain terms and provisions of the Bonds. Reference is hereby made to the Bonds and the provisions with respect thereto in the Bond Ordinance for the detailed terms and provisions thereof.

General Description

The Bonds will be issued in the principal amounts stated on the inside cover page of this Official Statement, will be dated their date of delivery, and will consist of fully registered bonds without coupons in the

denomination of \$5,000 or any integral multiple thereof. The Bonds will mature, subject to redemption as described below, on March 1 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 1 and September 1 in each year, beginning on March 1, 2018. Principal will be payable upon presentation and surrender of the Bonds by the Registered Owners thereof at the payment office of BOKF, N.A., Paying Agent. Interest shall be paid to the Registered Owners of the Bonds as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owners shown on the Bond Register, (b) at such other address as is furnished to the Paying Agent in writing by any Registered Owner or (c) in the case of an interest payment to any Registered Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner, not less than 5 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank (which shall be in the continental United States), ABA routing number and account name and account number to which such Registered Owner wishes to have such transfer directed.

Redemption Provisions

Optional Redemption. At the option of the City, Bonds may be called for redemption and payment prior to maturity on March 1, 2023 and thereafter, in whole or in part at any time, at the redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date.

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in \$5,000 principal amounts or multiples thereof. When less than all of the Outstanding Bonds are to be redeemed and paid prior to maturity, such Bonds shall be redeemed from the maturities selected by the City, and Bonds of less than a full maturity shall be selected by the Paying Agent in \$5,000 units of face value by lot or in such other equitable manner as the Paying Agent may determine.

Notice and Effect of Call for Redemption. In the event of any such redemption, the Paying Agent will give written notice of the City's intention to redeem and pay said Bonds by first-class mail to the State Auditor of Missouri, to the original purchaser of the Bonds, and to the Registered Owner of each Bond, said notice to be mailed not less than 20 days prior to the redemption date. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the redemption date, at the redemption price therein specified, and from and after the redemption date (unless the City defaults in the payment of the redemption price) such Bonds or portion of Bonds shall cease to bear interest.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of DTC or a DTC Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Registration, Transfer and Exchange of Bonds

Each Bond when issued shall be registered by the Paying Agent in the name of the owner thereof on the Bond Register. Bonds are transferable only upon the Bond Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for Bonds in the same aggregate principal amount and maturity upon presentation to the Paying Agent, subject to the terms, conditions and limitations set forth in the Bond Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General Obligations

The Bonds will constitute general obligations of the City and will be payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

The Bond Ordinance

Pledge of Full Faith and Credit. The full faith, credit and resources of the City are irrevocably pledged under the Bond Ordinance for the prompt payment of the Bonds as the same become due.

Levy and Collection of Annual Tax. Under the Bond Ordinance, there will be levied upon all of the taxable tangible property within the City a direct annual tax sufficient to produce the amounts necessary for the payment of the principal of and interest on the Bonds as the same become due and payable in each year. Such taxes shall be extended upon the tax rolls in each year, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the City are levied and collected. The proceeds derived from said taxes shall be deposited in the Debt Service Fund, shall be kept separate and apart from all other funds of the City and shall be used for the payment of the principal of and interest on the Bonds as and when the same become due and the fees and expenses of the Paying Agent.

All references herein to the Bond Ordinance are qualified in their entirety by reference to the Bond Ordinance. Copies of the Bond Ordinance and the Official Statement may be viewed at the office of Piper Jaffray & Co., 11635 Rosewood, Street, Leawood, Kansas 66211, (913) 345-3300, or will be provided to any prospective purchaser requesting the same, upon payment by such prospective purchaser of the cost of complying with such request.

THE BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each

Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or redemption price of and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Transfer Outside Book-Entry Only System

If the Book-Entry Only System is discontinued the following provisions would apply. The Bonds are transferable only upon the Register upon presentation and surrender of the Bonds, together with instructions for transfer. Bonds may be exchanged for other Bonds of any denomination authorized by the Bond Ordinance in the same aggregate principal amount, series, payment date and interest rate, upon presentation to the Paying Agent, subject to the terms, conditions and limitations and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, exchange or transfer.

LEGAL MATTERS

Legal Proceedings

As of the date hereof, there is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the City or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act in connection with the authorization, issuance and sale of the Bonds, or the constitutionality or validity of the Bonds or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof, or which might affect the City's ability to meet its obligations to pay the Bonds.

Approval of Legality

All legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel.

TAX MATTERS

The following is a summary of the material federal and State of Missouri income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of owners subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under any state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Opinion of Bond Counsel

In the opinion of Gilmore & Bell, P.C., Bond Counsel, under the law existing as of the issue date of the Bonds:

Federal and Missouri Tax Exemption. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is exempt from income taxation by the State of Missouri.

Alternative Minimum Tax. Interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Bank Qualification. The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Bond Counsel’s opinions are provided as of the date of the original issue of the Bonds, subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal and State of Missouri income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds but has reviewed the discussion under the section herein captioned “**TAX MATTERS.**”

Other Tax Consequences

Original Issue Discount. For federal income tax purposes, original issue discount (“OID”) is the excess of the stated redemption price at maturity of a Bond over its issue price. The issue price of a Bond is the first price at which a substantial amount of the Bonds of that maturity have been sold (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers). Under Section 1288 of the Code, OID on tax-exempt bonds accrues on a compound basis. The amount of OID that accrues to an owner of a Bond during any accrual period generally equals (1) the issue price of that Bond, plus the amount of OID accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Bond during that accrual period. The amount of OID accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of OID.

Original Issue Premium. If a Bond is issued at a price that exceeds the stated redemption price at maturity of the Bond, the excess of the purchase price over the stated redemption price at maturity constitutes “premium” on that Bond. Under Section 171 of the Code, the purchaser of that Bond must amortize the premium over the term of the Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on the sale or disposition of the Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of bond premium.

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent a Bond is held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on the Bonds, and to the proceeds paid on the sale of the Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

Collateral Federal Income Tax Consequences. Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

CONTINUING DISCLOSURE

The City is entering into a Continuing Disclosure Certificate for the benefit of the owners and Beneficial Owners of the Bonds in order to comply with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"). The City is the only "obligated person" with responsibility for continuing disclosure.

Pursuant to the Continuing Disclosure Certificate, the City will, not later than **180** days after the end of the City's fiscal year beginning with the fiscal year ending September 30, 2017, provide to the Municipal Securities Rulemaking Board (the "MSRB") the following financial information and operating data (the "Annual Report"):

- (1) The audited financial statements of the City for the prior fiscal year. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in this Official Statement, and the audited financial statements will be filed in the same manner as the Annual Report promptly after they become available.
- (2) Updates as of the end of the fiscal year of the financial information and operating data contained in **Appendix A** of this Official Statement under the following sections:

DEBT STRUCTURE OF THE CITY
Current Indebtedness of the City
Legal Debt Capacity
FINANCIAL INFORMATION CONCERNING THE CITY

Sources of Revenue
Property Valuations
Current Assessed Valuation
History of Property Valuations
Tax Rates
(The tables showing the City's tax levies and tax collection record)

Pursuant to the Continuing Disclosure Certificate, the City also will give notice of the occurrence of any of the following events with respect to the Bonds, no later than 10 business days after the occurrence of such event ("Material Events"):

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the City;
- (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of the trustee, if material.

The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Continuing Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent is not responsible in any manner for the content of any notice or report prepared by the City pursuant to the Continuing Disclosure Certificate.

Notwithstanding any other provision of the Continuing Disclosure Certificate, the City may amend the Continuing Disclosure Certificate and any provision of the Continuing Disclosure Certificate may be waived, provided Bond Counsel or other counsel experienced in federal securities law matters provides the City with its opinion that the undertaking of the City, as so amended or after giving effect to such waiver, is in compliance with the Rule and all current amendments thereto and interpretations thereof that are applicable to the Continuing Disclosure Certificate.

In the event of a failure of the City to comply with any provision of the Continuing Disclosure Certificate, the Paying Agent, the Underwriter or any owner or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Certificate. A default under the Continuing Disclosure Certificate will not be deemed an event of default under the Bond Ordinance or the Bonds, and the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply with the Continuing Disclosure Certificate will be an action to compel performance.

The City has engaged in an undertaking similar to the Continuing Disclosure Certificate with respect to several series of bonds previously issued by the City to provide to the national information repositories (presently, only the MSRB) the audited financial statements of the City and updates of certain operating data of the City. Over the last five years (i.e., for the fiscal years ending September 30, 2012 through September 30, 2016), the City has filed its financial statements, but the financial statements were not timely filed for the fiscal years ending September 30, 2012 and 2013. The City has failed to provide certain portions of the operating data updates required by the City's prior undertakings and other portions of the operating data that was provided was not always filed timely. Over the last five years, the City has failed to file notices of its failures to file its annual operating data and to timely file its financial statements. The City has substantially complied with the filing of its financial statements and operating data for the fiscal years ending September 30, 2014, 2015 and 2016.

Electronic Municipal Market Access System (EMMA)

All Annual Reports and notices of Material Events required to be filed by the City or the Dissemination Agent pursuant to the Continuing Disclosure Certificate must be submitted to the MSRB through the MSRB's Electronic Municipal Market Access system ("EMMA"). EMMA is an internet-based, online portal for free investor access to municipal bond information, including offering documents, material event notices, real-time municipal securities trade prices and MSRB education resources, available at www.emma.msrb.org. Nothing contained on EMMA relating to the City or the Bonds is incorporated by reference in this Official Statement.

RATING

Standard & Poor's Rating Service is expected to give the Bonds a rating of "AA-" which reflects its evaluation of the investment quality of the Bonds. Such rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, by said rating agency if, in its judgment, circumstances warrant. Any such downward revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The City has furnished the rating agency with certain information and materials relating to the Bonds and the City that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions made by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriter has not undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Certificate, the City is required to bring to the attention of the holders of the Bonds any revision or withdrawal of the ratings of the Bonds but has not undertaken any responsibility to oppose any such revision or withdrawal. See the section herein captioned **"CONTINUING DISCLOSURE."** Any such revision or withdrawal of the ratings could have an adverse effect on the market price and marketability of the Bonds.

MISCELLANEOUS

Municipal Advisor

Piper Jaffray & Co. (the "Municipal Advisor") has acted as Municipal Advisor to the City in connection with the sale of the Bonds. The Municipal Advisor has assisted the City in matters relating to the planning, structuring and issuance of the Bonds and various other debt related matters. The Municipal Advisor will not be a manager or a member of any purchasing group submitting a proposal for the purchase of the Bonds.

Underwriting

Based upon bids received by the City on August 14, 2017, the Bonds were awarded to Fidelity Capital Markets, Boston, Massachusetts (the "Underwriter"). The Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed to purchase the Bonds from the City at a price equal to \$5,864,262.20 (representing the par amount of the Bonds less an underwriters' discount of \$18,076.50 and plus a net original issue premium of \$332,338.70). The Underwriter is purchasing the Bonds from the City for resale in the normal course of the Underwriter's business activities. The Underwriter may sell certain of the Bonds at a price greater than such purchase price, as shown on the inside cover page hereof. The Underwriter reserves the right to offer any of the Bonds to one or more purchasers on such terms and conditions and at such price or prices as the Underwriter, in its discretion, shall determine. The Underwriter reserves the right to join with dealers and other purchasers in offering the Bonds to the public. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) at prices lower than the public offering prices.

Certification and Other Matters Regarding Official Statement

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

Simultaneously with the delivery of the Bonds, the Mayor of the City, acting on behalf of the City, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

CITY OF WARRENSBURG, MISSOURI

By: /s/ Bryan Jacobs
Mayor

APPENDIX A
CITY OF WARRENSBURG, MISSOURI

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THE CITY

General

The City is a third-class city and political subdivision, duly created and existing under the laws of the State of Missouri. Additional information regarding the City and the Projects may be obtained from Harold Stewart, City Manager, City of Warrensburg, Missouri 102 South Holden, Warrensburg, Missouri 64093 (660) 747-9131. The City is approximately six square miles in area and is located in Johnson County, Missouri, approximately 50 miles southeast of the city limits of Kansas City, Missouri. The population of the City according to the 2010 Census is 18,838.

The City utilizes the Council-City Manager form of government. The City is governed by a City Council. Five City Council members are elected at large and the City Council selects a Mayor from its members. The Mayor and City Council serve three-year terms. The terms of the City Council members are staggered so that a general City election is held each year. The City Manager is appointed by the City Council as the chief administrative officer of the City. The City Council sets the policy for the City and the City Manager is responsible for administering this policy in the day-to-day activities of City operations.

The Mayor presides over meetings of the City Council. The City Council establishes utility and tax rates and authorizes all municipal indebtedness. Tax rates are established by the City Council to support the annually adopted budget. As required by state law, the aggregate City budget may not include any expenditures in excess of anticipated revenues. The City's fiscal year ends on September 30.

Municipal Services and Utilities

The City operates a sewerage system deriving revenues from user fees. Kansas City Power & Light provides the City with electricity. Missouri Gas Energy provides gas service throughout the City. Missouri-American Water provides water throughout the City. Kansas City Power & Light, Missouri Gas Energy and Missouri-American Water are regulated by the Missouri Public Service Commission.

Transportation and Communication Facilities

The City is located at the intersection of Missouri State Highway 13 and U.S. Highway 50, with access to Interstate 70 (a major east-west artery across the State of Missouri) by traveling 16 miles north. The Union Pacific railroad and Amtrak provide services to the City. Skyhaven Airport operated by the University of Central Missouri provides the City with a 4,200 foot lighted, paved runway with aircraft storage, maintenance and fuel services available. The City is served by television, radio stations and telecable systems. Local newspaper coverage is provided by the *Daily Star-Journal* published daily with a circulation of approximately 4,000.

Educational Institutions and Facilities

The Warrensburg R-VI School District (the "District") currently holds an "accredited" rating from the State Department of Elementary and Secondary Education, which is the highest rating attainable. The District encompasses a pre-school, 4 elementary schools, a middle school, a vocational and career center, and a senior high school with a total enrollment of over 3,300 students. The Johnson County Christian Academy offers pre-school and provides K-8 education in an inter-denominational setting. The City is host to the University of Central Missouri. Webster University offers night and weekend classes at Whiteman Air Force Base. With the City being located within 50 miles of Kansas City, Missouri, many colleges and universities are available for continued educational opportunities.

Recreational and Religious Facilities

Year-round activity programs are sponsored by the City's Parks and Recreation Department, which maintains approximately 400 acres of park land. The City has two 18-hole golf courses, one of which is owned and operated by the University of Central Missouri, and the other is a private club. The City has a water park with amenities including a zero-depth entry pool for children and a lazy river ride. The City has over 32 churches representing 21 denominations of the Protestant and Catholic faiths. Many denominations sponsor student centers and provide services such as preschools and elementary schools.

Economy

The City is the County seat of Johnson County, Missouri and serves as the area center for commerce, banking, education, agriculture enterprise and light industry. Its location provides access to the cultural, commercial, leisure and sporting attractions of Kansas City as well as the recreational facilities of the Lake of the Ozarks and Truman Lake.

The local economy is diversified, being home to the University of Central Missouri with an enrollment of approximately 14,000 students and 486 faculty members and many of the 3,000 families stationed at Whiteman Air Force Base ten miles to the east. There are five major industrial employers, a 200 acre industrial park (13% of which is owned by the City) and a 150 acre industrial park owned by the County.

ECONOMIC INFORMATION CONCERNING THE CITY

Commerce and Industry

Some major employers in or near Warrensburg, Missouri, include:

	<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1.	University of Central Missouri	Education	1,300
2.	EnerSys Energy Products, Inc.	Batteries	636
3.	Western Missouri Medical Center	Health Care	550
4.	Warrensburg R-VI Schools	Education	454
5.	Stahl Specialty Co.	Aluminum Castings	316
6.	Wal-Mart Super Center	Retail	288
7.	Missouri Veterans Home	Veterans Home	256
8.	Johnson County	County Government	167
9.	GE Transportation	Railroad Tech	162
10.	Lowe's Home Improvement	Retail	120

Source: City.

General and Demographic Information

The following tables set forth certain population information.

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
City of Warrensburg	13,125	13,807	15,244	16,340	18,838
Johnson County	34,172	39,059	42,514	48,258	52,595
State of Missouri	4,685,000	4,923,000	5,117,000	5,595,211	5,988,927

Source: Statistical Abstract for Missouri; U.S. Census Bureau, Census 2000 and Census 2010.

Population Distribution by Age

<u>Age</u>	<u>City of Warrensburg</u>	<u>Johnson County</u>	<u>State of Missouri</u>
Under 5	1,128	3,598	390,237
5-14 years	1,707	6,462	787,388
15-19 years	2,309	4,776	423,786
20-44 years	9,080	20,292	1,937,372
45-54 years	1,580	6,730	888,572
55-64 years	1,246	5,093	723,278
65 years and older	<u>1,788</u>	<u>5,644</u>	<u>838,294</u>
Total	<u>18,838</u>	<u>52,595</u>	<u>5,988,927</u>
Median Age	23.7	29.8	37.9

Source: U.S. Census Bureau, Census 2010.

Employment

The following table sets forth unemployment figures for the last five years for Johnson County and the State of Missouri.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017*</u>
<i>Johnson County</i>					
Total Labor Force	22,877	23,101	23,262	23,508	23,311
Unemployed	1,656	1,462	1,248	1,146	1,169
Unemployment Rate	7.2%	6.3%	5.4%	4.9%	5.0%
<i>State of Missouri</i>					
Total Labor Force	3,022,513	3,059,067	3,096,678	3,111,517	3,067,196
Unemployed	201,751	186,699	154,857	140,815	132,646
Unemployment Rate	6.7%	6.1%	5.0%	4.5%	4.3%

Source: Missouri Economic Research and Information Center.

*Average of January through April.

Income Statistics

The following table sets forth income figures from 2011-2015:

	<u>Per Capita</u>	<u>Median Family</u>
City	\$20,073	\$40,789
Johnson County	22,722	49,792
State of Missouri	26,259	48,173

Source: U.S. Census Bureau, 2011-2015 American Community Survey 5-Year Estimates.

Housing Structures

The following table sets forth statistics regarding housing structures by type in the City from Census 2010.

	<u>Number of Units</u>	<u>Percentage of Units</u>
Single Family	4,227	54.8%
Mobile Home	67	0.9
Multi-Family	3,426	44.4

The median value of owner occupied housing units in the area of the City and related areas according to Census 2010 were as follows:

	<u>Median Value</u>
City	\$151,100
Johnson County	141,400
State of Missouri	138,400

Source: U.S. Census Bureau, Census 2010.

Building Construction

The following table indicates the number of building permits and total estimated valuation of these permits issued within the City over a five-year period. These numbers reflect permits issued for new construction.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<i>Residential</i>					
Number of Permits	56	50	27	49	30
Estimated Valuation	\$8,709,000	\$8,373,900	\$3,511,500	\$7,367,000	\$5,335,000
<i>Commercial</i>					
Number of Permits	6	9	4	12	8
Estimated Valuation	\$2,950,000	\$7,269,464	\$4,820,000	\$23,772,000	\$9,200,000
TOTALS:					
Number of Permits	62	59	31	61	38
Estimated Valuation	\$11,659,000	\$15,643,364	\$8,331,500	\$31,139,000	\$14,535,000

Source: City.

DEBT STRUCTURE OF THE CITY

Current Indebtedness of the City

<u>Name of Issue</u>	<u>Issue Date</u>	<u>Principal Amount</u>	<u>Amount Outstanding</u>
Neighborhood Improvement District (Russell Avenue Extension Project)	04/24/2001	\$105,000	\$30,000
Neighborhood Improvement District (Hawthorne Development Project)	07/29/2011	3,115,000	2,695,000

Debt Summary
(as of 6/1/2011)

Assessed Valuation (2016):	\$213,384,094
Estimated Actual Valuation:	\$908,323,347
Population (2010):	18,838
Total Outstanding General Obligation Debt: *	\$8,275,000
Overlapping Debt:	\$27,401,232
Direct and Overlapping General Obligation Debt:	\$35,676,232
Ratio of General Obligation Debt to Assessed Valuation:	3.88%
Ratio of General Obligation Debt to Estimated Actual Valuation:	0.91%
Per Capita General Obligation Debt:	\$439.27
Ratio of Direct and Overlapping Debt to Assessed Valuation:	16.72%
Ratio of Direct and Overlapping Debt to Estimated Actual Valuation:	3.93%
Per Capita Direct and Overlapping Debt:	\$1,893.84

* Includes the Bonds.

Overlapping Indebtedness

The following table sets forth the approximate overlapping general obligation indebtedness of political subdivisions with boundaries overlapping the City as of June 1, 2017, and the percent attributable (on the basis of current assessed valuation) to the City. The table was compiled from information furnished by the State Auditor's office and the City has not independently verified the accuracy or completeness of such information. Furthermore, political subdivisions may have ongoing programs requiring the issuance of substantial additional bonds or capital leases, the amounts of which cannot be determined at this time.

<u>Taxing Jurisdiction</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to City</u>	<u>Amount Applicable to City</u>
Warrensburg R-VI School District	\$36,182,000	75.7%	\$27,389,774
Johnson County, Missouri	<u>34,000</u>	33.7	<u>11,458</u>
Total	<u>\$36,216,000</u>		<u>\$27,401,232</u>

Other Obligations

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service and enters into capital leases to finance the acquisition or improvement of City property. Obligations outstanding at June 1, 2017 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Outstanding</u>
Sewerage System Refunding and Improvement Revenue Bonds (State Revolving Fund Program) Series 2007A	4.00 to 4.75%	\$8,605,000

<u>Purpose</u>	<u>Interest Rates</u>	<u>Principal Outstanding</u>
Refunding and Improvement Certificates of Participation, Series 2009 (renovation and construction of various buildings, refinancing of water park)	4.00 to 4.75	5,440,000
Sewerage System Revenue Bonds, Series 2010 (Direct Loan Program)	1.48	6,259,500
Certificates of Participation, Series 2010 (streets, City Hall improvements)	4.00 to 4.80	2,885,000
Certificates of Participation, Series 2013 (city building improvements, public safety equipment)	2.35	6,335,000
Certificates of Participation, Series 2014 (Community Center roof)	2.83	556,000

The City has also entered into a capital lease on September 30, 2011 to finance a tandem axle truck with a total outstanding principal amount of \$59,532 as of September 30, 2016 and an agreement with a developer to reimburse certain public improvement costs. See Note F in the City's financial statements attached hereto as Exhibit B.

Legal Debt Capacity

Article VI, Sections 26(b) and (c) of the Constitution of the State of Missouri limit the net outstanding amount of authorized general obligation indebtedness for a city to 10 percent of the assessed valuation of the city by a two-thirds (four-sevenths at certain elections) vote of the qualified voters. Article VI, Section 26(d) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not to exceed an additional 10 percent for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues, and sanitary or storm sewer systems, provided the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. Article VI, Section 26(e) provides that a city may, by a two-thirds (four-sevenths at certain elections) vote of the qualified voters, incur indebtedness in an amount not exceeding an additional 10 percent for the purpose of purchasing or constructing waterworks, electric or other light plants to be owned exclusively by the city, provided that the total general obligation indebtedness of a city does not exceed 20 percent of the assessed valuation. The legal debt margin of the City as of June 1, 2017 is \$28,849,408.

FINANCIAL INFORMATION CONCERNING THE CITY

Accounting, Budgeting and Auditing Procedures

The City currently produces financial statements that are in conformity with accounting principles generally accepted in the United States of America. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate.

An annual budget is prepared under the direction of the City Manager and submitted to the City Council for consideration prior to the fiscal year commencing on October 1. The operating budget includes proposed

expenditures and revenue sources. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted through the adoption of an ordinance. The primary basis of budgetary control is at the departmental level. The City Manager is authorized to transfer budgeted amounts between programs within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council. Formal budgetary integration is employed as a management control device during the year for all funds. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted governmental auditing standards. The annual audit for the fiscal year ending September 30, 2016 was performed by KPM CPAs, P.C., Springfield, Missouri. Copies of the audit reports for the past 5 years are on file in the City Manager's Office and are available for review.

Sources of Revenue

The City finances its general operations through the following taxes and other miscellaneous sources as indicated below for the last fiscal year for which audited financial statements are available:

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Sales Taxes	\$7,389,633	51.62%
Franchise Fees	2,513,128	17.55
Charges for Services	1,529,327	10.68
Property Taxes	872,501	6.09
Motor Vehicle Taxes	740,935	5.17
Intergovernmental	517,159	3.61
Other Revenue ⁽¹⁾	411,259	2.87
Other Taxes	226,071	1.58
Interest	61,171	0.43
Grants and Contributions	<u>56,592</u>	<u>0.40</u>
	<u>\$14,317,776</u>	<u>100.00%</u>

⁽¹⁾ Included in other revenue are gains/loss on disposal of assets and deferred revenue.

Property Valuations

Assessment Procedure:

All taxable real and personal property within the City is assessed annually by the County Assessor. Missouri law requires that real property be assessed at the following percentages of true value:

Residential real property	19%
Agricultural and horticultural real property	12%
Utility, industrial, commercial, railroad and all other real property	32%

A general reassessment of real property occurred statewide in 1985. In order to maintain equalized assessed valuations following this reassessment, the Missouri General Assembly adopted a maintenance law in 1986. Beginning January 1, 1987, and every odd-numbered year thereafter, each County Assessor must adjust the assessed valuation of all real property located within his or her county in accordance with a two-year assessment and equalization maintenance plan approved by the State Tax Commission.

The assessment ratio for personal property is generally 33-1/3% of true value. However, subclasses of tangible personal property are assessed at the following assessment percentages: grain and other agricultural crops in an unmanufactured condition, 1/2%; livestock, 12%; farm machinery, 12%; historic motor vehicles, 5%; and poultry, 12%.

The County Assessor is responsible for preparing the tax roll each year and for submitting the tax roll to the Board of Equalization. The County Board of Equalization has the authority to adjust and equalize the values of individual properties appearing on the tax rolls.

Current Assessed Valuation:

The following table shows the total assessed valuation, by category, of all taxable tangible property situated in the City according to the assessment of 2016 (the last completed assessment):

	<u>Assessed Valuation</u>	<u>Assessment Rate</u>	<u>Estimated Actual Valuation</u>
Real Estate:			
Residential	\$115,050,926	19%	\$605,531,189
Commercial	56,007,572	32	175,023,663
Agricultural	<u>148,445</u>	12	<u>1,237,042</u>
Sub-Total	\$171,206,943		\$781,791,894
Personal Property	<u>42,177,151</u>	33 1/3% *	<u>126,531,453</u>
Total	<u>\$213,384,094</u>		<u>\$908,323,347</u>

* Assumes all personal property is assessed at 33 1/3%; because certain subclasses of tangible personal property are assessed at less than 33 1/3%, the estimated actual valuation for personal property would likely be greater than that shown above. See "Assessment Procedure" discussed above.

History of Property Valuation:

The total assessed valuation of all taxable tangible property situated in the City, including state assessed railroad and utility property, according to the assessments of January 1 in each of the following years, has been as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2016	\$213,384,094	2.29%
2015	208,606,125	2.59
2014	203,331,513	1.61
2013	200,108,283	4.14
2012	192,151,970	-0.12

Property Tax Levies and Collections

Tax Collection Procedure:

Property taxes are levied and collected by the City. The City is required by law to prepare an annual budget, which includes an estimate of the amount of revenues to be received from all sources for the budget year, including an estimate of the amount of money required to be raised from property taxes and the tax levy rates required to produce such amounts. The budget must also include proposed expenditures and must state the amount required for the payment of interest, amortization and redemption charges on the City's debt for the ensuing budget year. Such estimates are based on the assessed valuation figures provided by the County Clerk. The City must fix its ad valorem property tax rates and certify them to the County Clerk not later than September first for entry in the tax books.

The County Clerk receives the county tax books from the County Assessor, which set forth the assessments of real and personal property. The County Clerk enters the tax rates certified by the local taxing bodies in the tax books and assesses such rates against all taxable property in the City as shown in such books. The County Clerk forwards the tax books by October 31 to the County Collector, who is charged with levying and collecting taxes as shown therein. The County Collector extends the taxes on the tax rolls and issues the tax statements in early December. Taxes are due by December 31 and become delinquent if not paid to the County Collector by that time. All tracts of land and city lots on which delinquent taxes are due are charged with a penalty of eighteen percent of each year's delinquency. All lands and lots on which taxes are delinquent and unpaid are subject to sale at public auction in August of each year.

The County Collector is required to make disbursements of collected taxes to the City each month. Because of the tax collection procedure described above, the City receives the bulk of its moneys from local property taxes in the months of December, January and February.

Tax Rates

Debt Service Levy. The City has not imposed a debt service levy because it had not issued general obligation bonds payable from a property tax. Once indebtedness has been approved by the constitutionally required percentage of the voters voting therefor and bonds are issued, the City is required under Article VI, Section 26(f) of the Missouri Constitution to levy an annual tax on all taxable tangible property therein sufficient to pay the interest and principal of the indebtedness as they fall due and to retire the same within 20 years from the date of issue. The City Council may set the tax rate for debt service, without limitation as to rate or amount, at the level required to make such payments. The City anticipates that it will impose a property tax on taxable real property in the City in the amount of \$0.59 to be imposed in 2017.

Operating Levy. The current general fund operating levy of the City is \$0.3608 per \$100 of assessed valuation. The general fund operating levy cannot exceed the "tax rate ceiling" for the current year without voter approval. The tax rate ceiling, determined annually, is the rate of levy which, when charged against the newly-received assessed valuation of the City for the current year, excluding new construction and improvements, will produce an amount of tax revenues equal to tax revenues for the previous year increased by 5% or the Consumer Price Index, whichever is lower. Without the required percentage of voter approval, the tax rate ceiling cannot at any time exceed the greater of the tax rate in effect in 1984 or the most recent voter-approved tax rate. The tax levy for debt service on the City's general obligation bonds is exempt from the calculations of and limitations upon the tax rate ceiling. Under Article X, Section 11(c) of the Missouri Constitution, any increase in the City's general fund operating levy above \$1.00 must be approved by two-thirds of the voters voting on the proposition.

In 2008, through the enactment of Senate Bill 711 ("SB 711"), the Missouri General Assembly approved further limitations on the amount of property taxes that can be imposed by a local governmental unit. Prior to the enactment of SB 711, a Hancock rollback would not necessarily result in a reduction of a city's actual operating tax levy if its current tax levy was less than its current tax levy ceiling, due to the city's voluntary rollback from the maximum authorized tax levy. Under SB 711, in reassessment years (odd-numbered years), the Hancock

rollback is applied to a city's actual operating tax levy, regardless of whether that levy is at the city's tax levy ceiling. This further reduction is sometimes referred to as an "SB 711 rollback." In non-reassessment years (even-numbered years), the operating levy may be increased to the city's tax levy ceiling (as adjusted by the Hancock rollback), only after a public hearing and adoption of a resolution or policy statement justifying the action.

The following table shows the City's tax levies (per \$100 of assessed valuation) for each of the last five fiscal years:

<u>Fiscal Year Ended September 30</u>	<u>General Fund</u>	<u>Parks Fund</u>	<u>Total Levy</u>
2016	\$0.3608	\$0.1960	\$0.5568
2015	0.3608	0.1960	0.5568
2014	0.3594	0.1952	0.5546
2013	0.3594	0.1952	0.5546
2012	0.3515	0.1909	0.5424

Tax Collection Record:

The following table sets forth tax collection information for the City for the last five fiscal years.

<u>Year Ended September 30</u>	<u>General Fund Taxes Levied</u>	<u>Current and Delinquent Taxes Collected</u>	
		<u>Amount</u>	<u>%</u>
2016	\$752,736	\$748,830	99.48%
2015	737,885	731,444	99.13
2014	719,189	719,112	99.99
2013	690,594	699,744	101.32
2012	676,201	674,155	99.70

Major Property Taxpayers:

The following table sets forth the ten largest real property taxpayers in the City based upon assessed valuation as of 2016.

	<u>Name of Taxpayer</u>	<u>Local Assessed Valuation</u>	<u>Percentage of Total Local Assessed Valuation</u>
1.	EnerSys Energy Products, Inc.	\$3,253,647	1.52%
2.	Wal-Mart Stores, Inc.	2,615,534	1.23
3.	Missouri-American Water Company	2,293,527	1.07
4.	J.W. Franklin Co., Inc.	1,973,850	0.93
5.	Lowe's Home Center, Inc.	1,876,644	0.88
6.	Action Estates, Inc.	1,794,717	0.84
7.	CEV Warrensburg, LP	1,758,999	0.82
8.	James & JoAnn Bourland	1,518,743	0.71
9.	CCWN Associates, LLC	1,269,496	0.59
10.	Harmon Industries, Inc.	1,076,931	0.50

Sales Tax Collections

The following table shows the City's collections of specific sales taxes for each of the last five fiscal years:

<u>Fiscal Year</u> <u>Ended September 30</u>	<u>½%</u> <u>Capital Improvement</u>	<u>3/8%</u> <u>Park</u>
2016	\$ 1,759,480	\$ 1,278,243
2015	1,665,659	1,287,534
2014	1,724,735	1,247,012
2013	1,587,623	1,141,136
2012	1,541,445	1,105,726

* * *

APPENDIX B

ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS

CITY OF WARRENSBURG, MISSOURI

BASIC FINANCIAL STATEMENTS

Year Ended September 30, 2016

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2016, 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 the 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 the *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 of material misstatement.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, 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 of 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, each major fund, and the discretely presented component unit as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the 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 (MD&A), budgetary comparison information, the Schedule of Changes in Net Pension Asset and Related Ratios, and the Schedule of Contributions and related notes 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 City Council
City of Warrensburg
Warrensburg, Missouri

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Warrensburg, Missouri's basic financial statements. The Combining Statement of Fiduciary Net Position and the Combining Statement of Changes in Fiduciary Net Position are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2017, on our consideration of the City of Warrensburg, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Warrensburg, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016

The management's discussion and analysis of the City of Warrensburg's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the City's financial statements, which begin on page 17.

Financial Highlights

- The Net Position of the City's governmental activities decreased by \$1,372,883 for the year as a result of current year activities. The net position of the City's business activities increased \$254,218 for the year.
- The assets and deferred outflow of resources of the City exceeded its liabilities and deferred inflow of resources as of September 30, 2016, by \$58.3 million (net position). Of this amount, \$12.4 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$2,513,990.

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 and liabilities 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 liabilities – are one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

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 sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds rather than the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes and grants.

- **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.
- **Proprietary 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 proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

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 WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2016 and 2015:

	Governmental Activities	Business-Type Activities	Total September 30, 2016	Total September 30, 2015
ASSETS				
Current and other assets	\$ 13,204,560	\$ 2,674,181	\$ 15,878,741	\$ 18,331,700
Capital assets	46,853,552	28,927,762	75,781,314	78,840,292
TOTAL ASSETS	60,058,112	31,601,943	91,660,055	97,171,992
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources	2,678,434	269,074	2,947,508	1,040,366
LIABILITIES				
Other liabilities	1,781,519	1,650,939	3,432,458	3,601,747
Long-term liabilities outstanding	17,784,632	14,787,137	32,571,769	35,085,759
TOTAL LIABILITIES	19,566,151	16,438,076	36,004,227	38,687,506
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources	316,183	27,528	343,711	146,562
NET POSITION				
Net investment in capital assets	28,381,983	12,961,625	41,343,608	41,882,090
Restricted	3,690,541	809,867	4,500,408	4,801,310
Unrestricted	10,781,688	1,633,921	12,415,609	12,694,890
TOTAL NET POSITION	\$ 42,854,212	\$ 15,405,413	\$ 58,259,625	\$ 59,378,290

Total net position of the City decreased \$1,118,665 for the year due to current year activity. Total liabilities for the City have decreased by \$2,683,279. Net capital assets for the governmental activities totaled \$46.9 million as of September 30, 2016.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

CHANGE IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2016	Total Year Ended September 30, 2015
REVENUES				
Program Revenues				
Charges for services	\$ 1,529,327	\$ 4,120,944	\$ 5,650,271	\$ 5,377,081
Operating grants and contributions	1,392	-	1,392	15,400
Capital grants and contributions	55,200	-	55,200	98,945
General Revenues				
Property taxes	872,501	-	872,501	1,080,502
Sales taxes	7,389,633	-	7,389,633	7,199,968
Motor vehicle taxes	740,935	-	740,935	738,190
Other taxes	226,071	-	226,071	246,228
Franchise fees	2,513,128	-	2,513,128	2,984,844
Interest	61,171	312,039	373,210	350,356
Other revenue	149,960	-	149,960	147,990
Gain (loss) on disposal of assets	261,299	-	261,299	161,445
Transfers	517,159	(517,159)	-	-
TOTAL REVENUES, GAINS AND TRANSFERS	14,317,776	3,915,824	18,233,600	18,400,949
EXPENSES				
General government	431,504	-	431,504	416,133
Finance	437,963	-	437,963	332,590
Other support services	416,935	-	416,935	468,496
Information technology	614,408	-	614,408	566,827
Municipal court	158,933	-	158,933	132,713
Buildings and grounds	410,901	-	410,901	409,574
Public safety and health	5,634,121	-	5,634,121	4,650,735
Community development	785,619	-	785,619	814,633
Transportation	3,452,658	-	3,452,658	2,792,338
Cemetery	110,408	-	110,408	125,759
Parks and recreation	2,541,168	-	2,541,168	2,195,330
Debt service	696,041	600,845	1,296,886	1,384,763
Sewer	-	3,060,761	3,060,761	2,954,079
TOTAL EXPENSES	15,690,659	3,661,606	19,352,265	17,243,970
INCREASE (DECREASE) IN NET ASSETS	\$ (1,372,883)	\$ 254,218	\$ (1,118,665)	\$ 1,156,979

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

Governmental Activities

Governmental activities decreased the net position of the City by \$1,372,883. Total tax revenues for the City were \$11.7 million, which represents 82% of the financing of these activities. Program revenues for the functions totaled \$1.6 million or 11% of the funding. The following table shows the cost of the City's programs as well as each program's 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 WARRENSBURG'S GOVERNMENTAL ACTIVITIES

	Total Cost of Services	Net Cost of Services
General government	\$ 431,504	\$ 221,688
Finance	437,963	437,963
Other support services	416,935	416,935
Information technology	614,408	614,408
Municipal court	158,933	158,933
Buildings and grounds	410,901	410,901
Public safety and health	5,634,121	5,257,183
Community development	785,619	785,619
Transportation	3,452,658	3,407,458
Cemetery	110,408	(31,783)
Parks and recreation	2,541,168	1,729,394
Debt Service	696,041	696,041
	<u>\$ 15,690,659</u>	<u>\$ 14,104,740</u>

Business-Type Activities

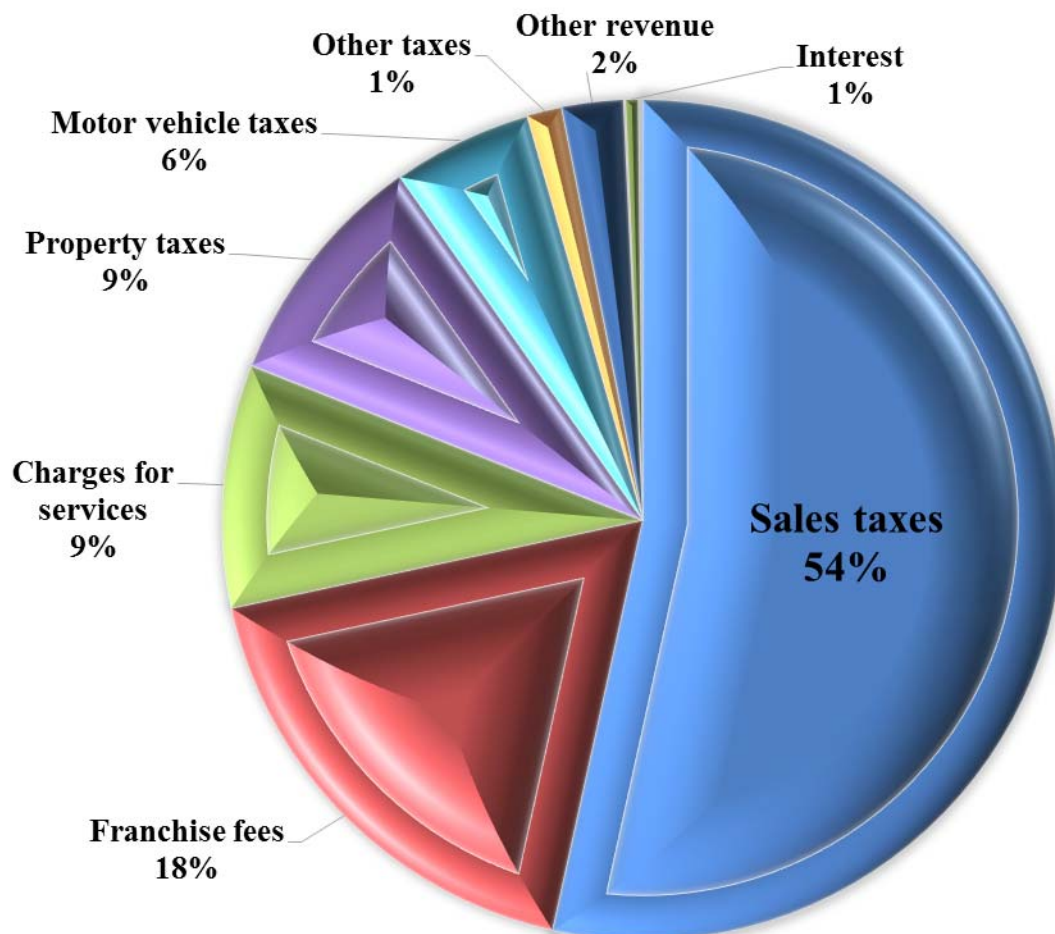
Business-type activities increased the City's net position by \$254,218. Last year the business-type activities increased \$252,035.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

Financial Analysis of the City's Funds

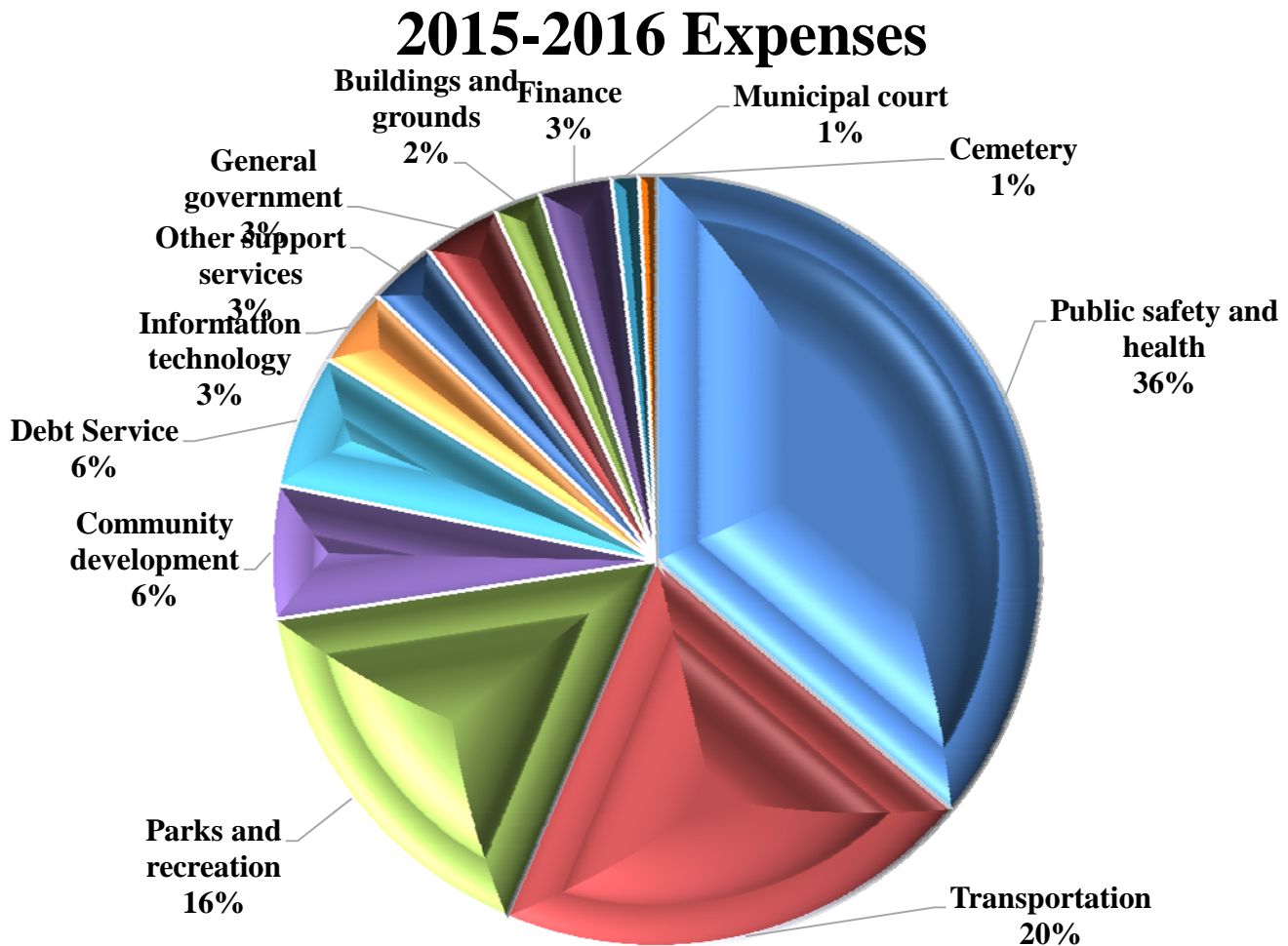
Revenue sources for the City of Warrensburg are illustrated in the pie chart below. Sales Taxes, which are the largest source of revenue, have increased in proportion size from 52% in 2014-2015 to 54% in 2015-2016. The next largest portion, Franchise fees, decreased from 22% to 18% mostly due to the decreased natural gas prices. Other revenues that include Property, Motor vehicle and other taxes remained similar to previous years, while Interest revenue increased due to more aggressive banking on behalf of the City.

2015-2016 Revenues



**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

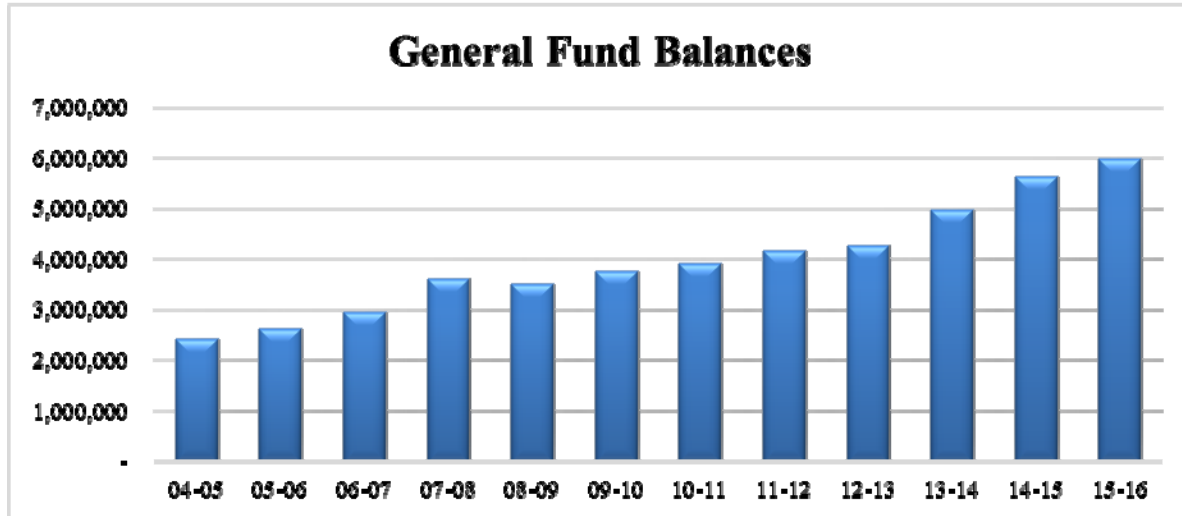
Within the wide array of services provided by the City of Warrensburg, there are 5 major categories that comprise 84% of the total. These services are Public Safety and Health (which includes Fire and Law enforcement), Transportation, Parks and Recreation, Community Development, and Debt Service. The largest portion, Public Safety and Health, increased from 34% of the total in 2014-2015 to 36% in 2015-2016.



The combined fund balances of the City's governmental funds as of September 30, 2016, were \$9.9 million. The General Fund increased by \$537,698. The Park Fund increased by \$49,563. The Tri-Centennial Fund increased by \$115. The Capital Improvement Transportation Fund decreased by \$156,860. The Capital Improvement Half-Cent Fund decreased by \$48,738. The Debt Service Fund increased by \$8,945. The Neighborhood Improvement Fund decreased by \$158,375.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016**

The following bar graph provides a view of the City of Warrensburg's ending General Fund balances, and displays the recent historical performance of the General Fund.



General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

- The original revenue budget of \$8,708,014 was increased by \$1,392 to \$8,709,406.
- The total original budgeted expenditures of \$9,931,839 were increased by \$90,601 to \$10,022,440. Most of this increase was from an increase in buildings and grounds.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$46.9 million (net of accumulated depreciation) as of September 30, 2016. This represents a decrease of \$1,747,433 from the prior year due primarily to building and improvement additions along with infrastructure additions and machinery and equipment additions net of the current year provisions for depreciation. Net capital assets for business-type activities were \$28.9 million as of September 30, 2016. This represents a decrease of \$1,311,545 from the prior year due primarily to current year provisions for depreciation.

Debt

Total debt and long-term obligations of the governmental activities as of September 30, 2016, was \$21.5 million, which is an increase of \$1.2 million due to the addition of the Keystone TIF net of current year principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF WARRENSBURG, MISSOURI
SEPTEMBER 30, 2016

Total debt and long-term obligations of the business-type activities as of September 30, 2016, was \$16.0 million, which is down by \$1.2 million from the prior year due to the payments made on the City's Certificates of Participation and revenue bonds.

Economic Factors and Next Year's Budget

The City continues to experience moderate growth in overall General Fund revenues, which is a positive. This is mainly driven by sales tax growth within the community. Some revenues streams have declined, with the most significant one being franchise fees. Given the City's extreme dependence on sales tax revenues, it is imperative that a constant focus is applied to sustaining growth in this revenue stream. Efforts such as the "Love What's Local" has become increasingly more important to the vitality of the City. However, the real driver for growth in our community will be to increase population and discretionary income levels within the city limits and local region.

Ideally the City would diversify its revenue streams to decrease dependency upon sales tax, particularly by developing stronger property tax revenues. However, the Missouri legislature's enactment of the Hancock Amendment has made doing this a difficult task. It has been recommended that the Council consider placing significant infrastructure and capital purchases on the ballot to increase property taxes, and allow the citizens to vote on these important community measures. Examples of projects and capital purchases include:

- Maguire Street Corridor
- Veteran's Road Extension
- Cooper St. Extension
- Traffic Signal Upgrades
- Public Safety Apparatus
- Technology Investments.

In the budget for fiscal year 2017, the City has decided to invest in its most valuable and expensive asset, its employees. Key cost factors are health insurance, wages, and leave benefits. The costs of changes in these areas are significant and the City cannot alter all of them at once. Management is recommending restructuring the most volatile factor, health insurance, in an effort to stabilize and better manage future costs. Eventually wage issues and retirement benefits will need to be addressed in future fiscal years, but doing so will be much easier when health insurance costs are less volatile. This fiscal year's budget represents a very proactive approach in addressing current and future challenges while also seeking to improve tomorrow's financial health for the City.

Contacting the City's Financial Management

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the Finance Director, 102 South Holden St., Warrensburg, Missouri 64093 (660-747-9131).

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Unit
	Governmental	Business-Type		Warrensburg
	Activities	Activities	Total	Convention and
				Visitors Bureau
ASSETS				
Cash and cash equivalents - unrestricted	\$ 7,621,173	\$ 1,032,387	\$ 8,653,560	\$ 121,913
Taxes receivable, net	1,593,156	-	1,593,156	-
Utilities receivable, net	-	383,459	383,459	-
Other accounts receivable, net	15,362	-	15,362	-
Special assessments receivable, net	725,732	-	725,732	-
Court fines receivable, net	1,227	-	1,227	-
Inventory	12,596	-	12,596	-
Prepaid expenses	138,025	19,784	157,809	-
Restricted cash and cash equivalents	288,117	68,646	356,763	-
Restricted investments	711,229	1,043,707	1,754,936	-
Net pension asset	2,097,943	126,198	2,224,141	-
Capital Assets:				
Non-depreciable	3,206,706	392,583	3,599,289	-
Depreciable, net	43,646,846	28,535,179	72,182,025	-
TOTAL ASSETS	60,058,112	31,601,943	91,660,055	121,913
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflow	2,678,434	269,074	2,947,508	-
TOTAL DEFERRED				
OUTFLOW OF RESOURCES	2,678,434	269,074	2,947,508	-

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2016

	Primary Government			Component Unit
	Governmental	Business-Type		Warrensburg
	Activities	Activities	Total	Convention and
				Visitors Bureau
LIABILITIES				
Current				
Accounts payable	345,607	31,602	377,209	4,386
Accrued expenses	94,527	10,778	105,305	-
Unearned revenue	45,894	-	45,894	-
Court bonds payable	12,565	-	12,565	-
Accrued interest payable	54,549	127,073	181,622	-
Arbitrage payable	-	302,486	302,486	-
Current maturities of long-term debt	1,228,377	1,179,000	2,407,377	-
	1,781,519	1,650,939	3,432,458	4,386
Noncurrent				
Capital leases payable	32,155	-	32,155	-
Neighborhood improvement bonds payable	2,736,000	-	2,736,000	-
Certificates of participation payable	14,475,037	-	14,475,037	-
Revenue bonds payable, net	-	14,747,996	14,747,996	-
Developer agreements payable	6,102	-	6,102	-
Compensated absences payable	535,338	39,141	574,479	-
	17,784,632	14,787,137	32,571,769	-
TOTAL LIABILITIES	19,566,151	16,438,076	36,004,227	4,386
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflow	316,183	27,528	343,711	-
TOTAL DEFERRED				
INFLOW OF RESOURCES	316,183	27,528	343,711	-
NET POSITION				
Net investment in capital assets	28,381,983	12,961,625	41,343,608	-
Restricted	3,690,541	809,867	4,500,408	-
Unrestricted	10,781,688	1,633,921	12,415,609	117,527
TOTAL NET POSITION	\$ 42,854,212	\$ 15,405,413	\$58,259,625	\$ 117,527

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2016

Functions/Programs	Net (Expenses), Revenues and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Warrensburg Convention and Visitors Bureau
Primary Government								
Governmental activities								
General government	\$ (431,504)	\$ 208,424	\$ 1,392	\$ -	\$ (221,688)	\$ -	\$ (221,688)	\$ -
Finance	(437,963)	-	-	-	(437,963)	-	(437,963)	-
Other support services	(416,935)	-	-	-	(416,935)	-	(416,935)	-
Information technology	(614,408)	-	-	-	(614,408)	-	(614,408)	-
Municipal court	(158,933)	-	-	-	(158,933)	-	(158,933)	-
Buildings and grounds	(410,901)	-	-	-	(410,901)	-	(410,901)	-
Public safety and health	(5,634,121)	376,938	-	-	(5,257,183)	-	(5,257,183)	-
Community development	(785,619)	-	-	-	(785,619)	-	(785,619)	-
Transportation	(3,452,658)	-	-	45,200	(3,407,458)	-	(3,407,458)	-
Cemetery	(110,408)	142,191	-	-	31,783	-	31,783	-
Parks and recreation	(2,541,168)	801,774	-	10,000	(1,729,394)	-	(1,729,394)	-
Debt Service	(696,041)	-	-	-	(696,041)	-	(696,041)	-
TOTAL GOVERNMENTAL ACTIVITIES	(15,690,659)	1,529,327	1,392	55,200	(14,104,740)	-	(14,104,740)	-
Business-Type Activities								
Sewer	(3,661,606)	4,120,944	-	-	-	459,338	459,338	-
TOTAL BUSINESS-TYPE ACTIVITIES	(3,661,606)	4,120,944	-	-	-	459,338	459,338	-
TOTAL PRIMARY GOVERNMENT	<u>\$ (19,352,265)</u>	<u>\$ 5,650,271</u>	<u>\$ 1,392</u>	<u>\$ 55,200</u>	(14,104,740)	459,338	(13,645,402)	-

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended September 30, 2016

Component Unit	Program Revenues				Net (Expenses), Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-Type Activities	Warrensburg Convention and Visitors Bureau
Warrensburg Convention and Visitors Bureau	\$ (83,412)	\$ 106,841	\$ -	\$ -	-	-	23,429
General Revenues:							
Property taxes					872,501	-	872,501
Sales taxes					7,389,633	-	7,389,633
Motor vehicle taxes					740,935	-	740,935
Other taxes					226,071	-	226,071
Franchise fees					2,513,128	-	2,513,128
Interest					61,171	312,039	373,210
Other revenue					149,960	-	149,960
Gain on disposal of assets					261,299	-	261,299
Transfers					517,159	(517,159)	-
Total General Revenues, Gains and Transfers					12,731,857	(205,120)	12,526,737
Changes in Net Position					(1,372,883)	254,218	(1,118,665)
Net Position, Beginning of year					44,227,095	15,151,195	59,378,290
Net Position, End of year					\$ 42,854,212	\$ 15,405,413	\$ 58,259,625
							\$ 117,527

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2016

	Special Revenue Funds						Debt Service Funds			Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	
ASSETS										
Cash and cash equivalents	\$ 5,088,420	\$ 950,348	\$ -	\$ -	\$ 395,086	\$ 527,509	\$ 156,985	\$ 502,825	\$ -	\$ 7,621,173
Taxes receivable, net	990,902	203,137	-	-	124,166	274,951	-	-	-	1,593,156
Other accounts receivable	-	15,362	-	-	-	-	-	-	-	15,362
Special assessments receivable, net	-	-	-	-	-	-	-	725,732	-	725,732
Court fines receivable, net	1,227	-	-	-	-	-	-	-	-	1,227
Due from other funds	216,821	-	-	-	-	-	-	-	-	216,821
Inventory	12,596	-	-	-	-	-	-	-	-	12,596
Prepaid expenses	120,708	17,317	-	-	-	-	-	-	-	138,025
Restricted cash and cash equivalents	12,565	534	-	14,080	-	-	-	260,938	-	288,117
Restricted investments	-	5	-	-	-	-	711,224	-	-	711,229
TOTAL ASSETS	\$ 6,443,239	\$ 1,186,703	\$ -	\$ 14,080	\$ 519,252	\$ 802,460	\$ 868,209	\$ 1,489,495	\$ -	\$ 11,323,438
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES										
Liabilities										
Accounts payable	\$ 182,067	\$ 36,777	\$ -	\$ -	\$ 7,221	\$ 119,507	\$ -	\$ 35	\$ -	\$ 345,607
Accrued expenses	83,289	11,238	-	-	-	-	-	-	-	94,527
Court bonds payable	12,565	-	-	-	-	-	-	-	-	12,565
Due to other funds	-	71,821	-	-	-	-	145,000	-	-	216,821
Unearned revenue	-	45,894	-	-	-	-	-	-	-	45,894
TOTAL LIABILITIES	277,921	165,730	-	-	7,221	119,507	145,000	35	-	715,414

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS (continued)
September 30, 2016

	Special Revenue Funds						Debt Service Funds			Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	
Deferred Inflow of Resources										
Deferred revenue -										
special assessments	-	-	-	-	-	-	-	734,848	-	734,848
Fund Balances										
Nonspendable:										
Inventory	12,596	-	-	-	-	-	-	-	-	12,596
Prepaid expenses	120,708	17,317	-	-	-	-	-	-	-	138,025
Restricted for:										
Debt Service	-	-	-	-	-	-	723,209	754,612	-	1,477,821
Capital improvements	-	-	-	-	512,031	682,953	-	-	-	1,194,984
Tri-centennial	-	-	-	14,080	-	-	-	-	-	14,080
Parks and recreation	-	1,003,656	-	-	-	-	-	-	-	1,003,656
Unassigned	6,032,014	-	-	-	-	-	-	-	-	6,032,014
TOTAL FUND BALANCES	6,165,318	1,020,973	-	14,080	512,031	682,953	723,209	754,612	-	9,873,176
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 6,443,239	\$ 1,186,703	\$ -	\$ 14,080	\$ 519,252	\$ 802,460	\$ 868,209	\$ 1,489,495	\$ -	\$ 11,323,438

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
September 30, 2016

Fund balance - total governmental funds	\$ 9,873,176
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	87,645,265
Less accumulated depreciation	<u>(40,791,713)</u>
	46,853,552
The net pension asset is not available to pay for the current-period expenditures, and therefore, is not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items:	
Net pension asset	2,097,943
Deferred outflows due to pension	2,678,434
Deferred inflows due to pension	<u>(316,183)</u>
	4,460,194
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(54,549)
Adjustment of deferred revenue	734,848
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(19,013,009)</u>
Net position of governmental activities	<u>\$ 42,854,212</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS

Year Ended September 30, 2016

	Special Revenue Funds						Debt Service Funds			Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	
REVENUES										
Taxes	\$ 7,782,241	\$ 1,699,952	\$ -	\$ -	\$ 740,935	\$ 1,759,480	\$ -	\$ 58,728	\$ 2,541	\$ 12,043,877
Licenses and permits	208,424	-	-	-	-	-	-	-	-	208,424
Intergovernmental revenues	1,392	10,000	-	-	45,198	2	-	-	-	56,592
Charges for services	198,039	801,774	-	-	-	-	-	-	-	999,813
Fines and forfeitures	321,090	-	-	-	-	-	-	-	-	321,090
Interest income	40,922	7,705	-	115	-	-	12,429	-	-	61,171
Miscellaneous	113,504	18,731	-	-	7,226	5,849	159,650	-	-	304,960
TOTAL REVENUES	8,665,612	2,538,162	-	115	793,359	1,765,331	172,079	58,728	2,541	13,995,927
EXPENDITURES										
Current										
General government	398,406	-	-	-	-	-	-	6,127	-	404,533
Finance	401,239	-	-	-	-	-	-	-	-	401,239
Other support services	411,817	-	-	-	-	-	-	-	-	411,817
Information technology	439,357	-	-	-	-	-	-	-	-	439,357
Municipal court	150,716	-	-	-	-	-	-	-	-	150,716
Buildings and grounds	262,635	-	-	-	-	-	-	-	-	262,635
Public safety and health	4,773,601	-	-	-	-	-	-	-	-	4,773,601
Community development	735,817	-	-	-	-	-	-	-	2,541	738,358
Transportation	1,221,661	-	-	-	-	-	-	-	-	1,221,661
Cemetery	95,260	-	-	-	-	-	-	-	-	95,260
Parks and recreation	-	2,140,638	-	-	-	-	-	-	-	2,140,638
Capital improvements	-	-	-	-	889,809	402,766	-	-	-	1,292,575
Debt Service										
Principal and interest	-	-	-	-	-	-	1,737,372	261,007	-	1,998,379
TOTAL EXPENDITURES	8,890,509	2,140,638	-	-	889,809	402,766	1,737,372	267,134	2,541	14,330,769

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (continued)

Year Ended September 30, 2016

	Special Revenue Funds						Debt Service Funds			Total Governmental Funds
	General Fund	Park Fund	Old Drum Fund	Tri-Centennial Fund	Capital Improvement Transportation Fund	Capital Improvement Half Cent Fund	Debt Service Fund	Neighborhood Improvement Fund	Tax Increment Financing Fund	
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(224,897)	397,524	-	115	(96,450)	1,362,565	(1,565,293)	(208,406)	-	(334,842)
OTHER FINANCING SOURCES (USES)										
Sale of capital assets	-	-	-	-	-	-	-	50,031	-	50,031
Operating transfers in (out)	762,595	(347,961)	-	-	(60,410)	(1,411,303)	1,574,238	-	-	517,159
TOTAL OTHER FINANCING SOURCES (USES)	762,595	(347,961)	-	-	(60,410)	(1,411,303)	1,574,238	50,031	-	567,190
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	537,698	49,563	-	115	(156,860)	(48,738)	8,945	(158,375)	-	232,348
FUND BALANCE, October 1	5,627,620	971,410	-	13,965	668,891	731,691	714,264	912,987	-	9,640,828
FUND BALANCE, September 30	<u>\$ 6,165,318</u>	<u>\$ 1,020,973</u>	<u>\$ -</u>	<u>\$ 14,080</u>	<u>\$ 512,031</u>	<u>\$ 682,953</u>	<u>\$ 723,209</u>	<u>\$ 754,612</u>	<u>\$ -</u>	<u>\$ 9,873,176</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI

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

Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$ 232,348
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Amounts reported for governmental activities in the Statement of Activities
are different because:

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

Capital outlay	589,455
Depreciation	(2,290,278)
Disposal of capital assets, net	(46,610)
	<u>(1,747,433)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	(456,609)
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The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt is a use of current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. In the Statement of Activities, interest is accrued on outstanding debt whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences.

Repayment of principal on bonds, leases, and other debt	1,301,420
Change in accrued interest payable	3,309
	<u>1,304,729</u>

Some expenditures reported in the governmental fund represent the use of current financial resources and were recognized in the Statement of Activities when incurred	(705,918)
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Change in net position of governmental activities	<u>\$ (1,372,883)</u>
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See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND
September 30, 2016

	Enterprise Fund <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 1,032,387
Utilities receivable, net	383,459
Prepaid expenses	<u>19,784</u>
TOTAL CURRENT ASSETS	1,435,630
Noncurrent Assets	
Net pension asset	<u>126,198</u>
TOTAL NONCURRENT ASSETS	126,198
Restricted Assets	
Cash and cash equivalents	68,646
Investments	<u>1,043,707</u>
TOTAL RESTRICTED ASSETS	1,112,353
Property, Plant and Equipment	
Land	392,583
Buildings and improvements	19,361,104
Sewer mains and lines	27,028,338
Machinery and equipment	<u>1,051,369</u>
	47,833,394
Less accumulated depreciation	<u>(18,905,632)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>28,927,762</u>
TOTAL ASSETS	31,601,943
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflow	<u>269,074</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	269,074

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUND (continued)
September 30, 2016

	Enterprise Fund <u>Sewer Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	31,602
Accrued expenses	10,778
Accrued interest payable	127,073
Arbitrage payable	302,486
Current maturities of long-term debt	<u>1,179,000</u>
TOTAL CURRENT LIABILITIES	1,650,939
Long-Term Liabilities	
Revenue bonds payable, net	14,747,996
Compensated absences payable	<u>39,141</u>
TOTAL LONG-TERM LIABILITIES	14,787,137
TOTAL LIABILITIES	16,438,076
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflow	<u>27,528</u>
TOTAL DEFERRED INFLOW OF RESOURCES	27,528
NET POSITION	
Net investment in capital assets	12,961,625
Restricted	809,867
Unrestricted	<u>1,633,921</u>
TOTAL NET POSITION	<u>\$ 15,405,413</u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY FUND
Year Ended September 30, 2016

	Enterprise Fund <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for services	\$ 4,113,769
Miscellaneous	<u>7,175</u>
TOTAL OPERATING REVENUES	4,120,944
OPERATING EXPENSES	
Personnel services	790,845
Contractual services	144,333
Repairs and maintenance	140,212
Supplies	62,535
Utilities	337,012
Education	2,259
Labs and testing	15,859
Insurance Expenses	52,549
Depreciation	1,497,086
Miscellaneous	<u>18,071</u>
TOTAL OPERATING EXPENSES	<u>3,060,761</u>
OPERATING INCOME	1,060,183
NONOPERATING REVENUES (EXPENSES)	
Interest income	312,039
Interest expense	<u>(600,845)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(288,806)</u>
INCOME BEFORE OPERATING TRANSFERS	771,377
OPERATING TRANSFERS (OUT)	<u>(517,159)</u>
NET INCOME	254,218
NET POSITION, October 1	<u>15,151,195</u>
NET POSITION, September 30	<u><u>\$ 15,405,413</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
Year Ended September 30, 2016

	Enterprise Fund
	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,974,004
Cash paid to suppliers	(747,063)
Cash paid to employees	(764,913)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,462,028
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer (out)	(517,159)
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(517,159)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of fixed assets	(185,541)
Payment of bond principal	(1,161,000)
Payment of interest expense	(610,158)
Payment of principal on capital leases	(54,400)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,011,099)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	303,848
Purchase of investments	(434,889)
NET CASH (USED) BY INVESTING ACTIVITIES	(131,041)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(197,271)
CASH AND CASH EQUIVALENTS, Beginning of year	1,298,304
CASH AND CASH EQUIVALENTS, End of year	\$ 1,101,033
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 1,060,183
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,497,086
(Increase) decrease in:	
Utilities receivable	(146,940)
Prepaid expenses	(1,270)
Net pension asset	201,881
Deferred pension outflows	(172,246)
Increase (decrease) in:	
Accounts payable	(2,246)
Accrued expenses	(15,891)
Compensated absences	2,124
Arbitrage payable	29,283
Deferred pension inflows	10,064
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 2,462,028

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF FIDUCIARY NET POSITION – PRIVATE PURPOSE TRUSTS
 September 30, 2016

	Private-Purpose Trusts
ASSETS	
Cash and cash equivalents	\$ 203,757
LIABILITIES	
Due to others	-
NET POSITION	
Restricted	75,982
Unrestricted	127,775
TOTAL NET POSITION	\$ 203,757

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
 COMBINED STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – PRIVATE PURPOSE
 TRUSTS
 Year Ended September 30, 2016

	Private-Purpose Trusts
Additions:	
Donations	\$ 2,663
Deductions:	
Contributions and other	2,600
Changes in Net Position	63
Net Position, beginning of year	203,694
Net Position, end of year	<u><u>\$ 203,757</u></u>

See accompanying notes.

CITY OF WARRENSBURG, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION – AGENCY FUNDS
September 30, 2016

	Agency Funds		
	Children's Memorial Trust	Arts Commission	Public Arts Fund
ASSETS			
Cash and cash equivalents	\$ 17,988	\$ 21,126	\$ 691
LIABILITIES			
Due to others	\$ 17,988	\$ 21,126	\$ 691

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warrensburg, Missouri, (the City) is located in Johnson County and was incorporated in 1865, under the provisions of the State of Missouri. Warrensburg is a city of the third class and operates under a City Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include 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 policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. 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 the entity described in the following paragraph meets the above criteria and therefore, has been included as a component unit in the City's basic financial statements.

Component Unit

The Warrensburg Convention and Visitors Bureau of the City of Warrensburg is a not-for-profit corporation organized for the purpose of promoting tourism in Warrensburg. The Bureau is governed by a nine-member board appointed by the City.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 not accounted for in other funds.

Park Fund: The Park Fund of the City is used to account for resources restricted, committed, or assigned for the parks department within the City.

Old Drum Fund: The Old Drum Fund is used to account for charges for services that are restricted, committed, or assigned for the City's promotional activities.

Tri-Centennial Fund: The Tri-Centennial Fund is used to account for miscellaneous revenues and expenditures that are restricted, committed, or assigned for the Tri-Centennial activities.

Capital Improvement Transportation Fund: The Capital Improvement Transportation Fund is used to account for sales taxes and other resources that are restricted, committed, or assigned for the transportation capital improvements within the City.

Capital Improvement Half-Cent Fund: The Capital Improvement Half-Cent Fund is used to account for sales taxes and other resources that are restricted, committed, or assigned for the capital improvements within the City.

Neighborhood Improvement Fund: The Neighborhood Improvement Fund is used to account for proceeds that are restricted, committed, or assigned from the payment of Neighborhood Improvement Bonds.

Debt Service Fund: The Debt Service Fund is used to account for funds that are restricted, committed, or assigned from the payment of the City's governmental activities debt.

Tax Increment Financing Fund: This fund is used to account for collection and disbursement of economic activity taxes and property taxes collected on growth of assessed valuation of the redevelopment area of the TIF District.

The City reports the following major proprietary fund:

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major fiduciary funds:

Fiduciary Funds: Fiduciary funds are used to report assets held in a trustee or agency capacity for others. Since by definition these assets are being held for the benefit of a third party and cannot be used to support activities or obligations for the City, these funds are not incorporated into the government-wide statements. The City is the fiduciary for four private purpose trust funds and three agency funds. The agency funds consist of the Children’s Memorial Trust, the Arts Commission, and the Public Arts Fund. The Children’s Memorial Trust fund exists to account for funds donated to build a memorial to honor the memory of children who have died. The Arts Commission fund is used to account for funds donated to further the arts within the City. The Public Arts Fund is used to fund art in public places.

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 when historical records are available and at an estimated historical cost when 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, completed in the current year 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:

Machinery and equipment	3 to 20 years
Cemetery buildings	5 to 20 years
Other buildings	15 to 50 years
Improvements	15 to 50 years
Sewer lines	20 to 70 years
Other infrastructure	20 to 50 years

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. Inventory usage is recognized on the consumption method.

Compensated Absences

Under terms of the City's municipal code, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days up to the equivalent of one year's vacation (maximum of four weeks). The amount that can be accrued for sick leave is limited to 1080 hours for firefighters and 720 hours for all other employees. Employees are paid for one-half of the amount of accumulated sick leave only upon retirement from the City.

Vested or accumulated vacation leave and compensatory time is accounted for as follows:

Governmental Funds – The accumulated liabilities for vacation and compensatory time is recorded in the governmental activities column of the government-wide financial statements.

Proprietary Funds – The costs of vacation and compensatory time are accrued in the respective funds as earned by City employees and recorded in the proprietary fund financial statements and the business-type activities column of the government-wide financial statements.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Cost*. 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.

Deposits and Investments

For financial statement purposes and the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents. All other deposits and Certificates of Deposit are considered to be investments.

Net Position

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

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

Restricted – This consists of net position that are 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.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition to liabilities, the statement of financial 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 only one type of item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan. 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 asset, deferred outflows of resources and deferred inflows 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.

NOTE B – CASH AND CASH EQUIVALENTS

Primary Government

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 September 30, 2016, all bank balances on deposit are entirely insured or collateralized.

Warrensburg Convention and Visitors Bureau

State statutes require that the Bureau's deposits be insured or collateralized in the name of the Bureau by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2016, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Primary Government

Investments of the City as of September 30, 2016, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Guaranteed Investment Contracts	12/21/2016 - 1/1/2028	<u>\$ 1,754,936</u>

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in trust accounts for the 1992 and 2007 Sewer System Revenue Bonds and the reserve accounts. The City’s funds are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 100% of the value of the investment.

Interest Rate Risk

The City limits its exposure to interest rate risk. The City restricts its investments to those maturing in 5 years or less. This policy is limited to those investments made directly by the City and does not apply to investments of debt reserves made by trust account managers.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City’s policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution’s agent and in the City’s name.

At September 30, 2016, the City’s deposits were insured by Federal depository insurance and uninsured deposits were fully collateralized by securities held in the City’s name by their financial and government obligations and, accordingly, the City was not exposed to such credit risks.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE C – INVESTMENTS (continued)

Concentration of Credit Risk

The City's investment policy does not limit the amount it may invest in any one issuer. At September 30, 2016, the City's only investments were amounts held in trust invested in Guaranteed Investment Contracts on deposit with United Missouri Bank. The trust agreement requires that these amounts be collateralized in the amount of 100% of the value of the investment, and, accordingly, the City was not exposed to such credit risks.

NOTE D – ACCOUNTS RECEIVABLE

Primary Government

Accounts receivable are presented net of allowance for doubtful accounts as follows:

	Accounts Receivable	Allowance	Net Accounts Receivable
GENERAL FUND			
Ad valorem taxes receivable	\$ 22,639	\$ 13,338	\$ 9,301
Sales and use tax receivable	679,658	-	679,658
Franchise tax receivable	292,857	-	292,857
Lodging tax receivable	9,086	-	9,086
	<u>\$ 1,004,240</u>	<u>\$ 13,338</u>	<u>\$ 990,902</u>
PARK FUND			
Ad valorem taxes receivable	\$ 12,481	\$ 7,244	\$ 5,237
Sales and use tax receivable	197,900	-	197,900
	<u>\$ 210,381</u>	<u>\$ 7,244</u>	<u>\$ 203,137</u>
COURT FINES RECEIVABLE			
General Fund	<u>\$ 19,666</u>	<u>\$ 18,439</u>	<u>\$ 1,227</u>
SPECIAL ASSESSMENTS RECEIVABLE			
Neighborhood Improvement Fund	<u>\$ 3,711,401</u>	<u>\$ 2,985,669</u>	<u>\$ 725,732</u>
UTILITIES RECEIVABLE			
Sewer Fund	<u>\$ 490,481</u>	<u>\$ 107,022</u>	<u>\$ 383,459</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE E – RESTRICTED ASSETS

Primary Government

Cash, investments and net position have been restricted in the following funds and activities as follows:

	Restricted Cash and Investments	Restricted Net Position
GENERAL FUND		
Court bonds	\$ 12,565	\$ -
PARK FUND		
Refundable deposits and trustee funds	\$ 539	\$ 1,003,656
TRI-CENTENNIAL FUND		
Tri-Centennial activities	\$ 14,080	\$ 14,080
CAPITAL IMPROVEMENT FUND		
Trustee funds	\$ -	\$ 512,031
CAPITAL IMPROVEMENT HALF CENT FUND		
Trustee funds	\$ -	\$ 682,953
DEBT SERVICE FUND		
Debt service reserves	\$ 711,224	\$ 723,209
NEIGHBORHOOD IMPROVEMENT FUND		
Debt service reserves	\$ 260,938	\$ 754,612
SEWER FUND		
1992 Revenue Bonds		
Principal and interest	\$ 68,646	\$ 68,646
2007 Revenue Bonds		
Rebate account	302,486	-
Principal and interest	616,814	616,814
2010 Revenue Bonds		
Debt service reserve	1	1
Principal and interest	124,406	124,406
	\$ 1,112,353	\$ 809,867

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities of the City of Warrensburg consists of four Certificates of Participation, one capital lease, two Neighborhood Improvement Bonds payable, one developer agreement, and compensated absences payable.

Capital Lease

On September 30, 2011, the City entered into a lease purchase agreement to finance a tandem axle truck. The agreement requires semi-annual payments of \$15,749, including interest at 3.75% as shown in following schedule:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 29,504	\$ 1,994	\$ 31,498
2018	30,028	1,470	31,498
	<u>\$ 59,532</u>	<u>\$ 3,464</u>	<u>\$ 62,996</u>

This lease agreement provides 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 option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with FASB ASC Topic No. 840-30-30 - *Accounting for Capital Leases*.

Series 2013 Certificates of Participation

The City issued \$8,485,000 of Series 2013 Refunding Certificates of Participation. The Certificates were issued to refund the Series 2007 Certificates of Participation which were originally used to fund various city building improvements and public safety equipment. The Certificates of Participation bear interest at 2.35% with principal and interest payments due March 1 and September 1 each year.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 710,000	\$ 153,044	\$ 863,044
2018	640,000	136,829	776,829
2019	725,000	121,201	846,201
2020	785,000	103,811	888,811
2021	865,000	84,894	949,894
2022	940,000	64,155	1,004,155
2023	1,020,000	41,595	1,061,595
2024	1,005,000	17,684	1,022,684
	<u>\$ 6,690,000</u>	<u>\$ 723,213</u>	<u>\$ 7,413,213</u>

Series 2009 Certificates of Participation

The City issued \$7,170,000 of Series 2009 Certificates of Participation. The Certificates were issued to finance certain parks projects, city buildings, and equipment purchases. The Certificates of Participation bear interest from 3.0% to 4.75% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 255,000	\$ 236,788	\$ 491,788
2018	270,000	226,587	496,587
2019	245,000	217,138	462,138
2020	245,000	207,337	452,337
2021	230,000	197,538	427,538
2022	235,000	188,337	423,337
2023	255,000	178,938	433,938
2024	585,000	168,737	753,737
2025	160,000	145,338	305,338
2026	195,000	138,137	333,137
2027	230,000	129,363	359,363
2028	260,000	119,012	379,012
2029	300,000	107,313	407,313
2030	340,000	93,812	433,812
2031	390,000	77,663	467,663
2032	430,000	59,138	489,138
2033	815,000	38,712	853,712
	<u>\$ 5,440,000</u>	<u>\$ 2,529,888</u>	<u>\$ 7,969,888</u>

Series 2010 Certificates of Participation

The City issued \$3,830,000 of Series 2010 Certificates of Participation. The Certificates were issued to finance certain city projects and city buildings. The Certificates of Participation bear interest from 3.0% to 4.8% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The total annual minimum lease payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 65,000	\$ 132,705	\$ 197,705
2018	75,000	130,105	205,105
2019	75,000	127,105	202,105
2020	75,000	124,105	199,105
2021	75,000	121,105	196,105
2022	75,000	118,105	193,105
2023	85,000	114,730	199,730
2024	80,000	110,905	190,905
2025	415,000	107,305	522,305
2026	435,000	88,630	523,630
2027	455,000	68,185	523,185
2028	475,000	46,800	521,800
2029	500,000	24,000	524,000
	<u>\$ 2,885,000</u>	<u>\$ 1,313,785</u>	<u>\$ 4,198,785</u>

Series 2014 Certificates of Participation

The City issued \$655,000 of Series 2014 Certificates of Participation. The Certificates were issued to finance the Community Center roof project. The Certificates of Participation bear interest of 2.83% with principal payments due September 1 and interest payments due March 1 and September 1 each year.

The total annual minimum lease payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 63,000	\$ 15,735	\$ 78,735
2018	65,000	13,952	78,952
2019	67,000	12,112	79,112
2020	69,000	10,216	79,216
2021	70,000	8,264	78,264
2022	72,000	6,283	78,283
2023	74,000	4,245	78,245
2024	76,000	2,150	78,150
	<u>\$ 556,000</u>	<u>\$ 72,957</u>	<u>\$ 628,957</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

Neighborhood Improvements Bonds – Series 2001

The City issued \$105,000 of Series 2001 Neighborhood Improvement Bonds. The Bonds were issued to finance certain improvements to Russell Avenue. The bonds bear interest from 4.875% to 5.625% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess certain Russell Avenue property owners the \$105,000 cost of such improvements. The owners will be assessed \$9,200 annually over the next 20 years. The special assessments received will be used for bond payments.

The total annual principal and interest payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 7,000	\$ 1,885	\$ 8,885
2018	7,000	1,491	8,491
2019	7,000	1,097	8,097
2020	8,000	675	8,675
2021	8,000	225	8,225
	<u>\$ 37,000</u>	<u>\$ 5,373</u>	<u>\$ 42,373</u>

Neighborhood Improvements Bonds – Series 2011

The City issued \$3,115,000 of Series 2011 Neighborhood Improvement Bonds. The Bonds were issued to retire Series 2009 Municipal Temporary Notes which were originally issued to fund improvements related to the Hawthorne Redevelopment Project. The bonds bear interest from 3.0% to 4.375% with principal payments due September 1 and interest payments due March 1 and September 1 each year. In conjunction with the issuance of these bonds, the City has agreed to assess property owners within the Hawthorne Redevelopment Project the \$3,115,000 cost of such improvements. The special assessments received will be used for bond payments. During the year ended September 30, 2013, the City acquired various lots of property within the Hawthorne Development through a sheriff's tax sale. As such, the City will be absorbing a proportionate share of the debt service. The City intends to service debt principal and interest payments by using reserves created from pre-payments of special assessments by other property owners. If the City-owned lots have not been sold by the time the reserves have been depleted, the City will meet its obligation to provide for payments of principal and interest on these bonds. The present value of the special assessments on City-owned property is \$2,985,669 at September 30, 2016. At September 30, 2016, special assessments receivable totaled \$3,711,401.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The total annual principal and interest payments required at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Total
2017	\$ 145,000	\$ 107,887	\$ 252,887
2018	150,000	103,463	253,463
2019	155,000	98,694	253,694
2020	160,000	93,575	253,575
2021	165,000	88,088	253,088
2022	170,000	82,225	252,225
2023	180,000	75,650	255,650
2024	185,000	68,350	253,350
2025	190,000	60,850	250,850
2026	200,000	52,925	252,925
2027	210,000	44,469	254,469
2028	220,000	35,600	255,600
2029	225,000	26,141	251,141
2030	235,000	16,078	251,078
2031	250,000	5,468	255,468
	<u>\$ 2,840,000</u>	<u>\$ 959,463</u>	<u>\$ 3,799,463</u>

Developer Agreement

The City entered into a development agreement with Westwin Investment Corporation (Westwin) to reimburse Westwin for certain public improvements costs. Subject to certain terms and conditions, under the agreement, the City will reimburse the developer 50% of the 1% general sales taxes collected from retail sales at this project location over a scheduled ten (10) year period not to exceed \$81,000. At September 30, 2016, the outstanding amount under this non-interest bearing agreement was \$6,102.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016
Capital lease - US Bank	\$ 87,953	\$ -	\$ 28,421	\$ 59,532
2001 Neighborhood Improvement Bonds	43,000	-	6,000	37,000
2011 Neighborhood Improvement Bonds	2,980,000	-	140,000	2,840,000
Developer - Westwin Investment Corp.	12,472	-	6,370	6,102
2009 Certificates of Participation	5,680,000	-	240,000	5,440,000
2010 Certificates of Participation	3,105,000	-	220,000	2,885,000
2011 Certificates of Participation	55,600	-	55,600	-
2013 Refunding Certificates of Participation	7,240,000	-	550,000	6,690,000
2014 Certificates of Participation	617,000	-	61,000	556,000
Issuance premiums	546	-	273	273
Issuance discounts	(38,501)	-	(2,265)	(36,236)
	<u>19,783,070</u>	<u>-</u>	<u>1,305,399</u>	<u>18,477,671</u>
Compensated Absences	<u>531,359</u>	<u>3,979</u>	<u>-</u>	<u>535,338</u>
TOTAL	<u>\$ 20,314,429</u>	<u>\$ 3,979</u>	<u>\$ 1,305,399</u>	<u>\$ 19,013,009</u>

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

Long-term liabilities in the Sewer Fund consists of the 2007 and 2010 Sewer System Revenue Bonds, and compensated absences.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

2007 Sewerage System Refunding and Improvement Revenue Bonds

The City entered into an agreement with the State Environmental Improvement and Energy Resources Authority, the City issued \$14.15 million in Sewerage System Refunding and Improvement Revenue Bonds, Series 2007. The bonds bear interest at 4.00% to 4.75%. In connection with the City's issuance of these revenue bonds, the City began participating in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved capital expenditures, DNR reimburses the City for the expenditure from the bond proceeds account and deposits an additional 70% of the expenditure amount in a Bond Reserve Fund in the City's name. The interest paid on these sewer revenue bonds is offset by an interest subsidy from the State of Missouri's 70% bond reserves. Interest payments are due semi-annually 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 2007 revenue bonds outstanding at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2017	\$ 775,000	\$ 397,175	\$ 66,973	\$ 1,239,148
2018	790,000	365,875	61,440	1,217,315
2019	800,000	334,075	55,799	1,189,874
2020	815,000	301,266	50,087	1,166,353
2021	830,000	265,781	44,268	1,140,049
2022	845,000	227,038	38,342	1,110,380
2023	865,000	186,425	32,309	1,083,734
2024	885,000	147,075	26,132	1,058,207
2025	905,000	106,775	19,814	1,031,589
2026	925,000	63,312	13,352	1,001,664
2027	945,000	20,672	6,747	972,419
	<u>\$ 9,380,000</u>	<u>\$ 2,415,469</u>	<u>\$ 415,263</u>	<u>\$ 12,210,732</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

2010 Sewerage System Revenue Bonds

Through September 30, 2015, the City has issued the maximum of \$8,548,500, in the State of Missouri Direct Loan Program sewerage system revenue bonds, Series 2010, for the purpose of extending and improving the City's sewerage system. The bonds bear interest at 1.48%. 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.

The annual debt service requirements to amortize the principal on the 2010 revenue bonds outstanding at September 30, 2016, are as follows:

Year Ended September 30,	Principal	Interest	Administrative Fee	Total
2017	\$ 404,000	\$ 94,128	\$ 31,800	\$ 529,928
2018	412,000	88,119	29,770	529,889
2019	420,000	81,992	27,700	529,692
2020	430,000	75,739	25,587	531,326
2021	438,000	69,345	23,428	530,773
2022	446,000	62,833	21,228	530,061
2023	456,000	56,196	18,985	531,181
2024	464,000	49,417	16,695	530,112
2025	474,000	42,513	14,362	530,875
2026	483,000	35,468	11,983	530,451
2027	493,000	28,283	9,555	530,838
2028	503,000	20,949	7,078	531,027
2029	513,000	13,468	4,550	531,018
2030	524,500	5,839	1,972	532,311
	<u>\$ 6,460,500</u>	<u>\$ 724,289</u>	<u>\$ 244,693</u>	<u>\$ 7,429,482</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

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

Changes in Long-Term Liabilities - Enterprise Funds

The following table is a summary of the changes in the Enterprise Fund long-term liabilities for the year ended September 30, 2016:

	Balance September 30, 2015	Additions	Retirements	Balance September 30, 2016
2011 Certificates of Participation	\$ 54,400	\$ -	\$ 54,400	\$ -
Revenue Bonds:				
Series 2007 SRF Revenue Bonds	10,145,000	-	765,000	9,380,000
Series 2010 SRF Revenue Bonds	6,856,500	-	396,000	6,460,500
Premium on bonds	94,687	-	8,191	86,496
	17,096,187	-	1,169,191	15,926,996
Compensated Absences	37,017	2,124	-	39,141
TOTAL	<u>\$ 17,187,604</u>	<u>\$ 2,124</u>	<u>\$ 1,223,591</u>	<u>\$ 15,966,137</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Governmental Activities				
Non-depreciable Capital Assets:				
Land	\$ 3,055,679	\$ -	\$ -	\$ 3,055,679
Construction in progress	115,068	35,959	-	151,027
Total Non-depreciable Capital Assets	3,170,747	<u>\$ 35,959</u>	<u>\$ -</u>	3,206,706
Depreciable Capital Assets:				
Building and improvements	29,646,285	\$ 65,970	\$ -	29,712,255
Machinery and equipment	6,033,893	422,968	157,361	6,299,500
Infrastructure	48,362,246	64,558	-	48,426,804
Total Depreciable Capital Assets	84,042,424	<u>\$ 553,496</u>	<u>\$ 157,361</u>	84,438,559
Less Accumulated Depreciation	38,612,186	<u>\$ 2,290,278</u>	<u>\$ 110,751</u>	40,791,713
Total Depreciable Capital Assets, Net	45,430,238			43,646,846
Total Capital Assets - Governmental Activities, Net	<u>\$ 48,600,985</u>			<u>\$ 46,853,552</u>

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

General	\$ 1,477
Information Technology	86,861
Buildings and grounds	138,214
Fire	94,005
Police	189,202
Animal control	15,155
Parks	386,370
Community development	2,735
Streets	1,366,732
Cemetery	9,527
	<u>\$ 2,290,278</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2015	Additions	Deletions	Balance September 30, 2016
Business-Type Activities				
Sewer				
Non-depreciable Capital Assets:				
Land	\$ 392,583	\$ -	\$ -	\$ 392,583
Total Non-depreciable Capital Assets	392,583	\$ -	\$ -	392,583
Depreciable Capital Assets:				
Buildings and improvements	19,198,509	\$ 162,595	\$ -	19,361,104
Machinery and equipment	1,028,423	22,946	-	1,051,369
Sewer mains and lines	27,028,338	-	-	27,028,338
Total Depreciable Capital Assets	47,255,270	\$ 185,541	\$ -	47,440,811
Less Accumulated Depreciation	17,408,546	\$ 1,497,086	\$ -	18,905,632
Depreciable Capital Assets, Net	29,846,724			28,535,179
Total Capital Assets - Business-Type Activities, Net	\$ 30,239,307			\$ 28,927,762

NOTE I – 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 WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – 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) 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 receive a reduced allowance.

	<u>2016 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, 2016, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	37	11	14	62
Inactive employees entitled to but not yet receiving benefits	29	25	23	77
Active employees	<u>60</u>	<u>30</u>	<u>21</u>	<u>111</u>
	<u>126</u>	<u>66</u>	<u>58</u>	<u>250</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. Employer contribution rates are 5.7% for General, 3.4% for Police, and 3.2% for Fire of annual covered payroll.

Net Pension Asset. The employer's net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 29, 2016.

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Actuarial Assumptions. The total pension liability in the February 29, 2016, 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 for General and Police Divisions
Salary Increase	3.25% to 7.15% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment expenses

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

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

The actuarial assumptions used in the February 29, 2016, 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%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

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.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset)
	(a)	(b)	(a) - (b)
General Division			
Balance at June 30, 2015	<u>\$ 7,982,145</u>	<u>\$ 9,494,026</u>	<u>\$ (1,511,881)</u>
Changes for the year:			
Service Cost	195,837	-	195,837
Interest	573,972	-	573,972
Difference between expected and actual experiences	(82,399)	-	(82,399)
Changes of assumptions	380,446	-	380,446
Contributions - employer	-	187,574	(187,574)
Contributions - employee	-	11,176	(11,176)
Net investment income	-	(24,292)	24,292
Benefits paid, including refunds	(328,748)	(328,748)	-
Administrative expenses	-	(9,928)	9,928
Other changes	-	(40,094)	40,094
Net Changes	<u>739,108</u>	<u>(204,312)</u>	<u>943,420</u>
Balance at June 30, 2016	<u>8,721,253</u>	<u>9,289,714</u>	<u>(568,461)</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset)
	(a)	(b)	(a) - (b)
Police Division			
Balance at June 30, 2015	<u>5,985,873</u>	<u>7,673,354</u>	<u>(1,687,481)</u>
Changes for the year:			
Service Cost	112,388	-	112,388
Interest	430,227	-	430,227
Difference between expected and actual experiences	242,136	-	242,136
Changes of assumptions	193,746	-	193,746
Contributions - employer	-	65,942	(65,942)
Net investment income	-	(15,402)	15,402
Benefits paid, including refunds	(217,642)	(217,642)	-
Administrative expenses	-	(5,134)	5,134
Other changes	-	(112,616)	112,616
Net Changes	<u>760,855</u>	<u>(284,852)</u>	<u>1,045,707</u>
Balance at June 30, 2016	<u>6,746,728</u>	<u>7,388,502</u>	<u>(641,774)</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Pension	Net Pension (Asset)
	(a)	(b)	(a) - (b)
Fire Division			
Balance at June 30, 2015	<u>4,893,779</u>	<u>6,374,168</u>	<u>(1,480,389)</u>
Changes for the year:			
Service Cost	122,903	-	122,903
Interest	354,601	-	354,601
Difference between expected and actual experiences	(213,640)	-	(213,640)
Changes of assumptions	145,285	-	145,285
Contributions - employer	-	73,592	(73,592)
Net investment income	-	(13,326)	13,326
Benefits paid, including refunds	(128,469)	(128,469)	-
Administrative expenses	-	(3,786)	3,786
Other changes	-	(113,814)	113,814
Net Changes	<u>280,680</u>	<u>(185,803)</u>	<u>466,483</u>
Balance at June 30, 2016	<u>5,174,459</u>	<u>6,188,365</u>	<u>(1,013,906)</u>
Total Plan Balances at June 30, 2016	<u><u>\$ 20,642,440</u></u>	<u><u>\$ 22,866,581</u></u>	<u><u>\$ (2,224,141)</u></u>

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

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
General Division			
Total Pension Liability	\$ 9,993,668	\$ 8,721,253	\$ 7,675,592
Plan Fiduciary Net Position	9,289,714	9,289,714	9,289,714
Net Pension Liability/(Asset)	703,954	(568,461)	(1,614,122)
Police Division			
Total Pension Liability	7,812,076	6,746,728	5,884,847
Plan Fiduciary Net Position	7,388,502	7,388,502	7,388,502
Net Pension Liability/(Asset)	423,574	(641,774)	(1,503,655)
Fire Division			
Total Pension Liability	5,974,561	5,174,459	4,523,238
Plan Fiduciary Net Position	6,188,365	6,188,365	6,188,365
Net Pension (Asset)	(213,804)	(1,013,906)	(1,665,127)
Total Net Pension Liability/(Asset)	<u>\$ 913,724</u>	<u>\$ (2,224,141)</u>	<u>\$ (4,782,904)</u>

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

For the year ended 2016, the employer recognized pension expense of \$408,685 in the general division, pension expense of \$382,846 in the police division, and pension expense of \$281,194 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Deferred Outflows of Resources
General Division			
Differences in experiences	\$ -	\$ (123,999)	\$ (123,999)
Differences in assumptions	299,954	-	299,954
Excess investment returns	864,773	-	864,773
Contributions subsequent to the measurement date	47,316	-	47,316
	1,212,043	(123,999)	1,088,044

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources	Net Deferred Outflows of Resources
Police Division			
Differences in experiences	195,172	(29,577)	165,595
Differences in assumptions	156,168	-	156,168
Excess investment returns	662,783	-	662,783
Contributions subsequent to the measurement date	16,316	-	16,316
	<u>1,030,439</u>	<u>(29,577)</u>	<u>1,000,862</u>
Fire Division			
Differences in experiences	-	(190,135)	(190,135)
Differences in assumptions	114,227	-	114,227
Excess investment returns	572,852	-	572,852
Contributions subsequent to the measurement date	17,947	-	17,947
	<u>705,026</u>	<u>(190,135)</u>	<u>514,891</u>
Total	<u>\$ 2,947,508</u>	<u>\$ (343,711)</u>	<u>\$ 2,603,797</u>

The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Asset for the year ending September 30, 2017.

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

Year Ending June 30,	General Division Net Deferred Outflows of Resources	Police Division Net Deferred Outflows of Resources	Fire Division Net Deferred Outflows of Resources	Total Net Deferred Outflows of Resources
2017	\$ 330,107	\$ 276,589	\$ 156,380	\$ 763,076
2018	282,791	260,273	138,433	681,497
2019	288,094	260,271	138,431	686,796
2020	187,052	190,557	81,647	459,256
2021	-	13,172	-	13,172
Thereafter	-	-	-	-
	<u>\$ 1,088,044</u>	<u>\$ 1,000,862</u>	<u>\$ 514,891</u>	<u>\$ 2,603,797</u>

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Payable to the Pension Plan

At September 30, 2016, the City had no outstanding contributions reported as payable to the pension plan.

NOTE J – 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>2015</u>
Assessed Valuation	
Real estate	\$ 170,112,990
Personal property	<u>38,493,135</u>
TOTAL	<u><u>\$ 208,606,125</u></u>
	<u>2015</u>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$.3608
Park levy	<u>.1960</u>
TOTAL	<u><u>\$.5568</u></u>

The legal debt margin at September 30, 2016, was computed as follows:

	<u>General Obligation Bonds</u>		
	<u>Ordinary (1)</u>	<u>Additional (2)</u>	<u>Total</u>
Constitutional debt limit	\$ 20,860,613	\$ 20,860,613	\$ 41,721,226
General Obligation Bonds payable	<u>-</u>	<u>-</u>	<u>-</u>
LEGAL DEBT MARGIN	<u><u>\$ 20,860,613</u></u>	<u><u>\$ 20,860,613</u></u>	<u><u>\$ 41,721,226</u></u>

NOTE J – 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 K – UNEARNED REVENUE

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred revenues include special assessments to be collected over several years, and class fees. All of the deferred revenue at September 30, 2016, is accounted for as follows:

PARK FUND	
Class fees	<u>\$ 45,894</u>
NEIGHBORHOOD IMPROVEMENT FUND	
Special assessments	<u>\$ 734,848</u>

NOTE L – RISK MANAGEMENT

The City is exposed to various risks of loss 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 a public self-insured insurance pool. 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 WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE M – INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2016, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 790,395	\$ 27,800
Park Fund	-	347,961
Capital Improvement Transportation Fund	-	60,410
Capital Improvement Half Cent Fund	-	1,411,303
Debt Service Fund	1,574,238	-
Sewer Fund	-	517,159
	<u>\$ 2,364,633</u>	<u>\$ 2,364,633</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 Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE N – INTERNAL BALANCES

Internal balances as of September 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Park Fund</u>	<u>Debt Service Fund</u>	<u>Sewer Fund</u>
Internal Balances	<u>\$ 216,821</u>	<u>\$ (71,821)</u>	<u>\$ (145,000)</u>	<u>\$ -</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of September 30, 2016, balances of interfund amounts receivable or payable have been recorded within the fund financial statements

CITY OF WARRENSBURG, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2016

NOTE O – PLEDGED REVENUES

The City has pledged future water and sewer customer revenues to repay the Series 2007 and 2010 Sewer Revenue Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customers net revenues and are payable through 2027. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$18,980,258. Principal and interest paid for the current year and total customer net revenues were \$1,688,993 and \$2,557,269, respectively.

NOTE P – KEYSTONE TAX INCREMENT FINANCING REDEVELOPMENT AGREEMENT

The Keystone TIF is committed to reimburse the developer for public infrastructure improvements in the Keystone Redevelopment Area. There is no debt on the City's part. However, the City is obligated to repay \$2,500,000 of public infrastructure improvements to the extent that taxes are collected within this District. The City is only obligated if taxes are collected and only through the year 2038. As of September 30, 2016, the City has paid the developer \$0, leaving a remaining balance of \$2,500,000.

NOTE Q – COMMITMENTS

As of September 30, 2016, the City had commitments as follows:

<u>Company</u>	<u>Purpose</u>	<u>Commitment</u>
Great River Engineering	Stormwater Management Plan	\$ 153,958
Confluence	Master Site Plan West Park Project	\$ 46,944
Confluence	Comprehensive City Plan Update	\$ 33,802

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2016

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 431,128	\$ 437,162
Interest on the Total Pension Liability	1,358,800	1,292,940
Difference between expected and actual experience	(53,903)	(182,349)
Changes of assumptions	719,477	-
Benefit Payments	(674,859)	(599,217)
NET CHANGE IN TOTAL PENSION LIABILITY	1,780,643	948,536
TOTAL PENSION LIABILITY, BEGINNING	18,861,797	17,913,261
TOTAL PENSION LIABILITY, ENDING	20,642,440	18,861,797
PLAN FIDUCIARY NET POSITION		
Contributions - employer	327,108	436,101
Contributions - employee	11,176	-
Pension Plan Net Investment Income	(53,020)	478,382
Benefit Payments	(674,859)	(599,217)
Pension Plan Administrative Expense	(18,848)	(20,132)
Other	(266,524)	450,476
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(674,967)	745,610
PLAN FIDUCIARY NET POSITION, BEGINNING	23,541,548	22,795,938
PLAN FIDUCIARY NET POSITION, ENDING	22,866,581	23,541,548
EMPLOYER NET PENSION (ASSET)	\$ (2,224,141)	\$ (4,679,751)
Plan fiduciary net position as a percentage of the total pension liability	110.77%	124.81%
Covered employee payroll	\$ 4,910,908	\$ 4,807,182
Employer's net pension asset as a percentage of covered employee payroll	(45.29%)	(97.35%)

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

CITY OF WARRENSBURG, MISSOURI
SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2016

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 315,307	\$ 421,140	\$ 479,472	\$ 521,963	\$ 493,031	\$ 465,772	\$ 346,129	\$ 340,956	\$ 351,660	\$ 310,210
Contributions in relation to the actuarially determined contribution	315,307	421,140	479,472	474,502	436,855	392,554	346,129	340,956	351,660	310,210
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,461</u>	<u>\$ 56,176</u>	<u>\$ 73,218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,176,196	\$ 4,972,607	\$ 4,921,620	\$ 4,869,803	\$ 4,975,442	\$ 5,042,751	\$ 5,109,242	\$ 4,678,972	\$ 4,548,291	\$ 4,080,523
Contributions as a percentage of covered-employee payroll	6.09%	8.47%	9.74%	9.74%	8.78%	7.78%	6.77%	7.29%	7.73%	7.60%

See accompanying notes to the required schedules.

CITY OF WARRENSBURG, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended September 30, 2016

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 29, 2016.

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 15 years

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

Inflation – 3.25% wage inflation; 3.25% price inflation

Salary Increases – 3.25% to 7.15% 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 – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

CITY OF WARRENSBURG, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 708,000	\$ 708,000	\$ 715,511	\$ 7,511
City sales tax	4,313,438	4,313,438	4,349,369	35,931
Financial institution tax	3,200	3,200	3,486	286
Railroad and utility tax	32,000	32,000	33,319	1,319
Utility franchise tax	2,635,768	2,635,768	2,513,128	(122,640)
Surtax	23,000	23,000	27,277	4,277
Lodging tax	99,000	99,000	106,523	7,523
Cigarette tax	43,000	43,000	33,628	(9,372)
	7,857,406	7,857,406	7,782,241	(75,165)
Licenses and Permits				
Occupational licenses	93,456	93,456	99,529	6,073
Building permits	78,475	78,475	108,895	30,420
	171,931	171,931	208,424	36,493
Intergovernmental Revenues				
Grants	20,140	21,532	1,392	(20,140)
	20,140	21,532	1,392	(20,140)
Charges for Services				
Cemetery services	194,163	194,163	142,191	(51,972)
Animal shelter	60,000	60,000	55,848	(4,152)
	254,163	254,163	198,039	(56,124)
Fines and Forfeitures				
City court fines	313,500	313,500	316,908	3,408
Police training fees	-	-	4,182	4,182
	313,500	313,500	321,090	7,590
Miscellaneous				
Interest income	27,745	27,745	40,922	13,177
Other	63,129	63,129	113,504	50,375
	90,874	90,874	154,426	63,552
TOTAL REVENUES	8,708,014	8,709,406	8,665,612	(43,794)

CITY OF WARRENSBURG, MISSOURI
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
General government	507,850	490,350	398,406	91,944
Finance	375,265	405,291	401,239	4,052
Other support services	526,656	531,240	411,817	119,423
Information technology	488,721	446,827	439,357	7,470
Municipal court	148,425	148,425	150,716	(2,291)
Buildings and grounds	285,819	358,319	262,635	95,684
Public safety and health	5,065,391	5,103,210	4,773,601	329,609
Community development	1,015,807	1,002,290	735,817	266,473
Transportation	1,399,508	1,418,091	1,221,661	196,430
Cemetery	118,397	118,397	95,260	23,137
TOTAL EXPENDITURES	9,931,839	10,022,440	8,890,509	1,131,931
(DEFICIT) OF REVENUES OVER EXPENDITURES	(1,223,825)	(1,313,034)	(224,897)	1,088,137
OTHER FINANCING SOURCES (USES)				
Operating transfers in	739,480	747,615	790,395	42,780
Operating transfers (out)	-	(27,840)	(27,800)	40
TOTAL OTHER FINANCING SOURCES (USES)	739,480	719,775	762,595	42,820
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(484,345)	(593,259)	537,698	1,130,957
FUND BALANCE, October 1	5,627,620	5,627,620	5,627,620	-
FUND BALANCE, September 30	\$ 5,143,275	\$ 5,034,361	\$ 6,165,318	\$ 1,130,957

CITY OF WARRENSBURG, MISSOURI
BUDGETARY COMPARISON SCHEDULE – PARK FUND
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
Ad valorem taxes	\$ 382,000	\$ 382,000	\$ 388,798	\$ 6,798
Sales tax	1,230,000	1,230,000	1,278,243	48,243
Other taxes	29,500	29,500	32,911	3,411
Intergovernmental	25,000	25,000	10,000	(15,000)
Charges for services	783,550	783,550	801,774	18,224
Interest income	-	-	7,705	7,705
Miscellaneous	20,200	20,200	18,731	(1,469)
TOTAL REVENUES	2,470,250	2,470,250	2,538,162	67,912
EXPENDITURES				
Current				
Park	397,661	433,229	388,176	45,053
Park maintenance	436,346	507,246	460,285	46,961
Park recreation programs	803,865	807,865	740,359	67,506
Community center	518,540	563,340	551,818	11,522
TOTAL EXPENDITURES	2,156,412	2,311,680	2,140,638	171,042
EXCESS OF REVENUES OVER EXPENDITURES	313,838	158,570	397,524	238,954
OTHER FINANCING (USES)				
Operating transfers (out)	(308,024)	(350,804)	(347,961)	2,843
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	5,814	(192,234)	49,563	241,797
FUND BALANCE, October 1	971,410	971,410	971,410	-
FUND BALANCE, September 30	\$ 977,224	\$ 779,176	\$ 1,020,973	\$ 241,797

CITY OF WARRENSBURG, MISSOURI
BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT TRANSPORTATION FUND
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Motor fuel and vehicle taxes	\$ 691,000	\$ 691,000	\$ 740,935	\$ 49,935
Intergovernmental revenues	-	-	45,198	45,198
Miscellaneous	6,576	6,576	7,226	650
TOTAL REVENUES	697,576	697,576	793,359	95,783
EXPENDITURES				
Current				
Capital improvements	785,150	1,066,583	889,809	176,774
TOTAL EXPENDITURES	785,150	1,066,583	889,809	176,774
(DEFICIT) OF REVENUES OVER EXPENDITURES	(87,574)	(369,007)	(96,450)	272,557
OTHER FINANCING (USES)				
Operating transfers (out)	(61,511)	(61,511)	(60,410)	1,101
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(149,085)	(430,518)	(156,860)	273,658
FUND BALANCE, October 1	668,891	668,891	668,891	-
FUND BALANCE, September 30	\$ 519,806	\$ 238,373	\$ 512,031	\$ 273,658

CITY OF WARRENSBURG, MISSOURI
BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT HALF CENT FUND
Year Ended September 30, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Sales and use tax	\$ 1,722,949	\$ 1,722,949	\$ 1,759,480	\$ 36,531
Intergovernmental revenues	380,000	380,000	2	(379,998)
Miscellaneous	5,510	5,510	5,849	339
TOTAL REVENUES	2,108,459	2,108,459	1,765,331	(343,128)
EXPENDITURES				
Current				
Capital improvements	762,494	915,280	402,766	512,514
TOTAL EXPENDITURES	762,494	915,280	402,766	512,514
EXCESS OF REVENUES OVER EXPENDITURES	1,345,965	1,193,179	1,362,565	169,386
OTHER FINANCING (USES)				
Operating transfers (out)	(1,413,071)	(1,413,071)	(1,411,303)	1,768
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(67,106)	(219,892)	(48,738)	171,154
FUND BALANCE, October 1	731,691	731,691	731,691	-
FUND BALANCE, September 30	\$ 664,585	\$ 511,799	\$ 682,953	\$ 171,154

CITY OF WARRENSBURG, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended September 30, 2016

Budgets and Budgetary Accounting

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

1. Prior to October, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following October 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 City Council in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by Council, which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. 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 City Council on approved budget adjustment forms.
7. No activity was budgeted for the Tri-Centennial Fund or Old Drum Fund for the year ended September 30, 2016, therefore, no budgetary comparison schedule has been presented.

OTHER FINANCIAL INFORMATION

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 Year Ended September 30, 2016

	Private-Purpose Trusts				
	Stevenson	Brown	Crissey	Anderson- Stevenson	Total
ASSETS					
Cash and cash equivalents	\$ 139,580	25,055	\$ 20,878	18,244	\$ 203,757
LIABILITIES					
Due to others	-	-	-	-	-
NET POSITION					
Restricted	70,281	5,548	-	153	75,982
Unrestricted	69,299	19,507	20,878	18,091	127,775
TOTAL NET POSITION	<u>\$ 139,580</u>	<u>\$ 25,055</u>	<u>\$ 20,878</u>	<u>\$ 18,244</u>	<u>\$ 203,757</u>

CITY OF WARRENSBURG, MISSOURI
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 Year Ended September 30, 2016

	Private-Purpose Trusts				
	Stevenson	Brown	Crissey	Anderson-Stevenson	Total
Additions:					
Donations	\$ 1,140	\$ 204	\$ 170	\$ 1,149	\$ 2,663
Deductions:					
Contributions and other	1,600	-	-	1,000	2,600
Changes in Net Position	(460)	204	170	149	63
Net Position, beginning of year	140,040	24,851	20,708	18,095	203,694
Net Position, end of year	<u>\$ 139,580</u>	<u>\$ 25,055</u>	<u>\$ 20,878</u>	<u>\$ 18,244</u>	<u>\$ 203,757</u>

OTHER REPORTING REQUIREMENTS



**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Primary Government which includes the governmental activities, business-type activities, and each major fund of the City of Warrensburg, Missouri, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Warrensburg, Missouri's basic financial statements, and have issued our report thereon, dated January 18, 2017.

We have also audited the discretely presented component unit, Warrensburg Convention and Visitors Bureau, and issued our report dated January 18, 2017. This report does not include our testing of internal control over financial reporting or compliance and other matters that are reported for the discretely presented component unit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Warrensburg, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Warrensburg, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Warrensburg, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

In planning and performing our audit of the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2016, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

In addition to the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and recommendations regarding these matters.

1. New Overtime Rules

The Department of Labor has issued a new ruling which updates the regulations determining which salaried employees are entitled to the Fair Labor Standards Act's minimum wage and overtime pay protections. The new rule increases the salary threshold for salaried workers from \$23,660 to \$47,476 per year. Workers making less than the new salary threshold are entitled to overtime pay when working more than 40 hours per week. The new rule also automatically updates the salary threshold every three years, based on wage growth over time. The final rule was to become effective on December 1, 2016, however on November 22, 2016, a U.S. District Court Judge granted an Emergency Motion for Preliminary Injunction which prevents the Department of Labor from implementing and enforcing the new ruling.

We Commend:

The City for becoming familiar with the new requirements for overtime pay and determining the effect of these new requirements on the City's finances. The City has identified the employees that will fall under these new requirements and developed a strategy to mitigate the impact of these new requirements if/when they become effective, as the Department of Labor disagrees with the decision by the court and is currently considering its legal options to the injunction.

2. Federal Grant Compliance

On December 26, 2013, the Office of Management and Budget issued the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This new circular significantly changes the grant compliance requirements governments must follow in complying with federal grants. The compliance requirements are effective for awards made after December 26, 2014.

The new Uniform Guidance changes grant compliance requirements in the areas of allowable costs, procurement, real property management and sub-recipient monitoring. The new Uniform Guidance also has new requirements regarding internal controls and includes the requirement that governments have **written** procedures for cash management and allowable cost determination. The new Uniform Guidance requires governments receiving federal funds to have a **written** conflict of interest policy with **penalties** for non-compliance. The Uniform Guidance also significantly changed sub-recipient monitoring and communication requirements for pass-through grants.

We Recommend:

The City require individuals charged with ensuring grant compliance, receive training on the new Uniform Guidance. We also recommend the City adopt plans and policies to ensure compliance with the new Uniform Guidance.

3. Internal Audit Procedures

As the City evolves, and policies and procedures change, the City should periodically conduct a review of its internal control procedures to determine if any changes are necessary in order to protect the City's assets. As part of the process, the City should add periodic inspection of off-site procedures to verify that City policies and procedures are being followed routinely at satellite locations. While the situation had been corrected at the time of the audit, it was noted that during the year the Park department experienced deviations from normal City procedures and these instances resulted in extra time being spent by the accounting staff to determine what occurred and the necessary adjusting journal entries needed to correct the matter.

We Recommend:

The City conduct a review of its internal control procedures to determine opportunities for strengthening safeguards over the City's assets. The City may want to consider conducting reviews on cash management, computer information systems, mail distribution procedures, purchasing procedures, new vendor procedures, and other areas the City considers necessary. The City could also perform surprise visits to various facilities that collect cash to verify that appropriate controls are being exercised over the collection, recording, and depositing of cash. Random internal audit procedures serve the function of ensuring that the City's approved policies and procedures are being followed.

4. Segregation of Duties

The City does not have an adequate segregation of duties within various accounting functions. The basic premise behind the segregation of duties is that no one employee should have access to all phases of a transaction to help prevent errors or irregularities.

We Recommend:

The City separate which employees can print and write checks from those employees that can enter an invoice.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City's administrative personnel. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as the City of Warrensburg's independent auditors and the courtesies and assistance extended to us by the City's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017



Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri

We have audited the basic financial statements of the City of Warrensburg, Missouri, for the year ended September 30, 2016, and have issued our report thereon dated January 18, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 31, 2016, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated August 31, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Warrensburg, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015-2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the business-type activities' financial statements was management's estimate of the allowance for doubtful accounts is based on historical utility revenues, historical loss levels, and an analysis of the collectibility of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Material misstatements detected as a result of audit procedures were corrected by management for the following:

- Accounts Receivable

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 18, 2017.

Honorable Mayor and City Council
City of Warrensburg
Warrensburg, Missouri
Page Three

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the City’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This report is intended solely for the use of the Honorable Mayor, City Council, and management of the City of Warrensburg, Missouri, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 18, 2017

APPENDIX C

PROPOSED FORM OF OPINION OF BOND COUNSEL

City of Warrensburg, Missouri
Warrensburg, Missouri

Fidelity Capital Markets
Boston, Massachusetts

Re: \$5,550,000 City of Warrensburg, Missouri General Obligation Bonds, Series 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Warrensburg, Missouri (the “City”), of the above-captioned bonds (the “Bonds”).

We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and legally binding general obligations of the City, payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the City.

2. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) (i) is excludable from gross income for federal income tax purposes, (ii) is exempt from income taxation by the State of Missouri, and (iii) is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the City complies with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all of these requirements. Failure to comply with certain of these requirements may cause the interest on the Bonds to be included in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Code.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

Very truly yours,