

CITY OF WARRENTON, MISSOURI

***FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2015***

CITY OF WARRENTON, MISSOURI

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of
the Board of Aldermen
CITY OF WARRENTON, MISSOURI

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Warrenton, Missouri, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Warrenton, Missouri, as of June 30, 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Warrenton, Missouri's basic financial statements. The combining nonmajor fund financial statements included in the supplemental information section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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


St. Charles, Missouri
November 12, 2015

**CITY OF WARRENTON, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015**

The discussion and analysis of the City of Warrenton's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2015. It should be read in conjunction with the accompanying basic financial statement.

FINANCIAL HIGHLIGHTS

- The assets of the City of Warrenton exceeded its liabilities at the close of the fiscal year ending June 30, 2015 by \$30,201,586 (net position). Of this amount, \$7,313,280 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,161,183 for operations.
- At the close of the fiscal year, the City of Warrenton's governmental activities reported ending net position of \$16,285,049, an increase of \$816,640 in comparison with the prior year. Approximately 21.1% of this total amount, or \$3,441,922, is available for spending at the government's discretion (unrestricted net position).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,293,981, an increase of \$188,949.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Warrenton's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City of Warrenton's assets, deferred outflows, liabilities, and deferred inflows with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The Statement of Net Position combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, etc.). The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but not used vacation and sick leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, including the police and court, planning and zoning, economic development, transportation, grounds maintenance, recreation, pool, and general administration departments. Property taxes, sales taxes, franchise fees, trash collections, and licenses and permit fees finance most of 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 provided. The City's water and sewer system and wastewater treatment plant are reported here.
- **Component Units** - The City includes the Industrial Development Authority of the City of Warrenton, Missouri (IDA) in its reporting entity. The IDA is a legally separate entity from the City. However, the City has significant influence over the activities of the IDA and is, therefore, reported in the City's financial statements.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or by bond covenants. However, the City 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, grants and other money. The City's two kinds of funds, governmental and proprietary, utilize different accounting approaches.

- **Governmental Funds** - The majority 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 identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into 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 determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Warrenton maintains six individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Capital Improvements Fund, and the Neighborhood Improvement District Fund which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated non-major fund presentation.

- **Proprietary Fund** - The City charges customers for the utility services it provides, whether to outside customers or customers within 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. The City's proprietary fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents budgetary comparative information for the General Fund.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's combined net position was \$30,201,586 as of June 30, 2015. This analysis focuses on the net position and changes in general revenues and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net position is reflected in its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

	2015	2014
Current and other assets	\$ 6,510,574	\$ 6,069,260
Capital assets	11,871,757	11,800,738
Total assets	18,382,331	17,869,998
Current and other liabilities	474,410	409,325
Long-term liabilities	1,622,872	1,992,264
Total liabilities	2,097,282	2,401,589
Net position:		
Net investment in capital assets	11,160,444	10,782,285
Restricted	1,682,683	1,540,912
Unrestricted	3,441,922	3,145,212
Total net position	\$ 16,285,049	\$ 15,468,409

Business-type Activities

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 14,229,802	\$ 4,776,049
Capital assets	<u>12,959,326</u>	<u>12,415,318</u>
Total assets	<u>27,189,128</u>	<u>17,191,367</u>
Current and other liabilities	590,592	716,156
Long-term liabilities	<u>12,612,353</u>	<u>2,903,217</u>
Total liabilities	<u>13,202,945</u>	<u>3,619,373</u>
Net position:		
Net investment in capital assets	9,201,212	9,443,535
Restricted	843,967	732,638
Unrestricted	<u>3,871,358</u>	<u>3,395,821</u>
Total net position	<u>\$ 13,916,537</u>	<u>\$ 13,571,994</u>

Total Net Activities

Current and other assets	\$ 20,740,376	\$ 10,845,309
Capital assets	<u>24,831,083</u>	<u>24,216,056</u>
Total assets	<u>45,571,459</u>	<u>35,061,365</u>
Current and other liabilities	1,065,002	737,553
Long-term liabilities	<u>14,235,225</u>	<u>5,283,409</u>
Total liabilities	<u>15,300,227</u>	<u>6,020,962</u>
Net position:		
Net investment in capital assets	20,361,656	20,225,820
Restricted	2,526,650	2,273,550
Unrestricted	<u>7,313,280</u>	<u>6,541,033</u>
Total net position	<u>\$ 30,201,586</u>	<u>\$ 29,040,403</u>

Governmental and business-type activities increased the City's net position by \$1,161,183. The key elements of this increase are as follows:

Governmental Activities			
	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
Revenues:			
Program revenues:			
Charges for service	\$ 989,966	\$ 1,021,693	\$ (31,727)
Capital grants and contributions	512,844	747,062	(234,218)
General revenues:			
Taxes	3,708,943	3,573,503	135,440
Interest income	9,671	7,435	2,236
Miscellaneous	215,638	200,042	15,596
Total revenues	<u>5,437,062</u>	<u>5,549,735</u>	<u>(112,673)</u>
Expenses:			
Administration	1,195,013	1,221,641	(26,628)
Police and Court	1,749,441	1,614,110	135,331
Street department	899,776	633,563	266,213
Culture and recreation	808,042	956,877	(148,835)
Planning and development	260,984	282,538	(21,554)
Interest and fiscal charges	75,019	79,569	(4,550)
Total expenses	<u>4,988,275</u>	<u>4,788,298</u>	<u>199,977</u>
Increase (decrease) in net assets before transfers and other additions (deductions)			
	448,787	761,437	(312,650)
Gain on the disposal of capital assets	7,774	-	7,774
Transfers	360,079	347,388	12,691
Increase in net position	<u>816,640</u>	<u>1,108,825</u>	<u>\$ (292,185)</u>
Prior period adjustment	-	(77,220)	
Net assets, beginning of year	15,468,409	14,436,804	
Net assets, end of year	<u>\$ 16,285,049</u>	<u>\$ 15,468,409</u>	

The most significant governmental expense for the City was the police and court function, which incurred expenses of \$1,749,441 which was an increase of \$135,331 from the prior year. These expenses were offset by program revenues totaling \$523,854 for the fiscal year ending June 30, 2015. Of the total police and court expense, \$1,422,824 was incurred for salary and benefits. Street department expenses increased \$266,213 from the prior year due to an increase in street projects that did not meet the threshold for capitalization.

Business-type Activities

	<u>2015</u>		<u>2014</u>		<u>Increase/ (Decrease)</u>
Revenues:					
Program revenues:					
Charges for service	\$ 3,004,481	\$	2,807,692	\$	196,789
General revenues:					
Miscellaneous revenue	37,347		2,072		35,275
Interest income	89,518		98,224		(8,706)
Total revenues	<u>3,131,346</u>		<u>2,907,988</u>		<u>223,358</u>
Expenses:					
Water and sewer operations	<u>2,429,527</u>		<u>2,038,641</u>		<u>390,886</u>
Increase in net assets before transfer and other additions (deductions)	701,819		869,347		(167,528)
Gain on the disposal of capital assets	2,803		2,305		498
Transfers	<u>(360,079)</u>		<u>(347,388)</u>		<u>(12,691)</u>
Increase in net assets	344,543		524,264	\$	<u>(179,721)</u>
Net assets, beginning of year	13,571,994		13,047,730		
Net assets, end of year	<u>\$ 13,916,537</u>	\$	<u>13,571,994</u>		

Charges for service of the City's business-type activities are \$3,004,481 for the fiscal year ending June 30, 2015. This is an increase of \$196,789 or 7%. Expenses for the City's business-type activities are \$2,429,527, which is an increase of \$390,886 or 19.2%. The increase was due to an increase in interest expense of approximately \$257,000 related to new bonds issued during the year which caused interest expense to increase. In addition, a large project to repair manholes started during the year, did not meet the guidelines for capitalization and therefore was expensed.

Total Governmental and Business-type Activities

	<u>2015</u>		<u>2014</u>		<u>Increase/ (Decrease)</u>
Revenues:					
Program revenues:					
Charges for service	\$ 3,994,447	\$	3,829,385	\$	165,062
Capital grants and contributions	512,844		747,062		(234,218)
General revenues:					
Taxes	3,708,943		3,573,503		135,440
Interest income	99,189		105,659		(6,470)
Miscellaneous	252,985		202,114		50,871
Total revenues	<u>8,568,408</u>		<u>8,457,723</u>		<u>110,685</u>
Expenses:					
Administration	1,195,013		1,221,641		(26,628)
Police and court	1,749,441		1,614,110		135,331
Street department	899,776		633,563		266,213
Culture and recreation	808,042		956,877		(148,835)
Planning and development	260,984		282,538		(21,554)
Interest and fiscal charges	75,019		79,569		(4,550)
Water and sewer service	2,429,527		2,038,641		390,886
Total expenses	<u>7,417,802</u>		<u>6,826,939</u>		<u>590,863</u>
Increase in net assets before other additions	1,150,606		1,630,784		(480,178)
Gain (loss) on the disposal of capital assets	10,577		2,305		8,272
Increase in net assets	<u>1,161,183</u>		<u>1,633,089</u>		<u>(471,906)</u>
Change in accounting principle/ correction	-		(77,220)		77,220
Net assets, beginning of year	29,040,403		27,484,534		1,555,869
Net assets, end of year	\$ <u>30,201,586</u>	\$	\$ <u>29,040,403</u>	\$	\$ <u>1,161,183</u>

Governmental Fund

	<u>2015</u>		<u>2014</u>		<u>Increase/ (Decrease)</u>
General Fund:					
Taxes	\$ 3,156,798	\$	3,050,447	\$	106,351
Charges for services	478,775		532,509		(53,734)
Licenses and permits	47,622		46,508		1,114
Fines and forfeitures	463,569		442,676		20,893
Intergovernmental	512,844		250,962		261,882
Investment income	5,374		5,845		(471)
Lot sales	10,085		11,560		(1,475)
Miscellaneous	49,794		40,308		9,486
Total general revenues	\$ <u>4,724,861</u>	\$	\$ <u>4,380,815</u>	\$	\$ <u>344,046</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2015, the City had \$24,831,083 invested in a broad range of capital assets, net of depreciation, including police and court and public works equipment, buildings, park facilities, roads, and water and sewer lines. This amount represents a net increase (including additions, deductions and depreciation) of \$615,027 or 2.54% compared to the prior fiscal year.

Governmental Activities

	2015	2014	Increase/ (Decrease)
Land	\$ 2,385,124	\$ 2,385,124	\$ -
Buildings	3,580,219	3,527,024	53,195
Building improvements	424,866	424,866	-
Land improvements	1,969,854	1,929,665	40,189
Equipment	2,017,331	1,909,834	107,497
Infrastructure	6,819,326	6,761,221	58,105
Construction in progress	357,086	31,169	325,917
Total	<u>\$ 17,553,806</u>	<u>\$ 16,968,903</u>	<u>\$ 584,903</u>

Business-type Activities

	2015	2014	Increase/ (Decrease)
Land	\$ 648,549	\$ 648,549	\$ -
Buildings	8,167,854	8,167,854	-
Building improvements	964,448	959,048	5,400
Land improvements	52,186	52,186	-
Equipment	1,500,979	1,419,641	81,338
Infrastructure	10,114,650	10,210,561	(95,911)
Construction in progress	1,322,814	282,633	1,040,181
Total	<u>\$ 22,771,480</u>	<u>\$ 21,740,472</u>	<u>\$ 1,031,008</u>

Governmental and Business-type Activities

	2015	2014	Increase/ (Decrease)
Land	\$ 3,033,673	\$ 3,033,673	\$ -
Buildings	11,748,073	11,694,878	53,195
Building improvements	1,389,314	1,383,914	5,400
Land improvements	2,022,040	1,981,851	40,189
Equipment	3,518,310	3,329,475	188,835
Infrastructure	16,933,976	16,971,782	(37,806)
Construction in progress	1,679,900	313,802	1,366,098
Total	<u>\$ 40,325,286</u>	<u>\$ 38,709,375</u>	<u>\$ 1,615,911</u>

The City added over \$1,615,000 in capital assets during the fiscal year ending June 30, 2015. Major additions included expenditures for improvements to treatment plant 1 and painting of the water towers.

More detailed information on the City's capital assets is presented in Note 5 to the financial statements.

DEBT

At year-end, the City had \$14,018,555 in outstanding debt compared to \$5,085,070 at the end of the prior fiscal year. During the fiscal year ended June 30, 2015 the City issued Waterworks and Sewerage System Revenue Bonds totaling \$9,910,000 and refinanced \$1,215,000 in debt to take advantage of lower interest rates.

	Governmental Activities		
	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
Certificates of participation	\$ 910,000	\$ 1,215,000	\$ (305,000)
Bank loan	363,445	424,017	(60,572)
Neighborhood Improvement District Bonds	<u>205,110</u>	<u>231,053</u>	<u>(25,943)</u>
Total	<u>\$ 1,478,555</u>	<u>\$ 1,870,070</u>	<u>\$ (391,515)</u>
	Business-type Activities		
	<u>2015</u>	<u>2014</u>	<u>Increase/ (Decrease)</u>
Certificates of participation	\$ 745,000	\$ 830,000	\$ (85,000)
Waterworks and Sewerage System Refunding Revenue Bonds	525,000	585,000	(60,000)
Water Pollution Central and Drinking Water Revenue Bonds	1,620,000	1,800,000	(180,000)
Combined Waterworks and Sewerage System	<u>9,650,000</u>	<u>-</u>	<u>9,650,000</u>
Total	<u>\$ 12,540,000</u>	<u>\$ 3,215,000</u>	<u>\$ 9,325,000</u>

Governmental and Business-type Activities

	2015	2014	Increase/ (Decrease)
Certificates of Participation	\$ 1,655,000	\$ 2,045,000	\$ (390,000)
Neighborhood Improvement			
District Bonds	205,110	231,053	(25,943)
Bank loan	363,445	424,017	(60,572)
Waterworks and Sewerage System			
Refunding Revenue Bonds	525,000	585,000	(60,000)
Water Pollution Central and			
Drinking Water Revenue Bonds	1,620,000	1,800,000	(180,000)
Combined Waterworks and			
Sewerage System	9,650,000	-	9,650,000
Total	\$ 14,018,555	\$ 5,085,070	\$ 8,933,485

During the year the City made principal and interest payments totaling \$472,599 on debt relating to governmental activities. These payments reduced outstanding debt by \$391,515. The City also made principal and interest payments of \$906,140 relating to water and sewer functions. These payments reduced outstanding debt in the business type activities by \$585,000.

More detailed information on the City's long-term liabilities is presented in Note 6 to the financial statements.

THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2015, the governmental funds of the City reported a combined fund balance of \$5,784,272. This ending balance includes an increase in fund balance of \$401,714 in the City's governmental funds.

The City's General Fund revenues increased by \$344,046 or 7.9% when compared to the prior year. The primary contributor to the increase was an increase in taxes and grants in 2015 compared to 2014.

The City's Water and Sewer Fund's net position of \$13,916,537 was an increase of \$344,543 over the prior year net position. The increase in net position is primarily due to operating revenues exceeding operating expenses by \$1,046,873. A portion of the income from operations is used to reimburse the General Fund for costs incurred relating to water and sewer services and a portion is used to pay down the outstanding balances on debt.

General Fund Budgetary Highlights

For fiscal year 2015, actual expenditures on a budgetary basis in the General Fund were \$5,089,800 compared to the budget amount of \$7,168,961. The positive variance was the result of the City not expending all the funds budgeted for capital outlay.

For fiscal year 2015, actual revenues on a budgetary basis were \$4,734,279, as compared to the budget amount of \$5,111,688.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2015-2016 fiscal budget is the culmination of extensive review of operational expenses by Department Head staff, significant analysis by Finance Office staff, and final review by elected officials. The total combined budget appropriation is \$18,000,556 for all funds which includes approximately \$10,025,240 in capital improvements.

The General Fund's most significant revenue source is sales tax. The City's portion of the sales tax rate is 1.75%. Sales tax revenue for fiscal year 2015-2016 is budgeted at \$2,569,605 which includes a 7% increase over the prior year budget based on current year collections. The property tax rate for 2015 is \$0.4615 per \$100 valuation. Of this tax rate, 63% or \$0.2899 is utilized for General Fund activities. The remaining 37% or \$0.1716 is used for the Park Fund. The General Fund's portion of property tax revenue for fiscal year 2015-2016 is estimated to be \$277,000.

The largest revenue source for the Water and Sewer Fund is sewer charges, estimated at \$1,949,398. The City's residential rate for fiscal year 2015-2016 is \$3.54 per 1,000 gallons over the 1,000 minimum billing. The second largest revenue source for the Water and Sewer Fund is water charges, estimated at \$1,014,931 based on a fiscal year 2015-2016 rate of \$4.04 per 1,000 gallons over the 1,000 minimum billing. The budget includes a 5% increase in rates for water and sewer usage.

As the City continues to see our local businesses experiencing some positive results along with increased interest in new business endeavors and housing starts, it appears that the local economy is truly in recovery. As the economic recovery continues, it will allow the City the opportunity to consider new or expanded options for our residents for leisure and recreational activities along with ensuring the continued provision of quality services.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Gabrielle Currie
Finance Manager
City of Warrenton
200 W. Booneslick
Warrenton, Missouri 63383

CITY OF WARRENTON, MISSOURI

STATEMENT OF NET POSITION

JUNE 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 4,305,561	\$ 4,054,123	\$ 8,359,684
Taxes receivable:			
Property	43,642	-	43,642
Other	613,245	-	613,245
Special assessments receivable	227,614	-	227,614
Accounts receivable (net of allowance for doubtful accounts of \$51,827)	124,417	460,336	584,753
Due (to) from other funds	34,823	34,823	69,646
Prepaid expenses	16,916	-	16,916
Inventory	9,112	19,360	28,472
Investment in land	908,613	-	908,613
Restricted assets:			
Cash and investments	226,631	9,661,160	9,887,791
Capital assets - net			
Nondepreciable	2,742,210	1,971,363	4,713,573
Depreciable	9,129,547	10,987,963	20,117,510
TOTAL ASSETS	<u>18,382,331</u>	<u>27,189,128</u>	<u>45,571,459</u>
LIABILITIES			
Accounts payable	333,453	362,408	695,861
Accrued wages	71,195	15,244	86,439
Accrued interest payable	9,496	56,856	66,352
Accrued and withheld items	37,697	-	37,697
Deposits payable	22,569	156,084	178,653
Noncurrent liabilities:			
Due in one year	467,644	402,046	869,690
Due in more than one year	1,155,228	12,210,307	13,365,535
TOTAL LIABILITIES	<u>2,097,282</u>	<u>13,202,945</u>	<u>15,300,227</u>
NET POSITION			
Net investment in capital assets	11,160,444	9,201,212	20,361,656
Restricted for:			
Capital improvements	1,133,906	-	1,133,906
Debt service	255,558	334,665	590,223
Cemetery	9,386	-	9,386
Park	283,833	-	283,833
Reserve	-	509,302	509,302
Unrestricted	3,441,922	3,871,358	7,313,280
TOTAL NET POSITION	<u>\$ 16,285,049</u>	<u>\$ 13,916,537</u>	<u>\$ 30,201,586</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Position		
		Charges for Service	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities						
Administrative	\$ 1,195,013	\$ 338,136	\$ -	\$ (856,877)	\$ -	\$ (856,877)
Police and court	1,749,441	523,854	768	(1,224,819)	-	(1,224,819)
Street department	899,776	47,622	511,811	(340,343)	-	(340,343)
Culture and recreation	808,042	70,901	-	(737,141)	-	(737,141)
Planning and development	260,984	9,453	265	(251,266)	-	(251,266)
Interest and fiscal charges	75,019	-	-	(75,019)	-	(75,019)
TOTAL GOVERNMENTAL ACTIVITIES	4,988,275	989,966	512,844	(3,485,465)	-	(3,485,465)
Business-type Activities						
Water and Sewer	2,429,527	3,004,481	-	-	574,954	574,954
TOTAL PRIMARY GOVERNMENT	\$ 7,417,802	\$ 3,994,447	\$ 512,844	(3,485,465)	574,954	(2,910,511)
Taxes:						
Sales				2,637,651	-	2,637,651
Franchise				570,959	-	570,959
Property				500,333	-	500,333
Interest income				9,671	89,518	99,189
Other miscellaneous revenue				215,638	37,347	252,985
Transfers				360,079	(360,079)	-
Gain on the disposal of capital assets				7,774	2,803	10,577
TOTAL GENERAL REVENUES AND TRANSFERS				4,302,105	(230,411)	4,071,694
CHANGE IN NET POSITION				816,640	344,543	1,161,183
NET POSITION - BEGINNING OF YEAR				15,468,409	13,571,994	29,040,403
NET POSITION - END OF YEAR				\$ 16,285,049	\$ 13,916,537	\$ 30,201,586

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Capital Improvements Fund	Neighborhood Improvement District Fund	Other Nonmajor Funds	Total
ASSETS AND OTHER DEBITS					
Cash and investments	\$ 3,161,452	\$ 875,144	\$ -	\$ 268,965	\$4,305,561
Taxes receivable:					
Property	28,118	-	-	15,524	43,642
Other	550,610	62,635	-	-	613,245
Accounts receivable	124,387	-	-	30	124,417
Special assessments receivable	-	-	227,614	-	227,614
Due from other funds	35,482	330	-	13,993	49,805
Prepaid expenses	16,916	-	-	-	16,916
Inventory	9,112	-	-	-	9,112
Investment in land	908,613	-	-	-	908,613
Restricted assets:					
Cash and investments	-	198,687	27,944	-	226,631
TOTAL ASSETS	\$ 4,834,690	\$ 1,136,796	\$ 255,558	\$ 298,512	\$6,525,556
LIABILITIES					
Accounts payable	\$ 326,875	\$ 2,890	\$ -	\$ 3,688	\$ 333,453
Due to other funds	14,982	-	-	-	14,982
Accrued wages	71,195	-	-	-	71,195
Accrued and withheld items	37,697	-	-	-	37,697
Deposits payable	22,569	-	-	-	22,569
TOTAL LIABILITIES	473,318	2,890	-	3,688	479,896
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue:					
Property taxes	21,737	-	-	12,766	34,503
Special assessments	-	-	226,885	-	226,885
TOTAL DEFERRED INFLOWS OF RESOURCES	21,737	-	226,885	12,766	261,388
FUND BALANCES					
Nonspendable:					
Prepaid items	16,916	-	-	-	16,916
Inventory	9,112	-	-	-	9,112
Restricted for:					
Cemetery maintenance	-	-	-	9,386	9,386
Debt service	-	-	28,673	-	28,673
Capital projects	-	1,133,906	-	-	1,133,906
Parks and tourism	-	-	-	271,067	271,067
Assigned:					
Industrial development	-	-	-	1,605	1,605
Sidewalk improvements	19,626	-	-	-	19,626
Unassigned	4,293,981	-	-	-	4,293,981
TOTAL FUND BALANCES	4,339,635	1,133,906	28,673	282,058	5,784,272
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 4,834,690	\$ 1,136,796	\$ 255,558	\$ 298,512	\$6,525,556

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance per balance sheet	\$ 5,784,272
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,871,757
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	261,388
Interest payable recorded in the statement of net position does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(9,496)
Long-term liabilities, including bonds payable, loans payable, certificates of participation payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,622,872)</u>
Net position of governmental activities	<u>\$ 16,285,049</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Capital Improvements Fund	Neighborhood Improvement District Fund	Other Nonmajor Funds	Total
REVENUES					
Taxes	\$ 3,156,798	\$ 362,624	\$ 38,126	\$ 334,660	\$3,892,208
Intergovernmental	512,844	-	-	-	512,844
Charges for services	478,775	-	-	-	478,775
Licenses and permits	47,622	-	-	-	47,622
Fines and forfeitures	463,569	-	-	-	463,569
Investment income	5,374	3,833	157	307	9,671
Lot sales	10,085	-	-	1,790	11,875
Miscellaneous	49,794	-	240	-	50,034
TOTAL REVENUES	<u>4,724,861</u>	<u>366,457</u>	<u>38,523</u>	<u>336,757</u>	<u>5,466,598</u>
EXPENDITURES					
Current:					
Administrative	1,108,457	-	663	-	1,109,120
Police and court	1,671,038	-	-	-	1,671,038
Street department	414,114	-	-	-	414,114
Culture and recreation	527,938	17,610	-	76,363	621,911
Planning and development	256,914	-	-	652	257,566
Capital outlay	811,064	66,671	-	10,668	888,403
Debt service:					
Principal, interest and fiscal charges	300,275	148,148	38,465	-	486,888
TOTAL EXPENDITURES	<u>5,089,800</u>	<u>232,429</u>	<u>39,128</u>	<u>87,683</u>	<u>5,449,040</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(364,939)</u>	<u>134,028</u>	<u>(605)</u>	<u>249,074</u>	<u>17,558</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	9,418	-	-	-	9,418
Proceeds from the issuance of debt	470,000	-	-	-	470,000
Payments to escrow agent	(455,341)	-	-	-	(455,341)
Transfer in (out)	565,896	(14,256)	-	(191,561)	360,079
TOTAL OTHER FINANCING SOURCES (USES)	<u>589,973</u>	<u>(14,256)</u>	<u>-</u>	<u>(191,561)</u>	<u>384,156</u>
CHANGE IN FUND BALANCE	<u>225,034</u>	<u>119,772</u>	<u>(605)</u>	<u>57,513</u>	<u>401,714</u>
FUND BALANCES - BEGINNING OF YEAR	<u>4,114,601</u>	<u>1,014,134</u>	<u>29,278</u>	<u>224,545</u>	<u>5,382,558</u>
FUND BALANCES - END OF YEAR	<u>\$ 4,339,635</u>	<u>\$ 1,133,906</u>	<u>\$ 28,673</u>	<u>\$ 282,058</u>	<u>\$5,784,272</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015**

Amounts reported for governmental activities in the statement of activities are different because:

Change in fund balance-total governmental funds	\$ 401,714
The acquisition of capital assets requires the use of current financial resources but has no effect on net position.	619,613
The cost of capital assets is allocated over their estimated useful lives and is reported as depreciation expense in the statement of activities.	(548,594)
Revenues in the statements of activities that do not provide current financial resources are not reported as revenue in the funds.	(31,180)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	391,515
The change in compensated absences liability does not affect the use of current financial resources but is recorded as an expense in the statement of activities.	(22,123)
Interest payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	<u>5,695</u>
Change in net position of governmental activities	<u><u>\$ 816,640</u></u>

The accompanying notes are integral part of these financial statements.

CITY OF WARRENTON, MISSOURI

STATEMENT OF NET POSITION

PROPRIETARY FUND

JUNE 30, 2015

ASSETS

CURRENT ASSETS

Cash and investments	\$ 4,054,123
Accounts receivable (net of allowance for doubtful accounts of \$54,221)	460,336
Inventory	19,360
Restricted assets:	
Cash and investments	9,661,160
TOTAL CURRENT ASSETS	<u>14,194,979</u>

NONCURRENT ASSETS

Capital assets - net of accumulated depreciation	<u>12,959,326</u>
TOTAL ASSETS	<u>27,154,305</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable	362,408
Due to other funds	34,823
Accrued wages	15,244
Accrued interest payable	56,856
Accrued compensated absences	37,046
Customer deposits	156,084
Bonds payable - current	245,000
Certificates of participation - current	120,000
TOTAL CURRENT LIABILITIES	<u>1,027,461</u>

NONCURRENT LIABILITY

Net bond premium/discount	35,307
Bonds payable, net of current portion	11,550,000
Certificates of participation, net of current portion	625,000
TOTAL NONCURRENT LIABILITIES	<u>12,210,307</u>
TOTAL LIABILITIES	<u>13,237,768</u>

NET POSITION

Net investment in capital assets	9,201,212
Restricted - debt service	334,665
Restricted - reserve accounts	509,302
Unrestricted	3,871,358
TOTAL NET POSITION	<u>\$ 13,916,537</u>

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

OPERATING REVENUE	
Charges for services	\$ 3,004,481
Miscellaneous	37,347
TOTAL OPERATING REVENUE	3,041,828
 OPERATING EXPENSES	
Personnel services	632,805
Bad debt expense	6,678
Depreciation	626,802
Repairs and maintenance	263,372
Utilities	238,248
Operating supplies	104,703
Other services and charges	122,347
TOTAL OPERATING EXPENSES	1,994,955
OPERATING INCOME	1,046,873
 NONOPERATING REVENUE (EXPENSE)	
Investment income	89,518
Interest and fiscal charges	(434,572)
Gain on the disposal of assets	2,803
TOTAL NONOPERATING REVENUE (EXPENSE)	(342,251)
INCOME BEFORE OPERATING TRANSFERS	704,622
TRANSFERS OUT	(360,079)
NET INCOME	344,543
NET POSITION - BEGINNING OF YEAR	13,571,994
NET POSITION - END OF YEAR	\$ 13,916,537

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,066,327
Cash paid to suppliers	(477,390)
Cash paid to employees	(643,449)
Miscellaneous receipts	37,347
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,982,835
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer to general fund	(360,079)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(1,170,810)
Proceeds from sale of assets	2,803
Principal repayments	(1,330,000)
Issuance of debt	10,655,000
Interest and fiscal charges	(440,695)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	7,716,298
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	89,518
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,428,572
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	4,286,711
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 13,715,283
 Reconciliation of cash and cash equivalents:	
Cash and investments	\$ 4,054,123
Restricted cash and investments	9,661,160
Total cash and cash equivalents	\$ 13,715,283

The accompanying notes are an integral part of these financial statements.

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

OPERATING INCOME	<u>\$ 1,046,873</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	626,802
(Increase) decrease in assets:	
Accounts receivable	61,348
Inventory	(15,097)
Increase in liabilities:	
Accrued wages and related items	269,432
Due to other funds	(1,786)
Customer deposit	498
Other accrued expenses	(5,235)
TOTAL ADJUSTMENTS	<u>935,962</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,982,835</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF WARRENTON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warrenton, Missouri (the City), incorporated in 1864, is a fourth class city. The City operates under a Mayor and Board of Aldermen form of government. The significant accounting policies applied by the City in the preparation of the accompanying combined financial statements are summarized below:

A. REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the activities of the City (the Primary Government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operation or financial relationship with the City.

Included in the reporting entity is the Industrial Development Authority of the City of Warrenton, Missouri (IDA). This corporation is organized to develop, advance, encourage, and promote commercial, industrial, agricultural, and manufacturing facilities in the City. The IDA is incorporated as an Industrial Development Corporation, which is an entity legally separate from the City. The component unit has been blended into the City's primary government. The component unit does not issue separately audited financial statements.

B. BASIC FINANCIAL STATEMENTS

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government and its component units. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between the governmental and business-type activities have been eliminated. Exceptions to this general rule are charges between the City's Water and Sewer Fund and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

B. **BASIC FINANCIAL STATEMENTS - continued**

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, public improvements, cultural and recreation, and planning and development. The business-type activities of the City include water and sewer services.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Neighborhood Improvement District Fund, and Capital Improvements Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues, or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

The General Fund - The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds.

The Capital Improvements Fund - The Fund is used to account for sales tax dedicated for the purchase of capital items.

The Neighborhood Improvement District Fund - The Fund is used to account for special assessment taxes collected to make debt service payments on bonds issued to make certain improvements within the districts.

The City reports the following major proprietary fund:

The Water and Sewer Fund - The City uses this proprietary fund to account for the activities of providing water and sewer service to the citizens of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Fund are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$25,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are being constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. No interest was capitalized during the year ended June 30, 2015.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	5 - 40 years
Equipment	7 - 10 years
Land improvements	20 years
Infrastructure	10 - 50 years

The government-wide financial statements do not reflect infrastructure assets completed prior to July 1, 2000.

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

F. **RESTRICTED CASH AND INVESTMENTS**

Certain cash and investments are restricted for the repayment of debt, construction or purchase of assets, or repair and replacement of assets.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

G. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other interfund transactions are reported as transfers and are reported "net" in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported "net".

H. **ACCOUNTS RECEIVABLE**

The City grants credit to residents for water and sewer service. Service is discontinued if the bill is not paid within two billing cycles. The City assesses a penalty of 8% on water and sewer if not paid by the 15th of the month. No interest is charged on past due accounts. Once an account reaches 30 days past due, it is sent to a collection agency. The City has recorded an allowance for doubtful accounts of \$54,221. The estimate is based on the City's experience in collecting past due accounts.

I. **COMPENSATED ABSENCES**

The policy for vacation pay allows employees to take time off with pay and requires vacation leave to be used in the year after accumulation.

Employees may accumulate sick leave up to a maximum of 720 hours. Accumulated sick pay is paid only on the following: (a) 25% after 5 years of service, (b) 50% after 10 years of service, (c) 75% after 15 years of service and (d) 100% after 25 years of service.

As of June 30, 2015, the liability for accrued vacation and sick leave in the governmental funds is \$144,317. Accrued compensated absences relating to governmental funds are recorded in the government-wide statements only. The amount applicable to the Proprietary Fund of \$37,046 has been recorded in both the fund and government-wide statements.

J. **LONG-TERM LIABILITIES**

In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net position. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs are expensed when incurred in government-wide statements. Amortization of bond premiums or discounts and deferred amounts on refunding are included in interest expense.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

J. **LONG-TERM LIABILITIES - continued**

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. **INVENTORIES AND PREPAID ITEMS**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

L. **NET POSITION AND FUND EQUITY**

In government-wide financial statements net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net position is considered unrestricted.

When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports \$1,682,683 of restricted assets for governmental activities, all of which is restricted by enabling legislation. Business-type activities also reports restricted net position of \$843,967, none of which is restricted by enabling legislation.

Fund Balance Classification - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - Resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

Restricted - Resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

L. **NET POSITION AND FUND EQUITY - continued**

Committed - Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (ordinance), and that remain binding unless removed in the same manner.

Assigned - Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Aldermen or an official to which the Board of Aldermen has delegated the authority to assign amounts for specific purposes. Currently the Board of Alderman have not delegated this authority to anyone.

Unassigned - Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The City would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

M. **CASH AND INVESTMENTS**

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures and other monies required to be accounted for separately. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Interest income earned on pooled cash and investments is allocated to the various funds. Interest income on restricted cash and investments is credited directly to the related fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be investments with an original maturity of three months or less.

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance, and Commercial Paper.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The City follows these procedures in establishing the budgetary data reflected in the required supplementary information in the financial statements:

- a. Prior to May 1, the Financial Officer submits to the Board of Aldermen a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. Open meetings are held to obtain taxpayer comments.
- c. Prior to July 1, the budget is adopted by the Board of Aldermen.
- d. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles except Proprietary Funds which include capital outlay as an expense. The Industrial Development Authority Fund is not budgeted.

2. **BUDGETS AND BUDGETARY ACCOUNTING** - continue

- e. The current year's budget includes amendments. Budget amendments must be approved by the Board of Aldermen.
- f. All annual appropriations lapse at fiscal year-end.

3. **CASH AND TEMPORARY INVESTMENTS**

Credit Risk - The City will minimize credit risk (the risk of loss due to the failure of the security issuer or backer) by pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business and diversifying the portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk - For deposits and investments, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the City's policy that all deposits and investments be insured, covered by collateral or be investments backed by the full faith and credit of the United States Government. All securities, which serve as collateral against the deposits of a depository institution must be safekept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date. Investments of the City are generally insured, collateralized, or invested in securities of the United States or its agencies.

Interest Rate Risk - The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities.

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Investments in bankers' acceptances shall mature and become payable not more than one hundred eighty days (180) from the date of purchases. All other investments shall mature and become payable not more than five (5) years from the date of purchase. The City of Warrenton shall adopt weighted average maturity limitations that should not exceed three (3) years and is consistent with the investment objectives.

Currently, the only investments held by the City with a maturity greater than one year are the Guaranteed Investment Contracts. The interest rates are locked in for the life of the contracts, which are linked to State Revolving Fund Bonds.

Concentration of Credit Risk - It is the City's policy to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. Diversification strategies shall be established and periodically reviewed. At a minimum, diversification standards by security type and issuer shall be:

- a) U.S. Treasuries and Securities having principal and/or interest guaranteed by the U.S. government - Exposure Limit - 100%

3. **CASH AND TEMPORARY INVESTMENTS - continued**

Concentration of Credit Risk - continued

- b) Collateralized time and demand deposits. - Exposure Limit - 100%.
- c) U.S. Government Agencies and government sponsored enterprises. - Exposure Limit - No more than 60%
- d) Collateralized repurchased agreements. - Exposure Limit - No more than 50%
- e) U.S. Government Agency callable securities. - Exposure Limit - No more than 30%

Cash - At June 30, 2015, the carrying amount of the City's deposits was \$18,098,170. Bank balances held at financial institutions of \$18,149,190 were covered by the Federal Deposit Insurance Corporation (FDIC), a letter of credit from the financial institution or were collateralized by the pledging financial institution or its agent in the City's name. In addition, the City has \$61,110 held in cash by the Trust Department of a financial institution, related to debt issued through the State Revolving Fund Program. These funds are not insured or collateralized; and are not held in the City's name.

Investments - As of June 30, 2015 the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating Fitch/Moody's</u>	<u>Percentage of Investments</u>
Guaranteed Investment Contracts*	\$ 90,108	December 30, 2022	A/A2	60%
	<u>59,197</u>	June 30, 2023	A/A2	40
TOTAL	\$ <u>149,305</u>			

*Collateral held by the City's agent is not in the City's name.

The City also owns 30 acres of land, which it was holding for possible development, but is currently available for sale. The City has recorded its investment in land at cost as it does not have a readily determinable fair market value.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2014, upon which the 2014 levy was based for real, personal and public utility property, was \$100,046,601. The City's tax rate was levied at \$0.2884 and \$0.1707 per \$100 of assessed valuation for the General Fund and the Special Revenue Fund (Parks), respectively.

5. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended June 30, 2015 is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE, END OF YEAR</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,385,124	\$ -	\$ -	\$ 2,385,124
Construction in progress	31,169	329,297	(3,380)	357,086
Total capital assets, not being depreciated	<u>2,416,293</u>	<u>329,297</u>	<u>(3,380)</u>	<u>2,742,210</u>
Capital assets, being depreciated:				
Buildings	3,527,024	53,195	-	3,580,219
Building improvements	424,866	-	-	424,866
Land improvements	1,929,665	40,189	-	1,969,854
Equipment	1,909,834	142,207	(34,710)	2,017,331
Infrastructure	6,761,221	58,105	-	6,819,326
Total capital assets, being depreciated	<u>14,552,610</u>	<u>293,696</u>	<u>(34,710)</u>	<u>14,811,596</u>
Less accumulated depreciation for:				
Buildings	(1,288,027)	(102,565)	-	(1,390,592)
Building improvements	(213,957)	(19,276)	-	(233,233)
Land improvements	(923,771)	(98,856)	-	(1,022,627)
Equipment	(1,393,153)	(138,821)	34,710	(1,497,264)
Infrastructure	(1,349,257)	(189,076)	-	(1,538,333)
Total accumulated depreciation	<u>(5,168,165)</u>	<u>(548,594)</u>	<u>34,710</u>	<u>(5,682,049)</u>
Total capital assets, being depreciated, net	<u>9,384,445</u>	<u>(254,898)</u>	<u>-</u>	<u>9,129,547</u>
Subtotal governmental activities	<u>11,800,738</u>	<u>74,399</u>	<u>(3,380)</u>	<u>11,871,757</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	648,549	-	-	648,549
Construction in progress	282,633	1,040,181	-	1,322,814
Total capital assets, not being depreciated	<u>931,182</u>	<u>1,040,181</u>	<u>-</u>	<u>1,971,363</u>

5. CAPITAL ASSETS - continued

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE, END OF YEAR</u>
Capital assets, being depreciated:				
Buildings	\$ 8,167,854	\$ -	\$ -	\$ 8,167,854
Building improvements	959,048	5,400	-	964,448
Land improvements	52,186	-	-	52,186
Equipment	1,419,641	138,644	(57,306)	1,500,979
Infrastructure	10,210,561	-	(95,911)	10,114,650
Total capital assets, being depreciated	<u>20,809,290</u>	<u>144,044</u>	<u>(153,217)</u>	<u>20,800,117</u>
Less accumulated depreciation for:				
Buildings	(4,393,008)	(175,580)	-	(4,568,588)
Building improvements	(701,568)	(33,641)	-	(735,209)
Land improvements	(41,636)	(1,111)	-	(42,747)
Equipment	(767,819)	(121,412)	43,890	(845,341)
Infrastructure	(3,421,123)	(295,058)	95,912	(3,620,269)
Total accumulated depreciation	<u>(9,325,154)</u>	<u>(626,802)</u>	<u>139,802</u>	<u>(9,812,154)</u>
Total capital assets, being depreciated, net	<u>11,484,136</u>	<u>(482,758)</u>	<u>(13,415)</u>	<u>10,987,963</u>
Subtotal business-type activities	<u>12,415,318</u>	<u>557,423</u>	<u>(13,415)</u>	<u>12,959,326</u>
Total, Net Capital Assets	<u>\$ 24,216,056</u>	<u>\$ 631,822</u>	<u>\$ (16,795)</u>	<u>\$ 24,831,083</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Administrative	\$ 75,871
Finance department	788
Police department	62,993
Animal control	4,442
Street department	216,044
Planning and development	1,450
Cemetery	5,406
Building commission	2,579
Culture and recreation	179,021
Total depreciation expense - governmental activities	<u>\$ 548,594</u>
Business-type activities:	
Water and sewer	<u>\$ 626,802</u>

6. **LONG-TERM DEBT**

The following is a summary of the outstanding debt in the Proprietary Fund:

During 2001, the City issued Water Pollution Control Revenue Bonds to refund previously issued bonds. The bonds are recorded in the Proprietary Fund and will be serviced by that fund. On June 30, 2015, the outstanding principal on the bonds consists of the following:

Water Pollution Control Revenue Bonds - Series 2001C	<u>\$525,000</u>
First Bank of Missouri and UMB Bank, N.A.	
Interest rate - 3% to 5.375%	
Matures - 2022	
Payments are due on January 1 and July 1	

During 2002, the City issued Waterworks and Sewerage System Revenue Bonds to finance the extension and improvement of the sewer system. The bonds are recorded in the Proprietary Fund and will be serviced by that fund. On June 30, 2015, the outstanding principal on the bonds consists of the following:

Water Pollution Control and Drinking Water Revenue Bonds - Series 2002	<u>\$1,620,000</u>
UMB Bank, N.A.	
Interest rate - 3% to 5.375%	
Matures - 2023	
Payments are due on January 1 and July 1	

During 2014, the City issued Certificates of Participation to refinance the Series 2005 COP which was for construction of a new water tower and water main replacement. The certificates are recorded in the Proprietary Fund and will be serviced by that fund. On June 30, 2015, the outstanding principal on the bonds consists of the following:

Certificates of Participation - Series 2014	<u>\$745,000</u>
Branch Banking and Trust Company	
Interest rate - 1.8%	
Matures - 2020	
Payments are due on June 1 and December 1	

During 2014, the City issued Waterworks and Sewerage System Revenue Bonds to finance the acquiring, constructing, extending and improving of the City's combined waterworks and sewerage system. The bonds are recorded in the Proprietary Fund and will be serviced by that fund. On June 30, 2015, the outstanding principal on the bonds consists of the following:

Combined Waterworks and Sewerage System - Series 2014	<u>\$9,650,000</u>
US Bank, N.A.	
Interest rate - 2% to 3.55%	
Matures - 2039	
Payments are due on January 1 and July 1	

6. **LONG-TERM DEBT** - continued

The annual principal and interest requirements of the Proprietary Fund debt are as follows for the years ended June 30:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2016	\$ 365,000	\$ 446,915	\$ 811,915
2017	655,000	408,878	1,063,878
2018	665,000	387,401	1,052,401
2019	680,000	365,419	1,045,419
2020	700,000	342,397	1,042,397
2021 - 2025	2,635,000	1,354,694	3,989,694
2026 - 2030	1,915,000	1,000,222	2,915,222
2031 - 2035	2,250,000	665,600	2,915,600
2036 - 2039	<u>2,675,000</u>	<u>243,995</u>	<u>2,918,995</u>
TOTALS	\$ <u>12,540,000</u>	\$ <u>5,215,521</u>	\$ <u>17,755,521</u>

The following is a summary of the outstanding debt of the governmental activities:

The City issued Neighborhood Improvement District bonds in 1997 and 2003. These bonds were used to pay construction costs on various neighborhood improvement district projects. This debt will be serviced by the Neighborhood Improvement District Fund through special assessments. At June 30, 2015, the outstanding balance is as follows:

1997 Neighborhood Improvement District Bonds	<u>\$ 41,110</u>
Isaac Kent Farm Project	
Interest - 6.85%	
Matures - 2018	
Payments are due March 1	
2003 Neighborhood Improvement District Bonds	<u>\$ 164,000</u>
Ashland Meadows Project	
Interest - 3.25% to 5.125%	
Matures - 2023	
Payments are due on March 1 and September 1	

In December 2003, the City issued Certificates of Participation to finance the construction of athletic fields and other recreational facilities. The debt will be serviced by the Capital Sales Tax Fund. As of June 30, 2015, the outstanding balance is as follows:

Certificates of Participation - Series 2003	<u>\$545,000</u>
Interest - 1.5% to 4.8%	
Matures - 2018	
Payments are due on June 1 and December 1	

6. **LONG-TERM DEBT** - continued

During 2005, the City borrowed to finance the purchase of land. This debt will be serviced by the General Fund. As of June 30, 2015, the outstanding balance is as follows:

The Missouri Bank \$ 363,445
 Interest - 4.9% for 5 years, then adjustable annually,
 based on the Wall Street Journal published rate less 2%
 Matures - 2021
 Payments are due on January 31

In November 2014, the City issued Certificates of Participation to refinance Series 2009 COP which was for an addition to the existing city hall. The debt will be serviced by the General Fund. As of June 30, 2015, the outstanding balance is as follows:

Certificates of Participation - Series 2014B \$ 365,000
 Interest - 1.46%
 Matures - 2019
 Payments are due on April 1 and October 1

The annual principal and interest requirements of the debt recorded in the governmental activities is as follows for the years ended June 30:

YEAR	PRINCIPAL	INTEREST	TOTAL
2016	\$ 323,327	\$ 43,226	\$ 366,553
2017	339,209	33,319	372,528
2018	351,296	22,781	374,077
2019	242,574	11,655	254,229
2020	78,576	6,226	84,802
2021 - 2023	143,573	8,427	152,000
TOTALS	\$ <u>1,478,555</u>	\$ <u>125,634</u>	\$ <u>1,604,189</u>

A summary of changes in long-term debt for the year ended June 30, 2015 is as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental activities:					
Certificates of Participation	\$ 1,215,000	\$ 470,000	\$ (775,000)	\$ 910,000	\$ 235,000
Neighborhood Improvement District Bonds	231,053	-	(25,943)	205,110	27,753
Bank loan	424,017	-	(60,572)	363,445	60,574
Compensated absences	122,194	22,123	-	144,317	144,317
Subtotal governmental activities	<u>1,992,264</u>	<u>492,123</u>	<u>(861,515)</u>	<u>1,622,872</u>	<u>467,644</u>

6. **LONG-TERM DEBT - continued**

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Business-type activities:					
Certificates of participation	\$ 830,000	\$ 745,000	\$ (830,000)	\$ 745,000	\$ 120,000
Waterworks and Sewerage System Refunding Revenue Bonds	585,000	-	(60,000)	525,000	60,000
Water Pollution Control and Drinking Water Revenue Bonds	1,800,000	-	(180,000)	1,620,000	185,000
Waterworks and Sewerage System Revenue Bonds	-	9,910,000	(260,000)	9,650,000	-
Less deferred amounts:					
Issuance discounts	(6,751)	-	6,751	-	-
Issuance premiums	39,968	-	(4,661)	35,307	-
Total bonds and certificates payable	3,248,217	10,655,000	(1,327,910)	12,575,307	365,000
Compensated absences	42,928	-	(5,882)	37,046	37,046
Subtotal business-type activities	3,291,145	10,655,000	(1,333,792)	12,612,353	402,046
Total	\$ 5,283,409	\$ 11,147,123	\$ (2,195,307)	\$ 14,235,225	\$ 869,690

The revenue bonds are collateralized by the revenue from the sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. Deposits in the revenue bond funds are to be made by the first day of each month. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 120% of the annual debt service requirements. For fiscal year ended June 30, 2015, the revenue bond coverage is 149%.

7. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

The following operating transfers were made during the fiscal year ending June 30, 2015:

	TRANSFER IN	TRANSFER OUT
Governmental Funds:		
General Fund	\$ 565,896	\$ -
Capital Improvements Fund	-	14,256
Nonmajor Funds:		
Park and Tourism Fund	-	191,561
Proprietary Funds:		
Water and Sewer Fund	14,256	374,335

7. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - continued**

The Park and Tourism Fund transferred funds received from tourism tax to the General Fund for costs related to events and a portion of the event coordinator's salary. The Water and Sewer Fund transferred funds to the General Fund for the Water and Sewer allocation of overhead costs. The Capital Improvements Fund transferred funds to the Water & Sewer Fund for capital sales tax.

The following outstanding receivables and payables existed between funds at June 30, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Park & Tourism Fund	General Fund	\$ 13,993
General Fund	Water & Sewer Fund	34,823
Capital Improvements Fund	General Fund	330

Occasionally the various funds of the City have short-term receivables and payables to cover receipts and expenditures in one fund that will be transferred to another fund.

8. **RETIREMENT PLAN**

The City of Warrenton, Missouri Profit Sharing Plan and Trust (a single-employer defined contribution retirement plan currently administered by Security Benefit) became effective upon the passage of an ordinance by the Board of Aldermen. The City contributes a flat 3% contribution along with a 2% voluntary match to all eligible participating employees based on annual compensation. All full-time employees are eligible to participate in the Plan. Employees vest immediately. The City contributed \$111,449 to the Plan during the fiscal year ending June 30, 2015, which represented 4.9% of eligible participating employees' compensation. The City's payroll for employees covered by the Plan for the year ended June 30, 2015 was \$2,270,887 or 93% of the City's total payroll of \$2,449,184.

9. **CONTINGENCIES**

From time to time, the City is a party to various pending claims and legal actions arising in the ordinary course of its operations. Although the outcome of such matters cannot be forecast with certainty, in the opinion of management, all such matters are adequately covered by insurance, or if not covered, are without merit or involve amounts such that an unfavorable disposition would not have a material effect on the financial statements of the City.

10. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 72, Fair Value Measurement and Application, was issued in February 2015. The objective of this statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. This Statement establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. The provisions of this statement are effective for financial statements for the City's fiscal year ending June 30, 2016 with earlier application encouraged.

11. **SUBSEQUENT EVENTS**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 12, 2015, the date the financial statements were available to be issued.

As of August 1, 2015 the City joined the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

On October 9, 2015, the City purchased 39 acres of land in the City limits for \$285,000. The City plans to use this property for a swimming pool, walking trail and dog park.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WARRENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
OPERATING REVENUE				
Taxes	\$ 2,893,500	\$ 2,893,500	\$ 3,156,798	\$ 263,298
Intergovernmental	1,122,688	1,122,688	512,844	(609,844)
Charges for services	402,800	402,800	478,775	75,975
Licenses and permits	57,200	57,200	47,622	(9,578)
Fines and forfeitures	561,450	561,450	463,569	(97,881)
Investment income	5,000	5,000	5,374	374
Lot sales	-	-	10,085	10,085
Miscellaneous	69,050	69,050	59,212	(9,838)
TOTAL OPERATING REVENUE	<u>5,111,688</u>	<u>5,111,688</u>	<u>4,734,279</u>	<u>(377,409)</u>
EXPENDITURES				
Current:				
Administrative	1,259,543	1,259,543	1,108,457	151,086
Police and court	1,810,440	1,813,140	1,671,038	142,102
Street department	408,151	408,151	414,114	(5,963)
Culture and recreation	540,371	572,653	527,938	44,715
Planning and development	287,285	287,285	256,914	30,371
Capital outlay	2,454,900	2,508,150	811,064	1,697,086
Debt service:				
Principal, interest and fiscal charges	124,970	220,039	300,275	(80,236)
Contingency	100,000	100,000	-	100,000
TOTAL EXPENDITURES	<u>6,985,660</u>	<u>7,168,961</u>	<u>5,089,800</u>	<u>2,079,161</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,873,972)	(2,057,273)	(355,521)	1,701,752
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of debt	-	470,000	470,000	-
Payments to escrow agent	-	(455,341)	(455,341)	-
Transfer in (out)	592,550	592,550	565,896	(26,654)
TOTAL OTHER FINANCING SOURCES (USES)	<u>592,550</u>	<u>607,209</u>	<u>580,555</u>	<u>(26,654)</u>
CHANGE IN FUND BALANCE	(1,281,422)	(1,450,064)	225,034	<u>\$ 1,675,098</u>
FUND BALANCES - BEGINNING OF YEAR	<u>4,114,601</u>	<u>4,114,601</u>	<u>4,114,601</u>	
FUND BALANCE - END OF YEAR	<u>\$ 2,833,179</u>	<u>\$ 2,664,537</u>	<u>\$ 4,339,635</u>	

CITY OF WARRENTON, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015

1. BUDGETARY INFORMATION

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in Note 2 of the notes to financial statements.

SUPPLEMENTARY INFORMATION

CITY OF WARRENTON, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR FUNDS
JUNE 30, 2015

	Special Revenue Funds			Total
	Cemetery Fund	Park and Tourism Fund	Industrial Development Authority Fund	
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 9,356	\$ 258,004	\$ 1,605	\$ 268,965
Taxes receivable:				
Property	-	15,524	-	15,524
Other	30	-	-	30
Due from other funds	-	13,993	-	13,993
TOTAL ASSETS	\$ 9,386	\$ 287,521	\$ 1,605	\$ 298,512
 LIABILITIES				
Accounts payable	\$ -	\$ 3,688	\$ -	\$ 3,688
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue:				
Property taxes	-	12,766	-	12,766
 FUND BALANCES				
Restricted for:				
Cemetery maintenance	9,386	-	-	9,386
Parks and tourism	-	271,067	-	271,067
Assigned:				
Industrial development	-	-	1,605	1,605
TOTAL FUND BALANCES	9,386	271,067	1,605	282,058
 TOTAL LIABILITIES AND FUND BALANCES				
	\$ 9,386	\$ 287,521	\$ 1,605	\$ 298,512

CITY OF WARRENTON, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Total
	Cemetery Fund	Park and Tourism Fund	Industrial Development Authority Fund	
REVENUES				
Taxes	\$ -	\$ 334,660	\$ -	\$ 334,660
Investment income	8	297	2	307
Lot sales	1,790	-	-	1,790
TOTAL REVENUES	<u>1,798</u>	<u>334,957</u>	<u>2</u>	<u>336,757</u>
EXPENDITURES				
Current:				
Culture and recreation	-	76,363	-	76,363
Planning and development	-	-	652	652
Capital outlay	-	10,668	-	10,668
TOTAL EXPENDITURES	<u>-</u>	<u>87,031</u>	<u>652</u>	<u>87,683</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,798	247,926	(650)	249,074
OTHER FINANCING SOURCES				
Transfer in (out)	-	(191,561)	-	(191,561)
CHANGE IN FUND BALANCE	1,798	56,365	(650)	57,513
FUND BALANCES - BEGINNING OF YEAR	<u>7,588</u>	<u>214,702</u>	<u>2,255</u>	<u>224,545</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,386</u>	<u>\$ 271,067</u>	<u>\$ 1,605</u>	<u>\$ 282,058</u>