

City of Warsaw, Missouri

Basic Financial Statements Year Ended December 31, 2023



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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the City of Warsaw, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Warsaw, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 21, 2024

Management's Discussion and Analysis

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

The management's discussion and analysis of the City of Warsaw's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$2,452,356 for the year as a result of current year activities. The net position of the City's business activities increased by \$668,345 for the year.

The assets of the City exceeded its liabilities as of December 31, 2023, by \$29,653,528 (net position). Of this amount \$7,260,172 was unrestricted and may be used to meet future obligations of the City.

Using this Annual Report

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

Government-Wide Financial Statements

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

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

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

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

Fund Financial Statements

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

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

- General Fund
- Capital Improvement Fund
- Parks Fund
- Transportation Fund

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

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

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

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

Enterprise Funds: When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer are provided here.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Below are all of our funds together:

Net Position

The following table presents the condensed Statement of Net Position for the City as of December 31, 2023, and December 31, 2022:

	Governmental Activities	Business-Type Activities	Total December 31, 2023	Total December 31, 2022
Assets				
Current and other assets	\$ 9,208,174	\$ 1,991,414	\$ 11,199,588	\$ 8,929,375
Capital assets, net	11,756,999	11,598,058	23,355,057	22,349,051
	<u>20,965,173</u>	<u>13,589,472</u>	<u>34,554,645</u>	<u>31,278,426</u>
Deferred Outflows of Resources	127,699	-	127,699	73,256
Liabilities				
Current liabilities	266,896	527,362	794,258	866,626
Long-term liabilities	1,188,300	2,498,167	3,686,467	3,366,137
	<u>1,455,196</u>	<u>3,025,529</u>	<u>4,480,725</u>	<u>4,232,763</u>
Deferred Inflows of Resources	<u>548,091</u>	<u>-</u>	<u>548,091</u>	<u>586,092</u>
Net Position				
Net investment in capital assets	10,433,069	8,667,938	19,101,007	18,460,056
Restricted	3,175,057	117,292	3,292,349	1,874,521
Unrestricted	5,481,459	1,778,713	7,260,172	6,198,250
	<u>\$ 19,089,585</u>	<u>\$ 10,563,943</u>	<u>\$ 29,653,528</u>	<u>\$ 26,532,827</u>

Summary of the Net Position

Total net position of the City increased by \$3,120,701 for the year due to current year activity. Total liabilities for the City have increased by \$247,962. Restricted net position of the City totaled \$3,292,349 as of December 31, 2023. This amount represents monies that are restricted for debt service, capital improvement projects, and transportation development.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

Change in Net Position

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2023	Total Year Ended December 31, 2022
Revenues				
Program revenues				
Charges for services	\$ 839,099	\$ 1,306,370	\$ 2,145,469	\$ 1,771,407
Operating grants and contributions	15,787	-	15,787	226,653
Capital grants and contributions	210,239	501,892	712,131	2,393,613
General revenues				
Sales taxes	3,217,440	-	3,217,440	3,123,977
Ad valorem taxes	143,336	-	143,336	143,172
Motor vehicle and gas taxes	112,748	-	112,748	100,531
Surtax	3,781	-	3,781	13,274
Franchise fees	229,869	-	229,869	215,504
Interest	16,001	3,042	19,043	11,596
Other revenue	16,238	19,627	35,865	34,588
Gain (loss) on sale of assets	62,792	-	62,792	-
Special item - insurance proceeds	13,338	-	13,338	-
Special item - cost-share proceeds	240,000	-	240,000	-
Extraordinary item				
Proceeds from dissolved TDD	705,878	-	705,878	-
Total Revenues, Special Item, and Extraordinary Item	5,826,546	1,830,931	7,657,477	8,034,315
Expenses				
Administrative	625,059	-	625,059	498,624
Police	884,905	-	884,905	621,208
Community building	63,175	-	63,175	53,228
Solid waste	83,322	-	83,322	97,699
Airport	278,280	-	278,280	302,692
Park	475,936	-	475,936	417,748
Pool	182,826	-	182,826	132,022
Golf course	153,500	-	153,500	212,237
Drake harbor amphitheater	16,998	-	16,998	19,028
Street	541,273	-	541,273	535,482
Community development	21,340	-	21,340	9,999
Debt service	47,576	-	47,576	52,762
Water and sewer	-	1,162,586	1,162,586	1,106,382
Total Expenses	3,374,190	1,162,586	4,536,776	4,059,111
Increase in Net Position	\$ 2,452,356	\$ 668,345	\$ 3,120,701	\$ 3,975,204

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$2,452,356. Tax revenues for the City were \$3,707,174, which represents 76% of the financing of these activities. Program revenues for the functions totaled \$1,065,125 or approximately 22% of the financing. The following table shows the cost of the City's programs as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Warsaw's Governmental Activities

	Total Cost of Services	Net Cost of Services
Administrative	\$ 625,059	\$ 145,420
Police	884,905	873,841
Community building	63,175	63,175
Solid waste	83,322	(29,996)
Airport	278,280	10,384
Pool	182,826	143,729
Park	475,936	456,928
Golf course	153,500	101,634
Drake harbor amphitheater	16,998	16,998
Street	541,273	458,036
Community development	21,340	21,340
Debt service	47,576	47,576
	<u>\$ 3,374,190</u>	<u>\$ 2,309,065</u>

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$668,345.

Financial Analysis of the City's Funds (Governmental Funds and Not Utilities)

The combined fund balances of the City's governmental funds as of December 31, 2023, were \$8,519,646. The General Fund increased by \$890,301. The Transportation Fund increased by \$810,636. The Capital Improvement Fund increased by \$677,670. The Parks Fund decreased by \$16,608.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2023:

	Original Budget	Final Budget	Actual
Revenues			
Taxes			
Ad valorem taxes	\$ 129,000	\$ 143,336	\$ 143,336
Intangible tax	225	-	-
City sales tax	1,275,000	1,511,637	1,511,637
Franchise fees	180,000	229,869	229,869
Surtax	6,500	3,781	3,781
	<u>1,590,725</u>	<u>1,888,623</u>	<u>1,888,623</u>
Licenses and Permits			
Occupational licenses	36,500	33,639	33,639
Building permits	10,000	20,038	20,038
Other	1,500	357,582	357,582
	<u>48,000</u>	<u>411,259</u>	<u>411,259</u>
Intergovernmental Revenues			
ARPA grant	-	15,787	15,787
Charges for Services			
Golf course	195,947	51,866	51,866
Trash	110,400	113,318	113,318
	<u>306,347</u>	<u>165,184</u>	<u>165,184</u>
Fines and Forfeitures			
City court fines	9,000	11,062	11,062
CVC fees	-	2	2
	<u>9,000</u>	<u>11,064</u>	<u>11,064</u>
Miscellaneous			
Interest	32,000	15,928	15,928
Rental income	54,280	52,593	52,593
Other	2,800	5,983	5,983
	<u>89,080</u>	<u>74,504</u>	<u>74,504</u>
Other Financing Sources			
Financed purchase proceeds	-	148,300	148,300
Cost-share proceeds	-	240,000	240,000
	<u>-</u>	<u>388,300</u>	<u>388,300</u>
Total Revenues and Other Sources	2,043,152	2,954,721	2,954,721

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Expenditures			
Administrative	559,124	867,897	867,897
Police	705,959	744,122	744,122
Community building	51,021	63,175	63,175
Solid waste	92,940	83,322	83,322
Golf course	275,416	290,213	290,213
Debt Service	-	15,691	15,691
Total Expenditures	<u>1,684,460</u>	<u>2,064,420</u>	<u>2,064,420</u>
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures</i>	<u>\$ 358,692</u>	<u>\$ 890,301</u>	<u>\$ 890,301</u>

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

Capital Assets & Debt Administration

Capital Assets

Capital assets of the governmental activities were \$11,756,999 net of depreciation as of December 31, 2023. This represents a \$151,563 increase net of depreciation, from the prior year. Capital assets for business-type activities were \$11,598,058 net of depreciation as of December 31, 2023. This represents capital asset additions of \$1,219,463, and \$365,020 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2023, was \$1,364,754, which includes debt retirements and long-term liabilities reductions of \$161,420, and debt proceeds for police vehicles and golf carts for \$57,800 and \$90,500, respectively.

Total debt of the business-type activities as of December 31, 2023, was \$2,930,120, which includes debt retirement of \$390,979 and debt proceeds for the 2022 revenue bonds of \$769,154.

Economic Factors and Next Year's Budget

2024 through 2030 we see the community invest deeply into its roadway infrastructure. This will set the stage for the community to become a major bicycling destination due to these roadways becoming Complete Streets that include bicycle lanes. All corners of Warsaw will benefit from these investments. This approach works nicely with the investments in the waterfront parks that have proven to be of community and economic development value. Such improvements only enhance the quality of life in Warsaw. Last year's 2023 management report cited the 2015 comprehensive Plan, *Building on Success to Capitalize on the Future*. It is critical that this continues to be the guiding

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

statement for development. "Private investors need to be attracted to construct developments as outlined in our Comprehensive Plan. Private development was a major focus of the plan that includes land use, business recruitment and a transportation improvement plan. Mixed use development along Main Street, along with encouraging residential use on our northern city limits, will create a diverse economy that will help to promote Warsaw as both a place to visit and live." This statement must remain as one of the Warsaw's main focuses on community and economic development. Following it will move Warsaw closer to being a major tourist destination in the region, and an ideal location to live.

For the 10th straight year the city fund balances continue to grow while the city has been investing in both above ground and below ground infrastructure. As the utility debt is being retired in the Capital Improvement Fund, it is critical to move this fund away from subsidizing the utilities infrastructure and use it as part of the infrastructure needs of the city relating to roadway and parks improvements.

The utilities must start standing on its own as a Business Type Activity. Water and Sewer rates will have to be monitored closely to keep the city eligible for low interest loans and grants.

Wastewater

The wastewater treatment plant has reached its useful life expectancy, and will require investment an upgrade, to keep it at a working level for compliance. Additionally, the city has to address the Inflow and Infiltration of the system. This has been a big factor in overuse of the treatment facility.

Water

The city has completed two thirds of the watermain replacement of old cast iron pipes. To complete the final one third will be a big accomplishment and will allow the city to move away from big investments in watermain replacement. The city is experiencing water pressure problems in some areas of town. This will only be compounded as businesses and residential housing continue to expand within the city. The city will have to address this issue with a possible new water tower.

The airport continues to outperform the Airport Layout Plan. The City of Warsaw is preparing to advertise for bids to select a contractor for expanding the current apron. The project is funded with 90% Non-Primary Entitlement grant. Using these types of funds assist the city to expand the airport without incurring debt. The 10% the city matches should be taken from the Transportation and Capital Improvement funds. The current apron is consistently full. This is due to visitors and ChasAero aviation business that the city recruited in 2016. As a full-service aviation business located on the airport grounds, the business has become a vital part of the development of the airport. An additional need for the airport is more hangars. There is currently a waiting list for hangar space that continues to be added to. The city should take the same approach as with the apron financing and use the 90% Non-Primary Entitlement grants to construct more. The hangars are a great revenue source.

In conclusion, the city is positioned well to remain and grow as a model rural community in Missouri. There will be a lot of demand on city staff over the next five years to manage finances during a time of strong investment in infrastructure. It is critical that the city staff continue to perform together at a high level to achieve the upcoming transformation.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2023

Contacting the City's Financial Management

For additional information or questions, please contact any of the following members of City management at:

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

City of Warsaw

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 7,711,161	\$ 1,644,231	\$ 9,355,392
Ad valorem taxes receivable, net	178,662	-	178,662
Utilities receivable, net	11,944	108,598	120,542
Intergovernmental receivable	158,013	-	158,013
Lease receivable	25,644	-	25,644
Other receivable	21,703	-	21,703
Sales tax receivable	573,920	-	573,920
Inventory	9,985	54,806	64,791
Prepaid expenses	5,829	-	5,829
Noncurrent			
Restricted cash and cash equivalents	-	183,779	183,779
Net pension asset	180,547	-	180,547
Lease receivable	330,766	-	330,766
Capital Assets			
Non-depreciable	740,768	-	740,768
Depreciable, net	11,016,231	11,598,058	22,614,289
Total Assets	20,965,173	13,589,472	34,554,645
Deferred Outflows of Resources			
Deferred pension outflows	127,699	-	127,699
Liabilities			
Current			
Accounts payable	36,741	32	36,773
Accrued expenses	53,701	14,486	68,187
Deposits payable	-	66,487	66,487
Accrued interest payable	-	14,404	14,404
Current maturities of long-term debt	176,454	431,953	608,407
	266,896	527,362	794,258
Noncurrent			
Compensated absences payable	40,824	-	40,824
Financed purchases payable	1,147,476	364,788	1,512,264
Bonds payable	-	2,133,379	2,133,379
	1,188,300	2,498,167	3,686,467
Total Liabilities	1,455,196	3,025,529	4,480,725
Deferred Inflows of Resources			
Deferred lease inflows	342,545	-	342,545
Deferred pension inflows	205,546	-	205,546
Total Deferred Inflows of Resources	548,091	-	548,091
Net Position			
Net investment in capital assets	10,433,069	8,667,938	19,101,007
Restricted			
Capital projects	2,469,179	-	2,469,179
Debt service	-	117,292	117,292
Transportation development	705,878	-	705,878
Unrestricted	5,481,459	1,778,713	7,260,172
Total Net Position	\$ 19,089,585	\$ 10,563,943	\$ 29,653,528

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Activities

Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administrative	\$ (625,059)	\$ 463,852	\$ 15,787	\$ -	\$ (145,420)	\$ -	\$ (145,420)
Police	(884,905)	11,064	-	-	(873,841)	-	(873,841)
Community building	(63,175)	-	-	-	(63,175)	-	(63,175)
Solid waste	(83,322)	113,318	-	-	29,996	-	29,996
Airport	(278,280)	159,902	-	107,994	(10,384)	-	(10,384)
Pool	(182,826)	39,097	-	-	(143,729)	-	(143,729)
Park	(475,936)	-	-	19,008	(456,928)	-	(456,928)
Golf course	(153,500)	51,866	-	-	(101,634)	-	(101,634)
Drake harbor amphitheater	(16,998)	-	-	-	(16,998)	-	(16,998)
Street	(541,273)	-	-	83,237	(458,036)	-	(458,036)
Community development	(21,340)	-	-	-	(21,340)	-	(21,340)
Debt service	(47,576)	-	-	-	(47,576)	-	(47,576)
Total Governmental Activities	(3,374,190)	839,099	15,787	210,239	(2,309,065)	-	(2,309,065)
Business-Type Activities							
Water and sewer	(1,162,586)	1,306,370	-	501,892	-	645,676	645,676
Total Business-Type Activities	(1,162,586)	1,306,370	-	501,892	-	645,676	645,676
Total Government	\$ (4,536,776)	\$ 2,145,469	\$ 15,787	\$ 712,131	(2,309,065)	645,676	(1,663,389)
General Revenues							
Sales taxes					3,217,440	-	3,217,440
Ad valorem taxes					143,336	-	143,336
Motor vehicle taxes					112,748	-	112,748
Surtax					3,781	-	3,781
Franchise fees					229,869	-	229,869
Interest					16,001	3,042	19,043
Other revenue					16,238	19,627	35,865
Gain (loss) on sale of assets					62,792	-	62,792
Special Items							
Insurance proceeds					13,338	-	13,338
Cost-share proceeds					240,000	-	240,000
Extraordinary Item							
Proceeds from dissolved transportation development district					705,878	-	705,878
Total General Revenues, Special Items, and Extraordinary Item					4,761,421	22,669	4,784,090
<i>Changes in Net Position</i>					2,452,356	668,345	3,120,701
Net Position, Beginning of year					16,637,229	9,895,598	26,532,827
Net Position, End of year					\$ 19,089,585	\$ 10,563,943	\$ 29,653,528

See accompanying Notes to the Financial Statements.

City of Warsaw

Balance Sheet – Governmental Funds

December 31, 2023

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Assets					
Cash and cash equivalents - unrestricted	\$ 3,717,664	\$ 1,664,978	\$ 2,297,116	\$ 31,403	\$ 7,711,161
Ad valorem taxes receivable, net	178,662	-	-	-	178,662
Sales tax receivable	271,261	81,376	112,782	108,501	573,920
Utilities receivable, net	11,944	-	-	-	11,944
Intergovernmental receivable	-	74,994	83,019	-	158,013
Lease receivable	356,410	-	-	-	356,410
Other receivable	21,703	-	-	-	21,703
Inventory	-	9,985	-	-	9,985
Prepaid expenses	2,707	1,429	-	1,693	5,829
Total Assets	<u>\$ 4,560,351</u>	<u>\$ 1,832,762</u>	<u>\$ 2,492,917</u>	<u>\$ 141,597</u>	<u>\$ 9,027,627</u>
Liabilities					
Accounts payable	\$ 16,154	\$ 385	\$ 20,202	\$ -	\$ 36,741
Accrued expenses	14,570	19,887	3,536	15,708	53,701
Total Liabilities	<u>30,724</u>	<u>20,272</u>	<u>23,738</u>	<u>15,708</u>	<u>90,442</u>
Deferred Inflows of Resources					
Deferred lease inflows	342,545	-	-	-	342,545
Deferred inflows - unavailable grant revenue	-	74,994	-	-	74,994
Total Deferred Inflows of Resources	<u>342,545</u>	<u>74,994</u>	<u>-</u>	<u>-</u>	<u>417,539</u>
Fund Balances					
Nonspendable					
Inventory	-	9,985	-	-	9,985
Prepaid items	2,707	1,429	-	1,693	5,829
Restricted for					
Capital improvement	-	-	2,469,179	-	2,469,179
Transportation development	-	705,878	-	-	705,878
Assigned to					
Transportation	-	1,020,204	-	-	1,020,204
Parks Fund	-	-	-	124,196	124,196
Unassigned	4,184,375	-	-	-	4,184,375
Total Fund Balances	<u>4,187,082</u>	<u>1,737,496</u>	<u>2,469,179</u>	<u>125,889</u>	<u>8,519,646</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,560,351</u>	<u>\$ 1,832,762</u>	<u>\$ 2,492,917</u>	<u>\$ 141,597</u>	<u>\$ 9,027,627</u>

See accompanying Notes to the Financial Statements.

City of Warsaw

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2023

Fund balance - total governmental funds	\$ 8,519,646
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	23,311,266
Less accumulated depreciation	<u>(11,554,267)</u>
	11,756,999
The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	180,547
Deferred outflows due to pensions	127,699
Deferred inflows due to pensions	<u>(205,546)</u>
	102,700
Deferred inflows for grant revenues collected in subsequent years are not available for current period expenditures and, therefore, are reported as unavailable revenue in the governmental funds' balance sheet.	74,994
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,364,754)</u>
Net position of governmental activities	<u><u>\$ 19,089,585</u></u>

See accompanying Notes to the Financial Statements.

City of Warsaw

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

December 31, 2023

	General Fund	Special Revenue Funds			Total Governmental Funds
		Transportation Fund	Capital Improvement Fund	Parks Fund	
Revenues					
Taxes	\$ 1,888,623	\$ 571,312	\$ 635,820	\$ 611,419	\$ 3,707,174
Licenses and permits	411,259	-	-	-	411,259
Intergovernmental revenues	15,787	33,000	83,237	-	132,024
Charges for services	165,184	159,902	-	39,097	364,183
Rental income	52,593	-	-	-	52,593
Fines and forfeitures	11,064	-	-	-	11,064
Interest revenue	15,928	-	73	-	16,001
Miscellaneous	5,983	5,122	19,008	8,083	38,196
Total Revenues	<u>2,566,421</u>	<u>769,336</u>	<u>738,138</u>	<u>658,599</u>	<u>4,732,494</u>
Expenditures					
Current					
Administrative	867,897	-	-	-	867,897
Police	744,122	-	-	-	744,122
Community building	63,175	-	-	-	63,175
Solid waste	83,322	-	-	-	83,322
Airport	-	250,731	-	-	250,731
Pool	-	-	-	162,980	162,980
Park	-	-	-	404,051	404,051
Golf course	290,213	-	-	-	290,213
Street	-	398,244	-	-	398,244
Capital improvement	-	68,874	60,468	-	129,342
Debt service	15,691	-	-	128,085	143,776
Total Expenditures	<u>2,064,420</u>	<u>717,849</u>	<u>60,468</u>	<u>695,116</u>	<u>3,537,853</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	502,001	51,487	677,670	(36,517)	1,194,641
Other Financing Sources					
Financed purchase proceeds	148,300	-	-	-	148,300
Cost-share proceeds	240,000	-	-	-	240,000
Insurance proceeds	-	53,271	-	19,909	73,180
Proceeds from dissolved transportation development district	-	705,878	-	-	705,878
Total Other Financing Sources	<u>388,300</u>	<u>759,149</u>	<u>-</u>	<u>19,909</u>	<u>1,167,358</u>
<i>Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures</i>	890,301	810,636	677,670	(16,608)	2,361,999
Fund Balance, January 1	3,296,781	926,860	1,791,509	142,497	6,157,647
Fund Balance, December 31	<u>\$ 4,187,082</u>	<u>\$ 1,737,496</u>	<u>\$ 2,469,179</u>	<u>\$ 125,889</u>	<u>\$ 8,519,646</u>

See accompanying Notes to the Financial Statements.

City of Warsaw

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

December 31, 2023

Net change in fund balances - total governmental funds	\$ 2,361,999
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Amounts reported for governmental activities in the Statement of Activities are different because:

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

Capital outlay	732,043
Depreciation	(580,480)
Gain on disposal of assets	62,792
	<u>214,355</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned	(62,792)
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Governmental funds defer revenue that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	74,994
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Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the statement of activities when incurred.

Change in pension related costs	(143,371)
Change in compensated absences	(5,949)
	<u>(149,320)</u>

The issuance of long-term debt provides current financial resources to governmental funds. The repayment of principal on long-term debt is a use of current financial resources of governmental funds. The following is the detail of the net effect of these differences.

Financed purchase proceeds	(148,300)
Repayment of principal on long-term debt	161,420
	<u>13,120</u>

Change in Net Position of Governmental Activities	<u>\$ 2,452,356</u>
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See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2023

	Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,644,231
Utilities receivable, net	108,598
Inventory	54,806
Total Current Assets	1,807,635
Restricted Assets	
Cash and cash equivalents	183,779
Total Restricted Assets	183,779
Property, Plant, and Equipment	
Buildings and improvements	40,587
Water lines and wells	6,025,120
Sewer lines and plant	11,365,568
Major moveable equipment	949,996
	18,381,271
Less accumulated depreciation	(6,783,213)
Total Property, Plant, and Equipment	11,598,058
Total Assets	13,589,472
Liabilities	
Current Liabilities	
Accounts payable	32
Accrued expenses	14,486
Accrued interest payable	14,404
Customer deposits	66,487
Current maturities of long-term debt	431,953
Total Current Liabilities	527,362
Long-Term Liabilities	
Revenue bonds payable	2,133,379
Financed purchase payable	364,788
Total Long-Term Liabilities	2,498,167
Total Liabilities	3,025,529
Net Position	
Net investment in capital assets	8,667,938
Restricted	117,292
Unrestricted	1,778,713
Total Net Position	\$ 10,563,943

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Revenues, Expenses, and Changes in Net Position – Enterprise Fund

Year Ended December 31, 2023

	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 656,188
Sewer	650,182
Total Operating Revenues	1,306,370
Operating Expenses	
Water	
Employee benefits	2,054
Materials and supplies	4,258
Utilities	40,290
Repairs and maintenance	55,609
Insurance	9,496
Depreciation	158,184
Professional services	223,715
Miscellaneous	1,609
Total Operating Expenses-Water	495,215
Sewer	
Employee benefits	2,054
Materials and supplies	2,706
Utilities	54,018
Repairs and maintenance	79,261
Insurance	16,907
Depreciation	206,836
Professional services	226,210
Miscellaneous	14,330
Total Operating Expenses-Sewer	602,322
Total Operating Expenses	1,097,537
<i>Operating Income</i>	208,833
Nonoperating Revenues (Expenses)	
Interest income	3,042
Interest expense-Water	(24,174)
Interest expense-Sewer	(40,875)
Other	19,627
Total Nonoperating Revenues (Expenses)	(42,380)
<i>Income Before Capital Contributions</i>	166,453
Capital Contributions	501,892
<i>Change in Net Position</i>	668,345
Net Position, January 1	9,895,598
Net Position, December 31	\$ 10,563,943

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Cash Flows – Enterprise Fund

Year Ended December 31, 2023

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,510,897
Payments to suppliers	(902,599)
Payments to employees	(3,498)
Net Cash Provided by Operating Activities	<u>604,800</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,219,463)
Capital contributions - grant proceeds	501,892
Bond proceeds	769,154
Principal payments on long-term debt	(390,979)
Interest paid on long-term debt	(41,806)
Net Cash (Used) by Capital and Related Financing Activities	<u>(381,202)</u>
Cash Flows from Investing Activities	
Interest on investments	3,042
Net Cash Provided by Investing Activities	<u>3,042</u>
<i>Net Increase in Cash and Cash Equivalents</i>	226,640
Cash and Cash Equivalents, Beginning of year	1,601,370
Cash and Cash Equivalents, End of year	<u>1,828,010</u>
Less Restricted Cash and Cash Equivalents	(183,779)
Unrestricted Cash and Cash Equivalents	<u><u>\$ 1,644,231</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 208,833
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	365,020
(Increase) decrease in	
Taxes receivable	
Utilities receivable	(9,124)
Intergovernmental receivable	214,884
Increase (decrease) in	
Accounts and other payables	(175,423)
Accrued expenses	610
Net Cash Provided by Operating Activities	<u><u>\$ 604,800</u></u>

See accompanying Notes to the Financial Statements.

City of Warsaw

Notes to the Financial Statements

December 31, 2023

1. Summary of Significant Accounting Policies

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

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

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Government-Wide Financial Statements

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

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

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

City of Warsaw

Notes to the Financial Statements

December 31, 2023

Fund Financial Statements

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

Capital Assets

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

City of Warsaw

Notes to the Financial Statements

December 31, 2023

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

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

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

Pooled Cash and Cash Equivalents

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

Inventories

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

Compensated Absences

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

Use of Estimates

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

Revenue Recognition – Property Taxes

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

Operating Revenues and Expenses

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

City of Warsaw

Notes to the Financial Statements

December 31, 2023

Fund Balance Classification

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

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

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

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

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

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

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

Net Position

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

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

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

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

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

City of Warsaw

Notes to the Financial Statements

December 31, 2023

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets or fund balance that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to the pension plan.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets or fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City's governmental activities reports deferred inflows related to pension and unavailable revenue related to leases. The governmental funds report deferred inflows relating to the retirement plan and unavailable revenue relating to lease revenue for future lease receipts. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

Program Revenues

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

Leases

The City is a lessor for the lease of the office space. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

City of Warsaw

Notes to the Financial Statements

December 31, 2023

2. Cash & Cash Equivalents

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2023, all bank balances on deposit are entirely insured or collateralized.

3. Receivables

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

	Gross Receivable	Allowance	Net Receivable
Ad Valorem Taxes Receivable			
General Fund	\$ 180,715	\$ 2,053	\$ 178,662
Sales Taxes Receivable			
General Fund	\$ 271,261	\$ -	\$ 271,261
Transportation Fund	81,376	-	81,376
Parks Fund	108,501	-	108,501
Capital Improvement Fund	112,782	-	112,782
	<u>\$ 573,920</u>	<u>\$ -</u>	<u>\$ 573,920</u>
Utilities Receivable			
General Fund	\$ 11,944	\$ -	\$ 11,944
Water and Sewer Fund	118,525	9,927	108,598
	<u>\$ 130,469</u>	<u>\$ 9,927</u>	<u>\$ 120,542</u>
Intergovernmental Receivable			
Transportation Fund	\$ 74,994	\$ -	\$ 74,994
Capital Improvement Fund	83,019	-	83,019
	<u>\$ 158,013</u>	<u>\$ -</u>	<u>\$ 158,013</u>
Other Receivable			
General Fund	\$ 21,703	\$ -	\$ 21,703
	<u>\$ 21,703</u>	<u>\$ -</u>	<u>\$ 21,703</u>

4. Restricted Assets

Business-Type Activities

The 2009, 2012 and 2022 Water and Sewer Revenue Bond ordinances established amounts required to be deposited in certain sinking and reserve fund accounts. All required deposits to these funds have been made.

City of Warsaw

Notes to the Financial Statements

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These special reserves consist of cash and cash equivalents and are reported in the accompanying Statement of Net Position as restricted cash and cash equivalents, and restricted net position. Restricted assets also include cash and cash equivalents restricted for water and sewer system improvements and customer meter deposits. These restrictions are as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
2009 Bond Principal and Interest	\$ 62,583	\$ 62,583
2012 Bond Principal and Interest	21,644	21,644
2022 Bond Principal and Interest	33,065	33,065
Customer Deposits	66,487	-
Total Business-Type Activities	\$ 183,779	\$ 117,292

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance	Restricted Net Position
Capital Improvement Fund			
Capital improvement projects	\$ -	\$ 2,469,179	\$ 2,469,179
Transportation Fund			
Transportation development	-	705,878	705,878
Total Governmental Activities	\$ -	\$ 3,175,057	\$ 3,175,057

5. Long-Term Liabilities – Business-Type Activities

Combined Water and Sewer Fund long-term liabilities consists of the Series 2009 Combined Water and Sewerage System Revenue Bonds, Series 2012 Combined Waterworks and Sewerage System Revenue Bonds, the Series 2005 Missouri Association of Municipal Utilities certificates of participation, Series 2022 Combined Waterworks and Sewerage System Revenue Bonds, and two financed purchases.

Series 2009 Combined Water and Sewerage System Revenue Bonds - ARRA

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

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

Year Ending December 31,	Principal	Interest	.25% Admin Fee	Total
2024	\$ 112,400	\$ 4,788	\$ 1,945	\$ 119,133
2025	114,900	3,105	1,664	119,669
2026	117,500	1,383	1,377	120,260
2027	120,200	2,017	1,083	123,300
2028	122,900	1,412	783	125,095
2029	125,700	794	475	126,969
2030	64,400	161	161	64,722
	<u>\$ 778,000</u>	<u>\$ 13,660</u>	<u>\$ 7,488</u>	<u>\$ 799,148</u>

Series 2012 Combined Waterworks and Sewerage System Revenue Bonds

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

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

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2024	\$ 38,000	\$ 4,794	\$ 1,917	\$ 44,711
2025	39,000	4,319	1,727	45,046
2026	40,000	3,825	1,530	45,355
2027	40,000	3,325	1,330	44,655
2028	41,000	2,825	1,130	44,955
2029	42,000	2,306	923	45,229
2030	42,000	1,781	713	44,494
2031	44,000	1,250	500	45,750
2032	44,000	700	280	44,980
2033	19,500	111	45	19,656
	<u>\$ 389,500</u>	<u>\$ 25,236</u>	<u>\$ 10,095</u>	<u>\$ 424,831</u>

Series 2022 Combined Waterworks and Sewerage System Revenue Bonds

In 2022, the City issued Direct Loan Program – Combined Waterworks and Sewerage System Revenue Bonds, Series 2022, for the purpose of extending and improving the City's combined waterworks and sewerage system. The bonds bear interest at 0.80%. 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.

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Debt service requirements for the Series 2022 Revenue Bonds are listed in the following table:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2024	\$ 57,000	\$ 9,645	\$ 6,028	\$ 72,673
2025	57,800	9,187	5,742	72,729
2026	58,400	8,724	5,452	72,576
2027	59,200	8,255	5,159	72,614
2028	60,000	7,780	4,862	72,642
2029 - 2033	312,000	31,547	19,713	363,260
2034 - 2038	333,000	18,695	11,513	363,208
2039 - 2042	235,879	5,123	2,497	243,499
	<u>\$ 1,173,279</u>	<u>\$ 98,956</u>	<u>\$ 60,966</u>	<u>\$ 1,333,201</u>

Series 2005A MAMU Financed Purchase

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

The total minimum payments required at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2024	\$ 151,000	\$ 6,757	\$ 5,212	\$ 162,969
2025	91,000	1,166	2,568	94,734
	<u>\$ 242,000</u>	<u>\$ 7,923</u>	<u>\$ 7,780</u>	<u>\$ 257,703</u>

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Financed Purchase Agreement – Lift Station

On March 26, 2019, the City entered into an equipment financed purchase obligation in the amount of \$360,000 to fund the purchase of equipment relating to a lift station project. The agreement requires varying semi-annual payments of principal and interest. The interest rate for this agreement is at 3.94%.

The total minimum payments required at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 22,200	\$ 5,035	\$ 27,235
2025	23,000	4,153	27,153
2026	24,000	3,237	27,237
2027	24,900	2,283	27,183
2028	25,900	1,293	27,193
2029	13,300	262	13,562
	<u>\$ 133,300</u>	<u>\$ 16,263</u>	<u>\$ 149,563</u>

Financed Purchase Agreement – Meters

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

The total minimum payments required at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 51,353	\$ 5,886	\$ 57,239
2025	52,765	4,474	57,239
2026	54,216	3,023	57,239
2027	55,707	1,532	57,239
	<u>\$ 214,041</u>	<u>\$ 14,915</u>	<u>\$ 228,956</u>

These financed purchase agreements provide for cancellation of the financed purchase on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its right to cancel. In the event of default, the underlying asset is the collateral for the outstanding portion of the debt agreement.

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December 31, 2023

A summary of the changes in long-term liabilities – business-type activities for the year ended December 31, 2023, is as follows:

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023	Amounts Due Within One Year
Long-Term Liabilities					
Revenue Bonds					
2009 Revenue Bonds	\$ 887,800	\$ -	\$ 109,800	\$ 778,000	\$ 112,400
2012 Revenue Bonds	427,300	-	37,800	389,500	38,000
2022 Revenue Bonds	432,325	769,154	28,200	1,173,279	57,000
Direct Borrowings					
2005A MAMU Certificates of Participation	386,000	-	144,000	242,000	151,000
Financed Purchase - Lift Station	154,500	-	21,200	133,300	22,200
Financed Purchase - Meters	264,020	-	49,979	214,041	51,353
	<u>\$ 2,551,945</u>	<u>\$ 769,154</u>	<u>\$ 390,979</u>	<u>\$ 2,930,120</u>	<u>\$ 431,953</u>

6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2023, consists of six financed purchase obligations, and compensated absences payable.

Certificates of Participation

During 2019, the City entered into a \$1,385,500 equipment financed purchase agreement with Farmer's Bank and Trust to refinance the costs related to construction, furnishing and equipping of a new swimming pool. The Series 2012 certificates (refunded by Series 2019 equipment financed purchase) previously accrued interest at 1.35% to 4.75% while the Series 2019 financed purchase agreement calls for interest of 3.02%. Interest payments are due in semi-annual installments on January 1 and July 1 of each year with annual principal payments due July 1 of each year.

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The annual debt service requirements to amortize the principal on the Series 2019 equipment financed purchase obligation outstanding at December 31, 2023, are as follows:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 99,100	\$ 30,432	\$ 129,532
2025	102,100	27,440	129,540
2026	105,200	24,356	129,556
2027	108,400	21,180	129,580
2028	111,600	17,906	129,506
2029	115,000	14,534	129,534
2030	118,500	11,062	129,562
2031	122,100	7,484	129,584
2032	125,700	3,795	129,495
	<u>\$ 1,007,700</u>	<u>\$ 158,189</u>	<u>\$ 1,165,889</u>

Financed Purchase Agreement – MTFC

In January 2019, the City entered into a financing obligation with the Missouri Transportation Finance Corporation to fund improvements to Route 7 and Commercial Street. The agreement requires annual payments of \$32,028, which includes interest at 2.64%. The City will make the final payment in 2028.

Year Ending December 31,	Principal	Interest	Total
2024	\$ 28,120	\$ 3,908	\$ 32,028
2025	28,862	3,166	32,028
2026	29,624	2,404	32,028
2027	30,407	1,621	32,028
2028	31,073	955	32,028
	<u>\$ 148,086</u>	<u>\$ 12,054</u>	<u>\$ 160,140</u>

Financed Purchase Agreement – 2021 Tractor

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

Year Ending December 31,	Principal	Interest	Total
2024	\$ 7,815	\$ 589	\$ 8,404
2025	8,007	397	8,404
2026	8,203	201	8,404
	<u>\$ 24,025</u>	<u>\$ 1,187</u>	<u>\$ 25,212</u>

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Financed Purchase Agreement – Greensmower

On March 9, 2022, the City entered into a financed purchase obligation to acquire a 2016 TriFlex 3320 Greensmower. The agreement requires annual payments of \$8,117, which includes interest at 4.78%. The City will make the final payment in 2026.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 7,333	\$ 784	\$ 8,117
2025	7,707	410	8,117
2026	4,000	58	4,058
	<u>\$ 19,040</u>	<u>\$ 1,252</u>	<u>\$ 20,292</u>

Financed Purchase Agreement – Police Chargers

On March 17, 2023, the City entered into a financed purchase obligation to acquire two 2020 Dodge Chargers. The agreement requires annual payments of \$20,906, which includes interest at 5.38%. The City will make the final payment in 2026.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 18,992	\$ 1,915	\$ 20,907
2025	20,039	867	20,906
2026	5,180	49	5,229
	<u>\$ 44,211</u>	<u>\$ 2,831</u>	<u>\$ 47,042</u>

Financed Purchase Agreement – Golf carts

On March 22, 2023, the City entered into a financed purchase obligation to acquire 25 golf carts. The agreement requires annual payments of \$18,980, which includes interest at 5.25%. The City will make the final payment in 2028.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 15,094	\$ 3,886	\$ 18,980
2025	15,906	3,074	18,980
2026	16,762	2,218	18,980
2027	17,663	1,317	18,980
2028	15,443	374	15,817
	<u>\$ 80,868</u>	<u>\$ 10,869</u>	<u>\$ 91,737</u>

These financed purchase agreements provide for cancellation of the financed purchase on the annual renewal date if the City should fail to appropriate funds. However, the City does not foresee exercising its right to cancel. In the event of default, the underlying asset is the collateral for the outstanding portion of the debt agreement.

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Changes in Long-Term Liabilities – Governmental Activities

The following table is a summary of the changes in the Long-Term Liabilities – Governmental Activities for the year ended December 31, 2023:

	Balance December 31, 2022	Additions	Retirements	Balance December 31, 2023	Amounts Due Within One Year
Direct Borrowings					
MTFC Agreement	\$ 175,479	\$ -	\$ 27,393	\$ 148,086	\$ 28,120
US Bancorp - Police Chargers	-	57,800	13,589	44,211	18,992
US Bancorp - Golf Carts	-	90,500	9,632	80,868	15,094
Greensmower Financed Purchase	26,017	-	6,977	19,040	7,333
Pool Equipment Financed Purchase	1,103,900	-	96,200	1,007,700	99,100
Tractor Financed Purchase	31,654	-	7,629	24,025	7,815
Compensated Absences Payable	34,875	5,949	-	40,824	-
	<u>\$ 1,371,925</u>	<u>\$ 154,249</u>	<u>\$ 161,420</u>	<u>\$ 1,364,754</u>	<u>\$ 176,454</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Governmental Activities				
Nondepreciable Capital Assets				
Construction in progress	\$ 453,910	\$ 161,100	\$ 440,000	\$ 175,010
Land	565,758	-	-	565,758
Total Nondepreciable Capital Assets	<u>1,019,668</u>	<u>\$ 161,100</u>	<u>\$ 440,000</u>	<u>740,768</u>
Depreciable Capital Assets				
Building and improvements	6,705,955	\$ -	\$ -	6,705,955
Equipment and vehicles	1,817,774	293,676	100,166	2,011,284
Infrastructure	13,135,992	717,267	-	13,853,259
Total Depreciable Capital Assets	<u>21,659,721</u>	<u>\$ 1,010,943</u>	<u>\$ 100,166</u>	<u>22,570,498</u>
Less Accumulated Depreciation	<u>11,073,953</u>	<u>\$ 580,480</u>	<u>\$ 100,166</u>	<u>11,554,267</u>
Total Depreciable Capital Assets, net	<u>10,585,768</u>			<u>11,016,231</u>
Total Governmental Activities				
Capital Assets, net	<u>\$ 11,605,436</u>			<u>\$ 11,756,999</u>

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

Administrative	\$ 30,604
Street	178,969
Community development	21,340
Police	17,614
Golf course	33,775
Drake Harbor Amphitheater	16,998
Pool	62,470
Airport	129,558
Park	89,152
	<u>\$ 580,480</u>

	Balance December 31, 2022	Additions	Deletions	Balance December 31, 2023
Business-Type Activities				
Water and Sewer				
Nondepreciable Capital Assets				
Construction in progress	\$ 1,998,749	<u>\$ -</u>	<u>\$ 1,998,749</u>	\$ -
Depreciable Capital Assets				
Buildings and improvements	40,587	\$ -	\$ -	40,587
Water lines and wells	2,806,908	3,218,212	-	6,025,120
Sewer lines and plant	11,365,568	-	-	11,365,568
Machinery and equipment	949,996	-	-	949,996
Total Depreciable Capital Assets	<u>15,163,059</u>	<u>\$ 3,218,212</u>	<u>\$ -</u>	<u>18,381,271</u>
Less Accumulated Depreciation	6,418,193	<u>\$ 365,020</u>	<u>\$ -</u>	6,783,213
Total Depreciable Capital Assets, net	<u>8,744,866</u>			<u>11,598,058</u>
Total Business-Type Activities				
Capital Assets, net	<u>\$ 10,743,615</u>			<u>\$ 11,598,058</u>

8. Employee Pension Plan

General Information about the Pension Plan

Plan Description. The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the

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LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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

	<u>2023 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, 2023, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	17	2	19
Inactive employees entitled to but not yet receiving benefits	11	6	17
Active employees	10	7	17
	<u>38</u>	<u>15</u>	<u>53</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 11.0% (General) and 14.5% (Police) of annual covered payroll.

Net Pension Liability (Asset). The employer's net pension (asset) was measured as of June 30, 2023, and the total pension liability used to calculate the net pension (asset) was determined by an actuarial valuation as of February 28, 2023.

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Actuarial Assumptions. The total pension liability in the February 28, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 28, 2023, valuation were based on the results of an actuarial experience study for the period March 1, 2015 through February 29, 2020.

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

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

Discount Rate. The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and

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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 (asset) .

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
General Division			
Balances at beginning of year	\$ 2,162,225	\$ 2,474,093	\$ (311,868)
Changes for the year			
Service cost	39,525	-	39,525
Interest	149,756	-	149,756
Difference between expected and actual experiences	67,174	-	67,174
Contributions - employer	-	49,313	(49,313)
Net investment income	-	90,064	(90,064)
Benefits paid, including refunds	(86,028)	(86,028)	-
Administrative expenses	-	(5,631)	5,631
Other (net transfer)	-	28,993	(28,993)
Net Changes	170,427	76,711	93,716
Balances at end of year	2,332,652	2,550,804	(218,152)
Police Division			
Balances at beginning of year	751,337	824,212	(72,875)
Changes for the year			
Service cost	27,156	-	27,156
Interest	53,010	-	53,010
Difference between expected and actual experiences	(189,072)	-	(189,072)
Contributions - employer	-	40,460	(40,460)
Net investment income	-	19,426	(19,426)
Benefits paid, including refunds	(15,059)	(15,059)	-
Administrative expenses	-	(1,827)	1,827
Other (net transfer)	-	(277,445)	277,445
Net Changes	(123,965)	(234,445)	110,480
Balances at end of year	627,372	589,767	37,605
Total Plan Balances at End of Year	<u>\$ 2,960,024</u>	<u>\$ 3,140,571</u>	<u>\$ (180,547)</u>
Governmental Activities			\$ (180,547)
Business-Type Activities			-
			<u>\$ (180,547)</u>

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

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
General Division			
Total Pension Liability	\$ 2,621,415	\$ 2,332,652	\$ 2,090,358
Plan Fiduciary Net Position	2,550,804	2,550,804	2,550,804
Net Pension Liability/(Asset)	70,611	(218,152)	(460,446)
Police Division			
Total Pension Liability	733,408	627,372	541,381
Plan Fiduciary Net Position	589,767	589,767	589,767
Net Pension Liability/(Asset)	143,641	37,605	(48,386)
Total Net Pension Liability/(Asset)	\$ 214,252	\$ (180,547)	\$ (508,832)

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

For the year ended 2023, the employer recognized a pension credit of \$(13,135) in the general division and a pension expense of \$248,031 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
General Division			
Differences in experiences	\$ 31,551	\$ (16,586)	\$ 14,965
Assumption changes	-	(5,009)	(5,009)
Difference between projected and actual investment earnings	25,361	-	25,361
Contributions subsequent to the measurement date*	26,239	-	26,239
	83,151	(21,595)	61,556

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	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Police Division			
Differences in experiences	10,315	(181,970)	(171,655)
Assumption changes	-	(1,981)	(1,981)
Difference between projected and actual investment earnings	12,765	-	12,765
Contributions subsequent to the measurement date*	21,468	-	21,468
	<u>44,548</u>	<u>(183,951)</u>	<u>(139,403)</u>
	<u>\$ 127,699</u>	<u>\$ (205,546)</u>	<u>\$ (77,847)</u>
 Governmental Activities	 \$ 127,699	 \$ (205,546)	 \$ (77,847)
Business-Type Activities	-	-	-
	<u>\$ 127,699</u>	<u>\$ (205,546)</u>	<u>\$ (77,847)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Liability for the year ending December 31, 2024.

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

	General	Police	Total
Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
2024	2,058	(67,401)	(65,343)
2025	(34,281)	(72,850)	(107,131)
2026	51,009	(26,526)	24,483
2027	16,531	5,906	22,437
	<u>\$ 35,317</u>	<u>\$ (160,871)</u>	<u>\$ (125,554)</u>

City of Warsaw

Notes to the Financial Statements

December 31, 2023

9. Assessed Valuation, Tax Levy, & Legal Debt Margin

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

	2023
Assessed Valuation	
Real estate	\$ 26,227,949
Personal property	7,643,706
Total	\$ 33,871,655
	2023
Tax Rates Per \$100 of Assessed Valuation	
General revenue	\$ 0.4434

The legal debt margin at December 31, 2023, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,387,166	\$ 3,387,166	\$ 6,774,332
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 3,387,166	\$ 3,387,166	\$ 6,774,332

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

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

10. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2023, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

City of Warsaw

Notes to the Financial Statements

December 31, 2023

11. Risk Management

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

12. Commitments

At December 31, 2023, the City was committed to the following contracts:

The City entered into a contract in 2021 with People Services in order to obtain personnel to operate and maintain the City's waterworks and sewerage system. The contract called for monthly payments to People Services in the amount of \$3.95 per account for October 1, 2023 to September 30, 2024. The contract term runs from October 2021 through September 2024.

The City entered into a contract with GreatLIFE Warsaw, LLC to promote and provide for the management of Shawnee Bend Golf Course. The contract calls for monthly payments of \$3,450 per month in 2024 plus 10% of revenues over the revenue goal of \$200,000. The contract term runs from March 2021 to February 2026.

The City was committed to the following vendor and project at December 31, 2023:

Project	Total
Own, Inc. - Warsaw Pedestrian & Bike Improvements Project (Tap-9901)	\$ 35,555

13. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the Series 2009 Combined Water and Sewer Bond, Series 2012 Combined Waterworks and Sewerage Bond, and the Series 2022 Combined Waterworks and Sewerage Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2033. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$2,478,631. Principal and interest paid for the current year and total customer net revenues were \$198,280 and \$573,853, respectively.

14. Leases Receivable

The City leases the office space to a third party, as a lessor. Payments are fixed and payable monthly with annual payments at \$35,508 through October 31, 2038 with a discount rate of 2.08%.

City of Warsaw

Notes to the Financial Statements

December 31, 2023

Below is a schedule of future payments that are included in the measurement of the lease receivable:

Year Ending December 31,	Principal	Interest	Total
2024	\$ 25,644	\$ 7,174	\$ 32,818
2025	28,903	6,605	35,508
2026	29,509	5,999	35,508
2027	30,129	5,379	35,508
2028	30,762	4,746	35,508
2029 - 2033	179,221	13,119	192,340
2034 - 2038	32,242	308	32,550
	<u>\$ 356,410</u>	<u>\$ 43,330</u>	<u>\$ 399,740</u>

Required Supplementary Information

City of Warsaw

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

Year Ended December 31, 2023

	Missouri Local Government Employees Retirement System (LAGERS)								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Service Cost	\$ 66,681	\$ 64,495	\$ 67,184	\$ 68,972	\$ 65,826	\$ 69,925	\$ 69,000	\$ 74,775	\$ 61,979
Interest on the Total Pension Liability	202,766	197,428	203,448	191,512	179,867	172,454	160,287	147,372	119,588
Changes of benefit terms	-	-	-	-	-	-	-	-	239,588
Difference between expected and actual experience	(121,898)	(76,433)	(85,756)	18,562	20,637	(18,383)	21,042	(93,315)	(5,855)
Change of assumptions	-	-	(45,750)	-	-	-	-	92,564	-
Benefit Payments	(101,087)	(119,227)	(127,776)	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Net Change in Total Pension Liability	46,462	66,263	11,350	179,275	151,867	99,133	207,847	182,956	377,019
Total Pension Liability, Beginning	2,913,562	2,847,299	2,835,949	2,656,674	2,504,807	2,405,674	2,197,827	2,014,871	1,637,852
Total Pension Liability, Ending	2,960,024	2,913,562	2,847,299	2,835,949	2,656,674	2,504,807	2,405,674	2,197,827	2,014,871
Plan Fiduciary Net Position									
Contributions - employer	89,773	82,781	87,494	93,206	92,455	86,853	87,860	94,881	91,605
Pension Plan Net Investment Income	109,490	2,142	748,491	33,708	172,792	303,593	228,704	(3,755)	36,453
Benefit Payments	(101,087)	(119,227)	(127,776)	(99,771)	(114,463)	(124,863)	(42,482)	(38,440)	(38,281)
Pension Plan Administrative Expense	(7,458)	(5,414)	(4,828)	(6,858)	(6,039)	(4,184)	(3,794)	(3,702)	(4,195)
Other	(248,452)	(58,326)	27,370	13,428	9,745	21,897	6,494	(11,244)	56,685
Net Change in Plan Fiduciary Net Position	(157,734)	(98,044)	730,751	33,713	154,490	283,296	276,782	37,740	142,267
Plan Fiduciary Net Position, Beginning	3,298,305	3,396,349	2,665,598	2,631,885	2,477,395	2,194,099	1,917,317	1,879,577	1,737,310
Plan Fiduciary Net Position, Ending	3,140,571	3,298,305	3,396,349	2,665,598	2,631,885	2,477,395	2,194,099	1,917,317	1,879,577
Employer Net Pension Liability (Asset)	\$ (180,547)	\$ (384,743)	\$ (549,050)	\$ 170,351	\$ 24,789	\$ 27,412	\$ 211,575	\$ 280,510	\$ 135,294
Plan fiduciary net position as a percentage of the total pension liability	106.10%	113.21%	119.28%	94.85%	99.07%	98.91%	91.21%	87.24%	93.29%
Covered payroll	\$ 681,461	\$ 658,220	\$ 663,379	\$ 718,462	\$ 713,855	\$ 655,212	\$ 758,804	\$ 700,824	\$ 857,321
Employer's net pension liability (asset) as a percentage of covered payroll	-26.49%	-58.45%	-82.77%	23.71%	3.47%	4.18%	27.88%	40.03%	15.78%

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

City of Warsaw

Schedule of Contributions

Year Ended December 31, 2023

	Missouri Local Government Employees Retirement System (LAGERS)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 91,525	\$ 87,139	\$ 85,351	\$ 93,128	\$ 101,267	\$ 91,064	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729
Contributions in relation to the actuarially determined contribution	91,525	87,139	83,975	92,070	92,664	91,064	88,780	84,707	100,390	82,729
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376</u>	<u>\$ 1,058</u>	<u>\$ 8,603</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 794,140	\$ 696,184	\$ 632,826	\$ 718,616	\$ 735,881	\$ 713,390	\$ 728,324	\$ 723,244	\$ 833,550	\$ 817,205
Contributions as a percentage of covered payroll	11.53%	12.52%	13.27%	12.81%	12.59%	12.76%	12.19%	11.71%	12.04%	10.12%

City of Warsaw

Notes to the Schedule of Contributions

Year Ended December 31, 2023

Valuation Date: February 28, 2023

Notes: The roll-forward of total pension liability from February 28, 2023, to June 30, 2023, reflects expected service cost and interest reduced by actual benefit payments.

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 11 to 15 years

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

Inflation: 2.75% wage inflation; 2.25% price inflation

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

Investment Rate of Return: 7.00%, net of investment expenses

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

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

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

Other Information: None

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 129,000	\$ 143,336	\$ 143,336	\$ -
Intangible tax	225	-	-	-
City sales tax	1,275,000	1,511,637	1,511,637	-
Franchise fees	180,000	229,869	229,869	-
Surtax	6,500	3,781	3,781	-
	<u>1,590,725</u>	<u>1,888,623</u>	<u>1,888,623</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	36,500	33,639	33,639	-
Building permits	10,000	20,038	20,038	-
Other	1,500	357,582	357,582	-
	<u>48,000</u>	<u>411,259</u>	<u>411,259</u>	<u>-</u>
Intergovernmental Revenues				
ARPA grant	-	15,787	15,787	-
Charges for Services				
Golf course	195,947	51,866	51,866	-
Trash	110,400	113,318	113,318	-
	<u>306,347</u>	<u>165,184</u>	<u>165,184</u>	<u>-</u>
Fines and Forfeitures				
City court fines	9,000	11,062	11,062	-
CVC fees	-	2	2	-
	<u>9,000</u>	<u>11,064</u>	<u>11,064</u>	<u>-</u>
Miscellaneous				
Interest	32,000	15,928	15,928	-
Rental income	54,280	52,593	52,593	-
Other	2,800	5,983	5,983	-
	<u>89,080</u>	<u>74,504</u>	<u>74,504</u>	<u>-</u>
Total Revenues	<u>2,043,152</u>	<u>2,566,421</u>	<u>2,566,421</u>	<u>-</u>

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures				
Current				
Administrative	559,124	867,897	867,897	-
Police	705,959	744,122	744,122	-
Community building	51,021	63,175	63,175	-
Solid waste	92,940	83,322	83,322	-
Golf course	275,416	290,213	290,213	-
Debt service	-	15,691	15,691	-
Total Expenditures	<u>1,684,460</u>	<u>2,064,420</u>	<u>2,064,420</u>	<u>-</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	358,692	502,001	502,001	-
Other Financing Sources				
Financed purchase proceeds	-	148,300	148,300	-
Cost-share proceeds	-	240,000	240,000	-
Total Other Financing Sources	<u>-</u>	<u>388,300</u>	<u>388,300</u>	<u>-</u>
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures</i>	358,692	890,301	890,301	-
Fund Balance, January 1	<u>3,296,781</u>	<u>3,296,781</u>	<u>3,296,781</u>	<u>-</u>
Fund Balance, December 31	<u><u>\$ 3,655,473</u></u>	<u><u>\$ 4,187,082</u></u>	<u><u>\$ 4,187,082</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Transportation Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Transportation sales tax	\$ 410,000	\$ 458,564	\$ 458,564	\$ -
Fuel tax	60,000	78,741	78,741	-
Motor vehicle sales tax	30,000	34,007	34,007	-
	<u>500,000</u>	<u>571,312</u>	<u>571,312</u>	<u>-</u>
Intergovernmental Revenues				
MoDOT airport grants	89,427	33,000	33,000	-
	<u>89,427</u>	<u>33,000</u>	<u>33,000</u>	<u>-</u>
Charges for Services				
Airport rental fees	60,900	58,347	58,347	-
Airport fuel sales	110,000	101,555	101,555	-
	<u>170,900</u>	<u>159,902</u>	<u>159,902</u>	<u>-</u>
Miscellaneous				
Other	5,650	5,122	5,122	-
Total Revenues	<u>765,977</u>	<u>769,336</u>	<u>769,336</u>	<u>-</u>
Expenditures				
Current				
Airport	258,831	250,731	250,731	-
Streets	680,084	398,244	398,244	-
Capital improvements	-	68,874	68,874	-
Total Expenditures	<u>938,915</u>	<u>717,849</u>	<u>717,849</u>	<u>-</u>
<i>Excess (Deficit) of Revenues over Expenditures</i>	(172,938)	51,487	51,487	-
Other Financing Sources				
Insurance proceeds	-	53,271	53,271	-
Proceeds from dissolved transportation development district	-	705,878	705,878	-
Total Other Financing Sources	<u>-</u>	<u>759,149</u>	<u>759,149</u>	<u>-</u>
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures</i>	(172,938)	810,636	810,636	-
Fund Balance, January 1	926,860	926,860	926,860	-
Fund Balance, December 31	<u>\$ 753,922</u>	<u>\$ 1,737,496</u>	<u>\$ 1,737,496</u>	<u>\$ -</u>

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended December 31, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Capital improvements sales tax	\$ 584,764	\$ 635,820	\$ 635,820	\$ -
Intergovernmental Revenues				
Grant revenue	988,157	83,237	83,237	-
Miscellaneous				
Interest	-	73	73	-
Donations and other contributions	-	19,008	19,008	-
Total Revenues	<u>1,572,921</u>	<u>738,138</u>	<u>738,138</u>	<u>-</u>
Expenditures				
Capital improvements	<u>1,784,337</u>	<u>60,468</u>	<u>60,468</u>	<u>-</u>
Total Expenditures	<u>1,784,337</u>	<u>60,468</u>	<u>60,468</u>	<u>-</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(211,416)	677,670	677,670	-
Fund Balance, January 1	<u>1,791,509</u>	<u>1,791,509</u>	<u>1,791,509</u>	<u>-</u>
Fund Balance, December 31	<u><u>\$ 1,580,093</u></u>	<u><u>\$ 2,469,179</u></u>	<u><u>\$ 2,469,179</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Parks Fund

Year Ended December 31, 2023

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Park sales tax	\$ 550,063	\$ 611,419	\$ 611,419	\$ -
Charges for Services				
Pool fees	27,300	38,622	38,622	-
Park fees	400	475	475	-
	<u>27,700</u>	<u>39,097</u>	<u>39,097</u>	<u>-</u>
Miscellaneous				
Other	-	8,083	8,083	-
Total Revenues	<u>577,763</u>	<u>658,599</u>	<u>658,599</u>	<u>-</u>
Expenditures				
Current				
Pool	252,421	162,980	162,980	-
Park	427,122	404,051	404,051	-
Debt service	-	128,085	128,085	-
Total Expenditures	<u>679,543</u>	<u>695,116</u>	<u>695,116</u>	<u>-</u>
<i>(Deficit) of Revenues Over Expenditures</i>	(101,780)	(36,517)	(36,517)	-
Other Financing Sources				
Insurance proceeds	-	19,909	19,909	-
<i>(Deficit) of Revenues and Other Sources Over Expenditures</i>	(101,780)	(16,608)	(16,608)	-
Fund Balance, January 1	142,497	142,497	142,497	-
Fund Balance, December 31	<u><u>\$ 40,717</u></u>	<u><u>\$ 125,889</u></u>	<u><u>\$ 125,889</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2023

Budgets and Budgetary Accounting

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

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

Other Reporting Requirements



Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Warsaw, Missouri, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Warsaw, Missouri's basic financial statements, and have issued our report thereon dated June 21, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of Warsaw, Missouri's Response to Finding

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

Purpose of this Report

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

KPM CPAs, PC

KPM CPAS, PC
Springfield, Missouri
June 21, 2024

City of Warsaw

Schedule of Findings and Responses

Year Ended December 31, 2023

Material Weakness

2023-001 *Segregation of Duties*

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The City is aware of the findings related to segregation of duties and has evaluated the cost/benefit of implementing additional procedures to address this issue. The City believes that at this time, adding staff or implementing additional procedures is not cost justified, nor would it meaningfully improve this finding. The City continues to monitor and evaluate the efficiency and effectiveness of existing procedures.