

City of Warsaw, Missouri

Basic Financial Statements
Year Ended December 31, 2022

KPM
CPAS & ADVISORS

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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, 2022, 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, 2022, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance, GASB Statement No. 87 - *Leases*. Our opinion is not modified with respect to this matter.

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.

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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.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, 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
May 31, 2023

Management's Discussion and Analysis

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

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, 2022. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$2,261,047 for the year as a result of current year activities. The net position of the City's business activities increased by \$1,714,157 for the year.

The assets of the City exceeded its liabilities as of December 31, 2022, by \$26,532,827 (net position). Of this amount \$6,198,250 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, 2022

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, 2022

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, 2022, and December 31, 2021:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total December 31, 2022</u>	<u>Total December 31, 2021</u>
Assets				
Current and other assets	\$ 6,958,841	\$ 1,970,534	\$ 8,929,375	\$ 7,199,818
Capital assets, net	11,605,436	10,743,615	22,349,051	19,922,353
	<u>18,564,277</u>	<u>12,714,149</u>	<u>31,278,426</u>	<u>27,122,171</u>
Deferred Outflow of Resources	73,256	-	73,256	97,267
Liabilities				
Current liabilities	180,441	686,185	866,626	702,266
Long-term liabilities	1,233,771	2,132,366	3,366,137	3,457,916
	<u>1,414,212</u>	<u>2,818,551</u>	<u>4,232,763</u>	<u>4,160,182</u>
Deferred Inflows of Resources	<u>586,092</u>	<u>-</u>	<u>586,092</u>	<u>501,633</u>
Net Position				
Net investment in capital assets	10,268,386	8,191,670	18,460,056	15,989,581
Restricted	1,791,509	83,012	1,874,521	1,543,124
Unrestricted	4,577,334	1,620,916	6,198,250	5,024,918
	<u>\$ 16,637,229</u>	<u>\$ 9,895,598</u>	<u>\$ 26,532,827</u>	<u>\$ 22,557,623</u>

Summary of the Net Position

Total net position of the City increased by \$3,975,204 for the year due to current year activity. Total liabilities for the City have increased by \$72,581. Restricted net position of the City totaled \$1,874,521 as of December 31, 2022. This amount represents monies that are restricted for debt service and capital improvement projects.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

Change in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended December 31, 2022</u>	<u>Total Year Ended December 31, 2021</u>
Revenues				
Program Revenues				
Charges for services	\$ 527,089	\$ 1,244,318	\$ 1,771,407	\$ 1,584,291
Operating grants and contributions	226,653	-	226,653	222,368
Capital grants and contributions	825,505	1,568,108	2,393,613	60,606
General Revenues				
Sales taxes	3,123,977	-	3,123,977	2,831,357
Ad valorem taxes	143,172	-	143,172	136,914
Motor vehicle and gas taxes	100,531	-	100,531	91,205
Surtax	13,274	-	13,274	12,965
Franchise fees	215,504	-	215,504	199,215
Interest	10,176	1,420	11,596	13,338
Other revenue	27,895	6,693	34,588	123,212
Gain (loss) on sale of assets	-	-	-	(11,395)
Total Revenues	<u>5,213,776</u>	<u>2,820,539</u>	<u>8,034,315</u>	<u>5,264,076</u>
Expenses				
Administrative	498,624	-	498,624	377,596
Police	621,208	-	621,208	455,725
Recreation	-	-	-	10,699
Community building	53,228	-	53,228	116,628
Solid waste	97,699	-	97,699	96,442
Airport	302,692	-	302,692	316,128
Park	417,748	-	417,748	328,153
Pool	132,022	-	132,022	215,896
Golf course	212,237	-	212,237	100,496
Drake harbor amphitheater	19,028	-	19,028	20,478
Street	535,482	-	535,482	389,283
Community development	9,999	-	9,999	7,009
Debt service	52,762	-	52,762	-
Water and sewer	-	1,106,382	1,106,382	1,068,053
Total Expenses	<u>2,952,729</u>	<u>1,106,382</u>	<u>4,059,111</u>	<u>3,502,586</u>
Increase in Net Position	<u>\$ 2,261,047</u>	<u>\$ 1,714,157</u>	<u>\$ 3,975,204</u>	<u>\$ 1,761,490</u>

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

Governmental Activities (Governmental Funds and Not Utilities)

Governmental activities increased the net position of the City by \$2,261,047. Tax revenues for the City were \$3,596,458, which represents 70% of the financing of these activities. Program revenues for the functions totaled \$1,579,247 or approximately 30% 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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administrative	\$ 498,624	\$ 84,374
Police	621,208	611,033
Community building	53,228	53,228
Solid waste	97,699	(11,818)
Airport	302,692	116,168
Pool	132,022	98,883
Park	417,748	417,748
Golf course	212,237	212,100
Drake harbor amphitheater	19,028	19,028
Street	535,482	535,482
Community development	9,999	(815,506)
Debt service	52,762	52,762
	<u>\$ 2,952,729</u>	<u>\$ 1,373,482</u>

Business-Type Activities (Enterprise Funds – Utilities)

Business-type activities increased the City's net position by \$1,714,157.

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, 2022, were \$6,157,647. The General Fund increased by \$563,641. The Transportation Fund increased by \$161,706. The Capital Improvement Fund increased by \$330,004. The Parks Fund increased by \$54,177.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

General Fund Budgetary Highlights

The following schedule presents the budgeted activity and actual activity for the year ended December 31, 2022:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues			
Taxes			
Ad valorem taxes	\$ 129,000	\$ 143,172	\$ 143,172
Intangible tax	225	-	-
City sales tax	1,150,000	1,454,664	1,454,664
Franchise fees	180,000	215,504	215,504
Surtax	14,100	13,274	13,274
	<u>1,473,325</u>	<u>1,826,614</u>	<u>1,826,614</u>
Licenses and Permits			
Occupational licenses	38,500	34,137	34,137
Building permits	10,000	9,680	9,680
Other	1,560	98,596	98,596
	<u>50,060</u>	<u>142,413</u>	<u>142,413</u>
Intergovernmental Revenues			
ARPA grant	444,736	226,653	226,653
Charges for Services			
Golf course	178,422	137	137
Trash	109,580	109,517	109,517
Recreation	3,920	-	-
	<u>291,922</u>	<u>109,654</u>	<u>109,654</u>
Fines and Forfeitures			
City court fines	15,150	10,156	10,156
CVC fees	26	19	19
	<u>15,176</u>	<u>10,175</u>	<u>10,175</u>
Miscellaneous			
Interest	20,000	10,176	10,176
Rental income	44,280	45,184	45,184
Other	3,000	15,553	15,553
	<u>67,280</u>	<u>70,913</u>	<u>70,913</u>
Other Financing Sources			
Financed purchase proceeds	-	29,500	29,500
Total Revenues	<u>2,342,499</u>	<u>2,415,922</u>	<u>2,415,922</u>

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Expenditures			
Current			
Administrative	1,288,021	884,758	884,758
Police	648,630	592,401	592,401
Community building	46,131	53,228	53,228
Solid waste	90,980	97,699	97,699
Golf course	328,168	206,181	206,181
Debt Service	-	18,014	18,014
Total Expenditures	<u>2,401,930</u>	<u>1,852,281</u>	<u>1,852,281</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	<u>\$ (59,431)</u>	<u>\$ 563,641</u>	<u>\$ 563,641</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 \$11,605,436 net of depreciation as of December 31, 2022. This represents a \$927,343 increase net of depreciation, from the prior year. Capital assets for business-type activities were \$10,743,615 net of depreciation as of December 31, 2022. This represents capital asset additions of \$1,842,024, and \$342,669 in depreciation expense during the current year.

Debt

Total debt of the governmental activities as of December 31, 2022, was \$1,371,925, which includes debt retirements, long-term liabilities reductions of \$152,471, and debt proceeds for a greens mower of \$29,500.

Total debt of the business-type activities as of December 31, 2022, was \$2,551,945, which includes debt retirement of \$353,131 and debt proceeds for the 2022 revenue bonds of \$432,325.

Economic Factors and Next Year's Budget

Investment in the waterfront infrastructure improvements have proven to be of community and economic value. These improvements have shown to enhance the quality of life in Warsaw.

Warsaw is on a path to being a major tourist destination in the region and an ideal location to live.

City of Warsaw

Management's Discussion and Analysis

Year Ended December 31, 2022

New businesses are coming to the downtown and the North Town business district. New businesses, increased events, attraction of visitors by watercraft and day trip visitors will use the services in the downtown and eventually provide benefit along all of Main Street. The driving factor to this will be the improvements made to Main Street at the Highway 65 gateway. The roadway improvements will be completed by summer of 2024 and will encourage an additional business district to be revitalized like the downtown was in the early 2000's.

In 2022, the city used \$1,278,000 in bond capacity combined with \$2,000,000 in grants to replace obsolete water mains. The project will be completed in the summer of 2023. The project is another example of the community's efforts of combining grants with City funds for community improvements. Revenues from the combined utility system need to continue building a cash reserve. The water revenues have sufficiently stabilized toward this effort, but the sewer revenues are still not adequate and have started to drain the water cash balance. The governing body should examine how to balance the two utilities to meet the needs of both. This is critical as we move forward with a new bond issue that will need to address a new water tower and critical sewer infrastructure needs.

In 2025 the MAMU debt service will be retired. This will create approximately \$165,000 of additional funds in the Capital Improvement Fund. Roadway and stormwater investment are critical to complement the quality of life improvements that the trails and parks have gained national recognition for. A major threat to this is to fall back were the Capital Improvement has to subsidize the utilities. This has been a 28-year problem that has moved Capital Improvement Funds away from roadway and stormwater improvements.

The city is ready to move forward with stormwater improvements. Funds will have to be dedicated for match to start the process to receive grants.

As stated in our 2015 comprehensive Plan, *Building on Success to Capitalize on the Future*. "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.

Contacting the City's Financial Management

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

City of Warsaw
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Warsaw, Missouri 65355

(660) 438-5522
cityclerk@welcometowarsaw.com

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

City of Warsaw

Statement of Net Position

December 31, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 5,236,713	\$ 1,450,638	\$ 6,687,351
Ad valorem taxes receivable, net	178,072	-	178,072
Utilities receivable, net	10,642	99,474	110,116
Intergovernmental receivable	210,621	214,884	425,505
Lease receivable	24,589	-	24,589
Other receivable, net	45,981	-	45,981
Sales tax receivable	487,744	-	487,744
Inventory	9,985	54,806	64,791
Prepaid expenses	13,341	-	13,341
Noncurrent			
Restricted cash and cash equivalents	-	150,732	150,732
Net pension asset	384,743	-	384,743
Lease receivable	356,410	-	356,410
Capital Assets			
Non-depreciable	1,019,668	1,998,749	3,018,417
Depreciable, net	10,585,768	8,744,866	19,330,634
Total Assets	18,564,277	12,714,149	31,278,426
Deferred Outflow of Resources			
Deferred pension outflows	73,256	-	73,256
Liabilities			
Current			
Accounts payable	8,036	174,222	182,258
Accrued expenses	34,251	13,876	48,127
Deposits payable	-	67,720	67,720
Accrued interest payable	-	10,788	10,788
Current maturities of long-term debt	138,154	419,579	557,733
	180,441	686,185	866,626
Noncurrent			
Compensated absences payable	34,875	-	34,875
Capital leases payable	1,198,896	-	1,198,896
Bonds payable	-	1,543,025	1,543,025
Lease certificates of participation payable	-	589,341	589,341
	1,233,771	2,132,366	3,366,137
Total Liabilities	1,414,212	2,818,551	4,232,763
Deferred Inflows of Resources			
Deferred lease inflows	374,164	-	374,164
Deferred pension inflows	211,928	-	211,928
Total Deferred Inflows of Resources	586,092	-	586,092
Net Position			
Net investment in capital assets	10,268,386	8,191,670	18,460,056
Restricted			
Capital projects	1,791,509	-	1,791,509
Debt service	-	83,012	83,012
Unrestricted	4,577,334	1,620,916	6,198,250
Total Net Position	\$ 16,637,229	\$ 9,895,598	\$ 26,532,827

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Activities

Year Ended December 31, 2022

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	\$ (498,624)	\$ 187,597	\$ 226,653	\$ -	\$ (84,374)	\$ -	\$ (84,374)
Police	(621,208)	10,175	-	-	(611,033)	-	(611,033)
Community building	(53,228)	-	-	-	(53,228)	-	(53,228)
Solid waste	(97,699)	109,517	-	-	11,818	-	11,818
Airport	(302,692)	186,524	-	-	(116,168)	-	(116,168)
Pool	(132,022)	33,139	-	-	(98,883)	-	(98,883)
Park	(417,748)	-	-	-	(417,748)	-	(417,748)
Golf course	(212,237)	137	-	-	(212,100)	-	(212,100)
Drake harbor amphitheater	(19,028)	-	-	-	(19,028)	-	(19,028)
Street	(535,482)	-	-	-	(535,482)	-	(535,482)
Community development	(9,999)	-	-	825,505	815,506	-	815,506
Debt service	(52,762)	-	-	-	(52,762)	-	(52,762)
Total Governmental Activities	(2,952,729)	527,089	226,653	825,505	(1,373,482)	-	(1,373,482)
Business-Type Activities							
Water and sewer	(1,106,382)	1,244,318	-	1,568,108	-	1,706,044	1,706,044
Total Business-Type Activities	(1,106,382)	1,244,318	-	1,568,108	-	1,706,044	1,706,044
Total Government	\$ (4,059,111)	\$ 1,771,407	\$ 226,653	\$ 2,393,613	(1,373,482)	1,706,044	332,562
		General Revenues					
					3,123,977	-	3,123,977
					143,172	-	143,172
					100,531	-	100,531
					13,274	-	13,274
					215,504	-	215,504
					10,176	1,420	11,596
					27,895	6,693	34,588
					Total General Revenues and Transfers	8,113	3,642,642
					<i>Changes in Net Position</i>	1,714,157	3,975,204
					Net Position, Beginning of year	14,376,182	22,557,623
					Net Position, End of year	\$ 9,895,598	\$ 26,532,827

See accompanying Notes to the Financial Statements.

City of Warsaw

Balance Sheet – Governmental Funds

December 31, 2022

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Assets					
Cash and cash equivalents - unrestricted	\$ 2,842,972	\$ 852,421	\$ 1,485,836	\$ 55,484	\$ 5,236,713
Ad valorem taxes receivable, net	178,072	-	-	-	178,072
Sales tax receivable	225,816	70,298	97,900	93,730	487,744
Utilities receivable	10,642	-	-	-	10,642
Intergovernmental receivable	-	-	210,621	-	210,621
Lease receivable	380,999	-	-	-	380,999
Other receivables, net	45,981	-	-	-	45,981
Inventory	-	9,985	-	-	9,985
Prepaid expenses	9,084	1,632	688	1,937	13,341
Total Assets	\$ 3,693,566	\$ 934,336	\$ 1,795,045	\$ 151,151	\$ 6,574,098
Liabilities					
Liabilities					
Accounts payable	\$ 7,651	\$ 385	\$ -	\$ -	\$ 8,036
Accrued expenses	14,970	7,091	3,536	8,654	34,251
Total Liabilities	22,621	7,476	3,536	8,654	42,287
Deferred Inflow of Resources					
Deferred lease inflows	374,164	-	-	-	374,164
Fund Balances					
Nonspendable					
Inventory	-	9,985	-	-	9,985
Prepaid items	9,084	1,632	-	1,937	12,653
Restricted for					
Capital improvement	-	-	1,791,509	-	1,791,509
Assigned to					
Transportation	-	915,243	-	-	915,243
Parks Fund	-	-	-	140,560	140,560
Unassigned	3,287,697	-	-	-	3,287,697
Total Fund Balances	3,296,781	926,860	1,791,509	142,497	6,157,647
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,693,566	\$ 934,336	\$ 1,795,045	\$ 151,151	\$ 6,574,098

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, 2022

Fund balance - total governmental funds	\$ 6,157,647
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	22,679,389
Less accumulated depreciation	<u>(11,073,953)</u>
	11,605,436
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	384,743
Deferred outflows due to pensions	73,256
Deferred inflows due to pensions	<u>(211,928)</u>
	246,071
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,371,925)</u>
Net position of governmental activities	<u><u>\$ 16,637,229</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, 2022

	Special Revenue Funds				Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Fund	Parks Fund	
Revenues					
Taxes	\$ 1,826,614	\$ 549,118	\$ 622,610	\$ 598,116	\$ 3,596,458
Licenses and permits	142,413	-	-	-	142,413
Intergovernmental revenues	226,653	-	825,505	-	1,052,158
Charges for services	109,654	186,524	-	33,139	329,317
Rental income	45,184	-	-	-	45,184
Fines and forfeitures	10,175	-	-	-	10,175
Interest revenue	10,176	-	-	-	10,176
Miscellaneous	15,553	-	11,901	441	27,895
Total Revenues	2,386,422	735,642	1,460,016	631,696	5,213,776
Expenditures					
Current					
Administrative	884,758	-	-	-	884,758
Police	592,401	-	-	-	592,401
Community building	53,228	-	-	-	53,228
Solid waste	97,699	-	-	-	97,699
Airport	-	176,779	-	-	176,779
Pool	-	-	-	118,530	118,530
Park	-	-	-	330,841	330,841
Golf course	206,181	-	-	-	206,181
Street	-	388,466	-	-	388,466
Capital improvement	-	8,691	1,130,012	-	1,138,703
Debt service	18,014	-	-	128,148	146,162
Total Expenditures	1,852,281	573,936	1,130,012	577,519	4,133,748
<i>Excess of Revenues Over Expenditures</i>	534,141	161,706	330,004	54,177	1,080,028
Other Financing Sources					
Financed purchase proceeds	29,500	-	-	-	29,500
<i>Excess of Revenues and Other Financing Sources Over Expenditures</i>	563,641	161,706	330,004	54,177	1,109,528
Fund Balance, January 1	2,733,140	765,154	1,461,505	88,320	5,048,119
Fund Balance, December 31	\$ 3,296,781	\$ 926,860	\$ 1,791,509	\$ 142,497	\$ 6,157,647

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, 2022

Net change in fund balances - total governmental funds	\$ 1,109,528
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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	1,468,845
Depreciation	<u>(541,502)</u>
	927,343

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	108,213
Change in compensated absences	<u>(7,008)</u>
	101,205

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	(29,500)
Repayment of principal on long-term debt	<u>152,471</u>
	<u>122,971</u>

Change in Net Position of Governmental Activities	<u>\$ 2,261,047</u>
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See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2022

	Water and Sewer Fund
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,450,638
Utilities receivable, net	99,474
Intergovernmental receivable	214,884
Inventory	54,806
Total Current Assets	<u>1,819,802</u>
Restricted Assets	
Cash and cash equivalents	150,732
Total Restricted Assets	<u>150,732</u>
Property, Plant, and Equipment	
Buildings and improvements	40,587
Construction in progress	1,998,749
Water lines and wells	2,806,908
Sewer lines and plant	11,365,568
Major moveable equipment	949,996
	<u>17,161,808</u>
Less accumulated depreciation	<u>(6,418,193)</u>
Total Property, Plant, and Equipment	<u>10,743,615</u>
Total Assets	<u>12,714,149</u>

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Net Position – Enterprise Fund

December 31, 2022

	Water and Sewer Fund
Liabilities	
Current Liabilities	
Accounts payable	174,222
Accrued expenses	13,876
Accrued interest payable	10,788
Customer deposits	67,720
Current maturities of long-term debt	419,579
Total Current Liabilities	<u>686,185</u>
Long-Term Liabilities	
Revenue bonds payable	1,543,025
Lease purchase payable	589,341
Total Long-Term Liabilities	<u>2,132,366</u>
Total Liabilities	<u>2,818,551</u>
Net Position	
Net investment in capital assets	8,191,670
Restricted	83,012
Unrestricted	1,620,916
Total Net Position	<u><u>\$ 9,895,598</u></u>

See accompanying Notes to the Financial Statements.

City of Warsaw

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

Year Ended December 31, 2022

	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 618,790
Sewer	625,528
Total Operating Revenues	1,244,318
Operating Expenses	
Water	
Salaries and wages	1,819
Employee benefits	11,564
Materials and supplies	1,449
Utilities	35,333
Repairs and maintenance	46,899
Depreciation	132,206
Professional services	210,891
Miscellaneous	1,658
Total Operating Expenses-Water	441,819
Sewer	
Salaries and wages	1,819
Employee benefits	5,863
Materials and supplies	708
Utilities	47,317
Repairs and maintenance	69,362
Insurance	8,611
Depreciation	210,463
Professional services	208,791
Miscellaneous	4,021
Total Operating Expenses-Sewer	556,955
Total Operating Expenses	998,774
<i>Operating Income</i>	<i>245,544</i>
Nonoperating Revenue (Expenses)	
Interest income	1,420
Intergovernmental revenue	1,568,108
Interest expense-Water	(61,861)
Interest expense-Sewer	(45,747)
Other	6,693
Total Nonoperating (Expenses)	1,468,613
<i>Net Income</i>	<i>1,714,157</i>
Net Position, January 1	8,181,441
Net Position, December 31	\$ 9,895,598

See accompanying Notes to the Financial Statements.

City of Warsaw

Statement of Cash Flows – Enterprise Fund

Year Ended December 31, 2022

	Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 1,017,385
Payments to suppliers	(498,108)
Payments to employees	(11,042)
Net Cash Provided by Operating Activities	508,235
Cash Flows from Noncapital Financing Activities	
Intergovernmental revenues	1,568,108
Net Cash Provided By Noncapital Financing Activities	1,568,108
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(1,842,024)
Bond proceeds	432,325
Principal payments on long-term debt	(353,131)
Interest paid on long-term debt	(102,190)
Net Cash (Used) by Capital and Related Financing Activities	(1,865,020)
Cash Flows from Investing Activities	
Interest on investments	1,420
Net Cash Provided by Investing Activities	1,420
<i>Net Increase in Cash and Cash Equivalents</i>	<i>212,743</i>
Cash and Cash Equivalents, Beginning of year	1,388,627
Cash and Cash Equivalents, End of year	1,601,370
Less Restricted Cash and Cash Equivalents	(150,732)
Unrestricted Cash and Cash Equivalents	\$ 1,450,638
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 245,544
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	342,669
(Increase) decrease in	
Taxes receivable	
Utilities receivable	(10,133)
Intergovernmental receivable	(214,884)
Prepaid expenses	1,540
Deferred pension outflow	2,760
Increase (decrease) in	
Accounts and other payables	133,476
Accrued expenses	3,197
Deferred pension inflow	(23,829)
Net pension liability	27,895
Net Cash Provided by Operating Activities	\$ 508,235

See accompanying Notes to the Financial Statements.

City of Warsaw

Notes to the Financial Statements

December 31, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 position 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 position 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.

New Pronouncement

The City implemented GASB Statement No. 87 – *Leases* during the year ended December 31, 2022. The objective of this pronouncement is to establish standards for measurement, recognition, and display of lease obligations (lessee) and the

City of Warsaw

Notes to the Financial Statements

December 31, 2022

measurement, recognition, and display of sums to be received from third parties where an entity is the lessor. While the application of the new pronouncement did not affect the City's net position or net change in net position for the year ended December 31, 2021, certain balances and other classifications were added that changed amounts previously reported.

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, 2022, 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:

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Ad Valorem Taxes Receivable			
General Fund	\$ 180,125	\$ 2,053	\$ 178,072
Sales Taxes Receivable			
General Fund	\$ 225,816	\$ -	\$ 225,816
Transportation Fund	70,298	-	70,298
Parks Fund	93,730	-	93,730
Capital Improvement Fund	97,900	-	97,900
	<u>\$ 487,744</u>	<u>\$ -</u>	<u>\$ 487,744</u>
Utilities Receivable			
Water and Sewer Fund	\$ 109,401	\$ 9,927	\$ 99,474
General Fund	10,642	-	10,642
	<u>\$ 120,043</u>	<u>\$ 9,927</u>	<u>\$ 110,116</u>
Other Receivable			
General Fund	\$ 60,878	\$ 14,897	\$ 45,981

4. Restricted Assets

Business-Type Activities

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

City of Warsaw

Notes to the Financial Statements

December 31, 2022

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

	Restricted Cash and Cash Equivalents	Restricted Net Position
2012 Bond Principal and Interest	\$ 21,634	\$ 21,634
2009 Bond Principal and Interest	61,378	61,378
Customer Deposits	67,720	-
Total Business-Type Activities	\$ 150,732	\$ 83,012

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Fund Balance	Restricted Net Position
Capital Improvement Fund			
Capital improvement projects	\$ -	\$ 1,791,509	\$ 1,791,509
Total Governmental Activities	\$ -	\$ 1,791,509	\$ 1,791,509

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.

City of Warsaw

Notes to the Financial Statements

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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
2023	\$ 109,800	\$ 6,434	\$ 2,220	\$ 118,454
2024	112,400	4,788	1,945	119,133
2025	114,900	3,105	1,664	119,669
2026	117,500	1,383	1,377	120,260
2027	120,200	2,017	1,083	123,300
2028	122,900	1,412	783	125,095
2029	125,700	794	475	126,969
2030	64,400	161	161	64,722
	<u>\$ 887,800</u>	<u>\$ 20,094</u>	<u>\$ 9,708</u>	<u>\$ 917,602</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
2023	\$ 38,000	\$ 5,269	\$ 2,107	\$ 45,376
2024	38,000	4,794	1,917	44,711
2025	39,000	4,319	1,727	45,046
2026	40,000	3,825	1,530	45,355
2027	40,000	3,325	1,330	44,655
2028	41,000	2,825	1,130	44,955
2029	42,000	2,306	923	45,229
2030	42,000	1,781	713	44,494
2031	44,000	1,250	500	45,750
2032	44,000	700	280	44,980
2033	19,300	111	45	19,456
	<u>\$ 427,300</u>	<u>\$ 30,505</u>	<u>\$ 12,202</u>	<u>\$ 470,007</u>

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Notes to the Financial Statements

December 31, 2022

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.

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

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2023	\$ 56,600	\$ 9,871	\$ 6,170	\$ 72,641
2024	57,400	9,417	5,886	72,703
2025	58,100	8,956	5,598	72,654
2026	58,800	8,490	5,307	72,597
2027	59,600	8,018	5,012	72,630
2028	60,400	7,540	4,713	72,653
2029	61,200	7,055	4,410	72,665
2030	20,225	6,564	4,102	30,891
	<u>\$ 432,325</u>	<u>\$ 65,911</u>	<u>\$ 41,198</u>	<u>\$ 539,434</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, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Administrative Fees	Total
2023	\$ 144,000	\$ 12,404	\$ 6,169	\$ 162,573
2024	151,000	6,757	5,212	162,969
2025	91,000	1,166	2,568	94,734
	<u>\$ 386,000</u>	<u>\$ 20,327</u>	<u>\$ 13,949</u>	<u>\$ 420,276</u>

Financed Purchase Agreement – Lift Station

On April 10, 2020, 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%.

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Notes to the Financial Statements

December 31, 2022

The total minimum payments required at December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 21,200	\$ 5,880	\$ 27,080
2024	22,200	5,035	27,235
2025	23,000	4,153	27,153
2026	24,000	3,237	27,237
2027	24,900	2,283	27,183
2028	25,900	1,293	27,193
2029	13,300	262	13,562
	<u>\$ 154,500</u>	<u>\$ 22,143</u>	<u>\$ 176,643</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, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 49,979	\$ 7,261	\$ 57,240
2024	51,353	5,886	57,239
2025	52,765	4,474	57,239
2026	54,216	3,023	57,239
2027	55,707	1,532	57,239
	<u>\$ 264,020</u>	<u>\$ 22,176</u>	<u>\$ 286,196</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. Therefore, these financed purchases are accounted for as noncancellable financed purchases in accordance with Governmental Accounting Standards Board (GASB) Statement 87 - "Leases."

City of Warsaw

Notes to the Financial Statements

December 31, 2022

A summary of the changes in long-term liabilities – business-type activities for the year ended December 31, 2022, is as follows:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Amounts Due Within One Year
Long-Term Liabilities					
Revenue Bonds					
2009 Revenue Bonds	\$ 995,200	\$ -	\$ 107,400	\$ 887,800	\$ 109,800
2012 Revenue Bonds	464,100	-	36,800	427,300	38,000
2022 Revenue Bonds	-	432,325	-	432,325	56,600
Direct Borrowings					
2005A MAMU Certificates of Participation					
	523,000	-	137,000	386,000	144,000
Financed Purchase - Sewer Jet	2,890	-	2,890	-	-
Financed Purchase - Lift Station	174,900	-	20,400	154,500	21,200
Financed Purchase - Meters	312,661	-	48,641	264,020	49,979
	<u>\$ 2,472,751</u>	<u>\$ 432,325</u>	<u>\$ 353,131</u>	<u>\$ 2,551,945</u>	<u>\$ 419,579</u>

6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2022, consists of three 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.

City of Warsaw

Notes to the Financial Statements

December 31, 2022

The annual debt service requirements to amortize the principal on the Series 2019 equipment financed purchase obligation outstanding at December 31, 2022, are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 96,200	\$ 33,338	\$ 129,538
2024	99,100	30,432	129,532
2025	102,100	27,440	129,540
2026	105,200	24,356	129,556
2027	108,400	21,180	129,580
2028	111,600	17,906	129,506
2029	115,000	14,534	129,534
2030	118,500	11,062	129,562
2031	122,100	7,484	129,584
2032	125,700	3,795	129,495
	<u>\$ 1,103,900</u>	<u>\$ 191,527</u>	<u>\$ 1,295,427</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.

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 27,397	\$ 4,631	\$ 32,028
2024	28,120	3,908	32,028
2025	28,862	3,166	32,028
2026	29,624	2,404	32,028
2027	30,407	1,621	32,028
2028	31,069	959	32,028
	<u>\$ 175,479</u>	<u>\$ 16,689</u>	<u>\$ 192,168</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.

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Notes to the Financial Statements

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Year Ending December 31,	Principal	Interest	Total
2023	\$ 7,629	\$ 775	\$ 8,404
2024	7,815	589	8,404
2025	8,007	397	8,404
2026	8,203	201	8,404
	\$ 31,654	\$ 1,962	\$ 33,616

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.

Year Ending December 31,	Principal	Interest	Total
2023	\$ 6,928	\$ 1,189	\$ 8,117
2024	7,153	964	8,117
2025	7,518	599	8,117
2026	4,418	215	4,633
	\$ 26,017	\$ 2,967	\$ 28,984

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. Therefore, these agreements are accounted for as noncancellable financed purchases in accordance with Governmental Accounting Standards Board (GASB) Statement 87 - "Leases."

City of Warsaw

Notes to the Financial Statements

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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, 2022:

	Balance December 31, 2021	Additions	Retirements	Balance December 31, 2022	Amounts Due Within One Year
Direct Borrowings					
MTFC Agreement	\$ 202,167	\$ -	\$ 26,688	\$ 175,479	\$ 27,397
US Bancorp - Police Vehicle	17,323	-	17,323	-	-
Ford F350 Financed Purchase	4,131	-	4,131	-	-
Greensmower Financed Purchase	-	29,500	3,483	26,017	6,928
Pool Equipment Financed Purchase	1,197,300	-	93,400	1,103,900	96,200
Tractor Financed Purchase	39,100	-	7,446	31,654	7,629
Compensated Absences Payable	27,867	7,008	-	34,875	-
	<u>\$ 1,487,888</u>	<u>\$ 36,508</u>	<u>\$ 152,471</u>	<u>\$ 1,371,925</u>	<u>\$ 138,154</u>

7. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Governmental Activities				
Nondepreciable Capital Assets				
Construction in progress	\$ 302,613	\$ 403,911	\$ 252,614	\$ 453,910
Land	565,758	-	-	565,758
Total Nondepreciable Capital Assets	868,371	<u>\$ 403,911</u>	<u>\$ 252,614</u>	1,019,668
Depreciable Capital Assets				
Building and improvements	6,705,955	\$ -	\$ -	6,705,955
Equipment and vehicles	1,546,435	271,339	-	1,817,774
Infrastructure	12,089,783	1,046,209	-	13,135,992
Total Depreciable Capital Assets	20,342,173	<u>\$ 1,317,548</u>	<u>\$ -</u>	21,659,721
Less Accumulated Depreciation	10,532,451	<u>\$ 541,502</u>	<u>\$ -</u>	11,073,953
Total Depreciable Capital Assets, net	9,809,722			10,585,768
Total Governmental Activities Capital Assets, net	<u>\$ 10,678,093</u>			<u>\$ 11,605,436</u>

City of Warsaw

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

Administrative	\$ 23,218
Street	179,747
Community development	9,999
Police	14,148
Golf course	16,985
Drake Harbor Amphitheater	19,028
Pool	60,738
Airport	129,558
Park	88,081
	\$ 541,502

	Balance December 31, 2021	Additions	Deletions	Balance December 31, 2022
Business-Type Activities				
Water and Sewer				
Nondepreciable Capital Assets				
Construction in progress	\$ 247,381	\$ 1,751,368	\$ -	\$ 1,998,749
Depreciable Capital Assets				
Buildings and improvements	40,587	\$ -	\$ -	40,587
Water lines and wells	2,765,542	41,366	-	2,806,908
Sewer lines and plant	11,365,568	-	-	11,365,568
Machinery and equipment	900,706	49,290	-	949,996
Total Depreciable Capital Assets	15,072,403	\$ 90,656	\$ -	15,163,059
Less Accumulated Depreciation	6,075,524	\$ 342,669	\$ -	6,418,193
Total Depreciable Capital Assets, net	8,996,879			8,744,866
Total Business-Type Activities				
Capital Assets, net	\$ 9,244,260			\$ 10,743,615

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

City of Warsaw

Notes to the Financial Statements

December 31, 2022

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.

	2022 Valuation
Benefit multiplier	1.50% for life
Final average salary	5 years
Member contributions	0%

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

Employees Covered by Benefit Terms. At June 30, 2022, the following employees were covered by the benefit terms:

	General	Police	Total
Inactive employees or beneficiaries currently receiving benefits	15	3	18
Inactive employees entitled to but not yet receiving benefits	12	7	19
Active employees	11	7	18
	38	17	55

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 10.2% (General) and 13.8% (Police) of annual covered payroll.

Net Pension Liability (Asset). The employer’s net pension (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension (asset) was determined by an actuarial valuation as of February 28, 2022.

City of Warsaw

Notes to the Financial Statements

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Actuarial Assumptions. The total pension liability in the February 28, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 28, 2022, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

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

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

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Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
General Division			
Balances at beginning of year	\$ 2,088,809	\$ 2,499,033	\$ (410,224)
Changes for the year			
Service cost	40,582	-	40,582
Interest	144,732	-	144,732
Difference between expected and actual experiences	(28,162)	-	(28,162)
Contributions - employer	-	46,555	(46,555)
Net investment income	-	1,646	(1,646)
Benefits paid, including refunds	(83,736)	(83,736)	-
Administrative expenses	-	(3,977)	3,977
Other (net transfer)	-	14,572	(14,572)
Net Changes	73,416	(24,940)	98,356
Balances at end of year	2,162,225	2,474,093	(311,868)
Police Division			
Balances at beginning of year	758,490	897,316	(138,826)
Changes for the year			
Service cost	23,913	-	23,913
Interest	52,696	-	52,696
Difference between expected and actual experiences	(48,271)	-	(48,271)
Contributions - employer	-	36,226	(36,226)
Net investment income	-	496	(496)
Benefits paid, including refunds	(35,491)	(35,491)	-
Administrative expenses	-	(1,437)	1,437
Other (net transfer)	-	(72,898)	72,898
Net Changes	(7,153)	(73,104)	65,951
Balances at end of year	751,337	824,212	(72,875)
Total Plan Balances at End of Year	\$ 2,913,562	\$ 3,298,305	\$ (384,743)
Governmental Activities			\$ (384,743)
Business-Type Activities			-
			\$ (384,743)

City of Warsaw

Notes to the Financial Statements

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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	\$ 2,437,850	\$ 2,162,225	\$ 1,931,844
Plan Fiduciary Net Position	2,474,093	2,474,093	2,474,093
Net Pension Liability/(Asset)	(36,243)	(311,868)	(542,249)
Police Division			
Total Pension Liability	857,951	751,337	663,603
Plan Fiduciary Net Position	824,212	824,212	824,212
Net Pension Liability/(Asset)	33,739	(72,875)	(160,609)
Total Net Pension Liability/(Asset)	\$ (2,504)	\$ (384,743)	\$ (702,858)

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

For the year ended 2022, the employer recognized a pension credit of \$70,281 in the general division and a pension expense of \$56,034 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	\$ 1,502	\$ (39,122)	\$ (37,620)
Assumption changes	-	(16,300)	(16,300)
Difference between projected and actual investment earnings	-	(66,927)	(66,927)
Contributions subsequent to the measurement date*	42,738	-	42,738
	44,240	(122,349)	(78,109)

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	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Police Division			
Differences in experiences	25,799	(69,178)	(43,379)
Assumption changes	-	(3,610)	(3,610)
Difference between projected and actual investment earnings	-	(16,791)	(16,791)
Contributions subsequent to the measurement date*	3,217	-	3,217
	29,016	(89,579)	(60,563)
	\$ 73,256	\$ (211,928)	\$ (138,672)
 Governmental Activities	 \$ 73,256	 \$ (211,928)	 \$ (138,672)
Business-Type Activities	-	-	-
	\$ 73,256	\$ (211,928)	\$ (138,672)

*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, 2023.

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
2023	\$ (58,483)	\$ (19,275)	\$ (77,758)
2024	(46,026)	(24,229)	(70,255)
2025	(50,814)	(29,678)	(80,492)
2026	34,476	9,402	43,878
	\$ (120,847)	\$ (63,780)	\$ (184,627)

City of Warsaw

Notes to the Financial Statements

December 31, 2022

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:

	2022
Assessed Valuation	
Real estate	\$ 24,653,373
Personal property	7,034,319
Total	\$ 31,687,692
	2022
Tax Rates Per \$100 of Assessed Valuation	
General revenue	\$ 0.4434

The legal debt margin at December 31, 2022, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,168,769	\$ 3,168,769	\$ 6,337,538
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 3,168,769	\$ 3,168,769	\$ 6,337,538

(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, 2022, 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, 2022

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, 2022, 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 \$3.85 per account for October 1, 2022, to September 30, 2023, and rates will be increased \$0.10 for the remaining year. The contract term runs from October 2021 to October 2024.

The City entered into a contract with GreatLIFE Warsaw, LLC to promote and provide for the management of Shawnee Bend Golf Course. The contract calls for monthly payments of \$3,600 per month in 2022 plus 10% of revenues over the revenue goal of \$200,000. The contract term runs from March 2021 to February 2026.

The City was committed the following vendors and projects at December 31, 2022:

<u>Project</u>	<u>Total</u>
J&N Utilities - Water System Improvements Project	\$ 1,049,804
Co-Mo Connect - Fiber Optic Improvement Project	260,000

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 \$1,863,935. Principal and interest paid for the current year and total customer net revenues were \$164,320 and \$588,213, respectively.

14. Leases Receivable

The City leases the office space to a third party, as a lessor. Payments are fixed and payable monthly at \$2,690 through October 31, 2034. During the year ended December 31, 2022, the City recognized \$32,280 in lease revenue. At year end, the City had a remaining lease receivable with a net present value of \$380,998 based on a discount rate of 2.08%.

Required Supplementary Information

City of Warsaw

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

Year Ended December 31, 2022

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

Missouri Local Government Employees Retirement System (LAGERS)

	<u>2022</u>	<u>2021</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 87,139	\$ 85,351	\$ 101,267	\$ 91,064	\$ 91,334	\$ 84,707	\$ 100,390	\$ 82,729	\$ 99,825	\$ 107,909
Contributions in relation to the actuarially determined contribution	87,139	83,975	92,664	91,064	88,780	84,707	100,390	82,729	99,825	107,909
Contribution deficiency	<u>\$ -</u>	<u>\$ 1,376</u>	<u>\$ 8,603</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ -</u>				
 Covered payroll	 \$ 696,184	 \$ 632,826	 \$ 735,881	 \$ 713,390	 \$ 728,324	 \$ 723,244	 \$ 833,550	 \$ 817,205	 \$ 910,178	 \$ 926,082
Contributions as a percentage of covered payroll	12.52%	13.27%	12.59%	12.76%	12.19%	11.71%	12.04%	10.12%	10.97%	11.65%

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

City of Warsaw

Notes to the Schedule of Contributions

Year Ended December 31, 2022

Valuation Date: February 28, 2022

Notes: The roll-forward of total pension liability from February 28, 2022, to June 30, 2022, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: Level Percentage of Payroll, Closed

Remaining Amortization Period: Multiple bases from 13 to 15 years

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

Inflation: 2.75% wage inflation; 2.25% price inflation

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

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

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

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

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

Other Information: None

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes	\$ 129,000	\$ 143,172	\$ 143,172	\$ -
Intangible tax	225	-	-	-
City sales tax	1,150,000	1,454,664	1,454,664	-
Franchise fees	180,000	215,504	215,504	-
Surtax	14,100	13,274	13,274	-
	1,473,325	1,826,614	1,826,614	-
Licenses and Permits				
Occupational licenses	38,500	34,137	34,137	-
Building permits	10,000	9,680	9,680	-
Other	1,560	98,596	98,596	-
	50,060	142,413	142,413	-
Intergovernmental Revenues				
ARPA grant	444,736	226,653	226,653	-
Charges for Services				
Golf course	178,422	137	137	-
Trash	109,580	109,517	109,517	-
Recreation	3,920	-	-	-
	291,922	109,654	109,654	-
Fines and Forfeitures				
City court fines	15,150	10,156	10,156	-
CVC fees	26	19	19	-
	15,176	10,175	10,175	-
Miscellaneous				
Interest	20,000	10,176	10,176	-
Rental income	44,280	45,184	45,184	-
Other	3,000	15,553	15,553	-
	67,280	70,913	70,913	-
Total Revenues	2,342,499	2,386,422	2,386,422	-

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administrative	1,288,021	884,758	884,758	-
Police	648,630	592,401	592,401	-
Community building	46,131	53,228	53,228	-
Solid waste	90,980	97,699	97,699	-
Golf course	328,168	206,181	206,181	-
Debt service	-	18,014	18,014	-
Total Expenditures	2,401,930	1,852,281	1,852,281	-
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(59,431)	534,141	534,141	-
Other Financing Sources				
Lease proceeds	-	29,500	29,500	-
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures</i>	(59,431)	563,641	563,641	-
Fund Balance, January 1	2,733,140	2,733,140	2,733,140	-
Fund Balance, December 31	\$ 2,673,709	\$ 3,296,781	\$ 3,296,781	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Transportation Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Transportation sales tax	\$ 350,000	\$ 448,587	\$ 448,587	\$ -
Fuel tax	55,000	68,605	68,605	-
Motor vehicle sales tax	29,000	31,926	31,926	-
	434,000	549,118	549,118	-
Charges for Services				
Airport rental fees	95,745	63,806	63,806	-
Airport fuel sales	70,000	122,718	122,718	-
	165,745	186,524	186,524	-
Miscellaneous				
Other	4,200	-	-	-
Total Revenues	603,945	735,642	735,642	-
Expenditures				
Current				
Airport	142,407	176,779	176,779	-
Streets	401,334	388,466	388,466	-
Capital improvements	6,900	8,691	8,691	-
Total Expenditures	550,641	573,936	573,936	-
<i>Excess of Revenues over Expenditures</i>	53,304	161,706	161,706	-
Fund Balance, January 1	765,154	765,154	765,154	-
Fund Balance, December 31	\$ 818,458	\$ 926,860	\$ 926,860	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Capital improvements sales tax	\$ 510,000	\$ 622,610	\$ 622,610	\$ -
Intergovernmental Revenues				
Grant revenue	1,064,890	825,505	825,505	-
Miscellaneous				
Other	68,341	11,901	11,901	-
Total Revenues	1,643,231	1,460,016	1,460,016	-
Expenditures				
Capital improvements	1,882,005	1,130,012	1,130,012	-
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(238,774)	330,004	330,004	-
Fund Balance, January 1	1,461,505	1,461,505	1,461,505	-
Fund Balance, December 31	\$ 1,222,731	\$ 1,791,509	\$ 1,791,509	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Budgetary Comparison Schedule – Parks Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Park sales tax	\$ 500,000	\$ 598,116	\$ 598,116	\$ -
Charges for Services				
Pool fees	27,700	32,794	32,794	-
Park fees	400	345	345	-
	28,100	33,139	33,139	-
Miscellaneous				
Other	-	441	441	-
Total Revenues	528,100	631,696	631,696	-
Expenditures				
Current				
Pool	111,265	118,530	118,530	-
Park	366,589	330,841	330,841	-
Debt service	128,149	128,148	128,148	-
Total Expenditures	606,003	577,519	577,519	-
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(77,903)	54,177	54,177	-
Fund Balance, January 1	88,320	88,320	88,320	-
Fund Balance, December 31	\$ 10,417	\$ 142,497	\$ 142,497	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Warsaw

Notes to the Budgetary Comparison Schedule

Year Ended December 31, 2022

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, 2022, 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 May 31, 2023.

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 Questioned Costs as item 2022-001, 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 Questioned Costs. 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
May 31, 2023



Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Warsaw, Missouri's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City of Warsaw, Missouri's major federal program for the year ended December 31, 2022. The City of Warsaw, Missouri's major federal program is identified in the summary of audit results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Warsaw, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Warsaw, Missouri, and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

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Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Warsaw, Missouri's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Warsaw, Missouri's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Warsaw, Missouri's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Warsaw, Missouri's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
May 31, 2023

City of Warsaw

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Grantor's Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Department of the Interior				
Passed Through Missouri Department of Natural Resources Outdoor Recreation Acquisition, Development and Planning	15.916	29-01697	\$ -	\$ 85,273
Total U.S. Department of the Interior			-	85,273
Environmental Protection Agency				
Passed Through Missouri Department of Natural Resources Drinking Water State Revolving Fund	66.468	DW291293-02	-	1,504,358
	66.468	DER-133-22	-	7,500
	66.468	DW291293-02	-	501,452
			-	2,013,310
Clean Water State Revolving Fund	66.458	CS290001-26	-	56,250
Water Quality Management Planning	66.454	Warsaw 604b	-	50,000
Total Environmental Protection Agency			-	2,119,560
U.S. Department of Homeland Security				
Passed Through Missouri Department of Public Safety Disaster Grants - Public Assistance	97.036	4451 FMD	-	576,673
Total U.S. Department of Homeland Security			-	576,673
U.S. Department of Treasury				
Passed Through State of Missouri Coronavirus State and Local Fiscal Recovery Funds	21.027	MO1559	-	449,021
Total U.S. Department of Treasury			-	449,021
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 3,230,527</u>

City of Warsaw

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Warsaw, Missouri, under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Warsaw, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Warsaw, Missouri.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City of Warsaw, Missouri, has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

City of Warsaw

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I – Summary of Audit Results

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control over Financial Reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major federal program:	
Assistance Listing Number(s)	Name of Federal Program or Cluster
66.468	Drinking Water State Revolving Fund
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Material Weakness

2022-001 *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. The City currently has personnel in place to handle the accounting needs of the City. There are some mitigating controls in place but it is not possible to have segregation in all areas.

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.

City of Warsaw

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

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 limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.

Section III – Federal Award Findings and Questioned Costs

None

City of Warsaw

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2022

Material Weakness

2021-001 *Segregation of duties*

Auditors' 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.

Status: Uncorrected