

CITY OF BUFFALO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Buffalo, Missouri, as of September 30, 2015, 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.

Changes in Accounting Principles

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended September 30, 2015.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2015, on our consideration of the City of Buffalo, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Buffalo, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015

The management's discussion and analysis of the City of Buffalo, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2015. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The City's governmental activities increased the City's net position by \$626,617, of which only \$107,868 is available for general operating expenditures. The remaining is restricted by sales tax collected for transportation and capital improvements. After a review of the water and sewer rates in May of 2015 the Board authorized a small increase in the both rates to keep the rates consistent with the cost of the services. The City's net position of business activities (water/sewer fund) decreased by \$57,680 for the year.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2015, by \$10.4 million (net position). Of this amount \$1,202,183 was unrestricted and may be used to meet future obligations of the City. The balance of the capital improvement sales tax fund is \$631,169 and is at the end of its three years. This is the last year for the tax to be collected; therefore, the Mayor and Board of Alderman are still weighing the options of other projects that have been proposed to spend the rest of the sales tax revenue.
- The City paid \$295,000 of principal against the long-term debt related to the business activities.

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, deferred outflows of resources, liabilities and deferred inflows 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 one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015

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

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

Fund Financial Statements

The fund financial statements provide detailed information about the City's 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.

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

Notes to the Basic Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2015, and 2014:

	Governmental Activities	Business-Type Activities	Total September 30, 2015	Total September 30, 2014
ASSETS				
Current and other assets	\$ 2,572,497	\$ 1,229,073	\$ 3,801,570	\$ 3,359,383
Capital assets	3,251,178	7,362,564	10,613,742	10,380,795
TOTAL ASSETS	5,823,675	8,591,637	14,415,312	13,740,178
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources	75,642	36,470	112,112	27,406
LIABILITIES				
Long-term liabilities outstanding	-	3,019,139	3,019,139	3,318,689
Other liabilities	481,456	558,142	1,039,598	624,416
TOTAL LIABILITIES	481,456	3,577,281	4,058,737	3,943,105
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources	53,462	29,740	83,202	7,931
NET POSITION				
Net investment in capital assets	3,251,178	4,137,873	7,389,051	7,081,681
Restricted	1,327,991	466,260	1,794,251	1,269,044
Unrestricted	785,230	416,953	1,202,183	1,465,823
TOTAL NET POSITION	<u>\$ 5,364,399</u>	<u>\$ 5,021,086</u>	<u>\$ 10,385,485</u>	<u>\$ 9,816,548</u>

Total net position of the City increased by \$568,937 for the year due to current year activity. During the year, the City retired \$295,000 of its long-term debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2015	Total Year Ended September 30, 2014
REVENUES				
Program Revenues				
Charges for services	\$ 50,734	\$ 1,298,011	\$ 1,348,745	\$ 1,313,951
Capital grants and contributions	309,448	-	309,448	44,723
General Revenues				
Ad valorem taxes	142,687	-	142,687	133,188
Sales taxes	1,209,658	-	1,209,658	1,257,651
Motor vehicle and gas taxes	121,530	-	121,530	115,454
Other taxes	24,199	-	24,199	21,368
Franchise fees	83,398	-	83,398	85,905
Interest	5,993	113,455	119,448	135,469
Other revenue	19,113	1,454	20,567	28,603
Transfers	42,000	(42,000)	-	-
TOTAL REVENUES AND TRANSFERS	2,008,760	1,370,920	3,379,680	3,136,312
EXPENSES				
Administrative	318,472	-	318,472	273,201
Law and safety	338,458	-	338,458	355,815
Fire	154,518	-	154,518	155,968
Airport	175,530	-	175,530	166,039
Street	332,343	-	332,343	305,370
Animal control	9,084	-	9,084	23,149
Recycling	21,543	-	21,543	21,461
Park	8,396	-	8,396	18,384
Building code enforcement	600	-	600	555
Community center	23,199	-	23,199	20,914
Water and sewer	-	1,428,600	1,428,600	1,308,437
TOTAL EXPENSES	1,382,143	1,428,600	2,810,743	2,649,293
INCREASE (DECREASE) IN NET POSITION	\$ 626,617	\$ (57,680)	\$ 568,937	\$ 487,019

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015**

Governmental Activities

Governmental activities increased the net position of the City by \$626,617. Tax revenues for the City were \$1.58 million, which represents 79% of the financing of these activities. Program revenues for the functions totaled \$360,182, or 18% of the financing. The following table shows the cost of the City's ten programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

NET COST OF THE CITY OF BUFFALO'S GOVERNMENTAL ACTIVITIES

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administrative	\$ 318,472	\$ 309,814
Law and safety	338,458	320,431
Fire	154,518	151,565
Airport	175,530	175,530
Street	332,343	16,873
Animal control	9,084	8,353
Recycling	21,543	15,715
Park	8,396	7,626
Building code enforcement	600	600
Community center	23,199	15,454
	<u>\$ 1,382,143</u>	<u>\$ 1,021,961</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$57,680.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2015, were \$1,754,398. The General Fund increased by \$107,868. The Transportation Fund increased by \$43,748. The Capital Improvement Sales Tax Fund increased by \$115,497.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015**

General Fund Budgetary Highlights

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

- The original revenue budget of \$987,000 was amended to \$1,057,800 during the year.
- The original expenditures budget of \$1,105,470 was increased to \$1,289,254.

The following schedule presents the budgeted activity and actual activity for the year ended September 30, 2015:

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Ad valorem taxes, penalties and interest	\$ 132,500	\$ 133,300	\$ 142,687
Motor vehicle sales tax	105,000	112,000	121,530
Sales tax	600,000	630,000	665,586
Franchise taxes	80,000	80,000	83,398
Other taxes	19,500	29,500	24,199
	937,000	984,800	1,037,400
Licenses and Permits			
Business licenses and permits	9,400	9,400	8,658
Other	200	200	173
	9,600	9,600	8,831
Intergovernmental Revenues			
Grants	-	4,500	4,493
Charges for Services			
Fines and forfeitures	15,400	15,400	17,045
Recycling	10,000	6,000	5,828
Rental income	8,000	8,000	8,515
Park	-	500	-
Street	5,000	5,000	10,515
	38,400	34,900	41,903
Miscellaneous			
Interest	2,000	5,000	5,987
Other	-	19,000	19,113
	2,000	24,000	25,100
TOTAL REVENUES	987,000	1,057,800	1,117,727

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
EXPENDITURES			
Current			
Administrative	282,800	364,011	273,459
Law and safety	366,900	416,900	369,481
Fire	139,120	150,620	127,073
Airport	3,500	3,500	1,879
Street	223,150	255,743	214,745
Animal control	34,300	31,300	8,444
Recycling	23,900	23,900	17,647
Park	19,400	23,080	23,226
Building code enforcement	2,500	3,500	600
Community center	9,900	16,700	15,305
TOTAL EXPENDITURES	<u>1,105,470</u>	<u>1,289,254</u>	<u>1,051,859</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (118,470)</u>	<u>\$ (231,454)</u>	<u>\$ 65,868</u>

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$3.25 million (net of accumulated depreciation) as of September 30, 2015. Capital assets for business-type activities were \$7.36 million (net of accumulated depreciation) as of September 30, 2015.

Debt

Total long-term debt of the business-type activities as of September 30, 2015, was \$3,314,139, which is a decrease from the prior year of \$299,550. The City paid \$255,000 of principal on the Series 2000 and 2007 Combined Waterworks and Sewerage System Revenue Bonds and \$40,000 of principal on the lease with Farmer's Bank and Trust. The remaining \$4,550 decrease was from the amortization of bond premium.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2015

Economic Factors and Next Year's Budget

The fiscal policy has been followed as it relates to revenues and expenses. The City monitors revenue and expense reports monthly and conducts meetings with the Board for control, as well as informational purposes.

The Staff and Board of Alderman need to continue to review the equipment replacement schedules to adjust as necessary. This account was created to protect the city in the future by keeping equipment replacement planning in the forefront when developing the annual budget.

The Staff and Board of Alderman are still struggling with the employee compensation schedule and rules that were adopted last year. This schedule seeks to provide for raises in a fair and equitable manner.

The Mayor and Board of Alderman will continue to review projects proposed with the remaining capital improvement sales tax monies.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Buffalo
115 S. Maple, PO Box 410
Buffalo, MO 65622
(417) 345-2701
buffaloc@positech.net

Jess Stafford, Mayor
Debby Polston, City Treasurer
Martha Swearingin, City Clerk

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,034,234	\$ 395,272	\$ 1,429,506
Ad valorem taxes receivable	26,856	-	26,856
Sales taxes receivable	153,311	-	153,311
Utilities receivable, net	-	154,287	154,287
Other accounts receivable	308,812	-	308,812
Prepaid insurance	17,000	-	17,000
Noncurrent			
Restricted cash and cash equivalents	695,641	107,265	802,906
Restricted investments	-	529,698	529,698
Net pension asset	336,643	42,551	379,194
Capital assets:			
Non-depreciable	-	50,235	50,235
Depreciable, net	3,251,178	7,312,329	10,563,507
TOTAL ASSETS	<u>5,823,675</u>	<u>8,591,637</u>	<u>14,415,312</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	<u>75,642</u>	<u>36,470</u>	<u>112,112</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>75,642</u>	<u>36,470</u>	<u>112,112</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
LIABILITIES			
Current			
Accounts payable	476,447	135,442	611,889
Accrued expenses	4,489	8,968	13,457
Other accounts payable	520	-	520
Accrued interest payable	-	37,099	37,099
Primacy fee payable	-	378	378
Arbitrage payable	-	19,463	19,463
Meter deposits payable	-	61,792	61,792
Current maturities of long-term debt	-	295,000	295,000
	<u>481,456</u>	<u>558,142</u>	<u>1,039,598</u>
Noncurrent			
Revenue bonds payable	-	3,019,139	3,019,139
	<u>-</u>	<u>3,019,139</u>	<u>3,019,139</u>
TOTAL LIABILITIES	481,456	3,577,281	4,058,737
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>53,462</u>	<u>29,740</u>	<u>83,202</u>
TOTAL DEFERRED INFLOW OF RESOURCES	53,462	29,740	83,202
NET POSITION			
Net investment in capital assets	3,251,178	4,137,873	7,389,051
Restricted	1,327,991	466,260	1,794,251
Unrestricted	<u>785,230</u>	<u>416,953</u>	<u>1,202,183</u>
TOTAL NET POSITION	<u>\$ 5,364,399</u>	<u>\$ 5,021,086</u>	<u>\$ 10,385,485</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expenses), Revenues, and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Administrative	\$ (318,472)	\$ 8,658	\$ -	\$ (309,814)	\$ -	\$ (309,814)
Law and safety	(338,458)	16,487	1,540	(320,431)	-	(320,431)
Fire	(154,518)	-	2,953	(151,565)	-	(151,565)
Airport	(175,530)	-	-	(175,530)	-	(175,530)
Street	(332,343)	10,515	304,955	(16,873)	-	(16,873)
Animal control	(9,084)	731	-	(8,353)	-	(8,353)
Recycling	(21,543)	5,828	-	(15,715)	-	(15,715)
Park	(8,396)	770	-	(7,626)	-	(7,626)
Building code enforcement	(600)	-	-	(600)	-	(600)
Community center	(23,199)	7,745	-	(15,454)	-	(15,454)
TOTAL GOVERNMENTAL ACTIVITIES	(1,382,143)	50,734	309,448	(1,021,961)	-	(1,021,961)
Business-Type Activities						
Water and sewer	(1,428,600)	1,298,011	-	-	(130,589)	(130,589)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,428,600)	1,298,011	-	-	(130,589)	(130,589)
TOTAL GOVERNMENT	\$ (2,810,743)	\$ 1,348,745	\$ 309,448	(1,021,961)	(130,589)	(1,152,550)
General Revenues:						
Ad valorem taxes				142,687	-	142,687
Sales taxes				1,209,658	-	1,209,658
Motor vehicle and gas taxes				121,530	-	121,530
Other taxes				24,199	-	24,199
Franchise fees				83,398	-	83,398
Interest				5,993	113,455	119,448
Other revenue				19,113	1,454	20,567
Transfers				42,000	(42,000)	-
Total General Revenues and Transfers				1,648,578	72,909	1,721,487
Changes in Net Position				626,617	(57,680)	568,937
Net Position, Beginning of year, as restated				4,737,782	5,078,766	9,816,548
Net Position, End of year				\$ 5,364,399	\$ 5,021,086	\$ 10,385,485

See accompanying notes.

CITY OF BUFFALO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2015

	<u>Special Revenue Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 299,065	\$ -	\$ 735,169	\$ 1,034,234
Ad valorem taxes receivable	26,856	-	-	26,856
Sales taxes receivable	102,542	48,366	2,403	153,311
Other accounts receivable	11,081	297,731	-	308,812
Prepaid insurance	17,000	-	-	17,000
Restricted cash and cash equivalents	67,945	627,696	-	695,641
TOTAL ASSETS	<u>\$ 524,489</u>	<u>\$ 973,793</u>	<u>\$ 737,572</u>	<u>\$ 2,235,854</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 25,494	\$ 344,550	\$ 106,403	\$ 476,447
Accrued expenses	4,123	366	-	4,489
Other accounts payable	520	-	-	520
TOTAL LIABILITIES	<u>30,137</u>	<u>344,916</u>	<u>106,403</u>	<u>481,456</u>
Fund Balances				
Nonspendable:				
Prepaid items	17,000	-	-	17,000
Restricted for:				
Equipment replacement	67,945	12,006	-	79,951
Transportation	-	616,871	-	616,871
Capital improvements	-	-	631,169	631,169
Unassigned	409,407	-	-	409,407
TOTAL FUND BALANCES	<u>494,352</u>	<u>628,877</u>	<u>631,169</u>	<u>1,754,398</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 524,489</u>	<u>\$ 973,793</u>	<u>\$ 737,572</u>	<u>\$ 2,235,854</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 September 30, 2015

Fund balance - total governmental funds	\$ 1,754,398
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	5,424,800
Less accumulated depreciation	<u>(2,173,622)</u>
	3,251,178
The net pension asset is not available to pay for the current-period expenditures, and therefore, is not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension asset and related deferred items:	
Net pension asset	336,643
Deferred outflows due to pension	75,642
Deferred inflows due to pension	<u>(53,462)</u>
	<u>358,823</u>
Net position of governmental activities	<u><u>\$ 5,364,399</u></u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended September 30, 2015

	<u>Special Revenue Funds</u>			Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Sales Tax Fund	
REVENUES				
Taxes	\$ 1,037,400	\$ 308,475	\$ 235,597	\$ 1,581,472
Licenses and permits	8,831	-	-	8,831
Intergovernmental revenues	4,493	304,955	-	309,448
Charges for services	41,903	-	-	41,903
Miscellaneous	25,100	6	-	25,106
TOTAL REVENUES	1,117,727	613,436	235,597	1,966,760
EXPENDITURES				
Current				
Administrative	273,459	-	-	273,459
Law and safety	369,481	-	-	369,481
Fire	127,073	-	-	127,073
Airport	1,879	170,409	-	172,288
Street	214,745	399,279	120,100	734,124
Animal control	8,444	-	-	8,444
Recycling	17,647	-	-	17,647
Park	23,226	-	-	23,226
Building code enforcement	600	-	-	600
Community center	15,305	-	-	15,305
TOTAL EXPENDITURES	1,051,859	569,688	120,100	1,741,647
EXCESS OF REVENUES OVER EXPENDITURES	65,868	43,748	115,497	225,113
OTHER FINANCING SOURCES				
Transfers in	42,000	-	-	42,000
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	107,868	43,748	115,497	267,113
FUND BALANCE, October 1	386,484	585,129	515,672	1,487,285
FUND BALANCE, September 30	<u>\$ 494,352</u>	<u>\$ 628,877</u>	<u>\$ 631,169</u>	<u>\$ 1,754,398</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ 267,113
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 outlay exceeded depreciation for the year.	
Capital outlay	677,025
Depreciation	<u>(273,321)</u>
	403,704
Some expenditures reported in the governmental fund represent the use of current financial resources and were recognized in the Statement of Activities when incurred	<u>(44,200)</u>
Change in net position of governmental activities	<u><u>\$ 626,617</u></u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
September 30, 2015

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 395,272
Utilities receivable, net	<u>154,287</u>
TOTAL CURRENT ASSETS	549,559
Noncurrent Assets	
Net pension asset	<u>42,551</u>
TOTAL NONCURRENT ASSETS	42,551
Restricted Assets	
Cash and cash equivalents	107,265
Investments	<u>529,698</u>
TOTAL RESTRICTED ASSETS	636,963
Capital Assets	
Non-depreciable assets	50,235
Depreciable assets	12,259,412
Less accumulated depreciation	<u>(4,947,083)</u>
TOTAL CAPITAL ASSETS	<u>7,362,564</u>
TOTAL ASSETS	8,591,637
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	<u>36,470</u>
TOTAL DEFERRED OUTFLOW OF RESOURCES	<u>36,470</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 8,628,107</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND (continued)
September 30, 2015

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 135,442
Accrued expenses	8,968
Accrued interest payable	37,099
Primacy fee payable	378
Arbitrage payable	19,463
Meter deposits payable	61,792
Current maturities of long-term debt	<u>295,000</u>
	TOTAL CURRENT LIABILITIES 558,142
Long-Term Liabilities	
Revenue bonds payable	<u>3,019,139</u>
	TOTAL LONG-TERM LIABILITIES <u>3,019,139</u>
	TOTAL LIABILITIES 3,577,281
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	<u>29,740</u>
	TOTAL DEFERRED INFLOW OF RESOURCES 29,740
NET POSITION	
Net investment in capital assets	4,137,873
Restricted	466,260
Unrestricted	<u>416,953</u>
	TOTAL NET POSITION <u>5,021,086</u>
	TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION <u>\$ 8,628,107</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended September 30, 2015

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,298,011
	<u>1,298,011</u>
	TOTAL OPERATING REVENUES
	1,298,011
OPERATING EXPENSES	
Salaries and wages	177,799
Employee benefits	109,150
Materials and supplies	36,108
Trash collection	370,661
Repairs and maintenance	63,464
Telephone and utilities	127,154
Travel, meetings, and dues	897
Depreciation	367,293
	<u>1,252,526</u>
	TOTAL OPERATING EXPENSES
	1,252,526
	OPERATING INCOME
	45,485
NONOPERATING REVENUES (EXPENSES)	
Interest income	113,455
Other revenue	1,454
Interest expense and fees	(176,074)
	<u>(61,165)</u>
	TOTAL NONOPERATING REVENUES (EXPENSES)
	(61,165)
OTHER FINANCING (USES)	
Transfers (out)	(42,000)
	<u>(42,000)</u>
	TOTAL OTHER FINANCING (USES)
	(42,000)
	NET (LOSS)
	(57,680)
NET POSITION, October 1, as restated	<u>5,078,766</u>
NET POSITION, September 30	<u>\$ 5,021,086</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended September 30, 2015

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,300,427
Cash paid to employees	(239,899)
Cash paid to suppliers	(634,405)
Other cash received for nonoperating revenues	<u>1,454</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>427,577</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	<u>(42,000)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(42,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(196,536)
Payment of principal on long-term debt	(295,000)
Payment of interest expense and fees	<u>(183,402)</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(674,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	113,455
Maturity of investments	<u>225,031</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>338,486</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	49,125
CASH AND CASH EQUIVALENTS, Beginning of year	<u>453,412</u>
CASH AND CASH EQUIVALENTS, End of year	502,537
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>107,265</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 395,272</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 45,485
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	367,293
(Increase) decrease in:	
Utilities receivable	3,133
Net pension asset	43,034
Deferred pension outflows	(25,146)
Increase (decrease) in:	
Accounts payable	(36,298)
Accrued expenses	2,716
Primacy fee payable	378
Meter deposits payable	(717)
Arbitrage payable	(201)
Deferred pension inflows	26,446
Other cash received for nonoperating revenues	<u>1,454</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 427,577</u></u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Board of Aldermen/City Administrator form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-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 policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the 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.

Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

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

Transportation Fund: The Transportation Fund of the City is used to account for resources restricted for operations of the City transportation department.

Capital Improvement Sales Tax Fund: The Capital Improvement Sales Tax Fund of the City is used to account for resources restricted for capital improvements of the City.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary fund:

Utility Fund: The Utility 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 five years. 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.

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. 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	40 years
Water treatment plant and lines	10-50 years
Sewer mains and lines	30 - 50 years
Structures and improvements	15 - 50 years
Machinery and equipment	5 - 10 years
Infrastructure	7 - 99 years

Expenditures 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, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned and Unassigned Fund Balances

The assigned and unassigned fund balances for governmental funds represent the amount available for budgeting future operations.

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.

Compensated Absences

Employees can accumulate up to 480 hours in long-term sick leave and 240 hours in short-term sick leave, which is not paid at termination of employment. Utilization of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on City expenditures in any one year. Accumulated vacation and sick leave are generally expected to be used within the following year.

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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interest Capitalization

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

In the government-wide financial statements, net position is classified 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 restricted or net investment in capital assets.

It is the City's policy to first use restricted net position prior to the use of unrestricted net position when disbursements are made for purposes for which both restricted and unrestricted net position are available.

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 and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's Board of Aldermen.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing liabilities, deferred inflows and outflows of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The City adopted GASB Statement No. 68 and 71 for the year ended September 30, 2015.

Certain September 30, 2014, amounts have been reclassified to the September 30, 2015, presentation.

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2015, all bank balances on deposit were entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of September 30, 2015, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	2/1/2016	\$ 246,073
Guaranteed Investment Contracts:		
CDC Funding Corporation	7/1/2021	11,034
Trinity Plus Funding Company	7/1/2021	21,250
Money Market Funds		
Federated Prime Obligation Fund	N/A	246,889
Fidelity Treasury Fund	N/A	4,452
		<u>\$ 529,698</u>

Certificates of Deposit

Certificates of Deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of September 30, 2015, all Certificates of Deposit are entirely insured or collateralized with securities.

CDC Funding Corporation

The City has CDC Funding Corporation funds on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 2000A State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve account.

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE C – INVESTMENTS (continued)

Trinity Plus Funding Company

The City has Trinity Plus Funding Company funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the Series 2000A State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Federated Prime Obligation Fund

The City has Federated Prime Obligation funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust for the Series 2007B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

Fidelity Treasury Fund

The City has Fidelity Treasury funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 2000A and 2007B State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds reserve accounts.

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Transportation Fund

Cash and cash equivalents have been restricted in the amount of \$627,696, and fund balance is also restricted in the amount of \$628,877 for transportation expenditures.

Capital Improvement Sales Tax Fund

Fund balance has been restricted in the amount of \$631,169 for sales tax revenue restricted for capital improvements.

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE D – RESTRICTED ASSETS (continued)

Enterprise Fund

During 2000, the City issued Combined Waterworks and Sewerage System Revenue Bonds, Series 2000, in the amount of \$1,500,000. The bond covenants establish amounts required to be deposited in certain sinking and reserve funds.

During 2008, the City issued Series 2007B Combined Waterworks and Sewerage System Revenue Bonds in the amount of \$3,800,000. The bond covenants establish amounts required to be deposited into certain sinking and reserve funds.

As of September 30, 2015, the City has made the required deposits.

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
2000 Revenue Bonds		
Principal and Interest	\$ 32,284	\$ 32,284
Arbitrage	15,011	-
2007 Revenue Bonds		
Principal and Interest	142,430	142,430
Arbitrage	4,452	-
Construction	89,448	-
Water and Sewer System Replacement Reserves	246,073	246,073
Customer Deposits	61,792	-
Equipment Replacement	45,473	45,473
	<u>\$ 636,963</u>	<u>\$ 466,260</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE E – ACCOUNTS RECEIVABLE

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

	Accounts Receivable	Allowance	Net Accounts Receivable
General Fund			
Taxes receivable	\$ 26,856	\$ -	\$ 26,856
Sales tax receivable	102,542	-	102,542
Other receivable	11,081	-	11,081
	<u>\$ 140,479</u>	<u>\$ -</u>	<u>\$ 140,479</u>
Transportation Fund			
Sales tax receivable	\$ 48,366	\$ -	\$ 48,366
Other receivable	297,731	-	297,731
	<u>\$ 346,097</u>	<u>\$ -</u>	<u>\$ 346,097</u>
Capital Improvement Sales Tax Fund			
Sales tax receivable	\$ 2,403	\$ -	\$ 2,403
Utility Fund			
Utilities receivable	\$ 159,953	\$ 5,666	\$ 154,287

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

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

	<u>2014</u>
Assessed Valuation	<u>\$ 30,633,085</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.5600</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

The legal debt margin at September 30, 2015, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,063,309	\$ 3,063,309	\$ 6,126,618
LEGAL DEBT MARGIN	<u>\$ 3,063,309</u>	<u>\$ 3,063,309</u>	<u>\$ 6,126,618</u>

(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; construction, extending, and improving streets and avenues and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

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

The business-type activities' long-term liabilities at September 30, 2015, consist of two revenue bond issues and one capital lease obligation.

Revenue Bonds

The Combined Waterworks and Sewerage System Revenue Bonds, State Revolving Fund Program, Series 2000, were issued in the principal amount of \$1,500,000 for the purpose of improving and extending the water and sewer system. The Series 2000 bonds bear interest at 4.60% to 5.75% with principal payments due July 1 and interest payments due January 1 and July 1 of each year. The bonds also require an administrative fee payable annually on July 1 of each year at .714% of the outstanding principal balance. The bonds may be called for redemption under the provisions outlined in the bond ordinance. The bonds outstanding at September 30, 2015, are due as follows:

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

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

Year Ended September 30,	Principal	Interest	Total
2016	\$ 80,000	\$ 20,707	\$ 100,707
2017	80,000	16,632	96,632
2018	80,000	12,547	92,547
2019	85,000	8,490	93,490
2020	85,000	4,285	89,285
	<u>\$ 410,000</u>	<u>\$ 62,661</u>	<u>\$ 472,661</u>

The preceding schedule reflects the effect of the City’s contribution of remaining bond proceeds to a state level refunding of bonds due from 2011 to 2020. This refunding will reduce the City’s outstanding bonds payable from 2016 to 2020 by \$25,000.

During the year ended September 30, 2008, the City issued Combined Waterworks and Sewerage System Revenue Bonds, State Revolving Fund Program, Series 2007B in the amount of \$3,800,000 for the purpose of acquisition, construction, improving and equipping of wastewater treatment facilities. The 2007 bonds bear interest at 4.0% to 5.0% with principal payments due January 1 and interest payments due January 1 and July 1. The bonds may be called for redemption under the provisions outlined in the bond ordinance. The bonds outstanding as of September 30, 2015, are as follows:

Year Ended September 30,	Principal	Interest	Total
2016	\$ 175,000	\$ 124,188	\$ 299,188
2017	180,000	117,087	297,087
2018	180,000	109,888	289,888
2019	185,000	101,662	286,662
2020	190,000	93,238	283,238
2021	195,000	85,416	280,416
2022	195,000	76,884	271,884
2023	200,000	67,750	267,750
2024	205,000	58,256	263,256
2025	210,000	48,400	258,400
2026	215,000	38,306	253,306
2027	220,000	27,975	247,975
2028	225,000	17,125	242,125
2029	230,000	5,750	235,750
	<u>\$ 2,805,000</u>	<u>\$ 971,925</u>	<u>\$ 3,776,925</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

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

Capital Lease Obligation

During the year ended September 30, 2006, the City entered into a cancelable lease with Farmer’s Bank and Trust as lessee to finance the purchase of a 400,000 gallon elevated water storage tank. Although the lease agreement provides for the cancellation of the lease at the City’s option on the renewal dates, the City does not foresee exercising its options to cancel. The lease provides for interest at 4.875%.

The following is a schedule of future lease payments under the lease (assuming non-cancellation):

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	<u>\$ 40,000</u>	<u>\$ 1,950</u>	<u>\$ 41,950</u>

A summary of changes in long-term debt – business-type activities for the year ended September 30, 2015, is as follows:

	<u>Balance</u> <u>September 30,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>September 30,</u> <u>2015</u>	<u>Current</u> <u>Portion</u>
Revenue Bonds					
2000 Series	\$ 490,000	\$ -	\$ 80,000	\$ 410,000	\$ 80,000
2007 Series	2,980,000	-	175,000	2,805,000	175,000
	3,470,000	-	255,000	3,215,000	255,000
Premium on bonds	63,689	-	4,550	59,139	-
	3,533,689	-	259,550	3,274,139	255,000
Capital Lease Obligation	80,000	-	40,000	40,000	40,000
TOTAL	<u>\$ 3,613,689</u>	<u>\$ -</u>	<u>\$ 299,550</u>	<u>\$ 3,314,139</u>	<u>\$ 295,000</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015, was as follows:

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Governmental Activities				
Depreciable Capital Assets				
Building and improvements	\$ 815,039	\$ 13,451	\$ 70,959	\$ 757,531
Machinery and equipment	1,152,257	67,846	40,813	1,179,290
Infrastructure	2,864,613	623,366	-	3,487,979
Total Depreciable Capital Assets	4,831,909	<u>\$ 704,663</u>	<u>\$ 111,772</u>	5,424,800
Less Accumulated Depreciation				
Building and improvements	293,160	\$ 18,959	\$ 43,320	268,799
Machinery and equipment	791,126	79,964	40,814	830,276
Infrastructure	900,149	174,398	-	1,074,547
Total Accumulated Depreciation	1,984,435	<u>\$ 273,321</u>	<u>\$ 84,134</u>	2,173,622
Total Governmental Activities Capital Assets	<u>\$ 2,847,474</u>			<u>\$ 3,251,178</u>

Depreciation expense was charged to functions as follows:

Administrative	\$ 3,325
Law and safety	30,195
Fire	29,607
Airport	3,242
Street	14,505
Animal control	293
Pool	3,660
Community center	4,234
Community park	7,106
Recycling	2,756
Street paving projects	174,398
	<u>\$ 273,321</u>

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2014	Additions	Deletions	Balance September 30, 2015
Water and Sewer				
Non-depreciable capital assets				
Land	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in progress	186,158	184,086	370,244	-
Total Non-Depreciable Capital Assets	236,393	<u>\$ 184,086</u>	<u>\$ 370,244</u>	50,235
Depreciable capital assets				
Land improvements	32,222	\$ -	\$ 2,000	30,222
Water lines & trunks	2,554,407	12,450	-	2,566,857
Sewer lines & plant	8,996,186	370,244	-	9,366,430
Major moveable equipment	295,903	-	-	295,903
Total Depreciable Capital Assets	11,878,718	<u>\$ 382,694</u>	<u>\$ 2,000</u>	12,259,412
Less accumulated depreciation				
Land improvements	11,491	\$ 2,222	\$ 2,000	11,713
Water lines & trunks	874,760	128,039	-	1,002,799
Sewer lines & plant	3,475,933	219,102	-	3,695,035
Major moveable equipment	219,606	17,930	-	237,536
Total Accumulated Depreciation	4,581,790	<u>\$ 367,293</u>	<u>\$ 2,000</u>	4,947,083
Depreciable Capital Assets, net	<u>7,296,928</u>			<u>7,312,329</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 7,533,321</u>			<u>\$ 7,362,564</u>

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

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

	<u>2015 Valuation</u>
Benefit Multiplier	1.75%
Final Average Salary	3 Years
Member Contributions	4%

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, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	11	6	0
Inactive employees entitled to but not yet receiving benefits	3	6	1
Active employees	13	7	1
	<u>27</u>	<u>19</u>	<u>2</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

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 7.4% for General, .2% for Police, and 9.1% for Fire of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2015.

Actuarial Assumptions. The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation for General and Police Divisions
Salary Increase	3.5% to 8.6% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

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	Long-Term Expected Real Rate of Return
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Asset (a) - (b)
General Division			
Balance at June 30, 2014	\$ 1,523,136	\$ 1,704,461	\$ (181,325)
Changes for the year:			
Service Cost	34,702	-	34,702
Interest	109,266	-	109,266
Difference between expected and actual experiences	(78,055)	-	-
Contributions - employer	-	23,991	(23,991)
Contributions - employee	-	15,058	(15,058)
Net investment income	-	30,575	(30,575)
Benefits paid, including refunds	67,323	67,323	-
Administrative expenses	-	2,423	(2,423)
Other changes	-	(92,462)	92,462
Net Changes	(1,410)	(92,584)	91,174
Balance at June 30, 2015	\$ 1,521,726	\$ 1,611,877	\$ (90,151)

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
Police Division			
Balance at June 30, 2014	\$ 431,336	\$ 736,202	\$ (304,866)
Changes for the year:			
Service Cost	16,303	-	16,303
Interest	30,784	-	30,784
Difference between expected and actual experiences	2,702	-	-
Contributions - employer	-	384	(384)
Contributions - employee	-	7,682	(7,682)
Net investment income	-	13,996	(13,996)
Benefits paid, including refunds	30,014	30,014	-
Administrative expenses	-	1,398	(1,398)
Other changes	-	3,206	(3,206)
Net Changes	<u>19,775</u>	<u>(6,144)</u>	<u>25,919</u>
Balance at June 30, 2015	<u>\$ 451,111</u>	<u>\$ 730,058</u>	<u>\$ (278,947)</u>

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Fire Division			
Balance at June 30, 2014	\$ 37,334	\$ 28,306	\$ 9,028
Changes for the year:			
Service Cost	5,733	-	5,733
Interest	2,635	-	2,635
Difference between expected and actual experiences	(22,033)	-	-
Contributions - employer	-	3,031	(3,031)
Contributions - employee	-	1,356	(1,356)
Net investment income	-	528	(528)
Benefits paid, including refunds	7,747	7,747	-
Administrative expenses	-	93	(93)
Other changes	-	637	(637)
Net Changes	<u>(21,412)</u>	<u>(2,288)</u>	<u>(19,124)</u>
Balance at June 30, 2015	<u>\$ 15,922</u>	<u>\$ 26,018</u>	<u>\$ (10,096)</u>

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

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
	General Division		
Total Pension Liability	\$ 1,753,266	\$ 1,521,726	\$ 1,333,267
Fiduciary Net Position	<u>1,611,877</u>	<u>1,611,877</u>	<u>1,611,877</u>
Net Pension Liability (Asset)	<u>\$ 141,389</u>	<u>\$ (90,151)</u>	<u>\$ (278,610)</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Police Division			
Total Pension Liability	\$ 510,710	\$ 451,111	\$ 402,590
Fiduciary Net Position	730,058	730,058	730,058
Net Pension (Asset)	<u>\$ (219,348)</u>	<u>\$ (278,947)</u>	<u>\$ (327,468)</u>
	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Fire Division			
Total Pension Liability	\$ 17,986	\$ 15,922	\$ 13,498
Fiduciary Net Position	26,018	26,018	26,018
Net Pension (Asset)	<u>\$ (8,032)</u>	<u>\$ (10,096)</u>	<u>\$ (12,520)</u>

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

For the year ended 2015, the employer recognized pension expense of \$100,305 in the general division, pension revenue of \$6,729 in the police division, and pension expense of \$2,089 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	General		Police		Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experiences	\$ -	\$ (63,009)	\$ 2,024	\$ -	\$ -	\$ (20,193)
Differences in assumptions	-	-	-	-	-	-
Excess (deficit) investment returns	70,890	-	30,929	-	1,139	-
Contributions subsequent to the measurement date	6,376	-	93	-	661	-
	<u>\$ 77,266</u>	<u>\$ (63,009)</u>	<u>\$ 33,046</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ (20,193)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Asset for the year ending September 30, 2016.

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

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

Year Ending June 30,	General Division	Police Division	Fire Division
	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources
2016	\$ 2,676	\$ 8,410	\$ (1,555)
2017	2,676	8,410	(1,555)
2018	2,676	8,400	(1,555)
2019	2,678	7,733	(1,556)
2020	(2,825)	-	(1,840)
Thereafter	-	-	(10,993)
	<u>\$ 7,881</u>	<u>\$ 32,953</u>	<u>\$ (19,054)</u>

NOTE J – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of October 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

	Governmental Activities	Business-Type Activities	Total
NET POSITION, as previously stated September 30, 2014	\$ 4,334,759	\$ 4,985,151	\$ 9,319,910
Deferred pension outflows	16,082	11,324	27,406
Deferred pension inflows	(4,637)	(3,294)	(7,931)
Net pension asset	391,578	85,585	477,163
NET POSITION, as restated October 1, 2014	<u>\$ 4,737,782</u>	<u>\$ 5,078,766</u>	<u>\$ 9,816,548</u>

NOTE K – RISK MANAGEMENT

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

NOTE L – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of September 30, 2015, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits, will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended September 30, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 42,000	\$ -
Utility Fund	-	42,000
	<u>\$ 42,000</u>	<u>\$ 42,000</u>

The City transfers from the Utility Fund to finance general government operations that relate to administration of the water and sewer system.

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2015

NOTE N – COMMITMENTS

At September 30, 2015, the City had the following outstanding commitments:

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>
Journagan Construction Co.	Greenway Trail	\$ 74,621
Great River Engineering	Greenway Trail	11,245
Toth and Associates, Inc.	Main Street Sidewalk	88,246
		<u>\$ 174,112</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2015

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2015
TOTAL PENSION LIABILITY	
Service Cost	\$ 56,738
Interest on the Total Pension Liability	142,685
Difference between expected and actual experience	(97,386)
Benefit Payments	105,084
	<hr/>
NET CHANGE IN TOTAL PENSION LIABILITY	(3,047)
TOTAL PENSION LIABILITY, BEGINNING	1,991,806
	<hr/>
TOTAL PENSION LIABILITY, ENDING	1,988,759
 PLAN FIDUCIARY NET POSITION	
Contributions - employer	27,406
Contributions - employee	24,096
Pension Plan Net Investment Income	45,099
Benefit Payments	105,084
Pension Plan Administrative Expense	3,914
Other	(88,619)
	<hr/>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(101,016)
PLAN FIDUCIARY NET POSITION, BEGINNING	2,468,969
	<hr/>
PLAN FIDUCIARY NET POSITION, ENDING	2,367,953
	<hr/>
EMPLOYER NET PENSION (ASSET)	\$ (379,194)
	<hr/> <hr/>
Plan fiduciary net position as a percentage of the total pension liability	119.07%
Covered employee payroll	\$ 584,952
Employer's net pension asset as a percentage of covered employee payroll	(64.82%)

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

CITY OF BUFFALO, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended September 30, 2015

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 26,792	\$ 32,839	\$ 39,911	\$ 31,474	\$ 29,090	\$ 12,738	\$ 11,091	\$ 7,135	\$ 7,640	\$ 10,939
Contributions in relation to the actuarially determined contribution	26,792	29,778	29,641	22,294	17,615	12,738	11,091	7,135	7,640	10,939
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 3,061</u>	<u>\$ 10,270</u>	<u>\$ 9,180</u>	<u>\$ 11,475</u>	<u>\$ -</u>				
Covered-employee payroll	\$ 590,940	\$ 612,984	\$ 709,907	\$ 655,675	\$ 653,706	\$ 631,408	\$ 612,958	\$ 648,412	\$ 679,923	\$ 577,126
Contributions as a percentage of covered-employee payroll	4.53%	4.86%	4.18%	3.40%	2.69%	2.02%	1.81%	1.10%	1.12%	1.90%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2015.

Notes: The roll-forward of total pension liability from February 28, 2015, to June 30, 2015, 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

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 14 to 15 years

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

Inflation – 3.5% wage inflation; 3.0% price inflation

Salary Increases – 3.5% to 8.6% including wage inflation

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

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

Mortality – 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

Other Information – None

CITY OF BUFFALO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 132,500	\$ 133,300	\$ 142,687	\$ 9,387
Motor vehicle sales tax	105,000	112,000	121,530	9,530
Sales tax	600,000	630,000	665,586	35,586
Franchise taxes	80,000	80,000	83,398	3,398
Other taxes	19,500	29,500	24,199	(5,301)
	<u>937,000</u>	<u>984,800</u>	<u>1,037,400</u>	<u>52,600</u>
Licenses and Permits				
Business licenses and permits	9,400	9,400	8,658	(742)
Other	200	200	173	(27)
	<u>9,600</u>	<u>9,600</u>	<u>8,831</u>	<u>(769)</u>
Intergovernmental Revenues				
Grants	-	4,500	4,493	(7)
Charges for Services				
Fines and forfeitures	15,400	15,400	17,045	1,645
Recycling	10,000	6,000	5,828	(172)
Rental income	8,000	8,000	8,515	515
Park	-	500	-	(500)
Street	5,000	5,000	10,515	5,515
	<u>38,400</u>	<u>34,900</u>	<u>41,903</u>	<u>7,003</u>
Miscellaneous				
Interest	2,000	5,000	5,987	987
Other	-	19,000	19,113	113
	<u>2,000</u>	<u>24,000</u>	<u>25,100</u>	<u>1,100</u>
TOTAL REVENUES	<u>987,000</u>	<u>1,057,800</u>	<u>1,117,727</u>	<u>59,927</u>
EXPENDITURES				
Current				
Administrative	282,800	364,011	273,459	90,552
Law and safety	366,900	416,900	369,481	47,419
Fire	139,120	150,620	127,073	23,547
Airport	3,500	3,500	1,879	1,621
Street	223,150	255,743	214,745	40,998
Animal control	34,300	31,300	8,444	22,856
Recycling	23,900	23,900	17,647	6,253
Park	19,400	23,080	23,226	(146)
Building code enforcement	2,500	3,500	600	2,900
Community center	9,900	16,700	15,305	1,395
TOTAL EXPENDITURES	<u>1,105,470</u>	<u>1,289,254</u>	<u>1,051,859</u>	<u>237,395</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(118,470)	(231,454)	65,868	297,322
OTHER FINANCING SOURCES				
Transfer in	42,000	42,000	42,000	-
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(76,470)	(189,454)	107,868	297,322
FUND BALANCE, October 1	<u>189,454</u>	<u>189,454</u>	<u>386,484</u>	<u>197,030</u>
FUND BALANCE, September 30	<u>\$ 112,984</u>	<u>\$ -</u>	<u>\$ 494,352</u>	<u>\$ 494,352</u>

CITY OF BUFFALO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Sales taxes	\$ 300,000	\$ 300,000	\$ 308,475	\$ 8,475
Intergovernmental Revenues				
Grants	276,000	276,000	304,955	28,955
Miscellaneous				
Interest	-	-	6	6
TOTAL REVENUES	576,000	576,000	613,436	37,436
EXPENDITURES				
Airport	140,000	-	170,409	(170,409)
Street	660,300	723,300	399,279	324,021
TOTAL EXPENDITURES	800,300	723,300	569,688	153,612
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(224,300)	(147,300)	43,748	191,048
FUND BALANCE, October 1	380,000	380,000	585,129	205,129
FUND BALANCE, September 30	\$ 155,700	\$ 232,700	\$ 628,877	\$ 396,177

CITY OF BUFFALO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended September 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Sales taxes	\$ 300,000	\$ 224,000	\$ 235,597	\$ 11,597
TOTAL REVENUES	300,000	224,000	235,597	11,597
EXPENDITURES				
Street	-	119,353	120,100	(747)
TOTAL EXPENDITURES	-	119,353	120,100	(747)
EXCESS OF REVENUES OVER EXPENDITURES	300,000	104,647	115,497	10,850
FUND BALANCE, October 1	511,590	500,000	515,672	15,672
FUND BALANCE, September 30	\$ 811,590	\$ 604,647	\$ 631,169	\$ 26,522

CITY OF BUFFALO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
September 30, 2015

Budgets and Budgetary Accounting

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

1. Prior to October, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late August or early September to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to October 1, ordinances are passed by the Board of Aldermen, which provide for legally adopted budgets for all funds of the City.
4. 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 City.

OTHER FINANCIAL INFORMATION



**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 Aldermen
City of Buffalo
Buffalo, 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, business-type activities, and each major fund of the City of Buffalo, Missouri, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Buffalo, Missouri's basic financial statements, and have issued our report thereon, dated December 29, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 2015-001.

Compliance and Other Matters

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

City of Buffalo, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Buffalo, 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 Buffalo, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 29, 2015

CITY OF BUFFALO, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2015

MATERIAL WEAKNESS

2015-001 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 one full time bookkeeper 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.

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.