

# City of Buffalo, Missouri

BASIC FINANCIAL STATEMENTS  
Year Ended September 30, 2018

**KPM**  
CPAS & ADVISORS

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position .....	16
Statement of Activities.....	18
Balance Sheet – Governmental Funds .....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	22
Statement of Net Position – Enterprise Fund.....	23
Statement of Revenues, Expenses and Changes in Net Position – Enterprise Fund.....	25
Statement of Cash Flows – Enterprise Fund.....	26
Notes to Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Asset and Related Ratios .....	52
Schedule of Contributions.....	53
Notes to Schedule of Contributions .....	54

## TABLE OF CONTENTS

### REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	55
Budgetary Comparison Schedule – Transportation Fund.....	56
Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund.....	57
Note to Budgetary Comparison Schedules .....	58

### 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 <i>Government Auditing Standards</i> .....	60
Schedule of Findings and Responses.....	62



## **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, 2018, 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.

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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, 2018, 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.

### **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 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.

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 January 25, 2019, 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  
January 25, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF BUFFALO, MISSOURI**  
**September 30, 2018**

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, 2018. Please read it in conjunction with the City's financial statements, which begin on page 16.

***Financial Highlights***

- The City's governmental fund balances decreased \$166,404, of which only \$634,767 is available for general operating expenditures. The remaining is restricted by sales tax collected for transportation and capital improvements. The City's net position of governmental activities decreased by \$59,574. The City's net position of business activities (water/sewer fund) decreased by \$76,133 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, 2018, by \$10.52 million (net position). Of this amount \$1,227,047 was unrestricted and may be used to meet future obligations of the City. The balance of the capital improvement sales tax fund is \$411,569 and the Board of Alderman have allocated most of these funds to rehabilitating the pool.
- The long-term liabilities decreased by \$272,833 during the year.

***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, 2018**

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, 2018**

*Government-Wide Financial Analysis*

**NET POSITION**

The following table presents the condensed Statement of Net Position for the City as of September 30, 2018 and 2017:

	Governmental Activities	Business-Type Activities	Total September 30, 2018	Total September 30, 2017
<b>ASSETS</b>				
Current and other assets	\$ 2,294,028	\$ 1,790,050	\$ 4,084,078	\$ 4,133,633
Capital assets	3,516,796	6,504,674	10,021,470	10,060,722
TOTAL ASSETS	5,810,824	8,294,724	14,105,548	14,194,355
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred outflow of resources	34,016	14,338	48,354	141,306
<b>LIABILITIES</b>				
Other liabilities	82,868	470,998	553,866	513,262
Long-term liabilities outstanding	31,450	2,765,492	2,796,942	3,069,775
TOTAL LIABILITIES	114,318	3,236,490	3,350,808	3,583,037
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred inflow of resources	185,393	94,548	279,941	93,764
<b>NET POSITION</b>				
Net investment in capital assets	3,516,796	4,007,624	7,524,420	7,297,778
Restricted	1,267,564	504,122	1,771,686	1,939,860
Unrestricted	760,769	466,278	1,227,047	1,421,222
TOTAL NET POSITION	\$ 5,545,129	\$ 4,978,024	\$ 10,523,153	\$ 10,658,860

Total net position of the City decreased by \$135,707 for the year due to current year activity.

Total liabilities for the City have decreased by \$232,229. Restricted net position of the City totaled \$1,771,686 as of September 30, 2018.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF BUFFALO, MISSOURI**  
**September 30, 2018**

**CHANGES IN NET POSITION**

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2018	Total Year Ended September 30, 2017
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 49,589	\$ 1,373,236	\$ 1,422,825	\$ 1,400,835
Capital grants and contributions	14,554	26,000	40,554	2,555
General Revenues				
Ad valorem taxes	145,481	-	145,481	142,161
Sales taxes	1,072,481	-	1,072,481	995,545
Motor vehicle and gas taxes	124,663	-	124,663	124,007
Other taxes	25,648	-	25,648	25,789
Franchise fees	91,099	-	91,099	80,866
Interest	12,391	95,617	108,008	108,404
Other revenue	21,658	2,697	24,355	33,230
Transfers	42,000	(42,000)	-	-
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>1,599,564</b>	<b>1,455,550</b>	<b>3,055,114</b>	<b>2,913,392</b>
<b>EXPENSES</b>				
Administrative	342,906	-	342,906	312,542
Law and safety	415,130	-	415,130	440,853
Fire	152,815	-	152,815	130,302
Airport	10,314	-	10,314	4,804
Street	621,203	-	621,203	511,275
Animal control	29,462	-	29,462	12,637
Recycling	20,299	-	20,299	17,834
Park	37,389	-	37,389	32,652
Building code enforcement	9,266	-	9,266	1,260
Economic development	7,500	-	7,500	5,000
Community center	12,854	-	12,854	11,464
Water and sewer	-	1,531,683	1,531,683	1,415,834
<b>TOTAL EXPENSES</b>	<b>1,659,138</b>	<b>1,531,683</b>	<b>3,190,821</b>	<b>2,896,457</b>
<b>INCREASE (DECREASE)</b>				
<b>    IN NET POSITION</b>	<b>\$ (59,574)</b>	<b>\$ (76,133)</b>	<b>\$ (135,707)</b>	<b>\$ 16,935</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BUFFALO, MISSOURI  
September 30, 2018**

***Governmental Activities***

Governmental activities decreased the net position of the City by \$59,574. Tax revenues for the City were \$1.46 million, which represents 94% of the financing of these activities. Program revenues for the functions totaled \$64,143, or 4% of the financing. The following table shows the cost of the City's eleven 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**

	Total Cost of Services	Net Cost of Services
Administrative	\$ 342,906	\$ 331,017
Law and safety	415,130	397,089
Fire	152,815	152,815
Airport	10,314	10,314
Street	621,203	613,181
Animal control	29,462	28,512
Recycling	20,299	14,096
Park	37,389	36,831
Building code enforcement	9,266	9,266
Economic development	7,500	7,500
Community center	12,854	(5,626)
	\$ 1,659,138	\$ 1,594,995

***Business-Type Activities***

Business-type activities decreased the City's net position by \$76,133.

***Financial Analysis of the City's Funds***

The combined fund balances of the City's governmental funds as of September 30, 2018, were \$1,779,902. The General Fund increased by \$31,780. The Transportation Fund decreased by \$93,256. The Capital Improvement Sales Tax Fund decreased by \$104,928.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BUFFALO, MISSOURI  
September 30, 2018**

***General Fund Budgetary Highlights***

The following schedule presents the budgeted activity and actual activity for the year ended September 30, 2018:

	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Taxes			
Ad valorem taxes, penalties and interest	\$ 142,500	\$ 142,500	\$ 145,481
Motor vehicle sales tax	115,000	115,000	124,663
Sales tax	640,000	640,000	731,922
Franchise taxes	80,000	80,000	91,098
Other taxes	26,000	26,000	25,648
	<u>1,003,500</u>	<u>1,003,500</u>	<u>1,118,812</u>
Licenses and Permits			
Business licenses and permits	9,400	9,400	11,889
Other	200	200	239
	<u>9,600</u>	<u>9,600</u>	<u>12,128</u>
Intergovernmental Revenues			
Grants	-	-	14,554
Charges for Services			
Fines and forfeitures	15,000	15,000	4,198
Recycling	7,000	7,000	6,203
Rental income	17,500	17,500	19,038
Park	500	500	-
Street	5,000	5,000	8,022
	<u>45,000</u>	<u>45,000</u>	<u>37,461</u>
Miscellaneous			
Interest	12,000	12,000	12,391
Other	1,400	1,400	21,488
	<u>13,400</u>	<u>13,400</u>	<u>33,879</u>
<b>TOTAL REVENUES</b>	<u>1,071,500</u>	<u>1,071,500</u>	<u>1,216,834</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF BUFFALO, MISSOURI  
September 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
Administrative	360,200	360,200	310,993
Law and safety	424,700	424,700	370,485
Fire	164,500	164,500	166,747
Airport	3,500	3,500	7,072
Street	245,000	245,000	266,944
Animal control	33,700	33,700	32,742
Recycling	21,500	21,500	16,802
Park	32,010	32,010	91,883
Building code enforcement	23,700	23,700	9,266
Economic development	7,500	7,500	7,500
Community center	12,500	12,500	8,620
<b>TOTAL EXPENDITURES</b>	<u>1,328,810</u>	<u>1,328,810</u>	<u>1,289,054</u>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (257,310)</u>	<u>\$ (257,310)</u>	<u>\$ (72,220)</u>

***Capital Assets and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$3.52 million (net of accumulated depreciation) as of September 30, 2018. Capital assets for business-type activities were \$6.50 million (net of accumulated depreciation) as of September 30, 2018.

**Debt**

Total long-term debt of the business-type activities as of September 30, 2018, was \$3,035,492, which is a decrease from the prior year of \$264,549. The City paid \$260,000 of principal on the Series 2000 and 2007 Combined Waterworks and Sewerage System Revenue Bonds. The remaining \$4,549 decrease was from the amortization of bond premium.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF BUFFALO, MISSOURI**  
**September 30, 2018**

***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 revises the equipment replacement schedules to adjust for inflation and feel the schedule more accurately reflect the future anticipated cost of equipment replacement. 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 have made modification to the employee compensation schedule but have kept it in place. This schedule seeks to provide for raises in a fair and equitable manner.

The City pool will be rehabilitated and constructions will be started on a sidewalk on Dallas Street thanks to a TAP grant that has been awarded from MODOT.

***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  
dpolston@buffalomissouri.us

Brandon Kenall, Mayor  
Debby Polston, City Treasurer  
Martha Swearingin, City Clerk

CITY OF BUFFALO, MISSOURI  
STATEMENT OF NET POSITION  
September 30, 2018

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current			
Cash and cash equivalents - unrestricted	\$ 847,998	\$ 406,325	\$ 1,254,323
Ad valorem taxes receivable, net	12,926	-	12,926
Sales taxes receivable	154,617	-	154,617
Utilities receivable, net	-	180,389	180,389
Intergovernmental grant receivable	6,550	-	6,550
Other accounts receivable	14,666	15,101	29,767
Prepaid insurance	17,000	-	17,000
Noncurrent			
Restricted cash and cash equivalents	809,013	828,081	1,637,094
Restricted investments	-	300,914	300,914
Net pension asset	431,258	59,240	490,498
Capital assets:			
Non-depreciable	-	130,735	130,735
Depreciable, net	3,516,796	6,373,939	9,890,735
TOTAL ASSETS	<u>5,810,824</u>	<u>8,294,724</u>	<u>14,105,548</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred pension outflows	34,016	14,338	48,354

See accompanying notes

CITY OF BUFFALO, MISSOURI  
STATEMENT OF NET POSITION (continued)  
September 30, 2018

LIABILITIES	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current			
Accounts payable	47,971	72,708	120,679
Accrued expenses	17,586	12,488	30,074
Other accounts payable	17,311	-	17,311
Accrued interest payable	-	28,694	28,694
Primacy fee payable	-	725	725
Arbitrage payable	-	19,011	19,011
Meter deposits payable	-	67,372	67,372
Current maturities of long-term debt	-	270,000	270,000
	<u>82,868</u>	<u>470,998</u>	<u>553,866</u>
Noncurrent			
Compensated absences payable	31,450	-	31,450
Revenue bonds payable, net	-	2,215,492	2,215,492
Capital lease payable	-	550,000	550,000
	<u>31,450</u>	<u>2,765,492</u>	<u>2,796,942</u>
TOTAL LIABILITIES	114,318	3,236,490	3,350,808
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>185,393</u>	<u>94,548</u>	<u>279,941</u>
NET POSITION			
Net investment in capital assets	3,516,796	4,007,624	7,524,420
Restricted	1,267,564	504,122	1,771,686
Unrestricted	760,769	466,278	1,227,047
TOTAL NET POSITION	<u>\$ 5,545,129</u>	<u>\$ 4,978,024</u>	<u>\$ 10,523,153</u>

See accompanying notes

CITY OF BUFFALO, MISSOURI  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2018

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	\$ (342,906)	\$ 11,889	\$ -	\$ (331,017)	\$ -	\$ (331,017)
Law and safety	(415,130)	3,487	14,554	(397,089)	-	(397,089)
Fire	(152,815)	-	-	(152,815)	-	(152,815)
Airport	(10,314)	-	-	(10,314)	-	(10,314)
Street	(621,203)	8,022	-	(613,181)	-	(613,181)
Animal control	(29,462)	950	-	(28,512)	-	(28,512)
Recycling	(20,299)	6,203	-	(14,096)	-	(14,096)
Park	(37,389)	558	-	(36,831)	-	(36,831)
Building code enforcement	(9,266)	-	-	(9,266)	-	(9,266)
Economic development	(7,500)	-	-	(7,500)	-	(7,500)
Community center	(12,854)	18,480	-	5,626	-	5,626
TOTAL GOVERNMENTAL ACTIVITIES	(1,659,138)	49,589	14,554	(1,594,995)	-	(1,594,995)
Business-Type Activities						
Water and sewer	(1,531,683)	1,373,236	26,000	-	(132,447)	(132,447)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,531,683)	1,373,236	26,000	-	(132,447)	(132,447)
TOTAL GOVERNMENT	\$ (3,190,821)	\$ 1,422,825	\$ 40,554	(1,594,995)	(132,447)	(1,727,442)
General Revenues:						
Ad valorem taxes				145,481	-	145,481
Sales taxes				1,072,481	-	1,072,481
Motor vehicle and gas taxes				124,663	-	124,663
Other taxes				25,648	-	25,648
Franchise fees				91,099	-	91,099
Interest				12,391	95,617	108,008
Other revenue				21,658	2,697	24,355
Transfers				42,000	(42,000)	-
Total General Revenues and Transfers				1,535,421	56,314	1,591,735
Changes in Net Position				(59,574)	(76,133)	(135,707)
Net Position, Beginning of year				5,604,703	5,054,157	10,658,860
Net Position, End of year				\$ 5,545,129	\$ 4,978,024	\$ 10,523,153

See accompanying notes

CITY OF BUFFALO, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
September 30, 2018

	<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>	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 436,434	\$ -	\$ 411,564	\$ 847,998
Ad valorem taxes receivable, net	12,926	-	-	12,926
Sales taxes receivable	105,550	49,062	5	154,617
Intergovernmental grant receivable	6,550	-	-	6,550
Other accounts receivable	14,666	-	-	14,666
Prepaid insurance	17,000	-	-	17,000
Restricted cash and cash equivalents	122,429	686,584	-	809,013
<b>TOTAL ASSETS</b>	<b>\$ 715,555</b>	<b>\$ 735,646</b>	<b>\$ 411,569</b>	<b>\$ 1,862,770</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 47,433	\$ 538	\$ -	\$ 47,971
Accrued expenses	16,044	1,542	-	17,586
Other accounts payable	17,311	-	-	17,311
<b>TOTAL LIABILITIES</b>	<b>80,788</b>	<b>2,080</b>	<b>-</b>	<b>82,868</b>
<b>Fund Balances</b>				
<b>Nonspendable:</b>				
Prepaid items	17,000	-	-	17,000
<b>Restricted for:</b>				
Equipment replacement	122,429	166,003	-	288,432
Transportation	-	567,563	-	567,563
Capital improvements	-	-	411,569	411,569
Unassigned	495,338	-	-	495,338
<b>TOTAL FUND BALANCES</b>	<b>634,767</b>	<b>733,566</b>	<b>411,569</b>	<b>1,779,902</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 715,555</b>	<b>\$ 735,646</b>	<b>\$ 411,569</b>	<b>\$ 1,862,770</b>

See accompanying notes

CITY OF BUFFALO, MISSOURI  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
 NET POSITION  
 September 30, 2018

Fund balance - total governmental funds	\$ 1,779,902
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	6,560,870
Less accumulated depreciation	<u>(3,044,074)</u>
	3,516,796
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	431,258
Deferred outflows due to pension	34,016
Deferred inflows due to pension	<u>(185,393)</u>
	279,881
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(31,450)</u>
Net position of governmental activities	<u><u>\$ 5,545,129</u></u>

CITY OF BUFFALO, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended September 30, 2018

	Special Revenue Funds			Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Sales Tax Fund	
<b>REVENUES</b>				
Taxes	\$ 1,118,812	\$ 340,551	\$ 9	\$ 1,459,372
Licenses and permits	12,128	-	-	12,128
Intergovernmental revenues	14,554	-	-	14,554
Charges for services	37,461	-	-	37,461
Miscellaneous	33,879	-	170	34,049
TOTAL REVENUES	1,216,834	340,551	179	1,557,564
<b>EXPENDITURES</b>				
Current				
Administrative	310,993	-	99,077	410,070
Law and safety	370,485	-	2,980	373,465
Fire	166,747	-	3,050	169,797
Airport	7,072	-	-	7,072
Street	266,944	371,807	-	638,751
Animal control	32,742	-	-	32,742
Recycling	16,802	-	-	16,802
Park	91,883	-	-	91,883
Building code enforcement	9,266	-	-	9,266
Economic development	7,500	-	-	7,500
Community center	8,620	-	-	8,620
TOTAL EXPENDITURES	1,289,054	371,807	105,107	1,765,968
(DEFICIT) OF REVENUES OVER EXPENDITURES	(72,220)	(31,256)	(104,928)	(208,404)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	104,000	(62,000)	-	42,000
TOTAL OTHER FINANCING SOURCES (USES)	104,000	(62,000)	-	42,000
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>				
	31,780	(93,256)	(104,928)	(166,404)
FUND BALANCE, October 1	602,987	826,822	516,497	1,946,306
FUND BALANCE, September 30	\$ 634,767	\$ 733,566	\$ 411,569	\$ 1,779,902

See accompanying notes

CITY OF BUFFALO, MISSOURI  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended September 30, 2018

Net change in fund balances - total governmental funds \$ (166,404)

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	543,673
Depreciation	<u>(348,831)</u>
	194,842

Some expenditures reported in the governmental fund represent the use  
 of current financial resources and were recognized in the Statement of  
 Activities when incurred

Change in pension related costs	(86,296)
Change in compensated absences	<u>(1,716)</u>
	<u>(88,012)</u>

Change in net position of governmental activities	<u><u>\$ (59,574)</u></u>
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CITY OF BUFFALO, MISSOURI  
STATEMENT OF NET POSITION – ENTERPRISE FUND  
September 30, 2018

	<u>Utility Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 406,325
Utilities receivable, net	180,389
Other receivables	<u>15,101</u>
TOTAL CURRENT ASSETS	601,815
Noncurrent Assets	
Net pension asset	<u>59,240</u>
TOTAL NONCURRENT ASSETS	59,240
Restricted Assets	
Restricted cash and cash equivalents	828,081
Restricted investments	<u>300,914</u>
TOTAL RESTRICTED ASSETS	1,128,995
Capital Assets	
Non-depreciable assets	130,735
Depreciable assets	12,418,814
Less accumulated depreciation	<u>(6,044,875)</u>
TOTAL CAPITAL ASSETS	<u>6,504,674</u>
TOTAL ASSETS	8,294,724
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	<u>14,338</u>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u><u>\$ 8,309,062</u></u>

See accompanying notes

CITY OF BUFFALO, MISSOURI  
STATEMENT OF NET POSITION – ENTERPRISE FUND (continued)  
September 30, 2018

	<u>Utility Fund</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 72,708
Accrued expenses	12,488
Accrued interest payable	28,694
Primacy fee payable	725
Arbitrage payable	19,011
Meter deposits payable	67,372
Current maturities of long-term debt	<u>270,000</u>
TOTAL CURRENT LIABILITIES	470,998
Long-Term Liabilities	
Revenue bonds payable, net	2,215,492
Capital lease payable	<u>550,000</u>
TOTAL LONG-TERM LIABILITIES	<u>2,765,492</u>
TOTAL LIABILITIES	3,236,490
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred pension inflows	94,548
<b>NET POSITION</b>	
Net investment in capital assets	4,007,624
Restricted	504,122
Unrestricted	<u>466,278</u>
TOTAL NET POSITION	<u>4,978,024</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION	<u>\$ 8,309,062</u>

See accompanying notes

CITY OF BUFFALO, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND  
Year Ended September 30, 2018

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,373,236
TOTAL OPERATING REVENUES	<u>1,373,236</u>
OPERATING EXPENSES	
Salaries and wages	179,327
Employee benefits	139,836
Materials and supplies	46,504
Trash collection	390,578
Repairs and maintenance	89,115
Telephone and utilities	137,894
Travel, meetings, and dues	1,215
Depreciation	393,360
TOTAL OPERATING EXPENSES	<u>1,377,829</u>
OPERATING (LOSS)	(4,593)
NONOPERATING REVENUES (EXPENSES)	
Interest income	95,617
Grants and contributions	26,000
Other revenue	2,697
Interest expense and fees	(153,854)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(29,540)</u>
OPERATING TRANSFERS (OUT)	
Transfers (out)	(42,000)
NET (LOSS)	<u>(76,133)</u>
NET POSITION, October 1	<u>5,054,157</u>
NET POSITION, September 30	<u><u>\$ 4,978,024</u></u>

See accompanying notes

CITY OF BUFFALO, MISSOURI  
STATEMENT OF CASH FLOWS – ENTERPRISE FUND  
Year Ended September 30, 2018

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,354,416
Cash paid to employees	(253,239)
Cash paid to suppliers	(654,384)
Other cash received for nonoperating revenues	<u>2,697</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	449,490
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers (to) other funds	<u>(42,000)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(42,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(159,266)
Payment of principal on long-term debt	(260,000)
Payment of interest expense and fees	(161,218)
Proceeds from capital grants	<u>26,000</u>
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(554,484)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	95,617
(Purchase) of investments	<u>(9,577)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>86,040</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(60,954)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>1,295,360</u>
CASH AND CASH EQUIVALENTS, End of year	1,234,406
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>828,081</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u><u>\$ 406,325</u></u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (4,593)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:	
Depreciation	393,360
(Increase) decrease in:	
Utilities receivable	(5,989)
Other receivable	(14,669)
Net pension asset	(28,726)
Deferred pension outflows	28,122
Increase (decrease) in:	
Accounts payable	12,598
Accrued expenses	(2,349)
Primacy fee payable	(1,591)
Meter deposits payable	1,838
Arbitrage payable	(85)
Deferred pension inflows	68,877
Other cash received for nonoperating revenues	<u>2,697</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 449,490</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.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Assigned and Unassigned Fund Balances

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 earn vacation and comp time based on the number of years of service to the City. Outstanding vacation and comp time is payable upon termination of employment. 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, 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.

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 nonoperating.

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 of 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 net 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.

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 and privileges provided and 2) 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.

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

Level 1 – Inputs using quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs using significant other observable inputs including quoted prices for similar assets or liabilities

Level 3 – Inputs are significant unobservable inputs

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, 2018, all bank balances on deposit were entirely insured or collateralized.

NOTE C – INVESTMENTS

The City has the following investments as of September 30, 2018, which are not subject to the fair value hierarchy as discussed in Note A:

Investment Type	Maturity	Not Subject to Fair Value
Certificates of Deposit	2/1/2019	\$ 251,912
Guaranteed Investment Contracts:		
Natixis Funding Corporation	7/1/2021	26,502
Mass Mutual Repayment	7/1/2021	22,500
		\$ 300,914

CITY OF BUFFALO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE C – INVESTMENTS (continued)

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, 2018, all Certificates of Deposit are entirely insured or collateralized with securities.

Natixis Funding Corporation

The City has Natixis Funding Corporation funds on deposit with United Missouri Bank. 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.

Mass Mutual Repayment

The City has Mass Mutual Repayment funds on deposit with United Missouri Bank. 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.

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

General Fund

Cash and cash equivalents and fund balance/net position has been restricted in the amount of \$122,429 for equipment replacement.

Transportation Fund

Cash and cash equivalents have been restricted in the amount of \$686,584, and fund balance/net position is also restricted in the amount of \$733,566 for transportation expenditures.

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE D – RESTRICTED ASSETS (continued)

Capital Improvement Sales Tax Fund

Fund balance/net position has been restricted in the amount of \$411,569 for sales tax revenue restricted for capital improvements.

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, 2018, the City has made the required deposits.

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
2000 Revenue Bonds		
Principal and Interest	\$ 49,002	\$ 49,002
Arbitrage	14,926	-
2007 Revenue Bonds		
Principal and Interest	148,940	148,940
Arbitrage	4,133	-
Water and Sewer System Replacement Reserves	251,912	251,912
Water Tower Lease Proceeds	538,442	-
Customer Deposits	67,372	-
Equipment Replacement	54,268	54,268
	<u>\$ 1,128,995</u>	<u>\$ 504,122</u>

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
<b>General Fund</b>			
Taxes receivable	\$ 12,926	\$ -	\$ 12,926
Sales tax receivable	105,550	-	105,550
Intergovernmental grant receivable	6,550	-	6,550
Other receivable	14,666	-	14,666
	<u>\$ 139,692</u>	<u>\$ -</u>	<u>\$ 139,692</u>
<b>Transportation Fund</b>			
Sales tax receivable	<u>\$ 49,062</u>	<u>\$ -</u>	<u>\$ 49,062</u>
<b>Capital Improvement Sales Tax Fund</b>			
Sales tax receivable	<u>\$ 5</u>	<u>\$ -</u>	<u>\$ 5</u>
<b>Utility Fund</b>			
Utilities receivable	\$ 186,441	\$ 6,052	\$ 180,389
Other receivable	15,101	-	15,101
	<u>\$ 201,542</u>	<u>\$ 6,052</u>	<u>\$ 195,490</u>

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>2017</u>
Assessed Valuation	<u>\$ 31,455,164</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$ .5705</u>

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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

The legal debt margin at September 30, 2018, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,145,516	\$ 3,145,516	\$ 6,291,033
LEGAL DEBT MARGIN	<u>\$ 3,145,516</u>	<u>\$ 3,145,516</u>	<u>\$ 6,291,033</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, 2018, consist of two revenue bond issues and one capital lease.

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, 2018, are due as follows:

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

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

Year Ended September 30,	Principal	Interest	Total
2019	\$ 85,000	\$ 8,490	\$ 93,490
2020	85,000	4,285	89,285
	<u>\$ 170,000</u>	<u>\$ 12,775</u>	<u>\$ 182,775</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 2019 to 2020 by \$10,000.

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, 2018, are as follows:

Year Ended September 30,	Principal	Interest	Total
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>\$ 2,270,000</u>	<u>\$ 620,762</u>	<u>\$ 2,890,762</u>

CITY OF BUFFALO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

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

The water and sewer equipment lease, Series 2017, was issued in the principal amount of \$550,000 for the purpose of purchasing a 250,000-gallon elevated water storage tank. The Series 2017 equipment lease purchase bears interest at 3.47% with principal and interest payments due September 1 of each year. The lease outstanding at September 30, 2018 is due as follows:

Year Ended September 30,	Principal	Interest	Total
2019	\$ -	\$ 19,085	\$ 19,085
2020	-	19,085	19,085
2021	45,000	19,085	64,085
2022	45,000	17,523	62,523
2023	45,000	15,962	60,962
2024	45,000	14,401	59,401
2025	50,000	12,839	62,839
2026	50,000	11,104	61,104
2027	50,000	9,369	59,369
2028	55,000	7,634	62,634
2029	55,000	5,726	60,726
2030	55,000	3,817	58,817
2031	55,000	1,908	56,908
	<u>\$ 550,000</u>	<u>\$ 157,538</u>	<u>\$ 707,538</u>

A summary of changes in long-term debt – business-type activities for the year ended September 30, 2018, is as follows:

	Balance September 30, 2017	Additions	Retirements	Balance September 30, 2018	Current Portion
Revenue Bonds					
2000 Series	\$ 250,000	\$ -	\$ 80,000	\$ 170,000	\$ 85,000
2007 Series	2,450,000	-	180,000	2,270,000	185,000
	2,700,000	-	260,000	2,440,000	270,000
Premium on bonds	50,041	-	4,549	45,492	-
	2,750,041	-	264,549	2,485,492	270,000
Capital Lease Obligation	550,000	-	-	550,000	-
TOTAL	<u>\$ 3,300,041</u>	<u>\$ -</u>	<u>\$ 264,549</u>	<u>\$ 3,035,492</u>	<u>\$ 270,000</u>

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance September 30, 2017	Additions	Deletions	Balance September 30, 2018
Governmental Activities				
Depreciable Capital Assets				
Building and improvements	\$ 788,594	\$ 163,742	\$ -	\$ 952,336
Machinery and equipment	1,393,329	122,602	62,783	1,453,148
Infrastructure	3,898,057	257,329	-	4,155,386
Total Depreciable Capital Assets	6,079,980	<u>\$ 543,673</u>	<u>\$ 62,783</u>	6,560,870
Less Accumulated Depreciation				
Building and improvements	308,828	\$ 31,951	\$ -	340,779
Machinery and equipment	993,615	109,112	62,783	1,039,944
Infrastructure	1,455,583	207,768	-	1,663,351
Total Accumulated Depreciation	2,758,026	<u>\$ 348,831</u>	<u>\$ 62,783</u>	3,044,074
Total Governmental Activities Capital Assets	<u>\$ 3,321,954</u>			<u>\$ 3,516,796</u>

Depreciation expense was charged to functions as follows:

Administrative	\$ 18,294
Law and safety	36,681
Fire	34,885
Airport	3,242
Street	232,646
Animal control	727
Park	16,355
Community center	4,234
Recycling	1,767
	<u>\$ 348,831</u>

CITY OF BUFFALO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE H – CAPITAL ASSETS (continued)

	September 30, 2017	Additions	Deletions	September 30, 2018
Water and Sewer				
Non-depreciable capital assets				
Land	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in progress	58,779	30,000	8,279	80,500
Total Non-Depreciable Capital Assets	109,014	<u>\$ 30,000</u>	<u>\$ 8,279</u>	130,735
Depreciable capital assets				
Land improvements	30,222	\$ -	\$ -	30,222
Water lines & trunks	2,579,262	79,550	-	2,658,812
Sewer lines & plant	9,366,430	-	-	9,366,430
Major moveable equipment	305,355	57,995	-	363,350
Total Depreciable Capital Assets	12,281,269	<u>\$ 137,545</u>	<u>\$ -</u>	12,418,814
Less accumulated depreciation				
Land improvements	16,155	\$ 2,221	\$ -	18,376
Water lines & trunks	1,260,048	137,180	-	1,397,228
Sewer lines & plant	4,152,984	229,629	-	4,382,613
Major moveable equipment	222,328	24,330	-	246,658
Total Accumulated Depreciation	5,651,515	<u>\$ 393,360</u>	<u>\$ -</u>	6,044,875
Depreciable Capital Assets, net	<u>6,629,754</u>			<u>6,373,939</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 6,738,768</u>			<u>\$ 6,504,674</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](http://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><b>2018 Valuation</b></u>
Benefit Multiplier	1.50% for life
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, 2018, 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	9	6	-
Inactive employees entitled to but not yet receiving benefits	3	10	-
Active employees	<u>14</u>	<u>5</u>	<u>1</u>
	<u><u>26</u></u>	<u><u>21</u></u>	<u><u>1</u></u>

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 contribute 4% of their gross pay to the pension plan. Employer contribution rates are 6.1% for General, .6% for Police, and 6.7% for Fire of annual covered payroll.

**Net Pension Asset.** The employer’s net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2018.

**Actuarial Assumptions.** The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation for General and Police Divisions
Salary Increase	3.25% to 7.15% including wage inflation for Fire Division
Investment Rate of Return	7.25%, net of investment expenses

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

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

The actuarial assumptions used in the February 28, 2018, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 29, 2016.

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:

CITY OF BUFFALO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

**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**

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Pension</u>	<u>Net Pension (Asset)/Liability</u>
<b>General Division</b>	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
<b>Balance at beginning of year</b>	<u>\$ 1,688,242</u>	<u>\$ 1,758,714</u>	<u>\$ (70,472)</u>
<b>Changes for the year:</b>			
Service Cost	39,354	-	39,354
Interest	121,431	-	121,431
Difference between expected and actual experiences	(179,621)	-	(179,621)
Contributions - employer	-	26,669	(26,669)
Contributions - employee	-	17,139	(17,139)
Net investment income	-	210,722	(210,722)
Benefits paid, including refunds	(66,493)	(66,493)	-
Administrative expenses	-	(2,134)	2,134
Other changes	-	(197,918)	197,918
<b>Net Changes</b>	<u>(85,329)</u>	<u>(12,015)</u>	<u>(73,314)</u>
<b>Balance at end of year</b>	1,602,913	1,746,699	(143,786)

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
<b>Police Division</b>			
<b>Balance at beginning of year</b>	510,723	777,868	(267,145)
<b>Changes for the year:</b>			
Service Cost	20,068	-	20,068
Interest	36,551	-	36,551
Difference between expected and actual experiences	(1,407)	-	(1,407)
Contributions - employer	-	874	(874)
Contributions - employee	-	7,137	(7,137)
Net investment income	-	92,486	(92,486)
Benefits paid, including refunds	(33,458)	(33,458)	-
Administrative expenses	-	(1,280)	1,280
Other changes	-	5,310	(5,310)
<b>Net Changes</b>	21,754	71,069	(49,315)
<b>Balance at end of year</b>	532,477	848,937	(316,460)

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
<b>Fire Division</b>			
<b>Balance at beginning of year</b>	-	28,321	(28,321)
<b>Changes for the year:</b>			
Service Cost	1,048	-	1,048
Interest	37	-	37
Difference between expected and actual experiences	3,324	-	3,324
Contributions - employer	-	1,683	(1,683)
Contributions - employee	-	1,028	(1,028)
Net investment income	-	3,618	(3,618)
Administrative expenses	-	(85)	85
Other changes	-	96	(96)
<b>Net Changes</b>	<b>4,409</b>	<b>6,340</b>	<b>(1,931)</b>
<b>Balance at end of year</b>	<b>4,409</b>	<b>34,661</b>	<b>(30,252)</b>
<b>Total Plan Balances at end of year</b>	<b>\$ 2,139,799</b>	<b>\$ 2,630,297</b>	<b>\$ (490,498)</b>

The Net Pension (Asset) is allocated as follows:

<b>Governmental Activities</b>	\$ (431,258)
<b>Business-Type Activities</b>	(59,240)
	<u>\$ (490,498)</u>

CITY OF BUFFALO, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
September 30, 2018

NOTE I – EMPLOYEE PLAN (continued)

*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%
<b>General Division</b>			
Total Pension Liability	\$ 1,867,981	\$ 1,602,913	\$ 1,389,176
Fiduciary Net Position	1,746,699	1,746,699	1,746,699
Net Pension Liability/(Asset)	121,282	(143,786)	(357,523)
<b>Police Division</b>			
Total Pension Liability	616,252	532,477	466,203
Fiduciary Net Position	848,937	848,937	848,937
Net Pension (Asset)	(232,685)	(316,460)	(382,734)
<b>Fire Division</b>			
Total Pension Liability	5,770	4,409	3,413
Fiduciary Net Position	34,661	34,661	34,661
Net Pension (Asset)	(28,891)	(30,252)	(31,248)
<b>Total Net Pension (Asset)</b>	<b>\$ (140,294)</b>	<b>\$ (490,498)</b>	<b>\$ (771,505)</b>

NOTE I – EMPLOYEE PLAN (continued)

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

For the year ended 2018, the employer recognized pension expense of \$186,345 in the general division, pension expense of \$78 in the police division, and pension expense of (\$2,566) in the fire 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 Outflow (Inflow) of Resources
<b>General Division</b>			
Differences in experiences	\$ 4,506	\$ (179,981)	\$ (175,475)
Differences in assumptions	23,399	-	23,399
Excess (deficit) investment returns	-	(49,505)	(49,505)
Contributions subsequent to the measurement date	6,896	-	6,896
<b>Total General Division</b>	34,801	(229,486)	(194,685)
<b>Police Division</b>			
Differences in experiences	5,317	(3,690)	1,627
Differences in assumptions	7,555	-	7,555
Excess (deficit) investment returns	-	(19,830)	(19,830)
Contributions subsequent to the measurement date	227	-	227
<b>Total Police Division</b>	13,099	(23,520)	(10,421)
<b>Fire Division</b>			
Differences in experiences	-	(26,112)	(26,112)
Differences in assumptions	-	-	-
Excess (deficit) investment returns	-	(823)	(823)
Contributions subsequent to the measurement date	454	-	454
<b>Total Fire Division</b>	454	(26,935)	(26,481)
<b>Total</b>	<b>\$ 48,354</b>	<b>\$ (279,941)</b>	<b>\$ (231,587)</b>

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE I – EMPLOYEE PLAN (continued)

Deferred outflows and inflows have been allocated as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Net Deferred (Inflows) of Resources</u>
<b>Governmental Activities</b>	\$ 34,016	\$ (185,393)	\$ (151,377)
<b>Business-Type Activities</b>	14,338	(94,548)	(80,210)
	<u>\$ 48,354</u>	<u>\$ (279,941)</u>	<u>\$ (231,587)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition in the Net Pension Asset for the year ending September 30, 2018.

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

<u>Year Ending September 30,</u>	<u>General Division Net Deferred (Inflows) of Resources</u>	<u>Police Division Net Deferred Outflows (Inflows) of Resources</u>	<u>Fire Division Net Deferred (Inflows) of Resources</u>
2019	\$ (37,777)	\$ 9,592	\$ (3,787)
2020	(43,280)	793	(4,073)
2021	(66,143)	(13,664)	(4,461)
2022	(54,095)	(7,369)	(4,222)
2023	(286)	-	(3,930)
Thereafter	-	-	(6,462)
	<u>\$ (201,581)</u>	<u>\$ (10,648)</u>	<u>\$ (26,935)</u>

**Payable to the Pension Plan**

At September 30, 2018, the City had no outstanding contributions reported as payable to the pension plan.

CITY OF BUFFALO, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2018

NOTE J – 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 K – 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, 2018, 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 L – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended September 30, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 104,000	\$ -
Utility Fund	-	42,000
Transportation Fund	-	62,000
	<u>\$ 104,000</u>	<u>\$ 104,000</u>

The City transfers from the Utility Fund to finance general government operations that relate to administration of the water and sewer system. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them.

NOTE M – SUBSEQUENT EVENT

On November 29, 2018, the City entered into a contract with Mid-America Pool Renovation, Inc. in the amount of \$283,835.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF BUFFALO, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS  
Year Ended September 30, 2018

**Missouri Local Government Employees Retirement System (LAGERS)**

	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY</b>				
Service Cost	\$ 60,470	\$ 52,215	\$ 54,164	\$ 56,738
Interest on the Total Pension Liability	158,019	148,948	142,008	142,685
Difference between expected and actual experience	(177,704)	19,092	(67,906)	(97,386)
Changes of Assumptions	-	-	75,453	-
Benefit Payments	(99,951)	(98,465)	(115,303)	(105,084)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	(59,166)	121,790	88,416	(3,047)
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<u>2,198,965</u>	<u>2,077,175</u>	<u>1,988,759</u>	<u>1,991,806</u>
<b>TOTAL PENSION LIABILITY, ENDING</b>	<u>2,139,799</u>	<u>2,198,965</u>	<u>2,077,175</u>	<u>1,988,759</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	29,226	28,318	26,954	27,406
Contributions - employee	25,304	23,256	21,019	24,096
Pension Plan Net Investment Income	306,826	270,657	(3,244)	45,099
Benefit Payments	(99,951)	(98,465)	(115,303)	(105,084)
Pension Plan Administrative Expense	(3,499)	(3,539)	(3,280)	(3,914)
Other	(192,512)	14,538	36,039	(88,619)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	65,394	234,765	(37,815)	(101,016)
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<u>2,564,903</u>	<u>2,330,138</u>	<u>2,367,953</u>	<u>2,468,969</u>
<b>PLAN FIDUCIARY NET POSITION, ENDING</b>	<u>2,630,297</u>	<u>2,564,903</u>	<u>2,330,138</u>	<u>2,367,953</u>
<b>EMPLOYER NET PENSION (ASSET)</b>	<u>\$ (490,498)</u>	<u>\$ (365,938)</u>	<u>\$ (252,963)</u>	<u>\$ (379,194)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.92%	116.64%	112.18%	119.07%
Covered employee payroll	\$ 613,590	\$ 606,377	\$ 497,960	\$ 584,952
Employer's net pension asset as a percentage of covered employee payroll	(79.94%)	(60.35%)	(50.80%)	(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, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 29,290	\$ 27,775	\$ 30,474	\$ 26,792	\$ 32,839	\$ 39,911	\$ 31,474	\$ 29,090	\$ 12,738	\$ 11,091
Contributions in relation to the actuarially determined contribution	29,290	27,775	27,882	26,792	29,778	29,641	22,294	17,615	12,738	11,091
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,592</u>	<u>\$ -</u>	<u>\$ 3,061</u>	<u>\$ 10,270</u>	<u>\$ 9,180</u>	<u>\$ 11,475</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 638,545	\$ 600,545	\$ 514,654	\$ 590,940	\$ 612,984	\$ 709,907	\$ 655,675	\$ 653,706	\$ 631,408	\$ 612,958
Contributions as a percentage of covered-employee payroll	4.59%	4.62%	5.42%	4.53%	4.86%	4.18%	3.40%	2.69%	2.02%	1.81%

See accompanying notes to the required schedules.

CITY OF BUFFALO, MISSOURI  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
Year Ended September 30, 2018

NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:** February 28, 2018.

**Notes:** The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, reflects expected service cost and interest reduced by actual benefit payments.

**Methods and Assumptions Used to Determine Contribution Rates**

*Actuarial Cost Method* – Entry Age Normal and Modified Terminal Funding

*Amortization Method* – Level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period, or (ii) 15 years.

*Remaining Amortization Period* – 15 years

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

*Inflation* – 3.25% wage inflation; 2.50% price inflation

*Salary Increases* – 3.25% to 6.55% including wage inflation for the General and Police Division.  
3.25% to 7.15% including wage inflation for the Fire Division.

*Investment Rate of Return* – 7.25%, net of investment

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

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

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

*Other Information* – None.

CITY OF BUFFALO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
<b>REVENUES</b>				
Taxes				
Ad valorem taxes, penalties and interest	\$ 142,500	\$ 142,500	\$ 145,481	\$ 2,981
Motor vehicle sales tax	115,000	115,000	124,663	9,663
Sales tax	640,000	640,000	731,922	91,922
Franchise taxes	80,000	80,000	91,098	11,098
Other taxes	26,000	26,000	25,648	(352)
	<u>1,003,500</u>	<u>1,003,500</u>	<u>1,118,812</u>	<u>115,312</u>
Licenses and Permits				
Business licenses and permits	9,400	9,400	11,889	2,489
Other	200	200	239	39
	<u>9,600</u>	<u>9,600</u>	<u>12,128</u>	<u>2,528</u>
Intergovernmental Revenues				
Grants	-	-	14,554	14,554
Charges for Services				
Fines and forfeitures	15,000	15,000	4,198	(10,802)
Recycling	7,000	7,000	6,203	(797)
Rental income	17,500	17,500	19,038	1,538
Park	500	500	-	(500)
Street	5,000	5,000	8,022	3,022
	<u>45,000</u>	<u>45,000</u>	<u>37,461</u>	<u>(7,539)</u>
Miscellaneous				
Interest	12,000	12,000	12,391	391
Other	1,400	1,400	21,488	20,088
	<u>13,400</u>	<u>13,400</u>	<u>33,879</u>	<u>20,479</u>
<b>TOTAL REVENUES</b>	<u>1,071,500</u>	<u>1,071,500</u>	<u>1,216,834</u>	<u>145,334</u>
<b>EXPENDITURES</b>				
Current				
Administrative	360,200	360,200	310,993	49,207
Law and safety	424,700	424,700	370,485	54,215
Fire	164,500	164,500	166,747	(2,247)
Airport	3,500	3,500	7,072	(3,572)
Street	245,000	245,000	266,944	(21,944)
Animal control	33,700	33,700	32,742	958
Recycling	21,500	21,500	16,802	4,698
Park	32,010	32,010	91,883	(59,873)
Building code enforcement	23,700	23,700	9,266	14,434
Economic development	7,500	7,500	7,500	-
Community center	12,500	12,500	8,620	3,880
<b>TOTAL EXPENDITURES</b>	<u>1,328,810</u>	<u>1,328,810</u>	<u>1,289,054</u>	<u>39,756</u>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<u>(257,310)</u>	<u>(257,310)</u>	<u>(72,220)</u>	<u>185,090</u>
<b>OTHER FINANCING SOURCES</b>				
Transfer in	<u>42,000</u>	<u>42,000</u>	<u>104,000</u>	<u>62,000</u>
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>42,000</u>	<u>42,000</u>	<u>104,000</u>	<u>62,000</u>
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<u>(215,310)</u>	<u>(215,310)</u>	<u>31,780</u>	<u>247,090</u>
FUND BALANCE, October 1	<u>350,000</u>	<u>350,000</u>	<u>602,987</u>	<u>252,987</u>
FUND BALANCE, September 30	<u>\$ 134,690</u>	<u>\$ 134,690</u>	<u>\$ 634,767</u>	<u>\$ 500,077</u>

CITY OF BUFFALO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Sales taxes	\$ 320,000	\$ 320,000	\$ 340,551	\$ 20,551
TOTAL REVENUES	320,000	320,000	340,551	20,551
EXPENDITURES				
Street	547,667	422,000	371,807	50,193
TOTAL EXPENDITURES	547,667	422,000	371,807	50,193
(DEFICIT) OF REVENUES OVER EXPENDITURES	(227,667)	(102,000)	(31,256)	70,744
OTHER FINANCING (USES)				
Transfer (out)	-	-	(62,000)	62,000
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(227,667)	(102,000)	(93,256)	132,744
FUND BALANCE, October 1	500,000	500,000	826,822	326,822
FUND BALANCE, September 30	\$ 272,333	\$ 398,000	\$ 733,566	\$ 459,566

CITY OF BUFFALO, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND  
 Year Ended September 30, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
<b>REVENUES</b>				
Taxes				
Sales taxes	\$ -	\$ -	\$ 9	\$ 9
Miscellaneous				
Other	-	-	170	170
TOTAL REVENUES	-	-	179	179
<b>EXPENDITURES</b>				
Administration	84,000	106,000	99,077	6,923
Law and safety	-	-	2,980	(2,980)
Fire	-	-	3,050	(3,050)
TOTAL EXPENDITURES	84,000	106,000	105,107	893
(DEFICIT) OF REVENUES OVER EXPENDITURES	(84,000)	(106,000)	(104,928)	1,072
FUND BALANCE, October 1	504,807	517,563	516,497	(1,066)
FUND BALANCE, September 30	<u>\$ 420,807</u>	<u>\$ 411,563</u>	<u>\$ 411,569</u>	<u>\$ 6</u>

CITY OF BUFFALO, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
September 30, 2018

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 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 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, 2018, 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 January 25, 2019.

**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.

*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.

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

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 over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2018-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Buffalo, 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 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  
January 25, 2019

CITY OF BUFFALO, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended September 30, 2018

MATERIAL WEAKNESS

2018-001 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.