

CITY OF BUFFALO, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended September 30, 2017

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Buffalo, Missouri, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Buffalo, Missouri, as of September 30, 2017, 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 February 1, 2018, 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
February 1, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017

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, 2017. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The City's governmental fund balances increased \$29,330, of which only \$602,987 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 increased by \$23,537. The City's net position of business activities (water/sewer fund) decreased by \$6,602 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, 2017, by \$10.66 million (net position). Of this amount \$1,421,222 was unrestricted and may be used to meet future obligations of the City. The balance of the capital improvement sales tax fund is \$516,497 and is at the end of its three years. The Mayor and Board of Alderman are still weighing the options of projects that have been proposed to spend the rest of the sales tax revenue.
- The long-term liabilities increased by \$312,081 during the year, primarily due to the issuance of a new water tower capital lease in the amount of \$550,000.

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, 2017

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, 2017**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of September 30, 2017 and 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total September 30, 2017</u>	<u>Total September 30, 2016</u>
ASSETS				
Current and other assets	\$ 2,341,590	\$ 1,792,043	\$ 4,133,633	\$ 3,412,656
Capital assets	3,321,954	6,738,768	10,060,722	10,326,703
TOTAL ASSETS	5,663,544	8,530,811	14,194,355	13,739,359
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources	98,846	42,460	141,306	286,195
LIABILITIES				
Long-term liabilities outstanding	29,734	3,040,041	3,069,775	2,757,694
Other liabilities	59,860	453,402	513,262	503,499
TOTAL LIABILITIES	89,594	3,493,443	3,583,037	3,261,193
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources	68,093	25,671	93,764	122,436
NET POSITION				
Net investment in capital assets	3,321,954	3,975,824	7,297,778	7,309,009
Restricted	1,433,036	506,824	1,939,860	1,967,013
Unrestricted	849,713	571,509	1,421,222	1,365,903
TOTAL NET POSITION	<u>\$ 5,604,703</u>	<u>\$ 5,054,157</u>	<u>\$ 10,658,860</u>	<u>\$ 10,641,925</u>

Total net position of the City increased by \$16,935 for the year due to current year activity.

Total liabilities for the City have increased by \$321,844. Restricted net position of the City totaled \$1,939,860 as of September 30, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended September 30, 2017	Total Year Ended September 30, 2016
REVENUES				
Program Revenues				
Charges for services	\$ 64,977	\$ 1,335,858	\$ 1,400,835	\$ 1,377,644
Capital grants and contributions	2,555	-	2,555	76,603
General Revenues				
Ad valorem taxes	142,161	-	142,161	149,665
Sales taxes	995,545	-	995,545	982,430
Motor vehicle and gas taxes	124,007	-	124,007	121,306
Other taxes	25,789	-	25,789	26,641
Franchise fees	80,866	-	80,866	77,890
Interest	8,356	100,048	108,404	112,290
Other revenue	17,904	15,326	33,230	41,587
Transfers	42,000	(42,000)	-	-
TOTAL REVENUES AND TRANSFERS	1,504,160	1,409,232	2,913,392	2,966,056
EXPENSES				
Administrative	312,542	-	312,542	249,731
Law and safety	440,853	-	440,853	398,788
Fire	130,302	-	130,302	120,538
Airport	4,804	-	4,804	19,712
Street	511,275	-	511,275	473,125
Animal control	12,637	-	12,637	10,279
Recycling	17,834	-	17,834	19,233
Park	32,652	-	32,652	20,217
Building code enforcement	1,260	-	1,260	1,240
Economic development	5,000	-	5,000	-
Community center	11,464	-	11,464	17,600
Water and sewer	-	1,415,834	1,415,834	1,379,153
TOTAL EXPENSES	1,480,623	1,415,834	2,896,457	2,709,616
INCREASE (DECREASE) IN NET POSITION	\$ 23,537	\$ (6,602)	\$ 16,935	\$ 256,440

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017**

Governmental Activities

Governmental activities increased the net position of the City by \$23,537. Tax revenues for the City were \$1.37 million, which represents 91% of the financing of these activities. Program revenues for the functions totaled \$67,532, 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	\$ 312,542	\$ 297,898
Law and safety	440,853	431,173
Fire	130,302	130,302
Airport	4,804	4,804
Street	511,275	505,609
Animal control	12,637	11,731
Recycling	17,834	5,316
Park	32,652	21,877
Building code enforcement	1,260	1,260
Economic development	5,000	5,000
Community center	11,464	(1,879)
	\$ 1,480,623	\$ 1,413,091

Business-Type Activities

Business-type activities decreased the City's net position by \$6,602.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of September 30, 2017, were \$1,946,306. The General Fund decreased by \$9,058. The Transportation Fund increased by \$43,805. The Capital Improvement Sales Tax Fund decreased by \$5,417.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017

General Fund Budgetary Highlights

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

- The original revenue budget of \$1,032,700 was amended to \$1,046,200 during the year.
- The original expenditures budget of \$1,164,600 was increased to \$1,294,610.

The following schedule presents the budgeted activity and actual activity for the year ended September 30, 2017:

	Original Budget	Final Budget	Actual
REVENUES			
Taxes			
Ad valorem taxes, penalties and interest	\$ 138,000	\$ 138,000	\$ 142,161
Motor vehicle sales tax	110,000	110,000	124,007
Sales tax	640,000	640,000	676,446
Franchise taxes	75,000	80,000	80,866
Other taxes	24,000	24,000	25,789
	987,000	992,000	1,049,269
Licenses and Permits			
Business licenses and permits	8,400	8,400	14,644
Other	200	200	188
	8,600	8,600	14,832
Intergovernmental Revenues			
Grants	-	-	2,555
Charges for Services			
Fines and forfeitures	15,000	15,000	7,843
Recycling	5,000	5,000	12,518
Rental income	6,700	6,700	24,117
Park	500	500	-
Street	5,000	5,000	5,666
	32,200	32,200	50,144
Miscellaneous			
Interest	3,500	3,500	8,227
Other	1,400	9,900	16,788
	4,900	13,400	25,015
TOTAL REVENUES	1,032,700	1,046,200	1,141,815

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
EXPENDITURES			
Current			
Administrative	313,400	329,400	323,475
Law and safety	401,700	401,700	355,240
Fire	122,500	209,500	210,939
Airport	3,000	3,000	1,562
Street	239,000	239,000	213,944
Animal control	19,400	19,400	13,061
Recycling	21,000	21,000	17,008
Park	23,000	50,010	44,154
Building code enforcement	6,100	6,100	1,260
Economic development	5,000	5,000	5,000
Community center	10,500	10,500	7,230
TOTAL EXPENDITURES	<u>1,164,600</u>	<u>1,294,610</u>	<u>1,192,873</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	<u>\$ (131,900)</u>	<u>\$ (248,410)</u>	<u>\$ (51,058)</u>

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$3.32 million (net of accumulated depreciation) as of September 30, 2017. Capital assets for business-type activities were \$6.74 million (net of accumulated depreciation) as of September 30, 2017.

Debt

Total long-term debt of the business-type activities as of September 30, 2017, was \$3,300,041, which is an increase from the prior year of \$285,451. The City paid \$260,000 of principal on the Series 2000 and 2007 Combined Waterworks and Sewerage System Revenue Bonds and entered into a capital lease purchase agreement with NBH Bank in the amount of \$550,000. The remaining \$4,549 decrease was from the amortization of bond premium.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF BUFFALO, MISSOURI
September 30, 2017**

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. In the coming year the police department has modified their structure and reduced staffing of police officer by one.

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

Contacting the City's Financial Management

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

City of Buffalo
115 S. Maple, PO Box 410
Buffalo, MO 65622
(417) 345-2701
dpolston@buffalomissouri.us

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

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION
September 30, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 951,602	\$ 458,147	\$ 1,409,749
Ad valorem taxes receivable, net	13,306	-	13,306
Sales taxes receivable	132,910	-	132,910
Utilities receivable, net	-	174,400	174,400
Other accounts receivable	14,426	432	14,858
Prepaid insurance	17,000	-	17,000
Noncurrent			
Restricted cash and cash equivalents	876,922	837,213	1,714,135
Restricted investments	-	291,337	291,337
Net pension asset	335,424	30,514	365,938
Capital assets:			
Non-depreciable	-	109,014	109,014
Depreciable, net	3,321,954	6,629,754	9,951,708
TOTAL ASSETS	5,663,544	8,530,811	14,194,355
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	98,846	42,460	141,306

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION (continued)
September 30, 2017

LIABILITIES	Governmental Activities	Business-Type Activities	Total
Current			
Accounts payable	30,354	60,110	90,464
Accrued expenses	13,600	14,837	28,437
Other accounts payable	15,906	-	15,906
Accrued interest payable	-	31,509	31,509
Primacy fee payable	-	2,316	2,316
Arbitrage payable	-	19,096	19,096
Meter deposits payable	-	65,534	65,534
Current maturities of long-term debt	-	260,000	260,000
	<u>59,860</u>	<u>453,402</u>	<u>513,262</u>
Noncurrent			
Compensated absences payable	29,734	-	29,734
Revenue bonds payable	-	2,490,041	2,490,041
Capital lease payable	-	550,000	550,000
	<u>29,734</u>	<u>3,040,041</u>	<u>3,069,775</u>
TOTAL LIABILITIES	89,594	3,493,443	3,583,037
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>68,093</u>	<u>25,671</u>	<u>93,764</u>
NET POSITION			
Net investment in capital assets	3,321,954	3,975,824	7,297,778
Restricted	1,433,036	506,824	1,939,860
Unrestricted	849,713	571,509	1,421,222
TOTAL NET POSITION	<u>\$ 5,604,703</u>	<u>\$ 5,054,157</u>	<u>\$ 10,658,860</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

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	\$ (312,542)	\$ 14,644	\$ -	\$ (297,898)	\$ -	\$ (297,898)
Law and safety	(440,853)	7,125	2,555	(431,173)	-	(431,173)
Fire	(130,302)	-	-	(130,302)	-	(130,302)
Airport	(4,804)	-	-	(4,804)	-	(4,804)
Street	(511,275)	5,666	-	(505,609)	-	(505,609)
Animal control	(12,637)	906	-	(11,731)	-	(11,731)
Recycling	(17,834)	12,518	-	(5,316)	-	(5,316)
Park	(32,652)	10,775	-	(21,877)	-	(21,877)
Building code enforcement	(1,260)	-	-	(1,260)	-	(1,260)
Economic development	(5,000)	-	-	(5,000)	-	(5,000)
Community center	(11,464)	13,343	-	1,879	-	1,879
TOTAL GOVERNMENTAL ACTIVITIES	(1,480,623)	64,977	2,555	(1,413,091)	-	(1,413,091)
Business-Type Activities						
Water and sewer	(1,415,834)	1,335,858	-	-	(79,976)	(79,976)
TOTAL BUSINESS-TYPE ACTIVITIES	(1,415,834)	1,335,858	-	-	(79,976)	(79,976)
TOTAL GOVERNMENT	\$ (2,896,457)	\$ 1,400,835	\$ 2,555	(1,413,091)	(79,976)	(1,493,067)
General Revenues:						
Ad valorem taxes				142,161	-	142,161
Sales taxes				995,545	-	995,545
Motor vehicle and gas taxes				124,007	-	124,007
Other taxes				25,789	-	25,789
Franchise fees				80,866	-	80,866
Interest				8,356	100,048	108,404
Other revenue				17,904	15,326	33,230
Transfers				42,000	(42,000)	-
Total General Revenues and Transfers				1,436,628	73,374	1,510,002
Changes in Net Position				23,537	(6,602)	16,935
Net Position, Beginning of year				5,581,166	5,060,759	10,641,925
Net Position, End of year				\$ 5,604,703	\$ 5,054,157	\$ 10,658,860

See accompanying notes.

CITY OF BUFFALO, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2017

	<u>Special Revenue Funds</u>			Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Sales Tax Fund	
ASSETS				
Cash and cash equivalents	\$ 435,117	\$ -	\$ 516,485	\$ 951,602
Ad valorem taxes receivable, net	13,306	-	-	13,306
Sales taxes receivable	90,424	42,474	12	132,910
Other accounts receivable	14,426	-	-	14,426
Prepaid insurance	17,000	-	-	17,000
Restricted cash and cash equivalents	89,717	787,205	-	876,922
TOTAL ASSETS	\$ 659,990	\$ 829,679	\$ 516,497	\$ 2,006,166
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,498	\$ 1,856	\$ -	\$ 30,354
Accrued expenses	12,599	1,001	-	13,600
Other accounts payable	15,906	-	-	15,906
TOTAL LIABILITIES	57,003	2,857	-	59,860
Fund Balances				
Nonspendable:				
Prepaid items	17,000	-	-	17,000
Restricted for:				
Equipment replacement	89,717	40,336	-	130,053
Transportation	-	786,486	-	786,486
Capital improvements	-	-	516,497	516,497
Unassigned	496,270	-	-	496,270
TOTAL FUND BALANCES	602,987	826,822	516,497	1,946,306
TOTAL LIABILITIES AND FUND BALANCES	\$ 659,990	\$ 829,679	\$ 516,497	\$ 2,006,166

See accompanying notes.

CITY OF BUFFALO, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
September 30, 2017

Fund balance - total governmental funds	\$ 1,946,306
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	6,079,980
Less accumulated depreciation	<u>(2,758,026)</u>
	3,321,954
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	335,424
Deferred outflows due to pension	98,846
Deferred inflows due to pension	<u>(68,093)</u>
	366,177
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(29,734)</u>
Net position of governmental activities	<u>\$ 5,604,703</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended September 30, 2017

	Special Revenue Funds			Total Governmental Funds
	General Fund	Transportation Fund	Capital Improvement Sales Tax Fund	
REVENUES				
Taxes	\$ 1,049,269	\$ 318,785	\$ 314	\$ 1,368,368
Licenses and permits	14,832	-	-	14,832
Intergovernmental revenues	2,555	-	-	2,555
Charges for services	50,144	-	-	50,144
Miscellaneous	25,015	156	1,090	26,261
TOTAL REVENUES	1,141,815	318,941	1,404	1,462,160
EXPENDITURES				
Current				
Administrative	323,475	-	6,173	329,648
Law and safety	355,240	-	-	355,240
Fire	210,939	-	-	210,939
Airport	1,562	-	-	1,562
Street	213,944	275,136	648	489,728
Animal control	13,061	-	-	13,061
Recycling	17,008	-	-	17,008
Park	44,154	-	-	44,154
Building code enforcement	1,260	-	-	1,260
Economic development	5,000	-	-	5,000
Community center	7,230	-	-	7,230
TOTAL EXPENDITURES	1,192,873	275,136	6,821	1,474,830
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(51,058)	43,805	(5,417)	(12,670)
OTHER FINANCING SOURCES				
Transfers in	42,000	-	-	42,000
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(9,058)	43,805	(5,417)	29,330
FUND BALANCE, October 1	612,045	783,017	521,914	1,916,976
FUND BALANCE, September 30	\$ 602,987	\$ 826,822	\$ 516,497	\$ 1,946,306

See accompanying notes.

CITY OF BUFFALO, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended September 30, 2017

Net change in fund balances - total governmental funds \$ 29,330

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	338,869
Depreciation	<u>(310,263)</u>
	28,606

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	(4,665)
Change in compensated absences	<u>(29,734)</u>
	<u>(34,399)</u>

Change in net position of governmental activities	<u>\$ 23,537</u>
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See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND
September 30, 2017

	<u>Utility Fund</u>
ASSETS	
Current Assets	
Cash and cash equivalents - unrestricted	\$ 458,147
Utilities receivable, net	174,400
Other receivables	432
	<hr/>
TOTAL CURRENT ASSETS	632,979
Noncurrent Assets	
Net pension asset	30,514
	<hr/>
TOTAL NONCURRENT ASSETS	30,514
Restricted Assets	
Restricted cash and cash equivalents	837,213
Restricted investments	291,337
	<hr/>
TOTAL RESTRICTED ASSETS	1,128,550
Capital Assets	
Non-depreciable assets	109,014
Depreciable assets	12,281,269
Less accumulated depreciation	(5,651,515)
	<hr/>
TOTAL CAPITAL ASSETS	6,738,768
	<hr/>
TOTAL ASSETS	8,530,811
DEFERRED OUTFLOW OF RESOURCES	
Deferred pension outflows	42,460
	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCES	<u>\$ 8,573,271</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUND (continued)
September 30, 2017

	<u>Utility Fund</u>
LIABILITIES	
Current Liabilities	
Accounts payable	\$ 60,110
Accrued expenses	14,837
Accrued interest payable	31,509
Primacy fee payable	2,316
Arbitrage payable	19,096
Meter deposits payable	65,534
Current maturities of long-term debt	<u>260,000</u>
	TOTAL CURRENT LIABILITIES 453,402
Long-Term Liabilities	
Revenue bonds payable	2,490,041
Capital lease payable	<u>550,000</u>
	TOTAL LONG-TERM LIABILITIES <u>3,040,041</u>
	TOTAL LIABILITIES 3,493,443
DEFERRED INFLOW OF RESOURCES	
Deferred pension inflows	25,671
NET POSITION	
Net investment in capital assets	3,975,824
Restricted	506,824
Unrestricted	<u>571,509</u>
	TOTAL NET POSITION <u>5,054,157</u>
	TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND NET POSITION <u>\$ 8,573,271</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUND
Year Ended September 30, 2017

	<u>Utility Fund</u>
OPERATING REVENUES	
Charges for services	\$ 1,335,858
TOTAL OPERATING REVENUES	<u>1,335,858</u>
OPERATING EXPENSES	
Salaries and wages	179,360
Employee benefits	67,442
Materials and supplies	43,169
Trash collection	393,400
Repairs and maintenance	53,231
Telephone and utilities	126,846
Travel, meetings, and dues	879
Depreciation	379,605
TOTAL OPERATING EXPENSES	<u>1,243,932</u>
OPERATING INCOME	91,926
NONOPERATING REVENUES (EXPENSES)	
Interest income	100,048
Other revenue	15,326
Interest expense and fees	<u>(171,902)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(56,528)
OPERATING TRANSFERS (OUT)	
Transfers (out)	<u>(42,000)</u>
NET (LOSS)	(6,602)
NET POSITION, October 1	<u>5,060,759</u>
NET POSITION, September 30	<u>\$ 5,054,157</u>

See accompanying notes.

CITY OF BUFFALO, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUND
Year Ended September 30, 2017

	<u>Utility Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 1,331,570
Cash paid to employees	(247,105)
Cash paid to suppliers	(608,776)
Other cash received for nonoperating revenues	<u>15,326</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	491,015
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	(85,018)
Lease proceeds	550,000
Payment of principal on long-term debt	(260,000)
Payment of interest expense and fees	<u>(179,272)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	25,710
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	100,048
(Purchase) of investments	<u>(6,140)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>93,908</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	568,633
CASH AND CASH EQUIVALENTS, Beginning of year	<u>726,727</u>
CASH AND CASH EQUIVALENTS, End of year	1,295,360
LESS RESTRICTED CASH AND CASH EQUIVALENTS	<u>837,213</u>
UNRESTRICTED CASH AND CASH EQUIVALENTS	<u>\$ 458,147</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 91,926
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	379,605
(Increase) decrease in:	
Utilities receivable	(4,448)
Net pension asset	(30,514)
Deferred pension outflows	40,615
Increase (decrease) in:	
Accounts payable	7,008
Accrued expenses	1,120
Primacy fee payable	1,918
Meter deposits payable	160
Arbitrage payable	(177)
Net pension liability	(3,104)
Deferred pension inflows	(8,420)
Other cash received for nonoperating revenues	<u>15,326</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 491,015</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.

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

In the government-wide financial statements, net position is classified in three components as follows:

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

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

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

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

Fund Balance Classification

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

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

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

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

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

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, 2017

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, 2017, all bank balances on deposit were entirely insured or collateralized.

NOTE C – INVESTMENTS

The City has the following investments as of September 30, 2017, which are not subject to the fair value hierarchy as discussed in Note A:

<u>Investment Type</u>	<u>Maturity</u>	<u>Not Subject to Fair Value</u>
Certificates of Deposit	2/1/2018	\$ 249,169
Guaranteed Investment Contracts:		
Natixis Funding Corporation	7/1/2021	20,918
Mass Mutual Repayment	7/1/2021	21,250
		<u>\$ 291,337</u>

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017, 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 has been restricted in the amount of \$89,717 for equipment replacement.

Transportation Fund

Cash and cash equivalents have been restricted in the amount of \$787,205, and fund balance is also restricted in the amount of \$826,822 for transportation expenditures.

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE D – RESTRICTED ASSETS (continued)

Capital Improvement Sales Tax Fund

Fund balance has been restricted in the amount of \$516,497 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, 2017, the City has made the required deposits.

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
2000 Revenue Bonds		
Principal and Interest	\$ 42,168	\$ 42,168
Arbitrage	14,877	-
2007 Revenue Bonds		
Principal and Interest	145,319	145,319
Arbitrage	4,218	-
Water and Sewer System Replacement Reserves	249,169	249,169
Water Tower Lease Proceeds	537,097	-
Customer Deposits	65,534	-
Equipment Replacement	70,168	70,168
	<u>\$ 1,128,550</u>	<u>\$ 506,824</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE E – ACCOUNTS RECEIVABLE

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

	Accounts Receivable	Allowance	Net Accounts Receivable
General Fund			
Taxes receivable	\$ 13,306	\$ -	\$ 13,306
Sales tax receivable	90,424	-	90,424
Other receivable	14,426	-	14,426
	<u>\$ 118,156</u>	<u>\$ -</u>	<u>\$ 118,156</u>
Transportation Fund			
Sales tax receivable	\$ 42,474	\$ -	\$ 42,474
Capital Improvement Sales Tax Fund			
Sales tax receivable	\$ 12	\$ -	\$ 12
Utility Fund			
Utilities receivable	\$ 180,217	\$ 5,817	\$ 174,400
Other receivable	432	-	432
	<u>\$ 180,649</u>	<u>\$ 5,817</u>	<u>\$ 174,832</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:

Assessed Valuation	<u>2016</u> <u>\$ 30,444,768</u>
Tax Rate Per \$100 of Assessed Valuation	
General Fund	<u>\$.5739</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

The legal debt margin at September 30, 2017, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,044,477	\$ 3,044,477	\$ 6,088,954
LEGAL DEBT MARGIN	\$ 3,044,477	\$ 3,044,477	\$ 6,088,954

(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, 2017, 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, 2017, are due as follows:

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

Year Ended September 30,	Principal	Interest	Total
2018	\$ 80,000	\$ 12,547	\$ 92,547
2019	85,000	8,490	93,490
2020	85,000	4,285	89,285
	<u>\$ 250,000</u>	<u>\$ 25,322</u>	<u>\$ 275,322</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 2018 to 2020 by \$15,000.

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, 2017, are as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ 180,000	\$ 109,888	\$ 289,888
2019	185,000	101,662	286,662
2020	190,000	93,238	283,238
2021	195,000	85,416	280,416
2022	195,000	76,884	271,884
2023	200,000	67,750	267,750
2024	205,000	58,256	263,256
2025	210,000	48,400	258,400
2026	215,000	38,306	253,306
2027	220,000	27,975	247,975
2028	225,000	17,125	242,125
2029	230,000	5,750	235,750
	<u>\$ 2,450,000</u>	<u>\$ 730,650</u>	<u>\$ 3,180,650</u>

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

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, 2017 is due as follows:

Year Ended September 30,	Principal	Interest	Total
2018	\$ -	\$ 19,085	\$ 19,085
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>\$ 176,623</u>	<u>\$ 726,623</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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

A summary of changes in long-term debt – business-type activities for the year ended September 30, 2017, is as follows:

	Balance September 30, 2016	Additions	Retirements	Balance September 30, 2017	Current Portion
Revenue Bonds					
2000 Series	\$ 330,000	\$ -	\$ 80,000	\$ 250,000	\$ 80,000
2007 Series	2,630,000	-	180,000	2,450,000	180,000
	2,960,000	-	260,000	2,700,000	260,000
Premium on bonds	54,590	-	4,549	50,041	-
	3,014,590	-	264,549	2,750,041	260,000
Capital Lease Obligation	-	550,000	-	550,000	-
TOTAL	<u>\$ 3,014,590</u>	<u>\$ 550,000</u>	<u>\$ 264,549</u>	<u>\$ 3,300,041</u>	<u>\$ 260,000</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Governmental Activities				
Depreciable Capital Assets				
Building and improvements	\$ 760,531	\$ 28,063	\$ -	\$ 788,594
Machinery and equipment	1,283,798	135,456	25,925	1,393,329
Infrastructure	3,722,707	175,350	-	3,898,057
Total Depreciable Capital Assets	5,767,036	<u>\$ 338,869</u>	<u>\$ 25,925</u>	6,079,980
Less Accumulated Depreciation				
Building and improvements	287,878	\$ 20,950	\$ -	308,828
Machinery and equipment	925,129	94,411	25,925	993,615
Infrastructure	1,260,681	194,902	-	1,455,583
Total Accumulated Depreciation	2,473,688	<u>\$ 310,263</u>	<u>\$ 25,925</u>	2,758,026
Total Governmental Activities Capital Assets	<u>\$ 3,293,348</u>			<u>\$ 3,321,954</u>

Depreciation expense was charged to functions as follows:

Administrative	\$ 10,523
Law and safety	32,790
Fire	30,764
Airport	3,242
Street	215,169
Animal control	161
Park	11,617
Community center	4,234
Recycling	1,763
	<u>\$ 310,263</u>

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE H – CAPITAL ASSETS (continued)

	Balance September 30, 2016	Additions	Deletions	Balance September 30, 2017
Water and Sewer				
Non-depreciable capital assets				
Land	\$ 50,235	\$ -	\$ -	\$ 50,235
Construction in progress	45,750	13,029	-	58,779
Total Non-Depreciable Capital Assets	95,985	\$ 13,029	\$ -	109,014
Depreciable capital assets				
Land improvements	30,222	\$ -	\$ -	30,222
Water lines & trunks	2,566,857	12,405	-	2,579,262
Sewer lines & plant	9,366,430	-	-	9,366,430
Major moveable equipment	297,825	59,584	52,054	305,355
Total Depreciable Capital Assets	12,261,334	\$ 71,989	\$ 52,054	12,281,269
Less accumulated depreciation				
Land improvements	13,934	\$ 2,221	\$ -	16,155
Water lines & trunks	1,130,823	129,225	-	1,260,048
Sewer lines & plant	3,923,356	229,628	-	4,152,984
Major moveable equipment	255,851	18,531	52,054	222,328
Total Accumulated Depreciation	5,323,964	\$ 379,605	\$ 52,054	5,651,515
Depreciable Capital Assets, net	6,937,370			6,629,754
Total Capital Assets - Business-Type Activities, net	\$ 7,033,355			\$ 6,738,768

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

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

	<u>2017 Valuation</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, 2017, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>
Inactive employees or beneficiaries currently receiving benefits	11	6	-
Inactive employees entitled to but not yet receiving benefits	3	10	-
Active employees	14	6	-
	<u>28</u>	<u>22</u>	<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, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions. The total pension liability in the February 28, 2017, 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, 2017, 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, 2017

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%	5.29%
Fixed Income	26.00%	2.93%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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>
General Division	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balance at beginning of year	\$ 1,597,673	\$ 1,590,175	\$ 7,498
Changes for the year:			
Service Cost	35,105	-	35,105
Interest	114,699	-	114,699
Difference between expected and actual experiences	7,648	-	7,648
Contributions - employer	-	27,640	(27,640)
Contributions - employee	-	16,228	(16,228)
Net investment income	-	184,966	(184,966)
Benefits paid, including refunds	(66,883)	(66,883)	-
Administrative expenses	-	(2,191)	2,191
Other changes	-	8,779	(8,779)
Net Changes	90,569	168,539	(77,970)
Balance at end of year	1,688,242	1,758,714	(70,472)

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
Police Division			
Balance at beginning of year	480,275	715,107	(234,832)
Changes for the year:			
Service Cost	17,110	-	17,110
Interest	34,305	-	34,305
Difference between expected and actual experiences	10,615	-	10,615
Contributions - employer	-	340	(340)
Contributions - employee	-	6,806	(6,806)
Net investment income	-	82,691	(82,691)
Benefits paid, including refunds	(31,582)	(31,582)	-
Administrative expenses	-	(1,264)	1,264
Other changes	-	5,770	(5,770)
Net Changes	30,448	62,761	(32,313)
Balance at end of year	510,723	777,868	(267,145)

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension (Asset) (a) - (b)
Fire Division			
Balance at beginning of year	(773)	24,856	(25,629)
Changes for the year:			
Interest	(56)	-	(56)
Difference between expected and actual experiences	829	-	829
Contributions - employer	-	338	(338)
Contributions - employee	-	222	(222)
Net investment income	-	3,000	(3,000)
Administrative expenses	-	(84)	84
Other changes	-	(11)	11
Net Changes	<u>773</u>	<u>3,465</u>	<u>(2,692)</u>
Balance at end of year	<u>-</u>	<u>28,321</u>	<u>(28,321)</u>
Total Plan Balances at end of year	<u>\$ 2,198,965</u>	<u>\$ 2,564,903</u>	<u>\$ (365,938)</u>

The Net Pension (Asset) is allocated as follows:

Governmental Activities	\$ (335,424)
Business-Type Activities	<u>(30,514)</u>
	<u>\$ (365,938)</u>

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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%
General Division			
Total Pension Liability	\$ 1,956,269	\$ 1,688,242	\$ 1,471,775
Fiduciary Net Position	1,758,714	1,758,714	1,758,714
Net Pension Liability/(Asset)	197,555	(70,472)	(286,939)
Police Division			
Total Pension Liability	590,888	510,723	447,550
Fiduciary Net Position	777,868	777,868	777,868
Net Pension (Asset)	(186,980)	(267,145)	(330,318)
Fire Division			
Total Pension Liability	-	-	-
Fiduciary Net Position	28,321	28,321	28,321
Net Pension (Asset)	(28,321)	(28,321)	(28,321)
Total Net Pension Liability/(Asset)	\$ (17,746)	\$ (365,938)	\$ (645,578)

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE I – EMPLOYEE PLAN (continued)

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

For the year ended 2017, the employer recognized pension expense of \$28,603 in the general division, pension expense of \$7,078 in the police division, and pension expense of (\$4,665) 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
General Division			
Differences in experiences	\$ 6,077	\$ (59,286)	\$ (53,209)
Differences in assumptions	33,613	-	33,613
Excess (deficit) investment returns	51,005	-	51,005
Contributions subsequent to the measurement date	7,365	-	7,365
Total General Division	98,060	(59,286)	38,774
Police Division			
Differences in experiences	8,634	(4,436)	4,198
Differences in assumptions	12,174	-	12,174
Excess (deficit) investment returns	21,499	-	21,499
Contributions subsequent to the measurement date	75	-	75
Total Police Division	42,382	(4,436)	37,946
Fire Division			
Differences in experiences	-	(30,042)	(30,042)
Differences in assumptions	-	-	-
Excess (deficit) investment returns	789	-	789
Contributions subsequent to the measurement date	75	-	75
Total Fire Division	864	(30,042)	(29,178)
Total	\$ 141,306	\$ (93,764)	\$ 47,542

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

NOTE I – EMPLOYEE PLAN (continued)

Deferred outflows and inflows have been allocated as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflow (Inflow) of Resources
Governmental Activities	\$ 98,846	\$ (68,093)	\$ 30,753
Business-Type Activities	42,460	(25,671)	16,789
	<u>\$ 141,306</u>	<u>\$ (93,764)</u>	<u>\$ 47,542</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, 2017.

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

Year Ending September 30,	General Division Net Deferred Outflows of Resources	Police Division Net Deferred Outflows of Resources	Fire Division Net Deferred Outflows of Resources
2018	\$ 23,683	\$ 18,175	\$ (3,417)
2019	16,320	17,433	(3,493)
2020	10,817	8,631	(3,779)
2021	(12,046)	(6,293)	(4,167)
2022	-	-	(3,930)
Thereafter	-	-	(10,392)
	<u>\$ 38,774</u>	<u>\$ 37,946</u>	<u>\$ (29,178)</u>

Payable to the Pension Plan

At September 30, 2017, the City had no outstanding contributions reported as payable to the pension plan.

CITY OF BUFFALO, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2017

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, 2017, 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, 2017, were as follows:

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

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

CITY OF BUFFALO, MISSOURI
NOTES TO FINANCIAL STATEMENTS
September 30, 2017

NOTE M – COMMITMENTS

At September 30, 2017, the City had the following outstanding commitments:

<u>Vendor</u>	<u>Project</u>	<u>Amount</u>
Toth and Associates, Inc.	Water Tower #1 Replacement	\$ 17,000
Toth and Associates, Inc.	Wastewater Collection System Engineering Study	47,500
Stiles Roofing	Roof replacement at City Hall	73,577
Apac-Central	Asphalt for streets and parking lots	196,352

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BUFFALO, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended September 30, 2017

Missouri Local Government Employees Retirement System (LAGERS)

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

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

	<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>	<u>2008</u>
Actuarially determined contribution	\$ 27,775	\$ 30,474	\$ 26,792	\$ 32,839	\$ 39,911	\$ 31,474	\$ 29,090	\$ 12,738	\$ 11,091	\$ 7,135
Contributions in relation to the actuarially determined contribution	<u>27,775</u>	<u>27,882</u>	<u>26,792</u>	<u>29,778</u>	<u>29,641</u>	<u>22,294</u>	<u>17,615</u>	<u>12,738</u>	<u>11,091</u>	<u>7,135</u>
Contribution deficiency (excess)	<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>	<u>\$ -</u>
Covered-employee payroll	\$ 600,545	\$ 514,654	\$ 590,940	\$ 612,984	\$ 709,907	\$ 655,675	\$ 653,706	\$ 631,408	\$ 612,958	\$ 648,412
Contributions as a percentage of covered-employee payroll	4.62%	5.42%	4.53%	4.86%	4.18%	3.40%	2.69%	2.02%	1.81%	1.10%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: February 28, 2017.

Notes: The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, 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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Ad valorem taxes, penalties and interest	\$ 138,000	\$ 138,000	\$ 142,161	\$ 4,161
Motor vehicle sales tax	110,000	110,000	124,007	14,007
Sales tax	640,000	640,000	676,446	36,446
Franchise taxes	75,000	80,000	80,866	866
Other taxes	24,000	24,000	25,789	1,789
	<u>987,000</u>	<u>992,000</u>	<u>1,049,269</u>	<u>57,269</u>
Licenses and Permits				
Business licenses and permits	8,400	8,400	14,644	6,244
Other	200	200	188	(12)
	<u>8,600</u>	<u>8,600</u>	<u>14,832</u>	<u>6,232</u>
Intergovernmental Revenues				
Grants	-	-	2,555	2,555
Charges for Services				
Fines and forfeitures	15,000	15,000	7,843	(7,157)
Recycling	5,000	5,000	12,518	7,518
Rental income	6,700	6,700	24,117	17,417
Park	500	500	-	(500)
Street	5,000	5,000	5,666	666
	<u>32,200</u>	<u>32,200</u>	<u>50,144</u>	<u>17,944</u>
Miscellaneous				
Interest	3,500	3,500	8,227	4,727
Other	1,400	9,900	16,788	6,888
	<u>4,900</u>	<u>13,400</u>	<u>25,015</u>	<u>11,615</u>
TOTAL REVENUES	1,032,700	1,046,200	1,141,815	95,615
EXPENDITURES				
Current				
Administrative	313,400	329,400	323,475	5,925
Law and safety	401,700	401,700	355,240	46,460
Fire	122,500	209,500	210,939	(1,439)
Airport	3,000	3,000	1,562	1,438
Street	239,000	239,000	213,944	25,056
Animal control	19,400	19,400	13,061	6,339
Recycling	21,000	21,000	17,008	3,992
Park	23,000	50,010	44,154	5,856
Building code enforcement	6,100	6,100	1,260	4,840
Economic development	5,000	5,000	5,000	
Community center	10,500	10,500	7,230	3,270
	<u>1,164,600</u>	<u>1,294,610</u>	<u>1,192,873</u>	<u>101,737</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(131,900)	(248,410)	(51,058)	197,352
OTHER FINANCING SOURCES				
Transfer in	42,000	42,000	42,000	-
(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(89,900)	(206,410)	(9,058)	197,352
FUND BALANCE, October 1	310,000	310,000	612,045	302,045
FUND BALANCE, September 30	\$ 220,100	\$ 103,590	\$ 602,987	\$ 499,397

CITY OF BUFFALO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TRANSPORTATION FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Sales taxes	\$ 320,000	\$ 320,000	\$ 318,785	\$ (1,215)
Miscellaneous				
Interest	-	-	129	129
Other	-	-	27	27
	-	-	156	156
TOTAL REVENUES	320,000	320,000	318,941	(1,059)
EXPENDITURES				
Airport	10,000	10,000	-	10,000
Street	615,000	615,000	275,136	339,864
TOTAL EXPENDITURES	625,000	625,000	275,136	349,864
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(305,000)	(305,000)	43,805	348,805
FUND BALANCE, October 1	725,000	725,000	783,017	58,017
FUND BALANCE, September 30	\$ 420,000	\$ 420,000	\$ 826,822	\$ 406,822

CITY OF BUFFALO, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended September 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget: Positive (Negative)
REVENUES				
Taxes				
Sales taxes	\$ -	\$ -	\$ 314	\$ 314
Miscellaneous				
Other	-	-	1,090	1,090
TOTAL REVENUES	-	-	1,404	1,404
EXPENDITURES				
Administration	-	22,500	6,173	16,327
Park	-	800	648	152
TOTAL EXPENDITURES	-	23,300	6,821	16,479
(DEFICIT) OF REVENUES OVER EXPENDITURES	-	(23,300)	(5,417)	17,883
FUND BALANCE, October 1	504,807	504,807	521,914	17,107
FUND BALANCE, September 30	<u>\$ 504,807</u>	<u>\$ 481,507</u>	<u>\$ 516,497</u>	<u>\$ 34,990</u>

CITY OF BUFFALO, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
September 30, 2017

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, 2017, 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 February 1, 2018.

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.

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 2017-001.

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
February 1, 2018

CITY OF BUFFALO, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended September 30, 2017

MATERIAL WEAKNESS

2017-001 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.

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

In planning and performing our audit of the basic financial statements of the City of Buffalo, Missouri, for the year ended September 30, 2017, we considered the City's internal control to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed in the 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*, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

In addition to the material weakness discussed in the 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*, we became aware of an additional matter to bring to your attention. The following paragraphs summarize our comments and recommendations regarding this matter.

GASB Statement Number 75 Implementation

In June 2015, the Governmental Accounting Standards Board issued *Statement of Governmental Accounting Standards No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The scope of this Statement addresses accounting and financial reporting for other postemployment benefits (OPEB) that are provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The effective date is for periods beginning after June 15, 2017, with earlier application encouraged.

We Recommend:

The City become familiar with the requirements of GASB Statement No. 75 in order to assess the steps necessary to ensure successful implementation of this statement on the effective date.

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

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City's administrative personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies of these matters, or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as the City's independent auditor and the courtesies and assistance extended to us by the City's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 1, 2018

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Buffalo, Missouri, for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 27, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Buffalo, Missouri, are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the business-type activities' financial statements:

Management's estimate of the allowance for doubtful accounts is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Honorable Mayor and Board of Aldermen
City of Buffalo
Buffalo, Missouri
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Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not note any misstatements to fund balances or net position as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 1, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Other Matters

With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Honorable Mayor and Board of Alderman and management of the City of Buffalo, Missouri, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 1, 2018