

CITY OF ADRIAN, MISSOURI

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2020**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

**DSWA CERTIFIED PUBLIC ACCOUNTANTS, P.C.
1118 REMINGTON PLAZA, SUITE A
RAYMORE, MISSOURI 64083**

CITY OF ADRIAN, MISSOURI
TABLE OF CONTENTS
JUNE 30, 2020

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet - Governmental Funds	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Proprietary Funds:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Fund Net Position	10
Statement of Cash Flows	11
Notes to the Basic Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule for the General Fund	
General Fund	28
Other Supplementary Information	
Budgetary Comparison Schedule for the:	
Water Fund	29
Sewer Fund	30
Solid Waste Fund	31
Notes to the Required and Other Supplementary Information	32
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	33
Schedule of Current Year Findings and Responses to 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	35
Schedule of Prior Year Findings and Responses to 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	38



210 W. Ohio
Butler, MO 64730
Phone: 660-679-6571
Fax: 660-679-6575

1626 Hedges Plaza
Nevada, MO 64772
Phone: 417-667-6375
Fax: 417-667-6420

1118A Remington Plaza
Raymore, MO 64083
Phone: 816-331-4242
Fax: 816-322-4626

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
City of Adrian, 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 Adrian, Missouri, as of and for the fiscal year ended June 30, 2020, 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 did not audit the financial statements of Adrian Manor Health and Rehabilitation Center, a fund of the City of Adrian, Missouri, which statements reflect total assets, revenues, and net position of 14.64 percent, 71.19 percent, and 15.47 percent, respectively, of the business-type activities for the year ended June 30, 2020. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it related to the amounts included for Adrian Manor Health and Rehabilitation Center, is based solely on the report of the other auditors. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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.

Opinion

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 Adrian, Missouri, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on page 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adrian's basic financial statements. The budgetary comparison schedules on pages 29 – 31 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules on pages 29 – 31 have not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2022, on our consideration of the City of Adrian, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Adrian, Missouri's internal control over financial reporting and compliance.

DSWA Certified Public Accountants, PC.

Raymore, Missouri
November 18, 2022

CITY OF ADRIAN, MISSOURI
STATEMENT OF NET POSITION
AS OF JUNE 30, 2020

	Primary Government		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,104,601	\$ 2,050,253	\$ 3,154,854
Investments	317,752	1,791,942	2,109,694
Accounts and taxes receivable, net	91,214	375,761	466,975
Interest receivable	908	4,211	5,119
Prepaid insurance	23,744	74,573	98,317
Inventories	12,610	79,823	92,433
Total current assets	<u>1,550,829</u>	<u>4,376,563</u>	<u>5,927,392</u>
Noncurrent assets:			
Restricted cash and cash equivalents	52,994	736,391	789,385
Capital assets:			
Land and nondepreciable infrastructure	13,730	-	13,730
Depreciable infrastructure, net	448,930	6,628,240	7,077,170
Depreciable buildings, property, and equipment, net	809,354	1,320,361	2,129,715
Total noncurrent assets	<u>1,325,008</u>	<u>8,684,992</u>	<u>10,010,000</u>
Total assets	<u>2,875,837</u>	<u>13,061,555</u>	<u>15,937,392</u>
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	5,183	264,867	270,050
Accounts payable	31,615	258,354	289,969
Compensated absences payable	13,890	90,477	104,367
Accrued liabilities	14,078	109,512	123,590
Accrued interest	-	17,921	17,921
Total current liabilities	<u>64,766</u>	<u>741,131</u>	<u>805,897</u>
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	26,250	2,326,909	2,353,159
Meter deposits	-	68,055	68,055
Total noncurrent liabilities	<u>26,250</u>	<u>2,394,964</u>	<u>2,421,214</u>
Total liabilities	<u>91,016</u>	<u>3,136,095</u>	<u>3,227,111</u>
NET POSITION			
Net investment in capital assets	1,240,581	5,338,904	6,579,485
Restricted for:			
Outer road maintenance	52,994	-	52,994
Debt service	-	668,336	668,336
Unrestricted	1,491,246	3,918,220	5,409,466
Total net position	<u>\$ 2,784,821</u>	<u>\$ 9,925,460</u>	<u>\$ 12,710,281</u>

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADRIAN, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Functions/ Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 283,159	\$ 109,566	\$ -	\$ -	\$ (173,593)	\$ -	\$ (173,593)
Police	238,495	6,673	-	-	(231,822)	-	(231,822)
Fire	55,395	-	-	-	(55,395)	-	(55,395)
Street	330,456	-	-	-	(330,456)	-	(330,456)
Park	43,088	-	-	-	(43,088)	-	(43,088)
Interest on long-term debt	1,577	-	-	-	(1,577)	-	(1,577)
Total governmental activities	952,170	116,239	-	-	(835,931)	-	(835,931)
Business-type activities:							
Water	875,114	1,147,658	-	-	-	272,544	272,544
Sewer	128,620	146,267	-	-	-	17,647	17,647
Solid Waste	84,115	95,670	-	-	-	11,555	11,555
Nursing Home	3,755,541	3,233,555	267,482	4,710	-	(249,794)	(249,794)
Interest on long-term debt	38,148	-	-	-	-	(38,148)	(38,148)
Total business-type activities	4,881,538	4,623,150	267,482	4,710	-	13,804	13,804
Total primary government	\$ 5,833,708	\$ 4,739,389	\$ 267,482	\$ 4,710	(835,931)	13,804	(822,127)
General Revenues:							
Taxes:							
Property taxes					115,949	-	115,949
Sales taxes					518,325	-	518,325
Franchise taxes					127,031	-	127,031
Gasoline taxes					65,601	-	65,601
Other taxes					9,524	-	9,524
Licenses and permits					8,783	-	8,783
Investment earnings					6,033	30,890	36,923
Miscellaneous					715	-	715
Transfers					11,790	(11,790)	-
Total general revenues					863,751	19,100	882,851
Change in net position					27,820	32,904	60,724
Net position--beginning					2,757,001	9,892,556	12,649,557
Net position--ending					\$ 2,784,821	\$ 9,925,460	\$ 12,710,281

The accompanying notes are an integral part of the basic financial statements.

**CITY OF ADRIAN, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,104,601
Investments	317,752
Restricted cash	52,994
Accrued interest receivable	908
Accounts and taxes receivable, net	91,214
Prepaid insurance	23,744
Inventory	12,610
Total assets	<u>\$ 1,603,823</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 31,615
Accrued liabilities	14,078
Total liabilities	<u>45,693</u>
Deferred inflows of resources:	
Deferred property taxes	<u>23,963</u>
Fund balance:	
Nonspendable	
Prepaid items	23,744
Inventory	12,610
Restricted for:	
Outer road maintenance	52,994
Assigned for:	
Police	77,062
Fire	176,139
Street	385,932
Park	30,766
Capital improvements	729,951
Unassigned	44,969
Total fund balances	<u>1,534,167</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,603,823</u>
Reconciliation to Statement of Net Assets	
Fund balance of governmental activities	\$ 1,534,167
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,272,014
Property tax revenue is recognized as it is earned in the government-wide financial statements, but the portion not meeting the definition of "available" is deferred in the funds.	23,963
earned by employees in the government-wide financial statements but are not considered currently payable and are not accrued in the funds.	(13,890)
Long-term liabilities, including leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(31,433)</u>
Net assets of governmental activities	<u>\$ 2,784,821</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

REVENUES	<u>General Fund</u>
Property taxes	\$ 123,389
Franchise taxes	127,031
Sales taxes	518,325
Other taxes	75,125
Licenses and permits	8,788
Lease revenue	16,000
Fines and forfeitures	6,668
Investment earnings	6,033
Miscellaneous	94,286
Total revenues	<u>975,645</u>
 EXPENDITURES	
Salaries	323,231
Payroll taxes and benefits	83,602
Repairs	214,999
Administration and supplies	52,224
Insurance	71,719
Utilities and street lights	65,654
Library expenses	27,074
Vehicle expenses	18,977
Capital outlay	37,708
Debt service	34,666
Total expenditures	<u>929,854</u>
 Excess of revenues over expenditures before other financing sources (uses)	 45,791
 OTHER FINANCING (USES)	
Transfers in	<u>11,790</u>
 Net change in fund balance	 57,581
 Fund balance--beginning	 <u>1,476,586</u>
 Fund balance--ending	 <u>\$ 1,534,167</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$	57,581
-------------------------------------------------------------	-----------	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 48,000	
Depreciation expense	<u>(103,410)</u>	(55,410)

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

Increase (decrease) in deferred property taxes	(7,440)
------------------------------------------------	---------

Capital assets acquired by capital lease are shown as an other financing source in the governmental funds and as an expenditure for the capital lease payments made. The other financing source must be removed from the statement of activities; principal payments are applied to the lease liability, rather than shown as an expenditure; interest expense is recognized as it accrues.

Payments on capital leases	<u>33,089</u>
----------------------------	---------------

Change in net position of governmental activities	<u>\$ 27,820</u>
---------------------------------------------------	------------------

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

	Business-Type Activities				
	Enterprise Funds				
	Water Fund	Sewer Fund	Nursing Home Fund	Solid Waste Fund	Total
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,375,630	\$ 99,338	\$ 557,599	\$ 17,686	\$ 2,050,253
Investments	1,439,964	351,978			1,791,942
Inventories	41,944	1,434	36,445	-	79,823
Interest receivable	3,562	649	-	-	4,211
Accounts receivable, net	119,373	16,474	229,170	10,744	375,761
Prepaid insurance	16,864	2,152	55,557	-	74,573
Total current assets	2,997,337	472,025	878,771	28,430	4,376,563
Noncurrent assets:					
Restricted cash and cash equivalents	736,391	-	-	-	736,391
Depreciable infrastructure, net	6,031,790	596,450	-	-	6,628,240
Depreciable buildings, property, and equipment, net	215,218	73,067	1,030,771	1,305	1,320,361
Total noncurrent assets	6,983,399	669,517	1,030,771	1,305	8,684,992
Total assets	9,980,736	1,141,542	1,909,542	29,735	13,061,555
LIABILITIES					
Current liabilities:					
Current portion of long-term obligations	264,867	-	-	-	264,867
Accounts payable	44,328	1,647	204,904	7,475	258,354
Accrued salaries	-	-	77,406	-	77,406
Compensated absences payable	19,185	-	71,292	-	90,477
Payroll liabilities payable	7,605	927	23,574	-	32,106
Accrued interest	17,921	-	-	-	17,921
Total current liabilities	353,906	2,574	377,176	7,475	741,131
Noncurrent liabilities:					
Noncurrent portion of long-term obligations, net	2,326,909	-	-	-	2,326,909
Meter deposits	68,055	-	-	-	68,055
Total noncurrent liabilities	2,394,964	-	-	-	2,394,964
Total liabilities	2,748,870	2,574	377,176	7,475	3,136,095
NET POSITION					
Net investment in capital assets	3,637,311	669,517	1,030,771	1,305	5,338,904
Restricted for:					-
Debt service	668,336	-	-	-	668,336
Unrestricted	2,926,219	469,451	501,595	20,955	3,918,220
Total net position	\$ 7,231,866	\$ 1,138,968	\$ 1,532,366	\$ 22,260	\$ 9,925,460

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Nursing Home Fund	Solid Waste Fund	
OPERATING REVENUES					
Charges for services	\$ 1,143,221	\$ 146,086	\$ 3,232,018	\$ 95,670	\$ 4,616,995
Miscellaneous	4,437	181	1,537	-	6,155
Total Operating Revenues	<u>1,147,658</u>	<u>146,267</u>	<u>3,233,555</u>	<u>95,670</u>	<u>4,623,150</u>
OPERATING EXPENSES					
Treatment and Operations					
Personal services	223,858	25,197	1,559,115	-	1,808,170
Contractual services	315,611	61,395		82,476	459,482
Commodities	129,715	242	2,099,321		2,229,278
Depreciation	205,930	41,786	97,105	1,639	346,460
Total Operating Expenses	<u>875,114</u>	<u>128,620</u>	<u>3,755,541</u>	<u>84,115</u>	<u>4,843,390</u>
OPERATING INCOME	<u>272,544</u>	<u>17,647</u>	<u>(521,986)</u>	<u>11,555</u>	<u>(220,240)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	24,258	5,458	1,174	-	30,890
Contributions	-	-	4,710	-	4,710
CARES Act Provider Relief Funds	-	-	267,482	-	267,482
Interest expense	(38,148)	-	-	-	(38,148)
Total Non-operating Revenues (Expenses)	<u>(13,890)</u>	<u>5,458</u>	<u>273,366</u>	<u>-</u>	<u>264,934</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES):	<u>258,654</u>	<u>23,105</u>	<u>(248,620)</u>	<u>11,555</u>	<u>44,694</u>
OTHER FINANCING SOURCES (USES):					
Transfers in (out)	-	-	-	(11,790)	(11,790)
CHANGE IN NET POSITION	<u>258,654</u>	<u>23,105</u>	<u>(248,620)</u>	<u>(235)</u>	<u>32,904</u>
NET POSITION, BEGINNING	<u>6,973,212</u>	<u>1,115,863</u>	<u>1,780,986</u>	<u>22,495</u>	<u>9,892,556</u>
NET POSITION, ENDING	<u>\$ 7,231,866</u>	<u>\$ 1,138,968</u>	<u>\$ 1,532,366</u>	<u>\$ 22,260</u>	<u>\$ 9,925,460</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Business-Type Activities Enterprise Funds				Total
	Water Fund	Sewer Fund	Nursing Home Fund	Solid Waste Fund	
Cash flows from operating activities:					
Cash received from customers	\$ 1,141,003	\$ 143,239	\$ 3,235,584	\$ 94,354	\$ 4,614,180
Cash payments to suppliers for goods and services	(110,532)	(242)	(2,011,870)	-	(2,122,644)
Cash payments to employees and for contractual services	(525,628)	(112,298)	(1,524,683)	(82,564)	(2,245,173)
Net cash provided by operating activities	504,843	30,699	(300,969)	11,790	246,363
Cash flows from non-capital financing activities:					
Contributions	-	-	4,710	-	4,710
CARES Act Provider Relief Funds	-	-	267,482	-	267,482
Transfers (to) from other funds	-	-	-	(11,790)	(11,790)
Net cash flows from non-capital financing activities	-	-	272,192	(11,790)	260,402
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(46,497)	-	(27,165)	-	(73,662)
Principal paid on bonds, notes, and lease obligations	(259,082)	-	-	-	(259,082)
Interest paid on bonds, notes, and lease obligations	(40,364)	5,458	-	-	(34,906)
Net cash used by capital and related financing activities	(345,943)	5,458	(27,165)	-	(367,650)
Cash flows from investing activities:					
Investment income	24,258	-	1,174	-	25,432
Net increase (decrease) in cash	183,158	36,157	(54,768)	-	164,547
Cash and cash equivalents, July 1, 2019	3,368,827	415,159	612,367	17,686	3,801,672
Cash and cash equivalents, June 30, 2020	\$ 3,551,985	\$ 451,316	\$ 557,599	\$ 17,686	\$ 4,578,586
Cash and cash equivalents at June 30, 2020					
Cash	\$ 1,375,630	\$ 99,338	\$ 557,599	\$ 17,686	\$ 2,050,253
Investments (certificates of deposit)	1,439,964	351,978	-	-	1,791,942
Restricted cash and investments	736,391	-	-	-	736,391
Total	\$ 3,551,985	\$ 451,316	\$ 557,599	\$ 17,686	\$ 4,578,586
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 272,544	\$ 17,647	\$ (521,986)	\$ 11,555	\$ (220,240)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	205,930	41,786	97,105	1,639	346,460
Changes in assets and liabilities:					-
Decrease (increase) in prepaid expenses	(1,088)	(1,075)	(13,914)	-	(16,077)
Decrease (increase) in accounts receivable	(19,349)	(3,028)	(2,391)	(1,316)	(26,084)
Decrease (increase) in inventory	-	-	(15,466)	-	(15,466)
Increase (decrease) in accounts payable	39,342	(24,631)	155,683	(88)	170,306
Increase (decrease) in other payables	603	-	-	-	603
Increase (decrease) in meter deposits payable	6,861	-	-	-	6,861
Total adjustments	232,299	13,052	221,017	235	245,586
Net cash provided by operating activities:	\$ 504,843	\$ 30,699	\$ (300,969)	\$ 11,790	\$ 246,363

The accompanying notes are an integral part of the basic financial statements.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. FINANCIAL REPORTING ENTITY

The City of Adrian, Missouri (the City) operates under a Council-Mayor form of government. The accounting policies of the City conform to generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The City's combined financial statements include the accounts of all City operations. The City has no component units and is not included in any other governmental "reporting entity" as defined by GASB.

B. BASIS OF PRESENTATION

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole excluding any fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which include fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

2. Fund Financial Statements:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, expenditures, or expenses, as appropriate. Government resources are allocated to, and accounted for in, individual funds based upon the purposes for which spending activities are controlled.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. BASIS OF PRESENTATION (continued)

3. Governmental Funds:

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is on determination of financial position and changes in financial positions, rather than on net income determination. The following are the City's major governmental funds:

- a. 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.
- b. AMNH Fund: The fund is used to provide support to Crystal Manor. This fund had no activity for the year ended June 30, 2020.

4. Proprietary Funds:

Proprietary funds are used to account for the City's ongoing activities, which are similar to those found in the private sector. The measurement focus is on determination of net income, financial position, and changes in financial position. The following are the City's major proprietary funds:

- a. Water Fund: This fund accounts for the acquisition, operation and maintenance of the City's water facilities and services.
- b. Sewer Fund: This fund accounts for the acquisition, operation and maintenance of the City's sewer facilities and services.
- c. Nursing Home Fund: This fund accounts for the operation and maintenance of the City's nursing home.
- d. Solid Waste Fund: This fund accounts for the operation of solid waste collection and disposal.

In The Fund financial statements, fund balance consists of five classifications: 1) Nonspendable fund balances include amounts that cannot be spent because they are not in spendable form, or they are legally or contractually required to be maintained intact. 2) Restricted fund balance are amounts restricted to specific purposes. 3) Committed fund balance are amounts that can only be used for specific purposes as pursuant to official action by the Board prior to the end of the reporting period. 4) Assigned fund balance are amounts the City intends to use for a specific purpose but is neither restricted nor committed. The Board has the authority to assign fund balances. 5) Unassigned fund balance represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general ledger.

When restricted and other fund balance resources are available for use, the City uses restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. BASIS OF ACCOUNTING

The term "basis of accounting" refers to the method in which revenue and expenditures or expenses are recognized in the accounts and reported in the financial statements. The term "basis of accounting" is also related to the timing of the measurement made, regardless of the measurement focus applied.

1. Government-wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes, franchise taxes, licenses, interest, and special assessments are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue.

Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

2. Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred.

3. Revenue Recognition

In applying the susceptible to actual concept under the modified cash basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year end and available to pay obligations of the current period.). This includes investments earnings and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or if the reimbursement is received in advance, the revenue is deferred until the expenditures are made.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

4. Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which have not matured are recognized when due. Allocations of costs, such as depreciation, are not recognized in the governmental funds.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. BASIS OF ACCOUNTING (continued)

5. Proprietary Fund Financial Statements

All proprietary funds are accounted for using the accrual basis of accounting. Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

In reporting the financial activity of its business-type activities and enterprise funds, the City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. Those include the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations; Accounting Principles Board Opinions; and Accounting Research Bulletins of the Committee on Accounting Policies.

D. RESTRICTED NET POSITION

This position consists of cash and escrowed funds held in trust. They are restricted as to use for debt service and bond reserves as provided by bonding resolutions.

E. CUSTOMER DEPOSITS

The City collects a refundable deposit from a new customer prior to initiating metered service.

F. STATEMENT OF CASH FLOWS

The City defines cash and cash equivalents used in the statement of cash flows as all cash and highly liquid investments with an original maturity of three months or less when purchased (both restricted and unrestricted).

G. ACCOUNTS RECEIVABLE

Accounts receivable result primarily from miscellaneous services provided to citizens accounted for in the Governmental Funds and from water, wastewater, nursing home and sanitation services accounted for in their respective business-type funds.

H. PREPAID EXPENSES

Certain payments to vendors reflecting costs applicable to future accounting periods have been recorded as prepaid expenses in both the government-wide and fund financial statements.

I. INVENTORY

All inventories are valued at cost using the first in/first out (FIFO) method and are expensed when used. Inventories are accounted for using the consumption method. On the fund financial statements, reported supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventory consists of expendable supplies.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

J. CAPITAL ASSETS

The City's property, plant, equipment, and infrastructure assets (i.e. roads, street lights, storm sewers, etc.) with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Capital assets purchased or acquired with an original cost of \$7,500 or more are reported at historical cost or estimated historical costs. Contributed capital assets are recorded at estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest costs associated with construction of fixed assets are capitalized.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15 – 50
Equipment, furniture and fixtures	5 – 20
Infrastructure	40
Plant, structure and lines	10 - 50

K. COMPENSATED ABSENCES

Employees of the City are entitled to vacation leave and sick leave based on their length of employment. Compensated absences accumulate when they are earned. The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates. The cumulative compensated absences at June 30, 2020, are reported on the government-wide financial statements.

L. DEFERRED INFLOWS OF RESOURCES

This separate financial statement element, deferred inflows of resources, represents an inflow of resources that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from a note receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. FUND EQUITY CLASSIFICATION

In the government-wide statements, equity is shown as net position and classified into three components;

1. Net investment in capital assets – Consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bond, mortgage notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

M. FUND EQUITY CLASSIFICATIONS (continued)

2. Restricted net position – Consisting of net position with constraints placed on their use whether by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislations. The City first utilizes restricted resources to finance qualifying activities.
3. Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures 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.

2. CASH AND CASH EQUIVALENTS:

The City complies with various restrictions on deposits and investments which are imposed by state statutes as follows:

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits with securities held by the financial institution's agent and in the City's name.

Missouri state statutes authorize the City, with certain restrictions, to deposit or invest in open accounts, time deposits, U.S. Treasury notes, and certificates of deposit. Collateral is required by Missouri state statutes for demand deposits and certificates of deposit. The fair value of the collateral must equal 100% of deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are governed by state statutes and include U.S. government and government agency bonds and securities, general obligation bonds of any of the fifty states, general obligation bonds of any Missouri county and certain cities and special district and revenue bonds of certain Missouri agencies.

Restricted cash includes US Treasury money market funds held by the bond trustee with a Moody/Fitch rating of Aaa/ AAA and a weighted average to maturity of six days.

As of June 30, 2020, all bank balances on deposit are entirely insured or collateralized with securities.

In addition to cash restrictions as described as restricted net assets as of June 30, 2020, in Note 4, below, the City has \$68,055 of cash restricted for meter deposits in the Water Fund.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

3. INVESTMENTS:

The City's investments at June 30, 2020, consisted of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Balance</u>
Certificates of Deposit	10/13/18 through 4/21/19	\$ 2,109,694

- A. Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy mandates structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations thereby avoiding the need to sell investments on the open market prior to maturity.
- B. 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 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 June 30, 2020, all certificates of deposit are entirely insured or collateralized with securities.

For the purpose of the Statement of Cash Flows, all investments will be considered cash equivalents.

4. RESTRICTED ASSETS:

Cash and cash equivalents are restricted for the following purposes:

Governmental Funds	
General Fund	
Outer road maintenance	\$ 52,994
Business-type Funds	
Water fund:	
Customer deposits	68,055
Series 2007 Water Bonds:	
Debt service	1
Debt service reserve	417,069
Principal retirement	212,318
Interest retirement	14,113
Series 2009 Water Bonds:	
Debt service	1
Principal retirement	12,109
Interest retirement	1,973
Series 2010 Water Bonds:	
Debt service	1
Principal retirement	9,006
Interest retirement	1,745
Total business-type funds	<u>736,391</u>
Total restricted cash	<u>\$ 789,385</u>

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

5. ACCOUNTS RECEIVABLE - PROPRIETARY FUNDS:

Accounts receivable in the proprietary funds represent user-based charges for services provided to the City's customers. Net receivables at June 30, 2020, were as follows:

	<u>Total Receivables</u>	<u>Allowance</u>	<u>Net Receivables</u>
Business-type activities:			
Proprietary funds:			
Water	\$ 134,519	\$ (15,146)	\$ 119,373
Sewer	20,012	(3,538)	16,474
Nursing home	259,170	(30,000)	229,170
Solid waste	13,074	(2,330)	10,744
Total	<u>\$ 426,775</u>	<u>\$ (51,014)</u>	<u>\$ 375,761</u>

6. PROPERTY TAXES:

Property taxes levied and uncollected are carried as an asset of the appropriate fund and are recorded as revenue in the respective fund when they become measurable and available. Property taxes are assessed on October 31 and are due and payable at that time. Property taxes attach as an enforceable lien on January 1 and the taxes are due to be collected by the following October 31. Uncollected amounts become delinquent after January 1 of the following year. The property tax levy per \$100 of assessed valuation of real and tangible personal property for the calendar year 2019 was as follows:

<u>Fund</u>	<u>Levy</u>
General	\$.5781
Library	.2011
Park	.0500
Total	<u>\$.8292</u>

7. TAXES AND OTHER RECEIVABLES - GENERAL FUND:

Taxes receivable represent the collective ad valorem taxes, local sales taxes and franchise taxes. Adjustments have been made during the year to remove any uncollectible accounts. Management believes that the remaining receivables will be collected in the next fiscal year. Balances at June 30, 2020, were as follows:

	<u>General Fund</u>
Property tax	\$ 39,412
Less: Allowance	(12,975)
Net property taxes	26,437
Sales tax	35,827
Motor vehicle and fuel	5,891
Franchise taxes	11,559
Total taxes	79,714
Accounts receivable	11,500
Total receivables	<u>\$ 91,214</u>

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

8. INSURANCE:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance to cover these risks.

9. COMMITMENTS AND CONTINGENCIES:

Federal and State Grants

The City receives financial assistance from various Federal and State governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types or on the overall financial position of the City at June 30, 2020.

10. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional and participants elect how their salary deferrals are invested. All amounts of compensation deferred under the plan and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefits of plan participants and/or beneficiaries. The City contributes a matching amount to the plan on behalf of employees. Total contributions to retirement accounts for the year ended June 30, 2020, totaled \$14,700.

11. LONG-TERM DEBT:

Changes in long-term debt during the year ended June 30, 2020, were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Lease purchases	\$ 41,185	\$ -	\$ (30,648)	\$ 10,537
Note payable-Division of Energy	23,337	-	(2,441)	20,896
Compensated absences	13,890	-	-	13,890
Total Governmental Activities	<u>\$ 78,412</u>	<u>\$ -</u>	<u>\$ (33,089)</u>	<u>\$ 45,323</u>
Business-Type Activities:				
Waterworks & Sewerage Bonds	\$ 2,753,900	\$ -	\$ (248,800)	\$ 2,505,100
Note payable-Division of Energy	96,958	-	(10,282)	86,676
Compensated absences	68,513	21,964	-	90,477
Total Business-Type Activities	<u>\$ 2,919,371</u>	<u>\$ 21,964</u>	<u>\$ (259,082)</u>	<u>\$ 2,682,253</u>

The compensated absences liability attributable to governmental activities will be liquidated by the General Fund.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

11. LONG-TERM DEBT (continued):

A. GOVERNMENTAL ACTIVITIES DEBT

Lease Purchases:

Lease purchase for \$199,062 with finance company, due in semi-annual installments of \$10,684 through April 9, 2020, interest at 2.295%	\$ -
Lease purchase for \$29,815 with finance company, due in semi-annual installments of \$2,355 through April 24, 2020, interest at 2.520%	-
Lease purchase for \$24,912 with finance company, due in semi-annual installments of \$2,743 through April 25, 2022, interest at 4.241%	<u>10,537</u>
	<u><u>\$ 10,537</u></u>

Total cash paid for interest on these leases during year ended June 30, 2020, totaled \$1,794.

Debt service requirements to maturity are:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 5,183	\$ 302	\$ 5,485
2022	<u>5,354</u>	<u>131</u>	<u>5,485</u>
	<u><u>\$ 10,537</u></u>	<u><u>\$ 433</u></u>	<u><u>\$ 10,970</u></u>

At June 30, 2020, the City had lease purchases all of which were used to purchase vehicles and equipment for various city departments. For those leases recorded in the governmental funds, the City records the present value of the note obligation as capital outlay expenditures and as an offsetting other financing source in the year that the asset is purchased. At the government-wide level, the present value of the payments due in future periods, along with the net carrying value of the related capital assets, are recorded as liabilities and assets, respectively, in the governmental activities column of the statement of Net Position. For those leases recorded in proprietary funds, the City records the present value of the future debt payments as a liability and the related capital item as an asset of the fund.

Assets with a cost of \$432,089 were acquired through capital leases.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

11. LONG-TERM DEBT (continued):

B. BUSINESS-TYPE ACTIVITIES DEBT

1. Revenue Bonds:

Series 2007 Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri - Direct Loan Program) due in varying annual installments through July 1, 2028, interest at 1.40% \$ 2,027,000

Series 2009 Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri - Direct Loan Program - ARRA) due in varying annual installments through January 1, 2030, interest at 1.51% 265,900

Series 2010 Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri - Direct Loan Program) due in varying annual installments through January 1, 2031, interest at 1.65% 212,200

\$ 2,505,100

Cash paid for interest on these bonds during the year ended June 30, 2020, totaled \$37,769.

Debt service requirements to maturity are:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 254,300	\$ 34,193	\$ 288,493
2022	257,700	30,543	288,243
2023	261,300	26,845	288,145
2024	265,700	23,090	288,790
2025	269,300	19,278	288,578
2026-2030	1,173,600	38,705	1,212,305
2031	23,200	292	23,492
	<u>\$ 2,505,100</u>	<u>\$ 172,946</u>	<u>\$ 2,678,046</u>

The bonds are issued under the State of Missouri – Direct Loan Program. These bonds are purchased by and resold nationally by the Missouri State Environmental Improvement and Energy Resources Authority. Funds generated by the sale are deposited with a trustee in the applicant's name and are used for construction of system improvements. Net revenues are pledged over the term of the bonds in an amount equal to the total principal and interest payments.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

11. LONG-TERM DEBT (continued):

C. COMBINED GOVERNMENTAL AND BUSINESS-TYPE NOTE PAYABLE:

During the year ended June 30, 2018, the City entered into an agreement with the Missouri Department of Economic Development – Division of Energy for the purpose of financing the purchase of solar panels. The loan totaled \$139,479 and was used to purchase solar panels to be used by both the governmental and business-type activities of the City. The loan proceeds and associated asset acquisitions are capitalized as such. The note is payable in semi-annual installments of \$7,989 beginning May 1, 2018, through November 1, 2027, interest at 2.75% per annum.

Total interest paid on this note for the year ended June 30, 2020, totaled \$3,221, reporting \$625 in the general fund/governmental activities and \$2,596 in the water fund/business-type activities.

Debt service requirements to maturity are as follows:

Year Ended June 30,	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 2,543	\$ 557	\$ 3,100	\$ 10,566	\$ 2,312	\$ 12,878
2022	2,614	486	3,100	10,860	2,019	12,879
2023	2,686	414	3,100	11,160	1,718	12,878
2024	2,761	339	3,100	11,469	1,409	12,878
2025	2,837	263	3,100	11,786	1,092	12,878
2026-2028	7,455	289	7,744	30,835	1,280	32,115
	<u>\$ 20,896</u>	<u>\$ 2,348</u>	<u>\$ 23,244</u>	<u>\$ 86,676</u>	<u>\$ 9,830</u>	<u>\$ 96,506</u>

12. CAPITAL ASSETS:

The following is a summary in changes in capital assets for the year ended June 30, 2020:

	Beginning Balance	Additions	Retirements/ Reclassification	Ending Balance
Governmental activities:				
Nondepreciable assets:				
Land and easements	\$ 13,730	\$ -	\$ -	\$ 13,730
Total non-depreciable assets	<u>13,730</u>	<u>-</u>	<u>-</u>	<u>13,730</u>
Depreciable capital assets:				
Buildings and improvements	585,817	22,000	-	607,817
Equipment, furniture and fixtures	1,238,176	26,000	-	1,264,176
Infrastructure	936,585	-	-	936,585
Total depreciable assets	<u>2,760,578</u>	<u>48,000</u>	<u>-</u>	<u>2,808,578</u>
Less accumulated depreciation:				
Buildings	144,684	15,152	-	159,836
Equipment, furniture and fixtures	997,797	64,843	-	1,062,640
Infrastructure	304,403	23,415	-	327,818
Total accumulated depreciation	<u>1,446,884</u>	<u>103,410</u>	<u>-</u>	<u>1,550,294</u>
Total depreciable capital assets, net	<u>1,313,694</u>	<u>(55,410)</u>	<u>-</u>	<u>1,258,284</u>
Total governmental activities capital assets	<u>\$ 1,327,424</u>	<u>\$ (55,410)</u>	<u>\$ -</u>	<u>\$ 1,272,014</u>

**CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

12. CAPITAL ASSETS (continued):

Depreciation expense in the amount of \$103,410 was charged to the following functions:

General government	\$	47,822
Street		26,381
Fire		12,948
Public safety		14,861
Park		<u>1,398</u>
	\$	<u>103,410</u>

Notes continue on the following page.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

12. CAPITAL ASSETS (continued):

Sewer Fund:

Depreciable capital assets:

Buildings and improvements	\$ 4,000	\$ -	\$ -	\$ 4,000
Plant, structure and lines	1,362,312	-	-	1,362,312
Equipment, furniture and fixtures	226,865	-	-	226,865
Total depreciable assets	<u>1,593,177</u>	<u>-</u>	<u>-</u>	<u>1,593,177</u>

Less accumulated depreciation:

Buildings and improvements	4,000	-	-	4,000
Equipment, furniture and fixtures	708,470	15,520	-	723,990
Infrastructure	169,404	26,266	-	195,670
Total accumulated depreciation	<u>881,874</u>	<u>41,786</u>	<u>-</u>	<u>923,660</u>

Total depreciable capital assets, net	<u>711,303</u>	<u>(41,786)</u>	<u>-</u>	<u>669,517</u>
---------------------------------------	----------------	-----------------	----------	----------------

Total sewer fund capital assets, net	<u>\$ 711,303</u>	<u>\$ (41,786)</u>	<u>\$ -</u>	<u>\$ 669,517</u>
--------------------------------------	-------------------	--------------------	-------------	-------------------

Water Fund:

Nondepreciable assets:

Land and easements	\$ 23,484	\$ -	\$ -	\$ 23,484
Construction in progress	<u>7,525</u>	<u>-</u>	<u>-</u>	<u>7,525</u>
Total non-depreciable assets	<u>31,009</u>	<u>-</u>	<u>-</u>	<u>31,009</u>

Depreciable capital assets:

Buildings and improvements	127,496	-	-	127,496
Plant, structure and lines	8,896,522	16,000	-	8,912,522
Equipment, furniture and fixtures	499,266	30,497	-	529,763
Total depreciable assets	<u>9,523,284</u>	<u>46,497</u>	<u>-</u>	<u>9,569,781</u>

Less accumulated depreciation:

Buildings and improvements	19,709	3,022	-	22,731
Infrastructure	2,730,563	181,178	-	2,911,741
Equipment, furniture and fixtures	397,580	21,730	-	419,310
Total accumulated depreciation	<u>3,147,852</u>	<u>205,930</u>	<u>-</u>	<u>3,353,782</u>

Total depreciable capital assets, net	<u>6,375,432</u>	<u>(159,433)</u>	<u>-</u>	<u>6,215,999</u>
---------------------------------------	------------------	------------------	----------	------------------

Total water fund capital assets, net	<u>\$ 6,406,441</u>	<u>\$ (159,433)</u>	<u>\$ -</u>	<u>\$ 6,247,008</u>
--------------------------------------	---------------------	---------------------	-------------	---------------------

Solid Waste Fund:

Depreciable capital assets:

Equipment, furniture and fixtures	\$ 21,636	\$ -	\$ -	\$ 21,636
Total depreciable assets	<u>21,636</u>	<u>-</u>	<u>-</u>	<u>21,636</u>

Less accumulated depreciation:

Equipment, furniture and fixtures	18,692	1,639	-	20,331
Total accumulated depreciation	<u>18,692</u>	<u>1,639</u>	<u>-</u>	<u>20,331</u>

Total depreciable capital assets, net	<u>2,944</u>	<u>(1,639)</u>	<u>-</u>	<u>1,305</u>
---------------------------------------	--------------	----------------	----------	--------------

Total solid waste fund capital assets, net	<u>\$ 2,944</u>	<u>\$ (1,639)</u>	<u>\$ -</u>	<u>\$ 1,305</u>
--------------------------------------------	-----------------	-------------------	-------------	-----------------

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

12. CAPITAL ASSETS (continued):

	Beginning Balance	Additions	Retirements/ Reclassification	Ending Balance
Business-type activities (continued):				
Nursing Home Fund:				
Depreciable capital assets:				
Buildings and improvements	\$ 2,354,724	\$ -	\$ -	\$ 2,354,724
Equipment, furniture and fixtures	713,946	16,932	-	730,878
Vehicles	45,900	-	-	45,900
Total depreciable assets	3,114,570	16,932	-	3,131,502
Less accumulated depreciation:				
Leasehold improvements	1,360,895	70,881	-	1,431,776
Furnishings and equipment	596,831	26,224	-	623,055
Vehicles	45,900	-	-	45,900
Total accumulated depreciation	2,003,626	97,105	-	2,100,731
Total depreciable capital assets, net	1,110,944	(80,173)	-	1,030,771
Total nursing home fund capital assets, net	\$ 1,110,944	\$ (80,173)	\$ -	\$ 1,030,771

13. CONCENTRATIONS:

The City received approximately 67 percent of its water user fees from one public water supply district. The City has a contract to provide water to said District.

14. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the Series 2007, 2009, and 2010 Combined Waterworks and Sewerage System Revenue Bonds. The bonds were issued for the amounts identified in Note 11 above. Proceeds from the bonds were used to fund infrastructure for the waterworks system. The bonds are payable solely from water and sewer fund net revenues and are payable through 2031. The total principal and interest remaining to be paid on the bonds is \$2,678,046.

15. INTERFUND TRANSFERS:

During the course of normal operations, the City may transfer revenues between funds for various reasons. The City's interfund transfers consist of transfers of revenues from a fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them. Legally authorized transfers that are not intended to be repaid are treated as operating transfer and are included in the results of operations of both governmental and proprietary funds. Short-term amounts owed between funds, if any, are classified as "Due to/from other funds." Transfers for the current year were as follows:

	Transfer to	
	General Fund	Total
Transfer from		
Solid Waste Fund	\$ 11,790	\$ 11,790

The purpose of these transfers is related to payment of expenditures from cash of other funds.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

12. CAPITAL ASSETS (continued):

	Beginning Balance	Additions	Retirements/ Reclassification	Ending Balance
Business-type activities (continued):				
Nursing Home Fund:				
Depreciable capital assets:				
Buildings and improvements	\$ 2,354,724	\$ -	\$ -	\$ 2,354,724
Equipment, furniture and fixtures	713,946	16,932	-	730,878
Vehicles	45,900	-	-	45,900
Total depreciable assets	3,114,570	16,932	-	3,131,502
Less accumulated depreciation:				
Leasehold improvements	1,360,895	70,881	-	1,431,776
Furnishings and equipment	596,831	26,224	-	623,055
Vehicles	45,900	-	-	45,900
Total accumulated depreciation	2,003,626	97,105	-	2,100,731
Total depreciable capital assets, net	1,110,944	(80,173)	-	1,030,771
Total nursing home fund capital assets, net	\$ 1,110,944	\$ (80,173)	\$ -	\$ 1,030,771

13. CONCENTRATIONS:

The City received approximately 67 percent of its water user fees from one public water supply district. The City has a contract to provide water to said District.

14. PLEDGED REVENUES:

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay the Series 2007, 2009, and 2010 Combined Waterworks and Sewerage System Revenue Bonds. The bonds were issued for the amounts identified in Note 11 above. Proceeds from the bonds were used to fund infrastructure for the waterworks system. The bonds are payable solely from water and sewer fund net revenues and are payable through 2031. The total principal and interest remaining to be paid on the bonds is \$2,678,046.

15. INTERFUND TRANSFERS:

During the course of normal operations, the City may transfer revenues between funds for various reasons. The City's interfund transfers consist of transfers of revenues from a fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them. Legally authorized transfers that are not intended to be repaid are treated as operating transfer and are included in the results of operations of both governmental and proprietary funds. Short-term amounts owed between funds, if any, are classified as "Due to/from other funds." Transfers for the current year were as follows:

	Transfer to	
	General Fund	Total
Transfer from		
Solid Waste Fund	\$ 11,790	\$ 11,790

The purpose of these transfers is related to payment of expenditures from cash of other funds.

CITY OF ADRIAN, MISSOURI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Budget Basis	Variances
	Original	Final	Actual Amounts	Positive (Negative)
				Final to Actual
REVENUES				
Property taxes	\$ 90,250	\$ 90,250	\$ 118,539	\$ 28,289
Franchise taxes	125,000	125,000	127,945	2,945
Sales taxes	503,300	503,300	534,395	31,095
Other taxes	65,000	65,000	75,664	10,664
Licenses and permits	10,710	10,710	8,788	(1,922)
Lease revenue	48,000	48,000	16,000	(32,000)
Fines and forfeitures	12,000	12,000	6,668	(5,332)
Investment earnings	3,290	3,290	6,033	2,743
Miscellaneous	32,665	32,665	94,286	61,621
Total revenues	<u>890,215</u>	<u>890,215</u>	<u>988,318</u>	<u>98,103</u>
EXPENDITURES				
Salaries, payroll taxes and benefits	343,533	343,533	406,959	(63,426)
Repairs	195,375	195,375	203,175	(7,800)
Administration and supplies	66,260	66,260	56,746	9,514
Insurance	46,950	46,950	71,719	(24,769)
Utilities and street lights	68,650	68,650	65,355	3,295
Library expenditures	-	-	27,074	(27,074)
Vehicle expenses	24,120	24,120	17,667	6,453
Capital outlay	107,200	107,200	37,708	69,492
Debt service	-	-	34,666	(34,666)
Total expenditures	<u>852,088</u>	<u>852,088</u>	<u>921,069</u>	<u>(68,981)</u>
Excess (deficiency) of revenues over expenditures	38,127	38,127	67,249	29,122
OTHER FINANCING (USES)				
Transfers in	-	-	11,790	11,790
Net change in fund balance	38,127	38,127	79,039	\$ 40,912
Fund balance - beginning	<u>1,476,586</u>	<u>1,476,586</u>	1,476,586	
Fund balance - ending	<u>\$ 1,514,713</u>	<u>\$ 1,514,713</u>		
Adjustment to reconcile to GAAP Basis				
Revenue accruals			(12,673)	
Expenditure accruals			(8,785)	
Fund balance - ending (GAAP Basis)			<u>1,534,167</u>	

See accompanying notes to supplemental information and independent auditors' report.

CITY OF ADRIAN, MISSOURI
BUDGETARY COMPARISON SCHEDULE FOR THE WATER FUND
NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Non-GAAP</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Positive (Negative)</u> <u>Final to Actual</u>
OPERATING REVENUES				
Charges for services	\$1,250,140	\$1,250,140	\$ 1,128,309	\$ (121,831)
Miscellaneous	14,000	14,000	14,700	700
Total revenues	<u>1,264,140</u>	<u>1,264,140</u>	<u>1,143,009</u>	<u>(121,131)</u>
OPERATING EXPENSES				
Treatment and operations				
Personal services	379,872	379,872	223,226	156,646
Contractual services	301,240	301,240	298,479	2,761
Commodities	115,025	115,025	110,532	4,493
Capital outlay	46,235	46,235	46,497	(262)
Debt service	289,252	289,252	299,446	(10,194)
Total operating expenses	<u>1,131,624</u>	<u>1,131,624</u>	<u>978,180</u>	<u>153,444</u>
OPERATING INCOME	<u>132,516</u>	<u>132,516</u>	<u>164,829</u>	<u>32,313</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	<u>6,050</u>	<u>6,050</u>	<u>19,105</u>	<u>13,055</u>
CHANGE IN NET POSITION	138,566	138,566	183,934	45,368
NET POSITION, BEGINNING	<u>6,973,212</u>	<u>6,973,212</u>	<u>6,973,212</u>	<u>-</u>
NET POSITION, ENDING	<u>\$7,111,778</u>	<u>\$7,111,778</u>	<u>7,157,146</u>	<u>\$ 45,368</u>
Adjustments to reconcile to GAAP basis				
Accrual adjustments to revenues			9,802	
Accrual adjustments to expenses			(34,731)	
Capital outlay			46,497	
Principal on bonds and capital leases			259,082	
Depreciation			(205,930)	
NET POSITION, ENDING (GAAP Basis)			<u>\$ 7,231,866</u>	

See accompanying notes to supplemental information and independent auditors' report.

CITY OF ADRIAN, MISSOURI
BUDGETARY COMPARISON SCHEDULE FOR THE SEWER FUND
NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Non-GAAP</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Positive (Negative)</u> <u>Final to Actual</u>
OPERATING REVENUES				
Charges for services	\$ 145,425	\$ 145,425	\$ 143,239	\$ (2,186)
OPERATING EXPENSES				
Treatment and operations				
Personal services	25,265	25,265	25,197	68
Contractual services	131,850	131,850	87,101	44,749
Commodities	9,000	9,000	242	8,758
Capital outlay	22,500	22,500	-	22,500
Total operating expenses	188,615	188,615	112,540	76,075
OPERATING INCOME (LOSS)	(43,190)	(43,190)	30,699	73,889
NON-OPERATING REVENUES (EXPENSES)				
Interest income	2,090	2,090	5,458	3,368
CHANGE IN NET POSITION	(41,100)	(41,100)	36,157	\$ 77,257
NET POSITION, BEGINNING	1,115,863	1,115,863	1,115,863	
NET POSITION, ENDING	\$1,074,763	\$1,074,763	1,152,020	
Adjustments to reconcile to GAAP basis				
Accrual adjustments to revenues			3,028	
Accrual adjustments to expenses			25,706	
Depreciation			(41,786)	
NET POSITION, ENDING (GAAP Basis)			\$ 1,138,968	

See accompanying notes to supplemental information and independent auditors' report.

CITY OF ADRIAN, MISSOURI
BUDGETARY COMPARISON SCHEDULE FOR THE SOLID WASTE FUND
NON-GAAP BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>Positive (Negative)</u>
			<u>Budgetary Basis</u>	<u>Final to Actual</u>
OPERATING REVENUES				
Charges for services	\$ 103,000	\$ 103,000	\$ 94,354	\$ (8,646)
OPERATING EXPENSES				
Treatment and operations				
Personal services	4,480	4,480	-	4,480
Contractual services	92,350	92,350	82,564	9,786
Total operating expenses	96,830	96,830	82,564	14,266
OPERATING INCOME (LOSS)	6,170	6,170	11,790	5,620
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(6,170)	(6,170)	(11,790)	(5,620)
CHANGE IN NET POSITION	-	-	-	\$ -
NET POSITION, BEGINNING	22,495	22,495	22,495	
NET POSITION, ENDING	\$ 22,495	\$ 22,495	22,495	
Adjustments to reconcile to GAAP basis				
Accrual adjustments to revenues			1,316	
Accrual adjustments to expenses			88	
Depreciation			(1,639)	
NET POSITION, ENDING (GAAP Basis)			\$ 22,260	

See accompanying notes to supplemental information and independent auditors' report.

CITY OF ADRIAN, MISSOURI
NOTES TO THE REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. BUDGETS AND BUDGETARY ACCOUNTING

The Board of Aldermen follow the following procedures in establishing the budgetary data reflected in the government-wide financial statements:

1. Prior to April 30, the City Clerk, who serves as the budget officer, submits to the Board of Aldermen a proposed operating budget for all funds for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Total actual expenditures may not legally exceed total budgeted expenditures. All annual appropriations lapse at fiscal year-end.
2. Public hearings are conducted to obtain taxpayer comments. Prior to approval by the Board of Aldermen, the budget document is available for public inspection.
3. Prior to June 30, the budget is legally enacted by a vote of the Board of Aldermen.
4. Subsequent to its formal approval of the budget, the City Clerk has the authority to make necessary adjustments to the budget by formal vote.

Budgets are prepared on the cash basis of accounting (budgetary basis), in which revenues are recognized when collected and expenditures are recognized when paid. The reported budgetary data represent both the original and final approved budgets as adopted by the Board of Aldermen.



210 W. Ohio
Butler, MO 64730
Phone: 660-679-6571
Fax: 660-679-6575

1626 Hedges Plaza
Nevada, MO 64772
Phone: 417-667-6375
Fax: 417-667-6420

1118A Remington Plaza
Raymore, MO 64083
Phone: 816-331-4242
Fax: 816-322-4626

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND OTHER MATTERS AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Board of Aldermen
City of Adrian, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Adrian, Missouri, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Adrian, Missouri's basic financial statements and have issued our report thereon dated November 18, 2022.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying schedule of findings as item 2020-001 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2020-002 and 2020-003 to be significant deficiencies

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the City of Adrian, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-004.

Response to Findings

The City of Adrian, Missouri's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City of Adrian, Missouri's responses and, accordingly, we express no opinion on them.

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

DSWA Certified Public Accountants, PC.

Raymore, Missouri
November 18, 2022

CITY OF ADRIAN, MISSOURI
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020

Internal Control over Financial Reporting

2020-001 Segregation of Duties and Training – Material Weakness

Statement of Condition: The City is not able to segregate the duties of employees to all phases of an accounting transaction. Not all City employees have been trained or cross-trained on the accounting process.

Criteria: Adequate segregation of non-compatible duties is important for a sound and efficient internal control system. Including appropriate training and cross-training helps to ensure all employees understand the processes and may help mitigate the risks associated with a lack of segregated duties.

Cause: 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.

Effect: Errors or irregularities may result from this lack of segregation of employee duties and responsibilities.

Recommendation: Efficient segregation of duties in a small governmental environment is often difficult; however, we feel that the governing body and City management should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Some areas in which we recommend additional oversight are:

1. The City should create a written accounting procedures manual. This manual should give detailed processes related to the accounting procedures of the City. The manual will allow all office personnel to understand how procedures should work. It is important not only for City personnel but the Board of Aldermen to understand the procedures within the City.
2. The City should have a written risk assessment that is monitored on an ongoing basis to ensure the Board is constantly assessing the risks associated with City procedures.
3. Implementation of secondary reviews is imperative when an entity is unable to adequately segregate duties. Secondary reviews should be performed by someone outside of the daily accounting cycle. Reviews should include approval of all adjusting journal entries entered in the accounting system, direct deposit payroll, timesheets, supporting documentation of all City expenditures including credit card statements and supporting documentation, bank statements, and reconciliations of cash to the general ledger. We further recommend that all City expenditures be included on the Council Approval Report for review and approval at each council meeting. Documentation of such reviews should be kept by the City.
4. Appropriate training and cross-training of employees will help to mitigate risks related to a lack of segregated duties.

City's Response: Segregation is limited due to the small number of employees, however, we are working towards creating a procedure manual and working on reviews in several areas to help with this weakness.

CITY OF ADRIAN, MISSOURI
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020

Internal Control over Financial Reporting (continued)

2020-002 Significant Deficiency – Financial Accounting and Reporting

Statement of Condition: The City financial accounting software is complex in either function or in its initial setup.

Criteria: The financial accounting software should present reports and financial information in a user friendly manner.

Cause: The City's financial accounting software is complex in design or setup. It appears separate general ledgers have been created for each government function rather than being organized on a fund basis.

Effect: The cumbersome nature of the system hinders timely financial reporting and is difficult to extract information from.

Recommendation: The City should either reconstruct the existing accounting system or look into other accounting systems.

City's Response: The current financial software has been configured to generate a useful monthly report that tracks revenues and expenses compared to the budget. The city is moving to a new financial accounting software platform that is user friendly and has the capacity to generate financial reports that are functional and presented in a manner that are more easily understood by the general public. The new software install will begin before the end of 2022 and will be completed within the first quarter of 2023.

2020-003 Significant Deficiency – Financial Reporting and Budgets

Statement of Condition: The budget is not entered into the City's financial accounting software package.

Criteria: The City's financial reports should include the requisite financial information and the related budgetary information for management to make informed decisions and monitor City finances.

Cause: The budget is not entered into the City's financial accounting software.

Effect: Management could make financial decisions not in accordance with the adopted budget and/or fail to properly amend the budget as needed.

Recommendation: The City should adopt policies to ensure the budget is entered into the accounting system and the requisite budget to actual comparisons are readily available for management and the Board of Aldermen.

City's Response: The city's budget was entered into the accounting software in August of 2022. Monthly budget to actual revenue and expense reports have been generated and posted online for public consumption. The budget will be imported into the new financial accounting software every year as part of the budget planning and approval process.

**CITY OF ADRIAN, MISSOURI
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020**

Compliance

2020 - 004 Budget

Statement of Condition: Actual expenditures exceeded budgeted expenditures in the General Fund.

Criteria: Chapter 67.040 of the Revised Missouri Statutes states that an increase of expenditures over budgeted amounts is to be made only on formal resolution.

Effect: The City was not in compliance with Chapter 67.040 of the Revised Missouri Statutes.

Cause: The City did not amend the General Fund budget to reflect increased expenditures.

Recommendation: We recommend the City monitor budgeted to actual expenditures and amend the budget accordingly.

City's Response: *The city will monitor budgeted to actual expenditures monthly and make the necessary budget amendments and or adjustments accordingly. The city will use the new financial accounting software implementation to bring any overstated funds into balance*

CITY OF ADRIAN, MISSOURI
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020

Internal Control over Financial Reporting

2019-001 Segregation of Duties and Training – Material Weakness

Statement of Condition: The City is not able to segregate the duties of employees to all phases of an accounting transaction. Not all City employees have been trained or cross-trained on the accounting process.

Criteria: Adequate segregation of non-compatible duties is important for a sound and efficient internal control system. Including appropriate training and cross-training helps to ensure all employees understand the processes and may help mitigate the risks associated with a lack of segregated duties.

Cause: 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.

Effect: Errors or irregularities may result from this lack of segregation of employee duties and responsibilities.

Recommendation: Efficient segregation of duties in a small governmental environment is often difficult; however, we feel that the governing body and City management should be aware of the risk associated with this lack of duty segregation and attempt to exercise as much oversight control in these areas as possible and feasible. Some areas in which we recommend additional oversight are:

1. The City should create a written accounting procedures manual. This manual should give detailed processes related to the accounting procedures of the City. The manual will allow all office personnel to understand how procedures should work. It is important not only for City personnel but the Board of Aldermen to understand the procedures within the City.
2. The City should have a written risk assessment that is monitored on an ongoing basis to ensure the Board is constantly assessing the risks associated with City procedures.
3. Implementation of secondary reviews is imperative when an entity is unable to adequately segregate duties. Secondary reviews should be performed by someone outside of the daily accounting cycle. Reviews should include approval of all adjusting journal entries entered in the accounting system, direct deposit payroll, timesheets, supporting documentation of all City expenditures including credit card statements and supporting documentation, bank statements, and reconciliations of cash to the general ledger. We further recommend that all City expenditures be included on the Council Approval Report for review and approval at each council meeting. Documentation of such reviews should be kept by the City.
4. Appropriate training and cross-training of employees will help to mitigate risks related to a lack of segregated duties.

Status: *This is still a finding for the fiscal year ended June 30, 2020.*

CITY OF ADRIAN, MISSOURI
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020

Internal Control over Financial Reporting (continued)

2019-002 Significant Deficiency – Financial Accounting and Reporting

Statement of Condition: The City engages the auditor to assist in the preparation of the draft financial statements and the notes to the financial statements and the City Clerk is designated to oversee these non-attest services performed. We noted the City does not have procedures to use a disclosure checklist when reviewing the drafted financial statements and notes.

Criteria: The design and operation of internal control procedures should permit management to prevent, or detect and correct, misstatements in the draft financial statements and notes prepared by the auditor.

Cause: The City has not adopted policies and procedures designed to enhance the approval of the financial statement drafting process.

Effect: Lack of controls could allow misstatements in the draft financial statements and notes to occur and go undetected.

Recommendation: The City should adopt policies and procedures designed to enhance the approval of the financial statement drafting process. Disclosure checklists should be used when reviewing the drafted financial statements and notes.

Status: *This is no longer a finding.*

Compliance and Other Matters

2019-003 Publication of Semiannual Financial Statements

Statement of Condition: The City's financial statements were not published in a newspaper as required by Missouri Revised Statutes (RSMo.) Chapter 79.160.

Criteria: Missouri Revised Statutes Section (RSMo.) 79.160 requires semiannual financial statements be published in a newspaper showing the operations of the City including total indebtedness of the City.

Cause: The City, while posting in multiple public places, did not publish financial statements in a newspaper.

Effect: It appears the City is not in compliance with RSMo. 79.160

Recommendation: We recommend the City ensure that semiannual financial statements be published under the requirements of RSMo. 79.160.

Status: *This is no longer a finding.*

CITY OF ADRIAN, MISSOURI
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO 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
JUNE 30, 2020

Compliance and Other Matters (continued)

2019-004 Publication of Tax Levy Hearing

Statement of Condition: The published tax levy hearing notice did not include all elements required by RSMo. 67.110.

Criteria: Political subdivisions levying taxes are required to include information regarding additional revenue to be received from new construction and reassessment separately and to show a percent of additional new revenue from reassessment in the tax rate hearing notice.

Cause: The City was unaware of this publication requirement.

Effect: It appears the City is out of compliance with RSMo. 67.110.

Recommendation: We recommend the City ensure all necessary information is included in the published tax levy hearing notice.

Status: *This is no longer a finding.*