

CITY OF ADRIAN, MISSOURI

**STATEMENT OF WATER PRODUCTION COSTS
AND DEPRECIATION AND REPLACEMENT CONTRIBUTION
AND STATEMENT OF WATER SUPPLY FACILITIES
REPLACEMENT ACCOUNT
AS OF AND FOR THE FISCAL YEAR
ENDED JUNE 30, 2023**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

**CITY OF ADRIAN, MISSOURI
TABLE OF CONTENTS**

Independent Auditors' Report	1
Statement of Water Production Costs	3
Statement of Water Supply Facilities Replacement Account	4



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INDEPENDENT AUDITORS' REPORT

The Board of Aldermen
City of Adrian, Missouri

Opinion

We have audited the accompanying Statement of Water Production Costs and Depreciation and Replacement Contribution and Statement of Water Supply Facilities Replacement Account of the City of Adrian, Missouri, for the fiscal year ended June 30, 2023.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cost of water production and funding of the Water Supply Facilities Account of the City of Adrian, Missouri, as of and for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America and the provisions of the Water Purchase Contract referred to in the second paragraph.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Adrian, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, generally accepted in the United States of America and for the purpose of complying with the provisions of the Water Purchase Contract between the City of Adrian, Missouri and Public Water Supply District No. 5 of Bates County, Missouri, dated August 18, 1977, as amended by Addendums dated January 12, 1982, August 16, 1982, July 20, 2009 and November 12, 2012.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department of Transportation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

The accompanying statements were prepared from the accounts and financial transactions contained in the Water Operation Fund of the City of Adrian, Missouri. Such statements are not intended to present the financial position or change in net position of the City of Adrian, 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 City of Adrian, Missouri as of and for the fiscal year ended June 30, 2023, and issued our report thereon dated August 26, 2024, which expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of management and the Board of Aldermen of the City of Adrian, Missouri and Public Water Supply District No. 5 of Bates County, Missouri and is not intended to be, and should not be, used by anyone other than these specified parties.

DSWA Certified Public Accountants. P.C.

Raymore, Missouri
August 26, 2024

**CITY OF ADRIAN, MISSOURI
STATEMENT OF WATER PRODUCTION COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

WATER PRODUCTION COSTS

Salaries	\$	166,979	
Payroll taxes and benefits		52,208	
Professional fees		24,429	
Supplies		307	
Repairs and maintenance		56,904	
Vehicle operation expense		4,412	
Utilities		37,292	
Telephone		4,174	
Chemicals		156,042	
Insurance		7,187	
Permits		210	
Dues		470	
Total water production costs	\$	<u>510,614</u>	\$ 6.8413

DEBT SERVICE COSTS

Bond principal and interest:			
Series 2007 bonds	\$	238,874	
Series 2010 bonds		20,833	
Bond administrative fees		10,505	
Total debt service costs	\$	<u>270,212</u>	3.6204

COST OF PRODUCTION

Water production and debt service costs	\$	780,826	
Percentage of water used by purchaser		<u>67.5346%</u>	
Purchaser's cost of production share		527,327	
Amount paid for water by purchaser		<u>(492,582)</u>	
Amount (overpaid)/underpaid by purchaser		34,745	
6.00% interest		2,085	
Amount (overpaid)/underpaid by purchaser	\$	<u>36,830</u>	

WHEELING CHARGE

2% wheeling charge	\$	6,897	
Amount paid for wheeling by purchaser		(6,155)	
Amount (overpaid)/underpaid by purchaser	\$	<u>742</u>	

DEPRECIATION AND REPLACEMENT ACCOUNT CONTRIBUTION

Depreciation and replacement required	\$	25,446	
City of Adrian contribution allocation	32.4654%	8,261	\$688 per month
PWSD No. 5 contribution allocation	67.5346%	17,185	\$1,432 per month
Amount paid by purchaser		<u>(16,488)</u>	
Amount (overpaid)/underpaid by purchaser		697	
Total amount (overpaid)/underpaid by purchaser	\$	<u>38,269</u>	

RATE

Gallons used by purchaser	<u>74,636,700</u>	67.5346%	
Total water produced	110,516,290		
Water production rate	\$	6.8413	
Debt service rate		<u>3.6204</u>	
2023 Water production rate	\$	<u>10.4617</u>	

**CITY OF ADRIAN, MISSOURI
STATEMENT OF WATER SUPPLY FACILITIES REPLACEMENT ACCOUNT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Account Summary</u>	<u>Actual Funding</u>	<u>Required</u>	<u>Funding Due/ (Refundable)</u>
ACCOUNT BALANCE, June 30, 2022	\$ 230,404	-	-	\$ (1,844)
Earnings during year	242	-	-	-
Funding:				
Public Water Supply District				
No. 5 of Bates County	16,488	\$ 16,488	\$ 17,160	672
City of Adrian	8,832	8,832	8,289	(543)
Disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ACCOUNT BALANCE, June 30, 2023	<u>\$ 255,966</u>			<u>\$ (1,715)</u>
Total Funding		<u>\$ 25,320</u>	<u>\$ 25,449</u>	

See independent auditors' report.