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MANAGEMENT LETTER

To the Honorable Mayor and Board of Alderman
City of Adrian, Missouri

In planning and performing our audit of the financial statements of the City of Adrian, Missouri, for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal controls. Accordingly, we do not express an opinion on the effectiveness the City of Adrian, Missouri's internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The comments below summarize our suggestions regarding those matters. This letter does not affect our report dated November 18, 2022, on the financial statements of City of Adrian, Missouri.

We will review the status of these comments during our next audit engagement. We have already discussed the following comments with your management personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

A. EXCESSIVE BANK ACCOUNTS

The City currently maintains records for approximately forty bank accounts that are deposited with three different banks. We recommend the Board consider pooling of funds to maximize investment yields and reduce bookkeeping for the numerous accounts.

B. OUTSTANDING CHECKS

We noted several checks on the City's accounts that have been outstanding for more than three years. State statute requires checks outstanding for this length of time to be remitted to the Missouri State Treasurer as unclaimed property. We recommend the City review the list of outstanding items for accuracy and remit the required items to the Missouri State Treasurer. If items are in error, the Board of Aldermen should vote to approve the removal of the erroneous items.

C. BANK TRANSFERS

Bank transfers were not made in a timely manner, resulting in late payments to vendors. Bank transfers should only be made upon vote and approval by the Board of Aldermen. Excluding the Nursing Home Fund, investments (certificates of deposit) and restricted cash, the City's cash increased \$273,303 from June 30, 2019, to June 30, 2020. There should be no reason for any late payments. Sales tax accounts contained excess funds and such excess funds should be transferred to the general account as needed.

D. WATER DEPRECIATION AND REPLACEMENT ACCOUNT

The City's contribution to the Water Depreciation and Replacement Account was not made for the months of March 2020 through July 2020. It appears the City should deposit \$2,566 into the account in accordance with the Water Purchase Contract between the City and Public Water Supply District No. 5 of Bates County, Missouri.

E. RECURRING PAYMENTS

We recommend recurring payments for utilities, phone, and monthly payment type insurance be set up for automatic debit from the City's bank accounts. The Board of Aldermen would need to authorize such payments once and modify if there is a change in a vendor.

We wish to thank the management and staff of the City for their support and assistance during our audit.

This report is intended solely for the use of the Board of Aldermen of the City of Adrian, Missouri, and is not intended to be and should not be used by anyone other than this specified party.

DSWA Certified Public Accountants, P.C.

Raymore, Missouri
November 18, 2022