

CITY OF ADRIAN, MISSOURI

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
JUNE 30, 2023**

**TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

**CITY OF ADRIAN, MISSOURI
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the City of Adrian, Missouri's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Adrian, Missouri's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 auditor's 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 City of Adrian, Missouri'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Adrian, Missouri's ability to continue as a going concern for a reasonable period of time.

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.

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 26 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.

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 27–28 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules on pages 27–28 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 August 26, 2024, 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. P.C

DSWA Certified Public Accountants. P.C.

Raymore, Missouri
August 26, 2024

CITY OF ADRIAN, MISSOURI
STATEMENT OF NET POSITION
AS OF JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 164,714	\$ -	\$ 164,714
Investments	2,242,636	2,990,961	5,233,597
Accounts and taxes receivable, net	65,093	131,145	196,238
Prepaid insurance	20,043	14,517	34,560
Inventories	12,610	43,378	55,988
Total current assets	2,505,096	3,180,001	5,685,097
Noncurrent assets:			
Restricted cash and cash equivalents	-	770,141	770,141
Capital assets:			
Construction in progress	-	7,525	7,525
Land and nondepreciable infrastructure	13,730	23,484	37,214
Depreciable infrastructure, net	538,522	5,985,932	6,524,454
Depreciable buildings, property, and equipment, net	584,261	283,935	868,196
Total noncurrent assets	1,136,513	7,071,017	8,207,530
Total assets	3,641,609	10,251,018	13,892,627
LIABILITIES			
Current liabilities:			
Current portion of long-term obligations	14,775	277,169	291,944
Accounts payable	58,050	31,036	89,086
Sales tax payable	-	2,313	2,313
Compensated absences payable	26,795	12,383	39,178
Accrued liabilities	271	8,457	8,728
Accrued interest	-	12,407	12,407
Total current liabilities	99,891	343,765	443,656
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	21,283	1,508,721	1,530,004
Meter deposits	-	87,647	87,647
Total noncurrent liabilities	21,283	1,596,368	1,617,651
Total liabilities	121,174	1,940,133	2,061,307
NET POSITION			
Net investment in capital assets	1,100,455	4,471,570	5,572,025
Restricted for:			
Debt service	-	682,494	682,494
Unrestricted	2,419,980	3,156,821	5,576,801
Total net position	\$ 3,520,435	\$ 8,310,885	\$ 11,831,320

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, 2023**

Functions/ Programs	Expenses	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
		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	\$ 555,686	\$ 147,734	\$ 163,179	\$ -	\$ (244,773)	\$ -	\$ (244,773)	
Police	396,055	10,680	-	-	(385,375)	-	(385,375)	
Fire	40,452	-	-	-	(40,452)	-	(40,452)	
Street	309,164	-	-	-	(309,164)	-	(309,164)	
Park	37,433	-	-	-	(37,433)	-	(37,433)	
Interest on long-term debt	1,479	-	-	-	(1,479)	-	(1,479)	
Total governmental activities	1,340,269	158,414	163,179	-	(1,018,676)	-	(1,018,676)	
Business-type activities:								
Water	1,193,231	1,152,302	-	-	-	(40,929)	(40,929)	
Sewer	108,711	128,714	-	-	-	20,003	20,003	
Interest on long-term debt	26,700	-	-	-	-	(26,700)	(26,700)	
Total business-type activities	1,328,642	1,281,016	-	-	-	(47,626)	(47,626)	
Total primary government	\$ 2,668,911	\$ 1,439,430	\$ 163,179	\$ -	(1,018,676)	(47,626)	(1,066,302)	
Component units:								
General Revenues:								
Taxes:								
Property taxes					129,658	-	129,658	
Sales taxes					567,325	-	567,325	
Franchise taxes					143,920	-	143,920	
Gasoline taxes					84,807	-	84,807	
Other taxes					18,394	-	18,394	
Licenses and permits					11,116	-	11,116	
Investment earnings					52,997	93,187	146,184	
Gain (loss) on sale of assets					-	4,500	4,500	
Miscellaneous					25,804	-	25,804	
Transfers in					689,536	19,236	708,772	
Transfers out					(19,236)	(689,536)	(708,772)	
Total general revenues					1,704,321	(572,613)	1,131,708	
Change in net position					685,645	(620,239)	65,406	
Net position--beginning, as restated					2,834,790	8,931,124	11,765,914	
Net position--ending					\$ 3,520,435	\$ 8,310,885	\$ 11,831,320	

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

**CITY OF ADRIAN, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2023**

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 164,714
Investments	2,242,636
Accounts and taxes receivable, net	65,093
Prepaid insurance	20,043
Inventory	12,610
Total assets	<u>\$ 2,505,096</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 58,050
Accrued liabilities	<u>271</u>
Total liabilities	<u>58,321</u>
Deferred inflows of resources:	
Deferred property taxes	<u>16,027</u>
Fund balance:	
Nonspendable	
Prepaid items	20,043
Inventory	12,610
Assigned for:	
Police	75,821
Fire	277,429
Street	353,259
Park	17,105
Capital improvements	1,519,022
Unassigned	<u>155,459</u>
Total fund balances	<u>2,430,748</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,505,096</u>
Reconciliation to Statement of Net Assets	
Fund balance of governmental activities	\$ 2,430,748
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.	1,136,513
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.	16,027
Compensated absences payable are recognized as paid time off earned by employees in the government-wide financial statements but are not considered currently payable and are not accrued in the funds.	(26,795)
Long-term liabilities, including leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(36,058)</u>
Net assets of governmental activities	<u>\$ 3,520,435</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, 2023

REVENUES	<u>General Fund</u>
Property taxes	\$ 123,996
Franchise taxes	143,920
Sales taxes	567,325
Other taxes	103,201
Licenses and permits	11,116
Lease revenue	8,750
Fines and forfeitures	5,394
Investment earnings	52,997
Grants	163,179
Solid waste	120,199
Miscellaneous	49,875
Total revenues	<u>1,349,952</u>
EXPENDITURES	
Salaries	408,715
Payroll taxes and benefits	168,627
Repairs	219,020
Administration and supplies	140,080
Insurance	57,915
Utilities and street lights	82,455
Library expenses	27,325
Vehicle expenses	27,240
Solid waste	104,876
Capital outlay and debt service	44,019
Total expenditures	<u>1,280,272</u>
Excess of revenues over expenditures before other financing sources (uses)	<u>69,680</u>
OTHER FINANCING (USES)	
Transfers in	689,536
Transfers (out)	<u>(19,236)</u>
Total other financing sources (uses)	<u>670,300</u>
Net change in fund balance	739,980
Fund balance--beginning, as restated	<u>1,690,768</u>
Fund balance--ending	<u>\$ 2,430,748</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, 2023

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

Net change in fund balances-total governmental funds	\$	739,980
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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	\$ 28,232	
Depreciation expense	<u>(89,632)</u>	(61,400)

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	5,662
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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.

Other financing source - capital leases	
Interest expense - capital leases	
Payments on capital leases	14,308

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(12,905)</u>
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Change in net position of governmental activities	\$	<u>685,645</u>
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CITY OF ADRIAN, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2023

	Business-Type Activities			Total
	Enterprise Funds			
	Water Fund	Sewer Fund	Solid Waste Fund	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	2,990,961	-	-	2,990,961
Inventories	41,944	1,434	-	43,378
Interest receivable	-	-	-	-
Accounts receivable, net	113,081	18,064	-	131,145
Prepaid insurance	12,614	1,903	-	14,517
Total current assets	<u>3,158,600</u>	<u>21,401</u>	<u>-</u>	<u>3,180,001</u>
Noncurrent assets:				
Restricted cash and cash equivalents	770,141	-	-	770,141
Capital assets:				
Construction in progress	7,525	-	-	7,525
Land and nondepreciable infrastructure	23,484	-	-	23,484
Depreciable infrastructure, net	5,468,363	517,569	-	5,985,932
Depreciable buildings, property, and equipment, net	248,229	35,706	-	283,935
Total noncurrent assets	<u>6,517,742</u>	<u>553,275</u>	<u>-</u>	<u>7,071,017</u>
Total assets	<u>9,676,342</u>	<u>574,676</u>	<u>-</u>	<u>10,251,018</u>
LIABILITIES				
Current liabilities:				
Current portion of long-term obligations	277,169	-	-	277,169
Accounts payable	28,640	2,396	-	31,036
Sales tax payable	2,313	-	-	2,313
Compensated absences payable	12,383	-	-	12,383
Payroll liabilities payable	8,457	-	-	8,457
Accrued interest	12,407	-	-	12,407
Total current liabilities	<u>341,369</u>	<u>2,396</u>	<u>-</u>	<u>343,765</u>
Noncurrent liabilities:				
Noncurrent portion of long-term obligations, net	1,508,721	-	-	1,508,721
Meter deposits	87,647	-	-	87,647
Total noncurrent liabilities	<u>1,596,368</u>	<u>-</u>	<u>-</u>	<u>1,596,368</u>
Total liabilities	<u>1,937,737</u>	<u>2,396</u>	<u>-</u>	<u>1,940,133</u>
NET POSITION				
Net investment in capital assets	3,918,295	553,275	-	4,471,570
Restricted for:				
Debt service	682,494	-	-	682,494
Unrestricted	3,137,816	19,005	-	3,156,821
Total net position	<u>\$ 7,738,605</u>	<u>\$ 572,280</u>	<u>\$ -</u>	<u>\$ 8,310,885</u>

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, 2023

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
OPERATING REVENUES				
Charges for services	\$ 1,120,034	\$ 128,714	\$ -	\$ 1,248,748
Miscellaneous	32,268	-	-	32,268
Total Operating Revenues	<u>1,152,302</u>	<u>128,714</u>	<u>-</u>	<u>1,281,016</u>
OPERATING EXPENSES				
Operations				
Personal services	79,800	17,971	-	97,771
Contractual services	326,138	52,485	-	378,623
Commodities	3,375	298	-	3,673
Production				
Personal services	179,291	-	-	179,291
Contractual services	245,161	-	-	245,161
Commodities	156,830	-	-	156,830
Depreciation	202,636	37,957	-	240,593
Total Operating Expenses	<u>1,193,231</u>	<u>108,711</u>	<u>-</u>	<u>1,301,942</u>
OPERATING INCOME	<u>(40,929)</u>	<u>20,003</u>	<u>-</u>	<u>(20,926)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	93,187	-	-	93,187
Gain on sale of equipment	4,500	-	-	4,500
Interest expense	(26,700)	-	-	(26,700)
Total Non-operating Revenues (Expenses)	<u>70,987</u>	<u>-</u>	<u>-</u>	<u>70,987</u>
INCOME (LOSS) BEFORE OTHER FINANCING SOURCES (USES):	<u>30,058</u>	<u>20,003</u>	<u>-</u>	<u>50,061</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	466,151	-	-	466,151
Transfers out	(677,375)	(446,915)	(12,161)	(1,136,451)
Total Other Financing Sources (Uses)	<u>(211,224)</u>	<u>(446,915)</u>	<u>(12,161)</u>	<u>(670,300)</u>
CHANGE IN NET POSITION	<u>(181,166)</u>	<u>(426,912)</u>	<u>(12,161)</u>	<u>(620,239)</u>
NET POSITION, BEGINNING	<u>7,919,771</u>	<u>999,192</u>	<u>12,161</u>	<u>8,931,124</u>
NET POSITION, ENDING	<u>\$ 7,738,605</u>	<u>\$ 572,280</u>	<u>\$ -</u>	<u>\$ 8,310,885</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, 2023

	Business-Type Activities Enterprise Funds			Total
	Water Fund	Sewer Fund	Solid Waste Fund	
Cash flows from operating activities:				
Cash received from customers	\$ 1,152,099	\$ 127,857	\$ -	\$ 1,279,956
Cash payments to suppliers for goods and services	(715,066)	(50,531)	-	(765,597)
Cash payments to employees	(265,893)	(18,904)	-	(284,797)
Net cash provided by operating activities	171,140	58,422	-	229,562
Cash flows from non-capital financing activities:				
Transfers from other funds	466,151	-	-	466,151
Transfers (to) from other funds	(677,375)	(446,915)	(17,686)	(1,141,976)
Net cash flows from non-capital financing activities	(211,224)	(446,915)	(17,686)	(675,825)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(49,900)	-	-	(49,900)
Proceeds from sale of capital assets	4,500	-	-	4,500
Principal paid on bonds, notes, and lease obligations	(272,460)	-	-	(272,460)
Interest paid on bonds, notes, and lease obligations	(28,563)	-	-	(28,563)
Net cash used by capital and related financing activities	(346,423)	-	-	(346,423)
Cash flows from investing activities:				
Investment income	96,749	-	-	96,749
Net increase (decrease) in cash	(289,758)	(388,493)	(17,686)	(695,937)
Cash and cash equivalents, July 1, 2022	4,050,860	386,610	17,686	4,455,156
Cash and cash equivalents, June 30, 2023	\$ 3,761,102	\$ (1,883)	\$ -	\$ 3,759,219
Cash and cash equivalents at June 30, 2023				
Cash	\$ -	\$ -	\$ -	\$ -
Investments	2,990,961	-	-	2,990,961
Restricted investments	770,141	-	-	770,141
Total	\$ 3,761,102	\$ -	\$ -	\$ 3,761,102
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (40,929)	\$ 20,003	\$ -	\$ (20,926)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	202,636	37,957	-	240,593
Changes in assets and liabilities:				
Decrease (increase) in prepaid expenses	-	-	-	-
Decrease (increase) in receivables	(2,284)	(208)	-	(2,492)
Increase (decrease) in accounts payable	19,685	1,603	-	21,288
Increase (decrease) in other payables	(9,483)	(933)	-	(10,416)
Increase (decrease) in meter deposits payable	1,515	-	-	1,515
Total adjustments	212,069	38,419	-	250,488
Net cash provided by operating activities:	\$ 171,140	\$ 58,422	\$ -	\$ 229,562

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

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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.

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. Solid Waste Fund: This fund accounts for the operation of solid waste collection and disposal. This fund was closed on July 1, 2022, and is now accounted for in the General Fund.

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, 2023

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, 2023

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. METER 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, 2023**

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, 2023, 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, deferred revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

M. FUND EQUITY CLASSIFICATIONS

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, 2023

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.

As of June 30, 2023, all bank balances on deposit are entirely insured and collateralized with securities.

Restricted cash includes US Treasury money market funds held by the bond trustee with a Moody/Fitch rating of AAAAmmf and a weighted average days to maturity of 19 days.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

3. INVESTMENTS:

A. The City's investments consist of funds invested in the Missouri Securities Investment Program. These investments are invested in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes. The investments have a current Standard and Poor rating of AAAm and a weighted average maturity of 40 days. Fair market value approximates cost. The balance of these funds at June 30, 2023, was \$5,321,245.

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

B. 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.

4. RESTRICTED ASSETS:

Cash and cash equivalents are restricted for the following purposes:

Water fund:	
Customer deposits	\$ 87,647
Series 2007 Water Bonds:	
Debt service	1
Debt service reserve	423,263
Principal retirement	224,886
Interest retirement	9,487
Series 2009 Water Bonds:	
Debt service	1
Principal retirement	12,998
Interest retirement	1,416
Series 2010 Water Bonds:	
Debt service	1
Principal retirement	9,140
Interest retirement	1,301
Total restricted cash	<u>\$770,141</u>

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, 2023, were as follows:

	Total		Net
	<u>Receivables</u>	<u>Allowance</u>	<u>Receivables</u>
Water Fund	\$ 128,227	\$(15,146)	\$ 113,081
Sewer Fund	<u>21,602</u>	<u>(3,538)</u>	<u>18,064</u>
Total	<u>\$ 149,829</u>	<u>\$(18,684)</u>	<u>\$ 131,145</u>

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 2022 was as follows:

<u>Fund</u>	<u>Levy</u>
General	\$.5797
Library	.2000
Parks	.0500
Total	<u>\$.8297</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, 2023, were as follows:

Property taxes	\$ 8,306
Sales taxes	44,329
Motor vehicle and fuel	7,525
Franchise taxes	8,137
Solid waste	<u>12,101</u>
	80,398
Less: Allowance	<u>(15,305)</u>
Net receivables	<u>\$ 65,093</u>

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, 2023.

**CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

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, 2023, totaled \$14,194.

11. LONG-TERM DEBT AND LIABILITIES:

Changes in long-term debt during the year ended June 30, 2023, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental Activities:				
Lease purchases	\$ 34,628		\$ (11,589)	\$ 23,039
Note payable-Division of Energy	15,738	-	(2,719)	13,019
Compensated absences	13,890	12,905	-	26,795
Total Governmental Activities	<u>\$ 64,256</u>	<u>\$ 12,905</u>	<u>\$ (14,308)</u>	<u>\$ 62,853</u>
Business-Type Activities:				
Waterworks & Sewerage Bonds	\$ 1,993,100	\$ -	\$ (261,300)	\$ 1,731,800
Note payable-Division of Energy	65,250	-	(11,160)	54,090
Compensated absences	19,185	-	(6,802)	12,383
Total Business-Type Activities	<u>\$ 2,077,535</u>	<u>\$ -</u>	<u>\$ (279,262)</u>	<u>\$ 1,798,273</u>

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

A. GOVERNMENTAL ACTIVITIES DEBT

Finance lease obligations:

Finance lease purchase agreement for a police vehicle, bearing interest at 3.5% per annum, due in monthly payments of \$592, maturing November 2024. The balance owed at June 30, 2023, was \$9,799.

Finance lease purchase agreement for a police vehicle, bearing interest at 3.75% per annum, due in monthly payments of \$463, maturing December 2026. The balance owed at June 30, 2023, was \$13,240.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

11. LONG-TERM DEBT (continued):

Debt service requirements to maturity are:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 12,014	\$ 643	\$ 12,657
2025	8,276	238	8,514
2026	<u>2,746</u>	<u>30</u>	<u>2,776</u>
	<u>\$ 23,036</u>	<u>\$ 911</u>	<u>\$ 23,947</u>

Assets with a cost of \$459,284 were acquired through capital leases.

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% \$ 1,382,000

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% 191,600

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% 158,200

\$ 1,731,800

Cash paid for interest on these bonds during the year ended June 30, 2023, totaled \$26,845.

Debt service requirements to maturity are:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 265,700	\$ 23,090	\$ 288,790
2025	269,300	19,278	288,578
2026	273,800	15,417	289,217
2027	279,300	11,474	290,774
2028	282,900	7,466	290,366
2029-2031	<u>360,800</u>	<u>4,641</u>	<u>365,441</u>
	<u>\$ 1,731,800</u>	<u>\$ 81,366</u>	<u>\$ 1,813,166</u>

**CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023**

11. LONG-TERM DEBT (continued):

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.

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, 2023, totaled \$2,132, reporting \$414 in the general fund/governmental activities and \$1,718 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
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	2,916	184	3,100	12,113	765	12,878
2027	2,996	104	3,100	12,449	429	12,878
2028	1,509	21	1,530	6,273	86	6,359
	<u>\$ 13,019</u>	<u>\$ 911</u>	<u>\$ 13,930</u>	<u>\$ 54,090</u>	<u>\$ 3,781</u>	<u>\$ 57,871</u>

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

12. CAPITAL ASSETS:

The following is a summary in changes in capital assets for the year ended June 30, 2023:

	Beginning Balance	Additions	Retirements	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	607,817	11,377	-	619,194
Equipment, furniture and fixtures	1,300,960	16,855	-	1,317,815
Infrastructure	936,585	-	-	936,585
Total depreciable assets	<u>2,845,362</u>	<u>28,232</u>	<u>-</u>	<u>2,873,594</u>
Less accumulated depreciation:				
Buildings	190,140	16,290	-	206,430
Equipment, furniture and fixtures	1,096,391	49,928	-	1,146,319
Infrastructure	374,648	23,414	-	398,062
Total accumulated depreciation	<u>1,661,179</u>	<u>89,632</u>	<u>-</u>	<u>1,750,811</u>
Total depreciable capital assets, net	<u>1,184,183</u>	<u>(61,400)</u>	<u>-</u>	<u>1,122,783</u>
Total governmental activities capital assets	<u>\$ 1,197,913</u>	<u>\$ (61,400)</u>	<u>\$ -</u>	<u>\$ 1,136,513</u>

Depreciation expense in the amount of \$89,632 was charged to the following functions:

General government	\$ 45,887
Street	22,596
Fire	2,430
Public safety	18,238
Park	481
	<u>\$ 89,632</u>

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

12. CAPITAL ASSETS (continued):

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
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	<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	179,468	11,691	-	191,159
Infrastructure	818,477	26,266	-	844,743
Total accumulated depreciation	<u>1,001,945</u>	<u>37,957</u>	<u>-</u>	<u>1,039,902</u>
Total sewer fund capital assets, net	<u>\$ 591,232</u>	<u>\$ (37,957)</u>	<u>\$ -</u>	<u>\$ 553,275</u>
Water Fund:				
Nondepreciable assets:				
Land and easements	\$ 23,484	\$ -	\$ -	\$ 23,484
Construction in progress	7,525	-	-	7,525
Depreciable capital assets:				
Buildings and improvements	127,496	-	-	127,496
Plant, structure and lines	8,924,438	-	-	8,924,438
Equipment, furniture and fixtures	572,689	49,900	18,158	604,431
Total	<u>9,655,632</u>	<u>49,900</u>	<u>18,158</u>	<u>9,687,374</u>
Less accumulated depreciation:				
Buildings and improvements	29,420	3,617	-	33,037
Infrastructure	3,274,630	181,445	-	3,456,075
Equipment, furniture and fixtures	451,245	17,574	18,158	450,661
Total accumulated depreciation	<u>3,755,295</u>	<u>202,636</u>	<u>18,158</u>	<u>3,939,773</u>
Total water fund capital assets, net	<u>\$ 5,900,337</u>	<u>\$ (152,736)</u>	<u>\$ -</u>	<u>\$ 5,747,601</u>

13. CONCENTRATIONS:

The City received approximately 55 percent of its water user fees from one public water supply 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 \$1,813,166.

CITY OF ADRIAN, MISSOURI
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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." The transfer from the Solid Waste Fund to the General fund was a "residual equity transfer" to close the Solid Waste Fund. Transfers for the current year were as follows:

<u>Transfer from</u>	Transfer to	
	General Fund	Water Fund
General	\$ -	\$ 19,236
Sewer	-	446,915
Water	677,375	-
Solid Waste	12,161	-
	<u>\$ 689,536</u>	<u>\$ 466,151</u>

16. ANNUAL GENERAL OPERATING REVENUE FROM TRAFFIC VIOLATIONS:

House Bill 103 amending Section 302.341.2 RSMo became effective on August 28, 2013. The amendment to the statute required municipalities to report an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations. The City's traffic violations revenues are 2.96% of this total "annual general operating revenue", which is substantially below the 20% threshold requirement of the amended statute.

17. PRIOR PERIOD ADJUSTMENT:

Beginning fund balance/net position was restated for cumulative errors from prior years in the amount of \$222,659.

18. SUBSEQUENT EVENTS:

Management has reviewed subsequent events through August 26, 2024, the date these financial statements were available to be issued.

CITY OF ADRIAN, MISSOURI
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Budget Basis	Variances
	Original	Final	Actual Amounts	Positive (Negative) Final to Actual
REVENUES				
Property taxes	\$ 129,700	\$ 129,700	\$ 129,281	\$ (419)
Franchise taxes	121,500	121,500	143,908	22,408
Sales taxes	545,000	545,000	572,656	27,656
Other taxes	75,000	75,000	101,752	26,752
Licenses and permits	1,010	1,010	11,116	10,106
Fines and forfeitures	3,000	3,000	5,394	2,394
Investment earnings	-	-	53,905	53,905
Grants	-	-	163,179	163,179
Solid waste	120,500	120,500	122,556	2,056
Miscellaneous	15,040	15,040	58,625	43,585
Total revenues	<u>1,010,750</u>	<u>1,010,750</u>	<u>1,362,372</u>	<u>351,622</u>
EXPENDITURES				
Salaries, payroll taxes and benefits	573,969	573,969	575,474	(1,505)
Repairs	131,500	131,500	224,116	(92,616)
Administration and supplies	75,370	75,370	134,382	(59,012)
Insurance	56,939	56,939	57,915	(976)
Utilities and street lights	73,340	73,340	83,394	(10,054)
Library expenditures	-	-	27,325	(27,325)
Vehicle expenses	32,700	32,700	27,521	5,179
Solid waste	-	-	110,528	(110,528)
Capital outlay and debt service	38,450	38,450	49,584	(11,134)
Total expenditures	<u>982,268</u>	<u>982,268</u>	<u>1,290,239</u>	<u>(307,971)</u>
Excess (deficiency) of revenues over expenditures	<u>28,482</u>	<u>28,482</u>	<u>72,133</u>	<u>43,651</u>
OTHER FINANCING (USES)				
Proceeds of long-term capital-related debt				
Transfers in	-	-	689,536	689,536
Transfers (out)	-	-	(19,236)	(19,236)
Total transfers in (out)	<u>-</u>	<u>-</u>	<u>670,300</u>	<u>670,300</u>
Net change in fund balance	28,482	28,482	742,433	<u>\$ 713,951</u>
Fund balance - beginning, as adjusted	<u>1,690,768</u>	<u>1,690,768</u>	1,690,768	
Fund balance - ending	<u>\$1,719,250</u>	<u>\$ 1,719,250</u>		
Adjustment to reconcile to GAAP Basis				
Revenue accruals			(11,199)	
Expenditure accruals			11,446	
Fund balance - ending (GAAP Basis)			<u>\$ 2,433,448</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Budgetary Basis</u>	<u>Positive (Negative) Final to Actual</u>
OPERATING REVENUES				
Charges for services	\$ 889,600	\$ 889,600	\$ 1,110,743	\$ 221,143
Miscellaneous	10,000	10,000	32,268	22,268
Total revenues	<u>899,600</u>	<u>899,600</u>	<u>1,143,011</u>	<u>243,411</u>
OPERATING EXPENSES				
Operations				
Personal services	71,470	71,470	83,473	(12,003)
Contractual services	167,701	167,701	284,187	(116,486)
Commodities	7,100	7,100	7,143	(43)
Capital outlay	20,000	20,000	49,900	(29,900)
Debt service	7,750	7,750	22,754	(15,004)
	<u>274,021</u>	<u>274,021</u>	<u>447,457</u>	<u>(173,436)</u>
Production				
Personal services	187,143	187,143	182,420	4,723
Contractual services	248,375	248,375	260,371	(11,996)
Commodities	125,850	125,850	156,794	(30,944)
Capital outlay	40,950	40,950	-	40,950
Debt service	269,471	269,471	288,415	(18,944)
	<u>871,789</u>	<u>871,789</u>	<u>888,000</u>	<u>(16,211)</u>
Total operating expenses	<u>1,145,810</u>	<u>1,145,810</u>	<u>1,335,457</u>	<u>(189,647)</u>
OPERATING INCOME	<u>(246,210)</u>	<u>(246,210)</u>	<u>(192,446)</u>	<u>53,764</u>
NON-OPERATING REVENUES (EXPENSES)				
Gain on sale of asset	-	-	4,500	4,500
Interest income	-	-	96,749	96,749
	<u>-</u>	<u>-</u>	<u>101,249</u>	<u>101,249</u>
INCOME BEFORE TRANSFERS	<u>(246,210)</u>	<u>(246,210)</u>	<u>(91,197)</u>	<u>155,013</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	466,151	466,151
Transfers (out)	-	-	(677,375)	(677,375)
Total transfers in (out)	<u>-</u>	<u>-</u>	<u>(211,224)</u>	<u>(211,224)</u>
CHANGE IN NET POSITION	<u>(246,210)</u>	<u>(246,210)</u>	<u>(302,421)</u>	<u>\$ (56,211)</u>
NET POSITION, BEGINNING	<u>7,919,771</u>	<u>7,919,771</u>	<u>7,919,771</u>	
NET POSITION, ENDING	<u>\$7,673,561</u>	<u>\$7,673,561</u>	<u>7,617,350</u>	
Adjustments to reconcile to GAAP basis				
Accrual adjustments to revenues			12,551	
Accrual adjustments to expenses			(11,020)	
Capital outlay			49,900	
Principal on bonds and capital leases			272,460	
Depreciation			(202,636)	
NET POSITION, ENDING (GAAP Basis)			<u>\$ 7,738,605</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, 2023

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Budgetary Basis</u>	<u>Positive (Negative) Final to Actual</u>
OPERATING REVENUES				
Charges for services	\$ 136,470	\$ 136,470	\$ 127,857	\$ (8,613)
Total revenues	<u>136,470</u>	<u>136,470</u>	<u>127,857</u>	<u>(8,613)</u>
OPERATING EXPENSES				
Treatment and operations				
Personal services	26,486	26,486	18,904	7,582
Contractual services	98,537	98,537	50,233	48,304
Commodities	490	490	298	192
Total operating expenses	<u>125,513</u>	<u>125,513</u>	<u>69,435</u>	<u>56,078</u>
OPERATING INCOME (LOSS)	10,957	10,957	58,422	47,465
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(446,915)	(446,915)
CHANGE IN NET POSITION	10,957	10,957	(388,493)	\$ (399,450)
NET POSITION, BEGINNING	<u>999,192</u>	<u>999,192</u>	<u>999,192</u>	
NET POSITION, ENDING	<u>\$1,010,149</u>	<u>\$1,010,149</u>	610,699	
Adjustments to reconcile to GAAP basis				
Accrual adjustments to revenues			208	
Accrual adjustments to expenses			(670)	
Depreciation			(37,957)	
NET POSITION, ENDING (GAAP Basis)			<u>\$ 572,280</u>	

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

CITY OF ADRIAN, MISSOURI
NOTES TO THE REQUIRED AND OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2023

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.





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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, 2023, 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 August 26, 2024.

Report on 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings as item 2023-001 that we consider to be material weaknesses.

Report on 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 grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 2023-002.

City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Adrian, Missouri's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Adrian, Missouri's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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. P.C.

Raymore, Missouri
August 26, 2024.

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, 2023

Internal Control over Financial Reporting

2023-001 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
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IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
JUNE 30, 2023

Compliance

2023 - 002 Budget

Statement of Condition: Actual expenditures exceeded budgeted expenditures in the General and Water Funds.

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 and Water Fund budgets to reflect increased expenditures.

Recommendation: We recommend the City monitor budgeted to actual expenditures and amend the budget accordingly. We further recommend the inclusion of all expenditures and transfers in the budget.

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
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IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
JUNE 30, 2023

Internal Control over Financial Reporting

2022-001 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.*

Status: This is still 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
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JUNE 30, 2023

Internal Control over Financial Reporting (continued)

2022-002 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.

Status: This is no longer a finding.

2022-003 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.

Status: This is no longer a finding.

CITY OF ADRIAN, MISSOURI
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES TO THE INDEPENDENT AUDITORS'
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JUNE 30, 2023

Compliance

2022 - 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.*

Status: This is still a finding.