

City of Otterville, Missouri

Basic Financial Statements With Independent Auditor's Report

For the Year Ended
December 31, 2023

City of Otterville, Missouri

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Board of Aldermen
City of Otterville, Missouri

Report on the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the discretely presented component unit of the City of Otterville, Missouri (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City'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 cash basis financial position of the governmental activities, business-type activities, each major fund, and the discretely presented component unit of the City as of December 31, 2023, and the respective changes in cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Otterville, 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 opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

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 opinion. 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 and Government 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, including omissions, 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 Otterville, 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 Otterville, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The budgetary comparison information on pages 21 and 22 is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Management has omitted 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 financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the City's internal control over financial reporting and compliance.

Hood & Associates CPAs, P.C.

Kansas City, Missouri
November 21, 2024

Exhibit A

City of Otterville, Missouri
Statement of Net Position - Cash Basis
December 31, 2023

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and investments	\$ 248,065	\$ 198,379	\$ 446,444	\$ 1,990
Restricted assets:				
Cash and investments	71,061	99,954	171,015	-
Total assets	<u>319,126</u>	<u>298,333</u>	<u>617,459</u>	<u>1,990</u>
Net Position				
Restricted:				
Debt service	71,061	88,318	159,379	-
American Recovery Plan Act	-	11,636	11,636	-
Unrestricted	248,065	198,379	446,444	1,990
Total net position	<u>\$ 319,126</u>	<u>\$ 298,333</u>	<u>\$ 617,459</u>	<u>\$ 1,990</u>

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Activities - Cash Basis
For the Year Ended December 31, 2023

Exhibit B

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Operating			Capital Grants and Contributions	Primary Government		Total	
	Charges for Services	Grants and Contributions	Governmental Activities		Business-Type Activities			
Primary government:								
Governmental activities								
General government	\$ 229,824	\$ 16,125	\$ 3,421	\$ -	\$ (210,278)	\$ -	\$ (210,278)	\$ -
Solid waste	33,029	34,246	-	-	1,217	-	1,217	-
Principal on long-term debt	60,000	-	-	-	(60,000)	-	(60,000)	-
Interest on long-term debt	11,765	-	-	-	(11,765)	-	(11,765)	-
Total governmental activities	334,618	50,371	3,421	-	(280,826)	-	(280,826)	-
Business-type activities								
Water and sewer	245,608	259,188	-	-	-	13,580	13,580	-
Total business-type activities	245,608	259,188	-	-	-	13,580	13,580	-
Total primary government	\$ 580,226	\$ 309,559	\$ 3,421	\$ -	(280,826)	13,580	(267,246)	-
Component Unit								
Otterville Community								
Betterment Society	\$ 553	\$ -	\$ -	\$ -	(553)	-	-	(553)

General revenues:

Taxes:

Property taxes, levied for general purpose
Property taxes, levied for specific purposes

Sales taxes

Railroad and utility taxes

Motor vehicle taxes

Franchise taxes

Cigarette taxes

Unrestricted investment earnings

Gain on disposal of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

29,912	-	29,912	-	-
65,844	-	65,844	-	-
50,729	-	50,729	-	-
21,806	-	21,806	-	-
22,458	-	22,458	-	-
34,267	-	34,267	-	-
1,112	-	1,112	-	-
4,383	4,383	16,554	-	-
-	-	14,100	-	-
-	-	4,747	-	-
6,000	(6,000)	-	-	-
263,146	(1,617)	261,529	-	-
(17,680)	11,963	(5,717)	-	(553)
336,806	286,370	623,176	-	2,543
\$ 319,126	\$ 298,333	\$ 617,459	-	\$ 1,990

See accompanying notes to the basic financial statements

Exhibit C

City of Otterville, Missouri
Statement of Assets and Fund Balances Arising From Cash Basis Transactions -
Governmental Funds
December 31, 2023

	General Fund	Debt Service	Total
Assets			
Cash and investments	\$ 248,065	\$ -	\$ 248,065
Restricted assets:			
Cash and investments	-	71,061	71,061
Total assets	<u>\$ 248,065</u>	<u>\$ 71,061</u>	<u>\$ 319,126</u>
Fund Balances			
Restricted	-	71,061	71,061
Unassigned	248,065	-	248,065
Total fund balance	<u>248,065</u>	<u>71,061</u>	<u>319,126</u>
Total liabilities and fund balances	<u>\$ 248,065</u>	<u>\$ 71,061</u>	<u>\$ 319,126</u>

See accompanying notes to the basic financial statements

Exhibit D

City of Otterville, Missouri
Statement of Revenues Collected, Expenditures Paid and
Changes in Fund Balances - Governmental Funds - Cash Basis
For the Year Ended December 31, 2023

	General Fund	Debt Service	Total
Revenues:			
Property tax	\$ 29,912	\$ 65,844	\$ 95,756
Sales tax	50,729	-	50,729
Railroad and utility taxes	21,806	-	21,806
Motor vehicle and fuel tax	22,458	-	22,458
Cigarette tax	1,112	-	1,112
Franchise tax	34,267	-	34,267
Audit surcharge	9,114	-	9,114
Grants and contributions	3,421	-	3,421
Trash services	34,246	-	34,246
Licenses and permits	6,763	-	6,763
Interest	12,171	-	12,171
Rents	248	-	248
Miscellaneous	4,747	-	4,747
Total Revenues	230,994	65,844	296,838
Expenditures:			
Salaries	42,358	-	42,358
Payroll taxes	7,736	-	7,736
Solid waste	33,029	-	33,029
State audit	10,842	-	10,842
Utilities	13,418	-	13,418
Insurance	6,748	-	6,748
Equipment lease	9,126	-	9,126
Fuel	1,150	-	1,150
Annual audit	3,206	-	3,206
Codification	1,768	-	1,768
Legal	7,938	-	7,938
Subcontractor	400	-	400
Miscellaneous	7,903	-	7,903
Capital outlay	96,751	-	96,751
Debt service:			
Principal	-	60,000	60,000
Interest and fiscal charges	-	11,765	11,765
Total Expenditures	262,853	71,765	334,618
Excess of Receipts Over (Under) Expenditures	(31,859)	(5,921)	(37,780)
Other financing sources (uses):			
Proceeds on sale of capital assets	14,100	-	14,100
Transfers in	6,000	-	6,000
Total Other Financing Sources (Uses)	20,100	-	20,100
Net change in fund balances	(11,759)	(5,921)	(17,680)
Fund balances, beginning of year	259,824	76,982	336,806
Fund balances, end of year	\$ 248,065	\$ 71,061	\$ 319,126

See accompanying notes to the basic financial statements

Exhibit E

City of Otterville, Missouri
Statement of Net Position - Cash Basis
Proprietary Fund
December 31, 2023

	Water and Sewer
Assets	
Current assets:	
Cash and investments	\$ 198,379
Restricted cash and investments	99,954
Total assets	<u>298,333</u>
Net position	
Restricted:	
Debt service	88,317
American Recovery Plan Act	11,637
Unrestricted	198,379
Total net position	<u>\$ 298,333</u>

See accompanying notes to the basic financial statements

Exhibit F

City of Otterville, Missouri
Statement of Revenues, Expenses and Changes in Fund Net Position - Cash Basis
Proprietary Fund
For the Year Ended December 31, 2023

	<u>Water and Sewer</u>
Operating revenues:	
Charges for services	\$ 259,188
Total operating revenues	<u>259,188</u>
Operating expenses:	
Salaries	63,513
Professional fees	14,623
Utilities	11,545
Repairs and maintenance	31,906
Purchased water	1,893
Payroll taxes	2,419
Testing	5,462
Mapping	3,494
Insurance	13,296
Supplies	4,893
Fuel	492
Miscellaneous	6,912
Total operating expenses	<u>160,448</u>
Operating income	<u>98,740</u>
Nonoperating revenues (expenses):	
Interest income	4,383
Principal payments	(45,000)
Interest expense	(40,160)
Total nonoperating revenues (expenses)	<u>(80,777)</u>
Income before transfers	17,963
Transfers out	<u>(6,000)</u>
Change in net position	11,963
Net position, beginning of year	286,370
Net position, end of year	<u><u>\$ 298,333</u></u>

See accompanying notes to the basic financial statements

Exhibit G

City of Otterville, Missouri
Statement of Cash Flows - Cash Basis
Proprietary Fund
For the Year Ended December 31, 2023

	Water and Sewer
Cash Flows From Operating Activities:	
Receipts from customers and others	\$ 259,188
Payments to suppliers	(94,516)
Payments to employees and contractors	(65,932)
Net cash provided by operating activities	<u>98,740</u>
Cash Flows From Noncapital Financing Activities:	
Transfers (out)	(6,000)
Net cash flows (used in) noncapital financing activities	<u>(6,000)</u>
Cash Flows From Investing Activities:	
Interest received	4,383
Net cash flows provided by investing activities	<u>4,383</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and trustee fees paid	(40,160)
Principal payments on revenue bonds	(45,000)
Net cash flows (used in) capital and related financing activities	<u>(85,160)</u>
Net change in cash and equivalents	11,963
Cash and equivalents, beginning of year	286,370
Cash and equivalents, end of year	298,333
Total cash and investments reported on the Statement of Net Position	<u><u>\$ 298,333</u></u>
Cash and investments reported on the Statement of Net Position	
Cash and investments	\$ 198,379
Restricted cash and investments	99,954
Total cash and investments	<u><u>\$ 298,333</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 98,740
Adjustments to reconcile operating income to net cash provided by (used in) operations	-
Net cash provided by operating activities	<u><u>\$ 98,740</u></u>

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

(1) Summary of Significant Accounting Policies

The City of Otterville, Missouri (the City) is a fourth-class city and operates under a Mayor-Board of Aldermen (the Board) form of government. The City provides services to nearly 475 residents in many areas, including public safety, streets, general administration and water, sewer and refuse services.

The City prepares its financial statements in conformity with the cash basis of accounting which is a basis of accounting other than generally accepted accounting principles (GAAP). The cash basis method of accounting recognizes revenue when received and expenses/expenditures when paid and is not intended to present the financial statements of the City in accordance with generally accepted accounting principles. The following represent the more significant accounting and reporting policies and practices of the City.

A. Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Component units are separate legal entities which are included in the primary government's financial report. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body, and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

The City provides substantial financial benefits to the Otterville Community Betterment Society (the Society) and, accordingly, the Society is reported as a discrete component unit in the accompanying financial statements. Society does not issue separate financial statements. The Society's purpose is for the general betterment of the citizens of Otterville.

B. Basis of Presentation

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and Fund Financial Statements.

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities, which are financed through taxes and intergovernmental receipts, are reported separately from business-type activities, which rely on fees and charges for services for support.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating- specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Governmental 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 cash balances, fund balance, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Debt Service Fund: The Debt Service Fund of the City is used to account for resources restricted, committed or assigned for, and for payment of long-term debt principal, interest, and related costs.

Proprietary Fund

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

The City reports the following major proprietary fund:

Water and Sewer Fund: This Fund accounts for the operations, maintenance, and improvement activities of the existing water and sewer system and capital improvements pertaining to the City wells, facilities, equipment, treatment lagoon, pump station and infrastructure.

C. Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus, within the limitations of the cash basis of accounting, as described below.

Governmental Fund Financial Statements

In the fund financial statements, the "current financial resources" measurement focus, as applied to the cash basis of accounting, is used. Only current financial assets and liabilities are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide, and fund financial statements are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States.

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. All other revenues and expenses are considered nonoperating.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting while the fund financial statements for proprietary fund types would use the accrual basis of accounting. The government-wide financials would be presented on the accrual basis of accounting.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

D. Cash and Investments

The City's cash and investments consist of interest-bearing checking and savings accounts, certificates of deposits.

Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, investment pools and certificates of deposit. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or an independent third party and must be of the kind prescribed by State Statutes and approved by the State.

The City maintains separate bank accounts for special requirements such as debt reserves, and restricted grants. The City's cash and investments are primarily considered to be cash on hand, amounts in demand deposits, certificates of deposits and money market funds.

For the purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents.

E. Capital Assets

Capital assets and property and equipment purchases are recorded as expenditures at the time the goods are paid for and received. Under the cash basis of accounting the City does not report capital assets in the Government-wide financial statements.

F. Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts on their anniversary date each year. Compensated absences are recorded when taken in the government-wide, governmental, and proprietary financial statements.

G. Interfund Activity

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e., due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their fair value. Interfund services provided and used are reported as revenues in funds providing the good or service and expenditures or expenses in the fund purchasing the good or service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or statement of net position.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

H. Long-term Debt

Debt arising from cash transactions is not reported in the government-wide financial statements or the fund financial statements, which is consistent with the cash basis of accounting. Debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

I. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

J. Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

K. Fund Balances

In the fund financial statements, governmental funds report the following fund balance classifications:

Non-Spendable – This consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts which can only be used for specific purposes determined by a formal action of passing an ordinance by the Board of Aldermen, the City's highest level of decision-making authority. Any changes or removal of specific purpose requires the same action by the Board of Aldermen.

Assigned – This consists of amounts which are constrained by the Board of Aldermen or a subordinate high-level body, such as a finance committee or other City official, such as City Clerk that has the authority to assign amounts to be used for a specific purpose but do not meet the criteria to be classified as committed.

Unassigned – This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

The City has a fund balance policy that provides guidance for programs with multiple revenue sources. The policy is to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

L. Net Position Classifications

In the government-wide and proprietary fund financial statements, net position is classified into three components:

- (1) Net investment in capital assets – consisting of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position – consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- (3) Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

M. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations - Actual expenditures exceeded budgeted appropriations in the General Fund by \$17,440 and the Debt Service Fund by \$1,785 primarily as a result of the actual repairs and maintenance and debt service expenditures exceeding the budgeted amounts for the year ended December 31, 2023.

(2) Cash and Investments

At December 31, 2023, the carrying value of deposits and investments are summarized as follows:

	Governmental and Business-type Activities
Demand deposits	\$ 298,628
Certificates of deposit	234,528
Restricted cash equivalents held in trust	88,317
Total cash and investments	<u>\$ 621,473</u>
Cash and investments as reported:	
Cash and investments	\$ 450,458
Restricted cash and investments	171,015
Total cash and investments	<u>\$ 621,473</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

Custodial Credit Risk

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

At December 31, 2023, the City's deposits were entirely insured with Federal Depository Insurance Coverage (FDIC) and collateralized by surety bond coverage of \$385,000, which together with FDIC coverage is sufficient to cover deposits entirely.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The City structures the investment portfolio so that certificates of deposits and trust securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. The City's short-term investments at December 31, 2023, consisted of money market funds and certificates of deposits with maturities of less than one year.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of December 31, 2023, the City does not have any significant concentrations of credit risk.

(3) Tax Revenues

The City's property taxes are levied and recorded each November 1 on the assessed value as of the prior January 1 for all property located in the City and are delinquent on January 1 (the lien date) following the levy date. Assessed values are established by county assessors. The assessed value of local property at January 1, 2022, was \$3,870,033.

The City is permitted by the Missouri State Constitution to levy (without a vote of two-thirds of the voting electorate) taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt. The City has levied taxes through election for debt service. The City's property tax levies per \$100 of assessed valuation for the year in which the revenues were received were as follows:

<u>Fund</u>	<u>Levy</u>
General Fund	0.8414
Debt Service Fund	1.8327
	<u>\$ 2.6741</u>

City of Otterville, Missouri
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Tax receipts for the year ended December 31, 2023, consisted of the following:

	Property Taxes	Sales Taxes	Franchise Taxes	Motor Vehicle and Cigarette Taxes	Total
Major government funds:					
General	\$ 29,912	\$ 50,729	\$ 34,267	\$ 23,750	\$ 138,658
Debt Service	65,844	-	-	-	65,844
Total tax receipts	<u>\$ 95,756</u>	<u>\$ 50,729</u>	<u>\$ 34,267</u>	<u>\$ 23,750</u>	<u>\$ 204,502</u>

(4) Long Term Debt

Although not reported in the government-wide financial statements a summary of the changes in long-term debt is as follows:

	Beginning of Year	Adjustments/ Additions	Adjustments/ Retirements	End of Year	Due Within One Year
Governmental Activities:					
Series 2016 General Obligation Bonds	\$ 385,000	\$ -	\$ 60,000	\$ 325,000	\$ 60,000
Total general obligation bonds	<u>385,000</u>	<u>-</u>	<u>60,000</u>	<u>325,000</u>	<u>60,000</u>
Total Governmental Activities	<u>\$ 385,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 325,000</u>	<u>\$ 60,000</u>
Business-type Activities:					
Series 2015B Certificates of Participation	\$ 545,000	\$ -	\$ 30,000	\$ 515,000	\$ 30,000
Series 2017 Refunding Certificates of Participation	<u>285,000</u>	<u>-</u>	<u>15,000</u>	<u>270,000</u>	<u>15,000</u>
Total Certificates of Participation	<u>830,000</u>	<u>-</u>	<u>45,000</u>	<u>785,000</u>	<u>45,000</u>
Total Business-type Activities	<u>\$ 830,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 785,000</u>	<u>\$ 45,000</u>
Total Primary Government	<u>\$ 1,215,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,110,000</u>	<u>\$ 105,000</u>
Discrete Component Unit:					
USDA Note Payable - skid steer	\$ 1,048	\$ -	\$ 1,048	\$ -	\$ -
USDA Note Payable - mower	<u>21,558</u>	<u>-</u>	<u>3,313</u>	<u>18,245</u>	<u>3,422</u>
Total Discrete Component Unit	<u>\$ 22,606</u>	<u>\$ -</u>	<u>\$ 4,361</u>	<u>\$ 18,245</u>	<u>\$ 3,422</u>

A. Series 2015 Certificates of Participation

On April 30, 2015, the City issued \$325,000 in Series 2015A Tax-Exempt Certificates of Participation Wastewater Improvements and \$705,000 in Series 2015B Taxable Property Assessed Clean Energy Certificates of Participation (collectively the Series 2015 Participates). The proceeds of the Series 2015 Certificates were used to finance the construction and improvements to the City's existing wastewater treatment facility (the Project). The 2015 Certificates evidence the ownership of proportionate interest in, and rights to receive payments under the lease purchase agreement dated as of April 1, 2015. The Series 2015A Certificates of Participation were refunded during 2017 (See Note 4C). The Series 2015B Certificates bear interest ranging from 3.7% to 5.5% with principal and interest payments due April 1 and October 1 through 2035.

City of Otterville, Missouri
Notes to the Basic Financial Statements
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On April 1, 2015 the City entered into a base lease pursuant to which the City has leased to Missouri Clean Energy District (the District) the City's wastewater system and improvements and the City has entered into a lease purchase agreement pursuant to which the District has leased to the City the Project and grants the City an option to purchase the District's interest in the Project. Terms of the lease purchase agreement include basic lease payments by the City which is comprised of the principal and interest portion due on April 1 and October 1 each year on the Series 2015B Certificates. The Series 2015B Certificates maturing on April 1, 2020, April 1, 2025, April 1, 2030, and April 1, 2035, are subject to mandatory prepayment prior to their stated payment date on each April 1 equal to 100% of the principal and interest components of the base rentals.

Concurrently with the execution of the lease purchase agreement the District entered into a declaration of trust agreement with the First Bank of Missouri (Trustee #1) which assigned all right, title and interest of the Project and the associated lease payments under the base lease to Trustee #1.

The Series 2015B Certificates are payable from the basic rents received from the City from the net income derived from the Project and from an annual assessment levied upon the assessed property sufficient to produce the amounts necessary for the payment of principal and interest, after application of the moneys from the basic rents.

B. Series 2016 General Obligation Bonds

In August 2016, the City issued Series 2016 General Obligation Bonds for the purpose of extending and improving streets. The bonds bear interest ranging from 2.2% to 3.4% with principal payments due March 1 and interest payments due each March 1 and September 1 through March 2028. The bonds may be called for redemption under provisions outlined in the bond ordinance.

C. Series 2017 Refunding Certificates of Improvements

On July 31, 2017, the City issued \$355,000 Series 2017 Refunding Certificates of Participation Evidencing Proportionate Share of the Owners thereof in Basic Rent Payments to be Made by the City Pursuant to a Lease Purchase Agreement for the purpose of refunding the Series 2015A Certificates of Participation. The Series 2017 Refunding Certificates of Participation bear interest at rates ranging of 3.0% to 4.4% with principal payments due each April 1 and interest payments due each April 1 and October 1 through 2035.

On March 1, 2017, the City entered into a base lease pursuant to which the City has leased to Security Bank (the Lessee\Trustee #2) the City's water tower and improvements (the Water Tower) and the City has entered into a lease purchase pursuant to which the Lessee\Trustee has leased to the City the Water Tower and grants the City an option to purchase the Lessee's interest in the Water Tower.

Concurrently with the execution of the lease purchase agreement the Lessee\Trustee entered into a declaration of trust agreement with the First Bank of Missouri (Trustee #2) which assigned all right, title and interest of the Project and the associated basic lease payments under the base lease to Trustee #2.

The Series 2017 Certificates are payable from the basic rents received from the City from the net income derived from the Project. The City has pledged future water and sewer customer revenues to repay the Series 2015B and Series 2017 Certificates of Participation issued to for the construction and improvements to the City's existing wastewater treatment facility.

D. Notes Payable

The Otterville Community Betterment Society (OCBS) entered into promissory note on December 14, 2016, with the United States Department of Agriculture (USDA) for the purchase of equipment to be used for general maintenance within the City limits, the promissory note is payable in annual principal and interest installment of \$1,098 for seven (7) years at 2.375% interest.

City of Otterville, Missouri
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December 31, 2023

The OCBS entered into promissory note on February 14, 2018, with the USDA for the purchase of equipment to be used for general maintenance within the City limits, the promissory note is payable in annual principal and interest installment of \$4,114 for ten (10) years at 3.25% interest.

The OCBS receives revenues from the City in the form of lease payments in an amount sufficient to make the annual debt service payments on the notes with the USD

E. Future Debt Service Requirements

2016 General Obligation Bonds			Total Governmental Activities		
Year Ending December 31,	Principal	Interest	Principal	Interest	
2024	\$ 60,000	\$ 4,520	\$ 60,000	\$ 4,520	
2025	65,000	7,613	65,000	7,613	
2026	65,000	565	65,000	5,665	
2027	65,000	3,452	65,000	3,452	
2028	70,000	1,190	70,000	1,190	
	<u>\$ 325,000</u>	<u>\$ 17,340</u>	<u>\$ 325,000</u>	<u>\$ 22,440</u>	

2015B Certificates of Participation			2017 Certificates of Participation		Total Business Activities	
Year Ending December 31,	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 30,000	\$ 26,860	\$ 15,000	\$ 11,200	\$ 45,000	\$ 38,060
2025	35,000	25,235	15,000	10,600	50,000	37,460
2026	35,000	23,433	20,000	9,900	55,000	35,135
2027	35,000	21,577	20,000	9,100	55,000	32,533
2028	40,000	19,590	20,000	8,270	60,000	29,847
2029-2033	230,000	63,075	105,000	28,330	335,000	91,405
2034-2035	110,000	6,050	75,000	4,950	185,000	11,000
	<u>\$ 515,000</u>	<u>\$ 185,820</u>	<u>\$ 270,000</u>	<u>\$ 82,350</u>	<u>\$ 785,000</u>	<u>\$ 275,440</u>

2018 USDA Note Payable			Total Component Unit	
Year Ending December 31,	Principal	Interest	Principal	Interest
2024	\$ 3,422	\$ 592	\$ 3,422	\$ 592
2025	3,532	482	3,532	482
2026	3,647	367	3,647	367
2027	3,766	248	3,766	248
2028	3,878	136	3,878	136
	<u>\$ 18,245</u>	<u>\$ 1,825</u>	<u>\$ 18,245</u>	<u>\$ 1,825</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2023

(7) Commitments and Contingencies

A. Risk Management

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 coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City. The City carries commercial insurance and has not incurred any claims which have exceeded its coverage during the fiscal year.

B. Federal and State Grants

The City has received financial assistance from various federal, state, and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

C. Litigation

The City is involved in legal proceedings arising from the ordinary course of City activities. As of December 31, 2023, the City has filed a claim which alleges that the former City Clerk was paid an inappropriate amount upon severance and without approval by the Board. The former City Clerk has filed a slander counter suit against the City seeking unspecified damages in excess of \$50,000. The City's insurance will cover any potential damage; however, the City intends to vigorously contest this counter claim. While these proceedings may have a future financial effect, management believes that their ultimate outcome will not be material to the basic financial statements.

D. Abatement Order of Consent

During April 2024, the City executed an abatement order of consent (AOC) with the Missouri Department of Natural Resources (the DNR). The AOC contends that the effluent discharge from the City's Wastewater Treatment Facility (WWTF) does not comply with the limitations contained in the permit issued by the DNR to operate the WWTF. The AOC requires the City to make operational improvements to the WWTF within 180 days to be in compliance with the DNR's effluent discharges limitations.

If the operational improvements do not achieve compliance with the DNR's effluent discharge limitations, the City agrees to submit a Facility Plan developed by a professional engineer in accordance with DNR regulations that will enable the WWTF to meet permitted effluent limitations.

Failure to comply with the terms of the AOC The City shall be subject to daily penalties ranging from \$100 to \$500 per day.

(8) Subsequent Events

The City evaluated subsequent events through November 21, 2024, the date the financial statements were available to be issued. As described in Note 7, during April 2024, the City entered into a AOC with the DNR. Management is not aware of any other events that would require adjustment or disclosure to the financial statements.

Schedule 1

City of Otterville, Missouri
Schedule of Receipts, Expenditures and Changes in
Fund Balances - Cash Basis Budget and Actual - General Fund
For the Year Ended December 31, 2023

	Original Budget	2023 Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Taxes:				
Property tax	\$ 24,418	\$ 24,418	\$ 29,912	\$ 5,494
Sales tax	54,188	54,188	50,729	(3,459)
Road and bridge tax	2,649	2,649	-	(2,649)
Railroad and utility taxes	19,980	19,980	21,806	1,826
Motor vehicle and fuel tax	19,467	19,467	22,458	2,991
Cigarette tax	1,136	1,136	1,112	(24)
Franchise tax	26,800	26,800	34,267	7,467
Audit surcharge	16,770	16,770	9,114	(7,656)
Trash services	42,363	42,363	34,246	(8,117)
Licenses and permits	7,637	7,637	6,763	(874)
Interest	2,375	2,375	12,171	9,796
Grants and contributions	-	-	3,421	3,421
Rents	6,100	6,100	248	(5,852)
Miscellaneous	6,495	6,495	4,747	(1,748)
Total receipts	<u>230,378</u>	<u>230,378</u>	<u>230,994</u>	<u>616</u>
Expenditures:				
Salaries	44,244	44,244	42,358	1,886
Payroll taxes	13,281	13,281	7,736	5,545
Capital outlay	81,000	81,000	96,751	(15,751)
Solid waste	35,178	35,178	33,029	2,149
State audit	16,812	16,812	10,842	5,970
Utilities	12,061	12,061	13,418	(1,357)
Insurance	11,201	11,201	6,748	4,453
Equipment lease	9,126	9,126	9,126	-
Repairs and maintenance	3,358	3,358	20,480	(17,122)
Fuel	1,985	1,985	1,150	835
Annual Audit	2,600	2,600	3,206	(606)
Codification	2,018	2,018	1,768	250
Legal	4,113	4,113	7,938	(3,825)
Miscellaneous	8,036	8,036	7,903	133
Total Expenditures	<u>245,013</u>	<u>245,013</u>	<u>262,453</u>	<u>(17,440)</u>
Excess of Revenues Over (Under) Expenditures	<u>(14,635)</u>	<u>(14,635)</u>	<u>(31,459)</u>	<u>(16,824)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	6,000	6,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,100</u>	<u>20,100</u>	<u>6,000</u>
Change in fund balance	<u>\$ (14,635)</u>	<u>\$ (535)</u>	<u>(11,359)</u>	<u>\$ (10,824)</u>
Fund Balances, Beginning of Year			<u>259,824</u>	
Fund Balances, End of Year			<u>\$ 248,465</u>	

Schedule 2

City of Otterville, Missouri
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Cash Basis Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2023

	Original Budget	2023 Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Taxes:				
Property taxes	\$ 70,215	\$ 70,215	\$ 65,844	\$ (4,371)
Total Revenues	<u>70,215</u>	<u>70,215</u>	<u>65,844</u>	<u>(4,371)</u>
Expenditures:				
Debt Service:				
Principal	60,000	60,000	60,000	-
Interest and fiscal charges	<u>9,980</u>	<u>9,980</u>	<u>11,765</u>	<u>(1,785)</u>
Total Expenditures	<u>69,980</u>	<u>69,980</u>	<u>71,765</u>	<u>(1,785)</u>
Excess of Revenues Over (Under) Expenditures	<u>235</u>	<u>235</u>	<u>(5,921)</u>	<u>(6,156)</u>
Change in fund balance	<u>\$ 235</u>	<u>\$ 235</u>	<u>(5,921)</u>	<u>\$ (6,156)</u>
Fund Balances, Beginning of Year			<u>76,982</u>	
Fund Balances, End of Year			<u>\$ 71,061</u>	