

City of Otterville, Missouri

Basic Financial Statements With Independent Auditor's Report

For the Year Ended
December 31, 2024

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, 2024, 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, 2024, 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, 2025 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, 2025

Exhibit A

City of Otterville, Missouri
Statement of Net Position - Cash Basis
December 31, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and investments	\$ 203,416	\$ 223,812	\$ 427,228	\$ 128
Restricted assets:				
Cash and investments	81,530	97,301	178,831	-
Total assets	<u>284,946</u>	<u>321,113</u>	<u>606,059</u>	<u>128</u>
Net Position				
Restricted:				
Debt service	81,530	86,613	168,143	-
American Recovery Plan Act	-	10,688	10,688	-
Unrestricted	203,416	223,812	427,228	128
Total net position	<u>\$ 284,946</u>	<u>\$ 321,113</u>	<u>\$ 606,059</u>	<u>\$ 128</u>

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Activities - Cash Basis
For the Year Ended December 31, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		Component Unit
	Operating			Capital Grants and Contributions	Primary Government		
	Charges for Services	Grants and Contributions	Governmental Activities		Business-Type Activities	Total	
Primary government:							
Governmental activities							
General government	\$ 173,437	\$ 6,670	\$ -	\$ -	\$ (166,767)	\$ (166,767)	\$ -
Solid waste	32,024	30,544	-	-	(1,480)	(1,480)	-
Principal on long-term debt	60,000	-	-	-	(60,000)	(60,000)	-
Interest on long-term debt	9,995	-	-	-	(9,995)	(9,995)	-
Total governmental activities	275,456	37,214	-	-	(238,242)	(238,242)	-
Business-type activities							
Water and sewer	390,636	272,130	-	142,729	-	24,223	-
Total business-type activities	390,636	272,130	-	142,729	-	24,223	-
Total primary government	\$ 666,092	\$ 309,344	\$ -	\$ 142,729	(238,242)	(214,019)	-
Component Unit							(1,862)
Otterville Community Betterment Society	\$ 4,630	\$ 2,768	\$ -	\$ -	(1,862)	-	-
General revenues:							
Taxes:							
Property taxes, levied for general purpose					25,607	25,607	-
Property taxes, levied for specific purposes					48,801	48,801	-
Sales taxes					50,486	50,486	-
Railroad and utility taxes					20,084	20,084	-
Motor vehicle taxes					11,579	11,579	-
Franchise taxes					23,865	23,865	-
Cigarette taxes					210	210	-
Unrestricted investment earnings					15,227	19,784	-
Insurance recovery					2,003	2,003	-
Miscellaneous					200	200	-
Transfers					6,000	-	-
Total general revenues and transfers					204,062	202,619	-
Change in net position					(34,180)	(11,400)	(1,862)
Net position, beginning of year					319,126	617,459	1,990
Net position, end of year					\$ 284,946	\$ 606,059	\$ 128

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Assets and Fund Balances Arising From Cash Basis Transactions -
Governmental Funds
December 31, 2024

	General Fund	Debt Service	Total
Assets			
Cash and investments	\$ 203,416	\$ -	\$ 203,416
Restricted assets:			
Cash and investments	-	81,530	81,530
Total assets	<u><u>\$ 203,416</u></u>	<u><u>\$ 81,530</u></u>	<u><u>\$ 284,946</u></u>
Fund Balances			
Restricted	-	81,530	81,530
Unassigned	203,416	-	203,416
Total fund balance	<u><u>203,416</u></u>	<u><u>81,530</u></u>	<u><u>284,946</u></u>
Total liabilities and fund balances	<u><u>\$ 203,416</u></u>	<u><u>\$ 81,530</u></u>	<u><u>\$ 284,946</u></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, 2024

	General Fund	Debt Service	Total
Revenues:			
Property tax	\$ 25,607	\$ 48,801	\$ 74,408
Sales tax	50,486	-	50,486
Railroad and utility taxes	-	20,084	20,084
Motor vehicle and fuel tax	-	11,579	11,579
Cigarette tax	210	-	210
Franchise tax	23,865	-	23,865
Trash services	30,544	-	30,544
Licenses and permits	5,581	-	5,581
Interest	15,227	-	15,227
Rents	1,089	-	1,089
Miscellaneous	200	-	200
Total Revenues	152,809	80,464	233,273
Expenditures:			
Salaries	32,889	-	32,889
Payroll taxes	1,720	-	1,720
Solid waste	32,024	-	32,024
Utilities	12,629	-	12,629
Insurance	6,666	-	6,666
Equipment lease	6,714	-	6,714
Repairs and maintenance	2,368	-	2,368
Fuel	2,128	-	2,128
Annual audit	3,300	-	3,300
Legal	12,795	-	12,795
Miscellaneous	11,398	-	11,398
Capital outlay	80,830	-	80,830
Debt service:			
Principal	-	60,000	60,000
Interest and fiscal charges	-	9,995	9,995
Total Expenditures	205,461	69,995	275,456
Excess of Receipts Over (Under) Expenditures	(52,652)	10,469	(42,183)
Other financing sources (uses):			
Insurance recovery	2,003	-	2,003
Transfers in	6,000	-	6,000
Total Other Financing Sources (Uses)	8,003	-	8,003
Net change in fund balances	(44,649)	10,469	(34,180)
Fund balances, beginning of year	248,065	71,061	319,126
Fund balances, end of year	\$ 203,416	\$ 81,530	\$ 284,946

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Net Position - Cash Basis
Proprietary Fund
December 31, 2024

Exhibit E

Assets

Current assets:

Cash and investments

Restricted cash and investments

Total assets

Net position

Restricted:

Debt service

American Recovery Plan Act

Unrestricted

Total net position

**Water and
Sewer**

\$ 223,812

97,301

321,113

86,613

10,688

223,812

\$ 321,113

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, 2024

	<u>Water and Sewer</u>
Operating revenues:	
Charges for services	\$ 272,130
Total operating revenues	<u>272,130</u>
Operating expenses:	
Salaries	41,611
Contractual services	29,000
Repairs and maintenance	29,910
Professional fees	10,199
Utilities	10,758
Purchased water	2,327
Payroll taxes	4,400
Testing	11,755
Insurance	13,332
Fuel	343
Miscellaneous	6,507
Total operating expenses	<u>162,845</u>
Operating income	<u>109,285</u>
Nonoperating revenues (expenses):	
Intergovernmental	142,729
Interest income	4,557
Capital outlay	(144,751)
Principal payments	(45,000)
Interest expense	(38,060)
Total nonoperating revenues (expenses)	<u>(80,525)</u>
Income before transfers	28,760
Transfers out	<u>(6,000)</u>
Change in net position	22,760
Net position, beginning of year	298,353
Net position, end of year	<u>\$ 321,113</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, 2024

	Water and Sewer
Cash Flows From Operating Activities:	
Receipts from customers and others	\$ 272,130
Payments to suppliers	(116,814)
Payments to employees and contractors	(46,011)
Net cash provided by operating activities	<u>109,305</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	4,557
Net cash flows provided by investing activities	<u>4,557</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and trustee fees paid	(38,060)
Principal payments on revenue bonds	(45,000)
Capital outlay	(144,751)
Capital grants received	142,729
Net cash flows (used in) capital and related financing activities	<u>(85,082)</u>
Net change in cash and equivalents	22,780
Cash and equivalents, beginning of year	298,333
Cash and equivalents, end of year	<u>321,113</u>
Total cash and investments reported on the Statement of Net Position	<u>\$ 321,113</u>
Cash and investments reported on the Statement of Net Position	
Cash and investments	\$ 223,812
Restricted cash and investments	97,301
Total cash and investments	<u>\$ 321,113</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 109,305
Adjustments to reconcile operating income to net cash provided by (used in) operations	-
Net cash provided by operating activities	<u>\$ 109,305</u>
See accompanying notes to the basic financial statements	

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

(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, 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, 2024

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, 2024

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 and proprietary 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/expenses.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024

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 \$45,426 primarily as a result of the actual capital outlay expenditures exceeding the budgeted amounts for the year ended December 31, 2024.

(2) Cash and Investments

At December 31, 2024, the carrying value of deposits and investments are summarized as follows:

	Governmental and Business-type Activities
On hand	\$ 250
Demand deposits	205,911
Certificates of deposit	313,285
Restricted cash equivalents held in trust	86,613
Total cash and investments	<u>\$ 606,059</u>
Cash and investments as reported:	
Cash and investments	\$ 427,228
Restricted cash and investments	178,831
Total cash and investments	<u>\$ 606,059</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024, 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, 2024, consisted of money market funds and certificates of deposits with maturities of one year or less.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of December 31, 2024, 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, 2023, was \$4,170,757.

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:

Fund	Levy
General Fund	0.8414
Debt Service Fund	1.6035
	<u>\$ 2.4449</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

Tax receipts for the year ended December 31, 2024, consisted of the following:

	Property Taxes	Sales Taxes	Franchise Taxes	Motor Vehicle and Cigarette Taxes	Total
Major governmental funds:					
General	\$ 25,607	\$ 50,486	\$ 30,544	\$ 210	\$ 106,847
Debt Service	68,885	-	-	11,579	80,464
Total tax receipts	<u>\$ 94,492</u>	<u>\$ 50,486</u>	<u>\$ 30,544</u>	<u>\$ 11,789</u>	<u>\$ 187,311</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	\$ 325,000	\$ -	\$ 60,000	\$ 265,000	\$ 65,000
Total general obligation bonds	<u>325,000</u>	<u>-</u>	<u>60,000</u>	<u>265,000</u>	<u>65,000</u>
Total Governmental Activities	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 265,000</u>	<u>\$ 65,000</u>
Business-type Activities:					
Series 2015B Certificates of Participation	\$ 515,000	\$ -	\$ 30,000	\$ 485,000	\$ 35,000
Series 2017 Refunding Certificates of Participation	<u>270,000</u>	<u>-</u>	<u>15,000</u>	<u>255,000</u>	<u>15,000</u>
Total Certificates of Participation	<u>785,000</u>	<u>-</u>	<u>45,000</u>	<u>740,000</u>	<u>50,000</u>
Total Business-type Activities	<u>\$ 785,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 740,000</u>	<u>\$ 50,000</u>
Total Primary Government	<u>\$ 1,110,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,005,000</u>	<u>\$ 115,000</u>
Discrete Component Unit:					
USDA Note Payable - mower	\$ 18,245	\$ -	\$ 3,422	\$ 14,823	\$ 3,512
Total Discrete Component Unit	<u>\$ 18,245</u>	<u>\$ -</u>	<u>\$ 3,422</u>	<u>\$ 14,823</u>	<u>\$ 3,512</u>

A. 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.

B. 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
December 31, 2024

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.

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 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 USDA.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

E. Future Debt Service Requirements

2016 General Obligation Bonds				Total Governmental Activities			
Year Ending December 31,	Principal		Interest	Principal		Interest	
2025	\$	65,000	\$ 7,612	\$	65,000	\$	7,612
2026		65,000	5,565		65,000		5,565
2027		65,000	3,452		65,000		3,452
2028		70,000	1,190		70,000		1,190
	<u>\$</u>	<u>265,000</u>	<u>\$ 17,819</u>	<u>\$</u>	<u>265,000</u>	<u>\$</u>	<u>17,819</u>

2015B Certificates of Participation				2017 Certificates of Participation				Total Business Activities			
Year Ending December 31,	Principal		Interest	Principal		Interest		Principal		Interest	
2025	\$	35,000	\$ 25,235	\$	15,000	\$ 10,600	\$	50,000	\$	35,835	
2026		35,000	23,483		20,000	9,900		55,000		35,135	
2027		35,000	21,577		20,000	9,100		55,000		32,583	
2028		40,000	19,590		20,000	8,270		60,000		29,847	
2029		40,000	17,470		20,000	7,410		60,000		27,000	
2030-2034		245,000	50,142		110,000	23,670		355,000		73,812	
2035		55,000	1,513		50,000	2,200		105,000		3,713	
	<u>\$</u>	<u>485,000</u>	<u>\$ 159,010</u>	<u>\$</u>	<u>255,000</u>	<u>\$ 71,150</u>	<u>\$</u>	<u>740,000</u>	<u>\$</u>	<u>237,925</u>	

2018 USDA Note Payable				Total Component Unit			
Year Ending December 31,	Principal		Interest	Principal		Interest	
2025	\$	3,532	\$ 492	\$	3,532	\$	492
2026		3,647	367		3,647		367
2027		3,766	248		3,766		248
2028		3,878	136		3,878		136
	<u>\$</u>	<u>14,823</u>	<u>\$ 1,243</u>	<u>\$</u>	<u>14,823</u>	<u>\$</u>	<u>1,243</u>

(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.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024, 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's legal counsel intends to vigorously contest this counter claim and the possibility of an unfavorable outcome is remote. 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, 2025, the date the financial statements were available to be issued. 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, 2024

	Original Budget	2024 Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Taxes:				
Property tax	\$ 33,352	\$ 33,352	\$ 25,607	\$ (7,745)
Sales tax	73,291	73,291	50,486	(22,805)
Road and bridge tax	2,183	2,183	-	(2,183)
Cigarette tax	1,025	1,025	210	(815)
Franchise tax	26,189	26,189	23,865	(2,324)
Audit surcharge	14,046	14,046	-	(14,046)
Trash services	38,173	38,173	30,544	(7,629)
Licenses and permits	7,119	7,119	5,581	(1,538)
Interest	2,686	2,686	15,227	12,541
Grants and contributions	23,106	23,106	-	(23,106)
Rents	6,037	6,037	1,089	(4,948)
Miscellaneous	3,898	3,898	200	(3,698)
Total receipts	231,105	231,105	152,809	(78,296)
Expenditures:				
Salaries	47,362	47,362	32,889	14,473
Payroll taxes	9,660	9,660	1,720	7,940
Capital outlay	-	-	80,830	(80,830)
Solid waste	37,291	37,291	32,024	5,267
State audit	13,950	13,950	-	13,950
Utilities	12,113	12,113	12,629	(516)
Insurance	6,893	6,893	6,666	227
Equipment lease	9,126	9,126	6,714	2,412
Repairs and maintenance	7,341	7,341	2,368	4,973
Fuel	2,132	2,132	2,128	4
Annual Audit	3,430	3,430	3,300	130
Codification	495	495	-	495
Legal	5,099	5,099	12,795	(7,696)
Miscellaneous	5,143	5,143	11,398	(6,255)
Total Expenditures	160,035	160,035	205,461	(45,426)
Excess of Revenues Over (Under) Expenditures	71,070	71,070	(52,652)	(123,722)
Other Financing Sources (Uses):				
Insurance recovery	-	-	2,003	2,003
Transfers in	6,000	6,000	6,000	-
Total Other Financing Sources (Uses)	6,000	6,000	8,003	2,003
Change in fund balance	\$ 77,070	\$ 77,070	(44,649)	\$ (121,719)
Fund Balances, Beginning of Year			248,065	
Fund Balances, End of Year			\$ 203,416	

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, 2024

	Original Budget	2024 Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Taxes:				
Property taxes	\$ 63,581	\$ 63,581	\$ 48,801	\$ (14,780)
Railroad and utility taxes	21,774	21,774	20,084	(1,690)
Motor vehicle and fuel tax	-	-	11,579	11,579
Total Revenues	<u>85,355</u>	<u>85,355</u>	<u>80,464</u>	<u>(4,891)</u>
Expenditures:				
Debt Service:	-			
Principal	60,000	60,000	60,000	-
Interest and fiscal charges	13,450	13,450	9,995	3,455
Total Expenditures	<u>73,450</u>	<u>73,450</u>	<u>69,995</u>	<u>3,455</u>
Excess of Revenues Over (Under) Expenditures	<u>11,905</u>	<u>11,905</u>	<u>10,469</u>	<u>(1,436)</u>
Change in fund balance	<u>\$ 11,905</u>	<u>\$ 11,905</u>	<u>10,469</u>	<u>\$ (1,436)</u>
Fund Balances, Beginning of Year			<u>71,061</u>	
Fund Balances, End of Year			<u>\$ 81,530</u>	

City of Otterville, Missouri

Basic Financial Statements With Independent Auditor's Report

For the Year Ended
December 31, 2024

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, 2024, 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, 2024, 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, 2025 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, 2025

Exhibit A

City of Otterville, Missouri
Statement of Net Position - Cash Basis
December 31, 2024

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and investments	\$ 203,416	\$ 223,812	\$ 427,228	\$ 128
Restricted assets:				
Cash and investments	81,530	97,301	178,831	-
Total assets	<u>284,946</u>	<u>321,113</u>	<u>606,059</u>	<u>128</u>
Net Position				
Restricted:				
Debt service	81,530	86,613	168,143	-
American Recovery Plan Act	-	10,688	10,688	-
Unrestricted	203,416	223,812	427,228	128
Total net position	<u>\$ 284,946</u>	<u>\$ 321,113</u>	<u>\$ 606,059</u>	<u>\$ 128</u>

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Activities - Cash Basis
For the Year Ended December 31, 2024

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Component Unit
Functions/Programs:	Expenses						
Primary government:							
Governmental activities:							
General government	\$ 173,437	\$ 6,670	\$ -	\$ -	\$ (166,767)	\$ -	\$ -
Solid waste	32,024	30,544	-	-	(1,480)	-	-
Principal on long-term debt	60,000	-	-	-	(60,000)	-	-
Interest on long-term debt	9,995	-	-	-	(9,995)	-	-
Total governmental activities	275,456	37,214	-	-	(238,242)	-	-
Business-type activities							
Water and sewer	390,636	272,130	-	142,729	-	24,223	-
Total business-type activities	390,636	272,130	-	142,729	-	24,223	-
Total primary government	\$ 666,092	\$ 309,344	\$ -	\$ 142,729	(238,242)	24,223	-
Component Unit							
Otterville Community	\$ 4,630	\$ 2,768	\$ -	\$ -	(1,862)	-	(1,862)
Betterment Society							

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

Insurance recovery

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

25,607	25,607	-	-	25,607	-	-	-
48,801	48,801	-	-	48,801	-	-	-
50,486	50,486	-	-	50,486	-	-	-
20,084	20,084	-	-	20,084	-	-	-
11,579	11,579	-	-	11,579	-	-	-
23,865	23,865	-	-	23,865	-	-	-
210	210	-	-	210	-	-	-
15,227	15,227	4,557	-	19,784	-	-	-
2,003	2,003	-	-	2,003	-	-	-
200	200	-	-	200	-	-	-
6,000	6,000	(6,000)	-	-	-	-	-
204,062	204,062	(1,443)	-	202,619	-	-	-
(34,180)	(34,180)	22,780	-	(11,400)	-	-	(1,862)
319,126	319,126	298,333	-	617,459	-	-	1,990
\$ 284,946	\$ 284,946	\$ 321,113	-	\$ 606,059	-	-	\$ 128

See accompanying notes to the basic financial statements

City of Otterville, Missouri
Statement of Assets and Fund Balances Arising From Cash Basis Transactions -
Governmental Funds
December 31, 2024

	General Fund	Debt Service	Total
Assets			
Cash and investments	\$ 203,416	\$ -	\$ 203,416
Restricted assets:			
Cash and investments	-	81,530	81,530
Total assets	<u>\$ 203,416</u>	<u>\$ 81,530</u>	<u>\$ 284,946</u>
Fund Balances			
Restricted	-	81,530	81,530
Unassigned	203,416	-	203,416
Total fund balance	<u>203,416</u>	<u>81,530</u>	<u>284,946</u>
Total liabilities and fund balances	<u>\$ 203,416</u>	<u>\$ 81,530</u>	<u>\$ 284,946</u>

See accompanying notes to the basic financial statements

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, 2024

	General Fund	Debt Service	Total
Revenues:			
Property tax	\$ 25,607	\$ 48,801	\$ 74,408
Sales tax	50,486	-	50,486
Railroad and utility taxes	-	20,084	20,084
Motor vehicle and fuel tax	-	11,579	11,579
Cigarette tax	210	-	210
Franchise tax	23,865	-	23,865
Trash services	30,544	-	30,544
Licenses and permits	5,581	-	5,581
Interest	15,227	-	15,227
Rents	1,089	-	1,089
Miscellaneous	200	-	200
Total Revenues	152,809	80,464	233,273
Expenditures:			
Salaries	32,889	-	32,889
Payroll taxes	1,720	-	1,720
Solid waste	32,024	-	32,024
Utilities	12,629	-	12,629
Insurance	6,666	-	6,666
Equipment lease	6,714	-	6,714
Repairs and maintenance	2,368	-	2,368
Fuel	2,128	-	2,128
Annual audit	3,300	-	3,300
Legal	12,795	-	12,795
Miscellaneous	11,398	-	11,398
Capital outlay	80,830	-	80,830
Debt service:			
Principal	-	60,000	60,000
Interest and fiscal charges	-	9,995	9,995
Total Expenditures	205,461	69,995	275,456
Excess of Receipts Over (Under) Expenditures	(52,652)	10,469	(42,183)
Other financing sources (uses):			
Insurance recovery	2,003	-	2,003
Transfers in	6,000	-	6,000
Total Other Financing Sources (Uses)	8,003	-	8,003
Net change in fund balances	(44,649)	10,469	(34,180)
Fund balances, beginning of year	248,065	71,061	319,126
Fund balances, end of year	\$ 203,416	\$ 81,530	\$ 284,946

See accompanying notes to the basic financial statements

Exhibit E

City of Otterville, Missouri
Statement of Net Position - Cash Basis
Proprietary Fund
December 31, 2024

Assets

Current assets:

Cash and investments

Restricted cash and investments

Total assets

Net position

Restricted:

Debt service

American Recovery Plan Act

Unrestricted

Total net position

**Water and
Sewer**

\$ 223,812

97,301

321,113

86,613

10,688

223,812

\$ 321,113

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, 2024

	<u>Water and Sewer</u>
Operating revenues:	
Charges for services	\$ 272,130
Total operating revenues	<u>272,130</u>
Operating expenses:	
Salaries	41,611
Contractual services	29,000
Repairs and maintenance	29,910
Professional fees	10,199
Utilities	10,758
Purchased water	2,327
Payroll taxes	4,400
Testing	11,755
Insurance	13,332
Fuel	343
Miscellaneous	6,507
Total operating expenses	<u>162,845</u>
Operating income	<u>109,285</u>
Nonoperating revenues (expenses):	
Intergovernmental	142,729
Interest income	4,557
Capital outlay	(144,751)
Principal payments	(45,000)
Interest expense	(38,060)
Total nonoperating revenues (expenses)	<u>(80,525)</u>
Income before transfers	28,760
Transfers out	<u>(6,000)</u>
Change in net position	22,760
Net position, beginning of year	298,353
Net position, end of year	<u>\$ 321,113</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, 2024

	Water and Sewer
Cash Flows From Operating Activities:	
Receipts from customers and others	\$ 272,130
Payments to suppliers	(116,814)
Payments to employees and contractors	(46,011)
Net cash provided by operating activities	<u>109,305</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	4,557
Net cash flows provided by investing activities	<u>4,557</u>
Cash Flows From Capital and Related Financing Activities:	
Interest and trustee fees paid	(38,060)
Principal payments on revenue bonds	(45,000)
Capital outlay	(144,751)
Capital grants received	142,729
Net cash flows (used in) capital and related financing activities	<u>(85,082)</u>
Net change in cash and equivalents	22,780
Cash and equivalents, beginning of year	298,333
Cash and equivalents, end of year	<u>321,113</u>
Total cash and investments reported on the Statement of Net Position	<u>\$ 321,113</u>
Cash and investments reported on the Statement of Net Position	
Cash and investments	\$ 223,812
Restricted cash and investments	97,301
Total cash and investments	<u>\$ 321,113</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 109,305
Adjustments to reconcile operating income to net cash provided by (used in) operations	-
Net cash provided by operating activities	<u>\$ 109,305</u>
See accompanying notes to the basic financial statements	

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

(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, 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, 2024

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, 2024

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 and proprietary 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/expenses.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024

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 \$45,426 primarily as a result of the actual capital outlay expenditures exceeding the budgeted amounts for the year ended December 31, 2024.

(2) Cash and Investments

At December 31, 2024, the carrying value of deposits and investments are summarized as follows:

	Governmental and Business-type Activities
On hand	\$ 250
Demand deposits	205,911
Certificates of deposit	313,285
Restricted cash equivalents held in trust	86,613
Total cash and investments	<u>\$ 606,059</u>
Cash and investments as reported:	
Cash and investments	\$ 427,228
Restricted cash and investments	178,831
Total cash and investments	<u>\$ 606,059</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024, 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, 2024, consisted of money market funds and certificates of deposits with maturities of one year or less.

Concentration of Credit Risk

The City's investment policy does not specify maximum or minimum investment concentrations by investment type. As of December 31, 2024, 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, 2023, was \$4,170,757.

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	1.6035
	<u>\$ 2.4449</u>

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

Tax receipts for the year ended December 31, 2024, consisted of the following:

	Property Taxes	Sales Taxes	Franchise Taxes	Motor Vehicle and Cigarette Taxes	Total
Major governmental funds:					
General	\$ 25,607	\$ 50,486	\$ 30,544	\$ 210	\$ 106,847
Debt Service	68,885	-	-	11,579	80,464
Total tax receipts	<u>\$ 94,492</u>	<u>\$ 50,486</u>	<u>\$ 30,544</u>	<u>\$ 11,789</u>	<u>\$ 187,311</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	\$ 325,000	\$ -	\$ 60,000	\$ 265,000	\$ 65,000
Total general obligation bonds	<u>325,000</u>	<u>-</u>	<u>60,000</u>	<u>265,000</u>	<u>65,000</u>
Total Governmental Activities	<u>\$ 325,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 265,000</u>	<u>\$ 65,000</u>
Business-type Activities:					
Series 2015B Certificates of Participation	\$ 515,000	\$ -	\$ 30,000	\$ 485,000	\$ 35,000
Series 2017 Refunding Certificates of Participation	270,000	-	15,000	255,000	15,000
Total Certificates of Participation	<u>785,000</u>	<u>-</u>	<u>45,000</u>	<u>740,000</u>	<u>50,000</u>
Total Business-type Activities	<u>\$ 785,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>	<u>\$ 740,000</u>	<u>\$ 50,000</u>
Total Primary Government	<u>\$ 1,110,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 1,005,000</u>	<u>\$ 115,000</u>
Discrete Component Unit:					
USDA Note Payable - mower	\$ 18,245	\$ -	\$ 3,422	\$ 14,823	\$ 3,512
Total Discrete Component Unit	<u>\$ 18,245</u>	<u>\$ -</u>	<u>\$ 3,422</u>	<u>\$ 14,823</u>	<u>\$ 3,512</u>

A. 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.

B. 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
December 31, 2024

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.

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 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 USDA.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

E. Future Debt Service Requirements

2016 General Obligation Bonds				Total Governmental Activities			
Year Ending December 31,	Principal	Interest		Principal	Interest		
2025	\$ 65,000	\$ 7,612		\$ 65,000	\$ 7,612		
2026	65,000	5,565		65,000	5,565		
2027	65,000	3,452		65,000	3,452		
2028	70,000	1,190		70,000	1,190		
	<u>\$ 265,000</u>	<u>\$ 17,819</u>		<u>\$ 265,000</u>	<u>\$ 17,819</u>		

2015B Certificates of Participation				2017 Certificates of Participation				Total Business Activities			
Year Ending December 31,	Principal	Interest		Principal	Interest			Principal	Interest		
2025	\$ 35,000	\$ 25,235		\$ 15,000	\$ 10,600			\$ 50,000	\$ 35,835		
2026	35,000	23,483		20,000	9,900			55,000	35,135		
2027	35,000	21,577		20,000	9,100			55,000	32,583		
2028	40,000	19,590		20,000	8,270			60,000	29,847		
2029	40,000	17,470		20,000	7,410			60,000	27,000		
2030-2034	245,000	50,142		110,000	23,670			355,000	73,812		
2035	55,000	1,513		50,000	2,200			105,000	3,713		
	<u>\$ 485,000</u>	<u>\$ 159,010</u>		<u>\$ 255,000</u>	<u>\$ 71,150</u>			<u>\$ 740,000</u>	<u>\$ 237,925</u>		

2018 USDA Note Payable				Total Component Unit			
Year Ending December 31,	Principal	Interest		Principal	Interest		
2025	\$ 3,532	\$ 492		\$ 3,532	\$ 492		
2026	3,647	367		3,647	367		
2027	3,766	248		3,766	248		
2028	3,878	136		3,878	136		
	<u>\$ 14,823</u>	<u>\$ 1,243</u>		<u>\$ 14,823</u>	<u>\$ 1,243</u>		

(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.

City of Otterville, Missouri
Notes to the Basic Financial Statements
December 31, 2024

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, 2024, 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's legal counsel intends to vigorously contest this counter claim and the possibility of an unfavorable outcome is remote. 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 discharge 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, 2025, the date the financial statements were available to be issued. 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, 2024

	Original Budget	2024 Final Budget	Actual	Variance with Final Budget Positive (Negative)
Receipts				
Taxes:				
Property tax	\$ 33,352	\$ 33,352	\$ 25,607	\$ (7,745)
Sales tax	73,291	73,291	50,486	(22,805)
Road and bridge tax	2,183	2,183	-	(2,183)
Cigarette tax	1,025	1,025	210	(815)
Franchise tax	26,189	26,189	23,865	(2,324)
Audit surcharge	14,046	14,046	-	(14,046)
Trash services	38,173	38,173	30,544	(7,629)
Licenses and permits	7,119	7,119	5,581	(1,538)
Interest	2,686	2,686	15,227	12,541
Grants and contributions	23,106	23,106	-	(23,106)
Rents	6,037	6,037	1,089	(4,948)
Miscellaneous	3,898	3,898	200	(3,698)
Total receipts	231,105	231,105	152,809	(78,296)
Expenditures:				
Salaries	47,362	47,362	32,889	14,473
Payroll taxes	9,660	9,660	1,720	7,940
Capital outlay	-	-	80,830	(80,830)
Solid waste	37,291	37,291	32,024	5,267
State audit	13,950	13,950	-	13,950
Utilities	12,113	12,113	12,629	(516)
Insurance	6,893	6,893	6,666	227
Equipment lease	9,126	9,126	6,714	2,412
Repairs and maintenance	7,341	7,341	2,368	4,973
Fuel	2,132	2,132	2,128	4
Annual Audit	3,430	3,430	3,300	130
Codification	495	495	-	495
Legal	5,099	5,099	12,795	(7,696)
Miscellaneous	5,143	5,143	11,398	(6,255)
Total Expenditures	160,035	160,035	205,461	(45,426)
Excess of Revenues Over (Under) Expenditures	71,070	71,070	(52,652)	(123,722)
Other Financing Sources (Uses):				
Insurance recovery	-	-	2,003	2,003
Transfers in	6,000	6,000	6,000	-
Total Other Financing Sources (Uses)	6,000	6,000	8,003	2,003
Change in fund balance	\$ 77,070	\$ 77,070	(44,649)	\$ (121,719)
Fund Balances, Beginning of Year			248,065	
Fund Balances, End of Year			\$ 203,416	

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, 2024

	2024			Variance with
	Original	Final	Actual	Final Budget
	Budget	Budget		Positive
				(Negative)
Receipts				
Taxes:				
Property taxes	\$ 63,581	\$ 63,581	\$ 48,801	\$ (14,780)
Railroad and utility taxes	21,774	21,774	20,084	(1,690)
Motor vehicle and fuel tax	-	-	11,579	11,579
Total Revenues	<u>85,355</u>	<u>85,355</u>	<u>80,464</u>	<u>(4,891)</u>
Expenditures:				
Debt Service:				
Principal	60,000	60,000	60,000	-
Interest and fiscal charges	13,450	13,450	9,995	3,455
Total Expenditures	<u>73,450</u>	<u>73,450</u>	<u>69,995</u>	<u>3,455</u>
Excess of Revenues Over				
(Under) Expenditures	<u>11,905</u>	<u>11,905</u>	<u>10,469</u>	<u>(1,436)</u>
Change in fund balance	<u>\$ 11,905</u>	<u>\$ 11,905</u>	<u>10,469</u>	<u>\$ (1,436)</u>
Fund Balances, Beginning of Year			<u>71,061</u>	
Fund Balances, End of Year			<u>\$ 81,530</u>	

CITY OF OTTERVILLE, MISSOURI

REQUIRED COMMUNICATIONS
AND COMPLIANCE REPORT

For the Year Ended December 31, 2024

COMPLIANCE REPORT

City of Otterville, Missouri

Required Communications and Compliance Report
For the Year Ended December 31, 2024

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November 21, 2025

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

We have audited the 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), for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We noted that there were no significant accounting estimates as part of the preparation of the financial statements under the modified cash basis of accounting.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The misstatements included on the attached Schedule A, were detected as a result of our audit procedures, and as denoted, corrected by management:

Disagreements with Management

For the purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the schedules of revenue, expenditures, and changes in fund balances – budget to actual which accompany the financial statements. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund and the discretely presented component unit of the City as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

As part of our annual audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations and recommendations with regard to these matters.

Current Year

The following comment is repeated from the prior year's required communications letter:

Financial Reporting and Accounting

Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with the cash basis of accounting.

Our audit procedures identified adjustments that were required to properly report certain transactions of the City in accordance with the modified cash basis of accounting. These adjustments were not initially identified by the City's internal controls over financial reporting.

We recommend that management review year-end closing procedures to ensure that transactions are properly recorded and approved in accordance with the cash basis of accounting. Additionally, due to the complexities of financial reporting, we recommend that management continue exploring various alternatives for improving the controls over financial reporting including the use of governmental accounting standards, reference guides and continuing education and training courses.

Other Comments

The following comments are repeated from the prior year's required communications letter:

Segregation of Duties

Management is responsible for the oversight of employees within the City and to ensure that certain duties and responsibilities are performed by employees who do not have access to all of the processes or procedures necessary to manipulate the financial records. Due to the limited number of people working for the City, many of the critical accounting duties are combined and assigned to the available employees. Presently, a single individual performs the majority of the accounting functions. Management has implemented certain compensating controls by assigning certain oversight responsibilities to the Mayor. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible.

Record Bond Trust Account Activity

Although the City properly organized its investments by account, the City Clerk does not prepare and record a summary of investment year to date activity for the bond trust accounts. This summary provides useful information that could be used for future financial planning. We recommend the City Clerk prepare and record trust account activity on a quarterly basis.

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued the following statements which may impact on the City's financial reporting requirements.

- GASB Statement 101 *Compensated Absences*, effective for fiscal year beginning January 1, 2025.
- GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year beginning January 1, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year beginning January 1, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year beginning January 1, 2026.

CONCLUSION

We hope the above comments are beneficial. We would welcome the opportunity to provide additional information or assistance in the implementation of suggestions or recommendations made during our audit.

This report is intended solely for the information and use of the Mayor and the Board of Aldermen and the management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Hood & Associates CPAs, P.C.



**Independent Auditor's 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**

To the Honorable Mayor and Board of Aldermen
City of Otterville, 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, each major fund, and the aggregate remaining fund information of the City of Otterville, Missouri (the City), as of and for the year ended December 31, 2024 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 21, 2025.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 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 have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and responses as item 2024-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Response to the Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Hood & Associates CPAs, P.C.

Kansas City, Missouri
November 21, 2025

2024-001 Financial Reporting

Condition

Our audit procedures identified adjustments that were required to properly report certain transactions of the City in accordance with the cash basis of accounting. These adjustments were not initially identified by the City's internal controls over financial reporting.

Criteria

Internal controls should be in place to ensure year-end balances and external financial reporting conforms to generally accepted accounting principles.

Cause

Year-end procedures were not sufficient to identify the adjustments noted above in a timely manner.

Effect

Potential exists for material misstatements to the financial statements.

Recommendation

We recommend that management review year-end closing procedures to ensure that transactions are properly recorded in accordance with generally accepted accounting principles. Additionally, due to the complexities of financial reporting, we recommend that management continue exploring various alternatives for improving the controls over financial reporting including the use of governmental accounting standards, reference guides and continuing education and training courses.

Management's Response/Corrective Action

Management has done a better job of working with our auditors during the year as accounting issues arise to provide insight and direction. Management will use all available reference guides to provide a checklist of tasks to ensure accurate and timely financial reporting. Management understands that the City is ultimately accountable for the accuracy of the financial statements and will endeavor to increase the in-house knowledge of governmental accounting standards to improve this reporting process in the future.

The year-end process will be reviewed, and procedures will be developed. Management will schedule periodic meetings with our outside audit firm throughout the year as questions arise to ensure all unusual transactions are accounted for correctly.

