

CITY OF ELSBERRY, MISSOURI

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY DATA
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

CITY OF ELSBERRY, MISSOURI
DECEMBER 31, 2020

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INTRODUCTORY SECTION

**CITY OF ELSBERRY, MISSOURI
LIST OF CITY OFFICIALS
DECEMBER 31, 2020**

ELECTED OFFICIALS

Mayor	Michael Short
Aldermen Ward 1	Terry Harper
.....	Steve Wilch
Aldermen Ward 2	Michael Short
.....	William Taylor
Aldermen Ward 3	Terri Davis
.....	Danielle Rockwell

MANAGEMENT TEAM

City Clerk	Rachel Reed
City Treasurer	Lisa Grumich
City Collector	Vacant
Chief of Police	Randell Davis

OTHER PROFESSIONALS OF THE CITY

City Attorney	Robert Guinness
Independent Certified Public Accountants	Devereux & Company

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen
And Management of the City of Elsberry, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elsberry, Missouri (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that that audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Elsberry, Missouri, as of December 31, 2020, and their respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elsberry, Missouri's basic financial statements. The other supplementary information and introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The other supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reports Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2021, 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, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Devereux & Company
St. Charles, Missouri
August 2, 2021

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

This section of the City of Elsberry, Missouri's (the City) annual financial report presents a review of the City's financial activities for the fiscal year ended December 31, 2020. The City encourages readers to consider the information presented here in conjunction with the City's basic financial statements, including the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Elsberry exceeded its entity-wide liabilities and deferred inflows at the close of the fiscal year ending December 31, 2020 by \$4,530,505 (net position). Of this amount, \$579,956 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$422,935. This increase is primarily attributable to revenues in the Water and Sewer Fund exceeding operating expenses.
- At the close of the fiscal year, the City of Elsberry's governmental activities reported ending net position of \$744,661, a increase of \$9,942 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$(19,683).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis section is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes other supplemental information intended to furnish additional detail to support the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the City. The first statements are government-wide financials that provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis of accounting to present information in a more corporate-like presentation on individual parts of the government. The remaining statements are the fund financials that focus on individual part of the City government and report more detail.

Basic Financial Statements

The first two statements in the basic financial statements are government-wide financial statements (the Statement of Net Position and the Statement of Activities). The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status.

The next statements are the fund financial statements. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the fund financial statements: 1) the governmental funds statements and 2) the proprietary funds statements.

The next section of the basic financial statements is the notes to the basic financial statements. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, required supplementary information is provided to show details about the City's performance relative to the budget and schedules of other post-employment benefits.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the City from the economic resources' measurement focus using the accrual basis of accounting. The statements present governmental activities and business-type activities, as well as the City's component unit separately. These statements include certain infrastructure as well as all known liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement regarding inter fund activity, payables and receivables.

The statement of net position and the statement of activities report the City's net position and the resulting changes. Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, which is one way to measure the City's financial health or financial assets. Over time, increases or decreases in the City's net position is a useful indicator of whether its financial position is improving or deteriorating. Other non-financial factors to consider when assessing the overall health of the City are changes in the City's sales tax base and the condition of the City's capital assets (roads, buildings, and water and sewer lines).

In the governmental-wide statements, a distinction is made between governmental-type activities and business-type activities. Governmental-type activities are those activities that are normally associated with the operation of a government such as health, highways, public safety, and parks. Business-type activities are those activities of a government that are designed to be self-supporting.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, culture and recreation, streets, court, and cemetery.

The business-type activities of the City include water and sewer operations.

The **Statement of Net Position** combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, etc.) to assess the overall health or financial condition of the City. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but not used vacation and sick leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities:

Governmental Activities – Most of the City's basic services are reported in this category, including the general administration, police, public works, court, culture, and recreation departments. Property taxes, sales taxes, franchise fees, trash collections, interest income and licenses and permit fees finance most of these activities.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system and wastewater treatment plant are reported in this activity.

Fund Financial Statements

The City uses two types of funds to manage its resources: governmental funds and proprietary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related current liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent soon to finance the City's programs. The relationships or differences of activities reported in the Governmental Fund Financial Statements versus that reported in the Government-Wide Financial Statements are explained in the reconciliation schedules following the Governmental Fund Financial Statements.

The City of Elsberry maintains two individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the Cemetery Fund. The General Fund and the Cemetery Fund are considered to be major funds.

Proprietary Funds – When the City charges customers for the services it provides to cover the cost of operations, these activities are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the government-wide statement of net position and the statement of activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

Notes to the Basic Financial Statements – The notes provide additional information essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning budgetary comparison schedules for the major governmental funds and schedule of funding progress.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined fund balances were \$4,530,505 as of December 31, 2020, net of pension adjustments. This analysis focuses on the net position and changes in general revenues and significant expenses of the City's governmental and business-type activities.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

A significant portion of the City's net position is reflected in its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Governmental Activities

	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 248,041	\$ 240,616
Capital Assets	<u>639,968</u>	<u>663,116</u>
Total Assets	<u>888,009</u>	<u>903,732</u>
Deferred Outflows	<u>80,843</u>	<u>12,258</u>
Current and Other Liabilities	88,797	61,200
Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>88,797</u>	<u>61,200</u>
Deferred Inflows	<u>135,394</u>	<u>120,071</u>
Net Position:		
Net Investment in Capital Asset:	639,968	663,116
Restricted	124,376	116,016
Unrestricted	<u>(19,683)</u>	<u>(44,413)</u>
Total Net Position	<u>\$ 744,661</u>	<u>\$ 734,719</u>

Business-Type Activities

	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 3,066,262	\$ 2,495,339
Capital Assets	<u>5,645,585</u>	<u>5,890,141</u>
Total Assets	<u>8,711,847</u>	<u>8,385,480</u>
Current and Other Liabilities	321,885	261,503
Long-Term Liabilities	<u>4,604,118</u>	<u>4,751,146</u>
Total Liabilities	<u>4,926,003</u>	<u>5,012,649</u>
Net Position:		
Net Investment in Capital Asset:	894,438	994,194
Restricted	2,291,767	2,059,590
Unrestricted	<u>599,639</u>	<u>319,047</u>
Total Net Position	<u>\$ 3,785,844</u>	<u>\$ 3,372,831</u>

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Total Net Activities

	<u>2020</u>	<u>2019</u>
Current and Other Assets	\$ 3,314,303	\$ 2,735,955
Capital Assets	<u>6,285,553</u>	<u>6,553,257</u>
Total Assets	<u>9,599,856</u>	<u>9,289,212</u>
Deferred Outflows	<u>80,843</u>	<u>12,258</u>
Current and Other Liabilities	410,682	322,703
Long-Term Liabilities	<u>4,604,118</u>	<u>4,751,146</u>
Total Liabilities	<u>5,014,800</u>	<u>5,073,849</u>
Deferred Inflows	<u>135,394</u>	<u>120,071</u>
Net Position:		
Net Investment in Capital Asset:	1,534,406	1,657,310
Restricted	2,416,143	2,175,606
Unrestricted	<u>579,956</u>	<u>274,634</u>
Total Net Position	<u>\$ 4,530,505</u>	<u>\$ 4,107,550</u>

Government and Business-Type Activities increased the City's Net Assets by \$422,955, net of pension adjustments. The key elements of this increase are as follows:

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 293,256	\$ 275,628	\$ 17,628
Capital Grants and Contributions	6,250	6,751	(501)
General Revenues:			
Taxes	641,907	599,640	42,267
Interest Income	1,376	2,021	(645)
Miscellaneous	<u>5,380</u>	<u>55,121</u>	<u>(49,741)</u>
Total Revenues	<u>948,169</u>	<u>939,161</u>	<u>9,008</u>
Expenses:			
Administration	297,569	303,512	(5,943)
Public Works	377,077	458,156	(81,079)
Police	277,235	255,046	22,189
Court	32,757	62,324	(29,567)
Culture and Recreation	6,163	21,664	(15,501)
Net Pension Adjustment	<u>(52,574)</u>	<u>-</u>	<u>(52,574)</u>
Total Expenses	<u>938,227</u>	<u>1,100,702</u>	<u>(162,475)</u>
Change in Net Position	9,942	(161,541)	171,483
Net Position, Beginning of Year	<u>734,719</u>	<u>896,260</u>	<u>(161,541)</u>
Net Position, End of Year	<u>\$ 744,661</u>	<u>\$ 734,719</u>	<u>\$ 9,942</u>

Total revenues slightly decreased from 2019 to 2020. The main reason for the decrease was the decrease in taxes and contributions. Expenses increased in the public works expense categories.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Business-Type Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,302,970	\$ 1,142,219	\$ 160,751
Capital Grants and Contributions	-	-	-
General Revenues:			
Other	189,937	114,530	75,407
Taxes	15,326	11,759	3,567
Interest Income	5,414	14,678	(9,264)
Total Revenues	<u>1,513,647</u>	<u>1,283,186</u>	<u>230,461</u>
Expenses:			
Water and Sewer Operations*	<u>1,100,634</u>	<u>1,039,495</u>	<u>61,139</u>
Total Expenses	<u>1,100,634</u>	<u>1,039,495</u>	<u>61,139</u>
Change in Net Position	413,013	243,691	169,322
Net Position, Beginning of Year	<u>3,372,831</u>	<u>3,129,140</u>	<u>243,691</u>
Net Position, End of Year	<u>\$ 3,785,844</u>	<u>\$ 3,372,831</u>	<u>\$ 413,013</u>

*Including Interest Expense

Revenue in the City's Business-Type Fund increased \$230,461 in 2020 compared to 2019. This increase was primarily due receiving additional revenues. Expenses increased \$61,139 in 2020 compared to 2019.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Total Governmental and Business-Type Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,596,226	\$ 1,417,847	\$ 178,379
Capital Grants and Contributions	6,250	6,751	(501)
General Revenues:			
Taxes	657,233	611,399	45,834
Interest Income	6,790	16,699	(9,909)
Other	189,937	114,530	75,407
Miscellaneous	<u>5,380</u>	<u>55,121</u>	<u>(49,741)</u>
Total Revenues	<u>2,461,816</u>	<u>2,222,347</u>	<u>239,469</u>
Expenses:			
Administration	297,569	303,512	(5,943)
Public Works	377,077	458,156	(81,079)
Police	277,235	255,046	22,189
Court	32,757	62,324	(29,567)
Culture and Recreation	6,163	21,664	(15,501)
Net Pension Adjustment	(52,574)	-	(52,574)
Interest on Long-Term Debt	93,170	100,842	(7,672)
Water and Sewer Operations	<u>1,007,464</u>	<u>938,653</u>	<u>68,811</u>
Total Expenses	<u>2,038,861</u>	<u>2,140,197</u>	<u>(101,336)</u>
Change in Net Position	422,955	82,150	340,805
Net Position, Beginning of Year	<u>4,107,550</u>	<u>4,025,400</u>	<u>82,150</u>
Net Position, End of Year	<u>\$ 4,530,505</u>	<u>\$ 4,107,550</u>	<u>\$ 422,955</u>

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City of Elsberry uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Elsberry's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Elsberry's financial requirements.

General Fund – The General Fund is the chief operating fund of the City of Elsberry. The General Fund includes legislative expenses for the: General Administration, Cemetery, Emergency Services, Municipal Court, City Treasurer, City Clerk, Park and Street activities for the City. All these activities are provided to and benefit all the citizens equally and equitably. This area tends to work on the quality of life and the protection of the citizens and assets of the citizens as a group.

At the end of the current fiscal year, total fund balance of the General Fund was \$744,661, an increase of \$9,942 over the beginning balance of \$734,719. General Fund total revenue increased less than 1%, with the largest increase was in the taxes of the revenue categories. General Fund expenses decreased less than 15% for the year. The unassigned General Fund balance at year-end was \$(19,683).

Proprietary Funds

Water and Sewer Funds – These funds were established under the bond ordinances to segment the operations of the Water and Sewer Funds from other activities of the City. The Water and Sewer Funds are based on a user fee system where the individuals and businesses utilizing the services pay a fee based upon a portion of the estimated cost of operation of the water and sewer utilities. This fee is subsidized by revenue transferred in from the Capital Improvement Sales Tax Fund to offset debt service costs.

At the end of the current fiscal year, total net position of the Water and Sewer Funds was \$3,785,844, an increase of \$413,013 over the beginning balance of \$3,372,831. The increase in net position, is a combination of several factors including increased customers, increased interest expense and increased interest revenue. The unrestricted net position in the Water and Sewer Funds at year-end was \$599,639.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

CAPITAL ASSETS

At the end of the fiscal year 2020, the City had \$6,285,393 (net of depreciation) invested in a broad range of capital assets, including police and public works equipment, buildings, park facilities, roads, and water and sewer lines. The following details the total capital assets of the City:

Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 403,106	\$ 403,106	\$ -
Buildings	139,212	139,212	-
Equipment and Vehicles	196,511	196,511	-
Infrastruture	<u>289,513</u>	<u>289,513</u>	-
Total Governmental	<u>\$ 1,028,342</u>	<u>\$ 1,028,342</u>	<u>\$ -</u>

Business-Type Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Buildings	\$ 40,261	\$ 40,261	\$ -
Equipment and Vehicles	294,710	294,710	-
Construction	220,723	220,723	-
Infrastruture	<u>7,339,915</u>	<u>7,339,915</u>	-
Total Business-Type	<u>\$ 7,895,609</u>	<u>\$ 7,895,609</u>	<u>\$ -</u>

Total Governmental and Business-Type Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 403,106	\$ 403,106	\$ -
Buildings	179,473	179,473	-
Equipment and Vehicles	491,221	491,221	-
Construction	220,723	220,723	-
Infrastruture	<u>7,629,428</u>	<u>7,629,428</u>	-
Grand Total	<u>\$ 8,923,951</u>	<u>\$ 8,923,951</u>	<u>\$ -</u>

More detailed information on the City's capital position is presented in Note 4 of the financial statements.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

LONG-TERM DEBT

At year-end, the City had \$4,751,147 in outstanding debt compared to \$4,895,947 at the end of the prior fiscal year.

Governmental Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
None	\$ _____ -	\$ _____ -	\$ _____ -
Total Governmental Activities	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>

Business-Type Activities

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Waterworks and Sewerage System Revenue Bonds	\$ 100,000	\$ 130,000	\$(30,000)
USDA RD Loan	2,971,743	3,041,255	(69,512)
USDA RD Loan	<u>1,679,404</u>	<u>1,724,692</u>	<u>(45,288)</u>
Total Business-Type Activities	<u>\$ 4,751,147</u>	<u>\$ 4,895,947</u>	<u>\$(144,800)</u>
Total Outstanding Debt	<u>\$ 4,751,147</u>	<u>\$ 4,895,947</u>	<u>\$(144,800)</u>

More detailed information on the City's long-term liabilities is presented in Note 6 of these financial statements.

THE CITY'S FUNDS

General Fund Budgetary Highlights

For fiscal year 2020, actual expenditures on a budgetary basis in the General Fund were \$921,660 compared to the budget amount of \$915,078.

For fiscal year 2020, actual revenues on a budgetary basis in the General Fund were \$893,976 as compared to the budget amount of \$915,078.

There were no changes to the original budget.

**CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020**

Cemetery Fund Budgetary Highlights

For fiscal year 2020, actual expenditures on a budgetary basis in the Cemetery Fund were \$45,833 compared to the budget amount of \$44,757.

For fiscal year 2020, actual revenues on a budgetary basis in the Cemetery Fund were \$54,193 as compared to the budget amount of \$44,757.

There were no changes to the original budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected officials and department heads considered many factors when setting the fiscal year 2021 budget, tax rates and fees that were charged for the business-type activities. To meet the anticipated needs of the City, the revenues budget is \$2,115,056 for the fiscal year 2021. The 2021 expenditures budget is \$2,115,056.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have any questions about this report or need additional financial information, contact:

Rachel Reed
City Clerk
City of Elsberry
201 Broadway
Elsberry, Missouri 63343

**CITY OF ELSBERRY, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 130,558.76	\$ 664,798.28	\$ 795,357.04
Taxes Receivable:			
Property	66,238.57	-	66,238.57
Sales	11,717.33	-	11,717.33
Accounts Receivable	23,542.21	109,697.45	133,239.66
Restricted Assets:			
Cash and Investments	15,983.78	2,291,766.64	2,307,750.42
Capital Assets:			
Nondepreciable	403,106.00	-	403,106.00
Depreciable, Net of Depreciation	236,861.72	5,645,585.36	5,882,447.08
TOTAL ASSETS	888,008.37	8,711,847.73	9,599,856.10
DEFERRED OUTFLOWS			
Deferred Outflow Related to Pension	80,843.00	-	80,843.00
LIABILITIES			
Accounts Payable, Payroll Liabilities and Other	72,812.99	64,537.05	137,350.04
Bonds Held	15,983.78	-	15,983.78
Restricted Customer Deposits	-	110,319.63	110,319.63
Other Liabilities:			
Due in One Year from Restricted Assets	-	147,028.76	147,028.76
Due in More Than One Year	-	4,604,117.97	4,604,117.97
TOTAL LIABILITIES	88,796.77	4,926,003.41	5,014,800.18
DEFERRED INFLOWS			
Deferred Inflow Related to Pension	135,394.00	-	135,394.00
NET POSITION			
Net Investment in Capital Assets	639,967.72	894,438.63	1,534,406.35
Restricted for Cemetery	124,375.87	-	124,375.87
Restricted within Water and Sewer Fund	-	2,291,766.64	2,291,766.64
Unrestricted	(19,682.99)	599,639.05	579,956.06
TOTAL NET POSITION	\$ 744,660.60	\$ 3,785,844.32	\$ 4,530,504.92

The accompanying notes are an integral part of these financial statements

**CITY OF ELSBERRY, MISSOURI
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Position</u>		
		<u>Charges for Service</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities						
Administrative	\$ 274,260.47	\$ 223,309.83	\$ -	\$ (50,950.64)	\$ -	\$ (50,950.64)
Public Works	377,076.53	-	-	(377,076.53)		(377,076.53)
Police Department	277,235.46	-	6,250.00	(270,985.46)	-	(270,985.46)
Court	32,757.37	69,946.42	-	37,189.05	-	37,189.05
Culture and Recreation	6,163.09	-	-	(6,163.09)	-	(6,163.09)
Net Pension Adjustment (Current and Prior)	(52,573.83)	-	-	52,573.83	-	52,573.83
Depreciation, unallocated	23,308.51	-	-	(23,308.51)	-	(23,308.51)
TOTAL GOVERNMENTAL ACTIVITIES	<u>938,227.60</u>	<u>293,256.25</u>	<u>6,250.00</u>	<u>(638,721.35)</u>	<u>-</u>	<u>(638,721.35)</u>
Business-Type Activities						
Water and Sewer	1,100,633.64	1,302,970.08	-	-	202,336.44	202,336.44
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,038,861.24</u>	<u>\$ 1,596,226.33</u>	<u>\$ 6,250.00</u>	(638,721.35)	202,336.44	(436,384.91)
Taxes:						
Sales and Use Taxes				332,408.84	15,326.38	347,735.22
City Taxes				101,644.65	-	101,644.65
Street				92,153.09	-	92,153.09
Franchise, Sur and Other Taxes				115,699.87	-	115,699.87
Interest Income				1,376.20	5,414.03	6,790.23
Other Miscellaneous Revenue				5,379.79	189,936.51	195,316.30
TOTAL PRIMARY GOVERNMENT REVENUES				<u>648,662.44</u>	<u>210,676.92</u>	<u>859,339.36</u>
NET CHANGES IN NET POSITION				9,941.09	413,013.36	422,954.45
NET POSITION - BEGINNING				<u>734,719.51</u>	<u>3,372,830.96</u>	<u>4,107,550.47</u>
NET POSITION - ENDING				<u>\$ 744,660.60</u>	<u>\$ 3,785,844.32</u>	<u>\$ 4,530,504.92</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Cemetery Fund	Total
ASSETS			
Cash and Investments	\$ 18,358.71	\$ 112,200.05	\$ 130,558.76
Cash - Restricted	15,983.78	-	15,983.78
Accounts Receivable	23,542.21	-	23,542.21
Taxes Receivable:			
Property	50,958.82	15,279.75	66,238.57
Sales	11,717.33	-	11,717.33
TOTAL ASSETS	\$ 120,560.85	\$ 127,479.80	\$ 248,040.65
LIABILITIES			
Accounts Payable and Payroll Liabilities	\$ 69,709.06	\$ 3,103.93	\$ 72,812.99
Bonds Held	15,983.78	-	15,983.78
TOTAL LIABILITIES	85,692.84	3,103.93	88,796.77
FUND BALANCES			
Restricted for Cemetery	-	124,375.87	124,375.87
Unassigned	34,868.01	-	34,868.01
TOTAL FUND BALANCES	34,868.01	124,375.87	159,243.88
TOTAL LIABILITIES AND FUND BALANCES	\$ 120,560.85	\$ 127,479.80	\$ 248,040.65

The accompanying notes are an integral part of these financial statements

**CITY OF ELSBERRY, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Total Fund Balances - Governmental Funds \$ 159,243.88

Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:

Capital assets used in governmental activities are not current financial resources
and, therefore, are not reported in the governmental funds:

Governmental capital assets	\$ 1,028,502.42	
Less accumulated depreciation	<u>(388,534.70)</u>	
		639,967.72

Certain deferred outflows and inflows of resources represent a consumption or
acquisition of net position in a future period and therefore are not reported
in the funds.

Deferred outflows - other post employment benefits	80,843.00
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Net pension liability is not due and payable and therefore is not recorded in
the governmental fund statements

(135,394.00)

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 744,660.60**

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General Fund	Cemetery Fund	Total
REVENUES			
Taxes	\$ 301,929.57	\$ 30,479.27	\$ 332,408.84
Charges for Services	200,246.23	23,063.60	223,309.83
City Taxes	101,644.65	-	101,644.65
Fines and Forfeitures	69,946.42	-	69,946.42
Investment Income	846.37	529.83	1,376.20
Street Taxes	92,153.09	-	92,153.09
Franchise, Sur and Other Taxes	115,699.87	-	115,699.87
Grant	6,250.00	-	6,250.00
Miscellaneous	5,259.79	120.00	5,379.79
TOTAL REVENUES	<u>893,975.99</u>	<u>54,192.70</u>	<u>948,168.69</u>
EXPENDITURES			
Administrative	228,427.62	45,832.85	274,260.47
Public Works	377,076.53	-	377,076.53
Police Department	277,235.46	-	277,235.46
Municipal Court	32,757.37	-	32,757.37
Culture and Recreation	6,163.09	-	6,163.09
TOTAL EXPENDITURES	<u>921,660.07</u>	<u>45,832.85</u>	<u>967,492.92</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(27,684.08)</u>	<u>8,359.85</u>	<u>(19,324.23)</u>
NET CHANGES IN FUND BALANCE	<u>(27,684.08)</u>	<u>8,359.85</u>	<u>(19,324.23)</u>
FUND BALANCES - BEGINNING	<u>22,468.00</u>	<u>116,016.02</u>	<u>138,484.02</u>
FUND BALANCES - ENDING	<u>\$ (5,216.08)</u>	<u>\$ 124,375.87</u>	<u>\$ 119,159.79</u>

(No pension adjustment recorded)

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

Net Changes in Fund Balance - Total Governmental Funds	\$ 9,941.09
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Pension Plan Adjustment	(52,573.83)
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense.	
Depreciation Expense	<u>23,308.51</u>
NET CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (19,324.23)</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
DECEMBER 31, 2020

	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 107,964.88	\$ 556,833.40	\$ 664,798.28
Accounts Receivable	64,664.73	45,032.72	109,697.45
Restricted Assets:			
Cash and Investments	<u>1,801,674.95</u>	<u>490,091.69</u>	<u>2,291,766.64</u>
TOTAL CURRENT ASSETS	<u>1,974,304.56</u>	<u>1,091,957.81</u>	<u>3,066,262.37</u>
NONCURRENT ASSETS			
Capital Assets:			
Depreciable, Net of Accumulated Depreciation	<u>2,442,233.77</u>	<u>3,203,351.59</u>	<u>5,645,585.36</u>
TOTAL NONCURRENT ASSETS	<u>2,442,233.77</u>	<u>3,203,351.59</u>	<u>5,645,585.36</u>
TOTAL ASSETS	<u>\$ 4,416,538.33</u>	<u>\$ 4,295,309.40</u>	<u>\$ 8,711,847.73</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Payroll Liabilities	\$ 32,452.96	\$ 32,084.09	\$ 64,537.05
Customer Deposits	110,319.63	-	110,319.63
Current Portion of Long-Term Debt			
from Restricted Assets	<u>77,516.94</u>	<u>69,511.82</u>	<u>147,028.76</u>
TOTAL CURRENT LIABILITIES	<u>220,289.53</u>	<u>101,595.91</u>	<u>321,885.44</u>
NONCURRENT LIABILITIES			
Notes Payable, Net of Current Portion	<u>1,703,201.65</u>	<u>2,900,916.32</u>	<u>4,604,117.97</u>
TOTAL NONCURRENT LIABILITIES	<u>1,703,201.65</u>	<u>2,900,916.32</u>	<u>4,604,117.97</u>
TOTAL LIABILITIES	<u>1,923,491.18</u>	<u>3,002,512.23</u>	<u>4,926,003.41</u>
NET POSITION			
Net Investment in Capital Assets	661,515.18	232,923.45	894,438.63
Restricted within Water and Sewer Fund	1,801,674.95	490,091.69	2,291,766.64
Unrestricted	<u>29,857.02</u>	<u>569,782.03</u>	<u>599,639.05</u>
TOTAL NET POSITION	<u>\$ 2,493,047.15</u>	<u>\$ 1,292,797.17</u>	<u>\$ 3,785,844.32</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION-
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Total
REVENUES			
Charges for Services	\$ 653,303.64	\$ 649,666.44	\$ 1,302,970.08
Other	98,415.61	91,520.90	189,936.51
Taxes	15,326.38	-	15,326.38
TOTAL OPERATING REVENUES	<u>767,045.63</u>	<u>741,187.34</u>	<u>1,508,232.97</u>
OPERATING EXPENSES			
Personnel Services	47,276.05	-	47,276.05
Postage	2,773.89	-	2,773.89
Office Supplies	991.34	-	991.34
Utilities	25,740.50	6,743.57	32,484.07
Contracted Services	342,139.85	213,873.46	556,013.31
Special Projects	15,481.00	2,311.20	17,792.20
Repairs and Maintenance	18,557.57	4,939.98	23,497.55
Miscellaneous	1,489.80	1,121.07	2,610.87
Customer Deposit Refunds	1,694.28	-	1,694.28
Depreciation	119,257.23	125,298.11	244,555.34
Insurance	21,579.52	3,918.19	25,497.71
Operating Supplies	29,855.42	5,492.50	35,347.92
Other Taxes and Fees	16,929.20	-	16,929.20
TOTAL OPERATING EXPENSES	<u>643,765.65</u>	<u>363,698.08</u>	<u>1,007,463.73</u>
OPERATING INCOME	<u>123,279.98</u>	<u>377,489.26</u>	<u>500,769.24</u>
NONOPERATING REVENUE (EXPENSE)			
Investment Income	4,188.69	1,225.34	5,414.03
Interest and Fiscal Charges	(36,743.14)	(56,426.77)	(93,169.91)
TOTAL NONOPERATING REVENUE (EXPENSE)	<u>(32,554.45)</u>	<u>(55,201.43)</u>	<u>(87,755.88)</u>
NET CHANGES IN NET POSITION	90,725.53	322,287.83	413,013.36
TOTAL NET POSITION - BEGINNING	<u>2,402,321.62</u>	<u>970,509.34</u>	<u>3,372,830.96</u>
TOTAL NET POSITION - ENDING	<u>\$ 2,493,047.15</u>	<u>\$ 1,292,797.17</u>	<u>\$ 3,785,844.32</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 736,955.90	\$ 750,850.00	1,487,805.90
Cash Paid to Suppliers	(441,800.47)	(208,492.22)	(650,292.69)
Cash Paid to Employees	(47,276.05)	-	(47,276.05)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>247,879.38</u>	<u>542,357.78</u>	<u>790,237.16</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment of Interest Expense	(36,743.14)	(56,426.77)	(93,169.91)
Principal Repayments and Other	(73,973.68)	(70,826.39)	(144,800.07)
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(110,716.82)</u>	<u>(127,253.16)</u>	<u>(237,969.98)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	4,188.69	1,225.34	5,414.03
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,351.25	416,329.96	557,681.21
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,768,288.58</u>	<u>630,595.13</u>	<u>2,398,883.71</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,909,639.83</u>	<u>\$ 1,046,925.09</u>	<u>\$ 2,956,564.92</u>
Reconciliation of Cash and Cash Equivalents:			
Cash and Investments	\$ 107,964.88	\$ 556,833.40	\$ 664,798.28
Restricted Cash and Investments	<u>1,801,674.95</u>	<u>490,091.69</u>	<u>2,291,766.64</u>
Total Cash and Cash Equivalents	<u>\$ 1,909,639.83</u>	<u>\$ 1,046,925.09</u>	<u>\$ 2,956,564.92</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

	Water Fund	Sewer Fund	Total
OPERATING INCOME	<u>\$ 123,279.98</u>	<u>\$ 377,489.26</u>	<u>\$ 500,769.24</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Depreciation	119,257.23	125,298.11	244,555.34
(Increase) Decrease in Assets:			
Accounts Receivable	(21,588.98)	8,347.32	(13,241.66)
Increase (Decrease) in Liabilities:			
Accounts Payable	24,597.90	31,223.09	55,820.99
Customer Deposits	2,333.25	-	2,333.25
TOTAL ADJUSTMENTS	<u>124,599.40</u>	<u>164,868.52</u>	<u>289,467.92</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 247,879.38</u></u>	<u><u>\$ 542,357.78</u></u>	<u><u>\$ 790,237.16</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Elsberry, Missouri (the City) incorporated in 1879, is a fourth class city. The City operates under a Mayor and Board of Aldermen form of government, and provides for the following services as authorized by its charter; public safety, public works, sanitation, parks and general administration. The City has provided the significant accounting policies applied by the City in the preparation of the accompanying combined financial statements. The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

A. Reporting Entity

As required by accounting principles generally accepted in the United States of America (GAAP), the accompanying basic financial statements present the financial activities of the City (the Primary Government) and any component units, entities which are financially accountable to the City. The City does not currently have any component units.

B. Basic Financial Statements

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net position have been eliminated, with the exception of those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total government column. In the statement of activities, transactions between the governmental and business-type activities have been eliminated. Exceptions to this general rule are charges between the City’s Water and Sewer Fund and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, police, public improvements, cultural and recreation and planning and development. The business-type activities of the City include water and sewer services.

The Statement of Activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (continued)

goods, services, or privileges provided by a given function or activity and grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are the General Fund and the Cemetery Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60-days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt are recognized when due.

Sales tax, franchise tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's ongoing operations. Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Sometimes the City will fund outlays for a particular purpose from both restricted (i.e. 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.

The City reports the following major governmental funds:

The General Fund – The City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other specialized funds. Included in the General Fund are the transactions for the general operations, emergency services, streets, municipal court, and park.

Cemetery Fund – The Fund is used to provide for the care and maintenance of the City's cemetery through the collection of property taxes and fees.

The City reports the following major proprietary funds:

The Water Fund – The City uses this proprietary fund to account for the activities of providing water service to the citizens of the City.

The Sewer Fund – The City uses this proprietary fund to account for the activities of providing sewer services to the citizens of the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Proprietary Fund are charges to customers for sales and services. Operating expenses for the Proprietary Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Capital Assets (continued)

estimated useful life in excess of one year. Infrastructure assets with an initial cost of \$25,000 or more are also capitalized and depreciated. Donated capital assets are recorded at estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add the value of the asset or materially extend asset lives is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was \$0 interest was capitalized during the year ended December 31, 2020. Interest incurred in the construction or acquisition of governmental funds' capital assets is not capitalized, in accordance with the provisions of GASB Statement No. 37.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

Major Group	Life
Buildings and Improvements	5 – 40 years
Equipment	7 – 10 years
Land Improvements	20 years
Infrastructure	10 – 50 years

As a result of the implementation of GASB 34, the City is accounting for infrastructure assets on its financial statements. The government-wide financial statements do not reflect those infrastructure assets completed prior to July 1, 2000.

E. Budgets

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for all governmental fund types on the modified accrual basis. All annual appropriations lapse at year-end.

F. Pooled Cash and Cash Equivalents

The City maintains a cash money-market pool that is used by all funds. Interest income is allocated to each fund in proportion to each fund's ownership of the pool each month. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are distinguished only for those funds.

Investments are stated at fair value, determined by quoted market prices. State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, collateralized certificates of deposit and the State Treasurer's Investment Pool.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

Receivables consist primarily of taxes, franchise fees, interest, and water and sewer charges. The City grants credit to residents for water and sewer service. Service is discontinued if the bill is not paid within two billing cycles. The City assesses a penalty of 10% on water and sewer if not paid by the 15th of the following month. No interest is charged on past due accounts. The City has not established an allowance for uncollectible accounts. Only the amounts to be received in the following month are reflected in these financial statements.

H. Compensated Absences

The policy for vacation pay allows employees to take time off with pay. One year's worth of vacation may be carried over to the next year but an employee cannot accumulate more than two years of vacation. Employees are provided sick leave but are not paid for unused time upon termination of employees. As a result, no liability has been reported. As of December 31, 2020, the liability for accrued vacation is \$6,752 in the General Fund and \$455 in the Water and Sewer Fund.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. This item relates to the change in actual and projected earnings in calculating the pension asset and employer contributions made subsequent to the measurement date of June 30, 2020.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. This item relates to the change in actual and projected experience in calculating the pension liability.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) have been provided by LAGERS.

J. Long-Term Liabilities

General long-term obligations consist of the non-current portion of bonds payable, other post-employment benefits, and other long-term liabilities. In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in all statements as incurred.

In the governmental fund financial statements, general long-term obligations are not reported as liabilities because they do not require the use of current resources. Governmental fund types recognize bond premiums and discounts

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Long-Term Liabilities (continued)

during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Principal repayments are reported as debt service expenditures.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

L. Restricted Cash and Investments

Certain cash and investments are restricted for the repayment of debt, construction or purchase of assets or repair and replacement of assets with outstanding debt.

M. Interfund Transactions

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other inter-fund transactions are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as equity transfers. All other inter-fund transactions are reported as transfers and are reported “net” in the fund financial statements. Transfers between governmental funds are eliminated in the conversion to the government-wide financial statements, while transfers between governmental and proprietary funds are reported “net”.

N. Equity

In the governmental fund financial statements, equity can be displayed in five components as follows:

Nonspendable – This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or by enabling legislation.

Committed – This consists of amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (the Board of Aldermen) by the end of the year. The

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Equity (continued)

Board of Aldermen can, by adoption of an ordinance prior to the end of the year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Aldermen can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund. However, in governmental funds other than the General Fund, it may be necessary to report a negative unassigned fund balance in that fund if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to these purposes.

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of amounts that do not meet the definition of “net investment in capital assets” or “restricted”.

O. Subsequent Events

Events that have occurred subsequent to December 31, 2020, have been evaluated through August 2, 2021, which is the date the financial statements were available to be issued.

The extent of the impact of Coronavirus Disease (COVID-19) on the City’s financial statements is uncertain at this time. The City is continuing to monitor and evaluate the pandemic’s effects on the City.

2. LEGAL COMPLIANCE - BUDGET

The City’s policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2020.

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2. LEGAL COMPLIANCE – BUDGET (CONTINUED)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to January 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) The City utilizes multiple public budget workshops that the public is invited to attend and make comments. The proposed budget is available for public inspection prior to the budget workshops.
- 3) Prior to December 31, the budget is legally enacted through passage of an ordinance.
- 4) The City Administrator is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
- 5) All appropriations lapse at year-end.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen. The budget was amended during the year.

3. CASH AND INVESTMENTS

A. Deposits

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury, federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statutes. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short-term obligations of the United States.

The City maintains a cash and investment pool which is available for use by all funds for the purpose of increasing income through investment activities. Interest is allocated to the various funds based on average cash or investment balances. The pool includes money market funds and certificates of deposit. Each fund type's portion of this pool is displayed on the statement of financial position as "Cash and cash equivalents" under each fund's caption.

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

3. CASH AND INVESTMENTS (CONTINUED)

The City's deposits are categorized to give an indication of the level of custodial risk assumed by the City at December 31, 2020. Deposits, categorized by level of custodial risk, were as follows as of December 31, 2020:

	Cash and Cash <u>Equivalents</u>	Certificates of <u>Deposit</u>	<u>Total</u>
Bank Balance			
Insured by the FDIC	\$ 250,000	\$ -	\$ 250,000
Collateralized with securities pledged by the financial instituon in the City's name	<u>2,534,529</u>	<u>302,594</u>	<u>2,837,123</u>
	<u>\$ 2,784,529</u>	<u>\$ 302,594</u>	<u>\$ 3,087,123</u>
Carrying Value	<u>\$ 2,784,529</u>	<u>\$ 302,594</u>	<u>\$ 3,087,123</u>

A reconciliation of cash and cash equivalents as shown on the government-wide statement of net position is as follows, which excludes the bond balance:

<u>Government-Wide Statement of Net Position</u>	
	<u>Primary Government</u>
Cash and cash equivalents	\$ 795,357
Restricted assets:	
Cash and cash equivalents	<u>2,291,766</u>
Total	<u>\$ 3,087,123</u>

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City does have a formal interest rate risk policy.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City has no investment policy that would further limit its investment choice.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City places no limit on the amount the City may invest in any one issuer.

Custodial credit risk in investments – For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The City does not have any custodial risk in investments.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. CASH AND INVESTMENTS (CONTINUED)

B. Fair Value Measurements

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access.

Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The City's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The City's assets and liabilities measured at fair value on a recurring basis as of December 31, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows: no investments are classified as Level 1, 2 or 3 above.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2020 is as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 403,106	\$ -	\$ -	\$ 403,106
Capital Assets, Being Depreciated:				
Buildings	139,212	-	-	139,212
Equipment and Vehicles	196,511	-	-	196,511
Infrastructure	289,514	-	-	289,514
Total Capital Assets Being Depreciated	625,237	-	-	625,237
Less Accumulated Depreciation for:				
Buildings	(83,287)	(4,651)	-	(87,938)
Equipment and Vehicles	(148,849)	(9,159)	-	(158,008)
Infrastructure	(133,091)	(9,498)	-	(142,589)
Total Accumulated Depreciation	(365,227)	(23,308)	-	(388,535)
Total Capital Assets, Being Depreciated, Net	260,010	(23,308)	-	236,702
Subtotal Governmental Activities	\$ 663,116	\$ (23,308)	\$ -	\$ 639,808
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings	\$ 40,261	\$ -	\$ -	\$ 40,261
Equipment and Vehicles	294,710	-	-	294,710
Infrastructure	7,560,639	-	-	7,560,639
Total Capital Assets Being Depreciated	7,895,610	-	-	7,895,610
Less Accumulated Depreciation for:				
Buildings	(24,518)	(1,004)	-	(25,522)
Equipment and Vehicles	(207,150)	(24,149)	-	(231,299)
Infrastructure	(1,773,801)	(219,403)	-	(1,993,204)
Total Accumulated Depreciation	(2,005,469)	(244,556)	-	(2,250,025)
Total Capital Assets, Being Depreciated, Net	5,890,141	(244,556)	-	5,645,585
Subtotal Business-Type Activities	\$ 5,890,141	\$ (244,556)	\$ -	\$ 5,645,585
Total, Net Capital Assets	\$ 6,553,257	\$ (267,864)	\$ -	\$ 6,285,393

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

4. CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Fund	\$ <u>23,308</u>
Business-Type Activities:	
Water and Sewer	\$ <u>244,556</u>

5. LONG-TERM DEBT

The following is a summary of the outstanding debt in the Proprietary Funds:

During 2004, the City issued Waterworks and Sewerage System Revenue Bonds for the extension and improvement of the water and sewer system. The bonds are recorded in the Proprietary Funds and will be serviced by those funds. On December 31, 2020, the outstanding principal on the bonds consists of following:

Waterworks and Sewerage System	
Refunding Revenue Bonds – Series 2002	\$ <u>100,000</u>
UMB Bank, N.A.	
Interest Rate – 2.05% to 5.5%	
Matures – 2023, Current \$30,000	
Annual Payments on January 1 and July 1	
Payments of \$35,000 to \$39,800	

During 2012, the City approved the issuance of Combined Waterworks and Sewerage System Revenue Bonds for the purpose of acquiring, constructing, improving and extending the City’s combined waterworks and sewerage system. This project is being administered by the USDA Rural Development. USDA Rural Development is disbursing the funds until the project is complete and the final bonds are issued. The debt is recorded in the Proprietary Funds and will be serviced by those funds. On December 31, 2020, the outstanding principal on the bonds consists of following:

Combined Waterworks and Sewerage System Revenue Bonds	\$ <u>1,679,404</u>
Interest Rate – 2.00%	
Annual Payments of \$79,380 beginning October 23, 2016,	
Interest Only Prior to October 23, 2016	
Matures – 2048, Current \$46,202	

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

5. LONG-TERM DEBT (CONTINUED)

During 2018, the City approved the issuance of Combined Waterworks and Sewerage System Revenue Bonds for the purpose of acquiring, constructing, improving and extending the City’s combined waterworks and sewerage system. This project is being administered by the USDA Rural Development. USDA Rural Development is disbursing the funds until the project is complete and the final bonds are issued. The debt is recorded in the Proprietary Funds and will be serviced by those funds. On December 31, 2020, the outstanding principal on the bonds consists of following:

Combined Waterworks and Sewerage System Revenue Bonds	<u>\$ 2,971,743</u>
Interest Rate – 1.875%	
Monthly Payments of \$10,495 beginning June 21, 2018,	
Interest Only Prior to June 21, 2018	
Matures – 2053, Current \$70,826	

The annual principal and interest requirements of the Proprietary Funds’ debt are as follows for the years ended December 31:

	<u>Payments</u>	<u>Interest</u>	<u>Principal</u>
2021	\$ 240,320.00	\$ 93,291.24	\$ 147,028.76
2022	243,820.00	89,519.17	154,300.83
2023	242,070.00	85,453.00	156,617.00
2024	205,320.00	81,341.78	123,978.22
2025-2029	1,026,600.00	369,653.13	656,946.87
2030-2034	1,026,600.00	303,346.89	723,253.11
2035-2039	1,026,600.00	230,340.76	796,259.24
2040-2044	1,026,600.00	149,957.13	876,642.87
2045-2049	910,902.16	63,631.44	847,270.72
2050-2052	274,594.57	5,745.46	268,849.11
	<u>\$ 6,223,426.73</u>	<u>\$ 1,472,280.00</u>	<u>\$ 4,751,146.73</u>

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

5. LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt for the year December 31, 2020, is as follows:

	Balance, Beginning <u>of Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance, End <u>of Year</u>	Due Within <u>One Year</u>
Business-Type Activities:					
Waterworks and Sewerage					
System Revenue Bonds	\$ 130,000	\$ -	\$ (30,000)	\$ 100,000	\$ 30,000
Combined Waterworks and Sewerage					
System Revenue Bonds	1,724,692	-	(45,288)	1,679,404	46,202
Combined Waterworks and Sewerage System Revenue Bonds	<u>3,041,255</u>	<u>-</u>	<u>(69,512)</u>	<u>2,971,743</u>	<u>70,826</u>
Total Long-Term Debt	<u>\$ 4,895,947</u>	<u>\$ -</u>	<u>\$ (144,800)</u>	<u>\$ 4,751,147</u>	<u>\$144,800</u>

The revenue bonds are collateralized by the revenue from the sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. Deposits in the revenue bond funds are to be made by the first day of each month. The ordinances also contain certain provisions which require the City to maintain pledged revenues, as defined in the ordinances, for each year of at least 110% of the annual debt service requirements. For fiscal year December 31, 2020, the revenue bond coverage was in compliance.

6. PROPERTY TAX

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed values are established by the Lincoln County Assessment Board. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. During August 2020, the City adopted the current tax rates. The City's tax rate was levied at \$0.5175 and \$0.1552 per \$100 of assessed valuation for the General Fund and the Cemetery Fund, respectively. The total assessed valuations for 2020 was \$16,743,779, which was an increase of \$186,114 over 2019.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. COURT FINES AND FEES

Missouri Revised Statute 479.359.1 requires that municipalities annually calculate the percentage of annual general operating revenue received from fines, bond forfeitures, and court costs for minor traffic violations, including amended charges for any minor traffic violations. Any funds generated from fines and court costs for traffic violations, including amended charges, which are in excess of 20% of the annual general operating revenue of a City, must be sent to the Director of the Department of Revenue for distribution to the schools within the county. The City collected total fees of \$69,946 in court fines and fees for traffic violations, and other court fees, which was 7.38% of general revenues for the year ended December 31, 2020.

8. 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; workman's compensation; liability, crime, and employee errors and omissions; and natural disasters. The City purchases commercial insurance to provide coverage for general liability, property damage, and workers' compensation. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

B. Litigation

The City is involved in lawsuits arising in the ordinary course of activities. While these cases may have future financial effect, management, based on advice of counsel, believes that their ultimate outcome will not be material to the basic financial statements.

9. RETIREMENT PLAN

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the plan in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after five years of credited service. Employees who retire on or after age 60 (55 for police and fire) with five or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of five years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. RETIREMENT PLAN (CONTINUED)

The City has elected the percent applicable to its members, from the following programs:

	<u>2020 Valuation</u>
Benefit multiplier	1.25% for life
Final average salary	5 years
Member contributions	0%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2020, the following employees were covered by the benefit terms:

	General	Police	Total
Retirees and Beneficiaries	7	1	8
Inactive, Non-Retired Members	0	8	8
Active Members	<u>3</u>	<u>0</u>	<u>3</u>
Total	<u>10</u>	<u>9</u>	<u>19</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan.

Net Pension Liability. The employer’s net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2020.

Actuarial Assumptions. The total pension liability in the February 28, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary Increase	3.25% to 6.55% including inflation
Investment Rate of Return	7.25% net of investment and administrative expenses

Mortality rates were based the healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees’ mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

9. RETIREMENT PLAN (CONTINUED)

base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% point lower (6.25%) or 1% point higher (8.25%) than the current rate.

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. RETIREMENT PLAN (CONTINUED)

General Division

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension \$	187,086	\$ 135,394	\$ 91,853

Police Division

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension \$	(47,221)	\$ (80,843)	\$ (107,837)

Total

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension \$	139,865	\$ 54,551	\$ (15,984)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2020, the City recognized a net pension adjustment of \$(52,574). The City reported deferred outflows and inflows of resources related to pensions from the following sources:

General

	<u>Outflows</u>	<u>Inflows</u>	Net <u>Outflows</u>
Differences in experience	\$ 6,984	\$ -	\$ 6,984
Assumption changes	-	-	-
Net differences projected and actual eai	<u>7,258</u>	<u>-</u>	<u>7,258</u>
Totals	<u>\$14,242</u>	<u>\$ -</u>	<u>\$ 14,242</u>

**CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020**

9. RETIREMENT PLAN (CONTINUED)

Police

	<u>Outflows</u>	<u>Inflows</u>	Net <u>Outflows</u>
Differences in experience	\$ 556	\$(62,605)	\$(62,049)
Assumption changes	-	-	-
Net differences projected and actual eai	<u>9,091</u>	<u>-</u>	<u>9,091</u>
Totals	<u>\$ 9,647</u>	<u>\$(62,605)</u>	<u>\$(52,958)</u>

Totals

	<u>Outflows</u>	<u>Inflows</u>	Net <u>Outflows</u>
Differences in experience	\$ 7,540	\$(62,605)	\$(55,065)
Assumption changes	-	-	-
Net differences projected and actual eai	<u>16,349</u>	<u>-</u>	<u>16,349</u>
Totals	<u>\$23,889</u>	<u>\$(62,605)</u>	<u>\$(38,716)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ended December 31, 2020.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	<u>Net Deferred Outflow of Resources</u>		
	<u>General</u>	<u>Police</u>	<u>Total</u>
<u>June 30,</u>			
2021	\$ 4,801	\$ (36,212)	\$ (31,411)
2022	1,153	(24,497)	(23,344)
2023	4,365	4,114	(8,479)
2024	3,923	3,637	(7,560)
2025	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 14,242</u>	<u>\$(52,958)</u>	<u>\$(70,794)</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Taxes - Sales and Use	\$ 280,400.00	\$ 280,400.00	\$ 301,929.57	\$ 21,529.57
Charges for Services	211,300.00	211,300.00	200,246.23	(11,053.77)
City Taxes	98,000.00	98,000.00	101,644.65	3,644.65
Fines and Forfeitures	82,660.00	82,660.00	69,946.42	(12,713.58)
Investment Income	1,565.00	1,565.00	846.37	(718.63)
Street Taxes, etc.	87,000.00	87,000.00	92,153.09	5,153.09
Franchise, Sur and Other Taxes	147,000.00	147,000.00	115,699.87	(31,300.13)
Miscellaneous	7,153.00	7,153.00	11,509.79	4,356.79
TOTAL REVENUES	<u>915,078.00</u>	<u>915,078.00</u>	<u>893,975.99</u>	<u>(21,102.01)</u>
EXPENDITURES				
Administrative	230,450.00	230,450.00	228,427.62	2,022.38
Public Works	369,008.00	369,008.00	377,076.53	(8,068.53)
Police Department	253,425.00	253,425.00	277,235.46	(23,810.46)
Municipal Court	9,450.00	9,450.00	32,757.37	(23,307.37)
Culture and Recreation	52,745.00	52,745.00	6,163.09	46,581.91
TOTAL EXPENDITURES	<u>915,078.00</u>	<u>915,078.00</u>	<u>921,660.07</u>	<u>(6,582.07)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(27,684.08)	<u>\$ (27,684.08)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>725,828.32</u>	<u>725,828.32</u>	<u>725,828.32</u>	
FUND BALANCES, END OF YEAR	<u>\$ 725,828.32</u>	<u>\$ 725,828.32</u>	<u>\$ 698,144.24</u>	

**CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND
YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
OPERATING REVENUES				
Taxes	\$ 25,000.00	\$ 25,000.00	\$ 30,479.27	\$ 5,479.27
Charges for Services	19,456.96	19,456.96	23,063.60	3,606.64
Investment Income	250.00	250.00	529.83	279.83
Miscellaneous	50.00	50.00	120.00	70.00
TOTAL OPERATING REVENUES	<u>44,756.96</u>	<u>44,756.96</u>	<u>54,192.70</u>	<u>9,435.74</u>
EXPENDITURES				
Cemetery Expenditures	<u>44,756.96</u>	<u>44,756.96</u>	<u>45,832.85</u>	<u>(1,075.89)</u>
TOTAL EXPENDITURES	<u>44,756.96</u>	<u>44,756.96</u>	<u>45,832.85</u>	<u>(1,075.89)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	8,359.85	<u>\$ 8,359.85</u>
FUND BALANCES, BEGINNING OF YEAR	<u>116,016.02</u>	<u>116,016.02</u>	<u>116,016.02</u>	
FUND BALANCES, END OF YEAR	<u>\$ 116,016.02</u>	<u>\$ 116,016.02</u>	<u>\$ 124,375.87</u>	

**CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO BUDGETARY COMPARISON INFORMATION
DECEMBER 31, 2020**

BUDGETARY INFORMATION

The City's policy is to prepare the operating budgets in accordance with U.S. generally accepted accounting principles. The City prepared budgets for all governmental fund types for the year ended December 31, 2020.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to January 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing January 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) The City utilizes multiple public budget workshops that the public is invited to attend and make comments. The proposed budget is available for public inspection prior to the budget workshops.
- 3) Prior to December 31, the budget is legally enacted through passage of an ordinance.
- 4) The City Administrator is authorized to transfer budgeted amounts within a fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
- 5) All appropriations lapse at year-end.

The primary basis of budgetary control is at the fund level. The budget was amended during the year.

The Budgetary Comparison Schedules presented as required supplementary information present comparisons of legally adopted budgets with the actual data. Budgetary data is developed using the cash basis of accounting which is an accounting basis other than accounting principles generally accepted in the United States of America.

**CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
EXECUTIVE SUMMARY
YEAR ENDED DECEMBER 31, 2020**

	General	Police
Actuarial Valuation Date	February 29, 2020	February 29, 2020
Measurement Date of the Net Pension Liability	June 30, 2020	June 30, 2020
Membership		
Number of		
- Retirees and Beneficiaries	7	1
- Inactive, Nonretired Members	-	8
- Active Members	3	-
Total	10	9
Covered Payroll	\$ 83,177	\$ -
Net Pension Liability		
Total Pension Liability	\$ 474,322	\$ 221,704
Plan Fiduciary Net Position	338,928	302,547
Net Pension Liability/(Asset)	\$ 135,394	\$ (80,843)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	71.46%	136.46%
Net Pension Liability as a Percentage of Covered Payroll	162.78%	N/A
Development of the Single Discount Rate		
Single Discount Rate	7.25%	7.25%
Long-Term Expected Rate of Investment Return	7.25%	7.25%
Long-Term Municipal Bond Rate*	2.45%	2.45%
Last year ending February 28 in the 100-year projection period for which projected benefit payments are fully funded	2120	2120
Total Pension Expense	\$ 13,115	\$ (29,744)

* Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.

**CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND INVESTMENT
LAGERS (GENERAL AND POLICE DIVISIONS)
YEAR ENDED DECEMBER 31, 2020**

	June 30, 2020		
	General	Police	Total
Total Pension Liability			
Service cost	\$ 6,319.00	\$ 4,919.00	\$ 11,238.00
Interest on the total pension liability	31,966.00	21,330.00	53,296.00
Change of benefit terms	-	-	-
Difference between expected and actual experience	13,829.00	(91,034.00)	(77,205.00)
Changes of assumptions	-	-	-
Benefit payments, including refunds	(30,662.00)	(10,412.00)	(41,074.00)
Net Change in Total Pension Liability	21,452.00	(75,197.00)	(53,745.00)
Total Pension Liability - Beginning	452,870.00	296,901.00	749,771.00
Total Pension Liability - Ending	<u>\$ 474,322.00</u>	<u>\$ 221,704.00</u>	<u>\$ 696,026.00</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 24,560.00	\$ 43.00	\$ 24,603.00
Contributions - employees	-	-	-
Net investment income	4,561.00	3,852.00	8,413.00
Benefit payments, including refunds	(30,662.00)	(10,412.00)	(41,074.00)
Pension plan administrative expense	(1,209.00)	(538.00)	(1,747.00)
Other (net transfer)	8,879.00	443.00	9,322.00
Net Change in Plan Fiduciary Net Position	6,129.00	(6,612.00)	(483.00)
Plan Fiduciary Net Position - Beginning	332,799.00	309,159.00	641,958.00
Plan Fiduciary Net Position - Ending	<u>\$ 338,928.00</u>	<u>\$ 302,547.00</u>	<u>\$ 641,475.00</u>
Employer Net Pension Liability (Asset)	<u>\$ 135,394.00</u>	<u>\$ (80,843.00)</u>	<u>\$ 54,551.00</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.46%	136.46%	92.16%
Covered Employee Payroll	\$ 83,177.00	\$ -	\$ 83,177.00
Employer's Net Pension Asset as a Percentage of Covered Employee Payroll	162.78%	N/A	65.58%
Total Pension Expense	\$ 13,115.00	\$ (29,744.00)	\$ (16,629.00)

**CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAGERS (GENERAL AND POLICE DIVISIONS)
LAST TEN FISCAL YEARS ENDED DECEMBER 31, 2020**

Year Ended December 31,	Actuarial Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	\$ 35,767.93	\$ 33,807.44	\$ 1,960.49	\$ 184,555.23	18.32%
2012	32,352.96	31,645.92	707.04	180,286.10	17.55%
2013	34,056.96	34,057.09	(0.13)	192,974.79	17.65%
2014	37,234.04	33,479.03	3,755.01	174,186.24	19.22%
2015	32,088.43	32,088.37	0.06	177,932.61	18.03%
2016	28,166.16	28,166.20	(0.04)	170,344.25	16.53%
2017	34,272.80	29,775.64	4,497.16	187,295.77	15.90%
2018	32,357.69	29,305.08	3,052.61	174,767.54	16.77%
2019	37,442.01	26,984.98	10,457.03	117,203.82	23.02%
2020	27,594.36	25,898.44	1,695.92	113,915.57	22.73%

Notes to Schedule of Contributions

Valuation Date: February 28, 2020

Notes: The roll-forward of total pension liability from February 28, 2020 to June 30, 2020 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple bases from 9 to 16 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increases	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

Mortality The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for the mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information None.

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of
The Board of Aldermen
City of Elsberry, 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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the City of Elsberry, Missouri, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 2, 2021.

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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance with Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 that are required to be reported under *Government Auditing Standards*.

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 City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Devereux & Company
St. Charles, Missouri
August 2, 2021

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Members of
The Board of Aldermen
City of Elsberry, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Elsberry, Missouri's (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *US. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Devereux & Company
St. Charles, Missouri
August 2, 2021

**CITY OF ELSBERRY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture (USDA)</u>		
Passed Through Missouri Department of Natural Resources		
Loan 1-Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,679,404.02
Loan 2-Water and Waste Disposal Systems for Rural Communities	10.760	<u>2,971,742.71</u>
TOTAL DISBURSEMENTS / EXPENDITURES		<u><u>\$ 4,651,146.73</u></u>
Loan 1 - Balance, Beginning of the Year		\$ 1,724,692.27
Principal Payments made for the Year		<u>(45,288.25)</u>
Loan 1 - Balance, End of the Year		<u><u>\$ 1,679,404.02</u></u>
Loan 2 - Balance, Beginning of the Year		\$ 3,041,254.53
Principal Payments made for the Year		<u>(69,511.82)</u>
Loan 2 - Balance, End of the Year		<u><u>\$ 2,971,742.71</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal activity of the City of Elsberry, Missouri, under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on accounting principles generally accepted in the United States of America (accrual basis). Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C-INDIRECT COST RATE

The City has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF ELSBERRY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued	<u>Unmodified</u>		
Internal Control Over Financial Reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

Federal Awards:

Internal Control Over Major Programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> None Reported	

Type of Auditors' Report Issued on Compliance for Major Programs Unmodified

Any audit findings disclosed that are required to be reported to be reported in accordance with 2 CFR 200.516(a)?	_____ Yes	<u> X </u> No
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Identification of Major Programs:

CFDA Number Name of Federal Program or Cluster

10.760 Water and Waste Disposal Systems for Rural Communities

Dollar Threshold Used to Distinguish Between Type A and Type B Programs	<u>\$ 750,000</u>
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Auditee Qualified as Low-Risk Auditee	_____ Yes	<u> X </u> No
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See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the City were prepared in accordance with U.S. GAAP.
2. No deficiencies related to the audit of the financial statements are reported in the "Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award program were reported in the "Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance."
5. The auditors' report on compliance for the major federal award program for the City expresses an unmodified opinion.
6. No audit findings relative to the major federal award program for the City, that are required to be reported in accordance with 2 CFR Section 200.516(a), are reported in Part C of this Schedule.
7. The programs tested as major programs was two loans, U.S. Department of Agriculture (USDA), passed through the Missouri Department of Natural Resources CFDA No. 10.760.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee for the year ended December 31, 2020.

**CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**CITY OF ELSBERRY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

In accordance with Governmental Auditing Standards, this section reports the auditors' follow-up on action taken by the City of Elsberry, Missouri, on the applicable findings in the prior audit report issued for the year ended December 31, 2019.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.