

CITY OF ST. MARY, MISSOURI
St. Mary, Missouri

For the Year Ended September 30, 2020

ANNUAL FINANCIAL REPORT

BEUSSINK, HEY, ROE & STRODER, L.L.C.

Certified Public Accountants

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BEUSSINK, HEY, ROE & STRODER, L.L.C.

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Board of Aldermen
City of St. Mary, Missouri

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the 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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity'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 entity'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 the 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 modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of September 30, 2020, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Mary, Missouri's basic financial statements. The budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2020, on our consideration of the City of St. Mary, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of St. Mary, Missouri'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 the City of St. Mary, Missouri's internal control over financial reporting and compliance.

BEUSSINK, HEY, ROE & STRODER, L.L.C.

Beussink, Hey, Roe & Stroder, L.L.C.

Cape Girardeau, Missouri
December 22, 2020

BEUSSINK, HEY, ROE & STRODER, L.L.C.

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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 Mayor and Board of Aldermen
City of St. Mary, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of St. Mary, Missouri, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City of St. Mary, Missouri's basic financial statements and have issued our report thereon dated December 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of St. Mary, Missouri'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 of St. Mary, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Mary, Missouri's internal control.

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

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 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. We

consider the deficiency described in the accompanying Schedule of Findings as item 2020-001 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Mary, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of St. Mary, Missouri's Responses to Findings

City of St. Mary, Missouri's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of St. Mary, Missouri's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BEUSSINK, HEY, ROE & STRODER, L.L.C.

Beussink, Hey, Roe & Stroder, L.L.C.

Cape Girardeau, Missouri
December 22, 2020

BASIC FINANCIAL STATEMENTS

CITY OF ST. MARY, MISSOURISTATEMENT OF NET POSITION -
MODIFIED CASH BASIS

September 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
<u>CURRENT ASSETS:</u>			
Cash	\$ 65,796	\$ 4,805	\$ 70,601
Restricted Cash	-	390,247	390,247
Due from Others	225	-	225
Internal Balances	(846)	846	-
Total Current Assets	<u>\$ 65,175</u>	<u>\$ 395,898</u>	<u>\$ 461,073</u>
<u>CAPITAL ASSETS:</u>			
Land	\$ 33,500	\$ 27,467	\$ 60,967
Buildings, Equipment, and Vehicles, Net	209,817	178,548	388,365
Roads and Bridges, Net	91,369	-	91,369
Water and Sewer System, Net	-	2,418,606	2,418,606
Total Capital Assets, Net	<u>\$ 334,686</u>	<u>\$ 2,624,621</u>	<u>\$ 2,959,307</u>
TOTAL ASSETS	<u>\$ 399,861</u>	<u>\$ 3,020,519</u>	<u>\$ 3,420,380</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES:</u>			
Payroll Withholdings	\$ 2,901	\$ -	\$ 2,901
Customer Deposits Payable	-	3,550	3,550
Revenue Bonds Payable	-	18,264	18,264
Total Current Liabilities	<u>\$ 2,901</u>	<u>\$ 21,814</u>	<u>\$ 24,715</u>
<u>LONG-TERM LIABILITIES:</u>			
Long-Term Debt, Net of Current Portion:			
Revenue Bonds Payable	\$ -	\$ 717,606	\$ 717,606
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 717,606</u>	<u>\$ 717,606</u>
TOTAL LIABILITIES	<u>\$ 2,901</u>	<u>\$ 739,420</u>	<u>\$ 742,321</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 334,686	\$ 1,888,751	\$ 2,223,437
Restricted for:			
Transportation	16,439	-	16,439
Debt Service	-	140,931	140,931
Capital Projects	-	241,106	241,106
Deposits	-	8,210	8,210
Unrestricted	<u>45,835</u>	<u>2,101</u>	<u>47,936</u>
TOTAL NET POSITION	<u>\$ 396,960</u>	<u>\$ 2,281,099</u>	<u>\$ 2,678,059</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

STATEMENT OF ACTIVITIES -
MODIFIED CASH BASIS

Year Ended September 30, 2020

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 65,727	\$ 2,759	\$ -	\$ -	\$ (62,968)	\$ -	\$ (62,968)
Cemetery	2,995	-	-	-	(2,995)	-	(2,995)
Park	3,688	-	-	-	(3,688)	-	(3,688)
Street	34,437	-	-	2,481	(31,956)	-	(31,956)
Public Safety	46,816	9,060	5,500	8,048	(24,208)	-	(24,208)
Total Governmental Activities	\$ 153,663	\$ 11,819	\$ 5,500	\$ 10,529	\$ (125,815)	\$ -	\$ (125,815)
Business-Type Activities:							
Water	\$ 183,488	\$ 144,647	\$ -	\$ -	\$ -	\$ (38,841)	\$ (38,841)
Sewer	128,976	101,047	-	-	-	(27,929)	(27,929)
Total Business-Type Activities	\$ 312,464	\$ 245,694	\$ -	\$ -	\$ -	\$ (66,770)	\$ (66,770)
Total	\$ 466,127	\$ 257,513	\$ 5,500	\$ 10,529	\$ (125,815)	\$ (66,770)	\$ (192,585)
General Revenues:							
Taxes:							
Property Taxes					\$ 60,739	\$ -	\$ 60,739
Motor Fuel Tax					14,162	-	14,162
Railroad & Utilities Tax					3,798	-	3,798
Sales and Use Taxes					31,803	-	31,803
Interest Income					764	7,185	7,949
Other Income					6,188	-	6,188
Internal Balances					(6,940)	6,940	-
Total General Revenues					\$ 110,514	\$ 14,125	\$ 124,639
Change in Net Position					\$ (15,301)	\$ (52,645)	\$ (67,946)
Net Position - October 1, 2019					412,261	2,333,744	2,746,005
Net Position - September 30, 2020					\$ 396,960	\$ 2,281,099	\$ 2,678,059

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 3

CITY OF ST. MARY, MISSOURISTATEMENT OF ASSETS, LIABILITIES, AND FUND
BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

As of September 30, 2020

<u>ASSETS</u>	<u>General Fund</u>
<u>CURRENT ASSETS:</u>	
Cash	\$ 65,796
Due from Others	225
TOTAL ASSETS	<u>\$ 66,021</u>
 <u>LIABILITIES AND FUND BALANCES</u>	
<u>LIABILITIES:</u>	
Payroll Withholdings	\$ 2,901
Due to Other Funds	846
TOTAL LIABILITIES	<u>\$ 3,747</u>
 <u>FUND BALANCES:</u>	
Restricted	\$ 16,439
Unassigned	45,835
TOTAL FUND BALANCES	<u>\$ 62,274</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 66,021</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES, AND FUND BALANCES TO THE STATEMENT
OF NET POSITION - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

September 30, 2020

Total fund balance - total governmental funds (Statement 3)	\$	62,274
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 balance sheet, net of accumulated depreciation of \$619,909		334,686
Net position of governmental activities (Statement 1)	\$	396,960

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURISTATEMENT OF REVENUES RECEIVED, EXPENDITURES PAID, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

	<u>General Fund</u>
<u>REVENUES RECEIVED:</u>	
Taxes	\$ 110,502
Licenses and Permits	2,734
Interest	764
Charges for Services	9,085
Grant Revenue	10,849
Donations	5,180
Other	6,188
TOTAL REVENUES RECEIVED	<u>\$ 145,302</u>
<u>EXPENDITURES PAID:</u>	
General Government	\$ 64,190
Street	17,337
Cemetery	2,771
Park	3,623
Public Safety	45,507
TOTAL EXPENDITURES PAID	<u>\$ 133,428</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 11,874
<u>OTHER FINANCING SOURCES (USES):</u>	
Operating Transfers In (Out)	<u>\$ (6,940)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ (6,940)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	4,934
FUND BALANCE, October 1, 2019	<u>57,340</u>
FUND BALANCE, September 30, 2020	<u>\$ 62,274</u>

See Accompanying Notes to the Basic Financial Statements.

STATEMENT 4-A

CITY OF ST. MARY, MISSOURIRECONCILIATION OF THE STATEMENT OF REVENUES RECEIVED,
EXPENDITURES PAID, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS

For the Year Ended September 30, 2020

Net Change in fund balances - total governmental funds (Statement 4)	\$	4,934
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets expended in the current period.	7,209
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(27,444)</u>
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Change in net position of governmental activities (Statement 2)	<u>\$ (15,301)</u>
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See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURISTATEMENT OF NET POSITION -
MODIFIED CASH BASIS - PROPRIETARY FUNDS

September 30, 2020

<u>ASSETS</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<u>CURRENT ASSETS:</u>			
Cash	\$ 4,805	\$ -	\$ 4,805
Restricted Cash	144,078	246,170	390,248
Due from Other Funds	423	423	846
Total Current Assets	<u>\$ 149,306</u>	<u>\$ 246,593</u>	<u>\$ 395,899</u>
<u>CAPITAL ASSETS:</u>			
Land	\$ 16,867	\$ 10,600	\$ 27,467
Equipment and Vehicles	125,026	910,433	1,035,459
Infrastructure	2,639,086	1,220,269	3,859,355
Less: Accumulated Depreciation	<u>(885,177)</u>	<u>(1,412,484)</u>	<u>(2,297,661)</u>
Net Capital Assets	<u>\$ 1,895,802</u>	<u>\$ 728,818</u>	<u>\$ 2,624,620</u>
TOTAL ASSETS	<u>\$ 2,045,108</u>	<u>\$ 975,411</u>	<u>\$ 3,020,519</u>
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES:</u>			
Customer Deposits Payable	\$ 3,550	\$ -	\$ 3,550
Revenue Bonds Payable	8,512	9,752	18,264
Total Current Liabilities	<u>\$ 12,062</u>	<u>\$ 9,752</u>	<u>\$ 21,814</u>
<u>LONG-TERM LIABILITIES:</u>			
Long-Term Debt, Net of Current Portion:			
Revenue Bonds Payable	<u>\$ 338,740</u>	<u>\$ 378,866</u>	<u>\$ 717,606</u>
Total Long-Term Liabilities	<u>\$ 338,740</u>	<u>\$ 378,866</u>	<u>\$ 717,606</u>
TOTAL LIABILITIES	<u>\$ 350,802</u>	<u>\$ 388,618</u>	<u>\$ 739,420</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	\$ 1,548,550	\$ 340,200	\$ 1,888,750
Restricted For:			
Debt Service	27,969	112,962	140,931
Deposits	8,210	-	8,210
Capital Projects	107,899	133,207	241,106
Unrestricted	<u>1,678</u>	<u>424</u>	<u>2,102</u>
TOTAL NET POSITION	<u>\$ 1,694,306</u>	<u>\$ 586,793</u>	<u>\$ 2,281,099</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURISTATEMENT OF REVENUES RECEIVED, EXPENSES PAID, AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS - PROPRIETARY FUNDS

For the Year Ended September 30, 2020

	Water and Sewer System Fund	Sewer Fund	Total
<u>OPERATING REVENUES RECEIVED:</u>			
Water Sales	\$ 144,647	\$ -	\$ 144,647
Sewer Fees	-	101,047	101,047
TOTAL OPERATING REVENUES RECEIVED	<u>\$ 144,647</u>	<u>\$ 101,047</u>	<u>\$ 245,694</u>
<u>OPERATING EXPENSES PAID:</u>			
Bank Charges	\$ 191	\$ -	\$ 191
Fees	838	395	1,233
Gasoline, Oil, and Fuel	113	113	226
Insurance	10,233	4,025	14,258
Capital Outlay	-	751	751
Miscellaneous	5,284	225	5,509
Office Supplies and Postage	211	-	211
Professional Services	1,600	1,896	3,496
Repairs and Maintenance	2,026	10,147	12,173
Salaries and Payroll Taxes	32,740	23,076	55,816
Supplies	1,692	7,487	9,179
Taxes and Licenses	3,476	-	3,476
Utilities	54,820	25,673	80,493
Testing	281	3,246	3,527
Depreciation	55,921	40,610	96,531
TOTAL OPERATING EXPENSES PAID	<u>\$ 169,426</u>	<u>\$ 117,644</u>	<u>\$ 287,070</u>
NET OPERATING INCOME (LOSS)	<u>\$ (24,779)</u>	<u>\$ (16,597)</u>	<u>\$ (41,376)</u>
<u>NONOPERATING REVENUES RECEIVED</u>			
<u>(EXPENSES PAID):</u>			
Interest Income	\$ 5,129	\$ 2,056	\$ 7,185
Interest Expense	(14,062)	(11,332)	(25,394)
Transfers	(361)	7,301	6,940
TOTAL NONOPERATING REVENUES RECEIVED (EXPENSES PAID)	<u>\$ (9,294)</u>	<u>\$ (1,975)</u>	<u>\$ (11,269)</u>
CHANGE IN NET POSITON	\$ (34,073)	\$ (18,572)	\$ (52,645)
NET POSITION, October 1, 2019	<u>1,728,379</u>	<u>605,365</u>	<u>2,333,744</u>
NET POSITION, September 30, 2020	<u>\$ 1,694,306</u>	<u>\$ 586,793</u>	<u>\$ 2,281,099</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

STATEMENT OF CASH FLOWS -
MODIFIED CASH BASIS - PROPRIETARY FUNDS

For the Year Ended September 30, 2020

	Water Fund	Sewer Fund	Total Proprietary Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Receipts from Customers	\$ 144,647	\$ 101,047	\$ 245,694
Payments to Suppliers for Goods and Services	(80,765)	(53,958)	(134,723)
Payments to Employees	(33,157)	(23,763)	(56,920)
Receipt of Customer Utility Deposits	666	-	666
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 31,391</u>	<u>\$ 23,326</u>	<u>\$ 54,717</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>			
Operating Transfers from (to) Other Funds	\$ (361)	\$ 7,301	\$ 6,940
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>\$ (361)</u>	<u>\$ 7,301</u>	<u>\$ 6,940</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>			
Retirement of Debt	\$ (8,186)	\$ (9,452)	\$ (17,638)
Purchase of Capital Assets	-	(10,436)	\$ (10,436)
Interest Expense	(14,062)	(11,332)	(25,394)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (22,248)</u>	<u>\$ (31,220)</u>	<u>\$ (53,468)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest on Cash	\$ 5,129	\$ 2,056	\$ 7,185
NET CHANGE IN CASH	\$ 13,911	\$ 1,463	\$ 15,374
CASH, October 1, 2019	<u>134,972</u>	<u>244,707</u>	<u>379,679</u>
CASH, September 30, 2020	<u>\$ 148,883</u>	<u>\$ 246,170</u>	<u>\$ 395,053</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</u>			
Operating Income (Loss)	\$ (24,779)	\$ (16,597)	\$ (41,376)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	55,921	40,610	96,531
Changes in Assets and Liabilities:			
Increase (Decrease) in Payroll Liabilities	(417)	(687)	(1,104)
Increase (Decrease) in Customer Deposits	666	-	666
Net Cash Provided (Used) by Operating Activities	<u>\$ 31,391</u>	<u>\$ 23,326</u>	<u>\$ 54,717</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF ST. MARY, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

A. Financial Reporting Entity:

The City of St. Mary is an incorporated city in the State of Missouri in which the citizens elect the Mayor and Board of Alderman. The accompanying financial statements present the City's primary governments over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City – as distinct from legal relationships.

There are no component units of the City of St. Mary in the September 30, 2020 statements.

B. Basis of Presentation:

Government-Wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses.

Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Fund Types

Enterprise Funds – Enterprise Funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following Enterprise Funds that are reported as major funds:

<u>Fund</u>	<u>Description</u>
Water Fund	Accounts for the acquisition, operation, and maintenance of the City’s water utility facilities and services.
Sewer Fund	Accounts for the acquisition, operation, and maintenance of the City’s sanitary sewer utility facilities and services.

C. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item 2 below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

1. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
2. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditure/expenses when they result from cash transactions with a provision for depreciation in the government-wide statement and the proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

D. Assets, Liabilities, and Equity:

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” include all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements – In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost. Prior to October 1, 2003, the governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since October 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$2,500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings and Leasehold Improvement	5-50 years
Equipment and Vehicles	5-7 years
Infrastructure	50 years

Fund Financial Statements – In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Equity Classification

Government-Wide Statements – Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the City’s policy to first use restricted resources prior to the use of unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

Fund Financial Statements – According to Government Accounting Standards, fund balances are to be classified into five major classifications; Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. Below are definitions of the differences and a reconciliation of how these balances are reported.

1. Nonspendable Fund Balance

The Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts. Due to the modified cash basis nature of the City, all such items are expensed at the time of purchase, so there is nothing to report for this classification.

2. Restricted Fund Balance

The Restricted Fund Balance classification refers to amounts that are subject to outside restrictions not controlled by the entity. Things such as restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

3. Committed Fund Balance

The Committed Fund Balance classification refers to amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Board of Aldermen). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.

The Board of Aldermen commits fund balance by making motions or passing resolutions to adopt policy or to approve contracts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

4. Assigned Fund Balance

The Assigned Fund Balance classification refers to amounts that are constrained by the government's intent to be used for a specific purpose, but are neither restricted or committed. Intent may be expressed by the Board of Aldermen.

5. Unassigned Fund Balance

The Unassigned Fund Balance classification is the residual classification for amounts in the General Fund for amounts that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City Board of Alderman establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Unrestricted net position for proprietary funds represent the net position available for future operations or distributions.

E. Revenues, Expenditures, and Expenses:

Program Revenues

In the Statement of Activities – modified cash basis, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits and charges for services.
Street	Capital grant.
Public Safety	Fire tags and operating grants.

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. **Internal and Interfund Balances and Activities:**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements – Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans – Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services – Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements – Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers – Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

Government-Wide Financial Statements – Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for

the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.

2. Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities, except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers-Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.

G. Use of Estimates:

The preparation of financial statements in conformity with the modified cash basis of accounting used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

H. Property Tax:

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 1 of the following year. All unpaid taxes become delinquent January 1 of the following year. The City bills and collects its own property taxes. Property tax revenues are recognized when received.

I. Budgetary Information:

An annual budget prepared under the modified cash basis of accounting was adopted on October 10, 2019. Any increase in appropriations during the fiscal year must be approved by the City Board. During the current budget year, the budget was not amended. Any remaining appropriations lapse at the fiscal year end.

J. Subsequent Events:

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through December 22, 2020, the date the financial statements were available to be issued.

2. DEPOSITS

The City maintains at least one separate cash account for each fund. Each fund type's cash is displayed on the combined statement of assets, liabilities, and fund balances arising from cash transactions as "Cash" under each fund's caption. The City has no formal policy governing the types of accounts allowable for the City's deposits but through experience the City has found that checking accounts and certificates of deposit meet their needs. At September 30, 2020, the carrying value of the City's deposits was \$460,848, and the bank balance was \$460,855.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of September 30, 2020, there was no exposure to custodial credit risk.

3. CAPITAL ASSETS

Capital assets activity, resulting from modified cash basis transactions, for the fiscal year ended September 30, 2020 was as follows:

<u>Governmental Activities</u>	Balance at October 1, 2019	Additions	Deductions	Balance at September 30, 2020
Capital Assets Not Being Depreciated:				
Land	\$ 33,500	\$ -0-	\$ -0-	\$ 33,500
Total Capital Assets Not Being Depreciated	\$ 33,500	\$ -0-	\$ -0-	\$ 33,500
Other Capital Assets:				
Buildings and Leasehold Improvements	\$ 263,253	\$ -0-	\$ -0-	\$ 263,253
Equipment and Vehicles	280,867	7,209	-0-	288,076
Roads and Bridges	369,766	-0-	-0-	369,766
Total Other Capital Assets at Historical Costs	\$ 913,886	\$ 7,209	\$ -0-	\$ 921,095
Less Accumulated Depreciation for:				
Buildings and Leasehold Improvements	\$ (107,362)	\$ (3,965)	\$ -0-	\$ (111,327)
Equipment and Vehicles	(216,262)	(13,922)	-0-	(230,184)
Roads and Bridges	(268,841)	(9,557)	-0-	(278,398)
Total Accumulated Depreciation	\$ (592,465)	\$ (27,444)	\$ -0-	\$ (619,909)
Other Capital Assets, Net	\$ 321,421	\$ (20,235)	\$ -0-	\$ 301,186
Governmental Activities Capital Assets, Net	\$ 354,921	\$ (20,235)	\$ -0-	\$ 334,686
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 27,467	\$ -0-	\$ -0-	\$ 27,467
Total Capital Assets not Being Depreciated	\$ 27,467	\$ -0-	\$ -0-	\$ 27,467

	Balance at October 1, 2019	Additions	Deductions	Balance at September 30, 2020
Other Capital Assets:				
Water System	\$ 2,639,086	\$ -0-	\$ -0-	\$2,639,086
Sewer System	1,209,833	10,436	-0-	1,220,269
Equipment and Vehicles	<u>1,035,459</u>	<u>-0-</u>	<u>-0-</u>	<u>1,035,459</u>
Total Other Capital Assets at Historical Cost	<u>\$ 4,884,378</u>	<u>\$ 10,436</u>	<u>\$ -0-</u>	<u>\$4,894,814</u>
Less Accumulated Depreciation for:				
Water System	\$ (740,371)	\$ (53,539)	\$ -0-	\$ (793,910)
Sewer System	(622,479)	(24,361)	-0-	(646,840)
Equipment and Vehicles	<u>(838,280)</u>	<u>(18,631)</u>	<u>-0-</u>	<u>(856,911)</u>
Total Accumulated Depreciation	<u>\$(2,201,130)</u>	<u>\$ (96,531)</u>	<u>\$ -0-</u>	<u>\$(2,297,661)</u>
Other Capital Assets, Net	<u>\$ 2,683,248</u>	<u>\$ (86,095)</u>	<u>\$ -0-</u>	<u>\$ 2,597,153</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,710,715</u>	<u>\$ (86,095)</u>	<u>\$ -0-</u>	<u>\$ 2,624,620</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:

Public Safety	\$ 8,518
General	1,537
Cemetery	224
Park	65
Street	<u>17,100</u>

Total Depreciation Expense For Governmental Activities	<u>\$ 27,444</u>
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Business-Type Activities:

Water	\$ 55,921
Sewer	<u>40,610</u>

Total Depreciation For Business-Type Activities	<u>\$ 96,531</u>
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4. BONDS PAYABLE

The City has issued three revenue bonds for a variety of purposes including capital projects financing.

The following is a summary of bond transactions of the reporting entity for the fiscal year ended September 30, 2020:

	Series A Taxable Combined Waterworks and Sewerage System Revenue <u>Bonds</u>	Series B Combined Waterworks and Sewerage System Refunding and Improvement Revenue <u>Bonds</u>	Series C Combined Waterworks and Sewerage System Revenue <u>Bonds</u>	<u>Total</u>
Bonds Payable at October 1, 2019	\$ 355,438	\$ 99,063	\$ 299,007	\$ 753,508
Bonds Issued	-0-	-0-	-0-	-0-
Less Bond Payments	<u>(8,186)</u>	<u>(2,285)</u>	<u>(7,167)</u>	<u>(17,638)</u>
Bonds Payable at September 30, 2020	<u>\$ 347,252</u>	<u>\$ 96,778</u>	<u>\$ 291,840</u>	<u>\$ 735,870</u>

Missouri statutes limit the amount of general obligation debt that a city can issue to a percentage of the total assessed valuation of taxable property located within that city's boundaries. The legal debt margin for the City is \$401,877 at September 30, 2020.

Business-Type Activities

Revenue Bonds at September 30, 2020 are comprised of the following issue:

Combined Waterworks and Sewerage System Revenue
Bond (Build America Bond) Series A United States
Department of Agriculture, interest at 4.0 percent, monthly
payments of \$1,854 beginning December 1, 2012 through
April 1, 2045. \$347,252

Annual debt service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 8,512	\$ 13,736	\$ 22,248
2022	8,859	13,389	22,248
2023	9,220	13,028	22,248
2024	9,596	12,652	22,248
2025	9,987	12,261	22,248
2026-2030	56,380	54,860	111,240
2031-2035	68,840	42,400	111,240
2036-2040	84,052	27,188	111,240
2041-2045	<u>91,806</u>	<u>8,697</u>	<u>100,503</u>
	<u>\$347,252</u>	<u>\$198,211</u>	<u>\$545,463</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$238 until the balance reaches \$28,560. The balance of this account at September 30, 2020 totaled \$27,696.

Once the Debt Service Reserve is fully funded, the City is required to establish a Replacement and Extension Reserve account. This account is to be funded monthly with \$238 per month and continue for the life of the loan.

The City is also required to establish a Short-Lived Asset Reserve account. This account is to be funded with \$917 per month and continue for the life of the loan. The balance of this account at September 30, 2020 totaled \$107,899.

Combined Waterworks and Sewerage System Revenue
Bond Series B - United States

Department of Agriculture, interest at 4.0 percent, monthly
payments of \$517 beginning December 1, 2012
through November 1, 2045.

\$96,778

Annual Debt Service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 2,376	\$ 3,828	\$ 6,204
2022	2,473	3,731	6,204
2023	2,574	3,630	6,204
2024	2,678	3,526	6,204
2025	2,788	3,416	6,204
2026-2030	15,736	15,284	31,020
2031-2035	19,215	11,805	31,020
2036-2040	23,461	7,559	31,020
2041-2045	<u>25,477</u>	<u>2,400</u>	<u>27,877</u>
	<u>\$ 96,778</u>	<u>\$ 55,179</u>	<u>\$151,957</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$52 until the balance reaches \$6,240. The balance of this account at September 30, 2020 totaled \$10,054.

Combined Waterworks and Sewerage System Revenue
Bond Series C - United States Department of
Agriculture, interest at 2.5 percent, monthly
payments of \$1,215 beginning December 13, 2015
through July 13, 2048. Interest only payments of \$678
shall be made monthly from December 13, 2012
through November 13, 2015.

\$291,840

Annual Debt Service requirements to maturity for the revenue bonds including interest are:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 7,376	\$ 7,213	\$ 14,589
2022	7,553	7,027	14,580
2023	7,744	6,836	14,580
2024	7,940	6,640	14,580
2025	8,141	6,439	14,580
2026-2030	43,900	29,000	72,900
2031-2035	49,739	23,161	72,900
2036-2040	56,355	16,545	72,900
2041-2045	63,850	9,050	72,900
2046-2048	<u>39,242</u>	<u>1,427</u>	<u>40,669</u>
	<u>\$291,840</u>	<u>\$113,338</u>	<u>\$405,178</u>

The City is required to establish a Debt Service Reserve account for the revenue bonds with monthly deposits of \$122 until the balance reaches \$14,640. The balance of this account at September 30, 2020 totaled \$10,054.

Interest expense on long-term debt was charged to functions as follows in the Statement of Activities:

<u>Business-Type Activities:</u>	
Water	\$ 14,062
Sewer	<u>11,332</u>
Total	<u>\$25,394</u>

5. PENSION PLAN - LAGERS

Summary of Significant Accounting Policies

Pensions. 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) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. Had the City prepared their financial statements in accordance with GAAP, benefit payments (including refunds of employee contributions) would be recognized when paid in accordance with the benefit terms. Investments are reported at fair value.

General Division

General Information about the Pension 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). LAGERS is 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 law 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 5 years of credited service. Employees who retire on or after age 60 with 5 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 5 years of credited service and after attaining age 55 and receive a reduced allowance.

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

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	2

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 contribute 4 percent of their gross pay to the pension plan. Employer contribution rates are 5.6 percent of annual covered payroll.

Police Division

A. 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). LAGERS is an agent multi-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 law 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.

B. 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 5 years of credited service. Employees who retire on or after age 55 with 5 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 5 years of credited service and after attaining age 50 and receive a reduced allowance.

C. Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>0</u>
	<u><u>1</u></u>

D. 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 contribute 4 percent of their gross pay to the pension plan. Employer contribution rates are 1.7 percent of annual covered payroll.

6. COMPONENTS OF RESTRICTED ASSETS

The Combined Waterworks and Sewerage System Refunding and Improvement Revenue Bond – Series B, Taxable Combined Waterworks and Sewerage System Revenue Bonds – Series A, and Combined Waterworks and Sewerage System Revenue Bonds – Series C requires that the City establish Debt Service Funds and a Capital Projects Fund. At September 30, 2020, account balances totaled \$248,830. USDA requires that the City establish Capital Projects for sewer grinder repairs. They also require a separate capital project fund to account for money provided by USDA for capital projects. In addition, there are two meter deposit accounts. At September 30, 2020, the account balances totaled \$141,417.

7. RISK MANAGEMENT

The City is exposed to risks of loss through claims on property owned, damage to property owned, official and employee liability, workers' compensation claims, and risk of loss of employee or individual injury. The City handles these risks of loss through the purchase of commercial insurance policies. No significant reduction in insurance coverage occurred during the year. Insurance settlements have not exceeded insurance coverage in any of the past three years.

The City is insured under a retrospectively-rated policy for workers' compensation coverage. The initial premium may be adjusted based on actual experience. Adjustments in premiums are recorded when paid or received. During the year ended September 30, 2020, there were no significant adjustments in premiums based on actual experience.

8. INTERFUND TRANSFERS

The following is a summary of the amounts transferred from and to other funds:

	<u>Transferred From</u>	<u>Transferred To</u>
General Fund	\$ 6,940	\$ -0-
Water Fund	361	-0-
Sewer Fund	<u>-0-</u>	<u>7,301</u>
Total	<u>\$ 7,301</u>	<u>\$ 7,301</u>

The General Fund transferred funds to the Sewer Fund and Water Fund that represent funds to assist with current operations.

9. INTERFUND RECEIVABLES AND PAYABLES

Outstanding balances between funds reported as “due to/from other funds” include miscellaneous receivables/payables between funds.

The following is a summary of the amounts due from and to other funds:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 846	\$ -0-
Water Fund	-0-	423
Sewer Fund	<u>-0-</u>	<u>423</u>
Total	<u>\$ 846</u>	<u>\$ 846</u>

SUPPLEMENTARY INFORMATION

CITY OF ST. MARY, MISSOURI

BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - GENERAL FUND

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
<u>REVENUES RECEIVED:</u>				
Taxes	\$ 126,000	\$ 126,000	\$ 110,502	\$ (15,498)
Licenses and Permits	3,640	3,640	2,734	(906)
Fines and Costs	10,040	10,040	-	(10,040)
Interest	626	626	764	138
Charges for Services	9,550	9,550	9,085	(465)
Grant Revenue	-	-	10,849	10,849
Donations	-	-	5,180	5,180
Other	630	630	6,188	5,558
TOTAL REVENUES RECEIVED	\$ 150,486	\$ 150,486	\$ 145,302	\$ (5,184)
<u>EXPENDITURES PAID:</u>				
General Government:				
Bonds Surety	\$ 900	\$ 900	\$ 870	\$ 30
Capital Outlay	350	350	-	350
Gasoline, Fuel, and Oil	400	400	782	(382)
Insurance	10,260	10,260	8,170	2,090
Miscellaneous	4,308	4,308	15	4,293
Office Supplies and Postage	5,000	5,000	4,804	196
Professional Services	7,900	7,900	4,999	2,901
Repairs and Maintenance	-	-	234	(234)
Salaries and Payroll Taxes	45,643	45,643	37,212	8,431
Street Lighting	7,380	7,380	3,987	3,393
Supplies	650	650	20	630
Telephone	1,300	1,300	1,972	(672)
Utilities	1,325	1,325	1,125	200
Total General Government	\$ 85,416	\$ 85,416	\$ 64,190	\$ 21,226
Street:				
Capital Outlay	\$ 10,000	\$ 10,000	\$ -	\$ 10,000
Gasoline, Fuel, and Oil	350	350	1,608	(1,258)
Insurance	3,525	3,525	1,619	1,906
Supplies	200	200	658	(458)
Repairs and Maintenance	6,500	6,500	6,140	360
Salaries and Payroll Taxes	7,475	7,475	3,662	3,813
Utilities	55	55	60	(5)
Street Lighting	3,600	3,600	3,590	10
Total Street	\$ 31,705	\$ 31,705	\$ 17,337	\$ 14,368
Cemetery:				
Capital Outlay	\$ 100	\$ 100	\$ -	\$ 100
Insurance	1,125	1,125	625	500
Repairs and Maintenance	100	100	278	(178)
Salaries and Payroll Taxes	2,021	2,021	1,808	213
Miscellaneous	200	200	-	200
Utilities	55	55	60	(5)
Total Cemetery	\$ 3,601	\$ 3,601	\$ 2,771	\$ 830

(Continued)
See Independent Auditors' Report.

CITY OF ST. MARY, MISSOURI

BUDGETARY COMPARISON SCHEDULE -
MODIFIED CASH BASIS - GENERAL FUND

For the Year Ended September 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Amended		
Park:				
Capital Outlay	\$ 100	\$ 100	\$ -	\$ 100
Insurance	1,500	1,500	1,147	353
Miscellaneous	100	100	27	73
Repairs and Maintenance	350	350	278	72
Salaries and Payroll Taxes	1,850	1,850	1,114	736
Utilities	960	960	1,057	(97)
Total Park	\$ 4,860	\$ 4,860	\$ 3,623	\$ 1,237
Public Safety:				
Police:				
Capital Outlay	\$ -	\$ -	\$ 1,930	\$ (1,930)
Gasoline, Fuel, and Oil	3,500	3,500	646	2,854
Insurance	9,675	9,675	2,710	6,965
Miscellaneous	700	700	50	650
Office Supplies and Postage	1,000	1,000	31	969
Professional Fees	6,000	6,000	-	6,000
Repairs and Maintenance	2,000	2,000	275	1,725
Salaries and Payroll Taxes	28,250	28,250	2,784	25,466
Telephone	2,000	2,000	2,172	(172)
Uniforms	-	-	-	-
Total Police	\$ 53,125	\$ 53,125	\$ 10,598	\$ 42,527
Fire Department:				
Capital Outlay	\$ 1,000	\$ 1,000	\$ 7,209	\$ (6,209)
Gasoline, Fuel, and Oil	4,500	4,500	1,095	3,405
Insurance	9,250	9,250	8,530	720
Miscellaneous	1,060	1,060	11,482	(10,422)
Repairs and Maintenance	-	-	1,396	(1,396)
Salaries and Payroll Taxes	935	935	39	896
Supplies	200	200	643	(443)
Telephone	2,500	2,500	2,996	(496)
Utilities	2,500	2,500	1,519	981
Total Fire Department	\$ 21,945	\$ 21,945	\$ 34,909	\$ (12,964)
Municipal Court:				
Salaries and Payroll Taxes	\$ -	\$ -	\$ -	\$ -
Supplies	50	50	-	50
Training	250	250	-	250
Total Municipal Court	\$ 300	\$ 300	\$ -	\$ 300
TOTAL PUBLIC SAFETY	\$ 75,370	\$ 75,370	\$ 45,507	\$ 29,863
TOTAL EXPENDITURES PAID	\$ 200,952	\$ 200,952	\$ 133,428	\$ 67,524
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (50,466)	\$ (50,466)	\$ 11,874	\$ 62,340
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	\$ -	\$ -	\$ (6,940)	\$ (6,940)
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ (6,940)	\$ (6,940)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ (50,466)	\$ (50,466)	\$ 4,934	\$ 55,400
FUND BALANCE, October 1, 2019			57,340	
FUND BALANCE, September 30, 2020			\$ 62,274	

See Independent Auditors' Report.

CITY OF ST. MARY, MISSOURI

SCHEDULE OF FINDINGS

For the Year Ended September 30, 2020

2020-001 Inadequate Segregation of Duties

Criteria: The duties of receiving and handling cash and recording transactions should be separated for internal control purposes.

Condition: There is a lack of segregation of duties over handling and recording receipts.

Effect: City funds are exposed to a risk of loss or misuse.

Cause: There are a limited number of employees at the City.

Recommendation: We recommend that the City segregate duties over receipts to the extent possible to enhance internal controls.

View of Responsible
Officials and Corrective
Action Plan:

We understand the recommendation but believe we cannot adequately segregate these duties given the current number of employees available. If additional staff does become available, we will segregate these duties to the extent possible for receipts.

CITY OF ST. MARY, MISSOURI

SCHEDULE OF FINDINGS

For the Year Ended September 30, 2020

2020-002 Incorrect Utility Bills

Criteria: Proper internal controls should be in place to ensure that all bills are being correctly calculated based on consumption and current billing rates.

Condition: One water bill and two sewer bills that were tested were incorrectly calculated based on the consumption and current billing rate.

Effect: Misappropriation of funds could occur.

Cause: The software did not calculate the bills correctly, but the Collector was unaware there was a problem due to the fact that no internal controls are in place to check the bills.

Recommendation: We recommend that the City put internal controls in place to recalculate a few bills each month to ensure they are correct.

View of Responsible
Officials and Corrective
Action Plan:

We will put into place an internal control to sample the bills each month to ensure they are correct. We have also purchased a new billing software.