

CITY OF ELSBERRY, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018

CITY OF ELSBERRY, MISSOURI
List of Elected Officials

Office	Officeholder(s)
Mayor	Steve Wilch
Aldermen Ward I	Terry Harper and Charlie DeMoulin
Aldermen Ward II	Michael Short and Matthew Hartley
Aldermen Ward III	Terri Davis and Brent Rockwell
City Attorney	Robert Guinness
City Clerk	Susan Hogarth
City Treasurer	Tammy Sharpe
Deputy City Collector	Rachel Reed
Chief of Police	Brian Jeffries
Alliance Water Resources Manager	Brian Hemmer
Emergency Management Director	Paul Mueller
Zoning Administrator	Don Slaughter



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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 and 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, 2018, 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 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 auditor's 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 and each major fund, and the aggregate remaining fund information of the City of Elsberry, Missouri, as of December 31, 2018, 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*, budgetary comparison schedules, schedules of funding progress, changes in net pension liability and employer contributions on pages 5 through 15 and 47 through 49 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 introductory section, combining and individual nonmajor fund financial statements and schedules and notes, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and notes are the responsibility of management and were derived from and relate 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 record 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 combining and individual nonmajor fund financial statements and schedules and notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section 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 May 23, 2019, in our consideration of the City of Elsberry, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Elsberry, Missouri's internal control over financial reporting and compliance.



Devereux & Company
St. Charles, Missouri
May 23, 2019

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

As management of the City of Elsberry, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes that follow this Management's Discussion and Analysis (MD&A).

FINANCIAL HIGHLIGHTS

- The assets of the City of Elsberry exceeded its liabilities at the close of the fiscal year ending December 31, 2018 by \$3,991,843 (net position). Of this amount, \$173,841 (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 \$173,875. 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 \$862,703, a decrease of \$234,901 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$45,369.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A 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 contains other supplemental information intended to furnish additional detail to support the basic financial statements themselves.

The following summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of MD&A explains the structure and contents of each of the statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Elsberry's finances, in a manner similar to a private-sector business.

The two government-wide statements, **Statement of Net Position** and **Statement of Activities**, report the City's net position and how it has changed. 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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 access 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 here, including the police, public works, court, culture and recreation, and general administration departments. Property taxes, sales taxes, franchise fees, trash collections, and licenses and permit fees finance most of these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services provided. The City's water and sewer system and wastewater treatment plant are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by state law or by bond covenants. The City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds, governmental and proprietary, utilize different accounting approaches.

- **Governmental Funds** – The majority 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 identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash.

The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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** – The City charges customers for the utility services it provides, whether to outside customers or customers within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The City's proprietary funds are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

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

Required Supplemental Information. In addition to the basic financial statements and accompanying notes, certain required supplemental information can be found in this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents budgetary comparative information for the General Fund and Cemetery Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – FINANCIAL ANALYSIS OF
THE CITY AS A WHOLE**

The City's combined fund balances were \$4,117,695 as of December 31, 2018, 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.

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.

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Governmental Activities

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 351,339	\$ 518,702
Capital Assets	<u>687,098</u>	<u>713,682</u>
Total Assets	<u>1,038,437</u>	<u>1,232,384</u>
Deferred Outflows	<u>2,430</u>	<u>39,343</u>
Current and Other Liabilities	49,882	217,971
Long-Term Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	<u>49,882</u>	<u>217,971</u>
Deferred Inflows	<u>128,282</u>	<u>9,234</u>
Net Position:		
Net Investment in Capital Assets	687,098	713,682
Restricted	130,236	119,681
Unrestricted	<u>45,369</u>	<u>264,241</u>
Total Net Position	<u>\$ 862,703</u>	<u>\$ 1,097,604</u>

Business-Type Activities

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 2,379,917	\$ 2,005,809
Capital Assets	<u>5,907,877</u>	<u>5,572,580</u>
Total Assets	<u>8,287,794</u>	<u>7,578,389</u>
Current and Other Liabilities	262,129	222,241
Long-Term Liabilities	<u>4,896,525</u>	<u>4,620,460</u>
Total Liabilities	<u>5,158,654</u>	<u>4,842,701</u>
Net Position:		
Net Investment in Capital Assets	869,302	874,259
Restricted	2,131,366	1,694,532
Unrestricted	<u>128,472</u>	<u>151,573</u>
Total Net Position	<u>\$ 3,129,140</u>	<u>\$ 2,720,364</u>

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Total Net Activities

	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 2,731,256	\$ 2,524,511
Capital Assets	<u>6,594,975</u>	<u>6,286,262</u>
Total Assets	<u>9,326,231</u>	<u>8,810,773</u>
Deferred Outflows	<u>2,430</u>	<u>39,343</u>
Current and Other Liabilities	312,011	440,212
Long-Term Liabilities	<u>4,896,525</u>	<u>4,620,460</u>
Total Liabilities	<u>5,208,536</u>	<u>5,060,672</u>
Deferred Inflows	<u>128,282</u>	<u>9,234</u>
Net Position:		
Net Investment in Capital		
Assets	1,556,400	1,587,941
Restricted	2,261,602	1,814,213
Unrestricted	<u>173,841</u>	<u>415,814</u>
Total Net Position	<u>\$ 3,991,843</u>	<u>\$ 3,817,968</u>

Government and Business-Type Activities increased the City's Net Assets by \$173,875, 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, 2018
(UNAUDITED)

Governmental Activities			
	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 386,933	\$ 356,583	\$ 30,350
Capital Grants and Contributions	3,417	10,000	(6,583)
General Revenues:			
Taxes	557,757	591,417	(33,660)
Interest Income	1,517	1,565	(48)
Miscellaneous	<u>2,150</u>	<u>15,512</u>	<u>(13,362)</u>
Total Revenues	<u>951,774</u>	<u>975,077</u>	<u>(23,303)</u>
Expenses:			
Administration	509,975	421,888	88,087
Public Works	360,147	154,373	205,774
Police	275,980	304,939	(28,959)
Court	35,093	51,372	(16,279)
Culture and Recreation	<u>5,480</u>	<u>8,873</u>	<u>(3,493)</u>
Total Expenses	<u>1,186,675</u>	<u>941,545</u>	<u>245,130</u>
Change in Net Position	(234,901)	33,532	(268,433)
Net Position, Beginning of Year	<u>1,097,604</u>	<u>1,064,072</u>	<u>33,532</u>
Net Position, End of Year	<u>\$ 862,703</u>	<u>\$ 1,097,604</u>	<u>\$ (234,901)</u>

Total revenues slightly decreased from 2017 to 2018. 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, 2018
(UNAUDITED)

Business-Type Activities			Increase (Decrease)
	<u>2018</u>	<u>2017</u>	
Revenues:			
Program Revenues:			
Charges for Services	\$ 996,880	\$ 1,109,510	\$ (112,630)
Capital Grants and Contributions	-	-	-
General Revenues:			
Other	311,517	211,559	99,958
Taxes	13,921	11,211	2,710
Interest Income	<u>8,276</u>	<u>3,418</u>	<u>4,858</u>
Total Revenues	<u>1,330,594</u>	<u>1,335,698</u>	<u>(5,104)</u>
Expenses:			
Water and Sewer Operations*	<u>921,818</u>	<u>822,480</u>	<u>99,338</u>
Total Expenses	<u>921,818</u>	<u>822,480</u>	<u>99,338</u>
Change in Net Position	408,776	513.218	(104,442)
Net Position, Beginning of Year	<u>2,720,364</u>	<u>2,207,146</u>	<u>513,218</u>
Net Position, End of Year	<u>\$ 3,129,140</u>	<u>\$ 2,720,364</u>	<u>\$ 408,776</u>

*Including Interest Expense

Revenue in the City's Business-Type Fund increased \$112,630 in 2018 compared to 2017. This decrease was primarily due receiving less in charges for services. Expenses increased \$99,338 in 2018 compared to 2017.

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

Total Governmental and Business-Type Activities

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$ 1,383,813	\$ 1,466,093	\$ (82,280)
Capital Grants and Contributions	3,417	10,000	(6,583)
General Revenues:			
Taxes	571,678	602,628	(30,950)
Interest Income	9,793	4,983	4,810
Other	311,517	211,559	99,958
Miscellaneous	2,150	15,512	(13,362)
Total Revenues	<u>2,282,368</u>	<u>2,310,775</u>	<u>(28,407)</u>
Expenses:			
Administration	509,975	421,888	88,087
Public Works	360,147	154,373	205,774
Police	275,980	304,939	(28,959)
Court	35,093	51,372	(16,279)
Culture and Recreation	5,480	8,973	(3,493)
Interest on Long-Term Debt	70,757	48,431	22,326
Water and Sewer Operations	851,061	771,422	77,012
Total Expenses	<u>2,108,493</u>	<u>1,764,025</u>	<u>344,468</u>
Change in Net Position	173,875	546,750	(372,875)
Net Position, Beginning of Year	<u>\$ 3,817,968</u>	<u>3,271,218</u>	<u>546,750</u>
Net Position, End of Year	<u>\$ 3,991,843</u>	<u>\$ 3,817,968</u>	<u>\$ 173,875</u>

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018
(UNAUDITED)

CAPITAL ASSETS

At the end of the fiscal year 2018, the City had \$6,594,975 (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			Increase (Decrease)
	<u>2018</u>	<u>2017</u>	
Land	\$ 403,106	\$ 403,106	\$ -
Buildings	139,212	139,212	-
Equipment and Vehicles	196,511	209,011	(12,500)
Infrastructure	<u>289,513</u>	<u>289,513</u>	<u>-</u>
Total Governmental Activities	<u>\$ 1,028,342</u>	<u>\$ 1,040,842</u>	<u>\$ (12,500)</u>

Business-Type Activities			Increase (Decrease)
	<u>2018</u>	<u>2017</u>	
Buildings	\$ 40,261	\$ 40,261	\$ -
Equipment and Vehicles	294,710	294,710	-
Construction in Progress	-	2,682,965	(2,682,965)
Infrastructure	<u>7,339,915</u>	<u>4,129,815</u>	<u>3,210,100</u>
Total Business-Type Activities	<u>\$ 7,674,886</u>	<u>\$ 7,147,751</u>	<u>\$ 527,135</u>

Total Governmental and Business-Type Activities

	<u>2018</u>	<u>2017</u>	Increase (Decrease)
Land	\$ 403,106	\$ 403,106	\$ -
Buildings	179,473	179,473	-
Equipment and Vehicles	491,221	503,721	(12,500)
Construction in Progress	-	2,682,965	(2,682,965)
Infrastructure	<u>7,629,428</u>	<u>4,419,328</u>	<u>3,210,100</u>
Total Activities	<u>\$ 8,703,228</u>	<u>\$ 8,188,593</u>	<u>\$ 514,635</u>

More detailed information on the City's capital position is presented in Note 5 of the financial statements.

CITY OF ELSBERRY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
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LONG-TERM DEBT

At year-end, the City had \$5,038,575 in outstanding debt compared to \$4,698,321 at the end of the prior fiscal year.

Governmental Activities			
	<u>2018</u>	<u>2017</u>	Increase <u>(Decrease)</u>
None	\$ _____ -	\$ _____ -	\$ _____ -
Total Governmental Activities	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>
Business-Type Activities			
	<u>2018</u>	<u>2017</u>	Increase <u>(Decrease)</u>
Waterworks and Sewerage			
System Revenue Bonds	\$ 160,000	\$ 190,000	\$ (30,000)
USDA RD Loan	3,109,478	2,682,849	426,629
USDA RD Loan	1,769,097	1,820,578	(51,481)
Missouri Development Finance			
Board Loan	- 4,894	- (4,894)	
Total Business-Type Activities	<u>\$ 5,038,575</u>	<u>\$ 4,698,321</u>	<u>\$ 340,254</u>
Total Outstanding Debt	<u>\$ 5,038,575</u>	<u>\$ 4,698,321</u>	<u>\$ 340,254</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 2018, actual expenditures on a budgetary basis in the General Fund were \$1,110,660 compared to the budget amount of \$962,467.

For fiscal year 2018, actual revenues on a budgetary basis in the General Fund were \$903,086 as compared to the budget amount of \$868,767.

There were no changes to the original budget.

CITY OF ELSBERRY, MISSOURI
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Cemetery Fund Budgetary Highlights

For fiscal year 2018, actual expenditures on a budgetary basis in the Cemetery Fund were \$37,483 compared to the budget amount of \$31,718.

For fiscal year 2018, actual revenues on a budgetary basis in the Cemetery Fund were \$48,689 as compared to the budget amount of \$31,718.

There were no changes to the original budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected officials and department heads considered many factors when setting the fiscal year 2019 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 \$1,810,844 for the fiscal year 2019. The 2019 expenditures budget is \$1,810,844.

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:

Susan Hogarth
City Clerk
City of Elsberry
201 Broadway
Elsberry, Missouri 63343

CITY OF ELSBERRY, MISSOURI
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 224,957.59	\$ 179,568.31	\$ 404,525.90
Taxes Receivable:			
Property	59,618.92	-	59,618.92
Sales	11,559.72	-	11,559.72
Accounts Receivable	40,032.04	68,982.87	109,014.91
Restricted Assets:			
Cash and Investments	15,170.46	2,131,365.79	2,146,536.25
Capital Assets:			
Nondepreciable	403,106.00	-	403,106.00
Depreciable, Net of Depreciation	<u>283,992.40</u>	<u>5,907,876.50</u>	<u>6,191,868.90</u>
TOTAL ASSETS	<u>1,038,437.13</u>	<u>8,287,793.47</u>	<u>9,326,230.60</u>
DEFERRED OUTFLOWS			
Deferred Outflow Related to Pension	<u>2,430.00</u>	<u>-</u>	<u>2,430.00</u>
LIABILITIES			
Accounts Payable, Payroll Liabilities and Other	34,731.92	5,985.15	40,717.07
Taxes Payable	-	3,734.40	3,734.40
Bonds Held	15,150.00	-	15,150.00
Deposits Payable	-	110,360.00	110,360.00
Other Liabilities:			
Net Pension Liability	-	-	-
Due in One Year	-	-	-
Due in One Year from Restricted Assets	-	142,049.35	142,049.35
Due in More Than One Year	<u>-</u>	<u>4,896,525.00</u>	<u>4,896,525.00</u>
TOTAL LIABILITIES	<u>49,881.92</u>	<u>5,158,653.90</u>	<u>5,208,535.82</u>
DEFERRED INFLOWS			
Deferred Inflow Related to Pension	<u>128,282.00</u>	<u>-</u>	<u>128,282.00</u>
NET POSITION			
Net Investment in Capital Assets	687,098.40	869,302.15	1,556,400.55
Restricted for Cemetery	130,236.15	-	130,236.15
Restricted within Water and Sewer Fund	-	2,131,365.79	2,131,365.79
Unrestricted	<u>45,368.66</u>	<u>128,471.63</u>	<u>173,840.29</u>
TOTAL NET POSITION	<u>\$ 862,703.21</u>	<u>\$ 3,129,139.57</u>	<u>\$ 3,991,842.78</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

<u>FUNCTIONS/PROGRAMS</u>	Program Revenue			Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Service	Grants and Contributions	Capital	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administrative	\$ 483,391.38	\$ 222,643.34	\$ -	\$ (260,748.04)	\$ -	\$ (260,748.04)	
Public Works	360,147.01	-	-	(360,147.01)	-	(360,147.01)	
Police Department	275,980.32	-	-	(275,980.32)	-	(275,980.32)	
Court	35,092.85	57,903.99	-	22,901.14	-	22,901.14	
Culture and Recreation	5,480.11	-	-	(5,480.11)	-	(5,480.11)	
Depreciation, unallocated	26,583.74	-	-	(26,583.74)	-	(26,583.74)	
TOTAL GOVERNMENTAL ACTIVITIES	1,186,675.41	280,637.33	-	(906,038.08)	-	(906,038.08)	
 Business-Type Activities							
Water and Sewer	921,817.97	996,879.89	40,805.57	-	115,867.49	115,867.49	
 TOTAL PRIMARY GOVERNMENT	\$ 2,108,493.38	\$ 1,277,517.22	\$ 40,805.57	(906,038.08)	115,867.49	(790,170.59)	
 Taxes:							
Sales and Use Taxes							
Property	301,420.47			13,920.63		315,341.10	
Street	166,644.19			-		166,644.19	
Other	63,897.49			-		63,897.49	
Interest Income	25,794.86			-		25,794.86	
Other Miscellaneous Revenue	1,516.79			8,276.19		9,792.98	
TOTAL PRIMARY GOVERNMENT REVENUES	111,863.40			270,711.91		382,575.31	
 CHANGES IN NET POSITION							
NET POSITION, BEGINNING OF YEAR							
 NET POSITION, END OF YEAR	\$ 862,703.21			\$ 3,129,139.57		\$ 3,991,842.78	

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General Fund	Cemetery Fund	Total
ASSETS AND OTHER DEBITS			
Cash and Investments	\$ 124,041.31	\$ 116,086.74	\$ 240,128.05
Accounts Receivable	40,032.04	-	40,032.04
Taxes Receivable:			
Property	45,469.51	14,149.41	59,618.92
Sales	<u>11,559.72</u>	<u>-</u>	<u>11,559.72</u>
TOTAL ASSETS	<u>\$ 221,102.58</u>	<u>\$ 130,236.15</u>	<u>\$ 351,338.73</u>
LIABILITIES			
Accounts Payable and Payroll Liabilities	\$ 34,731.92	\$ -	\$ 34,731.92
Bonds Held	<u>15,150.00</u>	<u>-</u>	<u>15,150.00</u>
TOTAL LIABILITIES	<u>49,881.92</u>	<u>-</u>	<u>49,881.92</u>
FUND BALANCES			
Restricted for Cemetery	-	130,236.15	130,236.15
Unassigned	<u>171,220.66</u>	<u>-</u>	<u>171,220.66</u>
TOTAL FUND BALANCES	<u>171,220.66</u>	<u>130,236.15</u>	<u>301,456.81</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 221,102.58</u>	<u>\$ 130,236.15</u>	<u>\$ 351,338.73</u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

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

Total Fund Balance per Balance Sheet	\$ 301,456.81
Capital Assets used in Governmental Activities are not Financial Resources and, therefore, are Not Reported in the Funds	687,098.40
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 inflow/outflow of resources, net	2,430.00
Net pension liability is not due and payable and therefore is not recorded in the Governmental Fund Statements.	<u>(128,282.00)</u>
NET POSITION OF GOVERNMENTAL FUNDS	<u><u>\$ 862,703.21</u></u>

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, 2018

	General Fund	Cemetery Fund	Total
REVENUES			
Taxes	\$ 531,962.15	\$ 25,794.86	\$ 557,757.01
Charges for Services	200,258.34	22,385.00	222,643.34
Licenses and Permits	106,295.77	-	106,295.77
Fines and Forfeitures	57,993.99	-	57,993.99
Investment Income	1,007.64	509.15	1,516.79
Grants and Contributions	3,417.00	-	3,417.00
Miscellaneous	2,150.63	-	2,150.63
TOTAL REVENUES	903,085.52	48,689.01	951,774.53
EXPENDITURES			
Administrative	445,907.55	37,483.83	483,391.38
Public Works	360,147.01	-	360,147.01
Police Department	275,980.32	-	275,980.32
Municipal Court	35,092.85	-	35,092.85
Culture and Recreation	5,480.11	-	5,480.11
TOTAL EXPENDITURES	1,122,607.84	37,483.83	1,160,091.67
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(219,522.32)	11,205.18	(208,317.14)
CHANGES IN FUND BALANCE	(219,522.32)	11,205.18	(208,317.14)
FUND BALANCES, BEGINNING OF YEAR	362,260.58	122,748.17	485,008.75
FUND BALANCES, END OF YEAR	\$ 142,738.26	\$ 133,953.35	\$ 276,691.61

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 OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

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

Change in Fund Balance - Total Governmental Funds	\$ (208,317.14)
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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>(26,583.74)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL FUNDS	<u>\$ (234,900.88)</u>
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The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
STATEMENT OF NET POSITION - PROPRIETARY FUND
DECEMBER 31, 2018

	Water Fund	Sewer Fund	Total
ASSETS			
CURRENT ASSETS			
Cash and Investments	\$ 57,715.70	\$ 121,852.61	\$ 179,568.31
Accounts Receivable	47,378.73	21,604.14	68,982.87
Restricted Assets:			
Cash and Investments	1,579,281.19	552,084.60	2,131,365.79
TOTAL CURRENT ASSETS	1,684,375.62	695,541.35	2,379,916.97
NONCURRENT ASSETS			
Capital Assets:			
Depreciable, Net of Accumulated Depreciation	2,681,379.00	3,226,497.50	5,907,876.50
TOTAL NONCURRENT ASSETS	2,681,379.00	3,226,497.50	5,907,876.50
TOTAL ASSETS	\$ 4,365,754.62	\$ 3,922,038.85	\$ 8,287,793.47
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable and Payroll Liabilities	5,783.20	201.95	5,985.15
Accrued Taxes Payable	3,734.40	-	3,734.40
Customer Deposits	110,360.00	-	110,360.00
Current Portion of Long-Term Debt	-	-	-
Current Portion of Long-Term Debt			
from Restricted Assets	73,827.77	68,221.58	142,049.35
TOTAL CURRENT LIABILITIES	193,705.37	68,423.53	262,128.90
NONCURRENT LIABILITIES			
Note Payable, Net of Current Portion	-	3,041,255.94	3,041,255.94
Notes Payable, Net of Current Portion	1,855,269.06	-	1,855,269.06
TOTAL NONCURRENT LIABILITIES	1,855,269.06	3,041,255.94	4,896,525.00
TOTAL LIABILITIES	2,048,974.43	3,109,679.47	5,158,653.90
NET POSITION			
Net Investment in Capital Assets	752,282.17	117,019.98	869,302.15
Restricted within Water and Sewer Fund	1,579,281.19	552,084.60	2,131,365.79
Unrestricted	(14,783.17)	143,254.80	128,471.63
TOTAL NET POSITION	\$ 2,316,780.19	\$ 812,359.38	\$ 3,129,139.57

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, 2018

	Water Fund	Sewer Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 598,578.94	\$ 398,300.95	\$ 996,879.89
Other	93,753.37	217,764.11	311,517.48
Taxes	13,920.63	-	13,920.63
TOTAL OPERATING REVENUES	706,252.94	616,065.06	1,322,318.00
OPERATING EXPENSES			
Personnel Services	33,862.04	-	33,862.04
Postage	2,921.87	-	2,921.87
Office Supplies	424.99	-	424.99
Computer Supplies and Repairs	6,577.39	-	6,577.39
Utilities	27,202.56	18,109.35	45,311.91
Contracted Services	304,795.66	178,540.68	483,336.34
Special Projects	-	-	-
Repairs and Maintenance	23,574.98	2,986.56	26,561.54
Miscellaneous	3,570.46	1,381.68	4,952.14
Customer Deposit Refunds	4,090.92	-	4,090.92
Depreciation	123,397.23	68,441.10	191,838.33
Insurance	30,613.22	5,711.71	36,324.93
Operating Supplies	841.68	-	841.68
Other Taxes and Fees	14,016.71	-	14,016.71
TOTAL OPERATING EXPENSES	575,889.71	275,171.08	851,060.79
OPERATING INCOME	130,363.23	340,893.98	471,257.21
NONOPERATING REVENUE (EXPENSE)			
Investment Income	5,760.28	2,515.91	8,276.19
Interest and Fiscal Charges	(41,341.47)	(29,415.71)	(70,757.18)
TOTAL NONOPERATING REVENUE (EXPENSE)	(35,581.19)	(26,899.80)	(62,480.99)
CHANGE IN NET POSITION	94,782.04	313,994.18	408,776.22
NET POSITION, BEGINNING OF YEAR	2,221,998.15	498,365.20	2,720,363.35
NET POSITION, END OF YEAR	\$ 2,316,780.19	\$ 812,359.38	\$ 3,129,139.57

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, 2018

	Water Fund	Sewer Fund	Total
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 599,001.39	\$ 398,300.95	997,302.34
Cash Received from Other	139,041.08	200,599.81	339,640.89
Cash Paid to Suppliers	(464,749.61)	(206,729.98)	(671,479.59)
Cash Paid to Employees	(26,697.22)	-	(26,697.22)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	246,595.64	392,170.78	638,766.42
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Payment of Interest Expense	(41,341.47)	(29,415.71)	(70,757.18)
Payments for Capital Acquisitions	-	(644,587.49)	(644,587.49)
Purchase of Certificate of Deposit	-	(126,000.00)	(126,000.00)
Transfer In	234,613.75	-	234,613.75
Proceeds from Bond Proceeds	-	527,151.31	527,151.31
Principal Repayments	(78,420.34)	(100,622.48)	(179,042.82)
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	114,851.94	(373,474.37)	(258,622.43)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Income	5,760.28	2,515.91	8,276.19
NET INCREASE IN CASH AND CASH EQUIVALENTS	367,207.86	21,212.32	388,420.18
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,269,789.03	652,724.89	1,922,513.92
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,636,996.89	\$ 673,937.21	\$ 2,310,934.10
Reconciliation of Cash and Cash Equivalents:			
Cash and Investments	\$ 57,715.70	\$ 121,852.61	\$ 179,568.31
Restricted Cash and Investments	1,579,281.19	552,084.60	2,131,365.79
Total Cash and Cash Equivalents	<u><u>\$ 1,636,996.89</u></u>	<u><u>\$ 673,937.21</u></u>	<u><u>\$ 2,310,934.10</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2018

	Water Fund	Sewer Fund	Total
OPERATING INCOME	<u>\$ 130,363.23</u>	<u>\$ 340,893.98</u>	<u>\$ 471,257.21</u>
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Depreciation			
(AIncrease) Decrease in Assets:	123,397.23	68,441.10	191,838.33
Accounts Receivable	971.41	(479.63)	491.78
Increase (Decrease) in Liabilities:			
Accounts Payable	(24,630.09)	(16,684.67)	(41,314.76)
Sales Tax Payable	(36.14)	-	(36.14)
Customer Deposits	<u>16,530.00</u>	<u>-</u>	<u>16,530.00</u>
TOTAL ADJUSTMENTS	<u>116,232.41</u>	<u>51,276.80</u>	<u>167,509.21</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 246,595.64</u></u>	<u><u>\$ 392,170.78</u></u>	<u><u>\$ 638,766.42</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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 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.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. BASIC FINANCIAL STATEMENTS (continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when payment is due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

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.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (continued)

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 \$2,500 or more and an 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 \$56,602 interest was capitalized during the year ended December 31, 2018.

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

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. CAPITAL ASSETS (continued)

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. 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.

F. 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.

G. 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”.

H. ACCOUNTS RECEIVABLE

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.

I. 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, 2018, the liability for accrued vacation is \$6,752 in the General Fund and \$455 in the Water and Sewer Fund.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. LONG-TERM LIABILITIES

In the governmental-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statements of net assets. Initial-issue bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the lives of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including underwriters' discount, are expensed when incurred. Amortization of bond premiums or discounts, and deferred amounts on refunding are included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

K. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

L. NET POSITION AND FUND EQUITY

In government-wide financial statements net position is reported in three categories: net investment in capital assets, net of related debt; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal on related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the District (such as creditors, grantors, contributors, laws and regulations of other governments). All other net position is considered unrestricted.

When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted first, then unrestricted resources as they are needed. The government-wide statement of net position reports restricted position, all of which is restricted by enabling legislation.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable – Resources which cannot be spent because they are either: a) not in spendable form or; b) legally or contractually required to be maintained intact.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. NET POSITION AND FUND EQUITY (continued)

Restricted – Resources which constraints placed on the use of resources are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed – Resources which are subject to limitations the government imposes upon itself at its highest level of decision making (ordinance), and that remain binding unless removed in the same manner.

Assigned – Resources neither restricted nor committed for which a government has a stated intended use as established by the Board of Directors or an official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.

Unassigned – Resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

The City would typically use restricted fund balances first, followed by committed resources and assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

M. CASH AND INVESTMENTS

For purposes of the Statement of Cash Flows, the City has defined cash and cash equivalents to be investments with an original maturity of three months or less.

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, and Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper.

N. 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. 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, 2018.

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.

P. COMMITMENTS AND CONTINGENCIES/RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Claims have not exceeded coverage in the last three years.

2. BUDGETS AND BUDGETARY ACCOUNTING

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

- a. The Budget is presented to the Board of Aldermen at the December meeting. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is adopted by the Board of Aldermen.
- c. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles except the Proprietary Funds which include capital outlay as an expense.
- d. Budget amendments must be approved by the Board of Aldermen.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

3. CASH AND TEMPORARY INVESTMENTS

Credit Risk – The City does not have a formal policy addressing credit risk. However, as a general rule the City follows the State of Missouri's authorized forms of investments. These types of investment inherently have very limited credit risk. The City has investments in Guaranteed Investment Contracts required by its bond covenants. These investments are not rated.

Custodial Credit Risk – For deposits and investments, the custodial credit risk is the risk that in the event of the failure of the counterparty, the City will be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It is the City's policy that all deposits and investments are insured, covered by collateral or be investments backed by the full faith and credit of the United States Government. All securities, which serve as collateral against the deposits of a depository institution must be held at a non-affiliated custodial facility. Investments of the City are generally insured, collateralized or invested in securities of the United States or its agencies.

Interest Rate Risk – Interest rate risk is the risk that investments fair value will be affected by changes in interest rates. The City does not have a formal investment policy addressing interest rate risk. The City did not have any investments subject to interest rate risk during the year ended December 31, 2018. The City will formalize an investment policy should it be necessary in the future.

Concentration of Credit Risk – The City places no limit on the amount that may be invested in any one issuer.

Cash – At December 31, 2018, the carrying amount of the City's deposits was \$2,550,864 and the bank balances totaled \$2,598,713. Deposits at financial institutions are covered by the Federal Deposit Insurance Corporation (FDIC), or were collateralized by the pledging financial institution or its agent in the City's name. At December 31, 2018, the deposits were fully collateralized.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended December 31, 2018 is as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 403,106</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 403,106</u>
Capital Assets, Being Depreciated:				
Buildings	<u>139,212</u>	<u>-</u>	<u>-</u>	<u>139,212</u>
Equipment and Vehicles	<u>209,011</u>	<u>-</u>	<u>(12,500)</u>	<u>196,511</u>
Infrastructure	<u>289,513</u>	<u>-</u>	<u>-</u>	<u>289,513</u>
Total Capital Assets Being Depreciated	<u>637,736</u>	<u>-</u>	<u>(12,500)</u>	<u>625,236</u>
Less Accumulated Depreciation for:				
Buildings	<u>(73,985)</u>	<u>(4,651)</u>	<u>-</u>	<u>(78,636)</u>
Equipment and Vehicles	<u>(139,080)</u>	<u>(12,435)</u>	<u>12,500</u>	<u>(139,015)</u>
Infrastructure	<u>(114,095)</u>	<u>(9,498)</u>	<u>-</u>	<u>(123,593)</u>
Total Accumulated Depreciation	<u>(327,160)</u>	<u>(26,584)</u>	<u>12,500</u>	<u>(341,244)</u>
Total Capital Assets, Being Depreciated, Net	<u>310,576</u>	<u>(26,584)</u>	<u>-</u>	<u>283,992</u>
Subtotal Governmental Activities	<u>\$ 713,682</u>	<u>\$ (26,584)</u>	<u>\$ -</u>	<u>\$ 687,098</u>
Business-Type Activities				
Capital Assets, Being Depreciated:				
Buildings	<u>\$ 40,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,261</u>
Equipment and Vehicles	<u>294,710</u>	<u>-</u>	<u>-</u>	<u>294,710</u>
Construction in Progress	<u>2,682,965</u>	<u>-</u>	<u>(2,682,965)</u>	<u>-</u>
Infrastructure	<u>4,129,816</u>	<u>3,210,100</u>	<u>-</u>	<u>7,339,916</u>
Total Capital Assets Being Depreciated	<u>7,147,752</u>	<u>3,210,100</u>	<u>(2,682,965)</u>	<u>7,674,887</u>
Less Accumulated Depreciation for:				
Buildings	<u>(22,510)</u>	<u>(1,004)</u>	<u>-</u>	<u>(23,514)</u>
Equipment and Vehicles	<u>(153,422)</u>	<u>(28,318)</u>	<u>-</u>	<u>(181,740)</u>
Infrastructure	<u>(1,399,240)</u>	<u>(162,516)</u>	<u>-</u>	<u>(1,561,756)</u>
Total Accumulated Depreciation	<u>(1,575,172)</u>	<u>(191,838)</u>	<u>-</u>	<u>(1,767,010)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,572,580</u>	<u>3,018,262</u>	<u>(2,682,965)</u>	<u>5,907,877</u>
Subtotal Business-Type Activities	<u>\$ 5,572,580</u>	<u>\$ 3,018,262</u>	<u>\$(2,682,965)</u>	<u>\$ 5,907,877</u>
Total, Net Capital Assets	<u>\$ 6,286,262</u>	<u>\$ 2,991,678</u>	<u>\$(2,682,965)</u>	<u>\$ 6,594,975</u>

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

4. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Fund	<u>\$ 26,584</u>

Business-Type Activities:	
Water and Sewer	<u>\$ 191,838</u>

5. LONG-TERM DEBT

The following is a summary of the outstanding debt in the Governmental Funds at December 31, 2018:

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, 2018, the outstanding principal on the bonds consists of following:

Waterworks and Sewerage System	
Refunding Revenue Bonds – Series 2002	<u>\$ 160,000</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, 2018, the outstanding principal on the bonds consists of following:

Combined Waterworks and Sewerage System Revenue Bonds	<u>\$ 1,769,097</u>
Interest Rate – 2.00%	
Annual Payments of \$79,380 beginning October 23, 2016,	
Interest Only Prior to October 23, 2016	
Matures – 2048, Current \$43,828	

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. LONG-TERM DEBT (CONTINUED)

In 1998, the City entered into a lease/purchase agreement for an emergency well, when the City's well totally failed. The lease is recorded in the Proprietary Funds and will be serviced by those funds. On December 31, 2018, the outstanding principal on the debt consists of following:

Lease/Purchase Agreement	\$ _____ -
Missouri Development Finance Board	
Original Amount of Loan - \$75,000	
Interest Rate – 3.00%	
Matures – October 2018, Current \$0	
Annual Payments of \$5,041, Including Principal and Interest	

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, 2018, the outstanding principal on the bonds consists of following:

Combined Waterworks and Sewerage System Revenue Bonds	<u>\$ 3,109,478</u>
Interest Rate – 1.875%	
Monthly Payments of \$10,495 beginning June 21, 2018,	
Interest Only Prior to June 21, 2018	
Matures – 2053, Current \$68,222	

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

Year	Principal	Interest	Total
2019	\$ 149,049	46,358	124,219
2020	144,800	43,702	117,528
2021	147,029	41,176	115,878
2022	154,301	38,782	114,378
2023	156,617	160,109	472,140
Thereafter	<u>4,286,779</u>	<u>1,203,438</u>	<u>5,490,217</u>
	<u><u>\$5,038,575</u></u>	<u><u>\$1,670,142</u></u>	<u><u>\$6,708,717</u></u>

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

5. LONG-TERM DEBT (CONTINUED)

A summary of changes in long-term debt for the year December 31, 2018, is as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
Business-Type Activities:					
Waterworks and Sewerage					
System Revenue Bonds	\$ 190,000	\$ -	\$ (30,000)	\$ 160,000	\$ 30,000
Combined Waterworks and Sewerage					
System Revenue Bonds	1,812,623	-	(43,526)	1,769,097	43,828
Combined Waterworks and Sewerage					
System Revenue Bonds	-	3,210,100	(100,622)	3,109,478	68,222
Missouri Finance Board Loan	4,894	-	(4,894)	-	-
Total Long-Term Debt	<u>\$ 2,007,517</u>	<u>\$3,210,100</u>	<u>\$ (179,042)</u>	<u>\$ 5,038,575</u>	<u>\$142,050</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, 2018, 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. The City's tax rate was levied at \$0.5161 and \$0.1528 per \$100 of assessed valuation for the General Fund and the Cemetery Fund, respectively.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$61,650. The City collected \$57,994 in court fines and fees for traffic violations, which is 8% of general revenues for the year ended December 31, 2018.

8. 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.

	<u>2018</u> <u>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.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. RETIREMENT PLAN (CONTINUED)

Employees Covered by Benefit Terms. At June 30, 2018, the following employees were covered by the benefit terms:

	General	Police	Total
Retirees and Beneficiaries	5	1	6
Inactive, Non-Retired Members	2	6	8
Active Members	2	3	5
Total	9	10	19

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. Employer contribution rates were 28.2% (General) and 10.8% (Police) of annual covered payroll. For 2019, the employer contribution rates will be 28.2% (General) and 10.8% (Police) of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2018.

Actuarial Assumptions. The total pension liability in the February 29, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 2.5% price inflation
Salary Increase	3.5% 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 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.

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. RETIREMENT PLAN (CONTINUED)

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

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, 2018

8. RETIREMENT PLAN (CONTINUED)

General Division

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension Liability	<u>\$ 175,844</u>	<u>\$ 128,282</u>	<u>\$ 87,955</u>

Police Division

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension Liability	<u>\$ 45,205</u>	<u>\$(2,430)</u>	<u>\$(41,089)</u>

Total

	<u>1% Decrease</u>	Current Rate of <u>7.25%</u>	<u>1% Increase</u>
Net Pension Liability	<u>\$ 221,049</u>	<u>\$ 125,852</u>	<u>\$ 46,866</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended December 31, 2018, the City recognized pension expense of \$38,532. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

General

	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Differences in experience	<u>\$11,287</u>	<u>\$(5,171)</u>	<u>\$ 6,116</u>
Assumption changes	<u>2,656</u>	<u>-</u>	<u>2,656</u>
Net differences projected and actual earnings	<u>7,549</u>	<u>(6,410)</u>	<u>1,139</u>
Totals	<u><u>\$21,492</u></u>	<u><u>\$(11,581)</u></u>	<u><u>\$ 9,911</u></u>

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

8. RETIREMENT PLAN (CONTINUED)

Police

	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Differences in experience	\$ 8,035	\$(4,946)	\$(2,575)
Assumption changes	3,137	-	3,137
Net differences projected and actual earnings	<u>5,664</u>	<u>(4,446)</u>	<u>6,551</u>
Totals	<u><u>\$16,836</u></u>	<u><u>\$(9,392)</u></u>	<u><u>\$ 7,113</u></u>

Totals

	<u>Outflows</u>	<u>Inflows</u>	<u>Net Outflows</u>
Differences in experience	\$19,322	\$(10,117)	\$10,530
Assumption changes	5,793	-	5,793
Net differences projected and actual earnings	<u>13,213</u>	<u>(10,856)</u>	<u>2,357</u>
Totals	<u><u>\$38,328</u></u>	<u><u>\$(20,973)</u></u>	<u><u>\$17,355</u></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, 2018.

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

Year Ending <u>June 30,</u>	<u>Net Deferred Outflow of Resources</u>		
	<u>General</u>	<u>Police</u>	<u>Total</u>
2019	\$(2,214)	\$ 218	\$(1,996)
2020	(4,218)	(1,726)	(5,944)
2021	(6,411)	(3,891)	(10,302)
2022	(3,353)	(2,439)	(5,792)
2023	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$(16,196)</u></u>	<u><u>\$(7,838)</u></u>	<u><u>\$(24,034)</u></u>

CITY OF ELSBERRY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

9. PENDING GOVERNMENTAL ACCOUNTING STANDARDS

The accounting principles governing the reported amounts, presentation and related disclosures are subject to change from time to time based on new pronouncements and/or rules issued by various governing bodies. The Governmental Accounting Standards Board (GASB) is responsible for establishing generally accepted accounting principles (GAAP) for state and local governments.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

10. SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through May 23, 2019, the date of the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2018

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 482,653.00	\$ 482,653.00	\$ 531,962.15	\$ 49,309.15
Charges for Services	192,540.00	192,540.00	200,258.34	7,718.34
Licenses and Permits	91,584.00	91,584.00	106,295.77	14,711.77
Fines and Forfeitures	91,610.00	91,610.00	57,993.99	(33,616.01)
Investment Income	910.00	910.00	1,007.64	97.64
Miscellaneous	9,500.00	9,500.00	5,567.63	(3,932.37)
TOTAL REVENUES	868,797.00	868,797.00	903,085.52	34,288.52
EXPENDITURES				
Administrative	368,310.00	368,310.00	433,959.29	(65,649.29)
Public Works	236,500.00	236,500.00	360,147.01	(123,647.01)
Police Department	314,594.00	314,594.00	275,980.32	38,613.68
Municipal Court	22,450.00	22,450.00	35,092.85	(12,642.85)
Culture and Recreation	20,612.86	20,612.86	5,480.11	15,132.75
TOTAL EXPENDITURES	962,466.86	962,466.86	1,110,659.58	(148,192.72)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,669.86)	(93,669.86)	(207,574.06)	\$ (113,904.20)
FUND BALANCES, BEGINNING OF YEAR	362,260.58	362,260.58	362,260.58	
FUND BALANCES, END OF YEAR	\$ 268,590.72	\$ 268,590.72	\$ 154,686.52	

See accompanying independent auditors' report

CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - CEMETERY FUND
YEAR ENDED DECEMBER 31, 2018

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OPERATING REVENUES				
Taxes	\$ 24,750.00	\$ 24,750.00	\$ 25,794.86	\$ 1,044.86
Charges for Services	6,818.00	6,818.00	22,385.00	15,567.00
Investment Income	150.00	150.00	509.15	359.15
TOTAL OPERATING REVENUES	31,718.00	31,718.00	48,689.01	16,971.01
EXPENDITURES				
Public Works	31,718.00	31,718.00	37,483.83	(5,765.83)
TOTAL EXPENDITURES	31,718.00	31,718.00	37,483.83	(5,765.83)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	-	11,205.18	<u>\$ 11,205.18</u>
FUND BALANCES, BEGINNING OF YEAR	122,748.17	122,748.17	122,748.17	
FUND BALANCES, END OF YEAR	<u>\$ 122,748.17</u>	<u>\$ 122,748.17</u>	<u>\$ 133,953.35</u>	

See accompanying independent auditors' report

CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO BUDGETARY COMPARISON SCHEDULES
YEAR ENDED DECEMBER 31, 2018

BUDGETARY INFORMATION

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in Note 2 of the notes to the financial statements.

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
SCHEDULE OF FUNDING PROGRESS
YEAR ENDED DECEMBER 31, 2018

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/28/2013	\$ 150,304	\$ 374,265	\$ 223,961	40%	\$ 168,282	133%
2/28/2014	213,715	394,398	180,683	54%	190,519	95%
2/28/2015	256,970	396,902	139,932	65%	158,854	88%
2/28/2016	65,214	279,390	214,176	23%	189,864	113%
2/28/2017	99,920	304,194	204,274	33%	190,628	107%
2/28/2018	141,771	328,856	187,085	43%	174,361	107%

For a complete description of the actuarial assumptions used in the annual valuations,
please contact the LAGERS office in Jefferson City, Missouri.

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, 2018

	June 30, 2018		
	General	Police	Total
Total Pension Liability			
Service cost	\$ 5,238.00	\$ 10,047.00	\$ 15,285.00
Interest on the total pension liability	31,816.00	19,157.00	50,973.00
Change of benefit terms	-	-	-
Difference between expected and actual experience	(12,508.00)	4,684.00	(7,824.00)
Changes of assumptions	-	-	-
Benefit payments, including refunds	<u>(28,752.00)</u>	<u>(9,957.00)</u>	<u>(38,709.00)</u>
Net Change in Total Pension Liability	<u>(4,206.00)</u>	<u>23,931.00</u>	<u>19,725.00</u>
Total Pension Liability - Beginning	<u>450,387.00</u>	<u>264,194.00</u>	<u>714,581.00</u>
Total Pension Liability - Ending	<u><u>\$ 446,181.00</u></u>	<u><u>\$ 288,125.00</u></u>	<u><u>\$ 734,306.00</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 16,302.00	\$ 12,746.00	\$ 29,048.00
Contributions - employees	-	-	-
Net investment income	37,383.00	30,887.00	68,270.00
Benefit payments, including refunds	(28,752.00)	(9,957.00)	(38,709.00)
Pension plan administrative expense	(853.00)	(512.00)	(1,365.00)
Other (net transfer)	5,902.00	1,238.00	7,140.00
Net Change in Plan Fiduciary Net Position	<u>29,982.00</u>	<u>34,402.00</u>	<u>64,384.00</u>
Plan Fiduciary Net Position - Beginning	<u>287,917.00</u>	<u>256,153.00</u>	<u>544,070.00</u>
Plan Fiduciary Net Position - Ending	<u><u>\$ 317,899.00</u></u>	<u><u>\$ 290,555.00</u></u>	<u><u>\$ 608,454.00</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ 128,282.00</u></u>	<u><u>\$ (2,430.00)</u></u>	<u><u>\$ 125,852.00</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.25%	100.84%	82.86%
Covered Employee Payroll	\$ 53,021.00	\$ 121,340.00	\$ 174,361.00
Employer's Net Pension Asset as a Percentage of Covered Employee Payroll	241.95%	-2.00%	72.18%
Total Pension Expense	\$ 21,306.00	\$ 17,226.00	\$ 38,532.00

See accompanying independent auditors' report

CITY OF ELSBERRY, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAGERS (GENERAL AND POLICE DIVISIONS)
LAST TEN FISCAL YEARS ENDED DECEMBER 31, 2018

Year Ended December 31,	Actuarial		Contribution		Actual Contribution as a % of Covered Payroll
	Determined Contribution	Actual Contribution	Deficiency (Excess)	Covered Payroll	
2009	\$ 37,257.78	\$ 33,301.40	\$ 3,956.38	\$ 196,875.25	16.91%
2010	39,478.76	36,348.16	3,130.60	207,944.18	17.48%
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%

Notes to Schedule of Contributions

Valuation Date: February 28, 2018

Notes: The roll-forward of total pension liability from February 29, 2018 to June 30, 2018 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 11 to 18 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 morality 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.

See accompanying independent auditors' report



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS PROFESSIONALS

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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 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, 2018, and the related notes to the financial statements, which collectively comprise the City of Elsberry, Missouri's basic financial statements, and have issued our report thereon dated May 23, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Elsberry, 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 Elsberry, Missouri'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify two deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. They are identified as items 2018-001 and 2018-002.

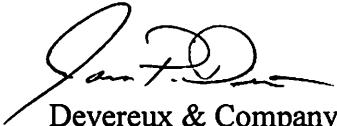
Compliance with Other Matters

As part of obtaining reasonable assurance about whether the City of Elsberry, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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
May 23, 2019



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2018. 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 of Elsberry, Missouri 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, 2018.

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
May 23, 2019

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture (USDA)</u>		
Passed Through Missouri Department of Natural Resources		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,769,096.83
Water and Waste Disposal Systems for Rural Communities	10.760	<u>3,109,477.52</u>
TOTAL DISBURSEMENTS / EXPENDITURES		<u>\$ 4,878,574.35</u>

See Accompanying Note to Schedule of Expenditures of Federal Awards

CITY OF ELSBERRY, MISSOURI
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE A – BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes only the current year federal grant activity of the City and is presented on the accrual basis of accounting. This information is presented in accordance with the requirements of Title 2 US. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Amounts presented in this schedule as expenditures may differ from amounts presented in, or used in the preparation of, the basic financial statements, although such differences are not material.

NOTE B – BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Pass-through entity identifying numbers are presented where available.

NOTE C – INDIRECT COST RATE

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

NOTE D – FEDERAL AWARDS

The City of Elsberry, Missouri has two loans under USDA 10.760 Loans for their Water and Sewer Systems. As of the year ended December 31, 2018 the following details the total projects and loan balances:

	Total Project	Loan Balance
USDA 10.760 Loan	\$1,904,000.00	\$1,769,096.83
USDA 10.750 Loan*	<u>3,210,100.00</u>	<u>3,109,477.52</u>
TOTALS	<u>\$5,114,100.00</u>	<u>\$4,878,574.35</u>

* Project Funds received during the year ended December 31, 2018 was \$527,151.31. Project costs added during the year ended December 31, 2018 was \$363,678.12.

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION 1 - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of Auditors' Report Issued Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards:

Internal Control Over Major Programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X 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 Uniform Guidance Section 200.516? Yes X No

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

\$ 750,000

Auditee Qualified as Low-Risk Auditee Yes X No

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2018

SECTION 2 - 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. During our audit we identified two material weaknesses 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 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 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, 2018.
10. The auditors' report expresses an unmodified opinion on whether the financial statements of the City were prepared in accordance with U.S. GAAP.

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

SECTION 3 - FINDINGS – FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESSES IN INTERNAL CONTROL

2018-001 **Criteria:** A proper system of internal control requires periodic reconciliations between accounting systems and bank records.

Condition: During the audit period, the Collector did not perform reconciliations of the monthly bank statement balances to the balances per the accounting records in a timely manner.

Cause: Monthly bank reconciliations were not performed by the previous Collector on a timely basis during the audit period.

Effect: Not performing timely reconciliations of the accounting records to the bank balances increases the likelihood of misstatements of the City's cash balances whether due to fraud or error. In addition, opportunities to commit and conceal a fraud or irregularity may go undetected by management without oversight procedures.

Recommendation: We recommend that the Collector immediately begin performing timely reconciliations of the monthly bank statements to the accounting records. We also recommend that the Collector submit them to the City Mayor for review.

Management's Response: The City has appointed a Deputy Collector and she is working to complete all reconciliations. Intends to have completed by the end of the year.

Auditors' Evaluation: The City implemented its corrective action plan.

2018-002 **Criteria:** A proper system of internal control requires regular, timely deposits and posting of transactions into the accounting systems.

Condition: During the audit period, the previous Collector did not make regular, timely deposits and post the transactions into the accounting systems in a timely manner.

Cause: Regular and timely deposits were not made into the bank and posting of transactions were not always timely made into the accounting systems by the previous Collector during the audit period.

Effect: Not performing regular and timely deposits and posting transactions into the accounting records increases the likelihood of misstatements of the City's cash balances whether due to fraud or error. In addition, opportunities to commit and conceal a fraud or irregularity may go undetected by management without oversight procedures.

Recommendation: We recommend that the Collector immediately begin performing regular and timely deposits into the bank account and to timely post all transactions into the accounting records. We also recommend that the Collector submit them to the City Mayor for review.

Management's Response: The City has appointed a Deputy Collector and she is working to make regular and timely deposits of the City's funds.

Auditors' Evaluation: The City implemented its corrective action plan.

CITY OF ELSBERRY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018

**SECTION 4 - FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS
PROGRAMS AUDIT**

None.

CITY OF ELSBERRY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
YEAR ENDED DECEMBER 31, 2017

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, 2017.

1. FINANCIAL STATEMENT FINDINGS

No financial statement findings were reported in the prior year.

2. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARDS PROGRAMS AUDIT

No federal findings were reported in the prior year.

CITY OF ELSBERRY

201 BROADWAY
ELSBERRY, MISSOURI 63343
ON SCENIC HIGHWAY 79

STEVE WILCH
MAYOR
573-898-5589

SUE HOGARTH
CLERK
573-898-5589

TAMMY SHARPE
TREASURER
573-898-5588

KATIE HARPER
COLLECTOR
573-898-5588

CORRECTIVE ACTION PLAN MAY 23, 2019

The City of Elsberry, Missouri (the "City") respectively submits the following corrective action plan for the year ended December 31, 2018. Devereux & Company, 307 N. Main Street, St. Charles, Missouri 63301, is the independent public accounting firm that performed the audit dated May 23, 2019.

The findings from the 2018 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the references assigned in the schedule.

FINANCIAL STATEMENT FINDINGS

Finding 2018-001

Finding Type: Material Weakness

Recommendation: The auditors recommended that the Collector immediately begin performing timely reconciliations of the monthly bank statements to the accounting records. They also recommend that the Collector submit them to the City Mayor for review.

Corrective Action Plan: The City concurs with the recommendation. The City has appointed a Deputy Collector and she is working to complete all reconciliations. Intends to have completed by the end of the year.

Date of Completion: April 15, 2019

Finding 2018-002

Finding Type: Material Weakness

Recommendation: The auditors recommended that the Collector immediately begin performing regular and timely deposits into the bank account and to timely post all transactions into the accounting records. They also recommend that the Collector submit them to the City Mayor for review.

Corrective Action Plan: The City concurs with the recommendation. The City has appointed a Deputy Collector and she is working to make regular and timely deposits of the City's funds.

Date of Completion: April 15, 2019