

City of Leeton, Missouri

Basic Financial Statements
Year Ended December 31, 2022

KPM
CPAS & ADVISORS

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Honorable Mayor and Board of Aldermen
City of Leeton
Leeton, Missouri

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Leeton, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City of Leeton, Missouri, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Leeton, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

As described in Note 1 of the financial statements, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, which includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information. The other information comprises the budgetary comparison schedules but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2023, on our consideration of the City of Leeton, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Leeton, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 19, 2023

Government-Wide Financial Statements

City of Leeton

Statement of Net Position – Modified Cash Basis

December 31, 2022

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and investments - unrestricted	\$ 119,429	\$ 343,699	\$ 463,128
Cash and cash equivalents - restricted	142,725	13,674	156,399
Investments - restricted	97,193	-	97,193
Total Assets	<u>\$ 359,347</u>	<u>\$ 357,373</u>	<u>\$ 716,720</u>
Net Position			
Restricted			
Non-expendable	\$ 94,000	\$ -	\$ 94,000
Expendable	145,918	13,674	159,592
Unrestricted	119,429	343,699	463,128
Total Net Position	<u>\$ 359,347</u>	<u>\$ 357,373</u>	<u>\$ 716,720</u>

See accompanying Notes to the Financial Statements.

City of Leeton

Statement of Activities – Modified Cash Basis

Year Ended December 31, 2022

Functions/Programs	Program Receipts				Net (Disbursements), Receipts, and Changes in Net Position		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administrative	\$ (128,943)	\$ 1,130	\$ -	\$ -	\$ (127,813)	\$ -	\$ (127,813)
Police	(75,915)	4,533	5,180	-	(66,202)	-	(66,202)
Street	(60,146)	-	-	-	(60,146)	-	(60,146)
Parks and recreation	(13,107)	-	-	-	(13,107)	-	(13,107)
Cemetery	(8,571)	2,416	2,523	-	(3,632)	-	(3,632)
Total Governmental Activities	(286,682)	8,079	7,703	-	(270,900)	-	(270,900)
Business-Type Activities							
Water department	(133,081)	94,133	-	-	-	(38,948)	(38,948)
Sewer department	(235,473)	122,764	-	134,297	-	21,588	21,588
Total Business-Type Activities	(368,554)	216,897	-	134,297	-	(17,360)	(17,360)
Total Government	\$ (655,236)	\$ 224,976	\$ 7,703	\$ 134,297	(270,900)	(17,360)	(288,260)
General Receipts							
Ad volorem taxes					36,952	-	36,952
Sales taxes					145,967	-	145,967
Franchise taxes					31,435	-	31,435
Motor vehicle sales taxes and fees					26,752	-	26,752
Other taxes					67	-	67
Intergovernmental receipts not restricted to specific programs					57,178		57,178
Interest					2,373	3,715	6,088
Other receipts					11,136	-	11,136
Total General Receipts					311,860	3,715	315,575
Special Item							
Bond proceeds					-	134,297	134,297
<i>Changes in Net Position</i>					40,960	120,652	161,612
Net Position, beginning of year					318,387	236,721	555,108
Net Position, end of year					\$ 359,347	\$ 357,373	\$ 716,720

See accompanying Notes to the Financial Statements.

Fund Financial Statements

City of Leeton

Statement of Assets and Fund Balances – Governmental Funds – Modified Cash Basis

December 31, 2022

	Special Revenue Funds				Total Governmental Funds
	General Fund	Park Fund	Cemetery Fund	ARPA Fund	
Assets					
Cash and investments - unrestricted	\$ 119,429	\$ -	\$ -	\$ -	\$ 119,429
Cash and cash equivalents - restricted	-	29,243	208	113,274	142,725
Investments - restricted	-	-	97,193	-	97,193
Total Assets	\$ 119,429	\$ 29,243	\$ 97,401	\$ 113,274	\$ 359,347
Fund Balance					
Nonspendable					
Cemetery perpetual care	\$ -	\$ -	\$ 94,000	\$ -	\$ 94,000
Restricted for					
Parks and recreation	-	29,243	-	-	29,243
Cemetery	-	-	3,401	-	3,401
American Rescue Plan Act	-	-	-	113,274	113,274
Unassigned	119,429	-	-	-	119,429
Total Fund Balance	\$ 119,429	\$ 29,243	\$ 97,401	\$ 113,274	\$ 359,347

See accompanying Notes to the Financial Statements.

City of Leeton

Statement of Receipts, Disbursements, and Changes in Fund Balance – Governmental Funds – Modified Cash Basis
Year Ended December 31, 2022

	Special Revenue Funds				Total Governmental Funds
	General Fund	Park Fund	Cemetery Fund	ARPA Fund	
Receipts					
Taxes	\$ 221,200	\$ 19,973	\$ -	\$ -	\$ 241,173
Licenses and permits	1,130	-	-	-	1,130
Charges for service	-	-	2,416	-	2,416
Intergovernmental receipts	5,180	-	-	57,178	62,358
Fines and forfeitures	4,533	-	-	-	4,533
Miscellaneous	13,324	-	2,708	-	16,032
Total Receipts	245,367	19,973	5,124	57,178	327,642
Disbursements					
Current					
Administrative	128,943	-	-	-	128,943
Police	75,915	-	-	-	75,915
Street	60,146	-	-	-	60,146
Parks and recreation	-	13,107	-	-	13,107
Cemetery	-	-	8,571	-	8,571
Total Disbursements	265,004	13,107	8,571	-	286,682
<i>Excess (Deficit) of Receipts Over Disbursements</i>	(19,637)	6,866	(3,447)	57,178	40,960
Other Financing Sources (Uses)					
Operating transfers in (out)	(3,612)	-	3,612	-	-
<i>Net Change in Fund Balance</i>	(23,249)	6,866	165	57,178	40,960
Fund Balance, January 1	142,678	22,377	97,236	56,096	318,387
Fund Balance, December 31	\$ 119,429	\$ 29,243	\$ 97,401	\$ 113,274	\$ 359,347

See accompanying Notes to the Financial Statements.

City of Leeton

Statement of Net Position – Proprietary Funds – Modified Cash Basis

December 31, 2022

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Assets			
Cash and cash equivalents - unrestricted	\$ 65,966	\$ 161,195	\$ 227,161
Investments - unrestricted	-	116,538	116,538
Cash and cash equivalents - restricted	13,350	324	13,674
Total Assets	\$ 79,316	\$ 278,057	\$ 357,373
Net Position			
Restricted	\$ 13,350	\$ 324	\$ 13,674
Unrestricted	65,966	277,733	343,699
Total Net Position	\$ 79,316	\$ 278,057	\$ 357,373

See accompanying Notes to the Financial Statements.

City of Leeton

Statement of Receipts, Disbursements, and Changes in Net Position – Proprietary Funds – Modified Cash Basis

Year Ended December 31, 2022

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Operating Receipts			
Charges for services	\$ 92,732	\$ 122,764	\$ 215,496
Miscellaneous	1,401	-	1,401
Total Operating Receipts	94,133	122,764	216,897
Operating Disbursements			
Salaries and employee benefits	38,526	31,223	69,749
Telephone and utilities	4,651	2,643	7,294
Repairs and maintenance	15,539	13,366	28,905
Professional fees	38,533	3,508	42,041
Water purchase	26,621	-	26,621
Supplies	513	787	1,300
Insurance	1,933	191	2,124
Travel, training and dues	2,521	1,766	4,287
Miscellaneous	4,244	604	4,848
Total Operating Disbursements	133,081	54,088	187,169
<i>Operating Income (Loss)</i>	(38,948)	68,676	29,728
Nonoperating Receipts (Disbursements)			
Interest receipts	1,146	2,569	3,715
Capital grants	-	134,297	134,297
Bond proceeds	-	134,297	134,297
Bond issuance costs	-	(22,314)	(22,314)
Capital outlay	-	(159,071)	(159,071)
Total Nonoperating Receipts (Disbursements)	1,146	89,778	90,924
<i>Net Income (Loss)</i>	(37,802)	158,454	120,652
Net Position, January 1	117,118	119,603	236,721
Net Position, December 31	\$ 79,316	\$ 278,057	\$ 357,373

See accompanying Notes to the Financial Statements.

City of Leeton

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis

Year Ended December 31, 2022

	Enterprise Funds		Total
	Water Fund	Sewer Fund	
Cash Flows from Operating Activities			
Cash received from customers	\$ 94,133	\$ 122,764	\$ 216,897
Cash paid to suppliers	(94,555)	(22,865)	(117,420)
Cash paid to employees	(38,526)	(31,223)	(69,749)
Net Cash Provided (Used) by Operating Activities	(38,948)	68,676	29,728
Cash Flows from Capital and Related Financing Activities			
Capital grants	-	134,297	134,297
Bond proceeds	-	134,297	134,297
Bond issuance costs	-	(22,314)	(22,314)
Purchase of capital outlay	-	(159,071)	(159,071)
Net Cash Provided by Capital and Related Financing Activities	-	87,209	87,209
Cash Flows from Investing Activities			
Maturity (purchase) of investments	-	(829)	(829)
Interest received	1,146	2,569	3,715
Net Cash Provided by Investing Activities	1,146	1,740	2,886
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(37,802)	157,625	119,823
Cash and Cash Equivalents, Beginning of year	117,118	3,894	121,012
Cash and Cash Equivalents, End of year	79,316	161,519	240,835
Less Restricted Cash and Investments	13,350	324	13,674
Unrestricted Cash and Investments	\$ 65,966	\$ 161,195	\$ 227,161
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	\$ (38,948)	\$ 68,676	\$ 29,728
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	-	-	-
Net Cash Provided (Used) by Operating Activities	\$ (38,948)	\$ 68,676	\$ 29,728

See accompanying Notes to the Financial Statements.

City of Leeton

Notes to the Financial Statements

December 31, 2022

1. Summary of Significant Accounting Policies

The City of Leeton, Missouri, (the City) operates under a Mayor - Board of Aldermen form of government and provides the following services: public safety, streets, public improvements, park, planning, and general administrative services. Other services include water and sewer operations.

The accounting policies of the City conform to the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government governed by an elected four-member board. The City is not financially accountable for any other organization, nor is it a component unit of any other primary governmental entity.

Basis of Presentation

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

Government-Wide Financial Statements

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

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, fund balance, receipts, and disbursements. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All funds of the City are considered major funds.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.

Park Fund: The Park Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for parks and recreation.

Cemetery Fund: The Cemetery Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for cemetery upkeep and maintenance.

ARPA Fund: The ARPA Fund is used to account for the proceeds of American Rescue Plan Act grant funds that are restricted, committed, or assigned for expenditures meeting grant award requirements.

City of Leeton

Notes to the Financial Statements

December 31, 2022

The City reports the following major proprietary funds:

Enterprise Funds: Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Enterprise Funds of the City are the Water Fund and Sewer Fund.

Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements are presented using a modified cash basis of accounting. This basis recognizes assets, net position/fund balance, receipts, and disbursements when they result from cash transactions. The modification to the cash basis of accounting relates to the presentation of investments. This basis is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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

Pooled Cash and Cash Equivalents

The City pools resources of its various funds in order to facilitate cost management. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents.

Long-Term Debt

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

Capital Outlay

Property and equipment are recorded as disbursements at the time the goods received are paid for and received.

City of Leeton

Notes to the Financial Statements

December 31, 2022

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable Fund Balance: This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted Fund Balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned Fund Balance: This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

In the government-wide and proprietary fund financial statements, net position is displayed in two components as follows:

Restricted: This consists of net position that is legally restricted by outside parties or by law through constitutional provisions for enabling legislation.

Unrestricted: This consists of net position that does not meet the definition of restricted.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the City’s taxpayers, we reported as program receipts. These include 1) charges for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental receipts are reported as general receipts. All taxes are classified as general receipts, even if restricted for a specific purpose.

City of Leeton

Notes to the Financial Statements

December 31, 2022

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds are those that result from providing services and producing and delivering goods and services. All other receipts and disbursements are considered nonoperating.

Property Taxes

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

Compensated Absences

Vacation and compensatory time are considered disbursement in the year paid. Such amounts unused that are vested in the employee are payable upon termination at the employee's rate of pay.

Investments

Investments in non-negotiable certificates of deposit are carried at cost.

2. Cash & Cash Equivalents

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2022, all bank balances on deposit are entirely insured or collateralized.

3. Investments

Investments of the City as of December 31, 2022, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	6/19/2023 - 10/16/2024	<u>\$ 356,004</u>

Certificates of Deposit

Certificates of deposit are classified as investments, but are considered deposits for custodial risk determination. State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2022, all certificates of deposit are entirely insured or collateralized with securities.

Interest Rate Risk

The City will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities.

City of Leeton

Notes to the Financial Statements

December 31, 2022

4. Restricted Assets

Cash and cash equivalents, investments, fund balance, and net position have been restricted in the following funds:

	Restricted Cash and Investments	Restricted Fund Balance/ Net Position
Governmental Funds		
<i>Cemetery Fund</i>		
Nonspendable		
Cemetery perpetual care	\$ 94,000	\$ 94,000
Cemetery - restricted	3,401	3,401
	\$ 97,401	\$ 97,401
<i>Park Fund</i>		
Parks and recreation	\$ 29,243	\$ 29,243
	\$ 29,243	\$ 29,243
<i>ARPA Fund</i>		
Grant proceeds	\$ 113,274	\$ 113,274
	\$ 113,274	\$ 113,274
	Restricted Cash and Cash Equivalents	Restricted Net Position
Enterprise Funds		
<i>Water Fund</i>		
Customer water deposits	\$ 13,350	\$ 13,350
	\$ 13,350	\$ 13,350
<i>Sewer Fund</i>		
Series 2022 SRF Bond Interest Account	\$ 324	\$ 324
	\$ 324	\$ 324

5. Long-Term Debt – Business-Type Activities

Series 2022 Combined Waterworks and Sewerage System Revenue Bonds

On September 21, 2022, the City entered into an agreement authorizing the issuance of not to exceed \$1,319,000 in Series 2022 Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) for the purpose of extending and improving the City’s combined waterworks and sewerage system. The bonds bear interest at 1.23% with principal and interest payments due semi-annually on July 1 and January 1 each year. The bonds also require a semi-annual administrative fee of 0.25% of the outstanding principal balance of the bonds as of the business day preceding each principal payment due. If the City defaults on the payment of principal or interest on any of the bonds as they become due for a period of 60 days after written notice specifying such default has been given to the City, by the registered owner of any bond then outstanding, the City shall pay to DNR the penalties assessed by DNR in accordance with the regulations. During the year ended December 31, 2022, the City issued \$134,297 of the bonds.

City of Leeton

Notes to the Financial Statements

December 31, 2022

The annual debt service requirements to amortize principal on the bonds outstanding at December 31, 2022, are listed in the following table:

<u>Year Ending December 31,</u>	<u>Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 1,150	\$ 1,150
2024	57,600	1,475	59,075
2025	58,600	764	59,364
2026	18,097	111	18,208
	<u>\$ 134,297</u>	<u>\$ 3,500</u>	<u>\$ 137,797</u>

A summary of the changes in Long-Term Debt – Business-Type Activities for the year ended December 31, 2022, is as follows:

	<u>Balance December 31, 2021</u>	<u>New Obligations</u>	<u>Retirements</u>	<u>Balance December 31, 2022</u>	<u>Amounts Due Within One Year</u>
Direct Placement					
Series 2022 Revenue Bonds	\$ -	\$ 134,297	\$ -	\$ 134,297	\$ -

6. Compensated Absences

The following table is a summary of the changes in compensated absences for the year ended December 31, 2022:

	<u>Balance December 31, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance December 31, 2022</u>
Governmental Activities	\$ 615	\$ 1,802	\$ -	\$ 2,417
Business-Type Activities	\$ 590	\$ 105	\$ -	\$ 695

City of Leeton

Notes to the Financial Statements

December 31, 2022

7. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

	2022
Assessed Valuation	
Real estate	\$ 2,831,615
Personal property	1,179,140
	\$ 4,010,755
 Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.8880

The legal debt margin at December 31, 2022, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional debt limit	\$ 401,076	\$ 401,076	\$ 802,152
General Obligation Bonds payable	-	-	-
Legal Debt Margin	\$ 401,076	\$ 401,076	\$ 802,152

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by vote of its qualified electors voting therein, may incur an indebtedness for any purpose authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

8. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2022, significant amounts of grantor disbursements have not been audited by grantor governments, but the City believes that disallowed disbursements, if any, based on subsequent audits, will not have a material effect on any of the individual funds or the overall financial position of the City.

City of Leeton

Notes to the Financial Statements

December 31, 2022

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

10. Interfund Transfers

Transfers between funds of the City for the year ended December 31, 2022, were as follows:

	Transfers in (out)
General Fund	\$ (3,612)
Cemetery Fund	3,612
	<u>\$ -</u>

Transfers are made to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) reimburse various funds for amounts owed from the other funds.

11. Bond Ordinance

On June 2, 2020, the citizens of the City approved issuing combined water and sewer system revenue bonds not to exceed \$2,000,000 to acquire, renovate and improve its combined water and sewer system including, but not limited to, the renovation and improvement of the sewer system to assure compliance with environmental regulations and its operating permit and the refurbishing and painting of the existing water tower, the costs and maintenance of said combined water and sewer system and the principal of and interest on said combined water and sewer system revenue bonds to be payable solely from the revenues derived from the operation of its combined water and sewer system including all future improvements and extensions. As of December 31, 2022, \$1,319,000 of the bond ordinance had been authorized and \$134,297 of the bonds had been issued. Subsequent to year end, the City has issued an additional \$95,189 of the bonds.

12. Commitment

At December 31, 2022, the City was committed to Lamp Ryneerson for professional services related to WWTP Improvements in the amount of \$49,134.

Other Information

City of Leeton

Budgetary Comparison Schedule – General Fund – Modified Cash Basis

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Taxes				
General sales tax	\$ 45,000	\$ 45,487	\$ 45,487	\$ -
Capital improvement sales tax	23,000	22,744	22,744	-
Use tax	19,000	16,216	16,216	-
Law enforcement sales tax	38,000	41,547	41,547	-
Motor vehicle taxes	28,500	26,752	26,752	-
Property taxes	32,675	36,952	36,952	-
Franchise taxes	33,000	31,435	31,435	-
Financial institution tax	1,235	67	67	-
	220,410	221,200	221,200	-
Licenses and Permits				
Merchant licenses	1,265	820	820	-
Building permits	-	10	10	-
Animal licenses	450	300	300	-
	1,715	1,130	1,130	-
Intergovernmental receipts				
School resource officer	6,000	5,180	5,180	-
Fines and forfeitures				
Court fines	1,850	4,533	4,533	-
Miscellaneous				
Interest	200	2,188	2,188	-
Other receipts	1,050	11,136	11,136	-
	1,250	13,324	13,324	-
Total Receipts	231,225	245,367	245,367	-
Disbursements				
Current				
Administrative	117,813	128,943	128,943	-
Police	64,995	75,915	75,915	-
Street	47,497	60,146	60,146	-
Total Disbursements	230,305	265,004	265,004	-
<i>Excess (Deficit) of Receipts Over Disbursements</i>	920	(19,637)	(19,637)	-
Other Financing (Uses)				
Operating transfers (out)	-	(3,612)	(3,612)	-
<i>Net Change in Fund Balance</i>	920	(23,249)	(23,249)	-
Fund Balance, January 1	142,678	142,678	142,678	-
Fund Balance, December 31	\$ 143,598	\$ 119,429	\$ 119,429	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Leeton

Budgetary Comparison Schedule – Park Fund – Modified Cash Basis

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Sales taxes	\$ 19,500	\$ 19,973	\$ 19,973	\$ -
Total Receipts	19,500	19,973	19,973	-
Disbursements				
Current				
Parks and recreation	18,130	13,107	13,107	-
Total Disbursements	18,130	13,107	13,107	-
<i>Excess (Deficit) of Receipts Over Disbursements</i>	1,370	6,866	6,866	-
Fund Balance, January 1	22,377	22,377	22,377	-
Fund Balance, December 31	\$ 23,747	\$ 29,243	\$ 29,243	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Leeton

Budgetary Comparison Schedule – Cemetery Fund – Modified Cash Basis

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Charges for services	\$ 1,500	\$ 2,416	\$ 2,416	\$ -
Miscellaneous				
Donations	1,400	2,523	2,523	-
Interest	1,900	185	185	-
	3,300	2,708	2,708	-
Total Receipts	4,800	5,124	5,124	-
Disbursements				
Current				
Cemetery	12,050	8,571	8,571	-
Total Disbursements	12,050	8,571	8,571	-
<i>(Deficit) of Receipts Over Disbursements</i>	(7,250)	(3,447)	(3,447)	-
Other Financing Sources				
Operating transfers in	-	3,612	3,612	-
<i>Net Change in Fund Balance</i>	(7,250)	165	165	-
Fund Balance, January 1	97,236	97,236	97,236	-
Fund Balance, December 31	\$ 89,986	\$ 97,401	\$ 97,401	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Leeton

Budgetary Comparison Schedule – ARPA Fund – Modified Cash Basis

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Intergovernmental receipts	\$ 57,000	\$ 57,178	\$ 57,178	\$ -
Total Receipts	57,000	57,178	57,178	-
Disbursements				
Current				
American Rescue Plan Act	-	-	-	-
Total Disbursements	-	-	-	-
<i>Excess of Receipts Over Disbursements</i>	57,000	57,178	57,178	-
Fund Balance, January 1	56,096	56,096	56,096	-
Fund Balance, December 31	\$ 113,096	\$ 113,274	\$ 113,274	\$ -

See accompanying Notes to the Budgetary Comparison Schedules.

City of Leeton

Notes to the Budgetary Comparison Schedules

Year Ended December 31, 2022

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule:

1. Prior to January, the City Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed disbursement plans and the proposed means of financing them.
2. One public hearing is conducted by the City in December to obtain taxpayers' comments on the proposed budget.
3. Prior to January 1, the Board of Aldermen adopts a budget for the City.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with the modified cash basis. Budgeted amounts may be amended during the year by the Board of Aldermen.

Other Reporting Requirements



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*

Honorable Mayor and Board of Aldermen
City of Leeton
Leeton, Missouri

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Leeton, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Leeton, Missouri's basic financial statements, and have issued our report thereon dated June 19, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Leeton, Missouri's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Leeton, 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph 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 identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City of Leeton, Missouri's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
June 19, 2023

City of Leeton

Schedule of Findings and Responses

Year Ended December 31, 2022

Material Weakness

2022-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties and the City does not have the resources to hire additional accounting personnel.