

CITY OF ODESSA, MISSOURI
FINANCIAL STATEMENTS
MARCH 31, 2020



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF ODESSA, MISSOURI
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**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Board of Aldermen
City of Odessa, 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 of the City of Odessa, Missouri, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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 of the City of Odessa, Missouri, as of March 31, 2020, and the 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, schedule of employer's contributions, and schedule of changes in net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020, on our consideration of the City of Odessa, 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 Odessa, Missouri's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Overland Park, Kansas
September 21, 2020

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Odessa, Missouri, (the City) offers readers this narrative overview and analysis of the financial activities of the City for the year ended March 31, 2020. The City of Odessa, Missouri, reports the annual financial statements in accordance with the guidelines prescribed in Government Accounting Standards Board's (GASB) Statement No. 34. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Odessa, Missouri, exceeded its liabilities at the close of the year ending March 31, 2020, by \$29,553,152. Of this amount, \$9,129,625 represents unrestricted net assets and may be used to fund ongoing obligations. Total net position increased by \$482,520. The City serviced all long-term obligations as planned.

As of the close of the year ending March 31, 2020, the City of Odessa, Missouri's combined governmental fund balances totaled \$3,331,293. This is an increase from the previous year fund balance by \$853,892, primarily due to the receipt of lease proceeds to be primarily spent on capital outlay in future years.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is provided as an introduction to the basic financial statements. The basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The statement of net position presents all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference between them reported as net position. Net position is an important measure of the City's overall financial health. The increases and decreases in net position can be monitored to determine whether the City's 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 period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused paid time off).

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

The government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) separate 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 for the City include general government, public works and streets, solid waste, public safety, planning and development, and parks and recreation. The business-type activities for the City include the electric, waterworks, and waste water systems.

Fund Financial Statements

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. The City uses fund accounting to ensure compliance with finance-related legal requirements. These funds are divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the audit period. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

The City maintains three enterprise funds. The proprietary fund financial statements provide separate information for the Electric Fund, Water Fund, and Waste Water Fund.

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.

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information regarding budgetary and pension information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve as a useful indicator of the City's financial position. As of March 31, 2020, assets and deferred outflows of resources exceed liabilities by \$29,553,152. The largest portion of the City's net position, \$18,381,035, reflects its net investment in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets. 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 Odessa, Missouri
Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	3/31/20	3/31/19	3/31/20	3/31/19	3/31/20	3/31/19
Current and other assets	4,261,706	3,667,631	8,056,326	9,219,550	12,318,032	12,887,181
Capital assets	7,741,201	7,777,915	28,533,750	27,657,583	36,274,951	35,435,498
Total assets	<u>12,002,907</u>	<u>11,445,546</u>	<u>36,590,076</u>	<u>36,877,133</u>	<u>48,592,983</u>	<u>48,322,679</u>
Deferred outflows of resources	96,437	113,600	285,794	305,401	382,231	419,001
Long-term debt	2,069,067	1,706,242	15,824,849	16,202,226	17,893,916	17,908,468
Other liabilities	172,881	104,154	946,395	1,030,181	1,119,276	1,134,335
Total liabilities	<u>2,241,948</u>	<u>1,810,396</u>	<u>16,771,244</u>	<u>17,232,407</u>	<u>19,013,192</u>	<u>19,042,803</u>
Deferred inflows of resources	309,901	522,486	98,969	105,759	408,870	628,245
Invested in capital assets, net of related debt	5,672,134	6,071,673	12,708,901	11,455,357	18,381,035	17,527,030
Restricted	1,336,979	681,369	705,513	1,909,170	2,042,492	2,590,539
Unrestricted	2,538,382	2,473,222	6,591,243	6,479,841	9,129,625	8,953,063
Total net position	<u>9,547,495</u>	<u>9,226,264</u>	<u>20,005,657</u>	<u>19,844,368</u>	<u>29,553,152</u>	<u>29,070,632</u>

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

At the end of the current audit period, the City is able to report positive balances in all categories of net position for the government as a whole.

The City's combined net position during the audit period increased \$482,520. Overall governmental activities expenses increased by \$321,231 and the business-type activities increased by \$161,289.

Changes in Net Position

The following table reflects the revenue and expenses from the City's activities for the years ended March 31, 2020 and 2019.

City of Odessa, Missouri's Statement of Changes in Net Position						
	Governmental Activities		Business-Type Activities		Total	Total
	3/31/20	3/31/19	3/31/20	3/31/19	3/31/20	3/31/19
REVENUES						
Programs revenues						
Charges for services	1,054,520	1,304,432	7,815,682	7,920,743	8,870,202	9,225,175
Operating grants and intergovernmental sources	287,730	293,250			287,730	293,250
Property taxes	419,414	424,118			419,414	424,118
Sales taxes	1,437,724	1,370,526			1,437,724	1,370,526
Franchise taxes	167,547	182,607			167,547	182,607
Other general revenues	108,568	52,655	213,274	531,097	321,842	583,752
Total revenues	<u>3,475,503</u>	<u>3,627,588</u>	<u>8,028,956</u>	<u>8,451,840</u>	<u>11,504,459</u>	<u>12,079,428</u>
EXPENSES						
General Government	661,819	595,686			661,819	595,686
Public Safety	1,780,788	1,734,671			1,780,788	1,734,671
Highways and Streets	578,680	551,761			578,680	551,761
Sanitation	259,695	260,719			259,695	260,719
Community Planning and Development	76,646	113,715			76,646	113,715
Parks and Recreation	444,746	450,277			444,746	450,277
Municipal Court	26,710	4,311			26,710	4,311
Interest on long-term debt	86,920	77,051			86,920	77,051
Electric			4,221,635	4,372,626	4,221,635	4,372,626
Water			1,040,171	1,048,376	1,040,171	1,048,376
Waste Water			1,844,129	1,910,633	1,844,129	1,910,633
Total expenses	<u>3,916,004</u>	<u>3,788,191</u>	<u>7,105,935</u>	<u>7,331,635</u>	<u>11,021,939</u>	<u>11,119,826</u>

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**City of Odessa, Missouri's
Statement of Changes in Net Position (Continued)**

	Governmental Activities		Business-Type Activities		Total	Total
	3/31/20	3/31/19	3/31/20	3/31/19	3/31/20	3/31/19
Excess (deficiency) before transfers	(440,501)	(160,603)	923,021	1,120,205	482,520	959,602
Transfers	<u>761,732</u>	<u>721,538</u>	<u>(761,732)</u>	<u>(721,538)</u>	<u> </u>	<u> </u>
CHANGE IN NET POSITION	321,231	560,935	161,289	398,667	482,520	959,602
NET POSITION, beginning	<u>9,226,264</u>	<u>8,665,329</u>	<u>19,844,368</u>	<u>19,445,701</u>	<u>29,070,632</u>	<u>28,111,030</u>
NET POSITION, ending	<u>9,547,495</u>	<u>9,226,264</u>	<u>20,005,657</u>	<u>19,844,368</u>	<u>29,553,152</u>	<u>29,070,632</u>

Governmental activities total revenues decreased by approximately \$150,000. The decrease is mainly attributable to the disposal of ambulance operations from City control. Expenses increased by \$128,000 which is approximately 3.4%.

The City's business-type total revenues decreased by approximately \$430,000 primarily due to the collection of insurance proceeds in the prior year of \$330,000. Expenses decreased by \$226,000 which is approximately 3.1%

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The General Fund is the primary operating fund of the City. The fund balance of the General Fund at March 31, 2020, was \$1,990,039. This represents an increase of \$197,713.

The Park Fund is the operating fund used to provide culture and recreation activities of the City. The fund balance of the Park Fund at March 31, 2020, was \$92,393. This represents an increase of \$28,102.

The Transportation Sales Tax Fund and Capital Improvement Fund are used primarily for collection of tax and grant money for spending on capital outlay and related debt service. The fund balance of the Transportation Sales Tax Fund at March 31, 2020, was \$399,991. This represents an increase of \$45,727. The fund balance of the Capital Improvement Fund at March 31, 2020, was \$815,663. This represents an increase of \$581,867 as capital lease proceeds were received during the current year with expenditures to be paid in following years.

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (Continued)

The Debt Service Fund is used for the payment of General Obligation Bonds. The City does not currently have a debt service levy for property tax assessments and receives transfers from other funds to service debt. The fund balance of the Debt Service Fund at March 31, 2020, was \$33,207. This represents an increase of \$483.

The enterprise funds consisting of the Electric, Water, and Waste Water Funds had a combined balance at March 31, 2020 of \$20,005,657. This represents an increase of \$161,289.

BUDGETARY HIGHLIGHTS

The Board of Alderman adopted the budget for the year ending March 31, 2021, in March 2020. During the year there were no budget amendments presented to the Board.

The City completed implementation of system improvements from the AMI (Advanced Metering Infrastructure) project which automated metering for the City's Electric and Water Departments.

Transition of Ambulance services from the City to the Odessa Fire District became effective December 31, 2019.

The City entered into an Asset Replacement Program with Central Bank of Louisburg, Kansas, to purchase major equipment and vehicles as part of the City's overall Capital Improvement Plan.

The Lagoon Closure Project was deemed complete in December 2019.

As a result of COVID-19 late in the budget year, there were temporary delays until the next fiscal year for the purchase of a VFD (Variable Frequency Drive) for the City's water wells as well as the purchase of a truck for the Waste Water Department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

For the year ending March 31, 2020 and 2019, the City had \$36,274,951 and \$35,435,498 invested, respectively, in a broad range of capital assets, including police equipment; buildings; park facilities; streets; and electric, water, and sewer lines. The change in capital assets is a result of additions and improvements to capital assets along with depreciation expense and disposals. See Note 5 to the financial statements and the table below for more detailed information on the City's capital assets.

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Capital Assets (Continued)

**City of Odessa, Missouri
Capital Assets
(net of depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	3/31/20	3/31/19	3/31/20	3/31/19	3/31/20	3/31/19
Land	2,037,847	2,037,847	196,758	196,758	2,234,605	2,234,605
Construction in progress		3,830		887,522		891,352
Utility systems			11,740,832	9,639,180	11,740,832	9,639,180
Buildings and improvements	2,127,002	2,214,696	15,844,483	16,355,859	17,971,485	18,570,555
Equipment	336,971	212,890	751,677	578,264	1,088,648	791,154
Infrastructure	3,142,214	3,155,660			3,142,214	3,155,660
Furniture and fixtures	12,237	15,117			12,237	15,117
Vehicles	84,930	137,875			84,930	137,875
Total	7,741,201	7,777,915	28,533,750	27,657,583	36,274,951	35,435,498

Debt Administration

Balances at March 31, 2020 and 2019, are shown in the table below. See Note 6 for additional information on the City's long-term debt.

**City of Odessa, Missouri
Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	3/31/20	3/31/19	3/31/20	3/31/19	3/31/20	3/31/19
General obligation bonds	140,000	280,000			140,000	280,000
Capital lease obligations	1,855,000	1,333,000	1,220,000	1,335,000	3,075,000	2,668,000
Revenue bonds			3,850,000	4,185,000	3,850,000	4,185,000
Loans			10,648,080	10,556,561	10,648,080	10,556,561
Total	1,995,000	1,613,000	15,718,080	16,076,561	17,713,080	17,689,561

In May 2019, the City entered into a lease agreement to finance the purchases of equipment and vehicles in the amount of \$642,000. Purchases as of March 31, 2020, include the following from these proceeds:

Two police cars	41,423
Three tornado sirens	41,450
Front loader	<u>40,027</u>
	<u>122,900</u>

CITY OF ODESSA, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund revenue for Fiscal Year 2021 is projected to total \$2,629,526. This projected decrease of approximately 18% (\$574,332) from the 2020 budget is primarily due to the full year impact of the transfer of Ambulance services to the Odessa Fire District.

The City of Odessa began a Neighborhood Improvement District Project in Fiscal Year 2007 for a new business. Sales tax revenues have and are expected to continue to pay the debt associated to the development and to provide the Park Fund assistance with the operation and lease payments.

The City continues to plan for major street and public works improvement projects that have been identified and prioritized. The Fiscal Year 2021 budget has projected to pay for the debt service requirements associated with the first year purchases of the City's 5-year Asset Replacement Program, which includes the purchase of the following assets for the General Fund departments:

**City of Odessa, Missouri
General Fund Asset Replacement Program 2021**

Dump Truck	100,000
Police Cars (2) for fleet	50,000
Pick-up Truck	<u>25,000</u>
Total	<u>175,000</u>

The fiscal year 2021 budget has projected a reduction in total capital outlays. This reduction is primarily associated with system improvements resulting from the implementation of the AMI (Advanced Metering Infrastructure) project which automated metering for the City's Electric and Water Departments.

Additional budgetary highlights for next year's budget include:

The budget provides for a 5% Cost of Living Adjustment (COLA) for all City employees.

Within the Transportation Sales Tax Fund, the City has budgeted for approximately \$258,000 in street improvements, including overlays and chip and seal projects.

Within the Capital Improvements Sales Tax Fund, are moneys allocated to codification of City records, website design and downtown revitalization, in addition to typical equipment acquisition.

FINANCIAL CONTACT

The City's financial statements are designed to present users with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the City Administrator or Finance Director, 125 S. 2nd Street, Odessa, MO 64076.

CITY OF ODESSA, MISSOURI
STATEMENT OF NET POSITION
MARCH 31, 2020

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	1,886,052	4,789,207	6,675,259
Certificates of deposit		579,500	579,500
Receivables			
Taxes	282,034		282,034
Accounts	35,704	671,630	707,334
Interest		15,313	15,313
Unbilled revenues		236,971	236,971
Inventories		318,706	318,706
Prepays	58,252	59,420	117,672
Restricted assets			
Cash and cash equivalents	1,259,163	1,289,999	2,549,162
Net pension asset	740,501	95,580	836,081
Capital assets			
Nondepreciable	2,037,847	196,758	2,234,605
Depreciable, net	<u>5,703,354</u>	<u>28,336,992</u>	<u>34,040,346</u>
TOTAL ASSETS	12,002,907	36,590,076	48,592,983
DEFERRED OUTFLOWS OF RESOURCES			
Pension related amounts	<u>96,437</u>	<u>285,794</u>	<u>382,231</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>12,099,344</u>	<u>36,875,870</u>	<u>48,975,214</u>
LIABILITIES			
Current liabilities			
Accounts payable	117,247	276,428	393,675
Accrued liabilities	23,601	11,195	34,796
Unearned revenues	10,268		10,268
Court bonds and deposits	11,221		11,221
Customer deposits		581,734	581,734
Accrued interest payable	10,544	77,038	87,582
Total current liabilities	<u>172,881</u>	<u>946,395</u>	<u>1,119,276</u>

CITY OF ODESSA, MISSOURI
STATEMENT OF NET POSITION
MARCH 31, 2020

	Governmental Activities	Business-Type Activities	Total
LIABILITIES (Continued)			
Noncurrent liabilities			
Due within one year	389,067	762,915	1,151,982
Due in more than one year	<u>1,680,000</u>	<u>15,061,934</u>	<u>16,741,934</u>
Total noncurrent liabilities	<u>2,069,067</u>	<u>15,824,849</u>	<u>17,893,916</u>
 TOTAL LIABILITIES	 <u>2,241,948</u>	 <u>16,771,244</u>	 <u>19,013,192</u>
 DEFERRED INFLOWS OF RESOURCES			
Pension related amounts	<u>309,901</u>	<u>98,969</u>	<u>408,870</u>
 TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	 <u>2,551,849</u>	 <u>16,870,213</u>	 <u>19,422,062</u>
 NET POSITION			
Invested in capital assets	5,672,134	12,708,901	18,381,035
Restricted			
Debt service	33,207	563,423	596,630
Renewal and replacement		142,090	142,090
Parks and recreation	88,118		88,118
Capital projects	1,215,654		1,215,654
Unrestricted	<u>2,538,382</u>	<u>6,591,243</u>	<u>9,129,625</u>
 TOTAL NET POSITION	 <u>9,547,495</u>	 <u>20,005,657</u>	 <u>29,553,152</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

Functions/programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Position		
			Primary Government		Total
			Governmental Activities	Business-Type Activities	
Primary government					
Governmental activities					
General Government	661,819	63,810	(598,009)		(598,009)
Public Safety	1,780,788	489,950	(1,290,838)		(1,290,838)
Highways and Streets	578,680		(578,680)		(578,680)
Sanitation	259,695	326,143	66,448		66,448
Community Planning and Development	76,646	38,961	(37,685)		(37,685)
Parks and Recreation	444,746	135,656	(309,090)		(309,090)
Municipal Court	26,710		(26,710)		(26,710)
Interest on long-term debt	86,920		(86,920)		(86,920)
Total governmental activities	<u>3,916,004</u>	<u>1,054,520</u>	<u>(2,861,484)</u>		<u>(2,861,484)</u>
Business-type activities					
Electric	4,221,635	4,608,243		386,608	386,608
Water	1,040,171	1,245,584		205,413	205,413
Waste water	1,844,129	1,961,855		117,726	117,726
Total business-type activities	<u>7,105,935</u>	<u>7,815,682</u>		<u>709,747</u>	<u>709,747</u>
Total primary government	<u>11,021,939</u>	<u>8,870,202</u>	<u>(2,861,484)</u>	<u>709,747</u>	<u>(2,151,737)</u>
General revenues					
Property taxes levied for general purposes			335,077		335,077
Property taxes levied for parks and recreation			84,337		84,337
Sales tax			1,437,724		1,437,724
Franchise taxes			167,547		167,547
Other taxes			30,477		30,477
Intergovernmental sources			287,730		287,730
Investment earnings			35,108	150,543	185,651
Gain on sale of capital assets				36,225	36,225
Other			42,983	26,506	69,489
Total general revenues			<u>2,420,983</u>	<u>213,274</u>	<u>2,634,257</u>
Transfers			<u>761,732</u>	<u>(761,732)</u>	
CHANGE IN NET POSITION			321,231	161,289	482,520
NET POSITION, beginning of year			<u>9,226,264</u>	<u>19,844,368</u>	<u>29,070,632</u>
NET POSITION, end of year			<u>9,547,495</u>	<u>20,005,657</u>	<u>29,553,152</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2020

	General Fund	Park Fund	Transportation Sales Tax Fund	Capital Improvement Fund	Debt Service Fund	Total
ASSETS						
ASSETS						
Cash and cash equivalents	1,886,052					1,886,052
Receivables						
Taxes	131,132	47,757	39,258	39,258		257,405
Accounts	35,704					35,704
Restricted cash and cash equivalents	7,326	67,957	360,733	789,940	33,207	1,259,163
Prepays	<u>41,703</u>	<u>4,275</u>	<u> </u>	<u> </u>	<u> </u>	<u>45,978</u>
TOTAL ASSETS	<u>2,101,917</u>	<u>119,989</u>	<u>399,991</u>	<u>829,198</u>	<u>33,207</u>	<u>3,484,302</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	79,683	14,701		13,535		107,919
Accrued liabilities	20,974	2,627				23,601
Unearned revenues		10,268				10,268
Court bonds and deposits	<u>11,221</u>					<u>11,221</u>
Total liabilities	<u>111,878</u>	<u>27,596</u>	<u> </u>	<u>13,535</u>	<u> </u>	<u>153,009</u>
FUND BALANCES						
Nonspendable for prepaids	41,703	4,275				45,978
Restricted						
Parks		88,118				88,118
Debt service					33,207	33,207
Capital outlay			399,991	815,663		1,215,654
Unassigned	<u>1,948,336</u>					<u>1,948,336</u>
Total fund balances	<u>1,990,039</u>	<u>92,393</u>	<u>399,991</u>	<u>815,663</u>	<u>33,207</u>	<u>3,331,293</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>2,101,917</u>	<u>119,989</u>	<u>399,991</u>	<u>829,198</u>	<u>33,207</u>	<u>3,484,302</u>

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The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 MARCH 31, 2020

Total fund balance - total governmental funds		3,331,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets	11,555,783	
Less accumulated depreciation	<u>(3,814,582)</u>	7,741,201
Certain assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Net pension asset		740,501
Long-term amounts are not financial resources and, therefore are not reported in the funds:		
Prepaid lease interest		12,274
Certain expenditures are not accrued in the governmental funds, but rather is recognized as an expenditure in the governmental activities:		
Interest on long-term debt	(10,544)	
Economic incentive payment	<u>(9,328)</u>	(19,872)
Long-term liabilities, including bonds payable and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized premiums and discounts.		(2,069,067)
Property taxes and other receivables not collected within 60 days of the end of the fiscal year are deferred in the fund financial statements as they are not available to pay current period expenditures.		24,629
Pension related deferred outflows and inflows of resources are not due and payable in the current year and, therefore, are not reported in the funds:		
Deferred outflows of resources - pension related amounts	96,437	
Deferred inflows of resources - pension related amounts	<u>(309,901)</u>	<u>(213,464)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>9,547,495</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2020

	General Fund	Park Fund	Transportation Sales Tax Fund	Capital Improvement Fund	Debt Service Fund	Eliminations	Total
REVENUES							
Taxes	1,112,893	371,883	287,542	287,547			2,059,865
Charges for services	824,446	135,656					960,102
Licenses, permits, and fees	101,821						101,821
Fines and forfeitures	39,524						39,524
Intergovernmental revenue	287,730						287,730
Interest	19,941		117	14,619	431		35,108
Other	39,771	2,752			460		42,983
Total revenues	<u>2,426,126</u>	<u>510,291</u>	<u>287,659</u>	<u>302,166</u>	<u>891</u>		<u>3,527,133</u>
EXPENDITURES							
Current							
General Government	589,302			27,599	3,178		620,079
Public Safety	1,611,230						1,611,230
Highways and Streets	363,643		75,773				439,416
Sanitation	259,695						259,695
Community Planning and Development	80,832						80,832
Municipal Court	26,710						26,710
Parks and Recreation	3,071	372,681					375,752
Capital outlay			109,501	217,052			326,553
Debt service							
Principal		120,000			140,000		260,000
Interest and fiscal costs		57,473		9,363	9,870		76,706
Total expenditures	<u>2,934,483</u>	<u>550,154</u>	<u>185,274</u>	<u>254,014</u>	<u>153,048</u>		<u>4,076,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(508,357)</u>	<u>(39,863)</u>	<u>102,385</u>	<u>48,152</u>	<u>(152,157)</u>		<u>(549,840)</u>
OTHER FINANCING SOURCES (USES)							
Debt proceeds				642,000			642,000
Transfers in	770,570	67,965			152,640	(229,443)	761,732
Transfers out	(64,500)		(56,658)	(108,285)		229,443	
Total other financing sources (uses)	<u>706,070</u>	<u>67,965</u>	<u>(56,658)</u>	<u>533,715</u>	<u>152,640</u>		<u>1,403,732</u>
CHANGE IN FUND BALANCES	197,713	28,102	45,727	581,867	483		853,892
FUND BALANCE, beginning of year	<u>1,792,326</u>	<u>64,291</u>	<u>354,264</u>	<u>233,796</u>	<u>32,724</u>		<u>2,477,401</u>
FUND BALANCE, end of year	<u>1,990,039</u>	<u>92,393</u>	<u>399,991</u>	<u>815,663</u>	<u>33,207</u>		<u>3,331,293</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

Net change in fund balances - total governmental funds 853,892

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital asset additions (\$326,553), depreciation (\$289,181), and disposals of assets (\$74,086) in the current period. (36,714)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. (51,630)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:

Debt proceeds	(642,000)	
Principal payments	260,000	
Prepaid interest amortization	<u>(895)</u>	(382,895)

CITY OF ODESSA, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2020

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Compensated absences	19,175	
Pension expense	(61,950)	
Economic incentive payment	(9,328)	
Accrued interest	<u>(9,319)</u>	<u>(61,422)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>321,231</u>
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The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2020

	Electric	Water	Waste Water	Elimina- tions	Total
ASSETS					
Current assets					
Cash and cash equivalents	3,506,594	1,184,667	97,946		4,789,207
Certificates of deposit		579,500			579,500
Receivables					
Accounts	379,428	110,745	181,457		671,630
Interest			15,313		15,313
Unbilled revenues	127,558	43,125	66,288		236,971
Due from other funds		310,000		(310,000)	
Inventories	254,902	63,804			318,706
Prepaid expenses	18,327	17,288	23,805		59,420
Total current assets	<u>4,286,809</u>	<u>2,309,129</u>	<u>384,809</u>	<u>(310,000)</u>	<u>6,670,747</u>
Noncurrent assets					
Restricted cash and cash equivalents	625,255	63,767	600,977		1,289,999
Net pension asset	38,263	31,348	25,969		95,580
Capital assets					
Nondepreciable		144,010	52,748		196,758
Depreciable, net	<u>2,912,904</u>	<u>4,878,858</u>	<u>20,545,230</u>		<u>28,336,992</u>
Total noncurrent assets	<u>3,576,422</u>	<u>5,117,983</u>	<u>21,224,924</u>		<u>29,919,329</u>
TOTAL ASSETS	<u>7,863,231</u>	<u>7,427,112</u>	<u>21,609,733</u>	<u>(310,000)</u>	<u>36,590,076</u>
DEFERRED OUTFLOWS OF RESOURCES					
Pension related amounts	<u>114,412</u>	<u>93,733</u>	<u>77,649</u>		<u>285,794</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>7,977,643</u>	<u>7,520,845</u>	<u>21,687,382</u>	<u>(310,000)</u>	<u>36,875,870</u>

CITY OF ODESSA, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
MARCH 31, 2020

	Electric	Water	Waste Water	Elimina- tions	Total
LIABILITIES					
Current liabilities					
Accounts payable	89,500	148,624	38,304		276,428
Accrued liabilities	3,283	3,627	4,285		11,195
Due to other funds			310,000	(310,000)	
Current maturities of long-term debt	60,564	88,410	613,941		762,915
Customer deposits	581,734				581,734
Accrued interest	5,519	9,130	62,389		77,038
Total current liabilities	<u>740,600</u>	<u>249,791</u>	<u>1,028,919</u>	<u>(310,000)</u>	<u>1,709,310</u>
Noncurrent liabilities					
Long-term debt, net of current maturities	<u>429,000</u>	<u>899,929</u>	<u>13,733,005</u>		<u>15,061,934</u>
TOTAL LIABILITIES	<u>1,169,600</u>	<u>1,149,720</u>	<u>14,761,924</u>	<u>(310,000)</u>	<u>16,771,244</u>
DEFERRED INFLOWS OF RESOURCES					
Resources to be recognized in future pension expense due to liabilities	<u>44,188</u>	<u>20,579</u>	<u>34,202</u>		<u>98,969</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,213,788</u>	<u>1,170,299</u>	<u>14,796,126</u>	<u>(310,000)</u>	<u>16,870,213</u>
NET POSITION					
Invested in capital assets, net of related debt	2,423,340	4,034,529	6,251,032		12,708,901
Restricted for debt service			563,423		563,423
Restricted for renewal and replacement	40,769	63,767	37,554		142,090
Unrestricted	<u>4,299,746</u>	<u>2,252,250</u>	<u>39,247</u>		<u>6,591,243</u>
TOTAL NET POSITION	<u>6,763,855</u>	<u>6,350,546</u>	<u>6,891,256</u>		<u>20,005,657</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2020

	Electric	Water	Waste Water	Elimina- tions	Total
REVENUES					
Charges for services	<u>4,608,243</u>	<u>1,245,584</u>	<u>1,961,855</u>	<u> </u>	<u>7,815,682</u>
EXPENSES					
Personnel	337,137	271,153	257,343		865,633
Operation and maintenance	186,388	373,159	408,756		968,303
Power purchases	3,591,065				3,591,065
Depreciation and amortization	94,490	362,752	808,091		1,265,333
Total expenses	<u>4,209,080</u>	<u>1,007,064</u>	<u>1,474,190</u>	<u> </u>	<u>6,690,334</u>
OPERATING INCOME	<u>399,163</u>	<u>238,520</u>	<u>487,665</u>	<u> </u>	<u>1,125,348</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	42,205	17,972	90,366		150,543
Interest expense	(12,555)	(33,107)	(328,911)		(374,573)
Debt administrative expenses			(41,028)		(41,028)
Rental income		13,688			13,688
Miscellaneous	1,733		11,085		12,818
Gain on sale of assets	36,225				36,225
Total nonoperating revenues (expenses)	<u>67,608</u>	<u>(1,447)</u>	<u>(268,488)</u>	<u> </u>	<u>(202,327)</u>
INCOME BEFORE TRANSFERS	<u>466,771</u>	<u>237,073</u>	<u>219,177</u>	<u> </u>	<u>923,021</u>

CITY OF ODESSA, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2020

	Electric	Water	Waste Water	Elimina- tions	Total
TRANSFERS					
Transfers in	8,838			(8,838)	
Transfers out	<u>(356,483)</u>	<u>(189,384)</u>	<u>(224,703)</u>	<u>8,838</u>	<u>(761,732)</u>
Total transfers	<u>(347,645)</u>	<u>(189,384)</u>	<u>(224,703)</u>		<u>(761,732)</u>
CHANGE IN NET POSITION	119,126	47,689	(5,526)		161,289
NET POSITION, beginning of year	<u>6,644,729</u>	<u>6,302,857</u>	<u>6,896,782</u>		<u>19,844,368</u>
NET POSITION, end of year	<u>6,763,855</u>	<u>6,350,546</u>	<u>6,891,256</u>		<u>20,005,657</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2020

23

	Enterprise Funds			
	Electric	Water	Waste Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and others	4,729,583	1,274,857	1,995,540	7,999,980
Cash payments to suppliers for goods and services	(4,046,522)	(292,257)	(396,068)	(4,734,847)
Cash payments for employee services and benefits	<u>(340,520)</u>	<u>(277,827)</u>	<u>(262,786)</u>	<u>(881,133)</u>
Net cash provided by operating activities	<u>342,541</u>	<u>704,773</u>	<u>1,336,686</u>	<u>2,384,000</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	8,838			8,838
Transfers out	<u>(356,483)</u>	<u>(189,384)</u>	<u>(224,703)</u>	<u>(770,570)</u>
Net cash used in noncapital financing activities	<u>(347,645)</u>	<u>(189,384)</u>	<u>(224,703)</u>	<u>(761,732)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Cash paid for the acquisition of capital assets	(763,986)	(1,013,555)	(363,959)	(2,141,500)
Proceeds from the sale of assets	36,225			36,225
Proceeds from long-term debt			349,518	349,518
Cash paid on long-term debt	(44,850)	(70,150)	(593,000)	(708,000)
Cash paid for debt administrative expenses			(41,028)	(41,028)
Interest paid on capital debt	<u>(7,036)</u>	<u>(32,797)</u>	<u>(347,248)</u>	<u>(387,081)</u>
Net cash used in capital and related financing activities	<u>(779,647)</u>	<u>(1,116,502)</u>	<u>(995,717)</u>	<u>(2,891,866)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash received from certificate of deposit	794,100			794,100
Cash received from interest	<u>42,205</u>	<u>17,972</u>	<u>90,366</u>	<u>150,543</u>
Net cash provided by investing activities	<u>836,305</u>	<u>17,972</u>	<u>90,366</u>	<u>944,643</u>

CITY OF ODESSA, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2020

	Enterprise Funds			
	Electric	Water	Waste Water	Total
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	51,554	(583,141)	206,632	(324,955)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,080,295</u>	<u>1,831,575</u>	<u>492,291</u>	<u>6,404,161</u>
CASH AND CASH EQUIVALENTS, end of year	<u>4,131,849</u>	<u>1,248,434</u>	<u>698,923</u>	<u>6,079,206</u>
Unrestricted	3,506,594	1,184,667	97,946	4,789,207
Restricted	<u>625,255</u>	<u>63,767</u>	<u>600,977</u>	<u>1,289,999</u>
	<u>4,131,849</u>	<u>1,248,434</u>	<u>698,923</u>	<u>6,079,206</u>
24 Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	<u>399,163</u>	<u>238,520</u>	<u>487,665</u>	<u>1,125,348</u>
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	94,490	362,752	808,091	1,265,333
Rental and miscellaneous income	1,733	13,688	11,085	26,506
Changes in assets and liabilities:				
Receivables, net	104,692	15,585	22,600	142,877
Inventories and prepaids	(32,229)	(30,448)	(13,377)	(76,054)
Pension related assets, outflows, and inflows	(3,938)	(3,226)	(2,673)	(9,837)
Accounts payable	(236,325)	110,342	25,078	(100,905)
Accrued liabilities	(515)	1,008	987	1,480
Compensated absences	555	(3,448)	(2,770)	(5,663)
Meter deposits	14,915			14,915
Total adjustments	<u>(56,622)</u>	<u>466,253</u>	<u>849,021</u>	<u>1,258,652</u>
Net cash provided by operating activities	<u>342,541</u>	<u>704,773</u>	<u>1,336,686</u>	<u>2,384,000</u>

The accompanying notes are an integral part of this statement.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Odessa, Missouri (the City), was incorporated in 1880 and covers an area of approximately four square miles in Lafayette County, Missouri. The City is a fourth class city and operates under the aldermen-administrator form of government. The City administrator is the chief administrative officer of the City. The City provides services to its 5,300 residents in many areas, including law enforcement; electric, water, and sewer services; public works; and parks and recreation services.

A. FINANCIAL REPORTING ENTITY

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City of Odessa, Missouri, provides a range of municipal services, including general government administration; public safety service; recreation; street maintenance; and contracts for electric, waterworks, and sewerage.

In determining the financial reporting entity, the City complies with the provisions of Statement 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*, as amended by Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations are Component Units*. For financial reporting purposes, the City includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the City.

B. BASIS OF PRESENTATION

Government-Wide Statements

The statement of net position and statement of activities report information on the City as a whole. They include all funds of the City. The effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental receipts, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The City does not allocate indirect costs.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria for the determination of major funds, which should have a specific community focus.

The funds of the City are described below:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

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 another fund.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted, committed, or assigned to expenditures for specified purposes the purpose of which is determined by the fund name. The reporting entity includes the following special revenue funds, which are reported as major funds:

Park Fund - This fund accounts for taxes collected and expended for operations and improvements to the City's parks.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. BASIS OF PRESENTATION (Continued)

Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds (Continued)

Transportation Sales Tax Fund - This fund accounts for sales taxes to be used to finance street improvements.

Capital Improvement Fund - This fund is used to account for sales taxes and other resources to be used for the acquisition or construction of major capital facilities other than those financed by the proprietary funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs other than bonds payable from the operations of the Enterprise Funds.

Proprietary Fund Type

The proprietary fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The City reports the following major proprietary funds:

Electric Fund - This fund accounts for the acquisition, operation, and maintenance of the City's electric distribution system.

Water Fund - This fund accounts for the acquisition, operation, and maintenance of the City's water treatment and distribution system.

Waste Water Fund - This fund accounts for the acquisition, operation, and maintenance of the City's sanitary sewer treatment and distribution system.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the government's proprietary functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues' availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Business-type activities and all proprietary funds are accounted for using an economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise 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 nonoperating revenues and expenses.

D. ASSETS, LIABILITIES, AND EQUITY

Cash and Cash Equivalents

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

The City maintains cash and investment pools which are available for use by most funds. Each fund type's portion of this pool is displayed in the financial statements as cash and cash equivalents. Investments made in accordance with bond ordinances are reflected as restricted cash and cash equivalents. Funds with overdrawn balances are not charged interest.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Cash and Cash Equivalents (Continued)

As provided for by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City reflects money market investments with a maturity of one year or less at the time of purchase at amortized cost, which approximates fair value. All other investments are required to be reported at fair value based on quoted market prices.

Accounts Receivable

Governmental activities accounts receivable consists of ambulance and sanitation charges and other miscellaneous services provided to citizens, net of an allowance for uncollectible accounts of \$692,028. Business-type activities represent billed electric, water, and waste water charges, net of an allowance for uncollectible accounts of \$269,433.

Inventories

Inventories, consisting of materials and supplies, are valued at lower of cost or net realizable value. Cost is determined using estimated replacement cost basis which approximates actual cost.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaid expenses are accounted for using the consumption method.

Restricted Assets

Unspent proceeds and resources set aside for the repayment of revenue bonds and certificates of participation are classified as restricted assets on the applicable statements of net position because they are maintained in separate bank or trust accounts and their use is limited by applicable bond covenants. Restricted assets also include amounts held for court bonds and deposits in the General Fund and customer deposits in the Electric Fund.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. Under GASB No. 34, small cities have the option to capitalize

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Capital Assets (Continued)

infrastructure purchased in previous years. The City of Odessa, Missouri, has chosen not to capitalize existing infrastructure but will capitalize any future infrastructure that it acquires. No long-term capital assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks, and other assets that are immovable and of value only to the City) are defined as assets with an individual cost of more than \$5,000 and an estimated useful life greater than one year. Donated fixed assets are valued at their estimated fair market value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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

Equipment and vehicles	5 - 10 years
Buildings and land improvements	10 - 50 years
Infrastructure	30 years
Water and sewer system	30 - 50 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of net position now reports a separate section for deferred outflows of resources. This financial statement element 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's pension related amounts are reported in this category.

In addition to liabilities, the statement of net position and balance sheet now report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City's pension related amounts are reported in this category.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Compensated Absences

Under terms of the City's personnel policy, employees are granted paid time off (PTO) leave in amounts ranging from 20 to 240 hours, based upon length of service. Up to 160 hours of PTO earned can be carried over each year, and accumulated PTO is payable on separation of service.

Employees are awarded sick leave hours at the beginning of each year or upon employment. Employees are allowed to accrue up to 480 hours of sick time to carry forward into the subsequent year. Upon retirement or termination in good standing, an employee can convert unused sick days into vacation days at a rate of eight hours of sick leave is equivalent to one hour of vacation.

Vested or accumulated PTO is accrued when earned in the government-wide and proprietary financial statements. A liability is reported in the governmental funds only if it has matured as a result of employee resignations or retirements.

Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The governmental fund financial statements recognize the proceeds and payments of debt as other financing sources and uses of the current period. Issuance costs are reported as expenditures.

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.

Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt, consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity (Continued)

Government-Wide Statements (Continued)

Restricted net position consists of net assets with constraints placed on the use either by external groups - such as creditors, grantors, contributors, or laws and regulations of other governments - or through constitutional provision or enabling legislation. It is the City's policy to use restricted net assets first, prior to the use of unrestricted net assets, when a disbursement is paid for purposes in which both restricted and unrestricted net assets are available.

Unrestricted net position does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements

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:

Nonspendable

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

Restricted

This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed

This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Aldermen. These amounts cannot be used for any other purpose unless the

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ASSETS, LIABILITIES, AND EQUITY (Continued)

Fund Equity (Continued)

Fund Financial Statements (Continued)

Fund Balance Classification (Continued)

Committed (Continued)

Board of Aldermen removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City currently has no amounts classified in this category.

Assigned

This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Aldermen or through the Board delegating this responsibility to the City Administrator through the budgetary process. The City currently has no amounts classified in this category.

Unassigned

This classification includes the residual fund balance for the General Fund as it is the only funds that reports a positive, unassigned fund balance. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

E. USE OF ESTIMATES

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources, to provide services and construct assets. Legally authorized transfers are included in the fund financial statements of both governmental and proprietary funds.

G. PROPERTY TAXES

The details of the City's property tax calendar can be found in Note 3 of the financial statements.

NOTE 2. CASH AND INVESTMENTS

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

A summary of the carrying values of deposits, investments, and petty cash at March 31, 2020, is as follows:

Total deposits	8,813,030
Certificates of deposit	579,500
Held by trustee	408,982
Petty cash	1,025
Total	9,802,537

These carrying values are reflected on the statement of net position as follows:

Cash and cash equivalents	6,673,875
Certificates of deposit	579,500
Restricted cash and cash equivalents	2,549,162
Total	9,802,537

Investment Policies

The City follows state statutes which allow the City to deposit in open accounts and certificates of deposit, and to invest in direct obligations of the U.S. Government, U.S. Government agency obligations, and repurchase agreements. Restricted assets are invested in accordance with bond ordinances by the trustee in money market mutual funds.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

The carrying amount and maturity segment for the City's restricted investments at March 31, 2020, are as follows:

	Investment Maturity
	Under One Year
Waste Water Fund	
Fidelity Treasury Fund	87,712
Federated Treasury Money Market Fund	115,143
Federated Government Money Market Fund	101,590
Total	304,445

Credit Risk - The City's general credit risk policy is to apply the prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital, as well as the probable income to be derived.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City's policy is to collateralize bank deposits with securities held by the financial institution's agent and in the City's name. As of March 31, 2020, all of the City's deposits with financial institutions were fully insured or collateralized by securities held in the City's name in the form of joint safekeeping receipts.

Concentration of Credit Risk - The City places no limit on the amount it may invest in any one issuer. Investments that represent more than 5% of the City's investments consist of the money market mutual funds shown above.

NOTE 3. PROPERTY TAX REVENUE

The City's property tax is levied each November 1 on the assessed value as of the prior January 1 for all property located in the City. Assessed valuations are established by the Lafayette County Assessor. The county collects the property tax and remits it to the City monthly.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX REVENUE (Continued)

The assessed values for property located in the City as of January 1, 2020 and 2019, that the levy was based on, are as follows:

	2020	2019
Real estate	46,706,420	45,800,275
Personal property	<u>10,747,434</u>	<u>10,406,096</u>
Total current valuation	<u>57,453,854</u>	<u>56,206,371</u>

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 of assessed valuation for general governmental services other than payment of principal and interest on long-term debt, up to 0.20 cents for recreation, and in unlimited amounts for the payment of principal and interest on long-term debt. The City's property tax levies for the years ended March 31, 2020 and 2019, per \$100 assessed valuation, were as follows:

	2020	2019
General	0.5642	0.5561
Parks	<u>0.1489</u>	<u>0.1468</u>
Total	<u>0.7131</u>	<u>0.7029</u>

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1, and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

NOTE 4. INTERGOVERNMENTAL REVENUE

Intergovernmental revenue during the fiscal year ended March 31, 2020, consisted of the following:

	General
State	
Motor vehicle fuel tax	143,319
Motor vehicle sales tax and registration fees	73,412
Financial institution tax	2,279
Other	
Grants	10,140
County	
Use tax	25,922
Road and bridge tax	<u>32,658</u>
Total	<u>287,730</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2020, was as follows:

Governmental Activities

	Balance April 1, 2019	Increases	Decreases	Balance March 31, 2020
Capital assets, not being depreciated				
Land	2,037,847			2,037,847
Construction in progress	3,830		(3,830)	
Total capital assets, not being depreciated	<u>2,041,677</u>		<u>(3,830)</u>	<u>2,037,847</u>
Capital assets, being depreciated				
Buildings and improvements	3,027,220			3,027,220
Land improvements	322,599			322,599
Machinery and equipment	1,355,728	162,095	(271,521)	1,246,302
Infrastructure	4,316,377	109,501		4,425,878
Furniture and fixtures	65,163			65,163
Vehicles	704,239	54,958	(328,423)	430,774
Total capital assets, being depreciated	<u>9,791,326</u>	<u>326,554</u>	<u>(599,944)</u>	<u>9,517,936</u>
Less accumulated depreciation for:				
Buildings and improvements	(999,669)	(80,588)		(1,080,257)
Land improvements	(135,454)	(7,106)		(142,560)
Machinery and equipment	(1,142,838)	(34,465)	267,972	(909,331)
Infrastructure	(1,160,717)	(122,947)		(1,283,664)
Furniture and fixtures	(50,046)	(2,880)		(52,926)
Vehicles	(566,364)	(41,195)	261,715	(345,844)
Total accumulated depreciation	<u>(4,055,088)</u>	<u>(289,181)</u>	<u>529,687</u>	<u>(3,814,582)</u>
Total capital assets, being depreciated, net	<u>5,736,238</u>	<u>37,373</u>	<u>(70,257)</u>	<u>5,703,354</u>
Governmental activities, capital assets, net	<u>7,777,915</u>	<u>37,373</u>	<u>(74,087)</u>	<u>7,741,201</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

Governmental Activities (Continued)

Depreciation was charged to functions as follows:

General Government	41,359
Public Safety	22,616
Highways and Streets	151,117
Parks and Recreation	<u>74,089</u>
Total depreciation expense - governmental activities	<u>289,181</u>

Business-Type Activities

	Balance April 1, 2019	Increases	Decreases	Balance March 31, 2020
<u>Business-Type Activities - Electric Fund</u>				
Capital assets, not being depreciated				
Construction in progress	<u>34,782</u>		<u>(34,782)</u>	
Capital assets, being depreciated				
Generation and distribution system	7,189,699	672,248	(12,941)	7,849,006
Buildings and improvements	1,138,290			1,138,290
Machinery, equipment, and vehicles	<u>1,133,357</u>	<u>126,250</u>	<u>(2,309)</u>	<u>1,257,298</u>
Total capital assets, being depreciated	<u>9,461,346</u>	<u>798,498</u>	<u>(15,250)</u>	<u>10,244,594</u>
Less accumulated depreciation for:				
Generation and distribution system	(5,784,337)	(19,224)	12,941	(5,790,620)
Buildings and improvements	(457,636)	(40,343)		(497,979)
Machinery, equipment, and vehicles	<u>(1,010,747)</u>	<u>(34,653)</u>	<u>2,309</u>	<u>(1,043,091)</u>
Total accumulated depreciation	<u>(7,252,720)</u>	<u>(94,220)</u>	<u>15,250</u>	<u>(7,331,690)</u>
Total capital assets, being depreciated, net	<u>2,208,626</u>	<u>704,278</u>		<u>2,912,904</u>
Business-type activities - Electric Fund capital assets, net	<u>2,243,408</u>	<u>704,278</u>	<u>(34,782)</u>	<u>2,912,904</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

Business-Type Activities (Continued)

	Balance April 1, 2019	Increases	Decreases	Balance March 31, 2020
<u>Business-Type Activities - Water Fund</u>				
Capital assets, not being depreciated				
Land	144,010			144,010
Construction in progress	192,607		(192,607)	
Total capital assets, not being depreciated	<u>336,617</u>		<u>(192,607)</u>	<u>144,010</u>
Capital assets, being depreciated				
Treatment and distribution system	6,702,971	829,802		7,532,773
Buildings and improvements	4,183,180	234,059		4,417,239
Machinery, equipment, and vehicles	336,092	142,301		478,393
Total capital assets, being depreciated	<u>11,222,243</u>	<u>1,206,162</u>		<u>12,428,405</u>
Less accumulated depreciation for:				
Treatment and distribution system	(3,939,643)	(193,652)		(4,133,295)
Buildings and improvements	(3,032,756)	(141,854)		(3,174,610)
Machinery, equipment, and vehicles	(214,396)	(27,246)		(241,642)
Total accumulated depreciation	<u>(7,186,795)</u>	<u>(362,752)</u>		<u>(7,549,547)</u>
Total capital assets, being depreciated, net	<u>4,035,448</u>	<u>843,410</u>		<u>4,878,858</u>
Business-type activities - Water Fund capital assets, net	<u>4,372,065</u>	<u>843,410</u>	<u>(192,607)</u>	<u>5,022,868</u>
<u>Business-Type Activities - Waste Water Fund</u>				
Capital assets, not being depreciated				
Land	52,748			52,748
Construction in progress	660,133		(660,133)	
Total capital assets, not being depreciated	<u>712,881</u>		<u>(660,133)</u>	<u>52,748</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. CAPITAL ASSETS (Continued)

Business-Type Activities (Continued)

	Balance April 1, 2019	Increases	Decreases	Balance March 31, 2020
<u>Business-Type Activities - Waste Water Fund</u> (Continued)				
Capital assets, being depreciated				
Collection and treatment system	8,107,552	1,024,092		9,131,644
Buildings and improvements	19,434,151			19,434,151
Machinery, equipment, and vehicles	803,655			803,655
Total capital assets, being depreciated	<u>28,345,358</u>	<u>1,024,092</u>		<u>29,369,450</u>
Less accumulated depreciation for:				
Collection and treatment system	(2,637,062)	(211,614)		(2,848,676)
Buildings and improvements	(4,909,370)	(563,238)		(5,472,608)
Machinery, equipment, and vehicles	(469,697)	(33,239)		(502,936)
Total accumulated depreciation	<u>(8,016,129)</u>	<u>(808,091)</u>		<u>(8,824,220)</u>
Total capital assets being depreciated, net	<u>20,329,229</u>	<u>216,001</u>		<u>20,545,230</u>
Business-type activities - Waste Water Fund capital assets, net	<u>21,042,110</u>	<u>216,001</u>	<u>(660,133)</u>	<u>20,597,978</u>

NOTE 6. LONG-TERM DEBT

Governmental Activities

Changes in the debt for the year ended March 31, 2020, consisted of the following:

	Balance April 1, 2019	Addi- tions	Retire- ments	Balance March 31, 2020	Due in One Year
General obligation bonds	280,000		140,000	140,000	140,000
Direct borrowing arrangements					
Capital lease - park	1,333,000		120,000	1,213,000	120,000
Capital lease - improvements		642,000		642,000	55,000
Compensated absences	93,242	74,067	93,242	74,067	74,067
Total governmental activities	<u>1,706,242</u>	<u>716,067</u>	<u>353,242</u>	<u>2,069,067</u>	<u>389,067</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Governmental Activities (Continued)

General Obligation Bonds

General Obligation Bonds outstanding at March 31, 2020, consist of Neighborhood Improvement Limited General Obligation Bonds, Series 2010C, issued December 2010 in the aggregate principal amount of \$1,265,000, for the purpose of providing funds to pay a portion of the costs of the Richie Bros. Development Neighborhood Improvement District Project A.

The bonds bear interest rates of 1.0% to 3.65% and mature through March 1, 2021. The full faith and credit of the City are irrevocably pledged for the payment of the bonds; however, the City is not obligated nor authorized to levy taxes for the purpose of paying the debt service on the bonds, and the taxing power of the City has not been pledged.

The annual debt service requirements to amortize the Neighborhood Improvement Limited General Obligation Bonds outstanding as of March 31, 2020, are as follows:

Year	Principal	Interest	Total
2021	<u>140,000</u>	<u>5,110</u>	<u>145,110</u>

The bonds are to be repaid with special assessments levied on real property located in the District. If the special assessments would not be sufficient to make the debt payments in any particular year, the City would be obligated to fund any deficiency from its General Fund or other legally available revenues.

Direct Borrowing Arrangements

Capital Leases

In August 2008, the City entered into a lease agreement to finance the construction of an aquatic center in the amount of \$2,300,000, at an interest rate of 3.65%. Lease payments, including certain fees, are due in monthly installments through August 2028. The cumulative amount of assets acquired under the lease at March 31, 2020, is \$2,071,814.

The future minimum lease obligations and the net present value of these minimum lease payments as of March 31, 2020, are as follows:

Years	Principal	Interest	Total
2021	120,000	42,267	162,267
2022	129,000	37,778	166,778

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Direct Borrowing Arrangements (Continued)

Capital Leases (Continued)

Years	Principal	Interest	Total
2023	132,000	32,978	164,978
2024	140,000	28,075	168,075
2025	144,000	22,849	166,849
2026 - 2029	548,000	35,758	583,758
	<u>1,213,000</u>	<u>199,705</u>	<u>1,412,705</u>

In May 2019, the City entered into a lease agreement to finance the purchases of equipment and vehicles in the amount of \$642,000, at an interest rate of 3.00%. Lease payments are due in monthly installments through May 2029. The cumulative amount of assets acquired under the lease at March 31, 2020, is \$122,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of March 31, 2020, are as follows:

Years	Principal	Interest	Total
2021	55,000	18,435	73,435
2022	56,000	16,770	72,770
2023	59,000	15,045	74,045
2024	61,000	13,245	74,245
2025	63,000	11,385	74,385
2026 - 2030	348,000	26,790	374,790
	<u>642,000</u>	<u>101,670</u>	<u>743,670</u>

Business-Type Activities

Changes in debt for the year ended March 31, 2020, consisted of the following:

	Balance April 1, 2019	Addi- tions	Retire- ments	Balance March 31, 2020	Due in One Year
Electric Fund					
Direct borrowing arrangements					
Capital lease	520,650		44,850	475,800	46,800
Compensated absences	13,209	13,764	13,209	13,764	13,764
Total Electric Fund	<u>533,859</u>	<u>13,764</u>	<u>58,059</u>	<u>489,564</u>	<u>60,564</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Direct Borrowing Arrangements (Continued)

Business-Type Activities (Continued)

	Balance April 1, 2019	Addi- tions	Retire- ments	Balance March 31, 2020	Due in One Year
Water Fund					
Revenue bonds	228,929			228,929	
Direct borrowing arrangements					
Capital lease	814,350		70,150	744,200	73,200
Compensated absences	18,658	15,210	18,658	15,210	15,210
Total Water Fund	<u>1,061,937</u>	<u>15,210</u>	<u>88,808</u>	<u>988,339</u>	<u>88,410</u>
Waste Water Fund					
Revenue bonds	3,956,071		335,000	3,621,071	340,000
Loans payable	10,556,561	349,519	258,000	10,648,080	259,000
Unamortized premium	76,086		13,232	62,854	13,232
Compensated absences	17,712	14,941	17,712	14,941	14,941
Total Waste Water Fund	<u>14,606,430</u>	<u>364,460</u>	<u>623,944</u>	<u>14,346,946</u>	<u>627,173</u>
Total business-type activities	<u><u>16,202,226</u></u>	<u><u>393,434</u></u>	<u><u>770,811</u></u>	<u><u>15,824,849</u></u>	<u><u>776,147</u></u>

Revenue Bonds

2004B Sewerage System Revenue Bonds, dated May 28, 2004, due in annual installments through January 1, 2025, with interest rates of 2.00% to 5.25%.	1,785,000
Series 2017, Combined Water Works and Sewerage System Refunding Revenue Bonds dated September 12, 2017, due in annual installments September 1, 2026 through September 1, 2030, with interest rates of 2.6%.	<u>2,065,000</u>
	<u>4,185,000</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

The annual debt service requirements to amortize the revenue bonds as of March 31, 2020, are as follows:

Years Ending March 31,	Series 2004 Sewerage System Bonds		Series 2017 Combined Waterworks and Sewerage System Bonds		Total
	Principal	Interest	Principal	Interest	
2021	340,000	89,250		53,340	482,590
2022	350,000	72,250		53,340	475,590
2023	355,000	54,750		53,340	463,090
2024	365,000	37,000		53,340	455,340
2025	375,000	18,750		53,340	447,090
2026 - 2030			1,885,000	174,662	2,059,662
2031			180,000	2,475	182,475
Total	<u>1,785,000</u>	<u>272,000</u>	<u>2,065,000</u>	<u>443,837</u>	<u>4,565,837</u>

In September 2017, the City authorized the issuance of Combined Water Works and Sewerage System Revenue bonds Series 2017 to pay off the 2011 Certificates of Participation and to complete improvements to their water and wastewater systems.

The annual debt service requirements for the 2017 Combined Water Works and Sewerage System bonds have been allocated between the Water Fund and the Waste Water Fund based upon their use of the proceeds and are as follows:

Years Ending March 31,	Water Fund		Waste Water Fund		Total
	Principal	Interest	Principal	Interest	
2021		5,958		47,382	53,340
2022		5,958		47,382	53,340
2023		5,958		47,382	53,340
2024		5,958		47,382	53,340
2025 - 2029	208,974	19,509	1,676,026	155,153	2,059,662
2030 - 2033	19,955	276	160,045	2,199	182,475
Total	<u>228,929</u>	<u>43,617</u>	<u>1,836,071</u>	<u>346,880</u>	<u>2,455,497</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Loans

Series 2005, Waste Water Fund 1.5% loan from the Missouri Department of Natural Resources, dated June 1, 2005, due in semiannual installments through July 1, 2026.	357,000
Series 2014 Combined Water Works and Sewerage System 1.46% loan from the Missouri Department of Natural Resources, dated August 26, 2014, due in semiannual installments through July 1, 2035.	7,525,000
Series 2015 Combined Water Works and Sewerage System 1.46% loan from the Missouri Department of Natural Resources, dated July 29, 2015, due in semiannual installments through January 1, 2036, with an interest rate of 1.25%.	<u>2,766,080</u>
	<u>10,648,080</u>

The Series 2005 and 2014 loans are collateralized by a pledge of the net revenues to the extent necessary to meet the debt service requirements. The debt agreements contain limitations and restrictions on annual debt service requirements, and minimum amounts to be maintained in various debt service and revenue accounts, including a renewal and replacement account in the Waste Water Fund, as well as minimum revenue bond coverages. The City is in compliance with all such financial limitations and restrictions.

On August 26, 2014, the City authorized the issuance of Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri - Direct Loan Program) Series 2014 in an amount not to exceed \$8,000,000, as a result of its participation in the State of Missouri - Direct Loan Program. Under the Direct Loan Program, DNR acts as the purchaser of the bond and loans the City amounts equal to eligible costs related to the construction of a new waste water treatment facility. Interest is due semiannually, based on the outstanding loan balance. Principal is due semiannually in various installments from July 1, 2016 through July 1, 2035.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Loans (Continued)

On July 29, 2015, the City authorized the issuance of Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri - Direct Loan Program) Series 2015 in an amount not to exceed \$3,000,000, as a result of its participation in the State of Missouri - Direct Loan Program. Under the Direct Loan Program, DNR acts as the purchaser of the bond and loans the City amounts equal to eligible costs related to the construction of waste water system improvements. Interest is due semiannually, based on the outstanding loan balance. Principal is due semiannually in various installments from January 1, 2017 through January 1, 2038.

The annual debt service requirements to amortize the 2005, 2014, and 2015 loans outstanding as of March 31, 2020, are detailed below.

Years Ending March 31,	Series 2005 Loan		Series 2014 Loan		Series 2015 Loan		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	53,000	5,159	150,000	109,317	56,000	35,437	408,913
2022	54,000	4,358	425,000	106,134	108,000	34,737	732,229
2023	54,000	3,548	437,000	99,886	163,000	33,056	790,490
2024	56,000	2,730	447,000	93,469	167,000	31,007	797,206
2025	56,000	1,890	459,000	86,898	171,000	28,907	803,695
2026 - 2030	84,000	1,260	2,480,000	329,768	920,000	111,219	3,926,247
2031 - 2035			2,823,000	137,802	1,041,000	50,344	4,052,146
2036			304,000	2,219	140,080	2,094	448,393
Total	<u>357,000</u>	<u>18,945</u>	<u>7,525,000</u>	<u>965,493</u>	<u>2,766,080</u>	<u>326,801</u>	<u>11,959,319</u>

The net revenues of the Water and Waste Water Funds are pledged over the terms of the revenue bonds and loan in amounts equal to the total principal and interest payments above.

The Missouri State Constitution permits a city, by vote of either two-thirds or four-sevenths of the voting electorate, depending upon the date of the election, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way; construction; extending and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric, or other light plants, provided the total general obligation indebtedness does not exceed 20% of the assessed valuation of taxable property.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. LONG-TERM DEBT (Continued)

Business-Type Activities (Continued)

Capital Lease

In December 2018, the City entered into a personal property lease purchase agreement with Capital One Public Funding, LLC, to fund the purchase of new business-type metering equipment.

Property secured through this lease agreement will total \$1,335,000 with lease proceeds split between the City's Electric and Water funds. The lease requires semi-annual interest payments at 3.48% of the outstanding principal and annual lease payments of varying amounts starting in December 2019.

The annual debt service requirements to service the capital lease outstanding as of March 31, 2020, are detailed below.

Years Ending March 31,	Water Fund		Waste Water Fund		Total
	Principal	Interest	Principal	Interest	
2021	46,800	16,558	73,200	25,898	162,456
2022	46,800	14,929	73,200	23,351	158,280
2023	48,750	13,301	76,250	20,803	159,104
2024	50,700	11,604	79,300	18,150	159,754
2025	52,650	9,840	82,350	15,390	160,230
2026 - 2029	230,100	20,357	359,900	31,843	642,200
Total	<u>475,800</u>	<u>86,589</u>	<u>744,200</u>	<u>135,435</u>	<u>1,442,024</u>

NOTE 7. INTERFUND TRANSACTIONS

Transfers are used to move revenues from the fund that a statute or the budget requires to collect them, to the fund that a statute or the budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and to report payments in lieu of taxes and indirect cost allocations from the enterprise funds to the General Fund. For the year ended March 31, 2020, these amounts were \$394,548 and \$374,880, respectively.

Interfund receivable and payable activity represents transactions between the different funds under the City's control. In most cases, these balances represent short-term advances from one fund to another. The Interfund balance between the Water and Waste Water funds totaled \$310,000.

CITY OF ODESSA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 7. INTERFUND TRANSACTIONS (Continued)

Interfund transfers for the year ended March 31, 2020, consisted of the following:

<u>Transfers Out</u>	Transfers In				Total
	General	Park	Debt Service	Electric	
General		7,500	57,000		64,500
Transportation					
Sales Tax			47,820	8,838	56,658
Capital					
Improvement		60,465	47,820		108,285
Electric	356,483				356,483
Water	189,384				189,384
Waste Water	224,703				224,703
Total	770,570	67,965	152,640	8,838	1,000,013

NOTE 8. PENSION PLAN

Plan Description

The City of Odessa, Missouri, contributes to the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multi-employer, statewide public employee retirement plan for units of local government which is legally separate and fiscally independent of the state of Missouri. LAGERS was established in 1967 and is administered in accordance with RSMo. 70.600-70.755. LAGERS serves 695 local participating employers. These participating employers include 309 cities, 60 counties, and 346 other public entities during the plan year ended June 30, 2019.

Responsibility for the operation and administration of the plan is vested in the LAGERS Board of Trustees consisting of seven persons. Three trustees are elected by the employees who participate in the system, three trustees are elected by the members of the governing bodies of those political subdivisions which participate in the system, and one trustee is appointed by the governor. The regular term of office for members of the LAGERS Board of Trustees is four years. Members of the LAGERS Board of Trustees serve without compensation with respect to their duties, but are reimbursed by LAGERS for their actual and necessary expenses incurred in the performance of their duties.

For the City's year ending March 31, 2020, the net pension asset is based on an actuarial valuation performed as of February 28, 2019, and a measurement date of June 30, 2019.

CITY OF ODESSA, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Benefits Provided

LAGERS provides retirement, death, and disability benefits to employees of participating political subdivisions. All benefits vests after 5 years of service.

Employees who retire on or after age 60 (55 for police) with 5 or more years of service are entitled to an allowance for life based upon the benefit program then in effect for their political subdivision. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance. The LAGERS Board of Trustees establishes the benefit plans and provisions that are available for adoption. The political subdivision's governing body adopts all benefits of the plan. Benefit terms provide for annual postretirement 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.

At the date the actuarial valuation was performed, the City had 31 active employees, 27 inactive employees entitled to but not yet receiving benefits, and 43 inactive employees (or their beneficiaries) who are currently receiving benefits.

Contributions

Each participating unit of government is obligated by state law to make all required contributions to the plan. The required contributions are actuarially determined using the individual entry-age actuarial cost method. There are no long-term contracts for contributions to the plan. All actuarial liabilities are amortized over a period of 30 years or less. Administrative costs of LAGERS are financed through investment earnings of the system. Employee contributions are determined at the election of the governing body of the local government. Should the governing body elect to participate in the contributory plan, all employees must contribute four percent of gross salary. The governing body may elect to participate in the noncontributory plan which would result in no employee contributions.

Actuarial Assumptions

The pension liability for the June 30, 2019, measurement date was determined using the following actuarial assumptions applied to the measurement:

Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period of (ii) 15 years.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

Remaining Amortization Period	Multiple bases from 15 to 17 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	<p>The healthy retiree mortality tables, for postretirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for postretirement mortality, were the RP-2014 disabled mortality table for males and females. The preretirement mortality tables used were the RP-2014 employees mortality table for males and females.</p> <p>Both the postretirement and preretirement 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.</p>
Other information	None

Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits). The expected rate of return on pension investments is 7.25%, the municipal bond rate is 3.62% (based on the weekly rate closest to but not later than the measurement date of the 20-year Municipal GO AA Index from Fidelity). The resulting single discount rate is 7.25% for both the General and Police Divisions.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Discount Rate (Continued)

This rate considers the ability of the plan to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future.

The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years.

As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a "risk-free" rate is required, as described in the preceding paragraph.

LAGERS has provided tables to the City that provide background for the development of the single discount rate. These tables are described as follows:

The Projection of Contributions table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The Projection of Plan Fiduciary Net Position table shows the development of expected asset levels in future years.

The Present Values of Projected Benefit Payments table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

Assumed Asset Allocation

Activities undertaken by LAGERS Investment Team include setting and implementing investment strategies; appointing and dismissing investment managers; monitoring investment allocation, liquidity, and performance; and ensuring safekeeping of assets.

To achieve the goal of 7.25% long-term rate of return, LAGERS investment team sets an investment strategy which is devised after analyzing the long-term view of the market and consulting with LAGERS' Board of Trustees.

The assumed asset allocation is as follows:

Equities	42.00%
Fixed Income	21.00%
Real Assets/Return	30.00%
Strategic	7.00%

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Deferred Outflows and Inflows of Resources

The balances of deferred outflows and inflows of resources to be recognized in future pension expense consists of the following:

Deferred Outflows of Resources

Differences between expected and actual experience	229,464
Changes in assumptions	35,008
Employer contributions subsequent to the measurement date	<u>117,759</u>
	<u><u>382,231</u></u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	258,036
Differences between expected and actual experience	<u>150,834</u>
	408,870
Net deferred outflows (inflows) of resources	<u><u>(26,639)</u></u>

\$117,759 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended March 31, 2021.

Net deferred outflows (inflows) of resources by year to be recognized in future pension expenses:

Year Ending March 31,	Net deferred outflows (inflows) of resources
2020	(39,610)
2021	(88,349)
2022	(31,957)
2023	<u>15,518</u>
	<u><u>(144,398)</u></u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Changes in Net Pension Liability (Asset)

Total Pension Liability (Asset)	
Service cost	134,512
Interest on total pension liability	541,931
Differences between expected and actual experience of the total pension liability	289,007
Benefit payments, including refunds of employee contributions	<u>(392,849)</u>
Net change in total pension liability	572,601
Total pension liability - beginning	<u>7,601,817</u>
Total pension liability - ending	<u><u>8,174,418</u></u>
Plan Fiduciary Net Position	
Contributions - employer	152,693
Net investment income	547,895
Benefit payments, including refunds of employee contributions	<u>(392,849)</u>
Pension plan administrative expense	<u>(11,225)</u>
Other	<u>41,369</u>
Net change in fiduciary net position	337,883
Plan fiduciary net position - beginning	<u>8,672,616</u>
Plan fiduciary net position - ending	<u><u>9,010,499</u></u>
Net Pension Liability (Asset)	<u><u>(836,081)</u></u>

Pension Liability Sensitivity

The following table presents the net pension asset (liability) for the City's proportionate share of the net pension asset (liability) as of June 30, 2019, calculated using the discount rate of 7.25% for the General and Police Divisions, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1.00% Decrease 6.25%	Current Rate 7.25%	1.00% Increase 8.25%
General Division	(357,149)	560,698	1,315,225
Police Division	<u>8,483</u>	<u>275,383</u>	<u>488,671</u>
	<u><u>(348,666)</u></u>	<u><u>836,081</u></u>	<u><u>1,803,896</u></u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8. PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

Additional financial and actuarial information supporting the preparation of the schedule of changes in fiduciary net position is included in the System's Comprehensive Annual Financial Report for the year ended June 30, 2019. The Comprehensive Annual Financial Report can be obtained at www.molagers.org or from Missouri Local Area Government Employee Retirement System (LAGERS), P.O. Box 1665, Jefferson City, MO 65102.

NOTE 9. COMMITMENTS AND CONCENTRATIONS

Energy Purchase Agreement

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). MJMEUC manages a power pool known as Missouri Public Energy Pool No. 1 (MOPEP). The City is also a member of MOPEP. The MOPEP members have an agreement with MJMEUC for the purchase of electric capacity and energy. The agreement requires MJMEUC to supply the full energy requirements of the City and includes a procedure for the City to dedicate its capacity to MOPEP.

MOPEP operations are governed by a Pool Committee consisting of one representative from each MOPEP member and is currently comprised of 60 members. The Pool Committee is charged with setting rates for all services provided by MJMEUC to MOPEP members.

The rates include recovery of all of MJMEUC's costs incurred in connection with acquiring, providing, arranging, or financing the provision of full requirements service to MOPEP members. Such rates are based upon an annual budget and include, but are not limited to, all payments MJMEUC is required to make for reserves for coverage MJMEUC is required to maintain pursuant to any bond indenture, financing lease, or loan agreement or other financial contract in order to procure, deliver, or finance resources intended to provide full requirement service, without regard to whether any particular resource is available to or used by any particular MOPEP member. Costs also include amounts required to fund MOPEP capital and/or operating reserves as may be established from time to time by the Pool Committee.

The rates are established so as to charge each MOPEP member its proportionate share of all costs associated with MJMEUC's performance under the MOPEP agreement. Charges based on such rates are assessed and billed monthly. Rates are required to be established at least annually and are adjusted to recognize variances between budgeted and actual costs at least every six months.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. COMMITMENTS AND CONCENTRATIONS (Continued)

Energy Purchase Agreement (Continued)

To meet the power and energy requirements of the City and the other MOPEP members, MJMEUC presently obtains power and energy from the following resources: (i) power purchased under long-term firm energy contracts, unit contingent energy contracts, and interruptible contracts; (ii) MJMEUC owned generation; (iii) member capacity; and (iv) spot market purchases. The City purchases its full energy requirements from MJMEUC pursuant to the MOPEP agreement, but does not have any ownership interest in MJMEUC's resources.

In the event a member would cancel their MOPEP agreement, the member would remain responsible for its allocated share of MJMEUC's costs associated with all resource obligations entered into by MJMEUC for MOPEP prior to the notice of cancellation. MJMEUC would utilize or sell the member's allocated share of output in exchange for providing the member a credit or offset equal to the fair market value of the output up to the amount of the member's obligation.

As a result, a member would have a financial obligation after cancellation in the event that the fair market value of the output is less than the member's allocated share of MJMEUC's costs. Currently the City has no plans or intentions to begin cancellation proceedings. The City incurred costs of \$3,591,065 from MJMEUC during the year and owed MJMEUC \$303,073 as of March 31, 2020.

NOTE 10. COMPLIANCE WITH MISSOURI STATUTES

Missouri House Bill No. 103 amending RSMo Section 302.341.2 became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of annual general operating revenue from fines and costs for traffic violations.

Fines and costs for traffic violations	38,616
Annual general operating revenue	2,447,767
Fines and costs for traffic violations as a percentage of annual general operating revenue	1.58%

NOTE 11. RISK MANAGEMENT

In its normal course of business, the City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers' compensation; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three years.

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. OPERATING LEASES

The City has entered into various operating leases considered for accounting purposes to be an operating lease.

In May 2017, the City entered into an operating lease with Caterpillar Financial Services Corporation for a Utility Compactor Roller and an Asphalt Paver. Under the terms of these lease agreements, ten semi-annual payments of \$5,253 and \$18,743, respectively, are due. Expenditures under this lease agreement for year ending March 31, 2020, totaled \$47,959. Future minimum lease payments for the Utility Compactor Roller and Asphalt Paver are as follows:

For the Year Ending	Roller	Paver	Total
2021	10,473	37,486	47,959
2022	10,473	37,486	47,959
Total	<u>20,946</u>	<u>74,972</u>	<u>95,918</u>

NOTE 13. RESTRICTED CASH

Restricted cash and equivalents at March 31, 2020, consisted of the following:

	Restricted For					Total
	Capital Outlay	Community Building Deposits	Customer Deposits	Debt Service	Municipal Court	
General Fund		6,521			805	7,326
Park Fund	67,957					67,957
Transportation Sales Tax Fund	360,733					360,733
Capital Improvement Fund	789,940					789,940
Debt Service Fund				33,207		33,207
Electric Fund	43,521		581,734			625,255
Water Fund	63,767					63,767
Waste Water Fund				600,977		600,977
Total	<u>1,325,918</u>	<u>6,521</u>	<u>581,734</u>	<u>634,184</u>	<u>805</u>	<u>2,549,162</u>

CITY OF ODESSA, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

NOTE 14. ACCOUNTS RECEIVABLE

Accounts receivable at March 31, 2020, consisted of the following:

	Accounts	Interest	Taxes	Unbilled Revenues	Allowance for Doubtful Accounts	Receivables Net
General Fund						
General			155,761			155,761
Trash	31,913				(8,001)	23,912
Ambulance	695,819				(684,027)	11,792
Park Fund			47,757			47,757
Transportation Sales Tax Fund			39,258			39,258
Capital Improvement Fund			39,258			39,258
Electric Fund	545,384			127,558	(165,956)	506,986
Water Fund	159,971			43,125	(49,226)	153,870
Waste Water Fund	235,708	15,313		66,288	(54,251)	263,058
	<u>1,668,795</u>	<u>15,313</u>	<u>282,034</u>	<u>236,971</u>	<u>(961,461)</u>	<u>1,241,652</u>
Total						

NOTE 15. SUBSEQUENT EVENTS

Due to the recent spread of the Coronavirus (COVID-19), the decrease in business activities could impact the City for the year ending March 31, 2021. The dollar amount of possible related decreases in revenues or increases in expenses are not fully known at the time of issuance of the financial statements.

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through September 21, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ODESSA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 YEAR ENDED MARCH 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	1,022,665	1,022,665	1,112,893	90,228
Charges for services	988,756	988,756	824,446	(164,310)
Licenses, permits, and fees	91,704	91,704	101,821	10,117
Fines and forfeitures	42,120	42,120	39,524	(2,596)
Intergovernmental revenues	265,786	265,786	287,730	21,944
Interest	20,000	20,000	19,941	(59)
Other			39,771	39,771
Total revenues	<u>2,431,031</u>	<u>2,431,031</u>	<u>2,426,126</u>	<u>(4,905)</u>
EXPENDITURES				
General Government	569,866	569,866	589,302	(19,436)
Public Safety	1,775,410	1,775,410	1,611,230	164,180
Highways and Streets	394,868	394,868	363,643	31,225
Sanitation	258,210	258,210	259,695	(1,485)
Community Planning and Development	109,257	109,257	80,832	28,425
Municipal Court	31,748	31,748	26,710	5,038
Parks and Recreation			3,071	(3,071)
Total expenditures	<u>3,139,359</u>	<u>3,139,359</u>	<u>2,934,483</u>	<u>204,876</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(708,328)</u>	<u>(708,328)</u>	<u>(508,357)</u>	<u>199,971</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	772,828	772,828	770,570	(2,258)
Transfers out	(64,500)	(64,500)	(64,500)	
Total other financing sources (uses)	<u>700,828</u>	<u>708,328</u>	<u>706,070</u>	<u>(2,258)</u>
CHANGE IN FUND BALANCE			<u>197,713</u>	<u>197,713</u>
FUND BALANCE, beginning of year			<u>1,792,326</u>	
FUND BALANCE, end of year			<u>1,990,039</u>	

See accompanying notes to required supplementary information.

CITY OF ODESSA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 PARK FUND
 YEAR ENDED MARCH 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	331,048	331,048	371,883	40,835
Charges for services	168,285	168,285	135,656	(32,629)
Interest	500	500		(500)
Other	<u>2,000</u>	<u>2,000</u>	<u>2,752</u>	<u>752</u>
Total revenues	<u>501,833</u>	<u>501,833</u>	<u>510,291</u>	<u>8,458</u>
EXPENDITURES				
Parks and Recreation	394,460	394,460	372,681	21,779
Debt service				
Principal	120,000	120,000	120,000	
Interest and fiscal costs	<u>57,473</u>	<u>57,473</u>	<u>57,473</u>	
Total expenditures	<u>571,933</u>	<u>571,933</u>	<u>550,154</u>	<u>21,779</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(70,100)	(70,100)	(39,863)	30,237
OTHER FINANCING SOURCES				
Transfers in	<u>70,100</u>	<u>70,100</u>	<u>67,965</u>	<u>(2,135)</u>
CHANGE IN FUND BALANCE	<u> </u>	<u> </u>	<u>28,102</u>	<u>28,102</u>
FUND BALANCE, beginning of year			<u>64,291</u>	
FUND BALANCE, end of year			<u>92,393</u>	

See accompanying notes to required supplementary information.

CITY OF ODESSA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 TRANSPORTATION SALES TAX FUND
 YEAR ENDED MARCH 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	277,895	277,895	287,542	9,647
Interest			117	117
Total revenues	<u>277,895</u>	<u>277,895</u>	<u>287,659</u>	<u>9,764</u>
EXPENDITURES				
Highways and streets	56,493	56,493	75,773	(19,280)
Capital outlay	164,744	164,744	109,501	55,243
Total expenditures	<u>221,237</u>	<u>221,237</u>	<u>185,274</u>	<u>35,963</u>
EXCESS OF REVENUES OVER EXPENDITURES	56,658	56,658	102,385	45,727
OTHER FINANCING USES				
Transfers out	<u>(56,658)</u>	<u>(56,658)</u>	<u>(56,658)</u>	<u> </u>
CHANGE IN FUND BALANCE			<u>45,727</u>	<u>45,727</u>
FUND BALANCE, beginning of year			<u>354,264</u>	
FUND BALANCE, end of year			<u>399,991</u>	

See accompanying notes to required supplementary information.

CITY OF ODESSA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL IMPROVEMENT FUND
 YEAR ENDED MARCH 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	267,746	267,746	287,547	19,801
Interest	650	650	14,619	13,969
Total revenues	<u>268,396</u>	<u>268,396</u>	<u>302,166</u>	<u>33,770</u>
EXPENDITURES				
General Government	35,825	35,825	27,599	8,226
Capital outlay	1,507,120	1,507,120	217,052	1,290,068
Total expenditures	<u>1,542,945</u>	<u>1,542,945</u>	<u>254,014</u>	<u>1,288,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,274,549)</u>	<u>(1,274,549)</u>	<u>48,152</u>	<u>1,322,701</u>
OTHER FINANCING SOURCES (USES)				
Debt related costs				
Transfers in	1,384,970	1,384,970		(1,384,970)
Transfers out	(110,421)	(110,421)	(108,285)	2,136
Total other financing sources (uses)	<u>1,274,549</u>	<u>1,274,549</u>	<u>533,715</u>	<u>(740,834)</u>
CHANGE IN FUND BALANCE	<u> </u>	<u> </u>	<u>581,867</u>	<u>581,867</u>
FUND BALANCE, beginning of year			<u>233,796</u>	
FUND BALANCE, end of year			<u>815,663</u>	

See accompanying notes to required supplementary information.

CITY OF ODESSA, MISSOURI
 BUDGETARY COMPARISON SCHEDULE
 DEBT SERVICE FUND
 YEAR ENDED MARCH 31, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Special assessments	147,490	147,490		(147,490)
Other			460	460
Interest	700	700	431	(269)
Total revenues	<u>148,190</u>	<u>148,190</u>	<u>891</u>	<u>(147,299)</u>
 EXPENDITURES				
General Government	150,960	150,960	3,178	147,782
Debt service				
Principal	140,000	140,000	140,000	
Interest	9,870	9,870	9,870	
Total expenditures	<u>300,830</u>	<u>300,830</u>	<u>153,048</u>	<u>147,782</u>
 DEFICIENCY OF REVENUES UNDER EXPENDITURES	 (152,640)	 (152,640)	 (152,157)	 483
 OTHER FINANCING SOURCES				
Transfers in	<u>152,640</u>	<u>152,640</u>	<u>152,640</u>	<u> </u>
 CHANGE IN FUND BALANCE	 <u> </u>	 <u> </u>	 483	 <u>483</u>
 FUND BALANCE, beginning of year			<u>32,724</u>	
 FUND BALANCE, end of year			<u>33,207</u>	

See accompanying notes to required supplementary information.

CITY OF ODESSA, MISSOURI
NOTES TO BUDGETARY COMPARISON SCHEDULES

NOTE 1. BUDGETARY INFORMATION

Budgets for the City are prepared and adopted on the same basis of accounting as reported in the fund financial statements. The City performs the following procedures in establishing the budget:

The Budget Committee submits to the Board of Aldermen a proposed budget for the fiscal year commencing the following.

The budget is legally enacted through the passage of an ordinance.

Any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. The fund level constitutes the City's legal level of budgetary control. Reported budgeted amounts are as originally adopted and amended by resolution.

Appropriations lapse at fiscal year end but may be reappropriated in the following fiscal year.

CITY OF ODESSA, MISSOURI
 SCHEDULE OF EMPLOYER'S CONTRIBUTIONS
 FOR THE YEAR ENDED MARCH 31, 2020

Fiscal Year Ending March 31,	Actuarially Determined Contribution (a)	Contribution in Relation (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2011	135,983	125,681	10,302	1,614,623	7.78%
2012	161,066	145,194	15,872	1,660,618	8.74%
2013	159,593	154,962	4,631	1,588,141	9.76%
2014	173,507	173,507		1,734,519	10.00%
2015	162,552	162,552		1,716,130	9.47%
2016	148,713	148,713		1,656,628	8.98%
2017	127,693	127,693		1,540,202	8.29%
2018	107,436	107,436		1,360,516	7.90%
2019	143,975	143,975		1,643,972	8.76%
2020	158,581	154,687	3,894	1,738,848	8.90%

CITY OF ODESSA, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
YEAR ENDED MARCH 31, 2020

	September 30, 2016	March 31, 2018	March 31, 2019	March 31, 2020
Net pension liability (asset) - beginning	(898,631)	(378,602)	(1,025,616)	(1,070,799)
Service cost	144,271	137,041	107,477	134,512
Interest on total pension liability	500,095	521,968	506,183	541,931
Changes in benefit terms			198,404	
Difference between expected and actual experience of the total pension liability	(214,374)	(399,644)	125,998	289,007
Changes in assumptions	250,856			
Contributions - employer	(147,843)	(113,861)	(112,773)	(152,693)
Net investment (income) loss	14,401	(955,246)	(1,021,863)	(547,895)
Pension plan administrative expense	7,233	7,079	7,852	11,225
Other	<u>(34,610)</u>	<u>155,649</u>	<u>143,539</u>	<u>(41,369)</u>
Net pension liability (asset) - ending	<u>(378,602)</u>	<u>(1,025,616)</u>	<u>(1,070,799)</u>	<u>(836,081) **</u>
* Schedule is to be provided prospectively beginning with the fiscal year ending September 30, 2016.				
** For further analysis of the Changes in Net Pension Liability, see the disclosure in Note 8.				
Fiduciary net position as a percentage of the total pension liability	(2,036.48)%	(800.57)%	(809.92)%	(809.92)%
Covered payroll	1,656,628	1,360,516	1,643,972	1,738,848
Net pension liability (asset) as a percentage of covered payroll	-22.85%	-75.38%	-65.13%	-48.08%



**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

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 Odessa, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Odessa, Missouri, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City of Odessa, Missouri's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Odessa, 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 Odessa, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Odessa, Missouri'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies as items 2020-001 and 2020-002.

Compliance and Other Matters

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

City of Odessa, Missouri's Response to Findings

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

Purpose of this Report

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

Dana F Cole + Company, LLP

Overland Park, Kansas
September 21, 2020

CITY OF ODESSA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

2020-001 SEGREGATION OF DUTIES

Criteria

The City has a lack of segregation of duties related to certain financial transactions.

Condition and Context

The concept of segregation of duties is such that the authorization and recording of transactions, and access to the related assets is not the responsibility of the same individual.

Cause

The City has a limited number of employees to fully segregate duties.

Potential Effect

A lack of segregation of duties increases the risk of loss or errors in recording transactions, safeguarding assets, and financial statement reporting.

Recommendation

Although the small size of the City's accounting and other staff limits the full extent of segregation of duties, we believe certain additional procedures and reviews could be implemented to reduce the effect of incompatible duties.

Views of Responsible Officials

The City concurs with the recommendations that the City of Odessa, Missouri, would be best served by segregating fiscal duties as outlined above. At the current time, the additional staff required to implement the recommendation is not practical in order to allow us to fully implement the recommendation. The City's Board of Aldermen and management will remain actively involved in the financial affairs of the City to provide oversight and independent review functions.

2020-002 RELIANCE UPON THE AUDITOR

Criteria

As described in our engagement letter, management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of financial statements, in conformity with accounting principles generally accepted in the United States of America.

CITY OF ODESSA, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MARCH 31, 2020

2020-002 RELIANCE UPON THE AUDITOR (Continued)

Condition and Context

Management should possess the ability to record necessary adjustments and to prepare financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America without the assistance from the auditors. During our audit, the auditors prepared a draft of the financial statements and note disclosures from a trial balance containing necessary adjustments to properly present the City's financial records.

Cause

Change in personnel within the City determined the need for the auditors to draft the year end financial statements, including the note disclosures and supplementary information.

Potential Effect

The potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control.

Recommendation

We recommend that the City review and approve the proposed auditor adjusting entries, the adequacy of the financial statement disclosures, and apply analytical procedures and other procedures determined necessary in reviewing the draft of the financial statements.

Views of Responsible Officials

The City relies on the auditors to propose adjustments necessary to prepare the financial statements including the related note disclosures. The City reviews such financial statements and related disclosures and approves all adjustments.

CITY OF ODESSA, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED MARCH 31, 2020

2019-001 SEGREGATION OF DUTIES

The City has a limited number of personnel involved in the accounting function, thus limiting its internal control procedures in relation to certain financial transactions. This is a continued finding as noted in item 2020-001.

2019-002 RELIANCE UPON THE AUDITOR

Management should possess the ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America without assistance from the auditors. The preparation of financial statements under this basis of accounting would require that management possess the ability to properly record and classify transactions in a general ledger and prepare the financial statements and related disclosures without assistance from the auditors. This is a continued finding as noted in item 2020-002.