

City of Oronogo, Missouri

BASIC FINANCIAL STATEMENTS Year Ended June 30, 2020

KPM
CPAS & ADVISORS

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oronogo, Missouri, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, business-type activities, and each major fund of the City of Oronogo, Missouri, as of June 30, 2020, and the respective changes in the modified cash basis financial position and cash flows, where applicable, thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oronogo, Missouri's basic financial statements. The budgetary comparison information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 6, 2020

Government-Wide Financial Statements

City of Oronogo

Statement of Net Position – Modified Cash Basis

June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 889,323	\$ 964,334	\$ 1,853,657
Investments - unrestricted	102,691	331,766	434,457
Cash and cash equivalents - restricted	40,084	231,000	271,084
Total Assets	<u>\$ 1,032,098</u>	<u>\$ 1,527,100</u>	<u>\$ 2,559,198</u>
Net Position			
Restricted	\$ 419,215	\$ 231,000	\$ 650,215
Unrestricted	612,883	1,296,100	1,908,983
Total Net Position	<u>\$ 1,032,098</u>	<u>\$ 1,527,100</u>	<u>\$ 2,559,198</u>

See accompanying notes to the financial statements.

City of Oronogo

Statement of Activities – Modified Cash Basis

Year Ended June 30, 2020

Functions/Programs	<u>Disbursements</u>	Program Receipts			Net (Disbursements), Receipts and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities							
Administrative	\$ (282,136)	\$ 172,370	\$ 25	\$ -	\$ (109,741)	\$ -	\$ (109,741)
Police	(333,704)	500	7,367	-	(325,837)	-	(325,837)
Municipal court	(37,885)	69,119	-	-	31,234	-	31,234
Streets	(143,380)	-	-	-	(143,380)	-	(143,380)
Stormwater	(1,702)	-	-	-	(1,702)	-	(1,702)
Park	(32,529)	-	-	-	(32,529)	-	(32,529)
Total Governmental Activities	(831,336)	241,989	7,392	-	(581,955)	-	(581,955)
Business-Type Activities							
Water and sewer	(720,548)	777,529	-	-	-	56,981	56,981
Natural gas	(104,538)	162,519	-	-	-	57,981	57,981
Total Business-Type Activities	(825,086)	940,048	-	-	-	114,962	114,962
Total Government	\$ (1,656,422)	\$ 1,182,037	\$ 7,392	\$ -	(581,955)	114,962	(466,993)
General Receipts							
Ad valorem taxes					97,295	-	97,295
Sales taxes					238,389	-	238,389
Franchise taxes					116,089	-	116,089
Motor vehicle taxes					93,906	-	93,906
Interest					11,170	13,027	24,197
Other receipts					67,598	-	67,598
Transfers					(23,221)	23,221	-
Total General Receipts and Transfers					601,226	36,248	637,474
<i>Changes in Net Position</i>					19,271	151,210	170,481
Net Position, Beginning of year					1,012,827	1,375,890	2,388,717
Net Position, End of year					\$ 1,032,098	\$ 1,527,100	\$ 2,559,198

See accompanying notes to the financial statements.

Fund Financial Statements

City of Oronogo

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

June 30, 2020

	Special Revenue Funds			Total Governmental Funds
	General Fund	Street Fund	Stormwater Fund	
Assets				
Cash and cash equivalents - unrestricted	\$ 612,883	\$ 211,952	\$ 64,488	\$ 889,323
Investments - unrestricted	-	-	102,691	102,691
Cash and cash equivalents - restricted	6,260	-	33,824	40,084
Total Assets	\$ 619,143	\$ 211,952	\$ 201,003	\$ 1,032,098
Fund Balance				
Restricted for				
Law enforcement training	\$ 4,309	\$ -	\$ -	\$ 4,309
Judicial education	1,951	-	-	1,951
Stormwater buyout and reserve	-	-	33,824	33,824
Streets	-	211,952	-	211,952
Stormwater improvements	-	-	167,179	167,179
Unassigned	612,883	-	-	612,883
Total Fund Balances	\$ 619,143	\$ 211,952	\$ 201,003	\$ 1,032,098

See accompanying notes to the financial statements.

City of Oronogo

Statement of Receipts, Disbursements, and Changes in Fund Balances – Governmental Funds – Modified Cash Basis

Year Ended June 30, 2020

	Special Revenue Funds			Total Governmental Funds
	General Fund	Street Fund	Stormwater Fund	
Receipts				
Taxes	\$ 338,610	\$ 152,881	\$ 54,188	\$ 545,679
Licenses and permits	17,548	-	-	17,548
Intergovernmental receipts	7,367	-	-	7,367
Charges for services	155,322	-	-	155,322
Fines and forfeitures	69,119	-	-	69,119
Miscellaneous	74,194	748	3,851	78,793
Total Receipts	662,160	153,629	58,039	873,828
Disbursements				
Current				
Administrative	282,136	-	-	282,136
Police	333,704	-	-	333,704
Municipal court	37,885	-	-	37,885
Streets	-	143,380	-	143,380
Stormwater	-	-	1,702	1,702
Park	-	-	32,529	32,529
Total Disbursements	653,725	143,380	34,231	831,336
<i>Excess of Receipts Over Disbursements</i>	8,435	10,249	23,808	42,492
Other Financing (Uses)				
Transfer (out)	-	-	(23,221)	(23,221)
<i>Excess of Receipts Over Disbursements and Other (Uses)</i>	8,435	10,249	587	19,271
Fund Balance, July 1	610,708	201,703	200,416	1,012,827
Fund Balance, June 30	\$ 619,143	\$ 211,952	\$ 201,003	\$ 1,032,098

See accompanying notes to the financial statements.

City of Oronogo

Statement of Net Position – Proprietary Funds – Modified Cash Basis

June 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Assets			
Cash and cash equivalents - unrestricted	\$ 794,532	\$ 169,802	\$ 964,334
Investments - unrestricted	126,383	205,383	331,766
Cash and cash equivalents - restricted	206,197	24,803	231,000
Total Assets	<u>\$ 1,127,112</u>	<u>\$ 399,988</u>	<u>\$ 1,527,100</u>
Net Position			
Restricted	\$ 206,197	\$ 24,803	\$ 231,000
Unrestricted	920,915	375,185	1,296,100
Total Net Position	<u>\$ 1,127,112</u>	<u>\$ 399,988</u>	<u>\$ 1,527,100</u>

See accompanying notes to the financial statements.

City of Oronogo

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

Year Ended June 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Operating Receipts			
Charges for services	\$ 775,372	\$ 157,454	\$ 932,826
Other	2,157	5,065	7,222
Total Operating Receipts	<u>777,529</u>	<u>162,519</u>	<u>940,048</u>
Operating Disbursements			
Wages and benefits	214,042	7,667	221,709
Professional services	31,292	5,750	37,042
Utilities	51,880	327	52,207
Insurance	18,635	2,245	20,880
Supplies	7,125	1,971	9,096
Travel, meetings, and dues	1,960	1,638	3,598
Vehicle expense	4,036	528	4,564
Repairs and maintenance	87,643	33,775	121,418
Advertising	741	108	849
Sewer plant	73,401	-	73,401
Natural gas	-	49,809	49,809
Miscellaneous	43,343	720	44,063
Total Operating Disbursements	<u>534,098</u>	<u>104,538</u>	<u>638,636</u>
<i>Operating Income</i>	243,431	57,981	301,412
Nonoperating Receipts (Disbursements)			
Interest receipts	7,362	5,665	13,027
Capital outlay	(43,793)	-	(43,793)
Debt service			
Principal	(72,542)	-	(72,542)
Interest	(69,263)	-	(69,263)
Fees	(852)	-	(852)
Total Nonoperating Receipts (Disbursements)	<u>(179,088)</u>	<u>5,665</u>	<u>(173,423)</u>
<i>Net Income Before Operating Transfers</i>	64,343	63,646	127,989
Operating Transfers In	<u>23,221</u>	<u>-</u>	<u>23,221</u>
<i>Net Income</i>	87,564	63,646	151,210
Net Position, July 1	<u>1,039,548</u>	<u>336,342</u>	<u>1,375,890</u>
Net Position, June 30	<u><u>\$ 1,127,112</u></u>	<u><u>\$ 399,988</u></u>	<u><u>\$ 1,527,100</u></u>

See accompanying notes to the financial statements.

City of Oronogo

Statement of Cash Flows – Proprietary Funds – Modified Cash Basis

Year Ended June 30, 2020

	Enterprise Funds		
	Water and Sewer Fund	Natural Gas Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 777,529	\$ 162,519	\$ 940,048
Cash paid to suppliers	(320,056)	(96,871)	(416,927)
Cash paid to employees	(214,042)	(7,667)	(221,709)
Net Cash Provided by Operating Activities	243,431	57,981	301,412
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	23,221	-	23,221
Net Cash Provided by Noncapital Financing Activities	23,221	-	23,221
Cash Flows from Capital and Related Financing Activities			
Payment of bond principal	(72,542)	-	(72,542)
Payment of interest expense	(69,263)	-	(69,263)
Payment of fees	(852)	-	(852)
Purchase of capital outlay	(43,793)	-	(43,793)
Net Cash (Used) by Capital and Related Financing Activities	(186,450)	-	(186,450)
Cash Flows from Investing Activities			
Purchase of investments	-	(4,634)	(4,634)
Sale of investments	403,994	-	403,994
Interest received on cash and investments	7,362	5,665	13,027
Net Cash Provided by Investing Activities	411,356	1,031	412,387
<i>Net Increase In Cash and Cash Equivalents</i>	491,558	59,012	550,570
Cash and Cash Equivalent, Beginning of year	509,171	135,593	644,764
Cash and Cash Equivalent, End of year	1,000,729	194,605	1,195,334
Less Restricted Cash and Cash Equivalent	206,197	24,803	231,000
Unrestricted Cash and Cash Equivalent	\$ 794,532	\$ 169,802	\$ 964,334
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 243,431	\$ 57,981	\$ 301,412
Adjustments to reconcile operating income to net cash provided by operating activities	-	-	-
Net Cash Provided by Operating Activities	\$ 243,431	\$ 57,981	\$ 301,412

See accompanying notes to the financial statements.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

1. Summary of Significant Accounting Policies

The City of Oronogo, Missouri, (the City) operates as a fourth class city under an elected Mayor - Board of Aldermen form of government and provides the following services: public safety, streets, parks and recreation, planning and development, and general administrative services. Other services include water, sewer, and trash operations.

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

Financial Reporting Entity

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

Basis of Presentation

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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 not accounted for in other funds.

Street Fund: The Street Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for City streets.

Stormwater Fund: The Stormwater Fund is used to account for the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for stormwater improvements.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

Proprietary Fund Types

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Natural Gas Fund: The Natural Gas Fund accounts for the activities and capital improvements of the City's natural gas operations.

Basis of Accounting

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

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

If the City used the basis of accounting recognized as generally accepted in the United States of America, the fund financial statements for the governmental funds would use the modified accrual basis of accounting and the proprietary fund would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting and would include capital assets and long-term debt.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on-demand to be cash equivalents.

Vacation and Sick Leave

Use of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on City disbursements in any one year.

Property Taxes

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

Long-Term Debt

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

City of Oronogo

Notes to the Financial Statements

June 30, 2020

Capital Outlay

Capital assets are property and equipment purchases and are recorded as disbursements at the time the goods are paid for and received.

Fund Balance Classification

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

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

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

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

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

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

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

Net Position

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

Restricted net position: Consists of the net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position: Consists of the financial position that does not meet the definition of “restricted.”

When a disbursement is made for purposes for which both restricted and unrestricted net position (equity) are available, the City first applies restricted net position.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

Program Receipts

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

Operating Receipts and Disbursements

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

2. Cash & Cash Equivalents

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2020, all bank balances on deposit are entirely insured or collateralized.

3. Investments

The City has the following investments at June 30, 2020:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	7/30/20 - 3/12/21	<u>\$ 434,457</u>

Certificates of Deposit

Certificates of Deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination, therefore were not subject to fair value measurements within the fair value hierarchy established by generally accepted accounting principles. State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2020, all Certificates of Deposit are entirely insured or collateralized with securities.

Interest Rate Risk

The City does not have a policy on interest rate risk.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

4. Restricted Assets

Cash and cash equivalents, fund balance, and net position have been restricted as follows:

	Restricted Cash and Cash Equivalents	Restricted Fund Balance/ Net Position
General Fund		
Law enforcement training	\$ 4,309	\$ 4,309
Judicial education	1,951	1,951
	\$ 6,260	\$ 6,260
Street Fund		
Streets	\$ -	\$ 211,952
Stormwater Fund		
Stormwater buyout and reserve	\$ 33,824	\$ 33,824
Stormwater improvements	-	167,179
	\$ 33,824	\$ 201,003
Water and Sewer Fund		
Debt service reserve	\$ 114,612	\$ 114,612
Replacement & extension	16,952	16,952
Customer utility deposits	74,633	74,633
	\$ 206,197	\$ 206,197
Natural Gas Fund		
Customer utility deposits	\$ 24,803	\$ 24,803

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

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due December 31. The county collects the property taxes and remits them to the City.

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

	2019
Assessed Valuation	
Real estate	\$ 18,047,616
Personal property	5,478,808
Total	\$ 23,526,424

City of Oronogo

Notes to the Financial Statements

June 30, 2020

	2019
Tax Rates Per \$100 of Assessed Valuation	
General Fund	\$.2728
Street Fund	.1302
Total	\$.4030

The legal debt margin at June 30, 2020, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 2,352,642	\$ 2,352,642	\$ 4,705,284
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 2,352,642	\$ 2,352,642	\$ 4,705,284

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

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

6. Long-Term Debt – Governmental Activities

Long-term debt for governmental activities at June 30, 2020, consists of compensated absences.

The following table is a summary of the changes in the long-term debt of the governmental activities:

	Balance June 30, 2019	Additions	Retirements	Balance June 30, 2020
Compensated Absences	\$ 7,291	\$ 25	\$ -	\$ 7,316

7. Long-Term Debt – Business-Type Activities

Long-term debt for business-type activities at June 30, 2020, consists of the 2016D Combined Waterworks and Sewerage Revenue Bond, 2016A Combined Waterworks and Sewerage Refunding Revenue Bonds, 2016B Combined Waterworks and Sewerage Revenue Bonds, and compensated absences.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

Revenue Bonds

On July 26, 2016, the City issued \$500,000 in Combined Waterworks and Sewerage Revenue Bonds for the purpose of constructing, furnishing and equipping improvements to the City's combined waterworks and sewerage system. The bonds bear interest at the rate of 2.5%. Principal and interest payments are due monthly in the amount of \$1,991. The revenue bonds are a direct placement/direct borrowing debt issuance. If the City defaults in the payment of principal or interest on the bonds as they become due for a period of 60 days after written notice specifying such default has been given to the City, by the registered owner of any bond then outstanding, then at any time thereafter and while such default continues, the registered owners of 25% in principal amounts of the bonds outstanding may, by written notice to the City, declare the principal of all bonds then outstanding to be due and payable immediately. Annual debt service requirements to amortize the principal on the bonds outstanding at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 12,703	\$ 11,189	\$ 23,892
2022	13,025	10,867	23,892
2023	13,354	10,538	23,892
2024	13,692	10,200	23,892
2025	14,038	9,854	23,892
2026	14,393	9,499	23,892
2027	14,757	9,135	23,892
2028	15,130	8,762	23,892
2029	15,513	8,379	23,892
2030	15,905	7,987	23,892
2031	16,307	7,585	23,892
2032	16,719	7,173	23,892
2033	17,142	6,750	23,892
2034	17,576	6,316	23,892
2035	18,020	5,872	23,892
2036	18,476	5,416	23,892
2037	18,943	4,949	23,892
2038	19,422	4,470	23,892
2039	19,913	3,979	23,892
2040	20,417	3,475	23,892
2041	20,933	2,959	23,892
2042	21,463	2,429	23,892
2043	22,005	1,887	23,892
2044	22,538	1,354	23,892
2045	23,108	784	23,892
2046	17,701	200	17,901
	<u>\$ 453,193</u>	<u>\$ 162,008</u>	<u>\$ 615,201</u>

City of Oronogo

Notes to the Financial Statements

June 30, 2020

On August 18, 2016, the City issued \$1,640,000 in Combined Waterworks and Sewerage Refunding Revenue Bonds for the purpose of refinancing the City's 2005C Combined Waterworks and Sewerage Revenue Bonds. The bonds bear interest at the varying rate of 1.00% to 3.60%. Principal payments are due December 1 and interest payments are due June 1 and December 1 of each year. If the City defaults in the payment of principal or interest on the bonds as they become due for a period of 60 days after written notice specifying such default has been given to the City, by the registered owner of any bond then outstanding, then at any time thereafter and while such default continues, the registered owners of 25% in principal amounts of the bonds outstanding may, by written notice to the City, declare the principal of all bonds then outstanding to be due and payable immediately. Annual debt service requirements to amortize the principal on the bonds outstanding at June 30, 2020, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 55,000	\$ 44,020	\$ 99,020
2022	55,000	42,975	97,975
2023	55,000	41,820	96,820
2024	55,000	40,555	95,555
2025	60,000	39,115	99,115
2026	60,000	38,335	98,335
2027	65,000	37,525	102,525
2028	65,000	35,805	100,805
2029	65,000	33,888	98,888
2030	70,000	31,873	101,873
2031	70,000	29,780	99,780
2032	75,000	27,610	102,610
2033	75,000	25,363	100,363
2034	80,000	22,925	102,925
2035	80,000	20,290	100,290
2036	85,000	17,570	102,570
2037	90,000	14,765	104,765
2038	90,000	11,790	101,790
2039	95,000	8,640	103,640
2040	100,000	5,310	105,310
	<u>\$ 1,445,000</u>	<u>\$ 569,954</u>	<u>\$ 2,014,954</u>

On August 18, 2016, the City issued \$425,000 in Combined Waterworks and Sewerage Revenue Bonds for the purpose of constructing, furnishing and equipping improvements to the City's combined waterworks and sewerage system. The bonds bear interest at the varying rate of 2.10% to 3.70%. Principal payments are due December 1 and interest payments are due June 1 and December 1 of each year. If the City defaults in the payment of principal or interest on the bonds as they become due for a period of 60 days after written notice specifying such default has been given to the City, by the registered owner of any bond then outstanding, then at any time thereafter and while such default continues, the registered owners of 25% in principal amounts of the bonds outstanding may, by written notice to the City, declare the principal of all bonds then outstanding to be due and payable immediately.

Annual debt service requirements to amortize the principal on the bonds outstanding at June 30, 2020, are as follows:

City of Oronogo

Notes to the Financial Statements

June 30, 2020

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,000	\$ 12,790	\$ 22,790
2022	10,000	12,580	22,580
2023	10,000	12,325	22,325
2024	10,000	12,025	22,025
2025	10,000	11,725	21,725
2026	10,000	11,425	21,425
2027	10,000	11,125	21,125
2028	10,000	10,825	20,825
2029	15,000	10,435	25,435
2030	10,000	10,035	20,035
2031	15,000	9,635	24,635
2032	15,000	9,425	24,425
2033	15,000	8,653	23,653
2034	15,000	8,127	23,127
2035	15,000	7,603	22,603
2036	15,000	7,077	22,077
2037	15,000	6,553	21,553
2038	20,000	5,920	25,920
2039	15,000	5,272	20,272
2040	15,000	4,718	19,718
2041	120,000	2,220	122,220
	<u>\$ 380,000</u>	<u>\$ 190,493</u>	<u>\$ 570,493</u>

The following table is a summary of the changes in the long-term debt of the business-type activities:

	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2020</u>	<u>Amounts Due Within One Year</u>
Direct Placement					
2016D Revenue Bonds	\$ 465,735	\$ -	\$ 12,542	\$ 453,193	\$ 12,703
2016A Refunding Revenue Bonds	1,495,000	-	50,000	1,445,000	55,000
2016B Revenue Bonds	390,000	-	10,000	380,000	10,000
Compensated Absences	5,684	-	945	4,739	-
	<u>\$ 2,356,419</u>	<u>\$ -</u>	<u>\$ 73,487</u>	<u>\$ 2,282,932</u>	<u>\$ 77,703</u>

8. Risk Management

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

City of Oronogo

Notes to the Financial Statements

June 30, 2020

9. Claims & Adjustments

The City participates in a number of programs that are fully or partially funded by grants received from other governmental units. Disbursements financed by grants are subject to audit by the appropriate grantor government. If disbursements are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2020, disbursements have not been audited by grantor governments, but the City believes that disallowed disbursements, if any, based on subsequent audits, will not have a material effect on any of the individual government funds or the overall financial position of the City.

10. Pledged Receipts

The City has pledged future water and sewer customer receipts to repay the 2016A, 2016B, and 2016D Combined Waterworks and Sewerage System Revenue Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net receipts and are payable through 2046. Net receipts are receipts of the system less disbursements of the system. The total principal and interest remaining to be paid on the bonds is \$3,200,648. Principal and interest paid for the current year and total customer net receipts were \$141,805 and \$243,431, respectively.

11. Intermunicipal Agreements

Wastewater Treatment Facilities and Treatment

The Center Creek Wastewater Treatment Board provides wastewater treatment services to the citizens of Webb City, Cartersville, and Oronogo, Missouri. In accordance with Missouri law, the Utility is operated by a Board of Directors. Bonded debt must be authorized by a resolution of the Board of Directors and approved by a vote of the citizens. The Center Creek Wastewater Treatment Board is a jointly governed organization between the cities of Webb City, Cartersville, and Oronogo, Missouri, and authorized by an enactment of the Missouri General Assembly. The Board is a component entity of the City of Webb City, Missouri, because the City of Webb City appoints a voting majority, or five of ten members of the Board, which is comprised of:

- The Mayors of Webb City, Cartersville, and Oronogo.
- Four citizens of Webb City, appointed by the Mayor and confirmed by the City Council.
- Two citizens of Cartersville and one citizen of Oronogo, appointed by the Mayor and confirmed by the City Council.

The purpose of the Board is to provide responsibility for the operation, maintenance, and replacement of jointly constructed wastewater facilities, which include a wastewater facility, interceptor sewers, pumping facilities, and force main.

City of Oronogo

Notes to the Financial Statements

June 30, 2020

In accordance with the inter-municipal agreement, ownership and responsibility for operation, maintenance and replacement costs are allocated to each city based on flow consumption of the previous year. These percentages are as follows:

City of Webb City	81.21%
City of Cartersville	10.83%
City of Oronogo	7.96%

The Center Creek Wastewater Treatment Board issued separate financial statements that may be obtained by calling (417) 673-4651.

12. Risks & Uncertainties

During 2020, a strain of Coronavirus (COVID-19) was identified as a global pandemic and began affecting the health of large portions of the global population. The detrimental impact of this virus is not yet fully determinable, but will likely continue to be significant for both the City and the overall economy. COVID-19 has been identified as a significant risk and uncertainty that could impact future operations.

13. Interfund Transfers

Transfers between funds of the City for the year ended June 30, 2020, were as follows:

	<u>Transfers In (Out)</u>
Stormwater Fund	\$ (23,221)
Water and Sewer Fund	23,221
	<u>\$ -</u>

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

Supplementary Information

City of Oronogo

Budgetary Comparison Schedule – General Fund – Modified Cash Basis

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Receipts				
Taxes				
Ad valorem taxes	\$ 90,700	\$ 90,700	\$ 92,508	\$ 1,808
Sales taxes	122,500	122,500	130,013	7,513
Franchise taxes	127,500	127,500	116,089	(11,411)
	<u>340,700</u>	<u>340,700</u>	<u>338,610</u>	<u>(2,090)</u>
Licenses and Permits				
Merchants licenses	2,700	2,700	5,423	2,723
Animal license	300	300	578	278
Building permits	3,500	3,500	11,496	7,996
Garage sale permits	75	75	51	(24)
	<u>6,575</u>	<u>6,575</u>	<u>17,548</u>	<u>10,973</u>
Intergovernmental Receipts				
Grants	53,300	53,300	7,367	(45,933)
Charges for Services				
Trash	125,000	125,000	133,197	8,197
Board fees	2,500	2,500	500	(2,000)
Planning and zoning	12,000	12,000	21,625	9,625
	<u>139,500</u>	<u>139,500</u>	<u>155,322</u>	<u>15,822</u>
Fines and Forfeitures				
City court fines	60,000	60,000	69,119	9,119
Miscellaneous				
Rentals	7,200	7,200	7,200	-
Donations	50	50	25	(25)
Interest	3,503	3,503	6,954	3,451
Other receipts	45,625	45,625	60,015	14,390
	<u>56,378</u>	<u>56,378</u>	<u>74,194</u>	<u>17,816</u>
Total Receipts	<u>656,453</u>	<u>656,453</u>	<u>662,160</u>	<u>5,707</u>

City of Oronogo

Budgetary Comparison Schedule – General Fund – Modified Cash Basis

Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Disbursements				
Current				
Administrative	301,715	301,715	282,136	19,579
Police	358,760	358,760	333,704	25,056
Municipal court	38,301	38,301	37,885	416
Total Disbursements	<u>698,776</u>	<u>698,776</u>	<u>653,725</u>	<u>45,051</u>
 <i>Excess (Deficit) of Receipts Over Disbursements</i>	 (42,323)	 (42,323)	 8,435	 50,758
 Fund Balance, July 1	 610,708	 610,708	 610,708	 -
Fund Balance, June 30	<u><u>\$ 568,385</u></u>	<u><u>\$ 568,385</u></u>	<u><u>\$ 619,143</u></u>	<u><u>\$ 50,758</u></u>

City of Oronogo

Budgetary Comparison Schedule – Street Fund – Modified Cash Basis

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Receipts				
Taxes				
Sales taxes	\$ 49,500	\$ 49,500	\$ 54,188	\$ 4,688
Ad valorem taxes	5,100	5,100	4,787	(313)
Motor vehicle taxes	88,000	88,000	93,906	5,906
	142,600	142,600	152,881	10,281
Miscellaneous				
Interest	800	800	488	(312)
Other receipts	-	-	260	260
	800	800	748	(52)
Total Receipts	143,400	143,400	153,629	10,229
Disbursements				
Current				
Streets	153,400	153,400	143,380	10,020
Total Disbursements	153,400	153,400	143,380	10,020
<i>Excess (Deficit) of Receipts Over Disbursements</i>	(10,000)	(10,000)	10,249	20,249
Fund Balance, July 1	201,703	201,703	201,703	-
Fund Balance, June 30	\$ 191,703	\$ 191,703	\$ 211,952	\$ 20,249

City of Oronogo

Budgetary Comparison Schedule – Stormwater Fund – Modified Cash Basis

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Receipts				
Taxes				
Sales taxes	\$ 51,000	\$ 51,000	\$ 54,188	\$ 3,188
Miscellaneous				
Interest	1,105	1,105	3,728	2,623
Other	150	150	123	(27)
	1,255	1,255	3,851	2,596
Total Receipts	52,255	52,255	58,039	5,784
Disbursements				
Current				
Stormwater	24,000	24,000	1,702	22,298
Park	33,850	33,850	32,529	1,321
Total Disbursements	57,850	57,850	34,231	23,619
<i>Excess (Deficit) of Receipts Over Disbursements</i>	(5,595)	(5,595)	23,808	(29,403)
Other Financing (Uses)				
Transfer (out)	-	-	(23,221)	23,221
<i>Excess (Deficit) of Receipts Over Disbursements and Other (Uses)</i>	(5,595)	(5,595)	587	(6,182)
Fund Balance, July 1	200,416	200,416	200,416	-
Fund Balance, June 30	\$ 194,821	\$ 194,821	\$ 201,003	\$ (6,182)

City of Oronogo

Note to the Budgetary Comparison Schedules

Year Ended June 30, 2020

Budgets and Budgetary Accounting

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

1. Prior to July, the City Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed disbursement plans and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late May or early June to obtain taxpayers' comments on the proposed budget.
3. Prior to July 1, the City adopts a budget.
4. The budget for the City is adopted on the modified cash basis. Budgeted amounts may be amended during the year by the City.



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

In planning and performing our audit of the financial statements of the City of Oronogo, Missouri as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We believe that the following deficiency constitutes a material weakness.

Segregation of Duties

The City does not have an adequate segregation of duties within the various accounting functions. The basic premise behind the segregation of duties is that no one employee should have access to all phases of a transaction, to help prevent errors and irregularities. This weakness is found in the majority of smaller entities.

We Recommend:

The City take any steps economically feasible to segregate incompatible duties to help protect the City's assets. However, due to the nature of this weakness, further steps may not be practical.

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Member of The Leading Edge Alliance

In addition to the material weakness discussed in the preceding paragraphs, we became aware of an additional matter to bring to your attention. The following paragraphs summarize our comments and suggestions regarding this matter.

Cash Balance Minimum Reserves

During our audit, we noted the City did not have a written policy regarding minimum cash balance reserves for funds. Although current balances appear sufficient for contingencies, having a formal policy in place will help assess what funds are available for extraordinary department expenses.

We Recommend:

The City design a policy on minimum cash balance reserves to avoid potential future cash flow difficulties and provide a roadmap for funds available for future projects.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the City's administrative personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies of these matters or to assist you in implementing the recommendations.

We appreciate this opportunity to serve as City of Oronogo, Missouri's independent auditor and the courtesies and assistance extended to us by the City's employees.

Respectfully submitted,

Handwritten signature in black ink that reads "KPM CPAs, PC".

KPM CPAs, PC
Springfield, Missouri
November 6, 2020



To the Honorable Mayor and Board of Aldermen
City of Oronogo
Oronogo, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Oronogo, Missouri, for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 24, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Oronogo, Missouri, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2020. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures were corrected by management:

- Equity
- Bond transactions

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Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were not engaged to report on the supplementary information which accompanies the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly we do not express an opinion or provide any assurance on it.

This information is intended solely for the use of the Honorable Mayor and Board of Aldermen and management of the City of Oronogo, Missouri, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
November 6, 2020