

CITY OF LANCASTER, MISSOURI

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Aldermen
City of Lancaster
Lancaster, Missouri

Report on the Audit of the Financial Statements

Opinions

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 Lancaster, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Lancaster, Missouri's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Lancaster, Missouri and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter—Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Other Matters

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2023, on our consideration of the City of Lancaster, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Lancaster, Missouri's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Lancaster, Missouri's internal control over financial reporting and compliance.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
September 11, 2023

BASIC FINANCIAL STATEMENTS

City of Lancaster, Missouri
Statement of Net Position—Modified Cash Basis
December 31, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 623,342	\$ 595,595	\$ 1,218,937
Investments	5,702	25,550	31,252
Restricted cash & cash equivalents	<u> -</u>	<u> 56,674</u>	<u> 56,674</u>
Total Assets	<u>\$ 629,044</u>	<u>\$ 677,819</u>	<u>\$ 1,306,863</u>
 NET POSITION			
Restricted	\$ -	\$ 56,674	\$ 56,674
Unrestricted	<u> 629,044</u>	<u> 621,145</u>	<u> 1,250,189</u>
Total Net Position	<u>\$ 629,044</u>	<u>\$ 677,819</u>	<u>\$ 1,306,863</u>

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
Statement of Activities—Modified Cash Basis
For the Year Ended December 31, 2022

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenue & Changes in Net Assets			
	Expenses	Charges for Services	Op Grants/ Contrib.	Capital Grants/ Contrib.	Governmental Activities	Business Type Activities	Total
Governmental activities							
General government	\$ 47,374	\$ 4,079	-	\$ 79,745	\$ 36,450	\$ -	\$ 36,450
Public safety	34,934	1,291	-	-	(33,643)	-	(33,643)
Streets	84,799	-	125,307	-	40,508	-	40,508
Parks and recreation	13,634	12,336	586	16,975	16,263	-	16,263
Cemetery	1,354	-	-	-	(1,354)	-	(1,354)
Capital outlay	59,327	-	-	-	(59,327)	-	(59,327)
Total governmental activities	241,422	17,706	125,893	96,720	(1,103)	-	(1,103)
Business-type activities							
Water	236,259	261,962	-	-	-	25,703	25,703
Sewer	114,025	161,536	-	-	-	47,511	47,511
Trash	45,853	50,355	-	-	-	4,502	4,502
Payments on long-term debt	28,730	-	-	-	-	(28,730)	(28,730)
Total business-type activities	424,867	473,853	-	-	-	48,986	48,986
Total primary government	\$ 666,289	\$ 491,559	\$ 125,893	\$ 96,720	(1,103)	48,986	47,883
GENERAL REVENUES							
Taxes							
Property					63,815	-	63,815
Franchise					13,898	-	13,898
Surtax					6,824	-	6,824
Sales tax					19,622	-	19,622
Payment in lieu of tax					3,997	-	3,997
Investment income					7,351	8,128	15,479
Other					1,830	-	1,830
Total general revenues					117,337	8,128	125,465
Change in net position					116,234	57,114	173,348
Net position—Beginning					512,810	620,705	1,133,515
Net position—Ending					\$ 629,044	\$ 677,819	\$ 1,306,863

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
 Balance Sheet—Modified Cash Basis
 Governmental Funds
 December 31, 2022

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
 <u>ASSETS</u>			
Cash and cash equivalents	\$ 559,442	\$ 63,900	\$ 623,342
Investments	<u>5,702</u>	<u>-</u>	<u>5,702</u>
TOTAL ASSETS	<u>\$ 565,144</u>	<u>\$ 63,900</u>	<u>\$ 629,044</u>
 <u>FUND BALANCES</u>			
Unassigned	<u>\$ 565,144</u>	<u>\$ 63,900</u>	<u>\$ 629,044</u>
TOTAL FUND BALANCES	<u>\$ 565,144</u>	<u>\$ 63,900</u>	<u>\$ 629,044</u>

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
Statement of Revenues, Expenditures, And
Changes in Fund Balances—Modified Cash Basis
Governmental Funds
For The Year Ended December 31, 2022

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes			
Property taxes	\$ 50,936	\$ 12,879	\$ 63,815
Sales tax	19,622	-	19,622
Franchise tax	10,237	3,661	13,898
Surtax	6,824	-	6,824
Road and bridge tax	12,410	-	12,410
Motor vehicle—fees	3,464	-	3,464
User fees—gas tax	23,481	-	23,481
Motor vehicle—sales tax	85,952	-	85,952
Licenses & permits	4,079	-	4,079
Investment earnings	6,237	1,114	7,351
User fees—rent	7,200	5,136	12,336
Payment in lieu of taxes	3,997	-	3,997
Donations	-	586	586
Fines	1,291	-	1,291
Grants	79,745	16,975	96,720
Other	<u>890</u>	<u>940</u>	<u>1,830</u>
Total Revenues	316,365	41,291	357,656
EXPENDITURES			
General government	47,374	-	47,374
Streets	84,799	-	84,799
Public safety	34,934	-	34,934
Cemetery	1,354	-	1,354
Parks and recreation	-	13,634	13,634
Capital outlay	<u>2,152</u>	<u>57,175</u>	<u>59,327</u>
Total Expenditures	<u>170,613</u>	<u>70,809</u>	<u>241,422</u>
Change in fund balances	145,752	(29,518)	116,234
Fund balances—beginning	<u>419,392</u>	<u>93,418</u>	<u>512,810</u>
Fund balances—ending	<u>\$ 565,144</u>	<u>\$ 63,900</u>	<u>\$ 629,044</u>

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
Statement of Net Position—Modified Cash Basis
Proprietary Funds
December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total Proprietary Funds</u>
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 438,057	\$ 157,538	\$ 595,595
Investments	<u>25,550</u>	<u>-</u>	<u>25,550</u>
Total Current Assets	463,607	157,538	621,145
Non-Current Assets:			
Restricted cash and cash equivalents	<u>56,674</u>	<u>-</u>	<u>56,674</u>
TOTAL ASSETS	<u>\$ 520,281</u>	<u>\$ 157,538</u>	<u>\$ 677,819</u>
 <u>NET POSITION</u>			
Restricted	\$ 56,674	\$ -	\$ 56,674
Unrestricted	<u>463,607</u>	<u>157,538</u>	<u>621,145</u>
TOTAL FUND BALANCES	<u>\$ 520,281</u>	<u>\$ 157,538</u>	<u>\$ 677,819</u>

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
Statement of Revenues, Expenditures,
And Changes in Fund Net Position—Modified Cash Basis
Proprietary Funds
For The Year Ended December 31, 2022

	<u>Water</u>	<u>Sewer</u>	<u>Total Proprietary Funds</u>
OPERATING REVENUES:			
Water sales	\$ 241,702	\$ -	\$ 241,702
Sewer sales	-	160,556	160,556
Trash collections	50,355	-	50,355
Other	<u>20,260</u>	<u>980</u>	<u>21,240</u>
Total Operating Revenues	312,317	161,536	473,853
OPERATING EXPENDITURES:			
Cost of sales and services	181,478	92,495	273,973
Administration	54,781	21,530	76,311
Trash collections	<u>45,853</u>	<u>-</u>	<u>45,853</u>
Total Expenditures	<u>282,112</u>	<u>114,025</u>	<u>396,137</u>
Operating income (loss)	30,205	47,511	77,716
Non-operating revenue (expense)			
Investment earnings	6,281	1,847	8,128
Payments on long-term debt	<u>(28,730)</u>	<u>-</u>	<u>(28,730)</u>
Total non-operating revenue (expense)	<u>(22,449)</u>	<u>1,847</u>	<u>(20,602)</u>
Income (loss) before transfers	7,756	49,358	57,114
Transfers in (out)	<u>18,750</u>	<u>(18,750)</u>	<u>-</u>
Change in net position	26,506	30,608	57,114
Net position—beginning	<u>493,775</u>	<u>126,930</u>	<u>620,705</u>
Net position—ending	<u>\$ 520,281</u>	<u>\$ 157,538</u>	<u>\$ 677,819</u>

See Accompanying Notes to Financial Statements

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lancaster, Missouri operates under a Council-Manager form of government. The City's major operations include public safety (police and fire), streets, sanitation, culture and recreation, public improvements, and general administrative services. In addition, the City owns and operates water and sewer systems.

The City's financial statements are prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP). The more significant accounting policies used by the City are discussed below.

A. REPORTING ENTITY

These financial statements present the City (the primary government). The City does not have component units required to be included in the City's reporting entity.

B. BASIC FINANCIAL STATEMENTS—GOVERNMENT-WIDE STATEMENTS

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, park, cemetery, streets, economic development and general administrative services are classified as governmental activities. The City's water and sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on the modified cash basis of accounting.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (general government, public safety, streets, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (general government, public safety, streets, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reports capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIC FINANCIAL STATEMENTS—FUND FINANCIAL STATEMENTS

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. The City electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City reports these major governmental funds and fund types:

- a. The general fund is the City's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The City reports the following proprietary fund types:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements. The Water and Sewer funds operate the City's water and sewer system, which primarily serves City residents.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF ACCOUNTING (CONTINUED)

1. Modified cash basis:

Both governmental and business-type activities in the government-wide and governmental fund financial statements and the proprietary fund financial statements are presented on the modified cash basis of accounting. Under the modified cash basis of accounting, revenues are recorded when received and expenditures are recognized when paid. Acquisitions for capital assets and payments on long-term debt are recorded as expenditures, with no presentation of fixed assets or liabilities on the statement on net position.

E. FINANCIAL STATEMENT AMOUNTS

1. Cash and Cash Equivalents:

The City has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Investments

The City's investments include certificates of deposit with original maturities of greater than three months.

3. Property Tax Calendar and Revenues:

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1 of the year of the levy. Taxes are levied on October 1, and payable by December 31. All unpaid taxes become delinquent January 1, of the following year. The county collects the property tax and remits it to the City on a monthly basis.

The assessed valuation of the tangible taxable property (excluding state assessed railroad and utilities) for the calendar year 2022 for purposes of local taxation was \$6,422,377.

The tax levy per \$100 of assessed valuation of tangible taxable property for the calendar year 2022 for purposes of local taxation was:

	<u>2022</u>
General Fund	.9902
Park Fund	<u>.2000</u>
	<u>1.1902</u>

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

4. Property Tax Abatement:

The City has granted certain property tax exemptions to a taxpayer within the city. The effect of the tax abatement is a reduction of tax revenues available to the City. For the year ended December 31, 2022, based upon the City's property tax levy, forgone tax revenues for the City were \$835.

5. Compensated Absences:

City employees are entitled to certain compensated absences based on the length of employment. Compensated absences are recorded as expenditures when paid.

6. Defining Operating Revenues and Expenses:

The City's proprietary funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses of the City's water and sewer funds consist of charges for services and the costs of providing those services, including capital outlay and excluding payments on long-term debt. All other revenues and expenses are reported as nonoperating.

7. Government-wide and Proprietary Fund Net Position:

Government-wide and proprietary fund net position are divided into two components:

- a. **Restricted net position**—consists of net position that is restricted by the City's creditors (for example, through debt covenants), by grantors (both federal and state) or by other enabling legislation.
- b. **Unrestricted**—all other net position is reported in this category.

8. Governmental Fund Balances:

In the governmental fund financial statements, fund balances are classified as follows:

- a. **Nonspendable**—Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. **Restricted**—Externally enforceable limitations on use; amounts that can be spent only for specific purposes; limitations are imposed by creditors, grantors, or laws and regulations of other governments.
- c. **Committed**—Self-imposed limitations that must be set in place prior to the end of the period; amounts that can be used only for specific purposes determined by a formal action of the Board of Aldermen; removal of the commitment must also be approved by a formal action of the Board of Aldermen.

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. FINANCIAL STATEMENT AMOUNTS (CONTINUED)

8. Governmental Fund Balances (continued):

- a. **Assigned**—Limitation resulting from intended use; amounts that are designated by the Board of Aldermen for a particular purpose but are not spendable until there is a majority vote approval by the Board of Aldermen.
- b. **Unassigned**—All amounts not included in other spendable classifications.

The City does not have nonspendable or assigned governmental fund balances to report. In addition, the City has not formally adopted a stabilization policy.

9. Use of Restricted Resources:

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

NOTE 2. BUDGETARY INFORMATION

Formal budgetary accounting is employed as a management control for all funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the General Fund, Special Revenues Funds, and Proprietary Funds, and the same basis of accounting is used to reflect actual revenues and expenditures/expenses recognized on the modified cash basis of accounting.

The Board of Aldermen follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with State Statutes, prior to December 31, the City Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the legislative (council) level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to January 1, the budget is legally enacted through passage of an ordinance.

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 2. BUDGETARY INFORMATION (CONTINUED)

4. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.
5. The Board of Aldermen may authorize supplemental appropriations during the year.
6. The City does not utilize encumbrance accounting with regard to budget or accounting functions.
7. Appropriations and the authority to expend funds lapse on December 31.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH

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

B. INVESTMENTS

The City's investments at December 31, 2022, consist of:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Certificates of Deposit	Various	\$ <u>31,252</u>

C. RESTRICTED ASSETS

The amounts reported as restricted assets consist of the following:

<u>Water Fund</u>	
<u>2003 Bond issue</u>	
Debt service	\$ 13,725
Bond reserve	<u>42,949</u>
Total Restricted Assets	\$ <u>56,674</u>

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 3. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year:

Bonds payable at January 1, 2022	\$ 79,000
Bonds retired	<u>(25,000)</u>
Bonds payable December 31, 2022	<u>\$ 54,000</u>

Bonds payable at December 31, 2022, consist of the following issues:

\$425,000 Water Works System Revenue Bonds Series 2003; interest at 2.40%; due in annual installments varying from year to year until maturity on July 1, 2024	<u>\$ 54,000</u>
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Long-term debt maturities for the succeeding five years and beyond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,000	\$ 1,296	\$ 27,296
2024	<u>28,000</u>	<u>672</u>	<u>28,672</u>
Total	<u>\$ 54,000</u>	<u>\$ 1,968</u>	<u>\$ 55,968</u>

Payments on long-term debt are reflected in the modified cash basis statement of activities, as follows:

Principal	\$ 25,000
Interest	1,846
Bond Fees	<u>1,884</u>
Payments on long-term debt	<u>\$ 28,730</u>

Waterworks Revenue Bonds constitute special obligations of the City of Lancaster, Missouri solely secured by a lien on and pledge of the net revenues of the water system.

The revenue bonds are collateralized by the revenue of the water system. The resolutions provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The City of Lancaster, Missouri is in compliance with all significant resolutions.

City of Lancaster, Missouri
Notes to Financial Statements
For the Year Ended December 31, 2022

NOTE 4. LEASES PAYABLE

Following is a summary of changes in leases payable for the period ended December 31, 2022:

Lease payable—Beginning of period	\$ 71,510
Payments on leases	<u>(2,886)</u>
Lease payable—End of period	<u>\$ 68,624</u>

Following is a summary of leases outstanding at December 31, 2022:

Capital lease purchase agreement, with an original principal of \$75,000, obtained to acquire facility for fire department; due in monthly principal and interest payments of \$416; commencing October 2020; interest at the rate of 3.00 % per annum for the first five years with interest adjusted annually thereafter. \$ 68,624

Capital lease maturities for the succeeding five years and beyond are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,865	\$ 2,127	\$ 4,992
2024	2,952	2,040	4,992
2025	3,041	1,951	4,992
2026	3,134	1,858	4,992
2027	3,229	1,763	4,992
Thereafter	<u>53,403</u>	<u>16,485</u>	<u>69,888</u>
Total	<u>\$ 68,624</u>	<u>\$ 26,224</u>	<u>\$ 94,848</u>

NOTE 5. RISK MANAGEMENT

Significant risk of loss is covered by commercial insurance for the City. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 6. COMMITMENTS AND CONTINGENCIES

COMMITMENTS--NONE

CONTINGENCIES

The City has received notification of potential noncompliance with certain environmental laws and regulations. The City Administration and those charged with governance, along with legal counsel, are addressing the matter. The effect to the City due to the potential noncompliance has not been determined.

OTHER SUPPLEMENTAL INFORMATION

City of Lancaster, Missouri
 Budgetary Comparison Schedule—
 Modified Cash Basis—General Fund
 December 31, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	Variance with final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes				
Property taxes	\$ 50,500	\$ 50,500	\$ 50,936	\$ 436
Sales tax	17,000	17,000	19,622	2,622
Franchise tax	8,000	8,000	10,237	2,237
Surtax	1,500	1,500	6,824	5,324
Road and bridge tax	11,000	11,000	12,410	1,410
Payment in lieu of taxes	4,500	4,500	3,997	(503)
Motor vehicle—fees	3,500	3,500	3,464	(36)
User fees—gas tax	20,000	20,000	23,481	3,481
Motor vehicle—sales tax	68,000	68,000	85,952	17,952
Licenses and permits	4,100	4,100	4,079	(21)
Investment earnings	6,425	6,425	6,237	(188)
User fees—rent	6,900	6,900	7,200	300
Grants	-	-	79,745	79,745
Other	<u>2,000</u>	<u>2,000</u>	<u>2,181</u>	<u>181</u>
Total revenues	203,425	203,425	316,365	112,940
EXPENDITURES				
General government	50,950	50,950	47,374	3,576
Streets	99,000	99,000	84,799	14,201
Public safety	36,450	36,450	34,934	1,516
Cemetery	1,300	1,300	1,354	(54)
Capital outlay	<u>15,500</u>	<u>15,500</u>	<u>2,152</u>	<u>13,348</u>
Total expenditures	<u>203,200</u>	<u>203,200</u>	<u>170,613</u>	<u>32,587</u>
Change in fund balance	225	225	145,752	145,527
Fund balance—Beginning	<u>419,392</u>	<u>419,392</u>	<u>419,392</u>	<u>-</u>
Fund balance—Ending	<u>\$ 419,617</u>	<u>\$ 419,617</u>	<u>\$ 565,144</u>	<u>\$ 145,527</u>

See Accompanying Notes to Budgetary Comparison Schedule

City of Lancaster, Missouri
Notes to Budgetary Comparison Schedule
December 31, 2022

Budget Law

The City prepares its annual operating budget under the provisions of RSMO Chapter 67. In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to January 1, the Mayor submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following December 31.
- a. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to January 1.
- b. Subsequent to the public hearings but no later than seven days prior to January 1, the budget is adopted by resolution of the Board of Aldermen.

The legal level of control at which expenditures may not legally exceed appropriations is the object category level by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Board of Aldermen approval.

Basis of Accounting

The budget is prepared on the modified cash basis of accounting.

FEDERAL COMPLIANCE SECTION

JOHN W. GILLUM, CPA, LLC

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INDEPENDENT AUDITOR'S 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 Board of Aldermen
City of Lancaster, Missouri
Lancaster, 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 modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster, Missouri, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Lancaster, Missouri's basic financial statements, and have issued our report thereon dated September 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Lancaster, 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 City of Lancaster, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Lancaster, 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding 2022-001, that we consider to be a material weakness.

Compliance and Other Matters

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

City of Lancaster, Missouri's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, express no opinion on it.

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.



John W. Gillum, CPA, LLC
Certified Public Accountant
Kirksville, Missouri
September 11, 2023

City of Lancaster, Missouri
Summary Schedule of Findings and Responses
For the Year Ended December 31, 2022

Financial Statement Findings

MATERIAL WEAKNESS

2022-001 Segregation of Duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. There are some mitigating controls in place but it is not possible to have segregation in all areas.

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

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

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

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

Repeat finding of 2021-001

City of Lancaster, Missouri
Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Financial Statement Finding

2021-001 Segregation of Duties

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

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