CITY OF STEWARTSVILLE, MISSOURI

FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2022

City of Stewartsville, Missouri
December 31, 2022

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CONRAD & HIGGINS, LLC

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the Board of Aldermen
City of Stewartsville
Stewartsville, MO 64490

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with the modified cash basis of accounting 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 responsible for the design, implementation, and the 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of the City's internal control over financial reporting and 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 the 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 Stewartsville, Missouri's internal control over financial reporting and compliance.

Conrad & Higgins, LLC

CONRAD & HIGGINS, LLC
Chillicothe, Missouri
June 29, 2023

City of Stewartsville, Missouri
Government-wide Statement of Net Position - Modified Cash Basis
December 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 345,455	$ 189,590	$ 535,045
Certificates of deposit	-	41,001	41,001
Total current assets	345,455	230,591	576,046
Restricted assets:			
Capital improvements	-	31,327	31,327
Debt service reserve	-	33	33
Total restricted assets	-	31,360	31,360
Non-current assets:			
Capital assets:			
Land and buildings	160,618	-	160,618
Combined waterworks and sewer system	-	1,251,179	1,251,179
Street improvements	459,236	-	459,236
Equipment	185,638	-	185,638
Vehicle	38,928	-	38,928
Accumulated depreciation	(301,447)	(507,914)	(809,361)
Total non-current assets	542,973	743,265	1,286,238
Total assets	$ 888,428	$ 1,005,216	$ 1,893,644
LIABILITIES			
Current liabilities:			
Bonds and notes payable	$ 3,879	$ 241,293	$ 245,172
Total current liabilities	3,879	241,293	245,172
Bond and notes payable - long term	11,357	3,786	15,143
Total liabilities	$ 15,236	$ 245,079	$ 260,315
NET POSITION			
Net investment in capital assets	$ 527,737	$ 498,186	$ 1,025,923
Restricted for:			
Capital improvements	-	31,327	31,327
Debt service reserve	-	33	33
Unassigned	345,455	230,591	576,046
Total net position	$ 873,192	$ 760,137	$ 1,633,329

The accompanying notes are an integral part of this statement.

City of Stewartsville
Government-wide Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2022

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
Program Activities	Expenses	Fees, Fines and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government and administration	$ 156,944	$ 843	$ 78,889	$ (77,212)	$ -	$ (77,212)
Street and Street Light departments	142,084	6,207	2,000	(133,877)	-	(133,877)
Total governmental activities	299,028	7,050	80,889	(211,089)	-	(211,089)
Business-type activities:						
Water and sewer	437,789	433,084	-	-	(4,705)	(4,705)
Total government	$ 736,817	$ 440,134	$ 80,889	(211,089)	(4,705)	(215,794)
General revenues:						
Taxes:						
Property				84,129	-	84,129
Franchise				46,565	-	46,565
Sales				131,022	34,939	165,961
Motor vehicle				35,448	-	35,448
Other				3,671	-	3,671
Other				34,209	22,772	56,981
Interest				338	226	564
Total general revenues				335,382	57,937	393,319
Transfers				(17,848)	17,848	-
Change in net position				106,445	71,080	177,525
Net position, December 31, 2021				766,747	689,057	1,455,804
Net position, December 31, 2022				$ 873,192	$ 760,137	$ 1,633,329

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Combined Statement of Assets and Net Position - Modified Cash Basis
All Governmental Funds
December 31, 2022

	GOVERNMENTAL FUNDS General, Street and Police Funds
ASSETS	
Cash and cash equivalents	$ 345,455
Total assets	$ 345,455
FUND BALANCE	
Unassigned	$ 345,455
Total fund balance	345,455
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources, and therefore, are not reported in the funds.	542,973
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds.	(15,236)
Net position of governmental activities.	$ 873,192

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Statement of Revenues Received, Expenditures Paid and
Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended December 31, 2022

		TOTAL GOVERNMENTAL FUNDS
		General, Street, Street Light and Police Funds
REVENUES		
Property taxes	$	84,129
Franchise taxes		46,565
Sales tax		131,022
Motor vehicle taxes		35,448
Other taxes, permits and licenses		3,671
Interest		338
Grants and contributions		2,000
Miscellaneous		16,979
ARP-SLFRF funds		78,889
Sale of police vehicle/equipment		4,730
Total revenues		403,771
EXPENDITURES		
Salaries, wages and fringe benefits		132,658
Services		12,027
Utilities		10,916
Other expenses		54,020
Permits, dues and fees		583
Office supplies		4,670
Other supplies		3,852
Insurance		11,143
Maintenance costs		73,200
Capital purchases		45,250
Total expenditures paid		348,319
Excess (deficiency) of revenues over (under) expenditures		55,452
Transfers to proprietary funds		58,675
Net change in fund balance		114,127
Fund Balance, December 31, 2021		231,328
Fund Balance, December 31, 2022	$	345,455

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Reconciliation of the Combined Statement of Revenues Received, Expenditures Paid and Changes in Net Position of Governmental Funds to the Statement of Activities - Modified Cash Basis
For the Fiscal Year Ended December 31, 2022

Net change in fund balance - total governmental funds	$	114,127
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net position, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		45,250
Proceeds from sale of ploce vehicle/equipment		(17,780)
Miscellaneous proceeds		(1,770)
Borrowing ($0) and repayment ($3,388) of long-term debt provides and consumes current financial resources but has no effect on net position.		3,388
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditure in governmental funds.		(36,770)
Change in net position of governmental activities	$	106,445

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Combined Statement of Net Position
Modified Cash Basis-All Proprietary Funds
December 31, 2022

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS	
	Water and Sewer Funds	
ASSETS		
Current assets:		
Cash and cash equivalents	$	189,590
Certificate of deposit		41,001
Total current assets		230,591
Restricted assets:		
Capital improvement		31,327
Debt service reserve		33
Total restricted assets		31,360
Noncurrent assets:		
Capital assets:		
Combined waterworks and sewerage system		1,251,179
Accumulated depreciation		(507,914)
Total capital assets, net of accumulated depreciation		743,265
Total assets	$	1,005,216
LIABILITIES		
Current liabilities:		
Note payable - current	$	1,293
Bond payable - current		240,000
Total current liabilities payable		241,293
Note payable - long-term		3,786
Total liabilities	$	245,079
NET POSITION		
Net investment in capital assets	$	498,186
Restricted		31,360
Unassigned		230,591
Total net position	$	760,137

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Combined Statement of Revenues Received, Expenditures Paid
and Changes in Net Position-Modified Cash Basis
All Proprietary Funds
For the Fiscal Year Ended December 31, 2022

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	Water and Sewer Funds
Operating revenues:	
Sales tax	$ 34,939
Charges for services	433,084
Miscellaneous	22,772
Total operating revenues	490,795
Operating expenses:	
Salaries, wages, and benefits	13,119
Utilities	13,240
Trash service	65,663
Water purchases	85,896
Other expenses	32,045
Permits, dues and fees	638
Services	26,839
Office supplies	4,257
Other supplies	11,837
Maintenance costs	15,377
Insurance	7,509
Miscellaneous	44,137
Repair costs	1,303
Depreciation	31,852
Total operating expenses	353,712
Income from operations	137,083
Nonoperating revenues (expenses):	
Interest income	226
Interest expense	(7,554)
Total nonoperating revenues (expenses)	(7,328)
Net income	129,755
Other financing sources (uses):	
Transfers from governmental	(58,675)
Total other financing sources (uses)	(58,675)
Change in net position	71,080
Net position, December 31, 2021	689,057
Net position, December 31, 2022	$ 760,137

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Combined Statement of Cash Flows - Modified Cash Basis
All Proprietary Funds
For the Fiscal Year Ended December 31, 2022

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
	Water and Sewer Funds
Cash flows from operating activities:	
Cash received from customers	$ 433,084
Cash received from taxes	34,939
Other operating cash receipts	22,772
Cash payments for salaries, wages and benefits	(13,119)
Cash payments for utilities	(13,240)
Cash payments for trash	(65,663)
Cash payments for water	(85,896)
Cash payments for supplies	(16,094)
Cash payments for repairs and maintenance	(16,680)
Cash payments for bond, legal and accounting fees	(26,839)
Other operating cash payments	(84,329)
Net cash provided by operating activities	168,935
Cash flows from capital and related financing activities:	
Principal paid on notes payable	(1,456)
Interest paid on note payable	(152)
Principal paid on bonds	(60,000)
Interest paid on bonds	(7,402)
Net cash flows used by capital and related financing activities	(69,010)
Cash flows from investing activities:	
Interest on cash and cash investments	226
Transfers to governmental funds	(58,675)
Net cash flows provided by investing activities	(58,449)
Net decrease in cash and cash investments	41,476
Cash and cash investments December 31, 2021	179,474
Cash and cash investments, December 31, 2022	$ 220,950

The accompanying notes are an integral part of this statement.

City of Stewartsville, Missouri
Combined Statement of Cash Flows - Modified Cash Basis
All Proprietary Funds
For the Fiscal Year Ended December 31, 2022

		BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS
		WATER AND SEWER FUNDS
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	$	137,083
Adjustment to reconcile income from operations to net cash provided by operating activities:		
Depreciation		31,852
Net cash provided by operations	$	168,935
Reconciliation of total cash and cash investments:		
Cash and cash equivalents	$	189,590
Restricted cash		31,360
Total cash and cash investments	$	220,950

The accompanying notes are an integral part of this statement.

Note 1: Summary of Significant Accounting Policies

The City of Stewartsville, Missouri, (the "City") was incorporated under the provisions of the State of Missouri. The City, as a fourth-class city, operates under the control of the Board of Aldermen and provides the following services as authorized by its charter: utilities, streets, sanitation, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with the modified cash basis of accounting 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 more significant of the government's accounting policies are described below.

The following is a summary of the more significant policies:

A. The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the modified cash basis of accounting. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise financial accountability. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise financial accountability include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise financial accountability.

Based upon the application of this criteria, management of the City of Stewartsville, Missouri has determined that no other outside agency meets the above criteria and, therefore, no other agency is included in the City's basic financial statements.

B. Fund Accounting

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 providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

Note 1: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in the report. The following major funds are used by the City.

Governmental Funds

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 (except those accounted for 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 funds:

General Fund - The General Fund is established to account for resources and activities of the City. This fund is the recipient of the general tax revenues and other sources of revenues utilized to finance the fundamental operations of the City, and is charged with general costs of operating the government for which other specific funds have not been established.

Street Fund - The Street Fund is used to account for the maintenance of the City's streets, financed primarily through property taxes, sales taxes and motor vehicle taxes.

Street Light Fund – The Street Light Fund is used to account for the maintenance of the City's Street lights, financed primarily through property taxes.

Police Fund – The Police Fund is used to account for the law enforcement of the City, financed primarily through local sales taxes.

The General, Street, Street Light and Police Funds are combined in these financial statements.

Proprietary Funds

Propriety funds are used to account for and report those governmental activities that are designed to be self-supporting. The measurement focus is upon determination of net income.

Enterprise Funds (Combined Waterworks and Sewerage System Fund) - Enterprise Funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Note 1. Summary of Significant Accounting Policies (continued)

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The City's policy is to prepare its government-wide financial statements on the modified cash basis of accounting which recognizes all long-term capital asset accounts and long term-term debt obligations. The City's policy is to prepare its fund financial statements on the modified cash basis of accounting which recognizes all long-term capital asset accounts and long-term debt obligations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Property, Plant and Equipment

Property, plant and equipment of the City's proprietary funds, including capitalized interest, is stated at cost or estimated historical cost. Additions, improvements, and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Plants, building and improvements	20 to 50 years
Equipment	3 to 33 years
Furniture and fixtures	5 to 10 years
Auto equipment	4 to 10 years
Tools	5 to 20 years

It is the City's policy to capitalize interest related to borrowings used for construction projects net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially complete. No interest expense was capitalized in 2022.

Note 1. Summary of Significant Accounting Policies (continued)

D. Property, Plant and Equipment (continued)

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost.

GASB 34 requires the City to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Plants, building and improvements	20 to 50 years
Equipment	3 to 33 years
Furniture and fixtures	5 to 10 years
Auto equipment	4 to 10 years
Tools	5 to 20 years

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition. Fixed assets used proprietary funds are accounted for the same as in the government-wide financial statements.

E. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1) In accordance with Chapter 67, RSMo, the City adopts a budget for each fund of the political subdivision.

2) Prior to January 1, the City Clerk submits to the City Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 1. The proposed budget includes estimated revenues and proposed expenditures for all city funds. Budgeted expenditures cannot exceed beginning monies plus estimated revenues for the year.

3) A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.

Note 1. Summary of Significant Accounting Policies (continued)

E. Budgets and Budgetary Accounting (continued)

4) The budget is legally enacted through passage of an ordinance.

5) Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board. Adjustments made during the year are reflected in the budget information included in the basic financial statements.

Budgeted amounts are as originally adopted, or as finally amended by the Board of Aldermen. Individual amendments were not material in relation to the original appropriations which were amended. Unused appropriations lapse at the end of the fiscal year.

F. Allowance for Uncollectible Accounts-Enterprise Fund

The City does not record a receivable for overdue water and sewer user fees. No estimate of uncollectible accounts was available; therefore, no allowance for uncollectible accounts has been provided in these financial statements.

G. Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. Unused vacation or sick leave carries over to future periods and is not paid at the end of each fiscal year.

H. Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

I. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 1: Summary of Significant Accounting Policies (continued)

J. Inventories

The City has not maintained inventory cost records, nor has a physical inventory been taken, as of the balance sheet. Inventories are deemed to be immaterial and accounted for using the purchase method in which supplies are charged to expense when purchased.

Note 2: Deposits and Investment

Custodial Credit Risk—Missouri authorizes the City of Stewartsville, with certain restrictions, to deposit funds in open accounts, time deposits and certificates of deposits. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by State Statutes and approved by the State. At December 31, 2022, the carrying amount of deposits and investments was $566,405 and $41,001 and the bank balance was $667,850 and $41,001. All the bank balances were covered by federal depository insurance or by collateral held by the pledging financial institution's trust department or agent in the Utilities' name.

Bond covenants authorize the Utilities to invest in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States, or in other obligations in which public funds are permitted to be invested under Missouri law.

Interest Rate Risk—The Utilities has no formal investment policy regarding interest rate risk.

Credit Risk—The City has no investment policy that limits its investment choices other than the limitation of state law as follows:

a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.

b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.

Note 2: Deposits and Investments (continued)

Concentration of Investment Credit Risk—The City places no limit on the amount it may invest in any one issuer. At December 31, 2022, the City had no concentration of credit risk.

A reconciliation of cash and investments as shown on the Statement of Net Position was as follows:

Carrying amount of deposits	$ 566,405
Carrying amount of investments	41,001
Totals	$ 607,406

Cash	$ 535,045
Investments	41,001
Cash- restricted	31,360
Totals	$ 607,406

The City has the following investments at December 31, 2022:

Investment Type	Maturity	Total
Certificates of Deposit	Various	$ 41,001

Note 3: Restricted Assets and Retained Earnings

The restricted assets represent cash reserved in accordance with the revenue bond ordinance and can be used only for the following:

Debt Service Account: payment of the next installment of interest and principal becoming due.

Debt Service Reserve Account: payment of principal and interest only when and to the extent that other funds are not available for that purpose.

Depreciation and Replacement Account: replacements to the fixed assets that may be necessary for the continued effective and efficient operation of the utilities.

Project Fund Account: payment of project capital expenditures during construction phase.

Note 4: Governmental Fund Property, Plant, and Equipment

The following is a summary of governmental fund type capital assets for the primary government at December 31, 2022.

General, Street, and Police	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 10,000	$ -	$ -	$ 10,000
General	206,829	-	-	206,829
Street equipment	389,331	-	-	389,331
Police vehicle and equipment	85,010	-	(27,000)	58,010
Street	135,000	45,250	-	180,250
	826,170	45,250	(27,000)	844,420
Less accumulated depreciation:				
General	(56,786)	(8,004)	-	(64,790)
Street equipment	(158,366)	(19,689)	-	(178,055)
Police vehicle and equipment	(49,475)	(2,138)	13,950	(37,663)
Street improvements	(14,000)	(6,939)	-	(20,939)
	(278,627)	(36,770)	13,950	(301,447)
Net property, plant and equipment	$ 547,543	$ 8,480	$ (13,050)	$ 542,973

Depreciation for the year ended December 31, 2022 was $36,770.

Note 5: Proprietary Funds – Property, Plant and Equipment

The following is a summary of the property, plant and equipment of the Water and Sewer Funds at December 31, 2022 (Note 1D):

	Beginning Balance	Additions	Ending Balance
Water works system improvements	$ 1,251,179	$ -	$ 1,251,179
	1,251,179	-	1,251,179
Less accumulated depreciation	(476,062)	(31,852)	(507,914)
Net	$ 775,117	$ (31,852)	$ 743,265

Depreciation for the year ended December 31, 2022 was $31,852.

Note 6: Long-Term Debt

Capital Lease

The following is a summary of water and sewer general bond transactions for the City of Stewartsville for the year ended December 31, 2022.

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022
Revenue Bond	$ 300,000	$ -	$ 60,000	$ 240,000

During the fiscal year ended December 31, 2013, the City entered into a cancelable ten-year lease as lessee to finance the purchase of water and sewer system improvements, which cost $815,000. Although the agreement provided for cancellation of the lease at the City's option at the renewal date of May 1 each year, the City did not foresee exercising its options to cancel. Therefore, the lease is accounted for as noncancellable capital lease in accordance with Statement of Financial Accounting Standards No. 13, "Accounting for Leases". The lease provided for interest at 1.1-4.1 percent.

The project, which was financed with proceeds of the Series 2013 Certificates, consisted of installing two WQA water moving aerators; replacement of the south lift station; rehabilitation of the gravity sewer collection system; installation of approximately 4,000 feet of 6" PVC water mains, along with associated control valves and fire hydrants to improve water and sewer system operating pressure that will provide additional fire protection within the City's water distribution system.

The City refinanced the capital lease on November 1, 2019 and added $60,000 of new certificates of participation for new streets.

The following is a schedule of the future minimum lease payments under the lease (assuming noncancellation):

Year Ending June 30	Principal	Interest	Total
2023	$ 240,000	$ 6,023	$ 246,023
Total	$ 240,000	$ 6,023	$ 246,023

Interest paid for the year ended December 31, 2022 was $7,402.

The City sold the water system on February 16, 2023 and the details are in subsequent events footnote.

Note 6: Long-Term Debt (continued)

Notes Payable

The City borrowed $45,000 to purchase a commercial building on July 6, 2012, with the new note bearing interest at 4.5 percent per year. Principal and interest payments of $5,652 are due on July 11th each year. The final payment is due on July 11, 2025. The governmental and proprietary funds split the annual payments equally with the exception of the durapatcher.

Annual requirements to amortize the notes payable at December 31 are as follows:

Year Ending December 31	Principal	Interest	Total
2023	$ 5,172	$ 480	$ 5,652
2024	5,301	351	5,652
2025	5,434	218	5,652
2026	4,408	82	4,490
Total	$ 20,315	$ 1,131	$ 21,446

Interest paid for the year ended December 31, 2022 was $606.

Note 7: Taxes

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

The assessed valuations of the tangible taxable property for the calendar year 2022 for purpose of local taxation were:

	2022
Real Estate	$ 5,421,827
Personal Property	2,681,422
Total	$ 8,103,249

The tax levy per $100 of the assessed valuations of tangible taxable property for the calendar year 2022 for purposes of local taxation was $.9887.

Note 8: Commitments and Contingencies

There were no known commitments and contingencies at December 31, 2022.

Note 9: Disclosures About Fair Value of Financial Instruments

The City's financial instruments consist principally of cash, certificates of deposits and bonds payable. There are no significant differences between the carrying value and fair value of any of these financial instruments.

Note 10: GASB STATEMENT NO. 54 – FUND BALANCE (NET POSITION) REPORTING

The objective of this Statement is to enhance the usefulness of net position information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes net position classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

The initial distinction that is made in reporting net position information is identifying amounts that are considered *nonspendable*, such as fund balance associated with scholarships.

The *restricted* net position category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation such as taxes levied by a vote of the public.

Note 10: GASB STATEMENT NO. 54 – FUND BALANCE (NET POSITION) REPORTING (continued)

Unassigned net position is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts have be restricted.

Note 11: RISK MANAGEMENT

The City is exposed to various risks of losses 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.

Note 12: MUNICIPAL COURT FINES

The City of Stewartsville does not have a municipal court.

Note 13: SUBSEQUENT EVENTS

On February 16, 2023, the City sold the water system to American Water Systems. $242,068 was deposited with the Department of the Treasury and invested in State and Local Government Series Securities. These funds will be used in the defeasance of the remaining $240,000 in principle plus interest. Final pre-payment of the certificates of participation will be made on November 1, 2023.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and
Members of the Board of Aldermen
City of Stewartsville
Stewartsville, Missouri 64490

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 Stewartsville, Missouri, as of and for the year ending December 31, 2022 and the related notes to financial statements, which collectively comprise the City of Stewartsville, Missouri's basic financial statements and have issued our report thereon dated June 29, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Stewartsville, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stewartsville, 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 deficiences 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. We identified a certain deficiency in internal control, described below, that we consider to be a significant deficiency in internal control.

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 related accounting records, or all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected. Our audit did not reveal any significant errors or irregularities resulting from his lack of segregation of employee duties and responsibilities.

Management Response

The size and budget constraints of the City of Stewartsville, Missouri limits the application of adequate segregation of duties.

Compliance and Other Matters

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

City's Response to Findings

The City of Stewartsville, Missouri's response to the findings identified in our audit are described above. The City of Stewartsville, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion on it.

Purpose of this Report

This report is intended solely to describe the scope of our testing on 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.

Conrad & Higgins, LLC

CONRAD & HIGGINS, LLC
Chillicothe, Missouri
June 29, 2023