

**REPORT OF  
CITY OF CENTRALIA  
MARCH 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Board of Aldermen  
of the City of Centralia

### Report on the Financial Statements

#### *Opinions*

We have audited the accompanying modified cash basis financial statements of each major fund and the aggregate remaining fund information for the City of Centralia (the City), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of each major fund and the aggregate remaining fund information of the City as of March 31, 2022, and the respective changes in financial position – modified cash basis for the year then ended in accordance with the basis of accounting as described in Note 1.

#### *Basis for Opinions*

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our 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.

#### *Responsibilities of Management 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 the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 (or update our) understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

## ***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 U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole, on the basis of accounting described in Note 1.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*William F. Keppers UC*

Columbia, Missouri  
November 10, 2022

**CITY OF CENTRALIA  
BALANCE SHEET  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
March 31, 2022**

	Major Funds					Non-Major Funds	Totals
	General Fund	Cemetery Fund	Pool Fund	Transportation Sales Tax Fund	ARPA Fund		
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,204,528	\$ 171,172	\$ -	\$ 388,253	\$ 383,021	\$ 614,802	\$ 2,761,776
Due from other funds	22,123	-	-	-	-	32,455	54,578
Restricted assets							
Cash and cash equivalents	-	406,023	-	-	-	220,615	626,638
Total assets	<u>\$ 1,226,651</u>	<u>\$ 577,195</u>	<u>\$ -</u>	<u>\$ 388,253</u>	<u>\$ 383,021</u>	<u>\$ 867,872</u>	<u>\$ 3,442,992</u>
<b>LIABILITIES</b>							
Due to other funds	\$ -	\$ 14,558	\$ 28,593	\$ -	\$ -	\$ 4,077	\$ 47,228
Other liabilities	20,037	-	-	-	-	-	20,037
Total liabilities	<u>20,037</u>	<u>14,558</u>	<u>28,593</u>	<u>-</u>	<u>-</u>	<u>4,077</u>	<u>67,265</u>
<b>FUND BALANCES</b>							
Nonspendable							
Perpetual care	-	562,637	-	-	-	220,344	782,981
Restricted for:							
ARPA coronavirus recovery	-	-	-	-	383,021	-	383,021
Culture and recreation	-	-	-	-	-	243,818	243,818
Debt service	-	-	-	-	-	44,456	44,456
Public safety	-	-	-	-	-	24,505	24,505
Committed for:							
Capital projects	134,528	-	-	388,253	-	39,789	562,570
Culture and recreation	-	-	-	-	-	290,883	290,883
Unassigned	<u>1,072,086</u>	<u>-</u>	<u>(28,593)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,493</u>
Total fund balances	<u>1,206,614</u>	<u>562,637</u>	<u>(28,593)</u>	<u>388,253</u>	<u>383,021</u>	<u>863,795</u>	<u>3,375,727</u>
Total liabilities and fund balances	<u>\$ 1,226,651</u>	<u>\$ 577,195</u>	<u>\$ -</u>	<u>\$ 388,253</u>	<u>\$ 383,021</u>	<u>\$ 867,872</u>	<u>\$ 3,442,992</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF CENTRALIA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2022**

	Major Funds					Non-Major Funds	Totals
	General Fund	Cemetery	Pool Fund	Transportation Sales Tax Fund	ARPA Fund		
<b>REVENUES</b>							
Taxes	\$ 1,437,874	\$ -	\$ -	\$ 245,200	\$ -	\$ 732,167	\$ 2,415,241
Licenses and permits	32,989	-	-	-	-	-	32,989
Charges for services	1,209	20,900	62,596	-	-	561,350	646,055
Intergovernmental revenues	243,149	-	-	71,437	435,065	-	749,651
Fines and forfeitures	10,324	-	-	-	-	-	10,324
Miscellaneous							
Interest	4,215	1,335	-	-	-	2,529	8,079
Contributions	3,205	2,445	-	-	-	19,949	25,599
Other	87,570	9,175	-	-	-	191,097	287,842
Total revenues	<u>1,820,535</u>	<u>33,855</u>	<u>62,596</u>	<u>316,637</u>	<u>435,065</u>	<u>1,507,092</u>	<u>4,175,780</u>
<b>EXPENDITURES</b>							
General government	430,611	-	-	-	-	-	430,611
Public safety	1,306,472	-	-	-	-	-	1,306,472
Public works	450,888	-	-	331,919	-	-	782,807
Community planning and economic development	26,250	-	-	-	-	-	26,250
Culture and recreation	-	-	88,830	-	-	800,710	889,540
Cemetery	-	40,875	-	-	-	4,793	45,668
Capital outlay	219,100	-	-	-	-	78,345	297,445
Debt service	30,647	-	-	-	-	229,969	260,616
Total expenditures	<u>2,463,968</u>	<u>40,875</u>	<u>88,830</u>	<u>331,919</u>	<u>-</u>	<u>1,113,817</u>	<u>4,039,409</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(643,433)</u>	<u>(7,020)</u>	<u>(26,234)</u>	<u>(15,282)</u>	<u>435,065</u>	<u>393,275</u>	<u>136,371</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Debt proceeds	113,966	-	-	-	-	-	113,966
Operating transfers in	843,215	25,000	26,234	-	-	25,391	919,840
Operating transfers (out)	(4,359)	-	-	-	(52,044)	(268,426)	(324,829)
Total other financing sources (uses)	<u>952,822</u>	<u>25,000</u>	<u>26,234</u>	<u>-</u>	<u>(52,044)</u>	<u>(243,035)</u>	<u>708,977</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>309,389</u>	<u>17,980</u>	<u>-</u>	<u>(15,282)</u>	<u>383,021</u>	<u>150,240</u>	<u>845,348</u>
Fund balances, April 1	<u>897,225</u>	<u>544,657</u>	<u>(28,593)</u>	<u>403,535</u>	<u>-</u>	<u>713,555</u>	<u>2,530,379</u>
<b>FUND BALANCES, MARCH 31</b>	<u>\$ 1,206,614</u>	<u>\$ 562,637</u>	<u>\$ (28,593)</u>	<u>\$ 388,253</u>	<u>\$ 383,021</u>	<u>\$ 863,795</u>	<u>\$ 3,375,727</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF CENTRALIA**  
**STATEMENT OF NET POSITION**  
**MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**March 31, 2022**

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 1,372,421	\$ 665,250	\$ 636,240	\$ 50,699	\$ 2,724,610	\$ 197,856
Due from other funds	-	13,432	-	-	13,432	-
Other assets	-	1,020	-	-	1,020	-
Total current assets	1,372,421	679,702	636,240	50,699	2,739,062	197,856
Restricted assets:						
Cash and cash equivalents	168,806	-	-	-	168,806	-
Customer security deposits	42,670	18,659	-	-	61,329	-
Restricted investments	-	34,932	3,035	-	37,967	-
Total assets	1,583,897	733,293	639,275	50,699	3,007,164	197,856
<b>LIABILITIES</b>						
Current liabilities:						
Sales tax payable	8,948	-	-	-	8,948	-
Other payables	1,374	-	-	-	1,374	-
Due to other funds	7,350	-	4,723	8,709	20,782	-
Total current liabilities	17,672	-	4,723	8,709	31,104	-
Payable from restricted assets:						
Customer security deposits	42,670	18,659	-	-	61,329	-
Total liabilities	60,342	18,659	4,723	8,709	92,433	-
<b>NET POSITION</b>						
Restricted for capital outlay	168,806	-	-	-	168,806	-
Restricted for debt service	-	34,932	3,035	-	37,967	-
Unrestricted	1,354,749	679,702	631,517	41,990	2,707,958	197,856
Total net position	\$ 1,523,555	\$ 714,634	\$ 634,552	\$ 41,990	\$ 2,914,731	\$ 197,856

The notes to the financial statements are an integral part of these statements.

**CITY OF CENTRALIA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**Year Ended March 31, 2022**

	Major Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
<b>OPERATING REVENUES</b>						
Charges for services	\$ 3,605,562	\$ 658,687	\$ 666,815	\$ 502,098	\$ 5,433,162	\$ 587,043
Operating grants and contributions	3,336	-	-	-	3,336	-
Total operating revenues	3,608,898	658,687	666,815	502,098	5,436,498	587,043
<b>OPERATING EXPENSES</b>						
Planning and administration	372,144	545,854	19,017	88,135	1,025,150	279,630
Communication	107,096	40,482	39,653	-	187,231	-
Well operation, maintenance and repair	-	73,466	-	-	73,466	-
Distribution	2,300,404	92,865	-	-	2,393,269	-
Buildings and grounds	16,321	17,217	-	-	33,538	-
Treatment	-	66,161	-	-	66,161	-
Sewerage collections	-	-	22,706	-	22,706	-
Lift operations	-	-	25,720	-	25,720	-
Sewerage treatment collections	-	-	136,828	-	136,828	-
Land application	-	-	29,147	-	29,147	-
Brush and tree control	9,618	-	-	-	9,618	-
Equipment operations	-	-	-	-	-	120,524
Trash collection	-	-	-	231,714	231,714	-
Trash disposal	-	-	-	249,485	249,485	-
Miscellaneous	-	-	3,629	-	3,629	7,649
Total operating expenses	2,805,583	836,045	276,700	569,334	4,487,662	407,803
<b>OPERATING INCOME (LOSS)</b>	<b>803,315</b>	<b>(177,358)</b>	<b>390,115</b>	<b>(67,236)</b>	<b>948,836</b>	<b>179,240</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Debt proceeds	-	2,510,515	2,395,325	-	4,905,840	-
Debt issuance costs	-	-	(91,946)	-	(91,946)	-
Debt service	(291,045)	-	(772,348)	-	(1,063,393)	-
Interest income	2,455	1,863	1,301	373	5,992	-
Capital grants and contributions	-	-	1,000,000	-	1,000,000	-
Capital outlay	(39,555)	(2,182,542)	(2,471,134)	-	(4,693,231)	-
Total non-operating revenues (expenses)	(328,145)	329,836	61,198	373	63,262	-
<b>NET INCOME (LOSS)</b>	<b>475,170</b>	<b>152,478</b>	<b>451,313</b>	<b>(66,863)</b>	<b>1,012,098</b>	<b>179,240</b>
Operating transfers in	30,000	-	-	-	30,000	-
Operating transfers (out)	(225,011)	(50,000)	-	-	(275,011)	(350,000)
Change in net position	280,159	102,478	451,313	(66,863)	767,087	(170,760)
Net position, April 1	1,243,396	612,156	183,239	108,853	2,147,644	368,616
<b>NET POSITION, MARCH 31</b>	<b>\$ 1,523,555</b>	<b>\$ 714,634</b>	<b>\$ 634,552</b>	<b>\$ 41,990</b>	<b>\$ 2,914,731</b>	<b>\$ 197,856</b>

The notes to the financial statements are an integral part of these statements.

**CITY OF CENTRALIA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**MODIFIED CASH BASIS**  
**March 31, 2022**

	Custodial Fund
	Library Trust Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,846
Total assets	4,846
<b>LIABILITIES</b>	
Due to Library	4,846
Total liabilities	4,846
<b>NET POSITION</b>	\$ -

The notes to the financial statements are an integral part of these statements.

**CITY OF CENTRALIA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**MODIFIED CASH BASIS**  
**Year Ended March 31, 2022**

	Custodial Fund
	Library Trust Fund
RECEIPTS:	
Taxes	\$ 346,870
Interest	1,792
Contributions	1,125
Other	27,517
Total receipts	377,304
DISBURSEMENTS:	
Distributions to Library	377,304
Total disbursements	377,304
Change in fund balance	-
Net position, April 1	-
NET POSITION, MARCH 31	\$ -

The notes to the financial statements are an integral part of these statements.

## CITY OF CENTRALIA

### NOTES TO FINANCIAL STATEMENTS

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* as modified for the basis of accounting used by the government.

##### *A. Reporting Entity*

The City of Centralia (the City) is located in central Missouri and is governed by a City Administrator, an elected Mayor, and a six-member Board of Aldermen.

The City, for financial purposes, includes all of the funds relevant to the operations of the City. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City that have been determined not to be component units as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements 14 and 34*. The City provides collection and bookkeeping services for the City of Centralia Municipal Library District (the Library), which is not a component unit of the City. The property tax collections that are passed through to the Library are accounted for as a custodial fund.

##### *B. Basis of Accounting and Financial Statement Presentation*

The financial statements have been prepared using the modified cash basis of accounting. Revenues are recorded when received rather than when susceptible to accrual, and expenditures/expenses are recorded when paid rather than when the liability is incurred. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The modification to the cash basis of accounting results from recording certain liabilities as a result of certain cash transactions.

Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the City’s financial statements have been prepared using the modified cash basis of accounting, as described above, the fund financial statement information is presented in the same manner as the government-wide financial statements would be, only with more detail. Therefore, the City’s basic financial statements include: 1) fund financial statements and 2) notes to the financial statements.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – This is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. It is required by law to operate in accordance with a formal budget.

Cemetery Fund – This is a special revenue fund that is used to account for activity occurring at the City’s cemetery.

Pool Fund – This is a special revenue fund that is used to account for operations occurring at the City’s public pool.

Transportation Sales Tax Fund – This is a special revenue fund that collects a ½ cent sales tax for transportation purposes. The sales tax funds are primarily used for street overlay expenses and to pay off bonds for capital projects.

ARPA Fund – This is a special revenue fund that is used to account for the original receipt and subsequent disbursements of Coronavirus State and Local Fiscal Recovery Funds awarded to the City under the American Rescue Plan Act (ARPA).

The City reports the following major proprietary funds:

Enterprise Funds:

Electric Fund – The Electric Fund accounts for the billing and collection of charges for electric service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Water Fund – The Water Fund accounts for the billing and collection of charges for water service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sewer Fund – The Sewer Fund accounts for the billing and collection of charges for sanitary sewer service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sanitation Fund – The Sanitation Fund accounts for the billing and collection of charges for sanitation service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Internal Service Fund:

The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments of the City. The Internal Service Fund provides financial services and equipment maintenance.

Additionally, the City reports the following fiduciary fund:

Custodial Fund – The Library Trust Fund accounts for funds collected for the benefit of the Library. These funds are subsequently remitted to the Library.

*C. Cash and Cash Equivalents*

Cash and cash equivalents may include cash on hand, demand deposits, and certificates of deposits.

*D. Investments*

Investments may include any investment allowed by state statute as defined in Note 3. Investments are reported at cost.

*E. Short-Term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” in the financial statements.

*F. Capital Assets*

As a result of using the modified cash basis of accounting, capital assets are recorded as expenditures/expenses at the time the payment is made. As such, no balances for capital assets or accumulated depreciation are reporting in the financial statements.

*G. Long-Term Obligations*

As a result of using the modified cash basis of accounting, long-term obligations are not recorded in the financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is recorded as expenditures/expenses. The City’s long-term obligations consist primarily of bonds and leases payable.

*H. Fund Balance/Net Position*

In the governmental fund financial statements, fund balance is displayed in five components as follows:

Nonspendable – This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or enabling legislation.

Committed – This consists of amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority (the Board of Aldermen) by the end of the fiscal year. The Board of Aldermen can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Aldermen can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund or special revenue fund that has a fund deficit.

The City did not have any assigned fund balances as of March 31, 2022.

The City’s general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

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

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

Unrestricted – This consists of net position that does not meet the definition of “restricted”.

Sometimes the City will fund outlays for a particular purpose from both restricted (i.e., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *I. Compensated Absences*

Vacation and sick leave are considered expenditures/expenses in the year paid. Unused vacation days and half of accumulated sick leave up to 400 hours are payable upon termination.

#### *J. Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

#### *K. Subsequent Events*

Events that occurred subsequent to March 31, 2022, have been evaluated through November 10, 2022, which is the date the financial statements were available to be issued.

## **2. BUDGET**

Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and are amended as required for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Proprietary Funds. The City's policy is to prepare the operating budgets in accordance with the modified cash basis of accounting.

The City Administrator, elected Mayor, and Board of Aldermen follow these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments. The proposed budget is available for public inspection prior to the public hearing.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. The City Administrator is authorized to make changes within departments, between departments, and between functions within each fund. Changes or transfers at the fund level require approval by the Board of Aldermen.
5. All appropriations lapse at yearend.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen. The budget was not amended during the year.

## **3. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury, federal agencies and instrumentalities, certificates of deposit, and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy is set by state statute. Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities which are the same types as authorized for investments by the City are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short-term obligations of the United States.

The City maintains a cash pool that is used by most individual funds. The cash pool consists of funds held in checking and money market accounts. Each fund's portion of the pool is displayed on the statement of net position as "cash and cash equivalents."

Deposits, categorized by level of custodial risk, were as follows as of March 31, 2022:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 7,260	\$ 250,000	\$ -	\$ 257,260
Collateralized with securities pledged by the financial institution	5,472,853	769,674	-	6,242,527
Held in the financial institution's trust department in the City's name, but not subject to FDIC or collateralization rules	168,806	-	-	168,806
	<u>\$ 5,648,919</u>	<u>\$ 1,019,674</u>	<u>\$ -</u>	<u>\$ 6,668,593</u>
Carrying value	<u>\$ 5,540,765</u>	<u>\$ 1,000,000</u>	<u>\$ 250</u>	<u>\$ 6,541,015</u>

A reconciliation of cash and cash equivalents as shown in the financial statements is as follows:

	Governmental Funds Balance Sheet	Proprietary Funds Statement of Financial Position	Total
Cash and cash equivalents	\$ 2,761,776	\$ 2,922,466	\$ 5,684,242
Restricted cash and cash equivalents	626,638	230,135	856,773
	<u>\$ 3,388,414</u>	<u>\$ 3,152,601</u>	<u>\$ 6,541,015</u>

Investments, categorized by level of custodial risk, were as follows as of March 31, 2022:

	Investment Maturities (in years)		Fair Value	Carrying Value
	Less than 1	1-5		
Money market funds				
Restricted	\$ 37,967	\$ -	\$ 37,967	\$ 37,967
Total investments	<u>\$ 37,967</u>	<u>\$ -</u>	<u>\$ 37,967</u>	<u>\$ 37,967</u>

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City manages its exposure to declines in fair values by only investing in obligations that return initial purchase prices and the earned interest. This practice eliminates exposure to declines in fair values.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor’s and Moody’s. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City’s policy is to only invest in obligations of the United States or its agencies, insured or secured certificates of deposits, certain obligations of the State of Missouri or political subdivisions and municipalities, and certain surety bonds. Policy prohibits the purchase of any investments that do not meet the above-mentioned criteria. The money market funds are invested primarily in a portfolio of U.S. Treasury securities maturing in 397 days or less.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City’s investment policy does not address concentration of credit risk.

Custodial credit risk – investments – For an investment, this is the risk that in an event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of March 31, 2022, there is no custodial credit risk for the City’s investments due to the City’s investment policy which prohibits obligations not fully secured.

#### 4. RESTRICTED ASSETS

As of March 31, 2022, total restricted cash and cash equivalents and total restricted investments were classified as follows:

Restricted cash and cash equivalents	\$ 856,773
Restricted investments	<u>37,967</u>
Total restricted assets	<u><u>\$ 894,740</u></u>

#### *Restricted Assets by Purpose:*

As of March 31, 2022, assets were restricted for various uses as follows:

Special revenue funds:	
Cemetery Fund (restricted for perpetual care)	\$ 406,023
Debt service funds:	
Parks and Recreation Sales Tax Fund	50
Library Bonds Debt Service	221
Permanent fund:	
A.B. Chance Memorial Trust Fund (restricted for perpetual care)	220,344
Enterprise funds:	
Electric Fund	
Capital outlay	168,806
Customer security deposits	42,670
Water Fund	
Customer security deposits	18,659
Debt service	34,932
Sewer Fund	
Debt service	<u>3,035</u>
Total restricted assets	<u><u>\$ 894,740</u></u>

## 5. PROPERTY TAX

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes are recognized as revenue when received. The City has entered into an agreement with the County of Boone for collection of property taxes. The County reports collections to the City monthly.

The City's preliminary assessed valuations and tax levies per \$100 assessed valuation of those properties for calendar year 2021 are as follows:

	2021 <u>Calendar Year</u>
Assessed valuation:	
Real estate	\$ 49,476,405
Personal property	19,239,381
State assessed	949,691
	<u>\$ 69,665,477</u>

	<u>Per \$100 Assessed Valuation</u>	
	Maximum Levy Allowed by Law	City's Levy
General Revenue	\$ 0.6439	\$ 0.6439
Parks and Recreation	0.2883	0.2883
Library General Revenue	0.5284	0.5284
		<u>\$ 1.4606</u>

## 6. INTERFUND TRANSFERS AND RECEIVABLES/PAYABLES

A summary of interfund transfers for the year ended March 31, 2022, follows:

	Transfers In	Transfers Out
	<u>          </u>	<u>          </u>
Governmental funds:		
General Fund	\$ 843,215	\$ 4,359
Special revenue funds:		
Cemetery Fund	25,000	-
Pool Fund	26,234	-
ARPA Fund	-	52,044
Golf Course Fund	21,032	-
Park Fund	4,359	-
Parks and Rec Center Fund	-	47,299
Public Safety Sales Tax Fund	-	221,119
Debt service funds:		
Library Bonds Fund	-	8
Subtotal - governmental funds	<u>919,840</u>	<u>324,829</u>
Enterprise funds:		
Electric Fund	30,000	225,011
Water Fund	-	50,000
Subtotal - enterprise funds	<u>30,000</u>	<u>275,011</u>
Internal Service Fund	-	350,000
Total	<u>\$ 949,840</u>	<u>\$ 949,840</u>

Transfers are used to move revenues from the fund that budgets or ordinance requires to collect them to the fund that budget or ordinance requires to expend them and to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Board approval.

Interfund receivable and payable balances at March 31, 2022, resulting from interfund transfers were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental funds:		
General	\$ 22,123	\$ -
Special revenue funds:		
Cemetery Fund	-	14,558
Pool Fund	-	28,593
Park Fund	-	215
Debt service funds:		
Parks and Rec Sales Tax Fund	28,593	-
Capital projects funds:		
Fire Equipment Fund	3,862	-
Highways and Streets Fund	-	3,862
Subtotal - governmental funds	<u>54,578</u>	<u>47,228</u>
Enterprise funds:		
Electric Fund	-	7,350
Water Fund	13,432	-
Sewer Fund	-	4,723
Sanitation Fund	-	8,709
Subtotal - enterprise funds	<u>13,432</u>	<u>20,782</u>
Total	<u>\$ 68,010</u>	<u>\$ 68,010</u>

The balance due to the General Fund from the Electric Fund (\$7,350) is from prior utility services.

The balance due to the General Fund from the Park Fund (\$215) represents proceeds from a vehicle sale where the vehicle was originally owned by the street department but sold by the Park Fund. This balance originated during fiscal year 2011 and was not settled during fiscal year 2022.

The balance due to the General Fund from the Cemetery Fund (\$14,558) represents the Cemetery Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2014 and was not settled during fiscal year 2022.

The balance due to the Parks and Recreation Sales Tax Fund from the Pool Fund (\$28,593) represents the Pool Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2015 and was not settled during fiscal year 2022.

The balance due between the capital projects funds originated during a prior fiscal year and was not settled during fiscal year 2022.

The balance due to the Water Fund from the Sewer Fund (\$4,723) and the Sanitation Fund (\$8,709) represents expenses incurred by the Water Fund on behalf of the Sewer Fund and the Sanitation Fund. This balance originated during fiscal year 2014, increased during fiscal year 2016, and was not settled during fiscal year 2022.

## 7. CAPITAL LEASES PAYABLE

The City has the following capital leases payable:

### Governmental funds:

*Community Recreation Center Lease:* In August 2008, the City entered into a lease/purchase agreement with UMB Bank, N.A. (UMB) as trustee, lessor, and grantor. The lease/purchase agreement covered the construction of the community recreation center. On the same date, UMB issued \$1,985,000 in Certificates of Participation to third-party investors for undivided, proportionate interests in the rental payments made by the City. The City made the required payments to UMB, who in turn repaid the holders of the certificates.

In November 2015, the City, in conjunction with the Industrial Development Authority of Centralia, refinanced the lease/purchase agreement with Central Bank of Boone County. The City makes the required payments to the Industrial Development Authority of Centralia, who in turn repays Central Bank of Boone County. The proceeds from the refinancing totaled \$2,390,000. Of this amount, \$1,490,000 was used to pay off the Series 2008 Community Recreation Center Lease, and the remaining \$900,000 was used to finance renovations at the City's municipal pool. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained as a result of the refinancing was \$153,098.

Incremental sales taxes are projected to produce the debt service requirements over the life of the lease. The lease bears interest at 3.69%. Principal and interest payments are due annually and semi-annually, respectively, through March 2035. Principal and interest paid for the current year and total Parks and Rec Sales Tax Fund revenues were \$175,336 and \$245,561, respectively.

*Community Recreation Center Lease – East Annex:* In September 2018, the City entered into a lease/purchase agreement with Central Bank of Boone County as trustee, lessor, and grantor. The lease/purchase agreement covers the purchase of property and equipment for additional space at the community recreation center.

The City has pledged future Parks and Rec Center charges for services to repay the lease. The lease bears interest at 4.5%. Principal and interest payments are due annually and semi-annually, respectively, through March 2033. Principal and interest paid for the current year and total Parks and Rec Center Fund charges for services were \$54,633 and \$288,540, respectively.

*Police Vehicles Lease:* In May 2021, the City entered into a lease/purchase agreement with Ally Financial for the purchase of three police vehicles. The lease bears interest at 5.09%. Principal and interest payments are due annually through May 2024. Principal and interest paid for the current year was \$30,647.

### Proprietary funds:

*Electric Substation Lease:* In July 2009, the City entered into a lease/purchase agreement with the Missouri Association of Municipal Utilities (MAMU) as lessor with U.S. Bank, N.A. (US Bank) as trustee. The lease/purchase agreement covers the purchase, construction and installation of a new electric substation. The lease/purchase agreement may be prepaid at the City's discretion with a minimum 60 days written notice. If the City chooses to prepay the lease, the prepayment price includes unpaid principal and accrued interest. In addition, because the trustee has entered into an interest rate exchange agreement with respect to the principal with a counterparty, the City would be required to pay any termination amounts attributable to that agreement.

The City has pledged future utility customer revenues to repay the lease. Principal and interest paid for the current year and total Electric Fund charges for services were \$144,584 and \$3,605,562, respectively.

The lease agreement contains a financial covenant, with which the City was in compliance as of March 31, 2022.

*Electric AMI Meter Lease:* In March 2020, the City entered into a lease/purchase agreement with U.S. Bank, as trustee, lessor, and grantor. The lease/purchase agreement will cover the cost of the materials and installation of new electric advanced metering infrastructure (AMI) meters. The project funds are held in an escrow account with U.S. Bank. The City pays for costs and materials as they are billed, and the City is refunded from the escrow account after remitting invoices and requisition requests. The lease bears interest at 2.05%. Principal and interest payments are due annually and semi-annually, respectively, through March 2025. Principal and interest paid for the current year was \$146,461.

*Street Sweeper Lease:* In August 2020, the City entered into a lease/purchase agreement with TCF National Bank for the purchase of a street sweeper. The lease bears interest at 4.05%. Principal and interest payments are due annually through August 2023. Principal and interest paid for the current year was \$40,969.

The City is not obligated to levy any form of taxation or otherwise appropriate for payments for the above leases. The lease/purchase agreements are secured by the properties financed with the agreements.

The lease/purchase agreements qualify as capital leases for accounting purposes because ownership transfers at the end of the lease term. However, as a result of the City using the modified cash basis of accounting, the capital leases and the related capital assets are not recorded in the financial statements.

Capital leases payable as of March 31, 2022, are as follows:

	Original Amount	Interest Rate	Maturity Date	Principal Balance 3/31/2022
Governmental funds:				
Community recreation center lease	\$ 2,390,000	3.69%	March 2035	\$ 1,775,000
Community recreation center lease - East Annex	565,000	4.50%	March 2033	465,000
Police vehicles lease	113,966	5.09%	June 2024	83,319
				<u>2,323,319</u>
Proprietary funds:				
Electric substation lease	1,637,000	3.22%	July 2024	336,000
Electric AMI meter lease	691,000	2.05%	March 2025	423,000
Street sweeper lease	153,872	4.05%	September 2023	77,132
Total				<u><u>\$ 3,159,451</u></u>

The following is a summary of capital leases payable transactions for the City for the year ended March 31, 2022:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental funds:					
Community recreation center lease	\$ 1,880,000	\$ -	\$ (105,000)	\$ 1,775,000	\$ 110,000
Community recreation center lease - East Annex	497,000	-	(32,000)	465,000	33,000
Police vehicles lease	113,966	-	(30,647)	83,319	26,406
	<u>2,490,966</u>	<u>-</u>	<u>(167,647)</u>	<u>2,323,319</u>	<u>169,406</u>
Proprietary funds:					
Electric substation lease	468,000	-	(132,000)	336,000	141,000
Electric AMI meter lease	558,000	-	(135,000)	423,000	138,000
Street sweeper lease	113,422	-	(36,290)	77,132	37,787
Total	<u>\$ 3,630,388</u>	<u>\$ -</u>	<u>\$ (470,937)</u>	<u>\$ 3,159,451</u>	<u>\$ 486,193</u>

The following is a schedule of the future minimum lease payments for the above capital leases in aggregate, and the present value of the net minimum lease payments as of March 31, 2022.

Year Ending March 31:	Governmental Funds			Proprietary Funds		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 169,406	\$ 90,664	\$ 260,070	\$ 316,786	\$ 25,422	\$ 342,208
2024	177,750	83,776	261,526	324,346	14,124	\$ 338,470
2025	181,163	76,544	257,707	195,000	3,597	198,597
2026	158,000	69,152	227,152	-	-	-
2027	165,000	63,014	228,014	-	-	-
2028-2032	930,000	213,420	1,143,420	-	-	-
2033-2035	542,000	39,056	581,056	-	-	-
Total	<u>\$ 2,323,319</u>	<u>\$ 635,626</u>	<u>\$ 2,958,945</u>	<u>\$ 836,132</u>	<u>\$ 43,143</u>	<u>\$ 879,275</u>

## 8. BONDS PAYABLE

The following is a summary of bonds payable transactions for the City for the year ended March 31, 2022:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Combined Waterworks and Sewerage System Revenue Bonds, Series 2018	\$ 755,000	\$ -	\$ (755,000)	\$ -	\$ -
Combined Waterworks and Sewerage System Revenue Bonds, Series 2020	-	2,510,515	-	2,510,515	121,000
Combined Waterworks and Sewerage System Revenue Bonds, Series 2021	-	2,395,325	-	2,395,325	-
Total	<u>\$ 755,000</u>	<u>\$ 4,905,840</u>	<u>\$ (755,000)</u>	<u>\$ 4,905,840</u>	<u>\$ 121,000</u>

In December 2018, the City issued \$755,000 in Combined Waterworks and Sewerage System Revenue Bonds for the purpose of purchasing land for a wastewater treatment facility. In August 2021, the City elected to redeem all of the outstanding Series 2018 bonds upon issuance of the Series 2021 bonds.

In June 2020, the City issued Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program), Series 2020 in an amount not to exceed \$2,744,000, for the purpose of financing improvements to the City’s wastewater treatment plant and water facilities. As of March 31, 2022, \$2,510,515 had been drawn on these bonds. Interest payments of \$9,574 were made during the year ended March 31, 2022.

In August 2021, the City issued Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program), Series 2021 in an amount not to exceed \$4,301,000, for the purpose of financing improvements to the City’s wastewater treatment plant and water facilities. As of March 31, 2022, \$2,395,325 had been drawn on these bonds. No interest payments were made during the year ended March 31, 2022.

In connection with the issuance of these bonds, the City participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri invests and manages the bond proceeds for the City. As the City incurs approved expenditures, DNR reimburses the City from the construction escrow fund.

As a result of the City using the modified cash basis of accounting, the bonds payable are not recorded in the financial statements.

Bonds payable are comprised of the following issuances:

	Original Amount	Interest Rate	Maturity Date	Balance March 31, 2022
Combined Waterworks and Sewerage System Revenue Bonds, Series 2020	\$ 2,510,515	1.10%	July 2041	\$ 2,510,515
Combined Waterworks and Sewerage System Revenue Bonds, Series 2021	2,395,325	0.75%	July 2042	<u>2,395,325</u>
Total				<u><u>\$ 4,905,840</u></u>

The annual requirements to amortize bonds payable as of March 31, 2022, including interest payments, are as follows:

	Principal	Interest	Total
Year ending March 31,			
2023	\$ 121,000	\$ 42,919	\$ 163,919
2024	351,700	39,851	391,551
2025	356,700	36,738	393,438
2026	361,700	33,581	395,281
2027	366,800	30,378	397,178
2028-2032	1,912,100	102,253	2,014,353
2033-2037	<u>1,435,840</u>	<u>38,650</u>	<u>1,474,490</u>
Total minimum payments	<u><u>\$ 4,905,840</u></u>	<u><u>\$ 324,370</u></u>	<u><u>\$ 5,230,210</u></u>

The bond agreements contain financial covenants, with which the City was in compliance as of March 31, 2022.

## 9. COMMITMENTS AND CONTINGENCIES

### *A. Risk Management*

The City is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the past three years.

### *B. Landfill*

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April of 1994. As the City uses the modified cash basis of accounting, a liability is not recorded for future closure or post closure costs that will be incurred at or near the date the landfill no longer accepts waste. As of March 31, 2022, the estimated post-closure cost is \$61,784, based on calculations performed by the Missouri Department of Natural Resources. The estimated total closure and post-closure care costs are based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of March 31, 2022. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

### *C. Litigation*

From time to time, the City is a party to claims and/or lawsuits as a result of various matters and complaints arising in the ordinary course of City activities. The City's management and legal counsel anticipate that potential settlements and judgments not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

### *D. Electricity Commitments*

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Through its membership in MJMEUC, the City entered into a long-term agreement for the purchase of electric power from the Prairie State Energy Campus (Prairie State). Prairie State consists of a two-unit 1,582-Megawatt (MW) coal-fueled power plant in Washington County, Illinois. MJMEUC has a 12.33% proportionate ownership interest in the power plant, and therefore committed to fund its proportional share of the development and construction, as well as the operating and plant closure costs. MJMEUC will recover these costs through commitments with its members, including the City of Centralia, under life-of-unit, take or pay unit power purchase agreements. Under its agreement with MJMEUC, the City will pay to MJMEUC 1.03% of MJMEUC's proportionate share of the MW capacity and power of the plant. The City's commitment ends when the power units are taken out of service for purposes of retirement and decommissioning.

The City entered into the MJMEUC agreement as a cost hedge against rapidly rising power costs at the time, but the City's share of Prairie State only covers a portion of the City's electric power needs. The City also purchases electric wholesale power from Ameren Energy Marketing, Big Rivers, and NextEra Energy Power Marketing, LLC, under separate agreements with these entities.

### *E. Sanitation Commitments*

Effective October 7, 2016, the City entered into an agreement with Dayne’s Waste Disposal, Inc. for the collection and disposal of solid waste, which runs through October 31, 2022. As the dollar amount of the City’s outstanding commitment is based on user charges and consumption, it has not been estimated as of March 31, 2022.

## **10. INTERGOVERNMENTAL REVENUE**

The City receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal and state grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of March 31, 2022.

## **11. PENSION PLAN**

### ***General Information About the Pension Plan***

The following information is presented in accordance with Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### Plan Description

The City’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS’ responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

### Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2021 Valuation</u>
Benefit multiplier	1.5%
Final average salary	5 years
Member contributions	0%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

As of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>30</u>
Total	<u><u>77</u></u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. Employer contribution rates are 7% (General) and 3% (Police) of annual covered payroll.

***Net Pension Liability (Asset)***

The employer’s net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2021.

Actuarial Assumptions

The total pension liability in the February 28, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage, 2.25% price
Salary increase	2.75% to 6.75%, including wage inflation
Investment rate of return	7.00%, net of investment expenses

Mortality rates were based on the PubG-2010 Retiree Mortality, PubNS-2010 Disabled Retiree Mortality, PubG-2010 Employee Mortality, and PubS-2020 Employee Mortality Tables.

The actuarial assumptions used in the February 28, 2021, valuation were based on the results of an actuarial experience study for the period March 1, 2015 through February 29, 2020.

Changes in actuarial assumptions from the February 29, 2020, actuarial valuation include the following: wage inflation was decreased from 3.25% to 2.75%; price inflation was decreased from 2.50% to 2.25%; the salary increase range changed from 3.25% to 6.55%; including wage inflation, to 2.75% to 6.75%, including wage inflation; investment rate of return was decreased from 7.25%, net of investment expenses, to 7.00%, net of investment expenses, and mortality rates were based on different tables.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed income	31.00%	1.41%
Real assets	36.00%	3.29%
Strategic assets	8.00%	5.25%
Cash/leverage	-25.00%	-0.29%
	100.00%	

#### Discount Rate

The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

### ***Changes in the Net Pension Liability (Asset)***

As a result of the City using the modified cash basis of accounting, the net pension liability (asset) is not recorded in the financial statements. However, the following summarizes the changes in the net pension liability (asset) if it had been recorded:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2020	\$ 4,595,421	\$ 5,201,030	\$ (605,609)
Changes for the year:			
Service cost	126,395	-	126,395
Interest	331,137	-	331,137
Difference between expected and actual experience	(161,952)	-	(161,952)
Changes in assumptions	(90,487)	-	(90,487)
Contributions - employer	-	91,375	(91,375)
Net investment income	-	1,395,852	(1,395,852)
Benefit payments, including refunds	(183,440)	(183,440)	-
Administrative expense	-	(6,987)	6,987
Other changes	-	(113,341)	113,341
Net changes	21,653	1,183,459	(1,161,806)
Balances at June 30, 2021	\$ 4,617,074	\$ 6,384,489	\$ (1,767,415)

### **Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The table on the following page presents the net pension liability (asset) of the City, calculated using the discount rate of 7.00%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	Current Single Discount		
	1% Decrease (6.00%)	Rate Assumption (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 5,282,269	\$ 4,617,074	\$ 4,071,373
Plan fiduciary net position	\$ 6,384,489	\$ 6,384,489	\$ 6,384,489
Net pension liability/(asset)	\$ (1,102,220)	\$ (1,767,415)	\$ (2,313,116)

### **Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's net position is available in the separately issued LAGERS financial report.

### ***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

As a result of the City using the modified cash basis of accounting, deferred outflows and inflows of resources are not recorded in the financial statements. In addition, pension expense is recorded as expenditures/expenses in the financial statements based on actual cash basis contributions made to the pension plan during the year ended March 31, 2022. However, the following summarizes the deferred outflows and inflows of resources, and pension expense if they would have been recorded.

For the year ended March 31, 2022, the City’s pension expense under full accrual accounting would have been \$67,698. However, on the modified cash basis of accounting, the City recognized payments to LAGERS of \$99,542 as expense. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Differences between:		
Expected and actual experience	\$ 51,453	\$ (160,951)
Projected and actual earnings on investments	-	(663,627)
Changes in assumptions	3,230	(72,302)
Contributions subsequent to the measurement date*	75,014	-
	<u>                    </u>	<u>                    </u>
Total	<u>\$ 129,697</u>	<u>\$ (896,880)</u>

\*Deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the year ending March 31, 2023.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending:	
2023	\$ (237,492)
2024	(187,644)
2025	(200,589)
2026	(216,472)
	<u>                    </u>
Total	<u>\$ (842,197)</u>

## 12. FUND DISCLOSURES

The Pool Fund has an accumulated deficit at March 31, 2022. This is due to interfund transfers to the Pool Fund not being made until after yearend and as such, the deficit will be eliminated upon receipt of the transfers.

## 13. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, requires disclosures of tax information about (1) a reporting government’s own tax abatement agreements, and (2) those that are entered into by other governments that reduce the reporting government’s tax revenues. There were such agreements, but they were not significant as of and for the year ended March 31, 2022.

**CITY OF CENTRALIA**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year Ended March 31, 2022**

	Actual	Original and Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 1,437,874	\$ 1,501,989	\$ (64,115)
Licenses and permits	32,989	47,457	(14,468)
Charges for services	1,209	1,600	(391)
Intergovernmental revenues	243,149	66,197	176,952
Fines and forfeitures	10,324	14,188	(3,864)
Miscellaneous	94,990	2,000	92,990
Total revenues	<u>1,820,535</u>	<u>1,633,431</u>	<u>187,104</u>
<b>EXPENDITURES</b>			
General government	430,611	594,832	164,221
Public safety	1,306,472	1,380,188	73,716
Public works	450,888	545,059	94,171
Community planning and economic development	26,250	26,325	75
Capital outlay	219,100	86,000	(133,100)
Total expenditures	<u>2,463,968</u>	<u>2,632,404</u>	<u>168,436</u>
Deficiency of revenues under expenditures	<u>(643,433)</u>	<u>(998,973)</u>	<u>355,540</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Debt proceeds	113,966	-	113,966
Operating transfers in	843,215	801,617	41,598
Operating transfers (out)	(4,359)	-	(4,359)
Total other financing sources	<u>952,822</u>	<u>801,617</u>	<u>151,205</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 309,389</u>	<u>\$ (197,356)</u>	<u>\$ 506,745</u>

**CITY OF CENTRALIA**

**BUDGETARY COMPARISON SCHEDULE**

**CEMETERY FUND**

**Year Ended March 31, 2022**

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 20,900	\$ 11,575	\$ 9,325
Miscellaneous	12,955	33,500	(20,545)
Total revenues	<u>33,855</u>	<u>45,075</u>	<u>(11,220)</u>
<b>EXPENDITURES</b>			
Cemetery	40,875	44,479	3,604
Total expenditures	<u>40,875</u>	<u>44,479</u>	<u>3,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,020)</u>	<u>596</u>	<u>(7,616)</u>
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	25,000	-	25,000
Total other financing sources	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 17,980</u>	<u>\$ 596</u>	<u>\$ 17,384</u>

**CITY OF CENTRALIA**

**BUDGETARY COMPARISON SCHEDULE**

**POOL FUND**

**Year Ended March 31, 2022**

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Charges for services	\$ 62,596	\$ 44,500	\$ 18,096
Total revenues	62,596	44,500	18,096
<b>EXPENDITURES</b>			
Culture and recreation	88,830	69,500	(19,330)
Total expenditures	88,830	69,500	(19,330)
Deficiency of revenues under expenditures	(26,234)	(25,000)	(1,234)
<b>OTHER FINANCING SOURCES</b>			
Operating transfers in	26,234	25,000	1,234
Total other financing sources	26,234	25,000	1,234
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ -	\$ -	\$ -

**CITY OF CENTRALIA**

**BUDGETARY COMPARISON SCHEDULE  
TRANSPORTATION SALES TAX FUND  
Year Ended March 31, 2022**

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>			
Taxes	\$ 245,200	\$ 223,288	\$ 21,912
Intergovernmental revenues	71,437	68,285	3,152
Total revenues	316,637	291,573	25,064
<b>EXPENDITURES</b>			
Public works	331,919	336,728	4,809
Total expenditures	331,919	336,728	4,809
Deficiency of revenues under expenditures	\$ (15,282)	\$ (45,155)	\$ 29,873

**CITY OF CENTRALIA**

**BUDGETARY COMPARISON SCHEDULE**

**ARPA FUND**

**Year Ended March 31, 2022**

	<u>Actual</u>	<u>Original &amp; Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES			
Intergovernmental revenues	<u>\$ 435,065</u>	<u>\$ -</u>	<u>\$ 435,065</u>
Total revenues	<u>435,065</u>	<u>-</u>	<u>435,065</u>
OTHER FINANCING (USES)			
Operating transfers (out)	<u>(52,044)</u>	<u>-</u>	<u>(52,044)</u>
Total other financing (uses)	<u>(52,044)</u>	<u>-</u>	<u>(52,044)</u>
Excess of revenues over other financing (uses)	<u><u>\$ 383,021</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 383,021</u></u>

## **SUPPLEMENTARY INFORMATION**

**CITY OF CENTRALIA**  
**LAGERS (PENSION PLAN)**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**March 31, 2022**

	2022	2021	2020	2019	2018	2017	2016
Total pension liability							
Service cost	\$ 126,395	\$ 122,238	\$ 112,837	\$ 104,078	\$ 102,956	\$ 103,251	\$ 101,377
Interest on the total pension liability	331,137	309,577	295,574	272,031	255,434	236,729	234,857
Benefit changes	-	-	-	105,133	-	-	-
Difference between expected and actual experience	(161,952)	45,695	(37,454)	12,819	51,743	(79,299)	(171,090)
Assumption changes	(90,487)	-	-	-	-	164,840	-
Benefit payments	(183,440)	(180,970)	(183,819)	(163,836)	(199,044)	(136,794)	(143,574)
Net change in total pension liability	21,653	296,540	187,138	330,225	211,089	288,727	21,570
Total pension liability, beginning	4,595,421	4,298,881	4,111,743	3,781,518	3,570,429	3,281,702	3,260,132
Total pension liability, ending	<u>\$ 4,617,074</u>	<u>\$ 4,595,421</u>	<u>\$ 4,298,881</u>	<u>\$ 4,111,743</u>	<u>\$ 3,781,518</u>	<u>\$ 3,570,429</u>	<u>\$ 3,281,702</u>
Plan fiduciary net position							
Contributions - employer	\$ 91,375	\$ 88,196	\$ 76,381	\$ 61,489	\$ 59,835	\$ 64,321	\$ 73,038
Pension plan net investment income (loss)	1,395,852	65,920	318,346	561,207	529,420	(10,213)	84,676
Benefit payments	(183,440)	(180,970)	(183,819)	(163,836)	(199,044)	(136,794)	(143,574)
Pension plan administrative expense	(6,987)	(9,279)	(8,453)	(5,634)	(5,395)	(4,963)	(5,406)
Other	(113,341)	26,966	(59,889)	(127,718)	189,818	(33,936)	(87,317)
Net change in plan fiduciary net position	1,183,459	(9,167)	142,566	325,508	574,634	(121,585)	(78,583)
Plan fiduciary net position, beginning	5,201,030	5,210,197	5,067,631	4,742,123	4,167,489	4,289,074	4,367,657
Plan fiduciary net position, ending	<u>\$ 6,384,489</u>	<u>\$ 5,201,030</u>	<u>\$ 5,210,197</u>	<u>\$ 5,067,631</u>	<u>\$ 4,742,123</u>	<u>\$ 4,167,489</u>	<u>\$ 4,289,074</u>
Employer's net pension liability/(asset)	<u>\$ (1,767,415)</u>	<u>\$ (605,609)</u>	<u>\$ (911,316)</u>	<u>\$ (955,888)</u>	<u>\$ (960,605)</u>	<u>\$ (597,060)</u>	<u>\$ (1,007,372)</u>
Plan fiduciary net position as a percentage of the total pension liability	138.28%	113.18%	121.20%	123.25%	125.40%	116.72%	130.70%
Covered payroll	\$ 1,453,287	\$ 1,457,694	\$ 1,410,464	\$ 1,212,921	\$ 1,187,724	\$ 1,151,154	\$ 1,149,885
Employer's net pension liability/(asset) as a percentage of covered payroll	-121.62%	-41.55%	-64.61%	-78.81%	-80.88%	-51.87%	-87.61%

Note: This schedule will ultimately contain ten years of data.

**CITY OF CENTRALIA**  
**LAGERS (PENSION PLAN)**  
**SCHEDULE OF CONTRIBUTIONS – LAST TEN FISCAL YEARS**  
**March 31, 2022**

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 100,996	\$ 91,663	\$ 86,255	\$ 69,096	\$ 61,787
Contributions in relation to the actuarially determined contribution	99,542	91,663	86,255	69,096	61,787
Contribution deficiency (excess)	<u>\$ 1,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,453,287	\$ 1,458,129	\$ 1,410,464	\$ 1,212,921	\$ 1,187,724
Contributions as a percentage of covered payroll	6.85%	6.29%	6.12%	5.70%	5.20%
	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 57,601	\$ 65,936	\$ 75,284	\$ 75,770	\$ 82,683
Contributions in relation to the actuarially determined contribution	57,601	65,936	75,284	65,956	60,417
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,814</u>	<u>\$ 22,266</u>
Covered payroll	\$ 1,151,154	\$ 1,149,885	\$ 1,108,886	\$ 1,083,650	\$ 1,090,774
Contributions as a percentage of covered payroll	5.00%	5.73%	6.79%	6.09%	5.54%

**CITY OF CENTRALIA  
COMBINING BALANCE SHEET  
MODIFIED CASH BASIS  
NON-MAJOR GOVERNMENTAL FUNDS  
March 31, 2022**

	Special Revenue				Debt Service		Permanent	Capital Projects		Total	
	Golf Course Fund	Park Fund	Parks and Rec Center Fund	Public Safety Sales Tax Fund	Avenue of Flags Fund	Parks and Rec Sales Tax Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund		Highways and Streets Fund
<b>ASSETS</b>											
Cash and cash equivalents	\$ -	\$ 220,590	\$ 290,883	\$ 24,505	\$ 23,443	\$ 15,592	\$ -	\$ -	\$ 35,927	\$ 3,862	\$ 614,802
Due from other funds	-	-	-	-	-	28,593	-	-	3,862	-	32,455
Restricted assets											
Cash and cash equivalents	-	-	-	-	-	50	221	220,344	-	-	220,615
Total assets	<u>\$ -</u>	<u>\$ 220,590</u>	<u>\$ 290,883</u>	<u>\$ 24,505</u>	<u>\$ 23,443</u>	<u>\$ 44,235</u>	<u>\$ 221</u>	<u>\$ 220,344</u>	<u>\$ 39,789</u>	<u>\$ 3,862</u>	<u>\$ 867,872</u>
<b>LIABILITIES</b>											
Due to other funds	\$ -	\$ 215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,862	\$ 4,077
Total liabilities	-	215	-	-	-	-	-	-	-	3,862	4,077
<b>FUND BALANCES</b>											
Nonspendable											
Perpetual care	-	-	-	-	-	-	-	220,344	-	-	220,344
Restricted for:											
Culture and recreation	-	220,375	-	-	23,443	-	-	-	-	-	243,818
Debt service	-	-	-	-	-	44,235	221	-	-	-	44,456
Public safety	-	-	-	24,505	-	-	-	-	-	-	24,505
Committed for:											
Culture and recreation	-	-	290,883	-	-	-	-	-	-	-	290,883
Capital projects	-	-	-	-	-	-	-	-	39,789	-	39,789
Total fund balances	-	220,375	290,883	24,505	23,443	44,235	221	220,344	39,789	-	863,795
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 220,590</u>	<u>\$ 290,883</u>	<u>\$ 24,505</u>	<u>\$ 23,443</u>	<u>\$ 44,235</u>	<u>\$ 221</u>	<u>\$ 220,344</u>	<u>\$ 39,789</u>	<u>\$ 3,862</u>	<u>\$ 867,872</u>

**CITY OF CENTRALIA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**MODIFIED CASH BASIS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**Year Ended March 31, 2022**

	Special Revenue				Debt Service		Permanent	Capital Projects		Total	
	Golf Course Fund	Park Fund	Parks and Rec Center Fund	Public Safety Sales Tax	Avenue of Flags Fund	Parks and Rec Sales Tax Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund		Highways and Streets Fund
<b>REVENUES</b>											
Taxes	\$ -	\$ 240,211	\$ -	\$ 245,018	\$ -	\$ 245,200	\$ 25	\$ -	\$ 1,713	\$ -	\$ 732,167
Charges for services	251,891	20,919	288,540	-	-	-	-	-	-	-	561,350
Miscellaneous											
Interest	-	381	854	606	86	361	-	22	219	-	2,529
Contributions	-	8,391	-	-	11,558	-	-	-	-	-	19,949
Other	-	-	191,097	-	-	-	-	-	-	-	191,097
Total revenues	251,891	269,902	480,491	245,624	11,644	245,561	25	22	1,932	-	1,507,092
<b>EXPENDITURES</b>											
Culture and recreation	272,923	217,809	305,353	-	4,625	-	-	-	-	-	800,710
Cemetery	-	-	-	-	-	-	-	4,793	-	-	4,793
Capital outlay	-	21,650	-	-	-	-	-	-	56,695	-	78,345
Debt service	-	-	-	-	-	229,969	-	-	-	-	229,969
Total expenditures	272,923	239,459	305,353	-	4,625	229,969	-	4,793	56,695	-	1,113,817
Excess (deficiency) of revenues over (under) expenditures	(21,032)	30,443	175,138	245,624	7,019	15,592	25	(4,771)	(54,763)	-	393,275
<b>OTHER FINANCING SOURCES (USES)</b>											
Operating transfers in	21,032	4,359	-	-	-	-	-	-	-	-	25,391
Operating transfers (out)	-	-	(47,299)	(221,119)	-	-	(8)	-	-	-	(268,426)
Total other financing sources (uses)	21,032	4,359	(47,299)	(221,119)	-	-	(8)	-	-	-	(243,035)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	-	34,802	127,839	24,505	7,019	15,592	17	(4,771)	(54,763)	-	150,240
Fund balances, April 1	-	185,573	163,044	-	16,424	28,643	204	225,115	94,552	-	713,555
<b>FUND BALANCES, MARCH 31</b>	<b>\$ -</b>	<b>\$ 220,375</b>	<b>\$ 290,883</b>	<b>\$ 24,505</b>	<b>\$ 23,443</b>	<b>\$ 44,235</b>	<b>\$ 221</b>	<b>\$ 220,344</b>	<b>\$ 39,789</b>	<b>\$ -</b>	<b>\$ 863,795</b>

## **SINGLE AUDIT REPORTS**

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

To the Honorable Mayor and Board of Aldermen  
of the City of Centralia

We have audited, in accordance with U.S. generally accepted auditing standards 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 City of Centralia (the City), as of and for the year ended March 31, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 10, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. See Finding 2021-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 Standards*.

## **City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*William J. Keppers UC*

Columbia, Missouri  
November 10, 2022

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and Board of Aldermen  
of the City of Centralia

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited the City of Centralia (the City's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2022. The City's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended March 31, 2022.

#### ***Basis for Opinion on the Federal Program***

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide legal determination of the City's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditors' Responsibility for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, a fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an (or update our) understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*William J. Keepers UC*

Columbia, Missouri  
November 10, 2022

**CITY OF CENTRALIA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED MARCH 31, 2022**

	Assistance Listing Number	Pass Through Number	Passed Through to Subrecipients	Expenditures
U.S. Department of the Treasury				
Passed through the Missouri State Office of Administration:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	CENT-REV22	\$ -	\$ 52,044
U.S. Environmental Protection Agency				
Passed through the Missouri Department of Natural Resources:				
Capitalization Grants for Clean Water State Revolving Funds (Clean Water State Revolving Fund Cluster)	66.458	N/A	-	3,395,325
Capitalization Grants for Drinking Water State Revolving Funds (Drinking Water State Revolving Fund Cluster)	66.468	N/A	-	2,244,694
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 5,692,063</u>

**BASIS OF PRESENTATION:**

The schedule of expenditures of federal awards includes only the current year federal grant activity of the City and is presented on the modified cash basis of accounting. This information is presented in accordance with the requirements of the Uniform Guidance. Amounts presented in this schedule as expenditures may differ from amounts presented in, or used in the preparation of, the basic financial statements, although such differences are not material.

**INDIRECT COST RATE:**

The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF CENTRALIA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended March 31, 2022**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors’ report expresses an unmodified opinion on the financial statements of the City.
2. A significant deficiency relating to the audit of the financial statements is reported in the “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*.” This is not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the City were disclosed during the audit.
4. No deficiencies relating to the audit of the major federal award programs are reported in the “Independent Auditors’ Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.”
5. The auditors’ report on compliance for the major federal award programs for the City expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the City are reported in Part C of this Schedule.
7. The programs tested as major programs include:

	Assistance Listing Number
Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. The dollar threshold used to distinguish between Type A and B programs was \$750,000.
9. The City did not qualify as a low-risk auditee for the year ended March 31, 2022.

## **B. FINDINGS - FINANCIAL STATEMENT AUDIT**

### **Finding 2021-001: Financial Reporting (significant deficiency)**

*Condition:* Management is responsible for establishing and maintaining internal controls, for the selection and application of accounting principles, and for adjusting the underlying general ledger in order to present financial statements in accordance with the modified cash basis of accounting. Under auditing standards, the auditor cannot be a part of internal control. If management does not have the means to accomplish its responsibilities other than by having the auditors handle some or all of these responsibilities, the City is deemed to have a significant deficiency under auditing standards. During the fiscal year 2022 audit, the auditor prepared the financial statements, including the note disclosures and the schedule of expenditures of federal awards, and proposed significant adjustments to the underlying general ledger.

*Cause:* The City's personnel do not keep current with governmental accounting standards related to financial reporting.

*Effect:* The auditor prepared the financial statements, including the note disclosures and the schedule of expenditures of federal awards, and submitted them to management for review and approval. The auditor also proposed significant adjustments to the underlying general ledger.

*Recommendation:* Because we feel the process of us, as auditors, preparing the financial statements at the conclusion of the audit, followed by management review and approval, is an efficient and cost-effective process overall, we are not recommending the City make other arrangements. We do, however, recommend the City ensure all significant adjustments are made to the underlying general ledger prior to the financial statement audit. This includes leaving the books open until the audit is completed, posting the adjustments, and closing the books once the audit is completed. We also recommend the City attempt to prepare the schedule of expenditures of federal awards.

*City's Response:* The City agrees that the process of the auditors preparing the financial statements at the conclusion of the audit, followed by management review and approval, is an efficient and cost-effective process overall. The City will ensure all significant adjustments are made to the underlying general ledger prior to the financial statement audit. The City will also attempt to prepare the schedule of expenditures of federal awards.

## **C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There were no audit findings relative to federal awards in the current year.

**CITY OF CENTRALIA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended March 31, 2022**

There were no prior audit findings.