

CITY OF CENTRALIA

SUMMARY REPORT

MARCH 31, 2021

August 16, 2021

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

We appreciate the opportunity to assist the Honorable Mayor and the Board of Aldermen of the City of Centralia (the City) in its governance and oversight function by providing annual audit services. Our audit reports for the year ended March 31, 2021, have been provided to management and include the following:

Financial Statements

This document contains the City's financial statements for the fiscal year ended March 31, 2021, along with our report on those statements.

Highlights are as follows:

- We issued an “unmodified” or a “clean” opinion on the financial statements. In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the each major fund and the aggregate remaining fund information of the City as of March 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles (GAAP); however, our opinion is not modified with respect to this matter.
- Management is responsible for the preparation and fair presentation of the financial statements, including the design and implementation of internal control. We prepared the financial statements, which were reviewed and approved by management.
- We used our judgment in determining how to audit the City. That judgment was based on our risk assessment performed on the City's balances, transactions, processes, and controls. We focused our attention on areas where the financial statements might potentially be misstated.
- We evaluated the appropriateness of accounting policies, the reasonableness of significant accounting estimates, and the overall financial statement presentation.
- 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, the fund financial statement information is presented in the same manner as government-wide financial statements would be, only with more detail. Therefore, the City's basis financial statements include: 1) fund financial statements and 2) notes to the financial statements.

- The following summarizes the highlights from the governmental funds' financial statements as of and for the years ended March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total assets	<u>\$ 2,597,663</u>	<u>\$ 2,024,796</u>
Total liabilities	<u>\$ 67,284</u>	<u>\$ 67,285</u>
Fund balances:		
Nonspendable	769,772	758,701
Restricted for culture and recreation	201,997	174,637
Restricted for debt service purposes	28,847	32,728
Committed for capital projects	632,615	625,155
Committed for culture and recreation	163,044	149,976
Unassigned	<u>734,104</u>	<u>216,314</u>
Total fund balances	<u>2,530,379</u>	<u>1,957,511</u>
Total liabilities and fund balances	<u>\$ 2,597,663</u>	<u>\$ 2,024,796</u>

- Total assets increased by \$572,867 (28%), due to the positive net change in fund balances – see further discussion below.
- Total fund balances increased \$571,868 (29%) – see further discussion below.

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 3,267,186	\$ 3,353,985
Total expenditures	<u>3,219,318</u>	<u>4,126,373</u>
Excess (deficiency) of revenues over (under) expenditures	47,868	(772,388)
Total other financing sources	<u>525,000</u>	<u>433,837</u>
Net change in fund balances	572,868	(338,551)
Fund balances - beginning	<u>1,957,511</u>	<u>2,296,062</u>
Fund balances - ending	<u>\$ 2,530,379</u>	<u>\$ 1,957,511</u>

- Total revenues were stable (decreased \$86,799 (-3%)).
- Total expenditures decreased \$907,055 (-22%), primarily due to the closure of the pool and a reduction in capital outlay and other projects as result of the COVID-19 pandemic.
- Total other financing sources increased \$91,163 (21%), primarily due to an increase in interfund transfers to the City's governmental funds from the City's proprietary funds.

- The following summarizes the highlights from the proprietary funds' financial statements as of and for the years ended March 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Total assets	\$ 2,610,276	\$ 3,485,136
Total liabilities	<u>94,016</u>	<u>112,964</u>
Net position:		
Restricted for capital outlay	168,806	672,000
Restricted for pension plan	9,782	9,782
Unrestricted	<u>2,337,672</u>	<u>2,690,390</u>
Total net position	<u><u>\$ 2,516,260</u></u>	<u><u>\$ 3,372,172</u></u>

- Total assets decreased by \$874,860 (-25%), due to the negative change in net position – see further discussion below.
- Total liabilities decreased \$18,948 (-17%), primarily due to the decrease in accrued sales taxes.
- Total net position decreased \$855,912 (-25%) – see further discussion below.

	<u>2021</u>	<u>2020</u>
Total revenues	\$ 5,868,472	\$ 5,999,398
Total operating expenses	<u>6,009,762</u>	<u>5,447,932</u>
Operating income (loss)	(141,290)	551,466
Total non-operating revenues (expenses)	(189,622)	544,796
Operating transfers (out)	<u>(525,000)</u>	<u>(433,837)</u>
Change in net position	(855,912)	662,425
Total net position - beginning	<u>3,372,172</u>	<u>2,709,747</u>
Total net position - ending	<u><u>\$ 2,516,260</u></u>	<u><u>\$ 3,372,172</u></u>

- Total revenues were stable (decreased \$130,926 (-2%)).
- Total operating expenses increased \$561,830 (10%), primarily due to capital outlay related to the AMI meter implementation in the current year.
- Total non-operating revenues (expenses) decreased \$734,418 (-134%), primarily debt proceeds related to the AMI meter financing in the prior year.
- Total operating transfers (out) increased \$91,163 (21%), primarily due to an increase in interfund transfers to the City's governmental funds from the City's proprietary funds.

Auditors' Communication Letter

This letter consists of comments about the audit process and its results that are required under our professional standards to be communicated to an audit or similar committee of the governing board of an organization or entity. Highlights are as follows:

- We noted no transactions that we considered both unusual and significant, and there were no changes in accounting policies during the year.
- We evaluated the estimates affecting the financial statements and found them reasonable in relation to the financial statements as a whole.
- We evaluated the disclosures in the financial statements and found them to be neutral, consistent and clear. All required disclosures are included.
- We encountered no significant difficulties in dealing with management in performing our audit.
- We had no disagreements with management on accounting or auditing issues.

Management Letter

This letter is used to communicate any findings we may have about the City's internal controls and certain other matters that are, in our opinion, significant enough to warrant your attention. Highlights are as follows:

- Although the scope of our engagement was not directed towards an opinion on the adequacy of internal control, we considered internal control as a basis for designing our audit procedures.
- A *material weakness* is a deficiency, or 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. We did not identify any material weaknesses.
- A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified bank reconciliations, preparation of financial statements, and network access to be significant deficiencies again this year.
- We also made other recommendations to help strengthen internal control and improve operating deficiency for the City to consider: cash disbursements, interfund balances, and Summit general ledger – fund accounting issues.

We wish to thank the City and its personnel for their cooperation and assistance during our audit. The information in this audit report is intended solely for the use of the members of the Board of Aldermen and management of the City.

We appreciate the opportunity to be of service.

Sincerely,



WILLIAMS-KEEPERS LLC