

REPORT OF
CITY OF CENTRALIA
MARCH 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

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, Missouri (the City), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of each major fund and the aggregate remaining fund information of the City as of March 31, 2020, 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 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic 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 basic financial statements as a whole, on the basis of accounting described in Note 1.

William K. Kasper UC

August 24, 2020

CITY OF CENTRALIA
BALANCE SHEET
MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
March 31, 2020

	Major Funds				Non-Major Funds	Totals
	General Fund	Cemetery Fund	Pool Fund	Transportation Sales Tax Fund		
ASSETS						
Cash and cash equivalents	\$ 377,369	\$ 139,085	\$ -	\$ 398,115	\$ 417,340	\$ 1,331,909
Due from other funds	22,123	-	-	-	32,455	54,578
Restricted assets	-	-	-	-	-	-
Cash and cash equivalents	-	403,977	-	-	234,332	638,309
Total assets	<u>\$ 399,492</u>	<u>\$ 543,062</u>	<u>\$ -</u>	<u>\$ 398,115</u>	<u>\$ 684,127</u>	<u>\$ 2,024,796</u>
LIABILITIES						
Due to other funds	\$ -	\$ 14,558	\$ 28,593	\$ -	\$ 4,077	\$ 47,228
Other liabilities	20,057	-	-	-	-	20,057
Total liabilities	<u>20,057</u>	<u>14,558</u>	<u>28,593</u>	<u>-</u>	<u>4,077</u>	<u>67,285</u>
FUND BALANCES						
Nonspendable						
Perpetual care	-	528,504	-	-	230,197	758,701
Restricted for:						
Culture and recreation	-	-	-	-	174,637	174,637
Debt service	-	-	-	-	32,728	32,728
Committed for:						
Capital projects	134,528	-	-	398,115	92,512	625,155
Culture and recreation	-	-	-	-	149,976	149,976
Unassigned	<u>244,907</u>	<u>-</u>	<u>(28,593)</u>	<u>-</u>	<u>-</u>	<u>216,314</u>
Total fund balances	<u>379,435</u>	<u>528,504</u>	<u>(28,593)</u>	<u>398,115</u>	<u>680,050</u>	<u>1,957,511</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 399,492</u>	<u>\$ 543,062</u>	<u>\$ -</u>	<u>\$ 398,115</u>	<u>\$ 684,127</u>	<u>\$ 2,024,796</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, 2020

	Major Funds				Non-Major	
	General Fund	Cemetery	Pool Fund	Transportation Sales Tax Fund	Funds	Totals
REVENUES						
Taxes	\$ 1,322,206	\$ -	\$ -	\$ 204,982	\$ 599,842	\$ 2,127,030
Licenses and permits	33,254	-	-	-	-	33,254
Charges for services	1,710	9,000	78,968	-	461,071	550,749
Intergovernmental revenues	312,778	-	-	73,561	-	386,339
Fines and forfeitures	16,765	-	-	-	-	16,765
Miscellaneous						
Interest	18,230	7,307	-	-	15,852	41,389
Contributions	1,260	2,534	-	-	136,520	140,314
Other	51,842	2,400	-	-	3,903	58,145
Total revenues	1,758,045	21,241	78,968	278,543	1,217,188	3,353,985
EXPENDITURES						
General government	532,155	-	-	-	-	532,155
Public safety	1,149,668	-	-	-	-	1,149,668
Public works	430,847	-	-	356,947	-	787,794
Community planning and economic development	107,858	-	-	-	-	107,858
Culture and recreation	-	-	96,777	-	898,848	995,625
Cemetery	-	31,995	-	-	4,532	36,527
Capital outlay	94,930	-	-	-	190,328	285,258
Debt service	-	-	-	-	231,488	231,488
Total expenditures	2,315,458	31,995	96,777	356,947	1,325,196	4,126,373
Deficiency of revenues under expenditures	(557,413)	(10,754)	(17,809)	(78,404)	(108,008)	(772,388)
OTHER FINANCING SOURCES (USES)						
Operating transfers in	472,966	25,000	17,662	-	260,311	775,939
Operating transfers (out)	(2,670)	-	(7,761)	-	(331,671)	(342,102)
Total other financing sources (uses)	470,296	25,000	9,901	-	(71,360)	433,837
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(87,117)	14,246	(7,908)	(78,404)	(179,368)	(338,551)
Fund balances, April 1 (as restated)	466,552	514,258	(20,685)	476,519	859,418	2,296,062
FUND BALANCES, MARCH 31	\$ 379,435	\$ 528,504	\$ (28,593)	\$ 398,115	\$ 680,050	\$ 1,957,511

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, 2020

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,209,271	\$ 492,907	\$ 363,865	\$ 203,865	\$ 2,269,908	\$ 465,872
Due from other funds	-	13,432	-	-	13,432	-
Total current assets	1,209,271	506,339	363,865	203,865	2,283,340	465,872
Restricted assets:						
Cash and cash equivalents	672,000	-	-	-	672,000	-
Customer security deposits	37,735	16,407	-	-	54,142	-
Restricted investments	9,782	-	-	-	9,782	-
Total assets	1,928,788	522,746	363,865	203,865	3,019,264	465,872
LIABILITIES						
Current liabilities:						
Sales tax payable	38,040	-	-	-	38,040	-
Due to other funds	7,350	-	4,723	8,709	20,782	-
Total current liabilities	45,390	-	4,723	8,709	58,822	-
Payable from restricted assets:						
Customer security deposits	37,735	16,407	-	-	54,142	-
Total liabilities	83,125	16,407	4,723	8,709	112,964	-
NET POSITION						
Restricted for capital outlay	672,000	-	-	-	-	-
Restricted for debt service	9,782	-	-	-	-	-
Unrestricted	1,163,881	506,339	359,142	195,156	2,906,300	465,872
Total net position	\$ 1,845,663	\$ 506,339	\$ 359,142	\$ 195,156	\$ 2,906,300	\$ 465,872

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, 2020

	Major Funds				Total	
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund	Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 3,664,626	\$ 769,015	\$ 463,726	\$ 461,796	\$ 5,359,163	\$ 636,939
Contributions	3,296	-	-	-	3,296	-
Total operating revenues	3,667,922	769,015	463,726	461,796	5,362,459	636,939
OPERATING EXPENSES						
Planning and administration	92,507	104,579	26,390	74,562	298,038	232,608
Communication	35,925	38,462	31,686	-	106,073	-
Well operation, maintenance and repair	-	48,036	-	-	48,036	-
Distribution	3,196,026	237,534	-	-	3,433,560	-
Buildings and grounds	21,575	21,458	-	-	43,033	-
Treatment	-	112,053	-	-	112,053	-
Sewerage collections	-	-	123,382	-	123,382	-
Lift operations	-	-	23,849	-	23,849	-
Sewerage treatment collections	-	-	141,048	-	141,048	-
Land application	-	-	61,407	-	61,407	-
Brush and tree control	46,210	-	-	-	46,210	-
Street lighting	18,161	-	-	-	18,161	-
Equipment operations	-	-	-	-	-	176,949
Trash collection	-	-	-	248,407	248,407	-
Trash disposal	-	-	-	316,683	316,683	-
Miscellaneous	323	-	4,801	4,671	9,795	8,640
Total operating expenses	3,410,727	562,122	412,563	644,323	5,029,735	418,197
OPERATING INCOME (LOSS)	257,195	206,893	51,163	(182,527)	332,724	218,742
NON-OPERATING REVENUES (EXPENSES)						
Debt service	(152,393)	-	(27,462)	-	(179,855)	-
Interest income	9,650	7,990	6,334	9,677	33,651	-
Proceeds from debt issuance	691,000	-	-	-	691,000	-
Total non-operating revenues	548,257	7,990	(21,128)	9,677	544,796	-
NET INCOME (LOSS)	805,452	214,883	30,035	(172,850)	877,520	218,742
Operating transfers (out)	(175,000)	(50,840)	(50,000)	(104,260)	(380,100)	(53,737)
Change in net position	630,452	164,043	(19,965)	(277,110)	497,420	165,005
Net position, April 1 (as restated)	1,215,211	342,296	379,107	472,266	2,408,880	300,867
NET POSITION, MARCH 31	<u>\$ 1,845,663</u>	<u>\$ 506,339</u>	<u>\$ 359,142</u>	<u>\$ 195,156</u>	<u>\$ 2,906,300</u>	<u>\$ 465,872</u>

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, 2020

	<u>Custodial Fund</u> <u>Library Trust</u> <u>Fund</u>
ASSETS	
Cash and cash equivalents	\$ -
Total assets	<u>-</u>
LIABILITIES	
Due to other governments	<u>-</u>
Total liabilities	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>

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, 2020

	<u>Custodial Fund</u> <u>Library Trust</u> <u>Fund</u>
RECEIPTS:	
Taxes	\$ 327,861
Interest	5,744
Contributions	1,645
Other	<u>20,896</u>
Total receipts	<u>356,146</u>
DISBURSEMENTS:	
Distributions to library	<u>356,146</u>
Total disbursements	<u>356,146</u>
Change in fund balance	-
Net position, April 1	<u>-</u>
NET POSITION, MARCH 31	<u><u>\$ -</u></u>

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 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 of Centralia. 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 of Centralia 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 of the City. It is used to account for activity occurring at the City's cemetery.

Pool Fund – This is a special revenue fund of the City. It 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.

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 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 fund” 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. Equity

In the governmental fund financial statements, equity 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, 2020.

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, equity 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.

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 of Centralia 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, 2020:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 3,300	\$ 250,000	\$ -	\$ 253,300
Collateralized with securities pledged by the financial institution	3,908,542	767,068	-	4,675,610
Held in the financial institution's trust department in the City's name, but not subject to FDIC or collateralization rules	671,000	-	-	671,000
	<u>\$ 4,582,842</u>	<u>\$ 1,017,068</u>	<u>\$ -</u>	<u>\$ 5,599,910</u>
Carrying value	<u>\$ 4,430,890</u>	<u>\$ 1,000,000</u>	<u>\$ 250</u>	<u>\$ 5,431,140</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	\$ 1,331,909	\$ 2,735,780	\$ 4,067,689
Restricted cash and cash equivalents	638,309	726,142	1,364,451
	<u>\$ 1,970,218</u>	<u>\$ 3,461,922</u>	<u>\$ 5,432,140</u>

Investments, categorized by level of custodial risk, were as follows as of March 31, 2020:

	Investment Maturities (in years)		Fair Value	Carrying Value
	Less than 1	1-5		
Money market funds				
Restricted	\$ 9,782	\$ -	\$ 9,782	\$ 9,782
Total investments	<u>\$ 9,782</u>	<u>\$ -</u>	<u>\$ 9,782</u>	<u>\$ 9,782</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, 2020, 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

At March 31, 2020, total restricted cash and cash equivalents, investments, and net position were classified as follows:

Restricted cash and cash equivalents	\$ 1,364,451
Restricted investments	<u>9,782</u>
Total restricted assets	<u>\$ 1,374,233</u>

A portion of restricted assets consists of cash reserved in accordance with bond ordinances and can be used only as explained below:

Capital Lease Obligation – Electric Substation Lease:

Reserve Account – Lease proceeds totaling \$15,256 are to be deposited to this account. Once funded, payments from the account shall be expended solely to prevent any default in the payment of interest or principal. At March 31, 2020, assets restricted for the Lease Revenue Account totaled \$9,782.

Restricted Assets by Purpose:

At March 31, 2020, assets were restricted for various uses as follows:

	<u>Assets</u>
Special revenue funds:	
Cemetery Fund (restricted for perpetual care)	\$ 403,977
Debt service funds:	
Parks and Recreation Sales Tax Fund	50
Library Bonds Debt Service	4,085
Permanent fund:	
A.B. Chance Memorial Trust Fund (restricted for perpetual care)	230,197
Enterprise funds:	
Electric Fund	
Capital outlay	672,000
Customer security deposits	37,735
Debt service	9,782
Water Fund	
Customer security deposits	<u>16,407</u>
Total restricted assets	<u>\$ 1,374,233</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 2019 are as follows:

	2019 Calendar Year	
Assessed valuation:		
Real estate	\$	45,180,273
Personal property		15,899,820
State assessed		771,021
	\$	<u>61,851,114</u>
	Per \$100 Assessed Valuation	
	Maximum Levy Allowed by Law	City's Levy
General Revenue	\$ 0.6682	\$ 0.6582
Parks and Recreation	0.2992	0.2947
Library General Revenue	0.5508	0.5435
		<u>\$ 1.4964</u>

6. INTERFUND TRANSFERS AND RECEIVABLES/PAYABLES

A summary of interfund transfers for the year ended March 31, 2020, follows:

	Transfer Out	Transfer In
Governmental funds:		
General Fund	\$ 2,670	\$ 472,966
Special revenue funds:		
Cemetery Fund	-	25,000
Pool Fund	7,761	17,662
Golf Course Fund	-	79,780
Park Fund	-	180,531
Parks and Rec Center Fund	39,814	-
Public Safety Sales Tax Fund	169,229	-
Parks and Recreation Sales Tax	122,628	-
Subtotal - governmental funds	342,102	775,939
Enterprise funds:		
Electric Fund	175,000	
Water Fund	50,840	-
Sewer	50,000	-
Sanitation	104,260	-
Subtotal - enterprise funds	380,100	-
Internal Service Fund	53,737	-
Total	\$ 775,939	\$ 775,939

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, 2020, resulting from interfund transfers were as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental funds:			
General	\$ 22,123	\$ -	\$ 22,123
Special revenue funds:			
Cemetery Fund	-	14,558	(14,558)
Pool Fund	-	28,593	(28,593)
Park Fund	-	215	(215)
Debt service funds:			
Parks and Rec Sales Tax Fund	28,593	-	28,593
Capital projects funds:			
Fire Equipment Fund	3,862	-	3,862
Highways and Streets Fund	-	3,862	(3,862)
Subtotal - governmental funds	<u>54,578</u>	<u>47,228</u>	<u>7,350</u>
Enterprise funds:			
Electric Fund	-	7,350	(7,350)
Water Fund	13,432	-	13,432
Sewer Fund	-	4,723	(4,723)
Sanitation Fund	-	8,709	(8,709)
Subtotal - enterprise funds	<u>13,432</u>	<u>20,782</u>	<u>(7,350)</u>
Total	<u>\$ 68,010</u>	<u>\$ 68,010</u>	<u>\$ -</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 2020.

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 2020.

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 2020.

The balance due between the capital projects funds originated during a prior fiscal year and was not settled during fiscal year 2020.

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 2020.

7. CAPITAL LEASES PAYABLE

The City has the following capital leases:

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 \$177,963 and \$204,982, 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 Fund charges for services were \$54,065 and \$310,423, respectively.

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 associated debt is recorded in the Electric Fund on the proprietary funds statement of net position. 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. The total principal and interest remaining to be paid on the bonds is \$663,359. Principal and interest paid for the current year and total Electric Fund charges for services were \$152,393 and \$3,664,626, respectively.

The lease agreement contains a financial covenant, with which the City was in compliance as of March 31, 2020.

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, beginning in March 2021 through March 2025. No principal or interest payments were made during the year ended March 31, 2020.

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, 2020, are as follows:

	Original Amount	Interest Rate	Maturity Date	Principal Balance 3/31/2019
Governmental funds:				
Community recreation center lease	\$ 2,390,000	3.69%	March 2035	\$ 1,980,000
Community recreation center lease - East Annex	565,000	4.50%	March 2033	528,000
				<u>2,508,000</u>
Proprietary funds:				
Electric substation lease	1,637,000	3.22%	July 2024	596,000
Electric AMI meter lease	691,000	2.05%	March 2025	691,000
Total				<u>\$ 3,795,000</u>

The following is a summary of capital leases payable transactions for the City for the year ended March 31, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental funds:					
Community recreation center lease	\$ 2,080,000	\$ -	\$ (100,000)	\$ 1,980,000	\$ 100,000
Community recreation center lease - East Annex	557,000	-	(29,000)	528,000	31,000
	<u>2,637,000</u>	<u>-</u>	<u>(129,000)</u>	<u>2,508,000</u>	<u>131,000</u>
Proprietary funds:					
Electric substation lease	716,000	-	(120,000)	596,000	128,000
Electric AMI meter lease	-	691,000	-	691,000	133,000
Total	<u>\$ 3,353,000</u>	<u>\$ 691,000</u>	<u>\$ (249,000)</u>	<u>\$ 3,795,000</u>	<u>\$ 392,000</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 at March 31, 2020.

Year Ending March 31:	Governmental Funds			Proprietary Funds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 131,000	\$ 96,822	\$ 227,822	\$ 261,000	\$ 39,661	\$ 300,661
2022	137,000	91,737	228,737	267,000	31,569	298,569
2023	143,000	86,423	229,423	279,000	22,240	301,240
2024	150,000	80,879	230,879	285,000	12,501	297,501
2025	152,000	75,060	227,060	195,000	3,597	198,597
2026-2030	860,000	281,663	1,141,663	-	-	-
2031-2035	935,000	102,987	1,037,987	-	-	-
Total	<u>\$ 2,508,000</u>	<u>\$ 815,571</u>	<u>\$ 3,323,571</u>	<u>\$ 1,287,000</u>	<u>\$ 109,568</u>	<u>\$ 1,396,568</u>

8. BONDS PAYABLE

The following is a summary of bonds payable transactions for the City for the year ended March 31, 2020:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Combined Waterworks and Sewerage System Revenue Bonds, Series 2018	<u>\$ 755,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 755,000</u>	<u>\$ -</u>

On December 20, 2018, the City issued \$755,000 in Combined Waterworks and Sewerage System Revenue Bonds. These bonds were issued for the purpose of purchasing land for a wastewater treatment facility.

The City has pledged future utility customer revenues to repay the bonds. Proceeds from the bonds provided financing for the purchase of land for a wastewater treatment facility. The bonds are payable solely from utility customer revenues and are payable through 2022. Revenues available for debt service are not to be less than 100% of the amount required to be paid annually of principal and interest. Interest payments of \$27,462 were paid during the year ended March 31, 2020. The total principal and interest remaining to be paid on the bonds is \$811,626.

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 individual issue:

	Original Amount	Interest Rate	Maturity Date	Balance March 31, 2020
Combined Waterworks and Sewerage System Revenue Bonds, Series 2018	<u>\$ 755,000</u>	3.75%	1/1/2022	<u>\$ 755,000</u>

The annual requirements to amortize bonds payable as of March 31, 2020, including interest payments, are as follows:

	Principal	Interest	Total
Year ending March 31,			
2021	\$ -	\$ 28,313	\$ 28,313
2022	755,000	28,313	783,313
Total minimum payments	<u>\$ 755,000</u>	<u>\$ 56,626</u>	<u>\$ 811,626</u>

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, 2020, the estimated post-closure cost is \$81,632, 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, 2020. 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 Marking, 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, 2021. 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, 2020.

F. Other Commitments

Prior to March 31, 2020, the City received quotes for the lease/purchase of a street sweeper from TCF Equipment Finance and the City committed to making a purchase decision after yearend. The cost of the street sweeper was \$160,372; however, the financing terms had not been determined as of March 31, 2020.

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, 2020.

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.

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>2019 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

At June 30, 2019, 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	18
Active employees	<u>33</u>
Total	<u><u>75</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 8.3% (General) and 0.6% (Police) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions

The total pension liability in the February 28, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage, 2.50% price
Salary increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the RP-2014 Healthy Annuitant, Disabled, and Employees Mortality Tables.

The actuarial assumptions used in the February 28, 2019, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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	10.00%	0.00%
Leverage	-35.00%	-0.51%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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, 2018	\$ 4,111,743	\$ 5,067,631	\$ (955,888)
Changes for the year:			
Service cost	112,837	-	112,837
Interest	295,574	-	295,574
Difference between expected and actual experience	(37,454)	-	(37,454)
Contributions - employer	-	76,381	(76,381)
Net investment income	-	318,346	(318,346)
Benefit payments, including refunds	(183,819)	(183,819)	-
Administrative expense	-	(8,453)	8,453
Other changes	-	(59,889)	59,889
Net changes	187,138	142,566	44,572
Balances at June 30, 2019	\$ 4,298,881	\$ 5,210,197	\$ (911,316)

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 7.25%, as well as what the employer's net pension liability (asset) would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	Current Single Discount		
	1% Decrease (6.25%)	Rate Assumption (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 4,912,631	\$ 4,298,881	\$ 3,796,002
Plan fiduciary net position	\$ 5,210,197	\$ 5,210,197	\$ 5,210,197
Net pension liability/(asset)	\$ (297,566)	\$ (911,316)	\$ (1,414,195)

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, 2020. 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, 2020, the City's pension expense under full accrual accounting would have been \$134,890. However, on the modified cash basis of accounting, the City recognized payments to LAGERS of \$86,255 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
Differences between:		
Expected and actual experience	\$ 23,895	\$ (43,069)
Projected and actual earnings on investments	-	(128,065)
Changes in assumptions	28,100	-
Contributions subsequent to the measurement date	63,380	-
Total	<u>\$ 115,375</u>	<u>\$ (171,134)</u>

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

Year ending:	
2020	\$ 2,701
2021	(82,932)
2022	(44,378)
2023	5,470
Total	<u>\$ (119,139)</u>

12. FUND DISCLOSURES

The Pool Fund has an accumulated deficit at March 31, 2020. 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, 2020.

14. CHANGE IN BASIS OF ACCOUNTING

As of April 1, 2019, the City began preparing its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). The modified cash basis of accounting inherently has certain limitations, including the inability to accurately reflect an entity's financial condition as only certain assets and liabilities are recorded in the financial statements. Reported revenues and expenditures/expenses can differ by substantial amounts by using the modified cash basis of accounting as compared to GAAP as transactions are often reporting in different periods. The primary differences between the modified cash basis of accounting and GAAP for the City are that capital assets and long-term debt are not reported, and the effects of outstanding receivables and outstanding payables are not included in the financial statements.

As a result, fund balances and net position as of March 31, 2019, were restated as follows:

	Fund balance/ net position, as previously reported	Effect of change in basis of accounting	Fund balance/ net position, as restated
Governmental funds:			
General Fund	\$ 539,168	\$ (159,733)	\$ 379,435
Cemetery Fund	516,364	12,140	528,504
Pool Fund	(46,966)	18,373	(28,593)
Transportation Sales Tax Fund	442,752	(44,637)	398,115
Non-Major Funds	846,352	(166,303)	680,049
Proprietary funds:			
Electric Fund	3,513,207	(1,667,544)	1,845,663
Water Fund	1,750,932	(1,244,593)	506,339
Sewer Fund	2,160,863	(1,801,721)	359,142
Sanitation Fund	392,512	(197,356)	195,156
Internal Service Fund	292,417	173,455	465,872
Totals	<u>\$ 10,407,601</u>	<u>\$ (5,077,919)</u>	<u>\$ 5,329,682</u>

15. SUBSEQUENT EVENTS

Events that occurred subsequent to March 31, 2020, have been evaluated through August 24, 2020, which is the date the financial statements were available to be issued.

Subsequent to yearend, the City signed an agreement for State Revolving Fund loan funding in the amount of \$2,744,000 to finance upgrades to the City's water treatment plant.

The extent of the impact of Coronavirus Disease 2019 (COVID-19) on the City's financial statements is uncertain at this time. The City is continuing to monitor and evaluate the pandemic's effects on the City.

SUPPLEMENTARY INFORMATION

CITY OF CENTRALIA

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended March 31, 2020

	Actual	Original and Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Taxes	\$ 1,322,206	\$ 1,308,305	\$ 13,901
Licenses and permits	33,254	39,745	(6,491)
Charges for services	1,710	1,430	280
Intergovernmental revenues	312,778	37,500	275,278
Fines and forfeitures	16,765	12,275	4,490
Miscellaneous	71,332	533,125	(461,793)
Total revenues	<u>1,758,045</u>	<u>1,932,380</u>	<u>(174,335)</u>
EXPENDITURES			
General government	532,155	510,869	(21,286)
Public safety	1,149,668	1,250,273	100,605
Public works	430,847	406,620	(24,227)
Community planning and economic development	107,858	192,657	84,799
Capital outlay	94,930	-	(94,930)
Total expenditures	<u>2,315,458</u>	<u>2,360,419</u>	<u>44,961</u>
Deficiency of revenues under expenditures	<u>(557,413)</u>	<u>(428,039)</u>	<u>(129,374)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	472,966	-	472,966
Operating transfers (out)	<u>(2,670)</u>	<u>-</u>	<u>(2,670)</u>
Total other financing sources	<u>470,296</u>	<u>-</u>	<u>470,296</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ (87,117)</u>	<u>\$ (428,039)</u>	<u>\$ 340,922</u>

CITY OF CENTRALIA

BUDGETARY COMPARISON SCHEDULE

CEMETERY FUND

Year Ended March 31, 2020

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Charges for services	\$ 9,000	\$ 11,575	\$ (2,575)
Miscellaneous	12,241	33,700	(21,459)
Total revenues	21,241	45,275	(24,034)
EXPENDITURES			
Cemetery	31,995	34,550	2,555
Total expenditures	31,995	34,550	2,555
Excess (deficiency) of revenues over (under) expenditures	(10,754)	10,725	(21,479)
OTHER FINANCING SOURCES			
Operating transfers in	25,000	-	25,000
Total other financing sources	25,000	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 14,246	\$ 10,725	\$ (21,479)

CITY OF CENTRALIA

BUDGETARY COMPARISON SCHEDULE

POOL FUND

Year Ended March 31, 2020

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Charges for services	\$ 78,968	\$ 109,500	\$ (30,532)
Miscellaneous	-	1,000	(1,000)
Total revenues	<u>78,968</u>	<u>110,500</u>	<u>(31,532)</u>
EXPENDITURES			
Culture and recreation	<u>96,777</u>	<u>110,500</u>	<u>13,723</u>
Total expenditures	<u>96,777</u>	<u>110,500</u>	<u>13,723</u>
Deficiency of revenues under expenditures	<u>(17,809)</u>	<u>-</u>	<u>(17,809)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	17,662	-	17,662
Operating transfers (out)	<u>(7,761)</u>	<u>-</u>	<u>(7,761)</u>
Total other financing sources	<u>9,901</u>	<u>-</u>	<u>(7,761)</u>
Deficiency of revenues and other financing sources under expenditures	<u>\$ (7,908)</u>	<u>\$ -</u>	<u>\$ (25,570)</u>

CITY OF CENTRALIA

BUDGETARY COMPARISON SCHEDULE

TRANSPORTATION SALES TAX FUND

Year Ended March 31, 2020

	<u>Actual</u>	<u>Original & Final Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
REVENUES			
Taxes	\$ 204,982	\$ 210,000	\$ (5,018)
Intergovernmental revenues	<u>73,561</u>	<u>270,000</u>	<u>(196,439.00)</u>
Total revenues	<u>278,543</u>	<u>480,000</u>	<u>(201,457)</u>
EXPENDITURES			
Public works	<u>356,947</u>	<u>781,542</u>	<u>424,595</u>
Total expenditures	<u>356,947</u>	<u>781,542</u>	<u>424,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (78,404)</u>	<u>\$ (301,542)</u>	<u>\$ 223,138</u>

CITY OF CENTRALIA
LAGERS (PENSION PLAN)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
March 31, 2020

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 112,837	\$ 104,078	\$ 102,956	\$ 103,251	\$ 101,377
Interest on the total pension liability	295,574	272,031	255,434	236,729	234,857
Benefit changes	-	105,133	-	-	-
Difference between expected and actual experience	(37,454)	12,819	51,743	(79,299)	(171,090)
Assumption changes	-	-	-	164,840	-
Benefit payments	(183,819)	(163,836)	(199,044)	(136,794)	(143,574)
Net change in total pension liability	187,138	330,225	211,089	288,727	21,570
Total pension liability, beginning	4,111,743	3,781,518	3,570,429	3,281,702	3,260,132
Total pension liability, ending	<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	\$ 76,381	\$ 61,489	\$ 59,835	\$ 64,321	\$ 73,038
Pension plan net investment income (loss)	318,346	561,207	529,420	(10,213)	84,676
Benefit payments	(183,819)	(163,836)	(199,044)	(136,794)	(143,574)
Pension plan administrative expense	(8,453)	(5,634)	(5,395)	(4,963)	(5,406)
Other	(59,889)	(127,718)	189,818	(33,936)	(87,317)
Net change in plan fiduciary net position	142,566	325,508	574,634	(121,585)	(78,583)
Plan fiduciary net position, beginning	5,067,631	4,742,123	4,167,489	4,289,074	4,367,657
Plan fiduciary net position, ending	<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>\$ (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	121.20%	123.25%	125.40%	116.72%	130.70%
Covered payroll	\$ 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	-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, 2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 86,255	\$ 69,096	\$ 61,787	\$ 57,601	\$ 65,936
Contributions in relation to the actuarially determined contribution	86,255	69,096	61,787	57,601	65,936
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,410,464	\$ 1,212,921	\$ 1,187,724	\$ 1,151,154	\$ 1,149,885
Contributions as a percentage of covered payroll	6.12%	5.70%	5.20%	5.00%	5.73%
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 75,284	\$ 75,770	\$ 82,683	\$ 80,736	\$ 85,242
Contributions in relation to the actuarially determined contribution	75,284	65,956	60,417	51,816	44,324
Contribution deficiency	<u>\$ -</u>	<u>\$ 9,814</u>	<u>\$ 22,266</u>	<u>\$ 28,920</u>	<u>\$ 40,918</u>
Covered payroll	\$ 1,108,886	\$ 1,083,650	\$ 1,090,774	\$ 1,045,877	\$ 1,023,191
Contributions as a percentage of covered payroll	6.79%	6.09%	5.54%	4.95%	4.33%

CITY OF CENTRALIA
COMBINING BALANCE SHEET
MODIFIED CASH BASIS
NON-MAJOR GOVERNMENTAL FUNDS
March 31, 2020

	Special Revenue					Debt Service		Permanent	Capital Projects		
	Golf Course		Parks and	Public	Avenue of	Parks and	Library	A.B. Chance	Fire	Highways	
	Fund	Park Fund	Rec Center	Safety Sales	Flags Fund	Rec Sales	Bonds Fund	Memorial	Equipment	and Streets	Total
	Fund	Fund	Fund	Tax Fund	Fund	Tax Fund	Fund	Fund	Fund	Fund	
ASSETS											
Cash and cash equivalents	\$ -	\$ 159,235	\$ 149,976	\$ -	\$ 15,617	\$ -	\$ -	\$ -	\$ 88,650	\$ 3,862	\$ 417,340
Due from other funds	-	-	-	-	-	28,593	-	-	3,862	-	32,455
Restricted assets											
Cash and cash equivalents	-	-	-	-	-	50	4,085	230,197	-	-	234,332
Total assets	<u>\$ -</u>	<u>\$ 159,235</u>	<u>\$ 149,976</u>	<u>\$ -</u>	<u>\$ 15,617</u>	<u>\$ 28,643</u>	<u>\$ 4,085</u>	<u>\$ 230,197</u>	<u>\$ 92,512</u>	<u>\$ 3,862</u>	<u>\$ 684,127</u>
LIABILITIES											
Due to other funds	\$ -	\$ 215	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,862	\$ 4,077
Total liabilities	-	215	-	-	-	-	-	-	-	3,862	4,077
FUND BALANCES											
Nonspendable											
Perpetual care	-	-	-	-	-	-	-	230,197	-	-	230,197
Restricted for:											
Debt service	-	-	-	-	-	28,643	4,085	-	-	-	32,728
Culture and recreation	-	159,020	-	-	15,617	-	-	-	-	-	174,637
Committed for:											
Culture and recreation	-	-	149,976	-	-	-	-	-	-	-	149,976
Capital projects	-	-	-	-	-	-	-	-	92,512	-	92,512
Total fund balances	-	159,020	149,976	-	15,617	28,643	4,085	230,197	92,512	-	680,050
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 159,235</u>	<u>\$ 149,976</u>	<u>\$ -</u>	<u>\$ 15,617</u>	<u>\$ 28,643</u>	<u>\$ 4,085</u>	<u>\$ 230,197</u>	<u>\$ 92,512</u>	<u>\$ 3,862</u>	<u>\$ 684,127</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, 2020

	Special Revenue					Debt Service		Permanent	Capital Projects		
	Golf Course		Parks and	Public	Avenue of	Parks and	Library	A.B. Chance	Fire	Highways	
	Fund	Park Fund	Rec Center	Safety Sales	Flags Fund	Rec Sales	Bonds Fund	Memorial	Equipment	and Streets	Total
			Fund	Tax		Tax Fund		Fund	Fund	Fund	
REVENUES											
Taxes	\$ -	\$ 224,412	\$ -	\$ 168,507	\$ -	\$ 204,982	\$ 189	\$ -	\$ 1,752	\$ -	\$ 599,842
Charges for services	121,953	28,695	310,423	-	-	-	-	-	-	-	461,071
Miscellaneous											
Interest	-	1,168	3,151	722	296	4,177	2	4,508	1,828	-	15,852
Contributions	-	132,745	-	-	3,775	-	-	-	-	-	136,520
Other	-	2,829	1,074	-	-	-	-	-	-	-	3,903
Total revenues	121,953	389,849	314,648	169,229	4,071	209,159	191	4,508	3,580	-	1,217,188
EXPENDITURES											
Culture and recreation	201,733	400,463	295,289	-	1,363	-	-	-	-	-	898,848
Cemetery	-	-	-	-	-	-	-	4,532	-	-	4,532
Capital outlay	-	183,344	-	-	-	-	6,984	-	-	-	190,328
Debt service	-	-	-	-	-	231,488	-	-	-	-	231,488
Total expenditures	201,733	583,807	295,289	-	1,363	231,488	6,984	4,532	-	-	1,325,196
Excess (deficiency) of revenues over (under) expenditures	(79,780)	(193,958)	19,359	169,229	2,708	(22,329)	(6,793)	(24)	3,580	-	(108,008)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	79,780	180,531	-	-	-	-	-	-	-	-	260,311
Operating transfers (out)	-	-	(39,814)	(169,229)	-	(122,628)	-	-	-	-	(331,671)
Total other financing sources (uses)	79,780	180,531	(39,814)	(169,229)	-	(122,628)	-	-	-	-	(71,360)
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	-	(13,427)	(20,455)	-	2,708	(144,957)	(6,793)	(24)	3,580	-	(179,368)
Fund balances, April 1 (as restated)	-	172,447	170,431	-	12,909	173,600	10,878	230,221	88,932	-	859,418
FUND BALANCES, MARCH 31	\$ -	\$ 159,020	\$ 149,976	\$ -	\$ 15,617	\$ 28,643	\$ 4,085	\$ 230,197	\$ 92,512	\$ -	\$ 680,050