

CITY OF SMITHVILLE, MISSOURI

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED OCTOBER 31, 2019



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YEAR ENDED OCTOBER 31, 2019**

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Aldermen and Mayor
City of Smithville, Missouri

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Smithville, Missouri (the City), as of and for the year ended October 31, 2019, 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 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Smithville, Missouri as of October 31, 2019, and the respective changes in financial position – modified cash basis and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Smithville, Missouri's basic financial statements. The budgetary comparison schedules and schedule of contributions, the combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are the responsibility of management and were derived from and relate 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds balance sheet – modified cash basis, and the combining nonmajor governmental funds revenues, expenditures, and changes in fund balances – modified cash basis are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The budgetary comparison schedules and schedule of contributions have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
March 17, 2020

BASIC FINANCIAL STATEMENTS

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
OCTOBER 31, 2019

	Primary Government		
	Governmental	Business-	
	Activities	Type	
		Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,178,161	\$ 2,024,676	\$ 6,202,837
Restricted Cash and Investments	2,284,530	3,510,754	5,795,284
Capital Assets:			
Nondepreciable	4,986,853	6,418,133	11,404,986
Depreciable, Net	6,284,754	15,015,265	21,300,019
 Total Assets	 17,734,298	 26,968,828	 44,703,126
LIABILITIES			
Developer Escrow	23,478	-	23,478
Liabilities Payable from Restricted Assets	3,543	-	3,543
Customer Deposits	29,924	329,782	359,706
Long-Term Liabilities:			
Due Within One Year	157,993	311,177	469,170
Due In More Than One Year	5,999,765	8,466,386	14,466,151
 Total Liabilities	 6,214,703	 9,107,345	 15,322,048
NET POSITION			
Net Investment in Capital Assets	7,074,386	13,563,675	20,638,061
Restricted for Law Enforcement and Court	28,945	-	28,945
Restricted for Debt Service	-	61,875	61,875
Restricted for Capital Projects	2,284,366	2,541,039	4,825,405
Restricted for Transportation	355,937	-	355,937
Unrestricted	1,775,961	1,694,894	3,470,855
 Total Net Position	 \$ 11,519,595	 \$ 17,861,483	 \$ 29,381,078

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,023,055	\$ 115,910	\$ 473,468	\$ -	\$ (433,677)	\$ -	\$ (433,677)
Public Works	943,618	38,264	-	421,600	(483,754)	-	(483,754)
Police and Municipal Court	1,761,522	238,130	10,263	-	(1,513,129)	-	(1,513,129)
Community and Economic Development	452,303	190,204	-	-	(262,099)	-	(262,099)
Parks and Recreation	652,143	231,736	-	-	(420,407)	-	(420,407)
Interest and Fiscal Charges	222,863	-	-	-	(222,863)	-	(222,863)
Total Governmental Activities	5,055,504	814,244	483,731	421,600	(3,335,929)	-	(3,335,929)
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	2,680,282	3,587,837	-	369,988	-	1,277,543	1,277,543
Sanitation	786,350	780,004	-	-	-	(6,346)	(6,346)
Total Business-Type Activities	3,466,632	4,367,841	-	369,988	-	1,271,197	1,271,197
Total Primary Government	<u>\$ 8,522,136</u>	<u>\$ 5,182,085</u>	<u>\$ 483,731</u>	<u>\$ 791,588</u>	(3,335,929)	1,271,197	(2,064,732)
General Revenues:							
Taxes:							
Property Taxes					855,455	-	855,455
Franchise Taxes					730,518	-	730,518
Sales Taxes					2,465,543	-	2,465,543
Motor Fuel Taxes					227,712	-	227,712
Tower Lease					-	38,545	38,545
Investment Earnings					199,475	65,858	265,333
Gain on Sale of Capital Assets					4,099	-	4,099
Miscellaneous					12,054	2,052	14,106
Transfers in (out)					102,356	(102,356)	-
Total General Revenues					4,597,212	4,099	4,601,311
Change in Net Position					1,261,283	1,275,296	2,536,579
Net Position - Beginning of Year					10,258,312	16,586,187	26,844,499
Net Position - End of Year					<u>\$ 11,519,595</u>	<u>\$ 17,861,483</u>	<u>\$ 29,381,078</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
BALANCE SHEET – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
OCTOBER 31, 2019**

	General	Transportation Sales Tax	Capital Improvements	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 3,785,272	\$ 355,937	\$ -	\$ 36,952	\$ 4,178,161
Restricted Cash	164	-	1,960,537	323,829	2,284,530
Total Assets	<u>\$ 3,785,436</u>	<u>\$ 355,937</u>	<u>\$ 1,960,537</u>	<u>\$ 360,781</u>	<u>\$ 6,462,691</u>
LIABILITIES					
Developer Escrow	\$ 23,478	\$ -	\$ -	\$ -	\$ 23,478
Deposits	29,924	-	-	-	29,924
Payable from Restricted Assets, Municipal Court Bonds	3,543	-	-	-	3,543
Total Liabilities	56,945	-	-	-	56,945
FUND BALANCES					
Restricted:					
Law Enforcement and Court	-	-	-	28,945	28,945
Transportation	-	355,937	-	-	355,937
Capital Improvement	-	-	1,960,537	323,829	2,284,366
Committed:					
Law Enforcement Technology Upgrades	-	-	-	8,007	8,007
Unassigned	3,728,491	-	-	-	3,728,491
Total Fund Balances	<u>3,728,491</u>	<u>355,937</u>	<u>1,960,537</u>	<u>360,781</u>	<u>6,405,746</u>
Total Liabilities and Fund Balances	<u>\$ 3,785,436</u>	<u>\$ 355,937</u>	<u>\$ 1,960,537</u>	<u>\$ 360,781</u>	<u>\$ 6,462,691</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET – MODIFIED
CASH BASIS – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET
POSITION – MODIFIED CASH BASIS
OCTOBER 31, 2019**

Total Fund Balances - Governmental Funds	\$ 6,405,746
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	11,271,607
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Capital Leases Payable	(167,688)
Bonds Payable	<u>(5,990,070)</u>
Total Net Position - Governmental Activities	<u><u>\$ 11,519,595</u></u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED OCTOBER 31, 2019

	General	Transportation Sales Tax	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 855,455	\$ -	\$ -	\$ -	\$ 855,455
Sales and Use Taxes	1,462,760	496,432	-	451,246	2,410,438
Franchise Taxes	730,518	-	-	-	730,518
Licenses, Fees, and Permits	350,455	-	-	3,238	353,693
Intergovernmental Revenues	802,981	-	-	-	802,981
Charges for Services	229,922	-	-	-	229,922
Fines and Forfeits	158,463	-	-	-	158,463
Interest	199,475	-	-	-	199,475
Other Revenue	51,833	-	-	-	51,833
Total Revenues	4,841,862	496,432	-	454,484	5,792,778
EXPENDITURES					
Current:					
General Government	920,608	-	-	-	920,608
Police	1,646,848	-	-	3,915	1,650,763
Municipal Court	44,515	-	-	2,045	46,560
Public Works	637,342	128,855	42,355	-	808,552
Parks and Recreation	569,326	-	-	-	569,326
Community and Economic Development	450,991	-	-	-	450,991
Senior Center	22,001	-	-	-	22,001
Capital Outlay	494,303	390,592	3,482,406	-	4,367,301
Debt Service:					
Principal	-	29,268	-	-	29,268
Interest and Fiscal Charges	-	9,008	86,438	127,417	222,863
Total Expenditures	4,785,934	557,723	3,611,199	133,377	9,088,233
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	55,928	(61,291)	(3,611,199)	321,107	(3,295,455)
OTHER FINANCING SOURCES					
Transfers In	721,965	-	268,263	127,417	1,117,645
Transfers (Out)	(268,263)	-	(619,609)	(127,417)	(1,015,289)
Issuance of Debt	-	-	3,914,184	-	3,914,184
Total Other Financing Sources (Uses)	453,702	-	3,562,838	-	4,016,540
NET CHANGE IN FUND BALANCES	509,630	(61,291)	(48,361)	321,107	721,085
Fund Balances - Beginning Of Year	3,218,861	417,228	2,008,898	39,674	5,684,661
FUND BALANCES - END OF YEAR	<u>\$ 3,728,491</u>	<u>\$ 355,937</u>	<u>\$ 1,960,537</u>	<u>\$ 360,781</u>	<u>\$ 6,405,746</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS – MODIFIED CASH
BASIS TO THE STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2019**

Net Change in Fund Balances - Total Governmental Funds	\$ 721,085
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the expenditures are capitalized.

Capital Outlays	4,367,301
Depreciation Expense	(359,688)
Revenue from Donated Asset	421,600
Difference Between Gain and Proceeds on Disposal of Capital Assets	(4,099)

Repayment of long-term debt is reported as expenditures in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period, this amount consists of:

Debt Principal Retirement	29,268
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Proceeds of long term-debt is reported as an other financing source in the governmental but the proceeds increase long-term liabilities on the statement of net position.	(3,914,184)
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Change in Net Position - Governmental Activities	<u>\$ 1,261,283</u>
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CITY OF SMITHVILLE, MISSOURI
STATEMENT OF NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
OCTOBER 31, 2019

ASSETS	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total Proprietary Funds</u>
CURRENT ASSETS			
Cash	\$ 1,987,177	\$ 37,499	\$ 2,024,676
RESTRICTED ASSETS			
Cash and Cash Equivalents	3,510,754	-	3,510,754
CAPITAL ASSETS			
Nondepreciable	6,418,133	-	6,418,133
Depreciable, Net	15,015,265	-	15,015,265
Capital Assets, Net	<u>21,433,398</u>	<u>-</u>	<u>21,433,398</u>
Total Assets	<u>\$ 26,931,329</u>	<u>\$ 37,499</u>	<u>\$ 26,968,828</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Customer Deposits	\$ 329,782	\$ -	\$ 329,782
Current Maturities of Long-Term Liabilities	311,177	-	311,177
Total Current Liabilities	<u>640,959</u>	<u>-</u>	<u>640,959</u>
LONG-TERM LIABILITIES			
Long-Term Liabilities, Less Current Maturities Above	<u>8,466,386</u>	<u>-</u>	<u>8,466,386</u>
Total Liabilities	9,107,345	-	9,107,345
NET POSITION			
Net Investment in Capital Assets	13,563,675	-	13,563,675
Restricted for Debt Service	61,875	-	61,875
Restricted for Capital Projects	2,541,039	-	2,541,039
Unrestricted	1,657,395	37,499	1,694,894
Total Net Position	<u>17,823,984</u>	<u>37,499</u>	<u>17,861,483</u>
Total Liabilities and Net Position	<u>\$ 26,931,329</u>	<u>\$ 37,499</u>	<u>\$ 26,968,828</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION – MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2019**

	Water and Wastewater	Sanitation	Total Proprietary Funds
OPERATING REVENUES			
Charges for Services	\$ 3,587,837	\$ 780,004	\$ 4,367,841
OPERATING EXPENSES			
Personnel Services	924,737	-	924,737
Contractual Services	205,802	786,350	992,152
Operations	494,840	-	494,840
Repair and Maintenance	236,726	-	236,726
Depreciation and Amortization	545,232	-	545,232
Total Operating Expenses	<u>2,407,337</u>	<u>786,350</u>	<u>3,193,687</u>
OPERATING INCOME/(LOSS)	1,180,500	(6,346)	1,174,154
NONOPERATING REVENUES (EXPENSES)			
Tower Lease	38,545	-	38,545
Interest Income	65,858	-	65,858
Interest Expense and Fiscal Charges	(272,945)	-	(272,945)
Other Income	2,052	-	2,052
Total Nonoperating Revenues (Expenses)	<u>(166,490)</u>	<u>-</u>	<u>(166,490)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers Out	(102,356)	-	(102,356)
Infrastructure Contributions	146,000	-	146,000
Impact Fees	223,988	-	223,988
Total Capital Contributions and Transfers	<u>267,632</u>	<u>-</u>	<u>267,632</u>
CHANGE IN NET POSITION	1,281,642	(6,346)	1,275,296
Net Position - Beginning of Year	<u>16,542,342</u>	<u>43,845</u>	<u>16,586,187</u>
NET POSITION - END OF YEAR	<u><u>\$ 17,823,984</u></u>	<u><u>\$ 37,499</u></u>	<u><u>\$ 17,861,483</u></u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2019

	Water and Wastewater	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 3,599,849	\$ 780,004	\$ 4,379,853
Cash Paid to Suppliers	(937,368)	(786,350)	(1,723,718)
Cash Paid to Employees	(924,737)	-	(924,737)
Net Cash Provided/(Used) by Operating Activities	<u>1,737,744</u>	<u>(6,346)</u>	<u>1,731,398</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Nonoperating Revenue	40,597	-	40,597
Cash Transferred to Other Funds	(102,356)	-	(102,356)
Net Cash Used by Noncapital Financing Activities	<u>(61,759)</u>	<u>-</u>	<u>(61,759)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(6,430,216)	-	(6,430,216)
Cash Received from Impact Fees	223,988	-	223,988
Payments on Long-Term Debt	(290,000)	-	(290,000)
Interest Paid on Long-Term Debt	(278,752)	-	(278,752)
Net Cash Used by Capital and Related Financing Activities	<u>(6,774,980)</u>	<u>-</u>	<u>(6,774,980)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>65,858</u>	<u>-</u>	<u>65,858</u>
NET DECREASE IN CASH	(5,033,137)	(6,346)	(5,039,483)
Cash - Beginning of Year	<u>10,531,068</u>	<u>43,845</u>	<u>10,574,913</u>
CASH - END OF YEAR	<u><u>\$ 5,497,931</u></u>	<u><u>\$ 37,499</u></u>	<u><u>\$ 5,535,430</u></u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF CASH FLOWS – MODIFIED CASH BASIS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2019

	Combined Water and Wastewater	Sanitation	Total
RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES			
Operating Income/(Loss)	\$ 1,180,500	\$ (6,346)	\$ 1,174,154
Adjustment to Reconcile Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities:			
Depreciation	545,232	-	545,232
Change in:			
Customer Deposits	12,012	-	12,012
Net Cash Provided/(Used) by Operating Activities	<u>\$ 1,737,744</u>	<u>\$ (6,346)</u>	<u>\$ 1,731,398</u>
CASH REPORTED ON THE STATEMENT OF NET POSITION			
Cash	\$ 1,987,177	\$ 37,499	\$ 2,024,676
Restricted Cash and Cash Equivalents	3,510,754	-	3,510,754
Total Cash and Cash Equivalents	<u>\$ 5,497,931</u>	<u>\$ 37,499</u>	<u>\$ 5,535,430</u>
NONCASH INVESTING AND FINANCING ACTIVITIES:			
Donated Infrastructure Assets From Developers	<u>\$ 146,000</u>	<u>\$ -</u>	<u>\$ 146,000</u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Smithville (the City) was incorporated in 1867 and covers an area of approximately 13.8 square miles in Clay County and Platte County, Missouri. The City is a fourth class city and operates under the aldermen-administrator form of government. The City Administrator is the chief administrative officer of the City. The City provides services to more than 8,400 residents in many areas, including law enforcement, water and sewer services, refuse and recycling services, parks and recreation services, community enrichment and development, and various administrative functions.

The financial statements of the City of Smithville, Missouri, have been prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates incorporated within the City's financial statements include the factors utilized in determining depreciation of the City's capital assets. Actual results could differ from those estimates.

Principles Used to Determine the Reporting Entity

The City's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the City is considered to be financially accountable.

Component units are legally separate entities for which the City (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include: whether or not the primary government appoints the voting majority of the potential component units governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

The City is not aware of any organization to which the City is financially accountable. Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statement Presentation

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales for support.

The statement of activities – modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Proprietary funds are used to report business-type activities carried on by the City.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using modified cash basis of accounting and the economic resources measurement focus, as limited by the modified cash basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when received and expenses are recorded when paid.

Governmental fund financial statements are reported on the “current financial resources” measurement focus, as applied to the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources at the end of the period.

The City accounts for all activities using the modified cash basis of accounting, modified with respect to capitalization and depreciation of property and equipment, and the recording of liabilities for long-term debt. Consequently, accounts receivable and accounts payable are not recorded. Therefore, certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. Accordingly, the financial statements are not intended to present financial position and change in net position in conformity with generally accepted accounting principles.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund balances, and revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report as follows:

Major Governmental Funds

- **General Fund**

The General Fund 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.

- **Transportation Sales Tax Fund**

The Transportation Sales Tax Fund is a special revenue fund that accounts for the revenues received from a 0.5% sales tax to be used specifically for transportation purposes.

- **Capital Improvement Fund**

The Capital Improvement Fund is a capital projects fund that accounts for the proceeds from the issuance of 2018 general obligation bonds and the related capital improvement projects.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Major Proprietary Funds

- **Enterprise Funds**

Enterprise Funds are used to account for those operations of the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

- **Combined Water and Wastewater Fund**

The Combined Water and Wastewater Fund accounts for the provision of water and sewer utility services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service.

- **Sanitation Fund**

The Sanitation Fund accounts for the provision of sanitation services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service.

Pooled Cash and Temporary Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which are managed by the Finance Director. Investments accounts consist primarily of certificates of deposit carried at cost. Interest income earned on the pooled account is allocated to general fund. Missouri state law permits the City to invest in prime money market instruments and securities, such as U.S. Government obligations, repurchase agreements, Missouri bank certificates of deposit, demand accounts, and savings accounts. As of October 31, 2019, the City has cash in demand deposits, money market instruments, and certificates of deposit.

The City maintains a cash and investment pool, which is available for use by most funds. Each fund's portion of this pool is displayed as pooled cash and investments or in restricted assets. Additionally, certain restricted assets, related to bond ordinances and indentures and capital lease certificates, are held in escrow by financial institutions' trust departments.

Restricted Assets

Cash has been restricted in the General Fund for court bonds. In addition, cash from bond proceeds is restricted in the Capital Improvement fund to be used on capital projects. Cash in funds resulting from certain taxes is also presented as restricted cash. Cash and investments are restricted in the Proprietary Fund for revenue bond reserves because their use is limited by applicable debt obligation covenants. See Note 4 for further information.

Statement of Cash Flows

For purposes of the statement of cash flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The City's modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. Capital and intangible assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets.

Governmental activities capital and intangible assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since assets are typically sold for an immaterial amount when declared as no longer needed for public purpose by the City, no salvage value is taken into consideration for depreciation purposes. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Governmental Activities:	
Building and Improvements	40
Machinery and Equipment	5 to 20
Vehicles	5
Infrastructure	40
Business-Type Activities:	
Machinery and Equipment	5 to 10
Water and Sewer Lines	40 to 50
Water Towers	40
Water and Sewer Plant	40 to 50

The City has elected to prospectively report infrastructure assets in the governmental activities, as allowed by Governmental Accounting Standards Board Statement No. 34.

Capital and intangible assets not being depreciated include land, construction in progress, and permanent easements, if any.

Long-Term Obligations

In the government-wide financial statements and the enterprise fund statement of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed when incurred.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Government-Wide and Proprietary Fund Net Position

Net Position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – Consists of restricted assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of the government; or (b) law through constitutional provisions or enabling legislation.

Unrestricted – Consists of the net amounts of the assets that are not included in the determination of “net investment in capital assets” or the “restricted” component of net position.

It is the City’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Impact fees assessed by the City by ordinance are reported as capital contributions in the Proprietary Fund.

Governmental Fund Balances

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted Fund Balance – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances (Continued)

Committed Fund Balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Aldermen-the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The Board of Aldermen and the City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balance include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned Fund Balance – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for specific expenditures, restricted resources are considered spent before unrestricted resources. Within unrestricted resources, committed and assigned are considered spent (if available) before unassigned amounts.

Compensated Absences

Under terms of the City’s personnel policy, employees are granted vacation and sick leave in varying amounts based upon length of service. In the event of termination, an employee forfeits unused sick leave. Unused vacation can be accumulated up to a limit of 150% of the annual amounts earned, and is payable on separation of service. Under the modified cash basis of accounting, no liability is reported in the financial statements for the value of unused vacation time.

NOTE 2 BUDGETARY DATA

Budgets for the City are prepared and adopted on the modified cash basis (budget basis) for all governmental and proprietary funds. The City Administrator is authorized to transfer budgeted amounts within departments in any fund; however, any revisions that alter the total expenditures of any department or fund must be approved by the Board of Aldermen. The department level constitutes that City’s legal level of budgetary control. Reported budget amounts are as originally adopted or amended by board resolution. Annual operating budgets are adopted for the governmental and proprietary funds. Appropriations lapse at fiscal year-end, but may be re-appropriated in the following fiscal year.

CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019

NOTE 3 DEPOSITS AND INVESTMENTS

A summary of the carrying values of deposits, investments, and petty cash at October 31, 2019 is as follows:

Cash on Hand	\$ 700
Demand Deposits	9,092,706
Certificates of Deposit	<u>1,935,000</u>
Total Cash Deposits	11,028,406
Short-Term Investments Held in Trust	<u>969,715</u>
Total Cash Deposits and Investments	<u><u>\$ 11,998,121</u></u>

These carrying values are reflected on the statement of net position as follows:

Cash and Cash Equivalents	\$ 6,202,837
Restricted Cash and Cash Investments	<u>5,795,284</u>
Total	<u><u>\$ 11,998,121</u></u>

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The City's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or an independent third party, and must be of the kind prescribed by state statutes.

At October 31, 2019, the carrying amount of the City's demand deposits and certificates of deposit in financial institutions was \$11,028,406. The bank balances totaled \$11,184,189, of which \$250,000 was FDIC insured and \$10,934,189 was collateralized by pledged collateral held in the name of the City.

Investment Policies

The City has a formal investment policy, and also follows state statutes as defined in the accounting policy Note 1. Restricted assets are invested by the bond trustees in accordance with the bond indentures.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization such as Standard & Poor's above.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk

The custodial credit risk of investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City has no policy to limit the holdings of an outside party.

At October 31, 2019, the City's investments consisted of restricted investments held in the City's name by the bond trustee in accordance with the related bond indentures.

Concentration of Credit Risk

The City does not have a policy which limits the amounts that can be invested with any one issuer. Investments that represent more than 5% of the City's investments consist of money market funds shown above.

Fair Value Measurements

In determining fair value, the City uses various valuation approaches within GASBS 72 fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

GASBS 72 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, by requiring that the most observable inputs be used when available. GASBS 72 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; and

Level 2 – Valuations based on quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs, or significant value drivers, are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Following is a description of the valuation methodologies used for instruments measured at fair value and their classifications in the valuation hierarchy.

Money Market Mutual Funds: Valued at last sales price, if listed on a national market or exchange, or if there is no sale and the market is still considered active, at the last transaction price before year-end. In less active markets, the valuation is based on the most recent price of the equivalent quoted yield for such securities. These are classified as Level 1 within the valuation hierarchy.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

The carrying amounts, maturity segment, ratings and fair value levels for the City's investments at October 31, 2019, consisted of the following:

<u>Investment</u>	<u>Maturity Under One Year</u>	<u>Rating</u>	<u>Fair Value Hierarchy Level</u>
Restricted Investments, Proprietary Fund, Fidelity Treasury Money Market Funds	<u>\$ 969,715</u>	AAAm	Level 1

NOTE 4 RESTRICTED CASH

Restricted cash at October 31, 2019 consisted of the following:

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Capital Improvement Sales Tax</u>	<u>Combined Water & Wastewater</u>	<u>Total</u>
Court Appearance Bonds	\$ 164	\$ -	\$ -	\$ -	\$ 164
Debt Service	-	-	-	61,875	61,875
Bond Proceeds	-	1,960,537	-	907,840	2,868,377
Capital Projects	-	-	323,829	2,541,039	2,864,868
Total	<u>\$ 164</u>	<u>\$ 1,960,537</u>	<u>\$ 323,829</u>	<u>\$ 3,510,754</u>	<u>\$ 5,795,284</u>

The City's combined water and wastewater revenue bond trust indentures require the City to establish various debt services and reserve accounts. At October 31, 2019, these reserve accounts were fully funded.

All new connections to the City's water and sewer system are assessed an impact fee. All impact fees are kept in a fund to be used only for capital improvement projects that expand capacity of the system, including, but not limited to, new sewer lines, upsizing existing sewer lines, removing or replacing sewer lift stations, or upgrading sewer lift stations. This cash is considered to be restricted for capital projects.

CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019

NOTE 5 CAPITAL ASSETS

The changes in capital asset activity, resulting from modified cash basis transactions, for the year ended October 31, 2019 are as follows:

	Balance November 1, 2018	Additions	Disposals	Balance October 31, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 918,234	\$ 260,153	\$ -	\$ 1,178,387
Construction in Progress	326,062	3,482,404	-	3,808,466
Total Capital Assets, Not Being Depreciated	1,244,296	3,742,557	-	4,986,853
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,982,452	-	-	2,982,452
Machinery and Equipment	1,304,550	193,965	45,265	1,453,250
Vehicles	862,219	50,685	36,968	875,936
Infrastructure	3,785,376	801,694	-	4,587,070
Total Capital Assets, Being Depreciated	8,934,597	1,046,344	82,233	9,898,708
Total Capital Assets	10,178,893	4,788,901	82,233	14,885,561
Less: Accumulated Depreciation	3,332,400	359,688	78,134	3,613,954
Governmental Activities Capital Assets, Net	<u>\$ 6,846,493</u>	<u>\$ 4,429,213</u>	<u>\$ 4,099</u>	<u>\$ 11,271,607</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated:				
Land and Easements	\$ 220,930	\$ -	\$ -	\$ 220,930
Construction in Progress	466,564	5,730,639	-	6,197,203
Total Capital Assets, Not Being Depreciated	687,494	5,730,639	-	6,418,133
Capital Assets, Being Depreciated:				
Water Towers	2,698,077	-	-	2,698,077
Water and Sewer Lines	7,336,084	778,460	-	8,114,544
Machinery and Equipment	515,743	7,092	-	522,835
Vehicles	664,694	42,880	4,590	702,984
Plant	9,644,177	17,145	-	9,661,322
Total Capital Assets, Being Depreciated	20,858,775	845,577	4,590	21,699,762
Total Capital Assets	21,546,269	6,576,216	4,590	28,117,895
Less: Accumulated Depreciation	6,143,855	545,232	4,590	6,684,497
Business-Type Activities Capital Assets, Net	<u>\$ 15,402,414</u>	<u>\$ 6,030,984</u>	<u>\$ -</u>	<u>\$ 21,433,398</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 5 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities

General Government	\$ 22,175
Police	64,200
Public Works	177,421
Parks and Recreation	82,817
Community and Economic Development	13,075
Total Depreciation Expense, Governmental Activities	<u>\$ 359,688</u>

Business-Type Activities

Water and Wastewater	<u>\$ 545,232</u>
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NOTE 6 DEFINED BENEFIT PENSION PLAN

Plan Description

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 (age 55 for police members) 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 (age 50 for police members) and receive a reduced allowance.

	<u>2019 Valuation</u>
Benefit Multiplier	1.50%
Final Average Salary	3 Years
Member Contributions	4%

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 6 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

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 February 28, 2019, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	10
Inactive Employees Entitled to but not yet Receiving Benefits	21
Active Employees	54
Total	<u>85</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 employer do not contribute to the pension plan. Employer contribution rates were 9.1% of annual covered payroll for the general division, and 10.9% of annual covered payroll for the police division, for the year ended October 31, 2019. For the year ended October 31, 2018, the City made contributions to the plan totaling \$285,158, which is equal to the City's pension expense, in accordance with the modified cash basis of accounting.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 7 LONG-TERM INDEBTEDNESS

The City's long-term debt arising from modified cash basis transactions or events consisted of the following as of October 31, 2019:

<u>Description</u>	<u>Amount</u>
Governmental Activities	
\$235,232 capital lease for the purpose of purchasing a street sweeper. Annual installments of \$38,276 plus interest through 2024; interest at 4.48%. At October 31, 2019, the City had capital assets related to this lease with a cost of \$38,276, and those assets had related accumulated depreciation of \$35,285.	\$ 167,688
\$2,000,000 2018 General Operating Bond. Annual principal payments of \$104,000 to \$199,000 through 2038; interest at 3.6% with a premium of \$75,886 issued with the debt.	2,075,886
\$3,625,000 2019 General Operating Bond. Annual principal payments of \$85,000 to \$500,000 through 2038; interest from 3.5% to 5.0% with a premium of \$258,372 issued with the debt.	<u>3,914,184</u>
Total Governmental Activities	<u>\$ 6,157,758</u>
Business-Type Activities	
\$530,000 Series 2012, Certificate of Participation, for the purpose of water pollution control improvements. Annual installments of \$50,000 to \$60,000 through 2021; interest at 2.63%.	\$ 170,000
\$8,635,000 Series 2018, Certificate of Participation, for the purpose of water pollution control improvements. Annual installments of \$564,000 to \$623,000 through 2038; interest at 4.2% to 4.6%.	<u>8,607,563</u>
Total Business-Type Activities	<u>\$ 8,777,563</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 7 LONG-TERM INDEBTEDNESS (CONTINUED)

Changes in the City's long-term debt arising from modified cash basis transactions or events for the year ended October 31, 2019 were as follows:

	Balance November 1, 2018	Additions	Retired	Balance October 31, 2019	Current Portion	Long-Term Portion
Governmental Activities:						
Capital Lease - Street Sweeper	\$ 196,956	\$ -	\$ 29,268	\$ 167,688	\$ 30,607	137,081
2018 General Obligation Bonds	2,000,000	-	-	2,000,000	35,000	1,965,000
2018 General Obligation Bonds Premium	75,886	-	-	75,886	1,328	74,558
2019 General Obligation Bonds	-	3,625,000	-	3,625,000	85,000	3,540,000
2019 General Obligation Bonds Premium	-	289,184	-	289,184	6,058	283,126
Total	<u>\$ 2,272,842</u>	<u>\$ 3,914,184</u>	<u>\$ 29,268</u>	<u>\$ 6,157,758</u>	<u>\$ 157,993</u>	<u>\$ 5,999,765</u>
Business-Type Activities:						
2012 Certificates of Participation	\$ 225,000	\$ -	\$ 55,000	\$ 170,000	\$ 55,000	\$ 115,000
2018 Certificates of Participation	8,635,000	-	235,000	8,400,000	250,000	8,150,000
2018 Certificates of Participation Premium	213,370	-	5,807	207,563	6,177	201,386
Total	<u>\$ 9,073,370</u>	<u>\$ -</u>	<u>\$ 295,807</u>	<u>\$ 8,777,563</u>	<u>\$ 311,177</u>	<u>\$ 8,466,386</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 7 LONG-TERM INDEBTEDNESS (CONTINUED)

Aggregate annual principal and interest payments applicable to long-term debt are:

Year Ended October 31,	Governmental Activities											
	Street Sweeper Capital Lease			2018 General Obligation Bond			2019 General Obligation Bond			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2020	\$ 30,607	\$ 7,669	\$ 38,276	\$ 35,000	\$ 68,867	\$ 103,867	\$ 85,000	\$ 136,150	\$ 221,150	\$ 150,607	\$ 212,686	\$ 363,293
2021	32,007	6,269	38,276	40,000	68,080	108,080	90,000	131,775	221,775	162,007	206,124	368,131
2022	33,471	4,805	38,276	45,000	67,187	112,187	100,000	127,025	227,025	178,471	199,017	377,488
2023	35,001	3,275	38,276	50,000	66,141	116,141	105,000	121,900	226,900	190,001	191,316	381,317
2024	36,602	1,674	38,276	55,000	64,932	119,932	115,000	116,400	231,400	206,602	183,006	389,608
2025-2029	-	-	-	335,000	294,657	629,657	690,000	490,787	1,180,787	1,025,000	785,444	1,810,444
2030-2034	-	-	-	720,000	203,963	923,963	1,220,000	323,488	1,543,488	1,940,000	527,451	2,467,451
2035-2039	-	-	-	720,000	57,581	777,581	1,220,000	87,675	1,307,675	1,940,000	145,256	2,085,256
Total	<u>\$ 167,688</u>	<u>\$ 23,692</u>	<u>\$ 191,380</u>	<u>\$ 2,000,000</u>	<u>\$ 891,408</u>	<u>\$ 2,891,408</u>	<u>\$ 3,625,000</u>	<u>\$ 1,535,200</u>	<u>\$ 5,160,200</u>	<u>\$ 5,792,688</u>	<u>\$ 2,450,300</u>	<u>\$ 8,242,988</u>

Year Ended October 31,	Business-Type Activities								
	2012 Certificates of Participation			2018 Certificates of Participation			Total		
	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total	Principal Maturities	Interest Maturities	Total
2020	\$ 55,000	\$ 3,748	\$ 58,748	\$ 250,000	\$ 310,100	\$ 560,100	\$ 305,000	\$ 313,848	\$ 618,848
2021	60,000	2,236	62,236	265,000	297,600	562,600	325,000	299,836	624,836
2022	55,000	723	55,723	335,000	284,350	619,350	390,000	285,073	675,073
2023	-	-	-	355,000	267,600	622,600	355,000	267,600	622,600
2024	-	-	-	365,000	249,850	614,850	365,000	249,850	614,850
2025-2029	-	-	-	2,095,000	1,005,850	3,100,850	2,095,000	1,005,850	3,100,850
2030-2034	-	-	-	2,455,000	652,544	3,107,544	2,455,000	652,544	3,107,544
2035-2039	-	-	-	2,280,000	206,000	2,486,000	2,280,000	206,000	2,486,000
Total	<u>\$ 170,000</u>	<u>\$ 6,707</u>	<u>\$ 176,707</u>	<u>\$ 8,400,000</u>	<u>\$ 3,273,894</u>	<u>\$ 11,673,894</u>	<u>\$ 8,570,000</u>	<u>\$ 3,280,601</u>	<u>\$ 11,850,601</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 8 TAXES

Property taxes may attach as an enforceable lien on property as of January 1st. Taxes are levied no later than November 1st and are due and payable at that time. All unpaid taxes levied by November 1st become delinquent January 1st of the following year.

The assessed valuation of the tangible property for the purpose of local taxation for the budget year ending October 31, 2019 was \$156,812,165.

The tax levy per \$100 of assessed valuation of tangible real and personal property for the budget year ending October 31, 2019 was \$0.4773 for general fund purposes.

Sales tax revenue consists of a one percent general sales tax on all receipts from the retail sale of tangible personal property or taxable services within the City subject to taxation by the State of Missouri, a one-half of one percent levy for the purpose of street maintenance, and a one-half of one percent levy for the purpose of capital improvement. In addition, a general purpose use tax of two percent is levied on the sale of tangible personal property stored, used, or consumed in the City.

The City is subject to property tax abatements through various programs implemented by Platte County, which include Tax Increment Financing (TIF). The enacting authority for TIF is Chapter 99, RSMO. A TIF project diverts tax revenue, above an established base level of taxes, to a special allocation fund that allows certain project costs to be reimbursed to developers for up to 23 years. Most commonly, the sources of funds that are diverted are Payments In Lieu of Taxes (PILOTs) and Economic Activity Taxes (EATs). Generally, 100% of PILOTs (real property based taxes) and 50% of EATs (sales, utilities, and earnings based taxes) are diverted. A basic requirement, as outlined in Section 99.810.1 (1), RSMO, is: "The redevelopment area on the whole is a blighted area, a conservation area, or an economic development area, and has not been subject to growth and development through investment by private enterprise and would not reasonably be anticipated to be developed without the adoption of tax increment financing." Each agreement will vary from project to project. There were no taxes abated related to the projects during the year ending October 31, 2019.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 9 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue during fiscal year ended October 31, 2019 consisted of the following:

	General Fund
State:	
Motor Vehicle Fuel Tax	\$ 227,712
Emergency Management Grants	473,468
	<u>701,180</u>
County:	
Road and Bridge Tax	55,105
School District:	
School Resource Officer	36,433
Federal:	
Public Safety Grants	10,263
Total	<u><u>\$ 802,981</u></u>

NOTE 10 RISK MANAGEMENT

The City is a member of MPR (formerly MARCIT), a nonprofit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverages for its members including property, casualty, general liability, and workers' compensation. The City participates in medical, dental, property, casualty, general liability, and workers' compensation insurance coverage. MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest-bearing deposits, U.S. Treasury strips, U.S. governmental agency obligations, and collateralized mortgage obligations.

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year; and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year; and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessments, irrespective of whether or not the City is a member of MPR at the time of such assessment. MPR was not in a deficit situation during the past year.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City insurance coverage in any of the prior three years.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 11 COMMITMENTS

U.S. Army Corps of Engineers

The City has entered into various agreements with U.S. Army Corps of Engineers (the Corps). One agreement, paid from the General Fund, is for the use of the Smith's Fork public use area and is payable in installments which began in 1999 that increases annually over a period of 50 years. The amount paid for the year ended October 31, 2019 was \$33,432.

The water and wastewater fund is responsible for two agreements, one to reimburse the Corps for a percentage of their maintenance costs for the dam at the Corps' Smithville Lake where the City has its water intake line, and another for access to water from the lake for the City's water supply. The total amount paid for both agreements for the year ended October 31, 2019 was \$12,626.

Future minimum payments under the agreements are as follows:

<u>Year Ended October 31,</u>	<u>Smith's Fork Park Rent</u>	<u>Water Supply Agreement</u>
2020	\$ 35,103	\$ 12,626
2021	36,853	12,626
2022	38,701	12,684
2023	40,636	-
2024	53,335	-
2025-2029	309,446	-
2030-2034	394,940	-
2035-2039	503,872	-
2040-2044	642,115	-
2045-2048	640,440	-
Total	<u>\$ 2,695,441</u>	<u>\$ 37,936</u>

Redevelopment Agreement

The City and its Tax Increment Financing (TIF) Commission have approved the formation of a redevelopment area and entered into a TIF redevelopment agreement. Under the terms of the agreement, the City, subject to the developer satisfying various conditions as specified in the agreement, will reimburse the developer approximately \$4.8 million of its eligible costs. The reimbursement is payable solely from 50% of the future incremental property and sales tax revenues generated by the project. As of October 31, 2019, no reimbursements have been made.

Other Services

The City engaged a company to provide water tower maintenance. The agreement is for 10 years with payments of \$46,771 per year, for total payments over the term of the contract of \$467,710. The contract expires in the year ending October 31, 2027 and the remaining commitment at October 31, 2019 was \$374,168.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 11 COMMITMENTS (CONTINUED)

Operating Lease

The entered into an operating lease for the use of a skid steer loader. The lease was entered into on September 30, 2019 and continues until September 30, 2024. Lease expense for the year ended October 31, 2019 was \$6,959. Annual payments under the lease are due each September 30th as follows:

<u>Year Ended October 31,</u>	<u>Amount</u>
2020	\$ 6,959
2021	6,959
2022	6,959
2023	6,959
Total	<u><u>\$ 27,836</u></u>

Construction Projects

In connection with the South Commercial downtown streetscape project, the City has commitments approximating \$371,000 at October 31, 2019.

In connection with the influent pump station and interceptor project, the City has commitments approximating \$915,000 at October 31, 2019.

NOTE 12 RENTAL INCOME

The City leases space on its water towers for cell phone companies to place antennas. The total rents received from tenants were \$38,545 for the year ended October 31, 2019. Future rents to be received under current leases are as follows:

<u>Year Ended October 31,</u>	<u>Amount</u>
2020	<u><u>\$ 4,026</u></u>

The City also leases a portion of a building to the Smithville Senior Citizen Center for \$1 a year. The lease, originally entered into in August 2013, has an initial term of 10 years, and may be renewed for successive renewal terms of five years each.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2019**

NOTE 13 PLEDGED REVENUES

The proprietary fund has pledged future revenues, net of specified operating expenses, to repay certificates of participation that were issued for the purpose of improvements. The certificates of participation are payable solely from the fund's net revenues and are payable through 2037. The total principal and interest to be repaid on the certificates of participation is \$11,850,601. Scheduled payments of principal and interest for the current year was \$629,280 on the certificates of participation. Total proprietary fund net revenues for the current year were \$2,100,632.

NOTE 14 RESERVE LEVEL POLICY

The City has adopted a reserve policy goal which sets aside 40% of General Fund budgeted expenditures and 20% of proprietary operating revenues. Reserve amounts are reported as unassigned fund balance for the General Fund and unrestricted net position for the Proprietary Fund.

OTHER INFORMATION

CITY OF SMITHVILLE, MISSOURI
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED OCTOBER 31, 2019

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 2,981,440	\$ 2,981,440	\$ 3,048,733	\$ 67,293
Licenses, Fees, and Permits	424,230	424,230	350,455	(73,775)
Intergovernmental Revenues	320,600	320,600	802,981	482,381
Charges for Services	160,630	160,630	229,922	69,292
Fines and Forfeitures	188,680	188,680	158,463	(30,217)
Interest	90,000	90,000	199,475	109,475
Other Revenue	16,580	16,580	51,833	35,253
Total Revenues	4,182,160	4,182,160	4,841,862	659,702
EXPENDITURES				
General Government	864,570	868,770	920,608	51,838
Police	1,907,840	1,907,840	1,646,848	(260,992)
Municipal Court	59,010	59,010	44,515	(14,495)
Public Works	526,020	526,020	637,342	111,322
Parks and Recreation	726,350	726,350	569,326	(157,024)
Community and Economic Development	528,010	528,010	450,991	(77,019)
Senior Center	21,320	21,320	22,001	681
Capital Outlay	-	-	234,150	234,150
Total Expenditures	4,633,120	4,637,320	4,525,781	(111,539)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(450,960)	(455,160)	316,081	771,241
OTHER FINANCING SOURCES				
Transfers In	793,500	793,500	721,965	(71,535)
Transfers (Out)	(330,480)	(330,480)	(268,263)	62,217
Total Other Financing Sources	463,020	463,020	453,702	(9,318)
NET CHANGE IN FUND BALANCE	12,060	7,860	769,783	761,923
Fund Balance - Beginning of Year	2,958,708	2,958,708	2,958,708	-
FUND BALANCE - END OF YEAR	<u>\$ 2,970,768</u>	<u>\$ 2,966,568</u>	<u>\$ 3,728,491</u>	<u>\$ 761,923</u>
Total Expenditures - Budgetary Basis			\$ 4,525,781	
Expenditures on Prior Year Encumbrances			260,153	
Total Expenditures - Modified Cash Basis			<u>\$ 4,785,934</u>	

See accompanying Notes to Other Information.

CITY OF SMITHVILLE, MISSOURI
BUDGETARY COMPARISON SCHEDULE – MODIFIED CASH BASIS
TRANSPORTATION SALES TAX FUND
YEAR ENDED OCTOBER 31, 2019

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 465,430	\$ 465,430	\$ 496,432	\$ 31,002
Total Revenue	465,430	465,430	496,432	31,002
EXPENDITURES				
Public Works	530,000	567,810	128,855	(438,955)
Capital Outlay	44,070	44,070	390,592	346,522
Debt Service	-	-	38,276	38,276
Total Expenditures	574,070	611,880	557,723	(54,157)
NET CHANGE IN FUND BALANCES	(108,640)	(146,450)	(61,291)	85,159
Fund Balance - Beginning of Year	417,228	417,228	417,228	-
FUND BALANCE - END OF YEAR	<u>\$ 308,588</u>	<u>\$ 270,778</u>	<u>\$ 355,937</u>	<u>\$ 85,159</u>

See accompanying Notes to Other Information.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO THE OTHER INFORMATION
YEAR ENDED OCTOBER 31, 2019**

NOTE I BUDGETARY INFORMATION

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

- A. Prior to October 31 of each year, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following November 1. The operating budget includes proposed expenditures and the means of financing them. The City adopts the proposed budget as amended and adjusted by the Board of Aldermen.
- B. Public hearings on the City's budget are conducted to obtain taxpayer comments. Prior to its approval by the Board of Aldermen, the budget document is available for public inspection.
- C. On or before October 31, the final budget is legally enacted by City Ordinance.
- D. Subsequent to its formal approval of the budget, the Board of Aldermen has the authority to make necessary adjustments to the budget by formal vote of the board.
- E. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen. Reported budget amounts are as originally adopted or amended by the Board of Aldermen.
- F. In accordance with Chapter 67, RSMo., the City adopts a budget for each fund. The proposed budget includes estimated revenues and proposed expenditure for all city funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year. Actual expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, miscellaneous services and charges, and capital outlay) within each program. All amounts over budget have been approved by the Board of Aldermen through the disbursement process.
- G. Budgets for the general, certain special revenue funds, and the debt service fund are adopted on a basis consistent with a budgetary basis of accounting. Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. The City may use encumbrances where the expenditure may occur prior to the disbursement of cash.

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF CONTRIBUTIONS
YEAR ENDED OCTOBER 31, 2019**

<u>Fiscal Year Ended October 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2010	\$ 74,691	\$ 74,691	\$ -	\$ 1,683,053	4.4%
2011	91,571	90,425	1,146	1,695,758	5.4%
2012	129,002	129,002	-	1,666,035	7.7%
2013	135,882	135,882	-	1,630,264	8.3%
2014	140,913	140,913	-	1,784,036	7.9%
2015	160,040	160,040	-	2,009,670	8.0%
2016	225,202	225,202	-	2,193,483	10.3%
2017	214,857	214,857	-	2,260,587	9.5%
2018	264,323	264,323	-	2,516,884	10.5%
2019	285,158	285,158	-	2,739,287	10.4%

SUPPLEMENTARY INFORMATION

CITY OF SMITHVILLE, MISSOURI
COMBINING BALANCE SHEET – MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
OCTOBER 31, 2019

	Police Training	DWI Recovery	Technology Upgrade	Judicial Education	Appointed Council	Capital Improvement Sales Tax	Debt Service	Total Nonmajor Governmental Funds
ASSETS								
Cash	\$ 9,360	\$ 13,344	\$ 8,007	\$ 3,446	\$ 2,795	\$ -	\$ -	\$ 36,952
Restricted Cash	-	-	-	-	-	323,829	-	323,829
Total Assets	<u>\$ 9,360</u>	<u>\$ 13,344</u>	<u>\$ 8,007</u>	<u>\$ 3,446</u>	<u>\$ 2,795</u>	<u>\$ 323,829</u>	<u>\$ -</u>	<u>\$ 360,781</u>
FUND BALANCES								
Restricted	\$ 9,360	\$ 13,344	\$ -	\$ 3,446	\$ 2,795	\$ 323,829	\$ -	\$ 352,774
Committed	-	-	8,007	-	-	-	-	8,007
Total Fund Balances	<u>\$ 9,360</u>	<u>\$ 13,344</u>	<u>\$ 8,007</u>	<u>\$ 3,446</u>	<u>\$ 2,795</u>	<u>\$ 323,829</u>	<u>\$ -</u>	<u>\$ 360,781</u>

CITY OF SMITHVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – MODIFIED CASH BASIS – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED OCTOBER 31, 2019

	Police Training	DWI Recovery	Technology Upgrade	Judicial Education	Appointed Council	Capital Improvement Sales Tax	Debt Service	Total Nonmajor Governmental Funds
REVENUES								
Sales and Use Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 451,246	\$ -	\$ 451,246
Licenses, Fees, and Permits	2,705	180	-	176	177	-	-	3,238
Total Revenues	2,705	180	-	176	177	451,246	-	454,484
EXPENDITURES								
Current:								
Police	3,551	-	364	-	-	-	-	3,915
Municipal Court	-	2,045	-	-	-	-	-	2,045
Debt Service:								
Interest	-	-	-	-	-	-	127,417	127,417
Total Expenditures	3,551	2,045	364	-	-	-	127,417	133,377
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(846)	(1,865)	(364)	176	177	451,246	(127,417)	321,107
OTHER FINANCING USES								
Transfers In	-	-	-	-	-	-	127,417	127,417
Transfers (Out)	-	-	-	-	-	(127,417)	-	(127,417)
Total Other Financing Sources (Uses)	-	-	-	-	-	(127,417)	127,417	-
NET CHANGE IN FUND BALANCES	(846)	(1,865)	(364)	176	177	323,829	-	321,107
Fund Balances - Beginning of Year	10,206	15,209	8,371	3,270	2,618	-	-	39,674
FUND BALANCES - END OF YEAR	\$ 9,360	\$ 13,344	\$ 8,007	\$ 3,446	\$ 2,795	\$ 323,829	\$ -	\$ 360,781

