

SMITHVILLE BOARD OF ALDERMAN

WORK SESSION

April 19, 2022, Immediately Following Regular Session
City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley, present, called the meeting to order at 8:42 p.m. A quorum of the Board was present: Kelly Kobylski, John Chevalier, Dan Ulledahl, Dan Hartman and Ronald Russell. Marv Atkins was absent.

Staff present: Cynthia Wagner, Anna Mitchell, Chief Jason Lockridge, Chuck Soules, Linda Drummond, Stephan Larson, Matt Denton and Jack Hendrix.

2. FY21 Audit Presentation – Year ending October 31, 2021

Harold Ray of CliftonLarsonAllen, Wealth Advisors, LLC presented the audit for fiscal year 2021.

Harold stated that CliftonLarsonAllen have been working with the City since 2015. He noted that he is the principal on the engagement responsible for signing the audit.

The audit team consisted of Doug Host, Harold Ray, Jordan Townsend and Steve Davis.

Harold explained that the financial statements are on a modified cash basis so the revenues and expenses that you see in the audit are based on when the cash is received and when the cash is paid so it is not considered full GAAP (Generally Accepted Accounting Principles) or accrual basis statements. One modification is included for any long-term debt and capital assets that the City has.

Harold explained that the auditor's responsibility is to issue an opinion on whether the financial statements are presented fairly in all material respects. Some of the other things they look at is if a city says they have twelve million in cash and four million is sales tax, they check all of that as well. They also check expenses to make sure that they are appropriately classified.

What an audit is not is a fraud examination or an opinion on the city's financial health. The auditor's goal is to present the financial statements to everyone, and people can reach their own conclusions on the city's financial condition.

Internal Control Communications

Material Weakness – deficiencies in internal control such that there is a reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis.

- Financial Reporting

Harold explained that they are not part of the city's internal control process. Those financial responsibilities still reside with management and government. He noted that this is something that you commonly see with municipalities of Smithville's size. He explained that processing financial statements could be outsourced but typically that is not always a cost-effective approach.

- Audit Adjusting Entries

Harold noted the audit adjustments they made, the first one was looking at repairs and maintenance testing, the City ending up identifying an additional \$222,000 worth of capital assets. They also identified an additional \$43,000 in miscellaneous payable accounts.

In the wastewater impact fees they reclassified cash between unrestricted and restricted funds. Harold explained that when someone pays an impact fee it goes into a special account and then those revenues going to be used for a certain purpose. As those funds are expended it requires a manual adjustment to move that from the impact fee cash account to the unrestricted cash account as those projects occur.

The last item was to move the new Smithville Commons CID activity into a separate fund. Along with that, the auditors are currently in process of completing an audit of that CID and hope to have it finished in the next couple of weeks.

Single Audit Results

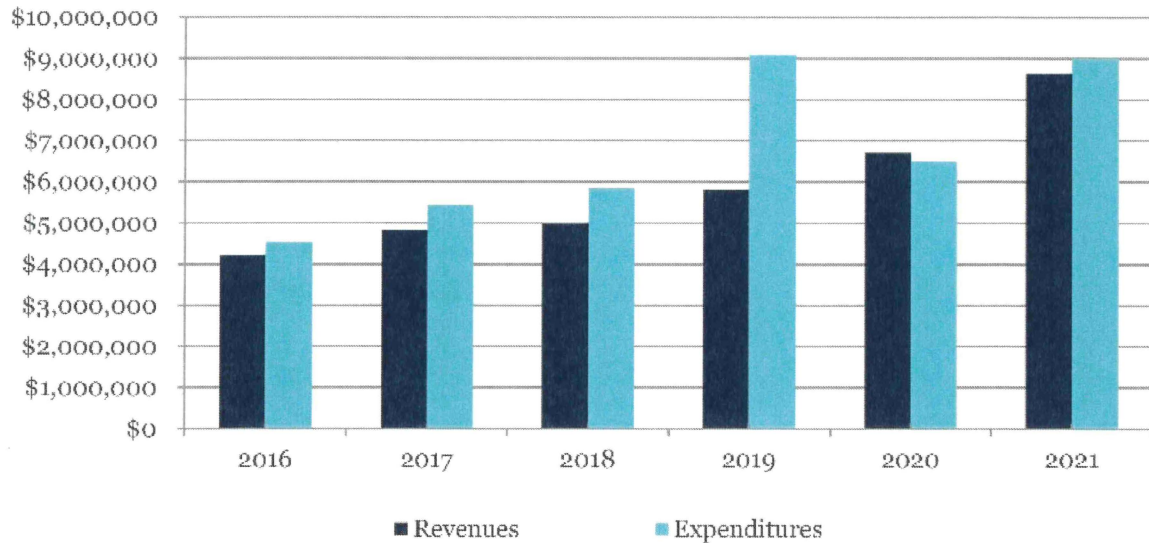
- Audit required by Uniform Guidance over federal funding
- Total Federal Expenditures - \$832,990
- Major Program Tested:
 - COVID-19 Coronavirus Relief Fund - \$588,259
- No findings reported

Harold noted that the single audit is a new process for the City this year. He explained if you expend over \$750,000 in federal funds over the course of the fiscal year, there is a requirement to have a single audit completed over that federal funding. The City's total federal expenditures for the year were \$832,990. Harold explained that out of that total not every single program is going to get tested. They have to go through a risk assessment processing certain things like quantitative amounts such as dollar amounts of the programs and qualitative aspects such as, have you been audited before, have there ever been audit findings in the past.

Harold noted that the program that they did test was the COVID-19 Coronavirus Relief Fund, the City's CARES Act Funding. The expenditures during the year for that were \$588,000 and they report that there were no findings involved in that single audit. One of these additional federal funding sources during this year was ARPA funding. The ARPA funds total \$1.1 million received but there were no expenditures during the year through that program, so there were not any funds subject to the single audit through this year but will be going forward.

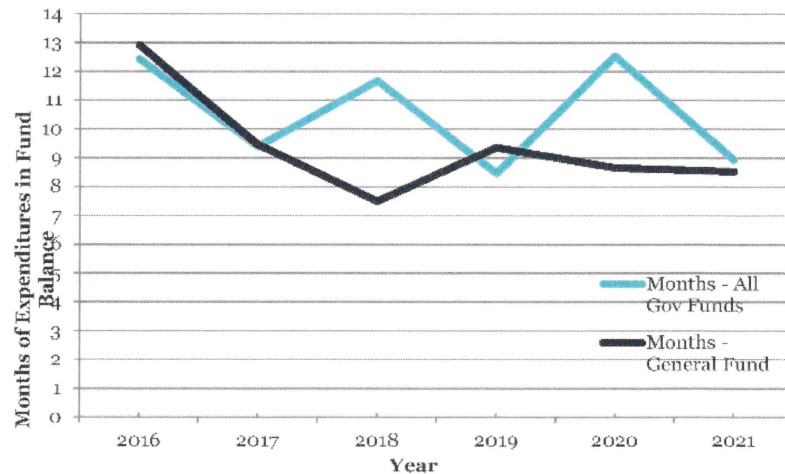
Financial Results

All Governmental Funds – Revenues and Expenditures



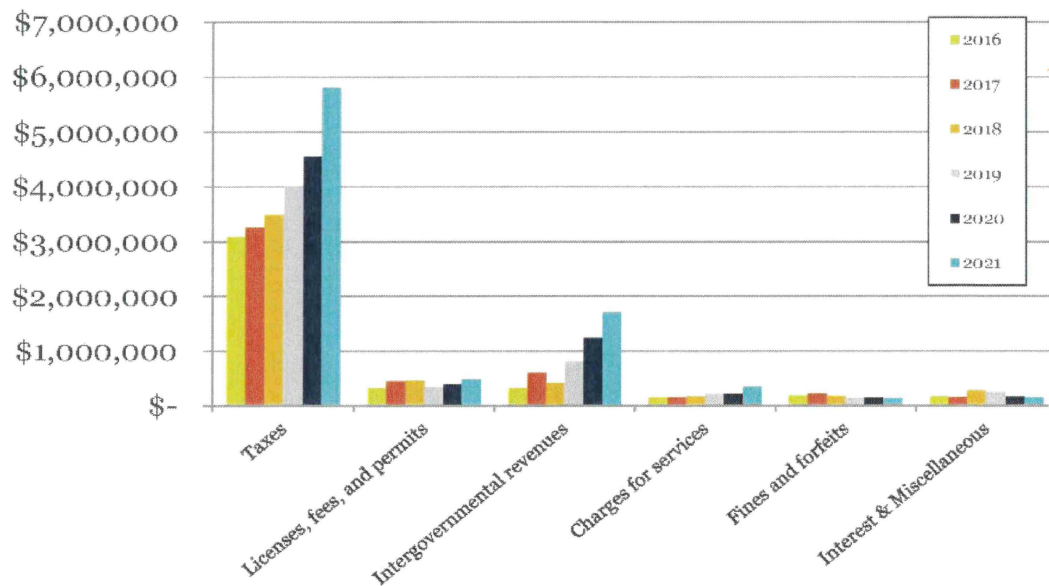
	2016	2017	2018	2019	2020	2021
Revenues	\$ 4,205,909	\$ 4,816,330	\$ 4,971,800	\$ 5,792,778	\$ 6,708,285	\$ 8,631,412
Expenditures	4,534,311	5,424,682	5,845,393	9,088,233	6,489,487	8,989,878

Months Expenditures in Fund Balance

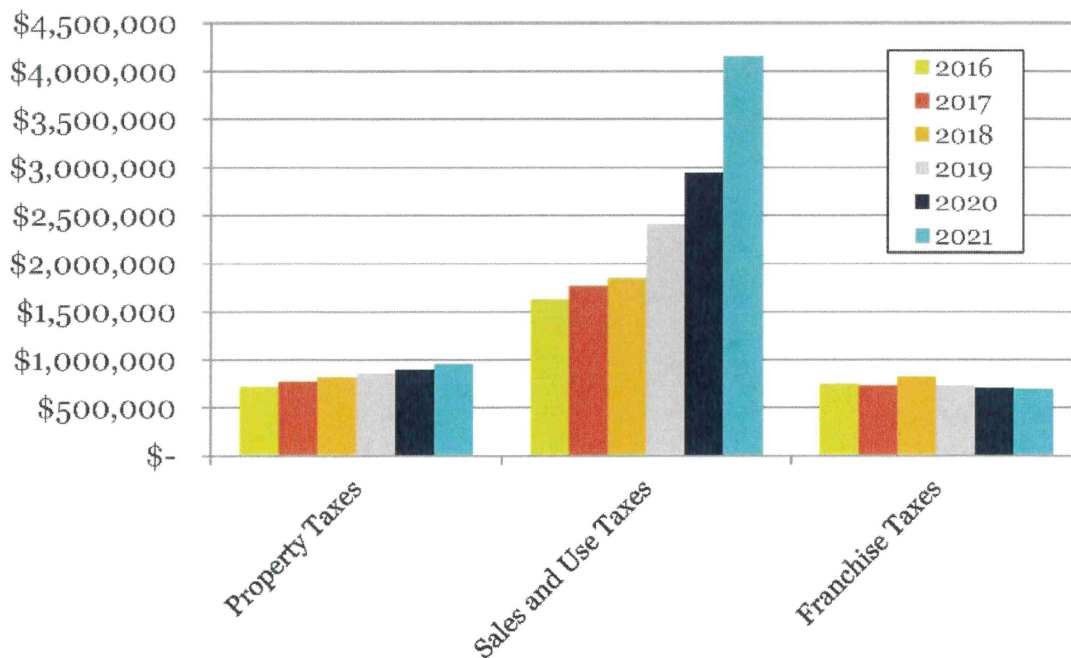


Year	Months - All Gov Funds	Months - General Fund
2016	12.42	12.91
2017	9.40	9.06
2018	11.67	7.46
2019	8.46	9.25
2020	12.53	8.65
2021	8.99	8.52

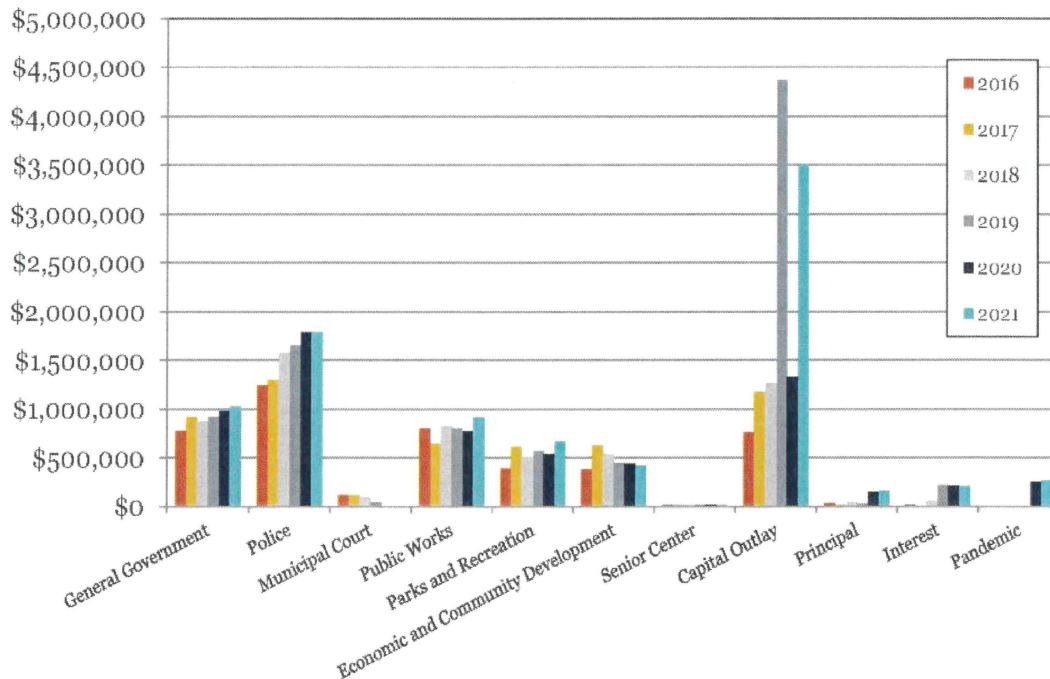
All Governmental Funds – Revenue Sources



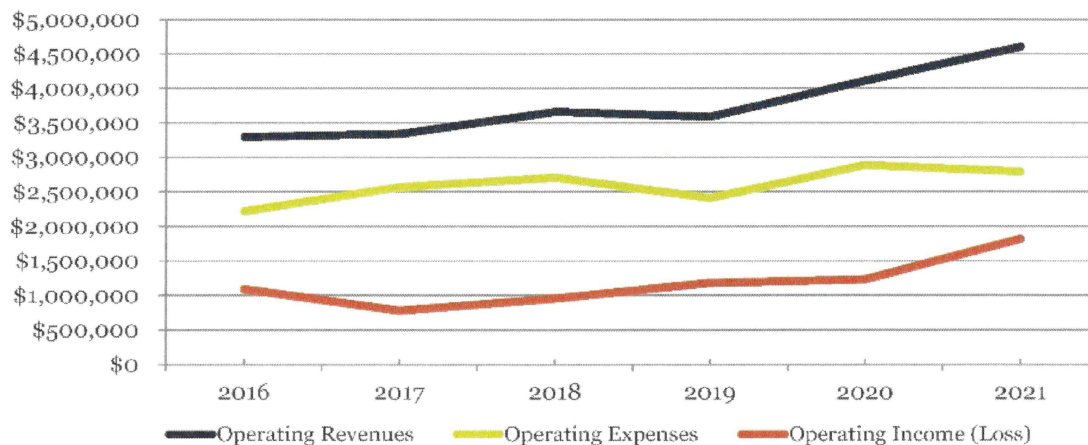
All Governmental Funds – Tax Revenues



All Governmental Funds – Expenditures

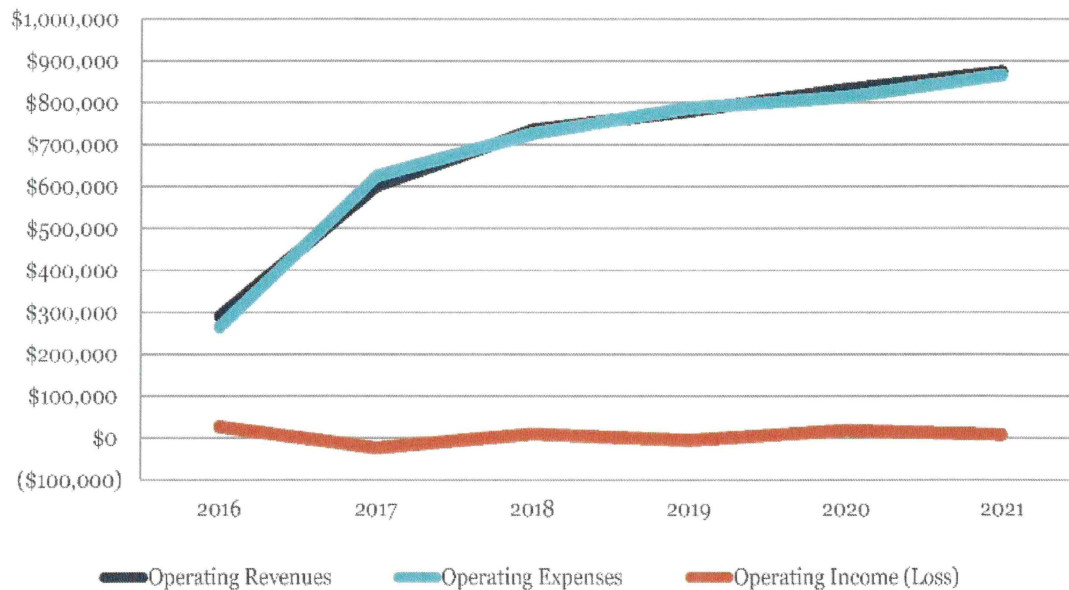


Water and Sewer Fund Historical Trends



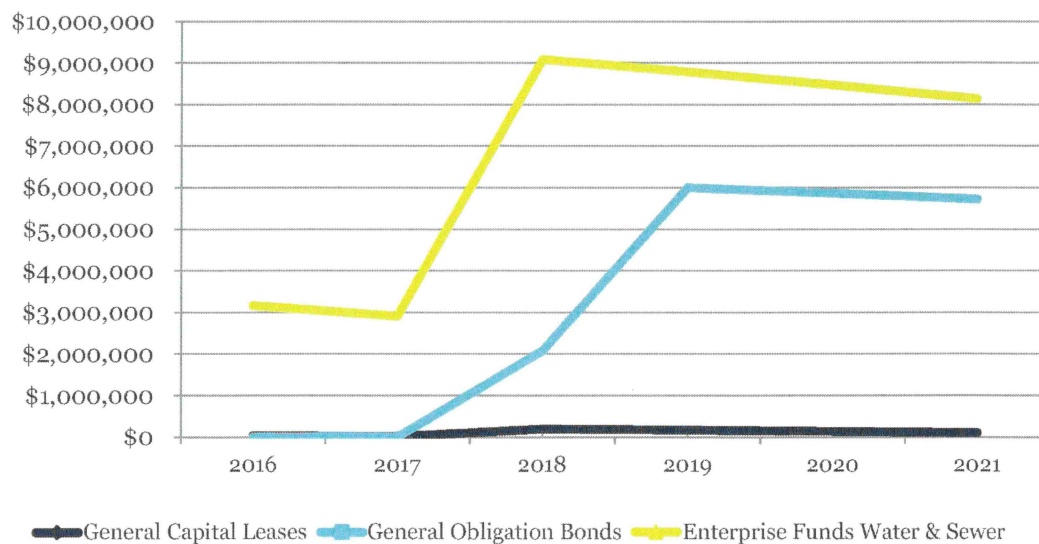
	2016	2017	2018	2019	2020	2021
Operating Revenues	\$ 3,294,734	\$ 3,338,596	\$ 3,657,681	\$ 3,587,837	\$ 4,107,090	\$ 4,597,991
Operating Expenses	2,211,413	2,583,384	2,705,483	2,407,337	2,882,862	2,785,770
Operating Income (Loss)	1,083,321	775,212	952,198	1,180,500	1,224,228	1,812,221
Nonoperating Revenues	64,362	104,885	56,827	106,455	54,640	89,971
Nonoperating Expenses	152,014	159,124	288,645	272,945	302,710	282,559

Sanitation Fund Historical Trends



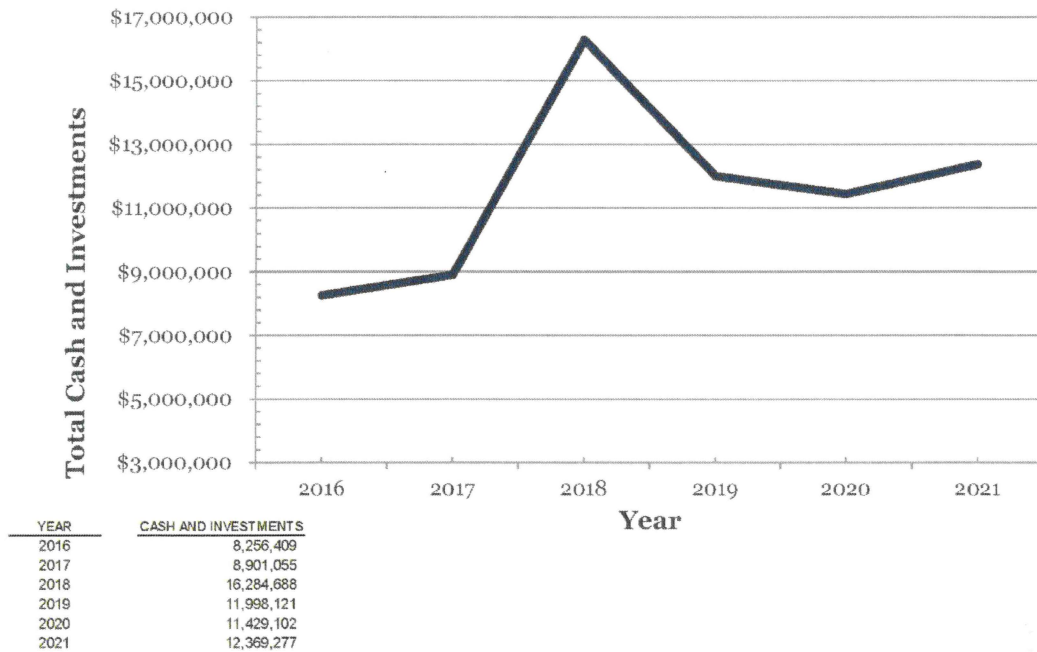
	2016	2017	2018	2019	2020	2021
Operating Revenues	\$ 291,188	\$ 601,298	\$ 735,138	\$ 780,004	\$ 831,293	\$ 872,880
Operating Expenses	264,703	625,495	726,458	788,350	813,356	865,324
Operating Income (Loss)	26,483	(24,186)	8,680	(8,348)	17,937	7,556

City Debt



	2016	2017	2018	2019	2020	2021
General Capital Leases	\$ 35,162	\$ 11,956	\$ 196,956	\$ 167,688	\$ 137,081	\$ 105,074
General Obligation Bonds	-	-	2,075,886	5,990,070	5,861,961	5,723,263
Enterprise Funds Water & Sewer	3,155,164	2,896,164	9,073,370	8,777,563	8,466,386	8,134,838

City Cash Position



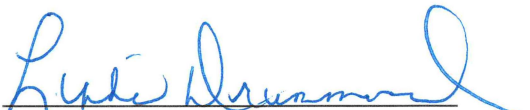
Alderman Hartman asked with the ARPA funds being relatively new to each municipality, he assumes auditors are beginning to audit them throughout the different municipalities. He asked if it were just basically stating what the inflow is and what the outflow would be to make sure that is in line with the federal government's use of those funds?

Harold explained that the federal government produces a compliance supplement every year that list out all the different compliance aspects that go along with every single federal program. It lays out the different compliance aspects that the auditors need to test and that the municipalities need to be in compliance with. The auditors will go through and look at what are some of the City's internal controls to make sure that you stay in compliance with what the federal government wants you to stay in compliance with and do tests over that as well as make sure you are in compliance. Harold noted that this is only over expenditures not revenue, so it depends on what the City is going to spend the next year.

3. Adjourn

Alderman Ulledahl moved to adjourn. Alderman Hartman seconded the motion.

Ayes – 5, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 8:58 p.m.


Linda Drummond, City Clerk


Damien Boley, Mayor