



City of Smithville, Missouri

Board of Aldermen - Work Session Agenda

April 19, 2022

Immediately Following the Regular Sessions

City Hall Council Chambers and Via Videoconference

Anyone who wishes to view the meeting may do so in real time as it will be streamed live on the city's FaceBook page through FaceBook Live.

For Public Comment via Zoom, please email your request to the City Clerk at ldrummond@smithvillemo.org prior to the meeting to be sent the meeting Zoom link.

1. Call to Order

2. FY21 Audit Presentation

3. Adjourn


Join Zoom Meeting

<https://us02web.zoom.us/j/86420407481>

Meeting ID: 864 2040 7481

Passcode: 444863



	<div>STAFF</div> <div>REPORT</div>
Date:	April 19, 2022
Prepared By:	Stephen Larson, Finance Director
Subject:	FY2021 Audit Results – CliftonLarsonAllen
Staff Report:	Finance

FY2021 AUDIT RESULTS

The FY2021 was completed by CliftonAllenLarson in February 2022. Auditors began work in mid-December and completed the audit by early February. The auditors completed a thorough inspection of the City's financial activity and policies and reviewed hundreds of key documents and invoices during this process. In addition to the financial statements provided in the agenda packet, CLA will be providing a presentation indicating the financial health and status of the City of Smithville. Below are the findings and results of the FY2021 audit:

2021-001 (Material Weakness in Financial Reporting)

As a part of this audit, management requests CLA prepare financial statements and related notes to the financial statements. The City does not have an internal policy in place over the preparation or review of the annual financial statements that would enable management to prepare the financial statements and the related note disclosures. This finding is a repeat of a finding in the immediately prior year. The City believes it has implemented a comprehensive review process of all City finances which includes monthly budget-to-actual financial reports, monthly Board reports, and a financial advisor (Piper Sandler) which is contracted to review financial matters. Staff continues to evaluate the cost benefit analysis of doing financial statements in-house.

2021-002 (Material Weakness in Internal Control over Financial Reporting)

Finding #1: Capital Asset Additions: The effect of this weakness is that capital asset additions could be expensed rather than capitalized. To address this finding, the Finance Director will review capital assets with the Finance Analyst and Finance Specialist II, in person, on a quarterly basis to ensure everything is properly recorded. INCODE reports for items over \$5,000 will be reviewed and capital assets will be assigned a unique identifier. The unique identifier will matchup with the capital asset on the asset listing

provided to the auditor at the end of the fiscal year. This will ensure no capital assets are missed during the recording process.

Finding #2: Payable Account Adjustments: The effect of this weakness is that account payable balances and expenditures could be misstated. To address this finding, the Finance Director will review payable accounts on a quarterly basis to ensure balances requiring adjustments are done appropriately. Journal entries to correct payable accounts will be provided to the City Administrator to review.

Finding #3: Reclassification of Water and Wastewater Cash: The effect of this weakness is that restricted cash balances could be misstated. To address this finding, the Finance Director will be reviewing expenditures coded to the water impact project line item and wastewater impact project line item on a quarterly basis and will prepare journal entries to move these expenses from the restricted impact cash accounts to the unrestricted cash accounts.

Finding #4: Establishing a Separate CID (Community Improvement District) Fund: The effect of this weakness is that resources associated with the CID could be co-mingled with other resources (TIF revenue and expense activity). In the March 1, 2022 Board of Aldermen meeting, staff presented an ordinance to establish a CID Fund and segregate the activity away from the Special Allocation Fund. The 1st reading for this ordinance occurred on March 1 and the 2nd reading is scheduled for the April 4, 2022 Board meeting.

Other Recommendations: The City maintains its cash balances in an internally pooled cash account. Due to the nature of the accounting system, it is possible for the bank account to reconcile within the bank reconciliation module without the individual cash balances in the funds adding up to the reconciled balance. The auditors recommend the City add the step of adding up the fund level cash balances from comparison to the reconciled balance as part of the cash reconciliation procedure. Staff will implement this step as a part of the year-end review.

CliftonLarsonAllen also completed a single audit on CAREs Fund spending for FY2021. The auditors tested numerous invoices and reviewed all Board of Aldermen approvals for spending. No issues were raised during this single audit process. As typical in the annual

audit, there are adjusting audit entries. These entries are described in the Governance Letter and will be completed as prior year journal entries by the Finance Director.

CORRECTED WEAKNESSES & DEFICIENCIES

Material weaknesses, significant deficiencies, and other matters noted in the previous audit which have been corrected and therefore no longer impact the internal control of the City in a negative manner.

Segregation of Duties - The Finance Director is not the sole employee responsible for payroll.

Segregation of Duties - The City has an employee crosstrained on payroll.

The City has internal controls over capital asset accounting and reporting.

The City retains supporting documentation for transfers.

The City retains supporting documentation for journal entries.

The City's daily receipt reports document a review and approval process.

The City meets its Continuing Disclosure Requirements for long-term debt.

The City implemented an investment policy as required by RSMo.

Segregation of Duties - The Finance Director prepares cash reconciliations with formal review and approval.

Segregation of Duties - The Finance Director enters journal entries with formal review and approval.

Segregation of Duties - The Finance Specialist II adds and removes assets from listing with formal review and approval.

The Board of Aldermen reviews, approves, and discusses City financials on a routine basis.

SIGNIFICANT DEFICIENCIES & OTHER MATTERS

Deficiencies in internal control, less severe than a material weakness, yet important enough to merit attention by those charged with City governance.

Finance staff do not add up fund level cash balances for comparison to reconciled balance as a part of cash reconciliation procedure

MATERIAL WEAKNESSES

Deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis.

The City does not prepare its own Financial Statements

Adjusting journal entries were identified that should have been recorded during the fiscal year

Identification of capital assets and items which should have been included on the initial list of current year capital asset additions

Several miscellaneous payable accounts which had balances not changed from prior year. Adjustments were made to correct these balances

Entry to reclassify water and wastewater cash between restricted impact fees cash and unrestricted cash for qualifying projects

Entry to move activity associated with the Smithville Commons CID to a separate fund



Board of Aldermen and Mayor
City of Smithville, Missouri

We have audited the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Missouri (the City) as of and for the year ended October 31, 2021, and have issued our report thereon dated February 28, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Smithville, Missouri are described in Note 1 to the financial statements.

During the year ended October 31, 2021, the City implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of all state and local governments. Prior to the year ended October 31, 2021, the City had no fiduciary activities and therefore there was no impact on beginning fund balances.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of depreciation is based on the estimated useful lives of capital assets and historical practice. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Corrected misstatements

The attached Adjusting Journal Entries Report summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated February 28, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated February 28, 2022, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 28, 2022.

With respect to the combining balance sheet – modified cash basis – general fund and combining statement of revenues, expenditures and changes in fund balances – modified cash basis – general fund, combining balance sheet – modified cash basis – nonmajor governmental funds and combining statement of revenues, expenditures and changes in fund balances – modified cash basis – nonmajor governmental funds (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated February 28, 2022.

The budgetary comparison schedule – modified cash basis – general fund, budgetary comparison schedule – modified cash basis – transportation sales tax fund, budgetary comparison schedule – modified cash basis – CARES Act stimulus fund, budgetary comparison schedule – modified cash basis – ARPA fund, and schedule of contributions accompanying the financial statements, which are the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the board of Aldermen, Mayor, and management of City of Smithville, Missouri and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 28, 2022

Client: **020-01409500 - City of Smithville**
Engagement: **AUD - City of Smithville, Missouri**
Period Ending: **10/31/2021**
Trial Balance: **0900 - TB**
Workpaper: **0921.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
		1100.10		
To correct cash balances to match reconciliation				
01-1000	CLAIM ON POOLED CASH		2,942.00	
01-1001	DUE FROM OTHER FUNDS		454,035.00	
02-1000	CLAIM ON POOLED CASH		57,235.00	
01-1000	CLAIM ON POOLED CASH			454,035.00
01-4-01-4900	MISCELLANEOUS REVENUE			2,942.00
02-5-10-5500	INTEREST EXPENSE			57,235.00
Total			514,212.00	514,212.00
Adjusting Journal Entries JE # 4				
		2505.00		
To adjust for COP debt payments				
02-2140	CERTIFICATES OF PARTICIPATION		526,386.00	
02-2141	CERTIFICATES OF PARTICIPATION - PREMIUM			194,838.00
02-5-10-5250	LEASE EXPENSE			326,512.00
02-5-10-5500	INTEREST EXPENSE			5,036.00
Total			526,386.00	526,386.00
Adjusting Journal Entries JE # 5				
		1330.01		
To allocate interest to ARPA funding				
01-4-01-4910	INTEREST INCOME		412.00	
57-1000	CLAIM ON POOLED CASH		412.00	
01-1000	CLAIM ON POOLED CASH			412.00
57-4-01-4910	INTEREST INCOME			412.00
Total			824.00	824.00
Adjusting Journal Entries JE # 6				
		1700.04		
To book CY fixed asset additions				
02-1330	CONSTRUCTION IN PROCESS		246,000.00	
02-1360	WATER & SEWER LINES		50,793.00	
02-1360	WATER & SEWER LINES		2,069,929.00	
02-1370	MACHINERY & EQUIPMENT		88,644.00	
02-1380	PLANT		6,032.00	
02-1330	CONSTRUCTION IN PROCESS			1,484,850.00
02-5-10-5104	REPAIRS & MAINT - WATER LINES			22,081.00
02-5-10-5105	REPAIRS & MAINT - SEWER LINES			25,974.00
02-5-10-5106	REPAIRS & MAINT - WATER PLANT			40,328.00
02-5-10-5107	REPAIRS & MAINT - WW PLANT			16,916.00
02-5-10-5131	SUPPLIES - CONNECTIONS			10,875.00
02-5-10-5200	PROFESSIONAL SERVICES			423,194.00
02-5-10-5700	CAPITAL IMPROVEMENT PROJECTS			231,517.00
02-5-10-5710	WATER IMPACT PROJECTS			205,663.00
Total			2,461,398.00	2,461,398.00
Adjusting Journal Entries JE # 8				
		1700.03		
To book CY business type depreciation				
02-5-10-5810	DEPRECIATION EXPENSE		695,694.00	
02-1355	WATER TOWERS - ACCUM DEP			58,941.00
02-1365	WATER & SEWER LINES - ACCUM DE			330,473.00
02-1375	MACH & EQUIP - ACCUM DEP			64,406.00
02-1385	PLANT - ACCUM DEP			208,033.00
02-1395	VEHICLES - ACCUM DEP			33,841.00
Total			695,694.00	695,694.00

Client: **020-01409500 - City of Smithville**
Engagement: **AUD - City of Smithville, Missouri**
Period Ending: **10/31/2021**
Trial Balance: **0900 - TB**
Workpaper: **0921.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 12		2100.01		
To adjust AP balances with no change from PY or had minimal transactions that should have been cleared out.				
01-2205	STATE W/H PAYABLE		8,496.00	
01-2421	DENTAL INSURANCE PAYABLE		1,961.00	
01-2422	VISION INSURANCE PAYABLE		307.00	
01-2427	HSA PAYABLE		920.00	
01-2510	COURT OVERPAYMENT		44.00	
01-2520	STATE FEES PAYABLE		33.00	
01-2530	RESTITUTION PAYABLE		3,042.00	
01-2710	ANIMAL SHELTER DONATIONS		4,205.00	
01-2775	MPR LOSS CONTROL CREDITS		619.00	
01-5-01-5120	CAPITAL EXPENDITURES - EQUIP		5,000.00	
01-5-07-5124	CAPITAL EXPENDITURES - BLDG		5,201.00	
01-2030	ACCOUNTS PAYABLE			179.00
01-2420	HEALTH INSURANCE PAYABLE			690.00
01-2426	RETIREMENT BENEFIT PAYABLE			36.00
01-2431	CHILD SUPPORT PAYABLE			339.00
01-2450	EMPLOYEE BENEFITS PAYABLE			2,660.00
01-2500	COURT BONDS PAYABLE			490.00
01-2505	PROCESSING FEES PAYABLE			1,197.00
01-2525	STATE TRAINING FEES PAYABLE			115.00
01-2555	SHERIFF RETIREMENT FUND			67.00
01-4-01-4900	MISCELLANEOUS REVENUE			24,055.00
Total			29,828.00	29,828.00
Adjusting Journal Entries JE # 13		2100.01		
To reduce the Sidewalk Improvement Program to -0- per discussion with Stephen.				
01-2010	SIDEWALK IMPROVEMENT PROGRAM		6,310.00	
09-1000	CLAIM ON POOLED CASH		6,310.00	
01-1000	CLAIM ON POOLED CASH			6,310.00
09-5-02-5410	TOOLS & SUPPLIES			6,310.00
Total			12,620.00	12,620.00
Adjusting Journal Entries JE # 15				
To record disposal of capital assets				
02-1395	VEHICLES - ACCUM DEP		86,729.00	
02-4-10-4795	SALE OF PROPERTY REVENUE		1,750.00	
02-1390	VEHICLES			88,479.00
Total			88,479.00	88,479.00
Adjusting Journal Entries JE # 18				
To reclassify Smithville Commons CID activity to a seperate fund				
11-4-01-4105	CID SALES TAX		297,096.00	
18-1000	CLAIM ON POOLED CASH		297,096.00	
11-1000	CLAIM ON POOLED CASH			297,096.00
18-4-01-4105	CID SALES TAX			297,096.00
Total			594,192.00	594,192.00
Adjusting Journal Entries JE # 19		3002.00		
To reclassify cash for current year impact fee projects				
02-1000	CLAIM ON POOLED CASH		208,463.00	
02-1200	WASTEWATER IMPACT CASH			2,800.00
02-1210	WATER IMPACT CASH			205,663.00
Total			208,463.00	208,463.00



107 W Main St • Smithville, MO 64089

P: (816) 532.3897

February 28, 2022

CliftonLarsonAllen LLP
801 Felix Street
St. Joseph, Missouri 64501

This representation letter is provided in connection with your audit of the financial statements of City of Smithville, Missouri (the City), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of October 31, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of February 28, 2022, the following representations made to you during your audit of the financial statements as of and for the year ended October 31, 2021.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 1, 2021, for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted in the United States of America. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting. Significant estimates are estimates at the financial statement date that could change materially within the next year.

6. Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of the modified cash basis of accounting, if any.
7. No events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements or in the schedule of findings and questioned costs.
8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter. In addition, you have proposed adjusting journal entries that have been posted to the City's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with the modified cash basis of accounting.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed in accordance with the modified cash basis of accounting, if any.
11. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements, if any.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
13. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded, if any.
14. Provisions have been made for losses to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments, as applicable.
15. We have fully disclosed to you all sales terms, including all rights of return or price adjustments and all warranty provisions, if any.
16. We believe that all material expenditures that have been deferred to future periods will be recoverable.
17. Participation in a public entity risk pool has been properly reported and disclosed in the financial statements, as applicable.
18. We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
 - e. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with, or deficiencies in, financial reporting practices, if any.
 - f. All communications from regulatory agencies, grantors, lenders, and other funding sources concerning noncompliance with the provisions of laws, regulations, contracts, and grant agreements, if any.
 - g. Access to all audit or relevant monitoring reports, if any, received from funding sources.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the City's financial statements communicated by employees, former employees, grantors, regulators, or others.
6. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, and grant agreements, or waste or abuse whose effects should be considered when preparing financial statements.

7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with the modified cash basis of accounting.
9. We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware, as applicable.
10. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.
11. We have a process to track the status of audit findings and recommendations.
12. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented, if any.
13. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
14. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to City of Smithville, Missouri, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
15. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
16. The City has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions, as applicable.
18. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations, if any.

20. The financial statements properly classify all funds and activities.
21. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
22. Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
23. Investments, derivative instruments, and land and other real estate held by endowments are properly valued, if any.
24. Provisions for uncollectible receivables have been properly identified and recorded, as applicable.
25. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
26. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
27. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
28. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed, if any.
29. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
30. We have appropriately disclosed the City's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
31. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI, as applicable.
32. We acknowledge our responsibility for presenting the combining general fund and nonmajor fund financial statements (the supplementary information) in accordance with the modified cash basis of accounting, and we believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented

with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

33. We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting information into a working trial balance based on management's chart of accounts.
34. As part of your audit, you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards. We have also ensured that the City's data and records are complete and received sufficient information to oversee the service.
35. We have evaluated the adequacy and results of the depreciation services performed and accept responsibility for the results. We acknowledge our responsibility for our depreciation schedules and have determined the methods and rates of depreciation and the salvage values used in the calculations. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your depreciation services; have made all significant management judgments and decisions; and have assumed all management responsibilities. We have also ensured that the City's data and records are complete and received sufficient information to oversee the service.
36. With respect to federal award programs:
 - a. We are responsible for understanding and complying with, and have complied with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) including requirements relating to preparation of the schedule of expenditures of federal awards.
 - b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) and related notes in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance.
 - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issued the SEFA and the auditors' report thereon.
 - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and included in the SEFA expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated

surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- e. Expenditures of federal awards were below the \$750,000 threshold and we were not required to have an audit in accordance with the Uniform Guidance in the years ended October 31, 2020 and 2019.
- f. We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- g. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- h. We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- i. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- j. We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards and confirm that there were no amounts questioned and no known noncompliance with the direct and material compliance requirements of federal awards.
- k. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report, if any.
- m. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR part 200, subpart E).

- n. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- o. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- p. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period, if any.
- q. There are no known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- r. We have disclosed to you whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies and/or material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditors' report.
- s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- t. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- u. We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- v. We have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- w. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records, if applicable.
- x. We have charged costs to federal awards in accordance with applicable cost principles.
- y. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.

February 28, 2022
CliftonLarsonAllen LLP
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- z. We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- aa. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- bb. We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

DocuSigned by:
CYNTHIA WAGNER
Signature: 0617367AA04844D... Title: City Administrator
Cynthia Wagner

DocuSigned by:
Stephen Larson
Signature: 05DE63F6C00245E... Title: Finance Director
Stephen Larson

PASSED ADJUSTMENT SUMMARY
City of Smithville
General Fund
Year Ended October 31, 2021

Description	Effect of misstatements on:			Net Change in Fund Balance
	Assets	Liabilities	Fund Balance	
AP accounts written off to Misc. revenue this year that	\$ -	\$ -	\$ -	\$ 10,665
Subtotals	-	-	-	10,665
Net prior year misstatements	-	-	-	-
Total misstatements	\$ -	\$ -	\$ -	\$ 10,665
Financial statement totals	<u>\$ 3,776,905</u>	<u>\$ (15,000)</u>	<u>\$ (3,761,905)</u>	<u>\$ (203,835)</u>

PASSED ADJUSTMENT SUMMARY
City of Smithville
Aggregate Remaining Fund Information
Year Ended October 31, 2021

Description	Effect of misstatements on:			Net Change in Fund Balance
	Assets	Liabilities	Fund Balance	
Special Allocation Fund: CID Sales Tax revenue that was from September 2020, but was recorded in FY 2021 due to turnover and time to set up a new fund.	\$ -	\$ -	\$ -	\$ 4,720
Subtotals	-	-	-	4,720
Net prior year misstatements	-	-	-	-
Total misstatements	\$ -	\$ -	\$ -	\$ 4,720
Financial statement totals	<u>\$ (1,651,189)</u>	<u>\$ -</u>	<u>\$ (1,651,189)</u>	<u>\$ (1,032,091)</u>



Management
City of Smithville, Missouri
Smithville, Missouri

In planning and performing our audit of the financial statements of City of Smithville, Missouri (the City) as of and for the year ended October 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comments and suggestions regarding those matters are summarized below. A separate communication dated February 28, 2022, contains our written communication of material weaknesses in the City's internal control. This letter does not affect our report on the financial statements dated February 28, 2022, nor our internal control communication dated February 28, 2022.

Pooled Cash Reconciliation

The City maintains its cash balances in an internally pooled cash account. Due to the nature of the accounting system, it is possible for the bank account to reconcile within the bank reconciliation module without the individual cash balances in the funds adding up to the reconciled balance. At October 31, 2021, an adjusting entry was required in order to true up the fund level cash balances to the reconciled balance. We recommend that the City add the step of adding up the fund level cash balances for comparison to the reconciled balance as a part of the cash reconciliation procedure.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, board of aldermen, and others within the City, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 28, 2022

CITY OF SMITHVILLE, MISSOURI

SINGLE AUDIT REPORTS

YEAR ENDED OCTOBER 31, 2021



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

Board of Aldermen
City of Smithville, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Smithville, Missouri (the City), as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 28, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompany schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

St. Joseph, Missouri
February 28, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Aldermen
City of Smithville, Missouri

Report on Compliance for Each Major Federal Program

We have audited City of Smithville, Missouri's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended October 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2021.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose -of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated February 28, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 28, 2022

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED OCTOBER 31, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Current Year Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Treasury				
Passed through the Missouri State Treasurer:				
Passed through Clay County, Missouri:				
COVID-19 Coronavirus Relief Fund	21.019	253	<u>\$ 588,259</u>	<u>\$ 51,250</u>
Total U.S. Department of Treasury			588,259	51,250
U.S. Department of Transportation				
Federal Highway Administration:				
Passed through the Missouri Department of Natural Resources, Division of State Parks:				
Recreational Trails Program	20.219	RT19003	<u>244,731</u>	<u>-</u>
Total U.S. Department of Transportation			<u>244,731</u>	<u>-</u>
Total Expenditures of Federal Awards			<u><u>\$ 832,990</u></u>	<u><u>\$ 51,250</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF SMITHVILLE, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OCTOBER 31, 2021

NOTE 1 ORGANIZATION

City of Smithville, Missouri, (the City) is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

NOTE 2 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended October 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) from the Office of Management and Budget (OMB). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for all awards with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 4 LOCAL GOVERNMENT CONTRIBUTIONS

Local cost sharing, as defined by the Uniform Guidance is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

NOTE 5 ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at October 31, 2021.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OCTOBER 31, 2021**

NOTE 6 INDIRECT COST RATE

The City did not charge indirect costs to their federal programs.

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED OCTOBER 31, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

- | | | |
|--|---------------|-----------------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ x _____ | yes no |
| • Significant deficiency(ies) identified? | _____ yes | _____ x _____ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ x _____ no |

Federal Awards

- | | | |
|---|------------|-----------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ x _____ no |
| • Significant deficiency(ies) identified? | _____ yes | _____ x _____ none reported |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | _____ x _____ no |

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ yes _____ x _____ no

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED OCTOBER 31, 2021**

Section II – Financial Statement Findings

2021-001 Material Weakness in Financial Reporting

Type of Finding Material Weakness in Internal Control over Financial Reporting

Condition and Context:

Management is responsible for establishing, maintaining, and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes.

As part of the audit, management requested us to prepare the financial statements, including the related notes to the financial statements. The City does not have an internal policy in place over the preparation or review of the annual financial statements that would enable management to prepare the financial statements and the related note disclosures.

Criteria:

City management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Cause:

Due to the cost benefit analysis completed the City, they have chosen to continue using CLA to draft the financial statements.

Effect:

Potential exists that material misstatements to the financial statements could occur and not be prevented or detected by the City's internal controls.

Repeat Finding:

Yes, 2020-001

Recommendation:

The City should establish and document a well-defined process for financial reporting. The City should continue to assess its personnel needs including consideration of training and continuing professional educational opportunities that are essential in understanding of the City's financial reporting processes and requirements. Due to the complexities of accounting for some of the City's transactions, we recommend that management explore attending annual trainings on the use of governmental accounting standards and reference guides, and utilizing disclosure check lists provided by the Government Finance Officers Association (GFOA), the American Institute of Certified Public Accountants, (AICPA), the Governmental Accounting Standards Board (GASB) and other various financial publishing companies.

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED OCTOBER 31, 2021**

Section II – Financial Statement Findings (Continued)

2021-001 Material Weakness in Financial Reporting (Continued)

Views of Responsible Officials and Planned Corrective Action:

The City believes it has implemented a comprehensive review process of City finances: all department heads review departmental budget-to-actual financial reports on a monthly basis; the Finance Director reviews all budget-to-actual financial reports on a monthly basis; the Board of Aldermen is provided budget-to-actual reports on a monthly basis; the Finance Director presents quarterly budget updates to the Board of Alderman; the Finance Director conducts a review of all budget-to-actual revenues and expenditures during the annual budgeting process; a Finance Committee (composed of Board of Alderman) reviews expenditures on a monthly basis; and a financial advisor is contracted to review financial matters. Staff continues to evaluate the cost benefit analysis of doing these reports in-house.

2021-002 Identification of Adjusting Journal Entries

Type of Finding Material Weakness in Internal Control over Financial Reporting

Condition and Context:

During the audit process, a number of adjusting entries were identified. Certain entries are made as a part of our expected non-attest services provided, such as capitalization of capital assets, and recorded debt payments against related liability balances for financial statement presentation purposes. In addition to these expected entries, we identified the following:

1. During review of repairs and maintenance, the City identified an additional \$222,210 of capital assets and CLA identified another \$42,951 of items that should have been included on the initial list of current year capital asset additions. Once identified, the items were added to the capital asset additions.
2. The City has several miscellaneous payable accounts which are used for payroll withholdings and various other purposes. Several of these accounts had balances which had not changed from the prior year. An adjustment was made to correct these balances for the year ended October 31, 2021, which decreased the payable balances by approximately \$13,800.
3. An entry was made to reclassify water and wastewater cash between restricted impact fees cash and unrestricted cash for the current year use of funds in qualifying projects.
4. An entry was made to move activity associated with the Smithville Commons Community Improvement District (CID) to a separate fund and the CID is a separate political subdivision requiring separate reporting.

Criteria

The initial recording of these items correctly will ensure meaningful and accurate financial statements that can be used by the board of Aldermen and management throughout the year.

**CITY OF SMITHVILLE, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED OCTOBER 31, 2021**

Section II – Financial Statement Findings (Continued)

2021-002 Identification of Adjusting Journal Entries (Continued)

Cause

Limited resources and personnel.

Effect

1. Capital asset additions could be expensed, rather than capitalized.
2. Accounts payable balances and expenditures could be misstated.
3. Restricted cash balances could be misstated.
4. Resources associated with the CID could be comingled with other resources.

Repeat Finding:

Yes, 2020-002

Recommendation

We recommend that the City implement policies and procedures to ensure the proper recording of items to be capitalized prior to beginning the audit process. We recommend the City put a process in place to reconcile and adjust these balances at least on an annual basis.

Views of Responsible Officials and Planned Corrective Action:

The City strives to make timely recording of adjustments during each fiscal year in which adjusting entries are needed. Staff has implemented timing schedules for journal entries that need to occur throughout the fiscal year. In the effort to address Item #1, staff will be reviewing the capital assets in person on a quarterly basis to ensure everything is properly recorded. Staff will review each monthly AP report for items over five thousand dollars and utilize a numbered checkoff system to ensure all eligible items which constitute capital assets are included on the listing. In the effort to address Item #2, the Finance Director will review payable accounts on a quarterly basis to ensure balances requiring adjustments are adjusted appropriately. Journal entries to correct payable accounts will be provided to the City Administrator to review. In the effort to address Item #3, staff will review expenditures coded to the water impact project line item and wastewater impact project line item on a quarterly basis. Staff will prepare a journal entry and move funds expensed to these line items from the restricted impact cash accounts to the unrestricted cash account for the current fiscal year. In the effort to address Item #4, staff has proposed establishing a new CID (Community Improvement District) fund to segregate CID activity away from the Special Allocation Fund. The CID is a separate political subdivision and establishing a new fund will prevent co-mingling CID resources with TIF revenue and expenditure activity currently housed in the Special Allocation Fund.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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CITY OF SMITHVILLE, MISSOURI
MODIFIED CASH BASIS FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED OCTOBER 31, 2021



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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, 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 modified cash basis financial position 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, 2021, and the respective changes in modified cash basis financial position 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 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

Supplementary 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 combining balance sheet – modified cash basis – general fund, the combining statement of revenues, expenditures, and changes in fund balance – modified cash basis – general fund, 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 financial statements.

The supplementary 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 financial statements. The budgetary comparison schedules and schedule of contributions are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Board of Aldermen and Mayor
City of Smithville, Missouri

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Smithville, Missouri's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

St. Joseph, Missouri
February 28, 2022

FINANCIAL STATEMENTS

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF NET POSITION — MODIFIED CASH BASIS
OCTOBER 31, 2021

	Primary Government		
	Governmental	Business-	
	Activities	Type	Total
		Activities	
ASSETS			
Cash and Cash Equivalents	\$ 3,809,268	\$ 3,576,928	\$ 7,386,196
Restricted Cash and Investments	2,894,516	2,088,565	4,983,081
Capital Assets:			
Nondepreciable	2,071,455	466,930	2,538,385
Depreciable, Net	13,109,139	23,023,230	36,132,369
Total Assets	21,884,378	29,155,653	51,040,031
LIABILITIES			
Developer Escrow	15,000	-	15,000
Customer Deposits	-	361,988	361,988
Long-Term Liabilities:			
Due Within One Year	188,155	398,278	586,433
Due In More Than One Year	5,640,182	7,736,560	13,376,742
Total Liabilities	5,843,337	8,496,826	14,340,163
NET POSITION			
Net Investment in Capital Assets	9,352,257	15,355,322	24,707,579
Restricted for Law Enforcement	23,415	-	23,415
Restricted for Transportation	462,260	-	462,260
Restricted for Debt Service	243,597	55,723	299,320
Restricted for Capital Projects	275,005	2,032,842	2,307,847
Restricted for Pandemic	1,089,550	-	1,089,550
Restricted for Parks and Recreation	437,318	-	437,318
Restricted for Economic Development	386,786	-	386,786
Restricted for Other Purposes	6,241	-	6,241
Unrestricted	3,764,612	3,214,940	6,979,552
Total Net Position	\$ 16,041,041	\$ 20,658,827	\$ 36,699,868

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF ACTIVITIES — MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Operating	Capital	Primary Government		
	Expenses	Charges for	Grants and	Grants and	Governmental	Business-Type	
		Services	Contributions	Contributions	Activities	Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,062,034	\$ 76,433	\$ -	\$ -	\$ (985,601)	\$ -	\$ (985,601)
Public Works	1,224,687	45,754	-	290,439	(888,494)	-	(888,494)
Pandemic	266,503	-	1,089,138	-	822,635	-	822,635
Police	1,844,502	232,602	11,420	-	(1,600,480)	-	(1,600,480)
Community and Economic							
Development	456,407	318,256	-	-	(138,151)	-	(138,151)
Parks and Recreation	751,506	350,720	7,550	-	(393,236)	-	(393,236)
Interest and Fiscal Charges	191,157	-	-	-	(191,157)	-	(191,157)
Total Governmental Activities	5,796,796	1,023,765	1,108,108	290,439	(3,374,484)	-	(3,374,484)
BUSINESS-TYPE ACTIVITIES							
Water and Sewer	3,078,330	4,597,991	-	292,296	-	1,811,957	1,811,957
Sanitation	865,324	872,880	-	-	-	7,556	7,556
Total Business-Type Activities	3,943,654	5,470,871	-	292,296	-	1,819,513	1,819,513
Total Primary Government	\$ 9,740,450	\$ 6,494,636	\$ 1,108,108	\$ 582,735	(3,374,484)	1,819,513	(1,554,971)
GENERAL REVENUES							
Taxes:							
					954,402	-	954,402
					4,155,148	-	4,155,148
					698,064	-	698,064
					287,528	-	287,528
					-	42,329	42,329
					50,321	4,451	54,772
					21,687	25,326	47,013
					63,625	17,866	81,491
					236,256	(236,256)	-
					6,467,031	(146,284)	6,320,747
CHANGES IN NET POSITION							
					3,092,547	1,673,229	4,765,776
					12,948,494	18,985,598	31,934,092
NET POSITION - END OF YEAR							
					\$ 16,041,041	\$ 20,658,827	\$ 36,699,868

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
BALANCE SHEET — MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
OCTOBER 31, 2021**

	General	Transportation Sales Tax	Capital Improvements	CARES Act Stimulus Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 3,776,905	\$ -	\$ -	\$ -	\$ -	\$ 32,363	\$ 3,809,268
Restricted Cash	-	462,260	20,976	-	1,089,550	1,321,730	2,894,516
Total Assets	<u>\$ 3,776,905</u>	<u>\$ 462,260</u>	<u>\$ 20,976</u>	<u>\$ -</u>	<u>\$ 1,089,550</u>	<u>\$ 1,354,093</u>	<u>\$ 6,703,784</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Developer Escrow	\$ 15,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,000
Total Liabilities	15,000	-	-	-	-	-	15,000
FUND BALANCES							
Restricted:							
Law Enforcement	-	-	-	-	-	23,415	23,415
Transportation	-	462,260	-	-	-	-	462,260
Debt Service	-	-	-	-	-	243,597	243,597
Capital Projects	-	-	20,976	-	-	254,029	275,005
Pandemic	-	-	-	-	1,089,550	-	1,089,550
Parks and Recreation	-	-	-	-	-	437,318	437,318
Economic Development	-	-	-	-	-	386,786	386,786
Other Purposes	-	-	-	-	-	6,241	6,241
Committed:							
Law Enforcement Technology Upgrades	-	-	-	-	-	2,707	2,707
Vehicle and Equipment Replacement	25,676	-	-	-	-	-	25,676
Unassigned	3,736,229	-	-	-	-	-	3,736,229
Total Fund Balances	<u>3,761,905</u>	<u>462,260</u>	<u>20,976</u>	<u>-</u>	<u>1,089,550</u>	<u>1,354,093</u>	<u>6,688,784</u>
Total Liabilities and Fund Balances	<u>\$ 3,776,905</u>	<u>\$ 462,260</u>	<u>\$ 20,976</u>	<u>\$ -</u>	<u>\$ 1,089,550</u>	<u>\$ 1,354,093</u>	<u>\$ 6,703,784</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, 2021**

Total Fund Balances - Governmental Funds	\$ 6,688,784
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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.	15,180,594
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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	(105,074)
Bonds Payable	<u>(5,723,263)</u>

Total Net Position - Governmental Activities	<u><u>\$ 16,041,041</u></u>
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CITY OF SMITHVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES — MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED OCTOBER 31, 2021

	General	Transportation Sales Tax	Capital Improvement	CARES Act Stimulus Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 934,865	\$ -	\$ -	\$ -	\$ -	\$ 19,537	\$ 954,402
Sales and Use Taxes	1,933,488	587,177	-	-	-	1,634,483	4,155,148
Franchise Taxes	698,064	-	-	-	-	-	698,064
Licenses, Fees, and Permits	477,942	-	-	-	-	3,454	481,396
Intergovernmental Revenues	329,972	-	290,439	-	1,089,138	-	1,709,549
Charges for Services	344,104	-	-	-	-	-	344,104
Fines and Forfeits	138,949	-	-	-	-	-	138,949
Interest	49,909	-	-	-	412	-	50,321
Other Revenue	93,229	-	6,250	-	-	-	99,479
Total Revenues	5,000,522	587,177	296,689	-	1,089,550	1,657,474	8,631,412
EXPENDITURES							
Current:							
General Government	1,025,284	-	-	-	-	-	1,025,284
Police	1,788,512	-	-	-	-	3,397	1,791,909
Public Works	768,591	140,665	8,579	-	-	-	917,835
Pandemic	-	-	-	266,503	-	-	266,503
Parks and Recreation	631,595	-	-	-	-	38,367	669,962
Community and Economic Development	427,913	-	-	-	-	-	427,913
Senior Center	19,121	-	-	-	-	-	19,121
Capital Outlay	635,440	708,582	1,528,165	82,468	-	548,565	3,503,220
Debt Service:							
Principal	-	32,007	-	-	-	130,000	162,007
Interest and Fiscal Charges	-	6,269	-	-	-	199,855	206,124
Total Expenditures	5,296,456	887,523	1,536,744	348,971	-	920,184	8,989,878
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(295,934)	(300,346)	(1,240,055)	(348,971)	1,089,550	737,290	(358,466)
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	21,930	-	-	-	-	-	21,930
Transfers In	477,839	-	-	-	-	342,190	820,029
Transfers Out	-	-	-	(239,288)	-	(344,485)	(583,773)
Total Other Financing Sources (Uses)	499,769	-	-	(239,288)	-	(2,295)	258,186
NET CHANGE IN FUND BALANCES	203,835	(300,346)	(1,240,055)	(588,259)	1,089,550	734,995	(100,280)
Fund Balances - Beginning Of Year	3,558,070	762,606	1,261,031	588,259	-	619,098	6,789,064
FUND BALANCES - END OF YEAR	<u>\$ 3,761,905</u>	<u>\$ 462,260</u>	<u>\$ 20,976</u>	<u>\$ -</u>	<u>\$ 1,089,550</u>	<u>\$ 1,354,093</u>	<u>\$ 6,688,784</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, 2021**

Net Change in Fund Balances - Total Governmental Funds	\$ (100,280)
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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 and depreciated over their estimated useful lives.

Capital Outlays	3,503,220
Depreciation Expense	(480,855)
Difference Between Gain and Proceeds on Disposal of Capital Assets	(243)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these in the treatment of long-term debt and related items.

Premium Amortization	8,698
Debt Principal Retirement	162,007
	170,705

Change in Net Position - Governmental Activities	\$ 3,092,547
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CITY OF SMITHVILLE, MISSOURI
STATEMENT OF NET POSITION — MODIFIED CASH BASIS
PROPRIETARY FUNDS
OCTOBER 31, 2021

ASSETS	<u>Water and Wastewater</u>	<u>Sanitation</u>	<u>Total Proprietary Funds</u>
CURRENT ASSETS			
Cash	\$ 3,513,936	\$ 62,992	\$ 3,576,928
RESTRICTED ASSETS			
Cash and Cash Equivalents	2,088,565	-	2,088,565
CAPITAL ASSETS			
Nondepreciable	466,930	-	466,930
Depreciable, Net	<u>23,023,230</u>	<u>-</u>	<u>23,023,230</u>
Capital Assets, Net	<u>23,490,160</u>	<u>-</u>	<u>23,490,160</u>
Total Assets	<u>\$ 29,092,661</u>	<u>\$ 62,992</u>	<u>\$ 29,155,653</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Customer Deposits	\$ 361,988	\$ -	\$ 361,988
Current Maturities of Long-Term Liabilities	<u>398,278</u>	<u>-</u>	<u>398,278</u>
Total Current Liabilities	760,266	-	760,266
LONG-TERM LIABILITIES			
Long-Term Liabilities, Less Current Maturities Above	<u>7,736,560</u>	<u>-</u>	<u>7,736,560</u>
Total Liabilities	8,496,826	-	8,496,826
NET POSITION			
Net Investment in Capital Assets	15,355,322	-	15,355,322
Restricted for Debt Service	55,723	-	55,723
Restricted for Capital Projects	2,032,842	-	2,032,842
Unrestricted	<u>3,151,948</u>	<u>62,992</u>	<u>3,214,940</u>
Total Net Position	<u>20,595,835</u>	<u>62,992</u>	<u>20,658,827</u>
Total Liabilities and Net Position	<u>\$ 29,092,661</u>	<u>\$ 62,992</u>	<u>\$ 29,155,653</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, 2021**

	Water and Wastewater	Sanitation	Total Proprietary Funds
OPERATING REVENUES			
Charges for Services	\$ 4,597,991	\$ 872,880	\$ 5,470,871
OPERATING EXPENSES			
Personnel Services	1,084,174	-	1,084,174
Contractual Services	214,074	865,324	1,079,398
Operations	490,757	-	490,757
Repair and Maintenance	301,068	-	301,068
Depreciation and Amortization	695,697	-	695,697
Total Operating Expenses	<u>2,785,770</u>	<u>865,324</u>	<u>3,651,094</u>
OPERATING INCOME	1,812,221	7,556	1,819,777
NONOPERATING REVENUES (EXPENSES)			
Tower Lease	42,329	-	42,329
Interest Income	4,451	-	4,451
Interest Expense and Fiscal Charges	(292,559)	-	(292,559)
Gain on Sale of Capital Assets	25,326	-	25,326
Other Revenue	17,865	-	17,865
Total Nonoperating Revenues (Expenses)	<u>(202,588)</u>	<u>-</u>	<u>(202,588)</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Transfers Out	(236,256)	-	(236,256)
Impact Fees	292,296	-	292,296
Total Capital Contributions and Transfers	<u>56,040</u>	<u>-</u>	<u>56,040</u>
CHANGES IN NET POSITION	1,665,673	7,556	1,673,229
Net Position - Beginning of Year	<u>18,930,162</u>	<u>55,436</u>	<u>18,985,598</u>
NET POSITION - END OF YEAR	<u>\$ 20,595,835</u>	<u>\$ 62,992</u>	<u>\$ 20,658,827</u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF CASH FLOWS — MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED OCTOBER 31, 2021

	Water and Wastewater	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 4,617,321	\$ 872,880	\$ 5,490,201
Cash Paid to Suppliers	(1,005,899)	(865,324)	(1,871,223)
Cash Paid to Employees	(1,084,174)	-	(1,084,174)
Net Cash Provided by Operating Activities	<u>2,527,248</u>	<u>7,556</u>	<u>2,534,804</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Other Nonoperating Revenue	60,194	-	60,194
Cash Transferred to Other Funds	<u>(236,256)</u>	<u>-</u>	<u>(236,256)</u>
Net Cash Used by Noncapital Financing Activities	(176,062)	-	(176,062)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of Capital Assets	(976,548)	-	(976,548)
Proceeds from Sale of Capital Assets	27,076	-	27,076
Cash Received from Impact Fees	292,296	-	292,296
Payments on Long-Term Debt	(325,000)	-	(325,000)
Interest Paid on Long-Term Debt	<u>(299,107)</u>	<u>-</u>	<u>(299,107)</u>
Net Cash Used by Capital and Related Financing Activities	(1,281,283)	-	(1,281,283)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	<u>4,451</u>	<u>-</u>	<u>4,451</u>
NET INCREASES IN CASH	1,074,354	7,556	1,081,910
Cash - Beginning of Year	<u>4,528,147</u>	<u>55,436</u>	<u>4,583,583</u>
CASH - END OF YEAR	<u><u>\$ 5,602,501</u></u>	<u><u>\$ 62,992</u></u>	<u><u>\$ 5,665,493</u></u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF CASH FLOWS — MODIFIED CASH BASIS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED OCTOBER 31, 2021

	Water and Wastewater	Sanitation	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating Income	\$ 1,812,221	\$ 7,556	\$ 1,819,777
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	695,697	-	695,697
Change in:			
Customer Deposits	19,330	-	19,330
Net Cash Provided by Operating Activities	<u>\$ 2,527,248</u>	<u>\$ 7,556</u>	<u>\$ 2,534,804</u>
CASH REPORTED ON THE STATEMENT OF NET POSITION			
Cash	\$ 3,513,936	\$ 62,992	\$ 3,576,928
Restricted Cash and Cash Equivalents	<u>2,088,565</u>	<u>-</u>	<u>2,088,565</u>
Total Cash and Cash Equivalents	<u>\$ 5,602,501</u>	<u>\$ 62,992</u>	<u>\$ 5,665,493</u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF FIDUCIARY NET POSITION — MODIFIED CASH BASIS
OCTOBER 31, 2021

	Smithville Commons CID
ASSETS	
Cash	<u>\$ 297,096</u>
Total Assets	<u><u>\$ 297,096</u></u>
NET POSITION	
Restricted for:	
Other Governments	<u>\$ 297,096</u>
Total Fund Balances	<u><u>\$ 297,096</u></u>

See accompanying Notes to Financial Statements.

CITY OF SMITHVILLE, MISSOURI
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION — MODIFIED CASH BASIS
YEAR ENDED OCTOBER 31, 2021

	Smithville Commons CID
ADDITIONS	
Tax Collections for Other Governments	\$ 297,096
Total Additions	<u>297,096</u>
NET INCREASE IN FIDUCIARY NET POSITION	297,096
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ 297,096</u></u>

See accompanying Notes to Financial Statements.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

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 City's significant 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, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, fiduciary 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 and the fiduciary 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, 2021**

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.

- *CARES Act Stimulus Fund*

The CARES Act Stimulus Fund is a special revenue fund that accounts for grant revenue received from the CARES Act and tracks related expenditures.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Major Governmental Funds (Continued)

- *ARPA Fund*

The ARPA Fund is a special revenue fund that accounts for grant revenue received from the American Rescue Plan Act of 2021 and tracks related expenditures.

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.

Major Fiduciary Funds

- *Custodial Funds*

Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.

- *Smithville Commons Community Improvement District (CID) Fund*

The Smithville Commons CID was created by ordinance of the City but is a separate political subdivision with the power to govern itself and impose and collect special assessments, additional property and sales taxes. The City is the fiscal agent for the CID, holds the funds of the CID in a custodial capacity and is considered a fiduciary component unit of the City.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, 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 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.

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.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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
Vehicles	5

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.

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.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Balances (Continued)

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, 2021

NOTE 3 DEPOSITS AND INVESTMENTS

A summary of the carrying values of deposits, investments, and petty cash at October 31, 2021 is as follows:

Cash on Hand	\$ 700
Demand Deposits	10,609,917
Certificates of Deposit	<u>2,000,033</u>
Total Cash Deposits	12,610,650
Short-Term Investments Held in Trust	<u>55,723</u>
Total Cash Deposits and Investments	<u><u>\$ 12,666,373</u></u>

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

Cash and Cash Equivalents	\$ 7,386,196
Restricted Cash and Cash Investments	4,983,081
Cash and Cash Equivalents - Held in Custodial Funds	<u>297,096</u>
Total	<u><u>\$ 12,666,373</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, 2021, the carrying amount of the City's demand deposits and certificates of deposit in financial institutions was \$12,609,950. The bank balances totaled \$13,002,557 of which \$251,817 was FDIC insured and \$12,750,740 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.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2021, 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 GASB Statement No. 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.

GASB Statement No. 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. GASB Statement No. 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.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements (Continued)

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.

The carrying amounts, maturity segment, ratings and fair value levels for the City's investments at October 31, 2021, 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>\$ 55,723</u>	AAAm	Level 1

NOTE 4 RESTRICTED CASH

Restricted cash at October 31, 2021 consisted of the following:

	<u>Transportation Sales Tax</u>	<u>Capital Improvements</u>	<u>ARPA Fund</u>	<u>Other Governmental Funds</u>	<u>Combined Water & Wastewater</u>	<u>Total</u>
Debt Service	\$ -	\$ -	\$ -	\$ 243,597	\$ 55,723	\$ 299,320
Capital Projects	-	20,976	-	254,029	2,032,842	2,307,847
Transportation	462,260	-	-	-	-	462,260
Pandemic	-	-	1,089,550	-	-	1,089,550
Other Purposes	-	-	-	824,104	-	824,104
Total	<u>\$ 462,260</u>	<u>\$ 20,976</u>	<u>\$ 1,089,550</u>	<u>\$ 1,321,730</u>	<u>\$ 2,088,565</u>	<u>\$ 4,983,081</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, 2021, 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, 2021

NOTE 5 CAPITAL ASSETS

The changes in capital asset activity, resulting from modified cash basis transactions, for the year ended October 31, 2021 are as follows:

	Balance November 1, 2020	Additions	Disposals	Transfers	Balance October 31, 2021
Governmental Activities					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,178,387	\$ -	\$ -	\$ -	\$ 1,178,387
Construction in Progress	473,870	2,470,970	-	(2,051,772)	893,068
Total Capital Assets, Not Being Depreciated	1,652,257	2,470,970	-	(2,051,772)	2,071,455
Capital Assets, Being Depreciated:					
Buildings and Improvements	3,083,367	45,493	-	467,097	3,595,957
Machinery and Equipment	1,533,332	248,119	-	-	1,781,451
Vehicles	875,391	7,374	123,668	-	759,097
Infrastructure	9,072,879	731,264	-	1,584,675	11,388,818
Total Capital Assets, Being Depreciated	14,564,969	1,032,250	123,668	2,051,772	17,525,323
Total Capital Assets	16,217,226	3,503,220	123,668	-	19,596,778
Less: Accumulated Depreciation	4,058,754	480,855	123,425	-	4,416,184
Governmental Activities Capital Assets, Net	<u>\$ 12,158,472</u>	<u>\$ 3,022,365</u>	<u>\$ 243</u>	<u>\$ -</u>	<u>\$ 15,180,594</u>
Business-Type Activities					
Capital Assets, Not Being Depreciated:					
Land and Easements	\$ 220,930	\$ -	\$ -	\$ -	\$ 220,930
Construction in Progress	1,484,850	551,696	-	(1,790,546)	246,000
Total Capital Assets, Not Being Depreciated	1,705,780	551,696	-	(1,790,546)	466,930
Capital Assets, Being Depreciated:					
Water Towers	2,698,077	-	-	-	2,698,077
Water and Sewer Lines	14,609,490	330,176	-	1,790,546	16,730,212
Machinery and Equipment	1,130,066	88,644	-	-	1,218,710
Vehicles	702,984	-	88,479	-	614,505
Plant	9,710,254	6,032	-	-	9,716,286
Total Capital Assets, Being Depreciated	28,850,871	424,852	88,479	1,790,546	30,977,790
Total Capital Assets	30,556,651	976,548	88,479	-	31,444,720
Less: Accumulated Depreciation	7,345,592	695,697	86,729	-	7,954,560
Business-Type Activities Capital Assets, Net	<u>\$ 23,211,059</u>	<u>\$ 280,851</u>	<u>\$ 1,750</u>	<u>\$ -</u>	<u>\$ 23,490,160</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 5 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

General Government	\$ 36,750
Police	52,595
Public Works	300,593
Parks and Recreation	81,544
Community and Economic Development	9,373
Total Depreciation Expense -	
Governmental Activities	<u>\$ 480,855</u>

Business-Type Activities

Water and Wastewater	<u>\$ 695,697</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.

	2021
	Valuation
Benefit Multiplier	<u>1.50%</u>
Final Average Salary	3 Years
Member Contributions	4%

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

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, 2021, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	11
Inactive Employees Entitled to but not yet	
Receiving Benefits	27
Active Employees	<u>52</u>
Total	<u><u>90</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 employer do not contribute to the pension plan. Employer contribution rates were 9.2% of annual covered payroll for the general division, and 9.1% of annual covered payroll for the police division, for the year ended October 31, 2021. For the year ended October 31, 2021, the City made contributions to the plan totaling \$286,975, 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, 2021**

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, 2021:

<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, 2021, the City had capital assets related to this lease with a cost of \$235,232, and those assets had related accumulated depreciation of \$82,331.	\$ 105,074
\$2,000,000 2018 General Operating Bond. Annual principal payments of \$45,000 to \$195,000 through 2038; interest at 3.6% with a premium of \$75,886 issued with the debt.	1,998,040
\$3,625,000 2019 General Operating Bond. Annual principal payments of \$100,000 to \$500,000 through 2038; interest from 3.5% to 5.0% with a premium of \$289,184 issued with the debt.	<u>3,725,223</u>
Total Governmental Activities	<u><u>\$ 5,828,337</u></u>
Business-Type Activities	
\$530,000 Series 2012, Certificate of Participation, for the purpose of water pollution control improvements. Annual installment of \$55,000 through 2022; interest at 2.63%.	\$ 55,000
\$8,635,000 Series 2018, Certificate of Participation, for the purpose of water pollution control improvements. Annual installments of \$335,000 to \$600,000 through 2038; interest at 4.2% to 4.6% with a premium of \$213,370 issued with the debt.	<u>8,079,838</u>
Total Business-Type Activities	<u><u>\$ 8,134,838</u></u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

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, 2021 were as follows:

	Balance November 1, 2020	Additions	Retired	Balance October 31, 2021	Current Portion	Long-Term Portion
Governmental Activities:						
Capital Lease - Street Sweeper	\$ 137,081	\$ -	\$ 32,007	\$ 105,074	\$ 33,471	\$ 71,603
2018 General Obligation Bonds	1,965,000	-	40,000	1,925,000	45,000	1,880,000
2018 General Obligation Bonds Premium	74,558	-	1,518	73,040	1,707	71,333
2019 General Obligation Bonds	3,540,000	-	90,000	3,450,000	100,000	3,350,000
2019 General Obligation Bonds Premium	282,403	-	7,180	275,223	7,977	267,246
Total	<u>\$ 5,999,042</u>	<u>\$ -</u>	<u>\$ 170,705</u>	<u>\$ 5,828,337</u>	<u>\$ 188,155</u>	<u>\$ 5,640,182</u>
Business-Type Activities:						
2012 Certificates of Participation	\$ 115,000	\$ -	\$ 60,000	\$ 55,000	\$ 55,000	\$ -
2018 Certificates of Participation	8,150,000	-	265,000	7,885,000	335,000	7,550,000
2018 Certificates of Participation Premium	201,386	-	6,548	194,838	8,278	186,560
Total	<u>\$ 8,466,386</u>	<u>\$ -</u>	<u>\$ 331,548</u>	<u>\$ 8,134,838</u>	<u>\$ 398,278</u>	<u>\$ 7,736,560</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 7 LONG-TERM INDEBTEDNESS (CONTINUED)

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

Year Ending 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
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	-	-	-	60,000	63,325	123,325	120,000	110,525	230,525	180,000	173,850	353,850
2026	-	-	-	65,000	61,294	126,294	130,000	104,275	234,275	195,000	165,569	360,569
2027-2031	-	-	-	475,000	266,625	741,625	890,000	430,075	1,320,075	1,365,000	696,700	2,061,700
2032-2036	-	-	-	795,000	149,788	944,788	1,355,000	234,588	1,589,588	2,150,000	384,376	2,534,376
2037-2038	-	-	-	380,000	15,169	395,169	635,000	22,488	657,488	1,015,000	37,657	1,052,657
Total	<u>\$ 105,074</u>	<u>\$ 9,754</u>	<u>\$ 114,828</u>	<u>\$ 1,925,000</u>	<u>\$ 754,461</u>	<u>\$ 2,679,461</u>	<u>\$ 3,450,000</u>	<u>\$ 1,267,276</u>	<u>\$ 4,717,276</u>	<u>\$ 5,480,074</u>	<u>\$ 2,031,491</u>	<u>\$ 7,511,565</u>

Year Ending 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
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	-	-	-	385,000	231,600	616,600	385,000	231,600	616,600
2026	-	-	-	410,000	212,350	622,350	410,000	212,350	622,350
2027-2031	-	-	-	2,235,000	869,625	3,104,625	2,235,000	869,625	3,104,625
2032-2036	-	-	-	2,620,000	487,019	3,107,019	2,620,000	487,019	3,107,019
2037-2038	-	-	-	1,180,000	63,800	1,243,800	1,180,000	63,800	1,243,800
Total	<u>\$ 55,000</u>	<u>\$ 723</u>	<u>\$ 55,723</u>	<u>\$ 7,885,000</u>	<u>\$ 2,666,194</u>	<u>\$ 10,551,194</u>	<u>\$ 7,940,000</u>	<u>\$ 2,666,917</u>	<u>\$ 10,606,917</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 8 TAXES

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

The assessed valuation of the tangible property for the purpose of local taxation for the budget year ending October 31, 2021 was \$162,950,432.

The tax levy per \$100 of assessed valuation of tangible real and personal property for the budget year ending October 31, 2021 was \$0.4484 for general fund purposes.

Sales tax revenue consists of a 1% 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 1% levy for the purpose of street maintenance, a one-half of 1% levy for the purpose of capital improvement, and a one-half of 1% levy for the purpose of parks and recreation needs and stormwater control. In addition, a general purpose use tax of 2% 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. Taxes abated related to the projects totaled \$677,917 during the year ending October 31, 2021.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 9 INTERGOVERNMENTAL REVENUE

Intergovernmental revenue during fiscal year ended October 31, 2021 consisted of the following:

	General Fund	Capital Improvement Fund	ARPA Fund	Total
State:				
Motor Vehicle Fuel Tax	\$ 223,564	\$ -	\$ -	\$ 223,564
County:				
Road and Bridge Tax	63,964	-	-	63,964
School District:				
School Resource Officer	31,024	-	-	31,024
Federal:				
Public Safety Grants	11,420	-	-	11,420
Walking Trails Grant	-	290,439	-	290,439
Pandemic Grants	-	-	1,089,138	1,089,138
Total	<u>\$ 329,972</u>	<u>\$ 290,439</u>	<u>\$ 1,089,138</u>	<u>\$ 1,709,549</u>

NOTE 10 TRANSFERS

During normal operations, the City has numerous transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended. These transfers are generally recorded as transfers and are reported as other financing sources or uses.

Transfers are used to: (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, or (2) to fund debt service requirements as debt service payments become due. In addition, a franchise fee equal to five percent (5%) of gross revenues is charged against the City's water utility service. This fee is treated as a transfer from the water and wastewater fund to the general fund.

Any transfers within the governmental funds or within the proprietary funds have been eliminated in the government-wide statement of activities.

	Transfer Out:				
	CARES Act Stimulus Fund	Special Allocation Fund	Capital Improvement Sales Tax	Water and Wastewater Fund	Total
Transfer In:					
General Fund	\$ 239,288	\$ 2,295	\$ -	\$ 236,256	\$ 477,839
Debt Service Fund	-	-	342,190	-	342,190
Total Revenues	<u>\$ 239,288</u>	<u>\$ 2,295</u>	<u>\$ 342,190</u>	<u>\$ 236,256</u>	<u>\$ 820,029</u>

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 11 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.

NOTE 12 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, 2021 was \$36,853.

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, 2021 was \$14,337.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 12 COMMITMENTS (CONTINUED)

Future minimum payments under the agreements are as follows:

<u>Year Ending October 31,</u>	<u>Smith's Fork Park Rent</u>	<u>Water Supply Agreement</u>
2022	\$ 38,701	\$ 12,684
2023	40,636	-
2024	53,335	-
2025	56,002	-
2026	58,802	-
2027-2031	341,164	-
2032-2036	435,421	-
2037-2041	554,538	-
2042-2046	709,055	-
2047-2048	335,831	-
Total	<u>\$ 2,623,485</u>	<u>\$ 12,684</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, 2021, no reimbursements have been made.

Operating Leases

The City 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, 2021 was \$6,959. Annual payments under the lease are due each September 30th as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2022	\$ 6,959
2023	6,959
Total	<u>\$ 13,918</u>

CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021

NOTE 12 COMMITMENTS (CONTINUED)

The City entered into an operating lease with Enterprise Fleet Management for the use of vehicles. The master lease agreement was entered into on September 1, 2020. Each vehicle is a schedule on the lease and has its own terms based on when that vehicle is needed to replace a sold vehicle. The schedules in place at October 31, 2021 continue until various dates through March 31, 2024. Lease expense for the year ended October 31, 2021 was \$66,296. Payments under the lease are due monthly with the annual total payments as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2022	\$ 81,805
2023	71,675
2024	26,857
Total	<u>\$ 180,337</u>

Construction Projects

In connection with the Streetscape Phase II project, the City has commitments approximating \$507,000 at October 31, 2021.

In connection with the raw water pump station project, the City has commitments approximating \$2,913,000 at October 31, 2021.

NOTE 13 RENTAL INCOME

The City leases space on its water towers for cell phone companies to place antennas. The total rents received from tenants were \$42,329 for the year ended October 31, 2021. Future rents to be received under current leases are as follows:

<u>Year Ending October 31,</u>	<u>Amount</u>
2022	<u>\$ 5,315</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.

NOTE 14 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 \$10,606,917. Payments of principal and interest for the current year was \$624,107 on the certificates of participation. Total proprietary fund net revenues for the current year were \$2,653,929.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021**

NOTE 15 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, 2021

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 3,586,570	\$ 3,586,570	\$ 3,566,417	\$ (20,153)
Licenses, Fees, and Permits	325,080	325,080	477,942	152,862
Intergovernmental Revenues	49,280	49,280	329,972	280,692
Charges for Services	244,810	244,810	344,104	99,294
Fines and Forfeits	168,980	168,980	138,949	(30,031)
Interest	45,000	45,000	49,909	4,909
Other Revenue	5,150	5,150	93,229	88,079
Total Revenues	<u>4,424,870</u>	<u>4,424,870</u>	<u>5,000,522</u>	<u>575,652</u>
EXPENDITURES				
General Government	1,044,940	1,064,940	1,025,284	(39,656)
Police	1,889,940	1,964,940	1,788,512	(176,428)
Public Works	874,010	874,010	768,591	(105,419)
Parks and Recreation	609,380	609,380	631,595	22,215
Community and Economic Development	424,650	431,650	427,913	(3,737)
Senior Center	21,620	21,620	19,121	(2,499)
Capital Outlay	837,000	1,124,000	635,440	(488,560)
Total Expenditures	<u>5,701,540</u>	<u>6,090,540</u>	<u>5,296,456</u>	<u>(794,084)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,276,670)	(1,665,670)	(295,934)	1,369,736
OTHER FINANCING SOURCES				
Sale of Capital Assets	125,000	125,000	21,930	(103,070)
Transfers In	209,170	449,170	477,839	28,669
Total Other Financing Sources	<u>334,170</u>	<u>574,170</u>	<u>499,769</u>	<u>(74,401)</u>
NET CHANGE IN FUND BALANCE	(942,500)	(1,091,500)	203,835	1,295,335
Fund Balance - Beginning of Year	<u>3,558,070</u>	<u>3,558,070</u>	<u>3,558,070</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,615,570</u>	<u>\$ 2,466,570</u>	<u>\$ 3,761,905</u>	<u>\$ 1,295,335</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, 2021

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Taxes	\$ 530,750	\$ 530,750	\$ 587,177	\$ 56,427
Total Revenues	530,750	530,750	587,177	56,427
EXPENDITURES				
Public Works	231,860	331,860	140,665	(191,195)
Capital Outlay	455,960	773,960	708,582	(65,378)
Debt Service	-	-	38,276	38,276
Total Expenditures	687,820	1,105,820	887,523	(218,297)
NET CHANGE IN FUND BALANCE	(157,070)	(575,070)	(300,346)	274,724
Fund Balance - Beginning of Year	762,606	762,606	762,606	-
FUND BALANCE - END OF YEAR	\$ 605,536	\$ 187,536	\$ 462,260	\$ 274,724

See accompanying Notes to Other Information.

CITY OF SMITHVILLE, MISSOURI
BUDGETARY COMPARISON SCHEDULE — MODIFIED CASH BASIS
CARES ACT STIMULUS FUND
YEAR ENDED OCTOBER 31, 2021

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
EXPENDITURES				
Public Safety	\$ -	\$ 586,000	\$ 266,503	\$ (319,497)
Capital Outlay	-	4,000	82,468	78,468
Total Expenditures	-	590,000	348,971	(241,029)
OTHER FINANCING USES				
Transfers Out	-	-	(239,288)	(239,288)
NET CHANGE IN FUND BALANCE	-	(590,000)	(588,259)	1,741
Fund Balance - Beginning of Year	588,259	588,259	588,259	-
FUND BALANCE - END OF YEAR	<u>\$ 588,259</u>	<u>\$ (1,741)</u>	<u>\$ -</u>	<u>\$ 1,741</u>

See accompanying Notes to Other Information.

CITY OF SMITHVILLE, MISSOURI
BUDGETARY COMPARISON SCHEDULE — MODIFIED CASH BASIS
ARPA FUND
YEAR ENDED OCTOBER 31, 2021

	Original Budget	Final Budget	Actual	Variances with Budget Over (Under)
REVENUES				
Intergovernmental Revenues	\$ -	\$ 1,089,138	\$ 1,089,138	\$ -
Interest	-	-	412	412
Total Revenues	-	1,089,138	1,089,550	412
NET CHANGE IN FUND BALANCE	-	1,089,138	1,089,550	412
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 1,089,138	\$ 1,089,550	\$ 412

See accompanying Notes to Other Information.

**CITY OF SMITHVILLE, MISSOURI
NOTES TO OTHER INFORMATION
YEAR ENDED OCTOBER 31, 2021**

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, 2021**

Fiscal Year Ending October 31,	Actuarially Determined Contribution	Contributions in Relation to Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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
2020	292,948	292,948	-	3,021,638	9.7
2021	286,975	286,975	-	3,129,279	9.2

SUPPLEMENTARY INFORMATION

CITY OF SMITHVILLE, MISSOURI
COMBINING BALANCE SHEET — MODIFIED CASH BASIS — GENERAL FUND
OCTOBER 31, 2021

	<u>General</u>	<u>Vehicle & Equipment Replacement</u>	<u>Total General Fund</u>
ASSETS			
Cash	\$ 3,751,229	\$ 25,676	\$ 3,776,905
Total Assets	<u>\$ 3,751,229</u>	<u>\$ 25,676</u>	<u>\$ 3,776,905</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Developer Escrow	\$ 15,000	\$ -	\$ 15,000
Total Liabilities	15,000	-	15,000
FUND BALANCES			
Committed:			
Vehicle and Equipment Replacement	-	25,676	25,676
Unassigned	3,736,229	-	3,736,229
Total Fund Balances	<u>3,736,229</u>	<u>25,676</u>	<u>3,761,905</u>
Total Liabilities and Fund Balances	<u>\$ 3,751,229</u>	<u>\$ 25,676</u>	<u>\$ 3,776,905</u>

CITY OF SMITHVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES — MODIFIED CASH BASIS — GENERAL FUND
YEAR ENDED OCTOBER 31, 2021

	General	Vehicle & Equipment Replacement	Eliminations	Total General Fund
REVENUES				
Property Taxes	\$ 934,865	\$ -	\$ -	\$ 934,865
Sales and Use Taxes	1,933,488	-	-	1,933,488
Franchise Taxes	698,064	-	-	698,064
Licenses, Fees, and Permits	477,942	-	-	477,942
Intergovernmental Revenues	329,972	-	-	329,972
Charges for Services	344,104	-	-	344,104
Fines and Forfeits	138,949	-	-	138,949
Interest	49,909	-	-	49,909
Other Revenue	90,263	2,966	-	93,229
Total Revenues	<u>4,997,556</u>	<u>2,966</u>	<u>-</u>	<u>5,000,522</u>
EXPENDITURES				
Current:				
General Government	958,988	66,296	-	1,025,284
Police	1,788,512	-	-	1,788,512
Public Works	768,591	-	-	768,591
Parks and Recreation	631,595	-	-	631,595
Community and Economic Development	427,913	-	-	427,913
Senior Center	19,121	-	-	19,121
Capital Outlay	635,440	-	-	635,440
Total Expenditures	<u>5,230,160</u>	<u>66,296</u>	<u>-</u>	<u>5,296,456</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(232,604)	(63,330)	-	(295,934)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	21,930	-	21,930
Transfers In	450,763	67,076	(40,000)	477,839
Transfers Out	(40,000)	-	40,000	-
Total Other Financing Sources (Uses)	<u>410,763</u>	<u>89,006</u>	<u>-</u>	<u>499,769</u>
NET CHANGE IN FUND BALANCES	178,159	25,676	-	203,835
Fund Balances - Beginning of Year	<u>3,558,070</u>	<u>-</u>	<u>-</u>	<u>3,558,070</u>
FUND BALANCES - END OF YEAR	<u>\$ 3,736,229</u>	<u>\$ 25,676</u>	<u>\$ -</u>	<u>\$ 3,761,905</u>

CITY OF SMITHVILLE, MISSOURI
COMBINING BALANCE SHEET — MODIFIED CASH BASIS — NONMAJOR GOVERNMENTAL FUNDS
OCTOBER 31, 2021

	Special Revenue									Total Nonmajor Governmental Funds
	Police Training	DWI Recovery	Technology Upgrade	Judicial Education	Appointed Council	Special Allocation	Capital Improvement Sales Tax	Parks & Stormwater Sales Tax	Debt Service	
ASSETS										
Cash	\$ 12,854	\$ 10,561	\$ 2,707	\$ 3,446	\$ 2,795	\$ -	\$ -	\$ -	\$ -	\$ 32,363
Restricted Cash	-	-	-	-	-	386,786	254,029	437,318	243,597	1,321,730
Total Assets	<u>\$ 12,854</u>	<u>\$ 10,561</u>	<u>\$ 2,707</u>	<u>\$ 3,446</u>	<u>\$ 2,795</u>	<u>\$ 386,786</u>	<u>\$ 254,029</u>	<u>\$ 437,318</u>	<u>\$ 243,597</u>	<u>\$ 1,354,093</u>
FUND BALANCES										
Restricted	\$ 12,854	\$ 10,561	\$ -	\$ 3,446	\$ 2,795	\$ 386,786	\$ 254,029	\$ 437,318	\$ 243,597	\$ 1,351,386
Committed	-	-	2,707	-	-	-	-	-	-	2,707
Total Fund Balances	<u>\$ 12,854</u>	<u>\$ 10,561</u>	<u>\$ 2,707</u>	<u>\$ 3,446</u>	<u>\$ 2,795</u>	<u>\$ 386,786</u>	<u>\$ 254,029</u>	<u>\$ 437,318</u>	<u>\$ 243,597</u>	<u>\$ 1,354,093</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, 2021

	Special Revenue									
	Police Training	DWI Recovery	Technology Upgrade	Judicial Education	Appointed Council	Special Allocation	Capital Improvement Sales Tax	Parks & Stormwater Sales Tax	Debt Service	Total Nonmajor Governmental Funds
REVENUES										
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,537	\$ -	\$ -	\$ -	\$ 19,537
Sales and Use Taxes	-	-	-	-	-	361,284	659,009	614,190	-	1,634,483
Licenses, Fees, and Permits	2,544	910	-	-	-	-	-	-	-	3,454
Total Revenues	2,544	910	-	-	-	380,821	659,009	614,190	-	1,657,474
EXPENDITURES										
Current:										
Police	520	777	2,100	-	-	-	-	-	-	3,397
Parks and Recreation	-	-	-	-	-	-	-	38,367	-	38,367
Capital Outlay	-	-	-	-	-	-	410,060	138,505	-	548,565
Debt Service:										
Principal	-	-	-	-	-	-	-	-	130,000	130,000
Interest	-	-	-	-	-	-	-	-	199,855	199,855
Total Expenditures	520	777	2,100	-	-	-	410,060	176,872	329,855	920,184
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,024	133	(2,100)	-	-	380,821	248,949	437,318	(329,855)	737,290
OTHER FINANCING SOURCES (USES)										
Transfers In	-	-	-	-	-	-	-	-	342,190	342,190
Transfers Out	-	-	-	-	-	(2,295)	(342,190)	-	-	(344,485)
Total Other Financing Sources (Uses)	-	-	-	-	-	(2,295)	(342,190)	-	342,190	(2,295)
NET CHANGE IN FUND BALANCES	2,024	133	(2,100)	-	-	378,526	(93,241)	437,318	12,335	734,995
Fund Balances - Beginning of Year	10,830	10,428	4,807	3,446	2,795	8,260	347,270	-	231,262	619,098
FUND BALANCES - END OF YEAR	\$ 12,854	\$ 10,561	\$ 2,707	\$ 3,446	\$ 2,795	\$ 386,786	\$ 254,029	\$ 437,318	\$ 243,597	\$ 1,354,093

