

CITY OF CENTRALIA, MISSOURI

SUMMARY AUDIT REPORT

MARCH 31, 2019

November 15, 2019

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

We appreciate the opportunity to assist the Honorable Mayor and the Board of Aldermen of the City of Centralia (the City) in its governance and oversight function by providing annual audit services. Our audit reports for the year ended March 31, 2019, have been provided to management and include the following:

Financial Statements

This document contains the City's financial statements for the fiscal year ended March 31, 2019, along with our report on those statements. Highlights are as follows:

- We issued an "unmodified" or "clean" opinion on the financial statements. In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles (GAAP).
- Management is responsible for the preparation and fair presentation of the financial statements, including the design and implementation of internal control. We prepared the financial statements, which were reviewed and approved by management.
- We used our judgment in determining how to audit the City. That judgment was based on our risk assessment performed on the City's balances, transactions, processes, and controls. We focused our attention on areas where the financial statements might potentially be misstated.
- We evaluated the appropriateness of accounting policies, the reasonableness of significant accounting estimates, and the overall financial statement presentation.
- The financial statements include 2 different sets of financial statements:
 - Government-wide financial statements, which are full accrual and include all funds as well as capital assets and long-term debt and other liabilities, and
 - Fund financial statements, which are separated into governmental funds (revenue from taxes and other general sources and use modified accrual) and proprietary funds (revenue from user charges and full accrual).

- The following summarizes the highlights from the financial statements as of and for the years ended March 31, 2019 and 2018.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Current and other assets	\$ 3,540,718	\$ 3,562,556	\$ 3,520,694	\$ 3,555,861	\$ 7,061,412	\$ 7,118,417
Capital assets	9,206,126	9,644,347	5,143,441	6,175,994	14,349,567	15,820,341
Total assets	12,746,844	13,206,903	8,664,135	9,731,855	21,410,979	22,938,758
Deferred outflows of resources	218,298	120,052	64,189	35,326	282,487	155,378
Current liabilities	125,909	197,727	288,976	322,117	414,885	519,844
Long-term liabilities	2,239,540	2,704,272	946,642	1,580,516	3,186,182	4,284,788
Total liabilities	2,365,449	2,901,999	1,235,618	1,902,633	3,601,067	4,804,632
Deferred inflows of resources	86,991	160,044	25,572	47,034	112,563	207,078
Net position						
Net investment in capital assets	7,031,173	7,007,394	4,319,222	4,714,776	11,350,395	11,722,170
Restricted	2,318,329	2,348,360	218,171	217,100	2,536,500	2,565,460
Unrestricted	1,163,200	909,158	2,929,741	2,885,638	4,092,941	3,794,796
Total net position	\$ 10,512,702	\$ 10,264,912	\$ 7,467,134	\$ 7,817,514	\$ 17,979,836	\$ 18,082,426

- Current and other assets were stable.
- Capital assets increased by approximately \$1.5M, due to additions totaling approximately \$2.4M, offset by depreciation expense totaling approximately \$944K.
- Deferred outflows of resources are related to the City's participation in LAGERS and will be recognized as pension expense in the future. The decrease of approximately \$127K is related to differences between expected and actual experience, changes in assumptions, and contributions made subsequent to the measurement date.
- Total liabilities increased by approximately \$1.2M, due to new bonds and leases payable.
- Deferred inflows of resources are also related to the City's participation in LAGERS and will reduce pension expense in the future. The increase of approximately \$95K is related to differences between expected and actual experience and differences between projected and actual earnings on investments.

	Governmental Activities		Business-type Activities		Total	
	2018	2019	2018	2019	2018	2019
Revenues:						
Program revenues:						
Charges for services	\$ 838,392	\$ 860,585	\$ 4,918,436	\$ 5,132,909	\$ 5,756,828	\$ 5,993,494
Capital grants	79,726	80,837	-	49,909	79,726	130,746
Operating grants	169,322	8,775	2,861	8,374	172,183	17,149
General revenues:						
Property taxes	558,086	557,545	-	-	558,086	557,545
Sales taxes	889,892	858,086	-	-	889,892	858,086
Gross receipts	495,131	446,364	-	-	495,131	446,364
Surcharge	130,066	121,415	-	-	130,066	121,415
Gas and motor fuel tax	109,141	104,615	-	-	109,141	104,615
Miscellaneous	144,178	52,476	16,949	75,241	161,127	127,717
County payments	64,408	66,121	-	-	64,408	66,121
Contributed capital	350,337	345,956	-	-	350,337	345,956
Gain on sale of capital assets	-	-	-	-	-	-
Interest income	27,863	47,096	23,910	41,549	51,773	88,645
Net transfers in (out)	139,575	230,877	(139,575)	(230,877)	-	-
Total revenues	3,996,117	3,780,748	4,822,581	5,077,105	8,818,698	8,857,853
Expenses:						
General government	508,206	880,704	-	-	508,206	880,704
Public safety	1,153,378	1,104,758	-	-	1,153,378	1,104,758
Public works	602,156	973,203	-	-	602,156	973,203
Community planning and economic development	42,102	22,887	-	-	42,102	22,887
Culture and recreation	750,296	908,085	-	-	750,296	908,085
Cemetery	43,984	36,736	-	-	43,984	36,736
Interest expense	84,603	102,165	-	-	84,603	102,165
Electric	-	-	3,068,142	3,177,588	3,068,142	3,177,588
Water	-	-	652,008	590,868	652,008	590,868
Wastewater	-	-	342,011	438,085	342,011	438,085
Sanitation	-	-	516,513	422,629	516,513	422,629
Total expenses	3,184,725	4,028,538	4,578,674	4,629,170	7,763,399	8,657,708
Increase in net position	811,392	(247,790)	243,907	447,935	1,055,299	200,145
Net position, beginning	9,701,310	10,512,702	7,223,227	7,369,579	16,924,537	17,882,281
Net position, ending	\$ 10,512,702	\$ 10,264,912	\$ 7,467,134	\$ 7,817,514	\$ 17,979,836	\$ 18,082,426

- Total revenues were stable.
- Total expenses increased by approximately \$894K, due to increases in general government, public works, and culture and recreation spending.

Auditors' Communications Letter

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

- We noted no transactions that we considered both unusual and significant, and there was no change in accounting policies during the year.
- We evaluated the estimates affecting the financial statements and found them reasonable in relation to the financial statements as a whole.
- We evaluated the disclosures in the financial statements and found them to be neutral, consistent and clear. All required disclosures are included.

- We encountered no significant difficulties in dealing with management in performing our audit. However, the completion of our audit was delayed due to several factors, including delays in commencing audit fieldwork, delays in providing adjusting entries to convert the City's books from its cash basis of accounting to the modified accrual basis for governmental funds and the accrual basis for proprietary funds (and to convert the fund financial statements to the full accrual basis for the GASB 34 government-wide presentation), and delays in providing schedules and supporting documentation.
- We had no disagreements with management on accounting or auditing issues.

Management Letter

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

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

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

Sincerely,

William Keepers LLC

WILLIAMS-KEEPERS LLC