

REPORT OF
CITY OF CENTRALIA
MARCH 31, 2019

TABLE OF CONTENTS

	PAGE
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
Basic Financial Statements:	
Government-Wide:	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets, Liabilities and Fund Balances	5
Reconciliation of the Governmental Funds Statement of Assets, Liabilities and Fund Balances to the Statement of Net Position	6
Statement of Revenues, Expenditures and Changes in Fund Balances	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	8
Proprietary Funds:	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Fund Net Position	10
Statement of Cash Flows	11
Fiduciary Funds:	
Statement of Fiduciary Net Position	12
Notes to Basic Financial Statements	13 - 37
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule – General Fund	38
Budgetary Comparison Schedule – Parks and Rec Center Fund	39
LAGERS (Pension Plan) Schedule of Changes in Net Pension Liability and Related Ratios	40
LAGERS (Pension Plan) Schedule of Contributions – Last Ten Fiscal Years	41
SUPPLEMENTARY INFORMATION:	
Non-Major Governmental Funds:	
Combining Statement of Assets, Liabilities and Fund Balances	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Centralia, Missouri (the City), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Centralia, Missouri 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.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

U.S. generally accepted accounting principles require that the budgetary comparison schedules and the pension plan schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

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 financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

William K. Kerpel, LLC

November 15, 2019

CITY OF CENTRALIA
STATEMENT OF NET POSITION
March 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,968,825	\$ 2,441,554	\$ 4,410,379
Accounts and grants receivable, net of allowance for doubtful accounts of \$3,171	4,292	440,632	444,924
Inventories	-	401,757	401,757
Taxes receivable, net of allowance for doubtful accounts of \$2,761	185,117	-	185,117
Internal balances	7,350	(7,350)	-
Other assets	13,262	-	13,262
Restricted assets:			
Cash and cash equivalents	417,287	52,386	469,673
Investments	227,635	9,782	237,417
Capital assets:			
Non-depreciable	220,084	1,179,374	1,399,458
Depreciable, net	9,424,263	4,996,620	14,420,883
Net pension plan asset	738,788	217,100	955,888
Total assets	13,206,903	9,731,855	22,938,758
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan - contributions	41,353	12,153	53,506
Pension plan - other	78,699	23,173	101,872
Total deferred outflows of resources	120,052	35,326	155,378
LIABILITIES			
Accounts payable	134,334	210,857	345,191
Sales tax payable	-	50,061	50,061
Customer security deposits	-	52,386	52,386
Accrued interest payable	3,371	8,813	12,184
Unearned revenue	60,022	-	60,022
Long-term liabilities:			
Due within one year			
Accrued employee benefits	32,963	13,663	46,626
Leases payable	129,000	120,000	249,000
Due in more than one year			
Accrued employee benefits	34,309	14,221	48,530
Accrued landfill closure costs	-	81,632	81,632
Bonds payable	-	755,000	755,000
Leases payable	2,508,000	596,000	3,104,000
Total liabilities	2,901,999	1,902,633	4,804,632
DEFERRED INFLOWS OF RESOURCES			
Pension plan - other	160,044	47,034	207,078
Total deferred inflows of resources	160,044	47,034	207,078
NET POSITION			
Net investment in capital assets	7,007,394	4,714,776	11,722,170
Restricted for:			
Expendable:			
Debt service	211,238	-	211,238
Culture and recreation	208,998	-	208,998
Perpetual care	516,364	-	516,364
Capital projects	442,752	-	442,752
Pension plan	738,788	217,100	955,888
Nonexpendable:			
Perpetual care	230,220	-	230,220
Unrestricted	909,158	2,885,638	3,794,796
Total net position	\$ 10,264,912	\$ 7,817,514	\$ 18,082,426

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF ACTIVITIES
Year Ended March 31, 2019

Program/function	Expenses	Program revenues			Net revenue (expense) and changes in net position		Total
		Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities	Business-type activities	
Governmental activities:							
General government	\$ 880,704	\$ 204,416	\$ 2,835	\$ 600	\$ (672,853)	\$ -	\$ (672,853)
Public safety	1,104,758	13,160	-	-	(1,091,598)	-	(1,091,598)
Public works	973,203	222,544	77,979	-	(672,680)	-	(672,680)
Community planning and economic development	22,887	-	-	-	(22,887)	-	(22,887)
Culture and recreation	908,085	405,515	23	2,500	(500,047)	-	(500,047)
Cemetery	36,736	14,950	-	5,675	(16,111)	-	(16,111)
Interest expense	102,165	-	-	-	(102,165)	-	(102,165)
Total governmental activities	4,028,538	860,585	80,837	8,775	(3,078,341)	-	(3,078,341)
Business-type activities:							
Electric	3,177,588	3,653,855	-	3,374	-	479,641	479,641
Water	590,868	698,437	-	-	-	107,569	107,569
Wastewater	438,085	326,900	49,909	-	-	(61,276)	(61,276)
Sanitation	422,629	453,717	-	5,000	-	36,088	36,088
Total business-type activities	4,629,170	5,132,909	49,909	8,374	-	562,022	562,022
Total	\$ 8,657,708	\$ 5,993,494	\$ 130,746	\$ 17,149	\$ (3,078,341)	\$ 562,022	\$ (2,516,319)
General revenue:							
Taxes							
Property taxes					557,545	-	557,545
Sales taxes					858,086	-	858,086
Gross receipts					446,364	-	446,364
Surcharge					121,415	-	121,415
Gas and motor fuel tax					104,615	-	104,615
Miscellaneous					52,476	75,241	127,717
County payments					66,121	-	66,121
Contributed capital					345,956	-	345,956
Interest income					47,096	41,549	88,645
Net transfers in (out) from other funds					230,877	(230,877)	-
Total general revenues					2,830,551	(114,087)	2,716,464
Changes in net position					(247,790)	447,935	200,145
Net position, April 1, as restated					10,512,702	7,369,579	17,882,281
Net position, March 31					\$ 10,264,912	\$ 7,817,514	\$ 18,082,426

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
March 31, 2019

	Major Funds		Non-Major	Totals
	General Fund	Parks and Rec Center Fund	Funds	
ASSETS				
Cash and cash equivalents	\$ 468,634	\$ 170,492	\$ 1,028,589	\$ 1,667,715
Accounts receivable	2,146	-	2,146	4,292
Taxes receivable, net of allowance for doubtful accounts of \$2,761	116,257	-	68,860	185,117
Due from other funds	22,123	-	32,455	54,578
Other assets	-	-	13,262	13,262
Restricted assets				
Cash and cash equivalents	-	-	417,287	417,287
Investments	-	-	227,635	227,635
Total assets	<u>\$ 609,160</u>	<u>\$ 170,492</u>	<u>\$ 1,790,234</u>	<u>\$ 2,569,886</u>
LIABILITIES				
Accounts payable	\$ 42,983	\$ 3,506	\$ 79,152	\$ 125,641
Due to other funds	-	-	47,228	47,228
Unearned revenue	-	60,022	-	60,022
Total liabilities	<u>42,983</u>	<u>63,528</u>	<u>126,380</u>	<u>232,891</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	<u>27,009</u>	<u>-</u>	<u>12,316</u>	<u>39,325</u>
Total deferred inflows of resources	<u>27,009</u>	<u>-</u>	<u>12,316</u>	<u>39,325</u>
FUND BALANCES				
Nonspendable				
Perpetual care	-	-	230,220	230,220
Restricted for:				
Debt service	-	-	211,238	211,238
Culture and recreation	-	-	208,998	208,998
Perpetual care	-	-	516,364	516,364
Capital projects	-	-	442,752	442,752
Committed for:				
Culture and recreation	-	106,964	-	106,964
Capital projects	134,528	-	88,932	223,460
Unassigned	<u>404,640</u>	<u>-</u>	<u>(46,966)</u>	<u>357,674</u>
Total fund balances	<u>539,168</u>	<u>106,964</u>	<u>1,651,538</u>	<u>2,297,670</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 609,160</u>	<u>\$ 170,492</u>	<u>\$ 1,790,234</u>	<u>\$ 2,569,886</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
TO THE STATEMENT OF NET POSITION
March 31, 2019

Fund balances - total governmental funds		\$ 2,297,670
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	16,086,347	
Less accumulated depreciation	<u>(6,442,000)</u>	
		9,644,347
Other long term assets and deferred outflows are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds:		
Net pension plan asset		738,788
Pension plan - contributions		41,353
Pension plan - other		78,699
Internal service funds are used by management to charge the costs of fleet operations and employee benefits; therefore, the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, net of capital assets and long-term liabilities		292,417
Long-term liabilities and deferred inflows, including leases payable, bonds payable and accrued employee benefits, are not due and payable in the current period; therefore, they are not reported as liabilities in the governmental funds:		
Accrued interest payable	(3,371)	
Accrued employee benefits	(67,272)	
Leases payable	(2,637,000)	
Pension plan - other	<u>(160,044)</u>	
		(2,867,687)
Some of the City's revenue will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unavailable revenue in the funds		<u>39,325</u>
Net position of governmental activities		<u>\$ 10,264,912</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2019

	Major Funds		Non-Major	Totals
	General Fund	Parks and Rec Center Fund	Funds	
REVENUES				
Taxes	\$ 1,303,293	\$ -	\$ 616,298	\$ 1,919,591
Licenses and permits	40,887	-	-	40,887
Charges for services	1,544	303,949	109,316	414,809
Intergovernmental revenues	231,652	-	77,979	309,631
Fines and forfeitures	13,160	-	-	13,160
Miscellaneous				
Interest	22,912	4,942	19,242	47,096
Contributions	600	-	8,198	8,798
Other	35,383	9,455	9,478	54,316
Total revenues	1,649,431	318,346	840,511	2,808,288
EXPENDITURES				
General government	458,994	-	-	458,994
Public safety	1,052,129	-	-	1,052,129
Public works	406,409	-	204,950	611,359
Community planning and economic development	22,887	-	-	22,887
Culture and recreation	-	301,413	440,242	741,655
Cemetery	-	-	35,666	35,666
Capital outlay	53,500	455,150	87,256	595,906
Debt service	-	-	190,311	190,311
Total expenditures	1,993,919	756,563	958,425	3,708,907
Deficiency of revenues under expenditures	(344,488)	(438,217)	(117,914)	(900,619)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	398,000	350,000	43,985	791,985
Operating transfers (out)	(3,108)	(350,000)	(10,000)	(363,108)
Debt issuance				
Proceeds	-	465,000	100,000	565,000
Issuance costs	-	(15,000)	-	(15,000)
Total other financing sources	394,892	450,000	133,985	978,877
Excess of revenues and other financing sources over expenditures	50,404	11,783	16,071	78,258
Fund balances, April 1	488,764	95,181	1,635,467	2,219,412
FUND BALANCES, MARCH 31	\$ 539,168	\$ 106,964	\$ 1,651,538	\$ 2,297,670

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
Year Ended March 31, 2019

Net change in fund balances - total governmental funds	\$	78,258
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Capital outlay capitalized as assets	595,909	
Capital contributions	345,956	
Depreciation	<u>(503,644)</u>	
		438,221
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes		12,719
The issuance of long-term debt (e.g., bonds and 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. 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. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:		
Debt proceeds	(565,000)	
Principal payments	103,000	
Change in interest payable	<u>146</u>	
		(461,854)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:		
Pension plan		(174,945)
Internal service funds are used by the City to charge the costs of financial services and equipment maintenance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		
		<u>(140,189)</u>
Change in net position of governmental activities	<u>\$</u>	<u>(247,790)</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
March 31, 2019

	Major Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,258,961	\$ 319,184	\$ 382,977	\$ 480,432	\$ 2,441,554	\$ 301,110
Accounts receivable, net of allowance for doubtful accounts of \$3,171	350,282	54,675	29,682	5,993	440,632	-
Inventories	316,859	84,898	-	-	401,757	-
Due from other funds	-	13,432	-	-	13,432	-
Total current assets	1,926,102	472,189	412,659	486,425	3,297,375	301,110
Restricted assets:						
Customer security deposits, cash	36,213	16,173	-	-	52,386	-
Restricted investments	9,782	-	-	-	9,782	-
Capital assets:						
Non-depreciable	18,822	219,945	940,607	-	1,179,374	-
Depreciable, net	2,416,428	1,008,410	1,568,585	3,197	4,996,620	-
Net pension plan asset	121,859	70,073	25,168	-	217,100	-
Total assets	4,529,206	1,786,790	2,947,019	489,622	9,752,637	301,110
DEFERRED OUTFLOWS OF RESOURCES						
Pension plan - contributions	6,819	3,921	1,413	-	12,153	-
Pension plan - other	12,942	7,412	2,819	-	23,173	-
Total deferred outflows of resources	19,761	11,333	4,232	-	35,326	-
LIABILITIES						
Current liabilities:						
Accounts payable	183,106	8,998	11,984	6,769	210,857	8,693
Sales tax payable	50,061	-	-	-	50,061	-
Accrued employee benefits	7,796	3,354	2,513	-	13,663	-
Accrued interest payable	725	-	8,088	-	8,813	-
Lease payable	120,000	-	-	-	120,000	-
Due to other funds	7,350	-	4,723	8,709	20,782	-
Total current liabilities	369,038	12,352	27,308	15,478	424,176	8,693
Payable from restricted assets:						
Customer security deposits	36,213	16,173	-	-	52,386	-
Long-term liabilities:						
Accrued employee benefits	8,114	3,491	2,616	-	14,221	-
Bonds payable	-	-	755,000	-	755,000	-
Lease payable	596,000	-	-	-	596,000	-
Estimated landfill post closure costs	-	-	-	81,632	81,632	-
Total liabilities	1,009,365	32,016	784,924	97,110	1,923,415	8,693
DEFERRED INFLOWS OF RESOURCES						
Pension plan - other	26,395	15,175	5,464	-	47,034	-
Total deferred inflows of resources	26,395	15,175	5,464	-	47,034	-
NET POSITION						
Net investment in capital assets	1,729,032	1,228,355	1,754,192	3,197	4,714,776	-
Restricted for pension plan	121,859	70,073	25,168	-	217,100	-
Unrestricted	1,662,316	452,504	381,503	389,315	2,885,638	292,417
Total net position	\$ 3,513,207	\$ 1,750,932	\$ 2,160,863	\$ 392,512	\$ 7,817,514	\$ 292,417

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ALL PROPRIETARY FUND TYPES

Year Ended March 31, 2019

	Major Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
OPERATING REVENUES						
Charges for services	\$ 3,653,855	\$ 698,437	\$ 326,900	\$ 453,717	\$ 5,132,909	\$ 384,529
Contributions	3,374	-	49,909	5,000	58,283	-
Miscellaneous	-	-	-	75,241	75,241	-
Total operating revenues	3,657,229	698,437	376,809	533,958	5,266,433	384,529
OPERATING EXPENSES						
Planning and administration	124,349	228,896	100,067	52,199	505,511	158,473
Communication	54,028	25,727	25,155	-	104,910	-
Well operation, maintenance and repair	-	29,683	-	-	29,683	-
Distribution	2,791,142	101,438	-	-	2,892,580	-
Buildings and grounds	31,130	27,608	-	-	58,738	-
Treatment	-	39,655	-	-	39,655	-
Sewerage collections	-	-	89,440	-	89,440	-
Lift operations	-	-	33,109	-	33,109	-
Sewerage treatment collections	-	-	16,446	-	16,446	-
Land application	-	-	34,077	-	34,077	-
Depreciation	161,716	137,861	139,217	1,470	440,264	-
Brush and tree control	60,510	-	-	-	60,510	-
Street lighting	9,145	-	-	-	9,145	-
Equipment operations	-	-	-	-	-	163,891
Trash collection	-	-	-	162,567	162,567	-
Trash disposal	-	-	-	206,393	206,393	-
Miscellaneous	(92,455)	-	574	-	(91,881)	1,621
Total operating expenses	3,139,565	590,868	438,085	422,629	4,591,147	323,985
OPERATING INCOME (LOSS)	517,664	107,569	(61,276)	111,329	675,286	60,544
NON-OPERATING REVENUES (EXPENSES)						
Interest expense	(38,023)	-	-	-	(38,023)	-
Interest income	13,314	8,925	9,704	9,606	41,549	-
Total non-operating revenues (expenses)	(24,709)	8,925	9,704	9,606	3,526	-
NET INCOME (LOSS)	492,955	116,494	(51,572)	120,935	678,812	60,544
Operating transfers in	350,000	-	-	-	350,000	-
Operating transfers (out)	(530,011)	(50,866)	-	-	(580,877)	(198,000)
Change in net position	312,944	65,628	(51,572)	120,935	447,935	(137,456)
Net position, April 1, as restated	3,200,263	1,685,304	2,212,435	271,577	7,369,579	429,873
NET POSITION, MARCH 31	\$ 3,513,207	\$ 1,750,932	\$ 2,160,863	\$ 392,512	\$ 7,817,514	\$ 292,417

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
Year Ended March 31, 2019

	Major Funds				Total Enterprise Funds	Internal Service Funds
	Electric Fund	Water Fund	Sewer Fund	Sanitation Fund		
CASH FLOWS FROM OPERATING ACTIVITIES:						
Cash received from customers	\$ 3,669,584	\$ 695,473	\$ 371,593	\$ 533,733	\$ 5,270,383	\$ 384,529
Cash paid to vendors	(2,789,435)	(304,455)	(266,180)	(383,178)	(3,743,248)	(216,277)
Cash paid to employees	(218,911)	(149,751)	(44,157)	(34,523)	(447,342)	(113,187)
Net cash provided by operating activities	<u>661,238</u>	<u>241,267</u>	<u>61,256</u>	<u>116,032</u>	<u>1,079,793</u>	<u>55,065</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating transfers in	350,000	-	-	-	350,000	-
Operating transfers (out)	(530,011)	(50,866)	-	-	(580,877)	(198,000)
Net change in interfund payables/receivables	(50,183)	50,187	(4)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(230,194)</u>	<u>(679)</u>	<u>(4)</u>	<u>-</u>	<u>(230,877)</u>	<u>(198,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Payment for capital acquisitions	(322,541)	(358,875)	(791,402)	-	(1,472,818)	-
Debt proceeds	-	-	755,000	-	755,000	-
Principal paid on debt	(118,000)	-	-	-	(118,000)	-
Interest paid on debt	(38,131)	-	-	-	(38,131)	-
Net cash (used) by capital and related financing activities	<u>(478,672)</u>	<u>(358,875)</u>	<u>(36,402)</u>	<u>-</u>	<u>(873,949)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest income	13,313	8,925	9,704	9,606	41,548	-
Net cash provided by investing activities	<u>13,313</u>	<u>8,925</u>	<u>9,704</u>	<u>9,606</u>	<u>41,548</u>	<u>-</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(34,315)</u>	<u>(109,362)</u>	<u>34,554</u>	<u>125,638</u>	<u>16,515</u>	<u>(142,935)</u>
Cash and cash equivalents, beginning of year	1,293,276	428,546	348,423	354,794	2,425,039	444,045
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,258,961</u>	<u>\$ 319,184</u>	<u>\$ 382,977</u>	<u>\$ 480,432</u>	<u>\$ 2,441,554</u>	<u>\$ 301,110</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 517,664	\$ 107,569	\$ (61,276)	\$ 111,329	\$ 675,286	\$ 60,544
Adjustments:						
Depreciation and amortization	161,716	137,861	139,217	1,470	440,264	-
(Increase) decrease in assets and deferred outflows:						
Accounts receivable	12,355	(2,964)	(5,216)	(225)	3,950	-
Inventories	(11,807)	(11,025)	-	-	(22,832)	-
Net pension plan asset	602	346	123	-	1,071	-
Pension plan - contributions	(970)	(558)	(199)	-	(1,727)	-
Pension plan - other	17,182	9,886	3,522	-	30,590	-
Increase (decrease) in liabilities and deferred inflows:						
Accounts payable	(52,206)	4,276	(30,603)	3,458	(75,075)	(5,479)
Sales tax payable	1,842	-	-	-	1,842	-
Accrued interest payable	-	-	8,088	-	8,088	-
Accrued employee benefits	2,805	(11,060)	5,129	-	(3,126)	-
Pension plan - other	12,055	6,936	2,471	-	21,462	-
Net cash provided by operating activities	<u>\$ 661,238</u>	<u>\$ 241,267</u>	<u>\$ 61,256</u>	<u>\$ 116,032</u>	<u>\$ 1,079,793</u>	<u>\$ 55,065</u>

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA
STATEMENT OF FIDUCIARY NET POSITION
March 31, 2019

	<u>Agency</u>
	Library Trust
	<u>Fund</u>
ASSETS	
Taxes receivable	<u>\$ 26,191</u>
LIABILITIES	
Due to other governments	<u>5,686</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>20,505</u>
NET POSITION	<u><u>\$ -</u></u>

The notes to the financial statements are an integral part of these statements.

CITY OF CENTRALIA

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies employed in the preparation of the accompanying financial statements, as presented on the basis set forth in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

A. Reporting Entity

The City of Centralia is located in central Missouri and is governed by a City Administrator, an elected Mayor, and a six-member Board of Aldermen.

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Centralia. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Centralia that have been determined not to be component units as defined by Governmental Accounting Standards Board Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements 14 and 34*. The City provides collection and bookkeeping services for the City of Centralia Municipal Library District (the Library), which is not a component unit of the City. The property tax collections that are passed through to the Library are accounted for as an agency fund.

B. Government-Wide and Fund Financial Accounting

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – This 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. It is required by law to operate in accordance with a formal budget.

Parks and Rec Center Fund – This fund is a special revenue fund of the City. It is used to account for activity occurring at the City's recreation facilities.

The City reports the following major proprietary funds:

Enterprise Funds:

Electric Fund – The Electric Fund accounts for the billing and collection of charges for electric service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Water Fund – The Water Fund accounts for the billing and collection of charges for water service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sewer Fund – The Sewer Fund accounts for the billing and collection of charges for sanitary sewer service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Sanitation Fund – The Sanitation Fund accounts for the billing and collection of charges for sanitation service for most city residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Internal Service Fund:

The Internal Service Fund accounts for the financing of goods or services provided by one department or agency to other departments of the City. The Internal Service Fund provides financial services and equipment maintenance.

Additionally, the City reports the following fiduciary fund:

Agency Fund – The Library Fund accounts for funds collected for the benefit of the Library. These funds are subsequently remitted to the Library.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements and the fiduciary fund financial statement. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, interest and principal on general long-term debt are recognized when due.

Property tax, sales tax, gasoline tax, motor vehicle tax, interest, and revenues from other governmental units associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund financial statements use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Sometimes the City will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Because a statement of cash flows is prepared only for proprietary funds under generally accepted accounting principles, cash and cash equivalents are only distinguished for those funds.

E. Accounts Receivable

Accounts receivable result primarily from utility services accounted for in the Electric, Water, Sewer, and Sanitation Funds. All unbilled receivables are included in accounts receivable in the accompanying financial statements as of March 31, 2019.

F. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund balance sheets.

G. Inventories

Inventories of materials and supplies in the enterprise funds are stated at the lower of cost or market, using the first-in, first-out accounting method.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

As permitted by GASB Statement 34, the City has elected not to retroactively capitalize general government infrastructure assets (streets, bridges, sidewalks) acquired prior to the City's fiscal year ended March 31, 2005.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	5-50 years	Vehicles and equipment	5-20 years
Meters	7-15 years	Utility plants and systems	40-50 years
Sewer lines	40-50 years	Furniture and office equipment	5-20 years
Water mains, lines, and trunks	30-40 years		

Fully depreciated fixed assets are included in the capital assets accounts until their disposal.

I. Compensated Absences

All vested or accumulated vacation leave is accrued when incurred in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts. However, in the event of termination, an employee is paid for all of accumulated vacation and one-half of accumulated sick leave up to 400 hours.

J. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category, which are the pension plan contributions and pension plan – other reported in the government-wide statement of net position and the proprietary funds statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category, which are the unavailable revenue – property taxes reported in the governmental funds statement of assets, liabilities and fund balances and the fiduciary fund statement of net position, and the pension plan – other reported in the government-wide statement of net position and the proprietary funds statement of net position. The City records contract payments and user fees received in advance of the service period as unearned revenue in the deferred inflows of resources section of all statements.

K. Long-Term Obligations

General long-term obligations consist of the non-current portion of accrued employee benefits, bonds and leases payable, and estimated landfill post closure costs. In the government-wide financial statements and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are expensed in all statements as incurred.

In the governmental funds financial statements, general long-term obligations are not reported as liabilities because they do not require the use of current resources. Governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issue is reported as other financing sources while discounts on debt issuance are reported as other financing uses. Principal repayments are reported as debt service expenditures.

L. Fund Equity

In the governmental funds financial statements, equity is displayed in five components as follows:

Nonspendable – This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or enabling legislation.

Committed – This consists of amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (the Board of Aldermen) by the end of the fiscal year. The Board of Aldermen can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Aldermen can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund or special revenue fund that has a fund deficit.

In the government-wide and proprietary funds financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted – This consists of net position that does not meet the definition of “net investment in capital assets” or “restricted”.

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The most significant estimates used by management are allowance for doubtful accounts; unbilled utility billings; depreciable lives for property, plant, and equipment; the liability for landfill post-closure monitoring and maintenance costs; and the net pension asset and related deferred outflows and inflows of resources.

N. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. BUDGETS

Annual operating budgets are adopted each fiscal year through passage of an annual budget resolution and are amended as required for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Proprietary Funds. The budgetary basis of accounting is based on actual cash receipts and disbursements for the proprietary funds and is essentially equivalent to the modified accrual basis for governmental funds.

The City Administrator, elected Mayor, and Board of Aldermen follow these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal period commencing April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments. The proposed budget is available for public inspection prior to the public hearing.
3. Prior to April 1, the budget is legally enacted through passage of a resolution.
4. The City Administrator is authorized to make changes within departments, between departments, and between functions within each fund. Changes or transfers at the fund level require approval by the Board of Aldermen.
5. All appropriations lapse at yearend.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen. The budget was not amended during the year.

3. CASH, INVESTMENTS, AND FAIR VALUE MEASUREMENTS

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S. Treasury, federal agencies and instrumentalities, certificates of deposit, and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy is set by state statute. Statutes require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts. Collateral securities which are the same types as authorized for investments by the City are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of any wholly owned corporation of the United States.
- Other short-term obligations of the United States.

The City maintains a cash pool that is used by most individual funds. The cash pool consists of funds held in checking and money market accounts. Each fund's portion of the pool is displayed on the statement of net position as "cash and cash equivalents".

Deposits, categorized by level of custodial risk, were as follows as of March 31, 2019:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 10,239	\$ 250,000	\$ -	\$ 260,239
Collateralized with securities pledged by the financial institution	4,032,463	762,228	-	4,794,691
	<u>\$ 4,042,702</u>	<u>\$ 1,012,228</u>	<u>\$ -</u>	<u>\$ 5,054,930</u>
Carrying value	<u>\$ 3,879,802</u>	<u>\$ 1,000,000</u>	<u>\$ 250</u>	<u>\$ 4,880,052</u>

Investments, categorized by level of custodial risk, were as follows as of March 31, 2019:

	Investment Maturities (in years)		Fair Value	Carrying Value
	Less than 1	1-5		
U.S. Treasuries				
Restricted	\$ 227,635	\$ -	\$ 227,635	\$ 227,635
Money market funds				
Restricted	9,782	-	9,782	9,782
Total investments	<u>\$ 237,417</u>	<u>\$ -</u>	<u>\$ 237,417</u>	<u>\$ 237,417</u>

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City manages its exposure to declines in fair values by only investing in obligations that return initial purchase prices and the earned interest. This practice eliminates exposure to declines in fair values.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. State statutes authorize the City to invest in obligations of the U.S. Treasury, and federal agencies and instrumentalities; certificates of deposit issued by Missouri banks; and repurchase agreements. The City's policy is to only invest in obligations of the United States or its agencies, insured or secured certificates of deposits, certain obligations of the State of Missouri or political subdivisions and municipalities, and certain surety bonds. Policy prohibits the purchase of any investments that do not meet the above-mentioned criteria. The money market funds are invested primarily in a portfolio of U.S. Treasury securities maturing in 397 days or less.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City's investment policy does not address concentration of credit risk.

Custodial credit risk – investments – For an investment, this is the risk that in an event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of March 31, 2019, there is no custodial credit risk for the City's investments due to the City's investment policy which prohibits obligations not fully secured.

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

Level 1	Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access.
Level 2	Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.
Level 3	Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on the entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The City's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The City's assets are invested in U.S. Treasuries and money market funds, both of which are considered Level 2 investments.

The City's total cash and investments are summarized below:

	Government-Wide Statement of Net Position
Cash and cash equivalents:	
Unrestricted	\$ 4,410,379
Restricted	469,673
Subtotal	<u>4,880,052</u>
Investments:	
Restricted	<u>237,417</u>
Total cash and investments	<u><u>\$ 5,117,469</u></u>

4. RESTRICTED ASSETS

At March 31, 2019, total restricted assets were classified as follows:

Restricted cash and cash equivalents	\$ 469,673
Restricted investments	<u>237,417</u>
Total restricted assets	<u><u>\$ 707,090</u></u>

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

Capital Lease Obligation – Electric Substation Lease:

Reserve Account – Lease proceeds totaling \$15,256 are to be deposited to this account. Once funded, payments from the account shall be expended solely to prevent any default in the payment of interest or principal. At March 31, 2019, assets restricted for the Lease Revenue Account totaled \$9,782.

Restricted Assets by Purpose:

At March 31, 2019, assets were restricted for various uses as follows:

	<u>Assets</u>
Special revenue funds:	
Cemetery Fund (restricted for perpetual care)	\$ 403,777
Debt service funds:	
Parks and Recreation Sales Tax Fund	47
Library Bonds Debt Service	10,878
Permanent fund:	
A.B. Chance Memorial Trust Fund (restricted for perpetual care)	230,220
Enterprise funds:	
Electric Fund	
Customer security deposits	36,213
Debt service	9,782
Water Fund	
Customer security deposits	<u>16,173</u>
Total restricted assets	<u><u>\$ 707,090</u></u>

5. PROPERTY TAX

Property tax revenue is recognized independent of receivable recognition. A receivable is recognizable as of the lien date when the City has an enforceable legal claim while revenue is recognized in the period for which the taxes are levied. Receivables recognized prior to that period are recorded as deferred inflows of resources – unavailable revenue in both the government-wide and fund financial statements. Delinquent taxes expected to be received later than 60-days after the close of the fiscal year are also classified as deferred inflows of resources – unavailable revenue within the governmental funds financial statements because they do not meet the criteria of being available as described in Note 1.

The City's property tax is levied by the City on September 1 on the value of all real and personal property located in the City as of the prior January 1, the lien date. Taxes are billed by November 1 and are considered delinquent after December 31. Property taxes levied in the fiscal year are recognized as receivable and revenue as of that fiscal yearend because they meet the recognition requirements. However, no amounts have been recorded as receivable or deferred inflows for taxes that will be due for property owned on January 1, 2019, because the levy and assessed valuation had not been determined as of March 31, 2019.

The City has entered into an agreement with the County of Boone for collection of property taxes. The County reports collections to the City monthly.

The City's preliminary assessed valuations and tax levies per \$100 assessed valuation of those properties for calendar year 2018 are as follows:

	2018 Calendar Year	
Assessed valuation:		
Real estate	\$	41,754,330
Personal property		15,936,222
State assessed		705,745
	\$	<u>58,396,297</u>
	Per \$100 Assessed Valuation	
	Maximum Levy Allowed	
	by Law	City's Levy
General Revenue	\$ 0.6682	\$ 0.6673
Parks and Recreation	0.2992	0.2988
Library General Revenue	0.5508	0.5508
		<u>\$ 1.5169</u>

6. INTERFUND TRANSFERS AND RECEIVABLES/PAYABLES

A summary of interfund transfers for the year ended March 31, 2019, follows:

	Transfer Out	Transfer In
Governmental funds:		
General Fund	\$ 3,108	\$ 398,000
Special revenue funds:		
Parks and Rec Center Fund	350,000	350,000
Pool Fund	-	10,000
Park Fund	-	3,974
Cemetery Fund	-	30,000
Debt service funds:		
Parks and Rec Sales Tax Fund	10,000	-
Library Bonds Fund	-	11
Subtotal - governmental funds	<u>363,108</u>	<u>791,985</u>
Enterprise funds:		
Electric Fund	530,011	350,000
Water Fund	<u>50,866</u>	<u>-</u>
Subtotal - enterprise funds	<u>580,877</u>	<u>350,000</u>
Internal Service Fund	<u>198,000</u>	<u>-</u>
Total	<u>\$ 1,141,985</u>	<u>\$ 1,141,985</u>

Transfers are used to move revenues from the fund that budgets or ordinance requires to collect them to the fund that budget or ordinance requires to expend them and to use unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Board approval.

Interfund receivable and payable balances at March 31, 2019, in the fund financial statements resulting from interfund transfers were as follows:

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

The balance due to the General Fund from the Electric Fund (\$7,350) is from prior utility services.

The balance due to the General Fund from the Park Fund (\$215) represents proceeds from a vehicle sale where the vehicle was originally owned by the street department but sold by the Park Fund. These balances originated during fiscal year 2011 and were not settled during fiscal year 2019.

The balance due to the General Fund from the Cemetery Fund (\$14,558) represents the Cemetery Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2014 and was not settled during fiscal year 2019.

The balance due to the Parks and Recreation Sales Tax Fund from the Pool Fund (\$28,593) represents the Pool Fund's overdraft from the City's cash pool. This balance originated during fiscal year 2015 and was not settled during fiscal year 2019.

The balance due between the capital projects funds originated during a prior fiscal year and was not settled during fiscal year 2019.

The balance due to the Water Fund from the Sewer Fund (\$4,723) and the Sanitation Fund (\$8,709) represents expenses incurred by the Water Fund on behalf of the Sewer Fund and the Sanitation Fund. This balance originated during fiscal year 2014, increased during fiscal year 2016, and was not settled during fiscal year 2019.

7. PROPERTY, PLANT AND EQUIPMENT

A summary of changes in capital assets for the year ended March 31, 2019, is as follows:

	Balance March 31, 2018	Additions	Retirements	Transfers/Other	Balance March 31, 2019
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 88,081	\$ -	\$ -	\$ -	\$ 88,081
Right of way	68,270	-	-	-	68,270
Construction in progress	-	63,733	-	-	63,733
Total capital assets, not being depreciated	156,351	63,733	-	-	220,084
Capital assets, being depreciated:					
Buildings	3,159,942	499,462	-	-	3,659,404
Structures other than buildings	32,086	-	-	-	32,086
Equipment	6,374,765	90,914	-	-	6,465,679
Infrastructure	5,421,340	287,756	-	-	5,709,096
Total capital assets, being depreciated	14,988,133	878,132	-	-	15,866,265
Less accumulated depreciation:					
Buildings	1,005,148	107,470	-	-	1,112,618
Structures other than buildings	226,349	-	-	-	226,349
Equipment	3,828,857	256,962	-	-	4,085,819
Infrastructure	878,004	139,212	-	-	1,017,216
Total accumulated depreciation	5,938,358	503,644	-	-	6,442,002
Total capital assets being depreciated, net	9,049,775	374,488	-	-	9,424,263
Governmental activities capital assets, net	\$ 9,206,126	\$ 438,221	\$ -	\$ -	\$ 9,644,347

	Balance March 31, 2018	Additions	Retirements	Transfers/Other	Balance March 31, 2019
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 192,373	\$ 752,259	\$ -	\$ -	\$ 944,632
Construction in progress	-	234,742	-	-	234,742
Total capital assets, not being depreciated	192,373	987,001	-	-	1,179,374
Capital assets, being depreciated:					
Buildings	308,098	-	-	-	308,098
Structures other than buildings	12,817,586	253,469	-	-	13,071,055
Equipment	2,271,424	232,347	(49,580)	-	2,454,191
Total capital assets, being depreciated	15,397,108	485,816	(49,580)	-	15,833,344
Less accumulated depreciation for:					
Buildings	244,712	12,086	-	-	256,798
Structures other than buildings	8,427,057	306,971	-	-	8,734,028
Equipment	1,774,271	121,207	(49,580)	-	1,845,898
Total accumulated depreciation	10,446,040	440,264	(49,580)	-	10,836,724
Total capital assets being depreciated, net	4,951,068	45,552	-	-	4,996,620
Business-type activities capital assets, net	\$ 5,143,441	\$ 1,032,553	\$ -	\$ -	\$ 6,175,994

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 85,560
Streets	197,953
Public safety	52,629
Parks and recreation center	99,577
Parks	66,853
Cemetery	1,072
	<u>\$ 503,644</u>
Business-type activities:	
Water	\$ 137,861
Sewer	139,217
Electric	161,716
Sanitation	1,470
	<u>\$ 440,264</u>

8. LONG-TERM ACCRUED EMPLOYEE BENEFITS

The following is a summary of changes in long-term accrued employee benefits:

	Employee Benefits
Beginning	\$ 95,551
Retirements	(49,158)
Additions	48,763
Ending	95,156
Less: amount due within one year	(46,626)
Total long-term accrued employee benefits	<u>\$ 48,530</u>

Accrued employee benefits are generally liquidated by funds in which the employees primarily work.

9. CAPITAL LEASES PAYABLE

The City has the following capital leases:

Community Recreation Center Lease: In August 2008, the City entered into a lease/purchase agreement with UMB Bank, N.A. (UMB) as trustee, lessor, and grantor. The lease/purchase agreement covered the construction of the community recreation center. On the same date, UMB issued \$1,985,000 in Certificates of Participation to third-party investors for undivided, proportionate interests in the rental payments made by the City. The City made the required payments to UMB, who in turn repaid the holders of the certificates.

In November 2015, the City, in conjunction with the Industrial Development Authority of Centralia, refinanced the lease/purchase agreement with Central Bank of Boone County. The City makes the required payments to the Industrial Development Authority of Centralia, who in turn repays Central Bank of Boone County. The proceeds from the refinancing totaled \$2,390,000. Of this amount, \$1,490,000 was used to pay off the Series 2008 Community Recreation Center Lease, and the remaining \$900,000 was used to finance renovations at the City's municipal pool. The economic gain (the difference between the present values of the debt service payments on the old and new debt) obtained as a result of the refinancing was \$153,098.

Incremental sales taxes are projected to produce the debt service requirements over the life of the lease. The lease bears interest at 3.69%. Principal and interest payments are due annually and semi-annually, respectively, through March 2035. Principal and interest paid for the current year and total parks and recreation sales tax revenues were \$176,308 and \$202,934, respectively.

As of March 31, 2019, improvements of \$2,178,973 have been capitalized as buildings, with \$591,100 of accumulated depreciation. Also, as of March 31, 2019, improvements of \$1,046,732 have been capitalized as infrastructure, with \$84,742 of accumulated depreciation. The associated debt is recorded in the governmental activities on the government-wide statement of net position.

Community Recreation Center Lease – East Annex: In September 2018, the City entered into a lease/purchase agreement with Central Bank of Boone County as trustee, lessor, and grantor. The lease/purchase agreement covers the purchase of property and equipment for additional space at the community recreation center.

The City has pledged future Parks and Rec Center charges for services to repay the lease. The lease bears interest at 4.5%. Principal and interest payments are due annually and semi-annually, respectively, through March 2033. Principal and interest paid for the current year and total Parks and Rec Fund charges for services were \$14,003 and \$303,949, respectively.

As of March 31, 2019, \$445,962 has been capitalized as buildings, with \$13,007 of accumulated depreciation. Also, as of March 31, 2019, \$9,188 has been capitalized as equipment, with \$153 of accumulated depreciation. The associated debt is recorded in the governmental activities on the government-wide statement of net position.

Electric Substation Lease: In July 2009, the City entered into a lease/purchase agreement with the Missouri Association of Municipal Utilities (MAMU) as lessor with U.S. Bank, N.A. (US Bank) as trustee. The lease/purchase agreement covers the purchase, construction and installation of a new electric substation. As of March 31, 2019, improvements of \$1,591,500 have been capitalized, with \$547,103 of accumulated depreciation. The associated debt is recorded in the business-type activities on the government-wide statement of net position and the Electric Fund on the proprietary funds statement of net position. The lease/purchase agreement may be prepaid at the City's discretion with a minimum 60 days written notice. If the City chooses to prepay the lease, the prepayment price includes unpaid principal and accrued interest. In addition, because the trustee has entered into an interest rate exchange agreement with respect to the principal with a counterparty, the City would be required to pay any termination amounts attributable to that agreement.

The City has pledged future utility customer revenues to repay the lease. The total principal and interest remaining to be paid on the bonds is \$815,752. Principal and interest paid for the current year and total Electric Fund charges for services were \$156,131 and \$3,653,855, respectively.

The lease agreement contains a financial covenant, with which the City was in compliance as of March 31, 2019.

The City is not obligated to levy any form of taxation or otherwise appropriate for payments for the above leases. The lease/purchase agreements are secured by the properties financed with the agreements.

These lease/purchase agreements qualify as capital leases for accounting purposes because ownership transfers at the end of the lease term. Therefore, the leases have been recorded as debt at the present value of the future minimum lease payments as of the date of their inception.

Capital leases payable as of March 31, 2019, are as follows:

	Original Amount	Interest Rate	Maturity Date	Principal Balance 3/31/2019
Governmental activities:				
Community recreation center lease	\$ 2,390,000	3.69%	March 2035	\$ 2,080,000
Community recreation center lease - East Annex	565,000	4.50%	March 2033	557,000
				<u>2,637,000</u>
Business-type activities:				
Electric substation lease	1,637,000	3.22%	July 2024	<u>716,000</u>
Total				<u>\$ 3,353,000</u>

The following is a summary of capital leases payable transactions for the City for the year ended March 31, 2019:

	Beginning Balance	Additions	Retirements	Ending Balance	Amount Due in One Year
Governmental activities:					
Community recreation center lease	\$ 2,175,000	\$ -	\$ (95,000)	\$ 2,080,000	\$ 100,000
Community recreation center lease - East Annex	-	565,000	(8,000)	557,000	29,000
	2,175,000	565,000	(103,000)	2,637,000	129,000
Business-type activities:					
Electric substation lease	834,000	-	(118,000)	716,000	120,000
Total	<u>\$ 3,009,000</u>	<u>\$ 565,000</u>	<u>\$ (221,000)</u>	<u>\$ 3,353,000</u>	<u>\$ 249,000</u>

The following is a schedule of the future minimum lease payments for the above capital leases in aggregate, and the present value of the net minimum lease payments at March 31, 2019.

Year Ending March 31:	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 129,000	\$ 101,817	\$ 230,817	\$ 120,000	\$ 32,393	\$ 152,393
2021	131,000	96,822	227,822	128,000	26,414	154,414
2022	137,000	91,737	228,737	132,000	20,107	152,107
2023	143,000	86,423	229,423	141,000	13,552	154,552
2024	150,000	80,879	230,879	144,000	6,647	150,647
2025-2029	826,000	313,770	1,139,770	51,000	639	51,639
2030-2034	951,000	139,658	1,090,658	-	-	-
2035	170,000	6,273	176,273	-	-	-
Total	<u>\$ 2,637,000</u>	<u>\$ 917,379</u>	<u>\$ 3,554,379</u>	<u>\$ 716,000</u>	<u>\$ 99,752</u>	<u>\$ 815,752</u>

10. BONDS PAYABLE

The following is a summary of bonds payable transactions for the City for the year ended March 31, 2019:

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

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

The City has pledged future utility customer revenues to repay the bonds. Proceeds from the bonds provided financing for the purchase of land for a wastewater treatment facility. The bonds are payable solely from utility customer revenues and are payable through 2022. Revenues available for debt service are not to be less than 100% of the amount required to be paid annually of principal and interest. No principal or interest payments were due or paid during the year ended March 31, 2019. The total principal and interest remaining to be paid on the bonds is \$840,804.

Bonds payable are comprised of the following individual issue:

	Original Amount	Interest Rate	Maturity Date	Balance March 31, 2019
Combined Waterworks and Sewerage System Revenue Bonds, Series 2018	\$ 755,000	3.75%	1/1/2022	\$ 755,000

The annual requirements to amortize bonds payable as of March 31, 2019, including interest payments, are as follows:

	Principal	Interest	Total
Year ending March 31,			
2020	\$ -	\$ 29,178	\$ 29,178
2021	-	28,313	28,313
2022	755,000	28,313	783,313
Total minimum payments	\$ 755,000	\$ 85,804	\$ 840,804

11. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has obtained coverage from commercial insurance companies for these risks of losses. There were no significant reductions in insurance coverage from the prior year. In addition, no settlements have exceeded insurance coverage in the past three years.

B. Landfill

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The City closed its landfill in April of 1994. As of March 31, 2019, the City had recorded \$81,632 in estimated closure and post-closure costs. The estimated total closure and post-closure care costs are based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of March 31, 2019. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

C. Litigation

From time to time, the City is a party to claims and/or lawsuits as a result of various matters and complaints arising in the ordinary course of City activities. The City's management and legal counsel anticipate that potential settlements and judgments not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

D. Electricity Commitments

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC). Through its membership in MJMEUC, the City entered into a long-term agreement for the purchase of electric power from the Prairie State Energy Campus (Prairie State). Prairie State consists of a two-unit 1,582-Megawatt (MW) coal-fueled power plant in Washington County, Illinois. MJMEUC has a 12.33% proportionate ownership interest in the power plant, and therefore committed to fund its proportional share of the development and construction, as well as the operating and plant closure costs. MJMEUC will recover these costs through commitments with its members, including the City of Centralia, under life-of-unit, take or pay unit power purchase agreements. Under its agreement with MJMEUC, the City will pay to MJMEUC 1.03% of MJMEUC's proportionate share of the MW capacity and power of the plant. The City's commitment ends when the power units are taken out of service for purposes of retirement and decommissioning.

The City entered into the MJMEUC agreement as a cost hedge against rapidly rising power costs at the time, but the City's share of Prairie State only covers a portion of the City's electric power needs. The City also purchases electric wholesale power from Ameren Energy Marketing, Big Rivers, and NextEra Energy Power Marketing, LLC, under separate agreements with these entities.

E. Sanitation Commitments

Effective October 7, 2016, the City entered into an agreement with Dayne's Waste Disposal, Inc. for the collection and disposal of solid waste, which runs through October 31, 2021. As the dollar amount of the City's outstanding commitment is based on user charges and consumption, it has not been estimated as of March 31, 2019.

12. INTERGOVERNMENTAL REVENUE

The City receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Federal and state grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of

management, any such disallowed claims will not have a material effect on any of the financial statements or the individual fund-types included herein or on the overall financial position of the City as of March 31, 2019.

13. PENSION PLAN

General Information about the Pension Plan

The following information is presented in accordance with Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits Provided

LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2018 Valuation</u>
Benefit multiplier	1.5%
Final average salary	5 years
Member contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	18
Active employees	30
Total	<u>71</u>

Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. Employer contribution rates are 7.9% (General) and 1.0% (Police) of annual covered payroll.

Net Pension Liability (Asset)

The employer's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2018.

Actuarial Assumptions

The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the February 28, 2018, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

There were no changes in actuarial assumptions from the February 28, 2017 valuation.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the following page.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43.00%	5.16%
Fixed income	26.00%	2.86%
Real assets	21.00%	3.23%
Strategic assets	10.00%	5.59%
	100.00%	

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances at June 30, 2017	\$ 3,781,518	\$ 4,742,123	\$ (960,605)
Changes for the year:			
Service cost	104,078	-	104,078
Interest	272,031	-	272,031
Changes of benefit terms	105,133	-	105,133
Difference between expected and actual experience	12,819	-	12,819
Contributions - employer	-	61,489	(61,489)
Net investment income	-	561,207	(561,207)
Benefit payments, including refunds	(163,836)	(163,836)	-
Administrative expense	-	(5,634)	5,634
Other changes	-	(127,718)	127,718
Net changes	330,225	325,508	4,717
Balances at June 30, 2018	\$ 4,111,743	\$ 5,067,631	\$ (955,888)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

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

	Current Single Discount		
	1% Decrease (6.25%)	Rate Assumption (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 4,688,630	\$ 4,111,743	\$ 3,637,614
Plan fiduciary net position	\$ 5,067,630	\$ 5,067,631	\$ 5,067,630
Net pension liability/(asset)	\$ (379,000)	\$ (955,888)	\$ (1,430,016)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued LAGERS financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended March 31, 2019, the City recognized pension expense of \$295,434. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between:		
Expected and actual experience	\$ 39,589	\$ (63,154)
Projected and actual earnings on investments	-	(143,924)
Changes in assumptions*	62,283	-
Contributions subsequent to the measurement date**	53,506	-
Total	<u>\$ 155,378</u>	<u>\$ (207,078)</u>

*The amount reported as deferred outflows of resources resulting from changes in assumptions is due to changes in actuarial assumptions made in the February 29, 2016, actuarial valuation.

**The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability (asset) for the year ending March 31, 2020.

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

Year ending:	
2019	\$ 19,664
2020	3,085
2021	(82,552)
2022	(45,403)
Total	<u>\$ (105,206)</u>

14. BUDGET AND FUND DISCLOSURES

The Parks and Rec Center Fund's actual expenditures exceeded budgeted expenditures by \$451,689 during the year ended March 31, 2019, due to capital outlay expenditures being incurred that weren't budgeted for.

The Pool Fund has an accumulated deficit at March 31, 2019. This is due to interfund transfers to the Pool Fund not being made until after yearend and as such, the deficit will be eliminated upon receipt of the transfers.

15. TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, requires disclosures of tax information about (1) a reporting government's own tax abatement agreements, and (2) those that are entered into by other governments that reduce the reporting government's tax revenues. There were such agreements, but they were not significant as of and for the year ended March 31, 2019.

16. PRIOR PERIOD ADJUSTMENT

During the year ended March 31, 2019, the City identified Electric Fund expenses that were not properly accrued for at March 31, 2018. As a result, net position as of March 31, 2018, was restated as follows:

	Business-type Activities	Electric Fund
Net position, as previously reported	\$ 7,467,134	\$ 3,297,818
Prior period adjustment	(97,555)	(97,555)
Net position, as restated	<u>\$ 7,369,579</u>	<u>\$ 3,200,263</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CENTRALIA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended March 31, 2019

	Actual	Original and Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Taxes	\$ 1,303,293	\$ 1,367,805	\$ (64,512)
Licenses and permits	40,887	44,450	(3,563)
Charges for services	1,544	1,150	394
Intergovernmental revenues	231,652	364,100	(132,448)
Fines and forfeitures	13,160	11,000	2,160
Miscellaneous	58,895	412,050	(353,155)
Total revenues	1,649,431	2,200,555	(551,124)
EXPENDITURES			
General government	458,994	481,291	22,297
Public safety	1,052,129	1,130,093	77,964
Public works	406,409	468,456	62,047
Community planning and economic development	22,887	192,579	169,692
Capital outlay	53,500	173,982	120,482
Total expenditures	1,993,919	2,446,401	452,482
Deficiency of revenues under expenditures	(344,488)	(245,846)	(98,642)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	398,000	-	398,000
Operating transfers (out)	(3,108)	-	(3,108)
Total other financing sources	394,892	-	394,892
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 50,404	\$ (245,846)	\$ 296,250

CITY OF CENTRALIA
BUDGETARY COMPARISON SCHEDULE
PARKS AND REC CENTER FUND
Year Ended March 31, 2019

	Actual	Original & Final Budget	Variance Favorable/ (Unfavorable)
REVENUES			
Charges for services	\$ 303,949	\$ 298,650	\$ 5,299
Miscellaneous	14,397	3,500	10,897
Total revenues	<u>318,346</u>	<u>302,150</u>	<u>16,196</u>
EXPENDITURES			
Culture and recreation	301,413	304,874	3,461
Capital outlay	455,150	-	(455,150)
Total expenditures	<u>756,563</u>	<u>304,874</u>	<u>(451,689)</u>
Deficiency of revenues under expenditures	<u>(438,217)</u>	<u>(2,724)</u>	<u>(435,493)</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	350,000	-	350,000
Operating transfers (out)	(350,000)	-	(350,000)
Debt issuance			
Proceeds	465,000	-	465,000
Issuance costs	(15,000)	-	(15,000)
Total other financing sources	<u>450,000</u>	<u>-</u>	<u>100,000</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	<u>\$ 11,783</u>	<u>\$ (2,724)</u>	<u>\$ (335,493)</u>

CITY OF CENTRALIA

**LAGERS (PENSION PLAN)
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
March 31, 2019**

	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 104,078	\$ 102,956	\$ 103,251	\$ 101,377
Interest on the total pension liability	272,031	255,434	236,729	234,857
Benefit changes	105,133	-	-	-
Difference between expected and actual experience	12,819	51,743	(79,299)	(171,090)
Assumption changes	-	-	164,840	-
Benefit payments	(163,836)	(199,044)	(136,794)	(143,574)
Net change in total pension liability	330,225	211,089	288,727	21,570
Total pension liability, beginning	3,781,518	3,570,429	3,281,702	3,260,132
Total pension liability, ending	<u>\$ 4,111,743</u>	<u>\$ 3,781,518</u>	<u>\$ 3,570,429</u>	<u>\$ 3,281,702</u>
Plan fiduciary net position				
Contributions - employer	\$ 61,489	\$ 59,835	\$ 64,321	\$ 73,038
Pension plan net investment income (loss)	561,207	529,420	(10,213)	84,676
Benefit payments	(163,836)	(199,044)	(136,794)	(143,574)
Pension plan administrative expense	(5,634)	(5,395)	(4,963)	(5,406)
Other	(127,718)	189,818	(33,936)	(87,317)
Net change in plan fiduciary net position	325,508	574,634	(121,585)	(78,583)
Plan fiduciary net position, beginning	4,742,123	4,167,489	4,289,074	4,367,657
Plan fiduciary net position, ending	<u>\$ 5,067,631</u>	<u>\$ 4,742,123</u>	<u>\$ 4,167,489</u>	<u>\$ 4,289,074</u>
Employer's net pension liability/(asset)	<u>\$ (955,888)</u>	<u>\$ (960,605)</u>	<u>\$ (597,060)</u>	<u>\$ (1,007,372)</u>
Plan fiduciary net position as a percentage of the total pension liability	123.25%	125.40%	116.72%	130.70%
Covered payroll	\$ 1,212,921	\$ 1,187,724	\$ 1,151,154	\$ 1,149,885
Employer's net pension liability/(asset) as a percentage of covered payroll	-78.81%	-80.88%	-51.87%	-87.61%

Note: This schedule will ultimately contain ten years of data.

CITY OF CENTRALIA
LAGERS (PENSION PLAN)
SCHEDULE OF CONTRIBUTIONS – LAST TEN FISCAL YEARS
March 31, 2019

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 69,096	\$ 61,787	\$ 57,601	\$ 65,936	\$ 75,284
Contributions in relation to the actuarially determined contribution	69,096	61,787	57,601	65,936	75,284
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,212,921	\$ 1,187,724	\$ 1,151,154	\$ 1,149,885	\$ 1,108,886
Contributions as a percentage of covered payroll	5.70%	5.20%	5.00%	5.73%	6.79%
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 75,770	\$ 82,683	\$ 80,736	\$ 85,242	\$ 34,889
Contributions in relation to the actuarially determined contribution	65,956	60,417	51,816	44,324	34,889
Contribution deficiency (excess)	<u>\$ 9,814</u>	<u>\$ 22,266</u>	<u>\$ 28,920</u>	<u>\$ 40,918</u>	<u>\$ -</u>
Covered payroll	\$ 1,083,650	\$ 1,090,774	\$ 1,045,877	\$ 1,023,191	\$ 1,077,910
Contributions as a percentage of covered payroll	6.09%	5.54%	4.95%	4.33%	3.24%

SUPPLEMENTARY INFORMATION

CITY OF CENTRALIA

**COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
NON-MAJOR FUNDS
March 31, 2019**

	Special Revenue					Debt Service		Permanent	Capital Projects		
	Pool Fund	Park Fund	Cemetery Fund	Transportation Sales Tax Fund	Avenue of Flags Fund	Parks and Rec Sales Tax Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund	Highways and Streets Fund	Total
ASSETS											
Cash and cash equivalents	\$ 212	\$ 180,020	\$ 125,039	\$ 476,518	\$ 12,909	\$ 144,959	\$ -	\$ -	\$ 85,070	\$ 3,862	\$ 1,028,589
Accounts receivable	-	-	2,146	-	-	-	-	-	-	-	2,146
Taxes receivable	-	15,262	-	26,761	-	26,761	76	-	-	-	68,860
Due from other funds	-	-	-	-	-	28,593	-	-	3,862	-	32,455
Other assets	-	13,262	-	-	-	-	-	-	-	-	13,262
Restricted assets											
Cash and cash equivalents	-	-	403,777	-	-	47	10,878	2,585	-	-	417,287
Investments	-	-	-	-	-	-	-	227,635	-	-	227,635
Total assets	<u>\$ 212</u>	<u>\$ 208,544</u>	<u>\$ 530,962</u>	<u>\$ 503,279</u>	<u>\$ 12,909</u>	<u>\$ 200,360</u>	<u>\$ 10,954</u>	<u>\$ 230,220</u>	<u>\$ 88,932</u>	<u>\$ 3,862</u>	<u>\$ 1,790,234</u>
LIABILITIES											
Accounts payable	\$ 18,585	\$ -	\$ 40	\$ 60,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,152
Due to other funds	28,593	215	14,558	-	-	-	-	-	-	3,862	47,228
Total liabilities	<u>47,178</u>	<u>215</u>	<u>14,598</u>	<u>60,527</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,862</u>	<u>126,380</u>
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue - property taxes	-	12,240	-	-	-	-	76	-	-	-	12,316
Total deferred inflows of resources	<u>-</u>	<u>12,240</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,316</u>
FUND BALANCES (DEFICIT)											
Nonspendable											
Perpetual care	-	-	-	-	-	-	-	230,220	-	-	230,220
Restricted for:											
Debt service	-	-	-	-	-	200,360	10,878	-	-	-	211,238
Culture and recreation	-	196,089	-	-	12,909	-	-	-	-	-	208,998
Perpetual care	-	-	516,364	-	-	-	-	-	-	-	516,364
Capital projects	-	-	-	442,752	-	-	-	-	-	-	442,752
Committed for:											
Capital projects	-	-	-	-	-	-	-	-	88,932	-	88,932
Unassigned	(46,966)	-	-	-	-	-	-	-	-	-	(46,966)
Total fund balances (deficit)	<u>(46,966)</u>	<u>196,089</u>	<u>516,364</u>	<u>442,752</u>	<u>12,909</u>	<u>200,360</u>	<u>10,878</u>	<u>230,220</u>	<u>88,932</u>	<u>-</u>	<u>1,651,538</u>
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 212</u>	<u>\$ 208,544</u>	<u>\$ 530,962</u>	<u>\$ 503,279</u>	<u>\$ 12,909</u>	<u>\$ 200,360</u>	<u>\$ 10,954</u>	<u>\$ 230,220</u>	<u>\$ 88,932</u>	<u>\$ 3,862</u>	<u>\$ 1,790,234</u>

CITY OF CENTRALIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR FUNDS
Year Ended March 31, 2019

	Special Revenue					Debt Service		Permanent	Capital Projects		
	Pool Fund	Park Fund	Cemetery Fund	Transportation Sales Tax Fund	Avenue of Flags Fund	Parks and Rec Sales Tax Fund	Library Bonds Fund	A.B. Chance Memorial Fund	Fire Equipment Fund	Highways and Streets Fund	Total
REVENUES											
Taxes	\$ -	\$ 208,447	\$ -	\$ 202,935	\$ -	\$ 202,934	\$ 237	\$ -	\$ 1,745	\$ -	\$ 616,298
Charges for services	81,103	20,463	7,750	-	-	-	-	-	-	-	109,316
Intergovernmental revenues	-	-	-	77,979	-	-	-	-	-	-	77,979
Miscellaneous											
Interest	-	2,174	7,977	-	293	5,209	5	1,560	2,024	-	19,242
Contributions	-	23	2,280	-	3,395	2,500	-	-	-	-	8,198
Other	-	2,053	7,200	-	225	-	-	-	-	-	9,478
Total revenues	81,103	233,160	25,207	280,914	3,913	210,643	242	1,560	3,769	-	840,511
EXPENDITURES											
Public works	-	-	-	204,950	-	-	-	-	-	-	204,950
Culture and recreation	112,478	324,822	-	-	445	2,497	-	-	-	-	440,242
Cemetery	-	-	31,142	-	-	-	-	4,524	-	-	35,666
Capital outlay	-	23,524	-	63,732	-	-	-	-	-	-	87,256
Debt service	-	-	-	-	-	190,311	-	-	-	-	190,311
Total expenditures	112,478	348,346	31,142	268,682	445	192,808	-	4,524	-	-	958,425
Excess (deficiency) of revenues over (under) expenditures	(31,375)	(115,186)	(5,935)	12,232	3,468	17,835	242	(2,964)	3,769	-	(117,914)
OTHER FINANCING SOURCES (USES)											
Operating transfers in	10,000	3,974	30,000	-	-	-	11	-	-	-	43,985
Operating transfers (out)	-	-	-	-	-	(10,000)	-	-	-	-	(10,000)
Debt proceeds	-	100,000	-	-	-	-	-	-	-	-	100,000
Total other financing sources (uses)	10,000	103,974	30,000	-	-	(10,000)	11	-	-	-	133,985
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(21,375)	(11,212)	24,065	12,232	3,468	7,835	253	(2,964)	3,769	-	16,071
Fund balances, April 1	(25,591)	207,301	492,299	430,520	9,441	192,525	10,625	233,184	85,163	-	1,635,467
FUND BALANCES (DEFICIT), MARCH 31	\$ (46,966)	\$ 196,089	\$ 516,364	\$ 442,752	\$ 12,909	\$ 200,360	\$ 10,878	\$ 230,220	\$ 88,932	\$ -	\$ 1,651,538