

**CITY OF CENTRALIA**

**SUMMARY REPORT**

**MARCH 31, 2022**

November 10, 2022

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

We appreciate the opportunity to assist the Honorable Mayor and the Board of Aldermen of the City of Centralia (the City) in its governance and oversight function by providing annual audit services. Our audit reports for the year ended March 31, 2022, have been provided to management and include the following:

Financial Statements

This document contains the City's financial statements for the fiscal year ended March 31, 2022, along with our report on those statements.

Highlights are as follows:

- We issued an "unmodified" or a "clean" opinion on the financial statements. In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the each major fund and the aggregate remaining fund information of the City as of March 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles (GAAP); however, our opinion is not modified with respect to this matter.
- Management is responsible for the preparation and fair presentation of the financial statements, including the design and implementation of internal control. We prepared the financial statements, which were reviewed and approved by management.
- We used our judgment in determining how to audit the City. We focused our attention on areas where the financial statements could be misstated.
- We evaluated the appropriateness of accounting policies, the reasonableness of significant accounting estimates, and the overall financial statement presentation.
- Typically, government financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the City's financial statements have been prepared using the modified cash basis of accounting, the fund financial statement information is presented in the same manner as government-wide financial statements would be, only with more detail. Therefore, the City's basis financial statements include: 1) fund financial statements and 2) notes to the financial statements.

- The following summarizes the highlights from the governmental funds' financial statements as of and for the years ended March 31, 2022 and 2021.

	2022	2021
Total assets	\$ 3,442,992	\$ 2,597,663
Total liabilities	\$ 67,265	\$ 67,284
Fund balances:		
Nonspendable	782,981	769,772
Restricted for ARPA coronavirus recovery	383,021	-
Restricted for culture and recreation	243,818	201,997
Restricted for debt service	44,456	28,847
Restricted for public safety	24,505	-
Committed for capital projects	562,570	632,615
Committed for culture and recreation	290,883	163,044
Unassigned	1,043,493	734,104
Total fund balances	3,375,727	2,530,379
Total liabilities and fund balances	\$ 3,442,992	\$ 2,597,663

- Total assets increased by \$845,329 (33%), due to the positive net change in fund balances – see further discussion below.
- Total fund balances increased \$845,348 (33%) – see further discussion below.

	2022	2021
Total revenues	\$ 4,175,813	\$ 3,267,186
Total expenditures	4,039,409	3,219,318
Excess of revenues over expenditures	136,404	47,868
Total other financing sources	708,944	525,000
Net change in fund balances	845,348	572,868
Fund balances - beginning	2,530,379	1,957,511
Fund balances - ending	\$ 3,375,727	\$ 2,530,379

- Total revenues increased by \$908,627 (28%), due to ARPA grant funding.
- Total expenditures increased \$820,091 (25%), due to an increase in capital outlay and other projects and the re-opening of the pool.
- Total other financing sources increased \$183,944 (35%), due to an increase in interfund transfers to the City's governmental funds from the City's proprietary funds and debt proceeds related to the issuance of new capital leases.

- The following summarizes the highlights from the proprietary funds' financial statements as of and for the years ended March 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Total assets	\$ 3,205,020	\$ 2,610,276
Total liabilities	<u>92,433</u>	<u>94,016</u>
Net position:		
Restricted for capital outlay	168,806	168,806
Restricted for debt service	37,967	9,782
Unrestricted	<u>2,905,814</u>	<u>2,337,672</u>
Total net position	<u>\$ 3,112,587</u>	<u>\$ 2,516,260</u>

- Total assets increased by \$594,744 (23%), due to the positive change in net position – see further discussion below.
- Total net position increased \$596,327 (24%) – see further discussion below.

	<u>2022</u>	<u>2021</u>
Total operating revenues	\$ 6,023,541	\$ 5,868,472
Total operating expenses	<u>4,895,465</u>	<u>6,009,762</u>
Operating income (loss)	1,128,076	(141,290)
Total non-operating revenues (expenses)	63,262	(189,622)
Operating transfers (out)	<u>(595,011)</u>	<u>(525,000)</u>
Change in net position	596,327	(855,912)
Total net position - beginning	<u>2,516,260</u>	<u>3,372,172</u>
Total net position - ending	<u>\$ 3,112,587</u>	<u>\$ 2,516,260</u>

- Total operating revenues were stable (increased by \$155,069 (3%)).
- Total operating expenses decreased \$1,114,297 (-19%), due to capital outlay related to the AMI meter implementation in the prior year.
- Total non-operating revenues (expenses) increased \$252,884 (133%), due to capital grants and contributions and debt proceeds related to the issuance of SRF bonds, offset by a related increase in capital outlay for the wastewater system improvements project.
- Total operating transfers (out) increased \$70,011 (13%), due to an increase in interfund transfers to the City's governmental funds from the City's proprietary funds.

### Single Audit

- Because the City had expenditures of federal awards exceeding \$750,000, it was required to have a “Single Audit.” A Single Audit increases the work the auditors must perform and adds additional reports to the financial statements. The City had federal expenditures of \$5,692,063 related to the federal awards listed in the schedule of expenditures of federal awards.
- The report on internal control and compliance related to financial reporting had a significant deficiency re: financial reporting (as described in the Management Letter section below re: preparation of financial statements).
- The report on internal control and compliance related to major federal programs expressed an unmodified opinion on compliance and had no findings.

### Auditors’ Communication Letter

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

Highlights are as follows:

- We noted no transactions that we considered both unusual and significant, and there were no changes in accounting policies during the year.
- We evaluated the estimates affecting the financial statements and found them reasonable in relation to the financial statements as a whole.
- We evaluated the disclosures in the financial statements and found them to be neutral, consistent, and clear. All required disclosures are included.
- We encountered no significant difficulties in dealing with management in performing our audit.
- We had no disagreements with management on accounting or auditing issues.

### Management Letter

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

Highlights are as follows:

- Although the scope of our engagement was not directed towards an opinion on the adequacy of internal control, we considered internal control as a basis for designing our audit procedures.
- A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.
  - We did not identify any material weaknesses.

- A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
  - We identified bank reconciliations (including Treasurer's reports), preparation of financial statements, and network access to be significant deficiencies this year.
- We also made other recommendations to help strengthen internal control and improve operating deficiency for the City to consider: cash disbursements, interfund balances, and Summit general ledger – fund accounting issues.

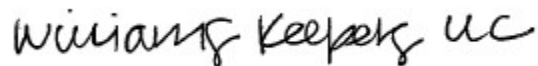
#### Report for MIRMA

We also issued a report on the Schedule of Payroll Reportable to MIRMA of the City for the year ended December 31, 2021, in compliance with the requirements of the Missouri Intergovernmental Risk Management Association (MIRMA).

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

We appreciate the opportunity to be of service.

Sincerely,

A handwritten signature in black ink that reads "Williams-Keepers LLC". The signature is written in a cursive, flowing style.

WILLIAMS-KEEPERS LLC