

City of Forsyth, Missouri

Basic Financial Statements Year Ended August 31, 2021



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Honorable Mayor and Board of Aldermen
City of Forsyth
Forsyth, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Forsyth, Missouri, as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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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, and each major fund of the City of Forsyth, Missouri, as of August 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information, and budgetary comparison schedules 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 auditing standards generally accepted in the United States of America, 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.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
February 2, 2022

Management's Discussion and Analysis

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

The management's discussion and analysis of the City of Forsyth's financial performance provides an overview of the City's financial activities for the fiscal year ended August 31, 2021. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$320,239 for the year as a result of current year activities. The net position of the City's business-type activities increased by \$66,799 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of August 31, 2021, by \$11.9 million (net position). Of this amount \$2,005,383 was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City decreased by \$690,046 during the year.

Total revenues increased 4% compared to prior year revenues, while total expense decreased 11% compared to prior year expenses.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, *Is the City as a whole better off or worse off as a result of the year's activities?* The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in them. The City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are indicators of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities: Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.

Business-Type Activities: The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer services are provided here.

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. The Board of Aldermen establishes funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

Governmental Funds: Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in reconciliations following the fund financial statements.

Proprietary Funds: When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of August 31, 2021 and 2020:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total August 31, 2021</u>	<u>Total August 31, 2020</u>
Assets				
Current and other assets	\$ 1,826,364	\$ 1,644,955	\$ 3,471,319	\$ 3,110,377
Net pension asset	138,143	1,030	139,173	-
Capital assets	4,457,833	6,501,439	10,959,272	11,289,461
Total Assets	<u>6,422,340</u>	<u>8,147,424</u>	<u>14,569,764</u>	<u>14,399,838</u>
Deferred Outflow of Resources				
Deferred pension outflows	37,623	58,094	95,717	179,257
Liabilities				
Other liabilities	137,434	236,975	374,409	372,140
Long-term liabilities outstanding	935,031	981,403	1,916,434	2,606,480
Total Liabilities	<u>1,072,465</u>	<u>1,218,378</u>	<u>2,290,843</u>	<u>2,978,620</u>
Deferred Inflow of Resources				
Deferred pension inflows	229,473	224,307	453,780	66,655
Net Position				
Net investment in capital assets	3,432,833	5,421,439	8,854,272	8,990,946
Restricted	1,061,203	-	1,061,203	1,104,792
Unrestricted	663,989	1,341,394	2,005,383	1,438,082
Total Net Position	<u>\$ 5,158,025</u>	<u>\$ 6,762,833</u>	<u>\$ 11,920,858</u>	<u>\$ 11,533,820</u>

Total net position of the City increased by \$387,038 for the year due to current year activity. Total liabilities for the City decreased \$687,777.

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

Changes in Net Position

	Governmental Activities	Business-Type Activities	Total Year Ended August 31, 2021	Total Year Ended August 31, 2020
Revenues				
Program Revenues				
Charges for services	\$ 41,546	\$ 877,216	\$ 918,762	\$ 951,229
Operating grants and contributions	41,900	-	41,900	31,768
Capital grants and contributions	4,021	126,000	130,021	15,908
General Revenues				
Property taxes	180,273	-	180,273	186,784
Sales taxes	837,856	-	837,856	833,597
Motor vehicle taxes	95,438	-	95,438	88,813
Other taxes	1	-	1	-
Franchise taxes	69,599	-	69,599	68,020
Interest	24,102	23,961	48,063	60,231
Other revenue	17,419	-	17,419	16,461
Transfers	12,499	(12,499)	-	-
Total Revenues and Transfers	1,324,654	1,014,678	2,339,332	2,252,811
Expenses				
Administration	95,522	-	95,522	108,347
Police	365,762	-	365,762	475,928
Fire	191,043	-	191,043	168,052
Parks	113,663	-	113,663	121,090
Street	184,612	-	184,612	187,665
Building	24,926	-	24,926	17,044
Debt service	28,887	-	28,887	52,268
Water and sewer	-	947,879	947,879	1,055,770
Total Expenses	1,004,415	947,879	1,952,294	2,186,164
Special Items				
Insurance proceeds	-	-	-	8,207
Gain on sale of assets	-	-	-	9,818
Total Special Items	-	-	-	18,025
<i>Increase in Net Position</i>	\$ 320,239	\$ 66,799	\$ 387,038	\$ 84,672

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

Governmental Activities

Governmental activities increased the net position of the City by \$320,239. Tax revenues for the City were \$1,183,167 which represents 89% of the financing of these activities. Program revenues for the functions totaled \$87,467. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost of the City of Forsyth's Governmental Activities

	Total Cost of Services	Net Cost of Services
Administration	\$ 95,522	\$ 90,647
Police	365,762	305,933
Fire	191,043	187,022
Parks	113,663	109,841
Street	184,612	184,612
Building	24,926	10,006
Debt service	28,887	28,887
	<u>\$ 1,004,415</u>	<u>\$ 916,948</u>

Business-Type Activities

Business-type activities increased the City's net position by \$66,799.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of August 31, 2021, were \$1,794,555. The General Fund increased by \$218,502. The Capital Improvement Fund increased by \$51,010.

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$999,920 was increased to \$1,094,666 for anticipated revenue.

Expenditures

The original expenditure budget of \$1,222,621 was decreased to \$983,811 for anticipated expenditures.

Capital Assets and Long-Term Debt

Capital Assets

Capital assets of the governmental activities were \$4,457,833 (net of accumulated depreciation) as of August 31, 2021. This represents a \$169,133 decrease from the prior year. Capital assets for business-type activities were \$6,501,439 as of August 31, 2021. This represents a \$161,056 decrease from the prior year.

City of Forsyth

Management's Discussion and Analysis

August 31, 2021

Debt

Total debt of the governmental activities as of August 31, 2021, was \$1,025,000, which is down from \$1,148,515 in the prior year due to principal payments on debt.

Total debt of the business-type activities as of August 31, 2021, was \$1,080,000, which is down from \$1,150,000 in the prior year due to principal payments on debt.

Economic Factors and Next Year's Budget

The onset of the pandemic caused considerable uncertainty for local governments and the citizens we govern. Business disruptions and adjustments to business models have stressed employers, employees, and customers alike. The City's operations have been adapted to protect employee and public health with relatively inexpensive modifications.

The 2022 budget was similar to the 2021 budget but with revenue forecasts for sales and property taxes growing slightly. All departments saw wage rates increases to stay competitive in recruiting and retaining employees. Water and sewer rates will be reviewed with a small increase expected. Some infrastructure expansion and software updates may be possible with the expected ARPA funding made available to the City, but pending grant regulation have delayed those projects slightly.

The economic effects of the pandemic will be monitored as new variants of the virus present themselves. We will continue to budget conservatively and monitor revenues to ensure consistent delivery of services to our citizens.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

Kelly Dougherty, Mayor
Chris Robertson, City Administrator
Cheyenne Beasley, City Clerk
Angela Leist, Finance Officer

City of Forsyth
15405 U.S. Highway 160
P.O. Box 545
Forsyth, Missouri 65653
(417) 546-4763

City of Forsyth

Statement of Net Position

August 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 759,598	\$ 1,429,426	\$ 2,189,024
Ad valorem taxes receivable	1,240	-	1,240
Sales taxes receivable	196,144	-	196,144
Utilities receivable, net	-	99,410	99,410
Court fines receivable	15,735	-	15,735
Other accounts receivable	5,044	-	5,044
Prepaid expenses	46,230	19,412	65,642
Noncurrent			
Restricted cash and cash equivalents	802,373	96,707	899,080
Net pension asset	138,143	1,030	139,173
Capital assets			
Non-depreciable	1,112,558	186,910	1,299,468
Depreciable, net	3,345,275	6,314,529	9,659,804
Total Assets	<u>6,422,340</u>	<u>8,147,424</u>	<u>14,569,764</u>
Deferred Outflow of Resources			
Deferred pension outflows	37,623	58,094	95,717
Liabilities			
Current			
Accounts payable	-	20,598	20,598
Accrued expenses	15,974	9,383	25,357
Deposits payable	100	96,707	96,807
Accrued interest payable	11,360	5,287	16,647
Current maturities of long-term debt	110,000	105,000	215,000
	<u>137,434</u>	<u>236,975</u>	<u>374,409</u>
Noncurrent			
Revenue bonds payable	915,000	975,000	1,890,000
Compensated absences	20,031	6,403	26,434
	<u>935,031</u>	<u>981,403</u>	<u>1,916,434</u>
Total Liabilities	<u>1,072,465</u>	<u>1,218,378</u>	<u>2,290,843</u>
Deferred Inflow of Resources			
Deferred pension inflow	<u>229,473</u>	<u>224,307</u>	<u>453,780</u>
Net Position			
Net investment in capital assets	3,432,833	5,421,439	8,854,272
Restricted	1,061,203	-	1,061,203
Unrestricted	663,989	1,341,394	2,005,383
Total Net Position	<u>\$ 5,158,025</u>	<u>\$ 6,762,833</u>	<u>\$ 11,920,858</u>

See accompanying notes to the financial statements.

City of Forsyth

Statement of Activities

Year Ended August 31, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues, and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Administration	\$ (95,522)	\$ 4,875	\$ -	\$ -	\$ (90,647)	\$ -	\$ (90,647)
Police	(365,762)	17,929	41,900	-	(305,933)	-	(305,933)
Fire	(191,043)	-	-	4,021	(187,022)	-	(187,022)
Parks	(113,663)	3,822	-	-	(109,841)	-	(109,841)
Street	(184,612)	-	-	-	(184,612)	-	(184,612)
Building	(24,926)	14,920	-	-	(10,006)	-	(10,006)
Debt service	(28,887)	-	-	-	(28,887)	-	(28,887)
Total Governmental Activities	(1,004,415)	41,546	41,900	4,021	(916,948)	-	(916,948)
Business-Type Activities							
Water and sewer	(947,879)	877,216	-	126,000	-	55,337	55,337
Total Business-Type Activities	(947,879)	877,216	-	126,000	-	55,337	55,337
Total Government	<u>\$ (1,952,294)</u>	<u>\$ 918,762</u>	<u>\$ 41,900</u>	<u>\$ 130,021</u>	(916,948)	55,337	(861,611)
		General Revenues					
					180,273	-	180,273
					837,856	-	837,856
					95,438	-	95,438
					1	-	1
					69,599	-	69,599
					24,102	23,961	48,063
					17,419	-	17,419
					12,499	(12,499)	-
		Total General Revenues and Transfers			1,237,187	11,462	1,248,649
		<i>Changes in Net Position</i>			320,239	66,799	387,038
		Net Position, Beginning of year			4,837,786	6,696,034	11,533,820
		Net Position, End of year			<u>\$ 5,158,025</u>	<u>\$ 6,762,833</u>	<u>\$ 11,920,858</u>

See accompanying notes to the financial statements.

City of Forsyth

Balance Sheet – Governmental Funds

August 31, 2021

	<u>General Fund</u>	<u>Special Revenue Fund Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 540,108	\$ 219,490	\$ 759,598
Ad valorem taxes receivable	1,240	-	1,240
Sales taxes receivable	156,704	39,440	196,144
Court fines receivable	15,735	-	15,735
Other accounts receivable	5,044	-	5,044
Prepaid expenses	46,230	-	46,230
Restricted cash and cash equivalents	802,373	-	802,373
Total Assets	<u><u>\$ 1,567,434</u></u>	<u><u>\$ 258,930</u></u>	<u><u>\$ 1,826,364</u></u>
Liabilities, Deferred Inflow of Resources, and Fund Balances			
Liabilities			
Accrued expenses	\$ 15,974	\$ -	\$ 15,974
Deposits payable	100	-	100
Total Liabilities	<u>16,074</u>	<u>-</u>	<u>16,074</u>
Deferred Inflow of Resources			
Deferred court fines	<u>15,735</u>	<u>-</u>	<u>15,735</u>
Fund Balances			
Nonspendable			
Prepaid items	46,230	-	46,230
Restricted for			
Donations	29,105	-	29,105
Parks	416,480	-	416,480
Fire department	356,688	-	356,688
Capital improvements	-	258,930	258,930
Unassigned	<u>687,122</u>	<u>-</u>	<u>687,122</u>
Total Fund Balances	<u><u>1,535,625</u></u>	<u><u>258,930</u></u>	<u><u>1,794,555</u></u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u><u>\$ 1,567,434</u></u>	<u><u>\$ 258,930</u></u>	<u><u>\$ 1,826,364</u></u>

See accompanying notes to the financial statements.

City of Forsyth

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

August 31, 2021

Fund balance - total governmental funds	\$ 1,794,555
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	6,490,084
Less accumulated depreciation	<u>(2,032,251)</u>
	4,457,833
Adjustment of deferred court fines	15,735
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(11,360)
The net pension asset and related deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	138,143
Deferred outflows due to pensions	37,623
Deferred inflows due to pensions	<u>(229,473)</u>
	(53,707)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,045,031)</u>
Net Position of Governmental Activities	<u><u>\$ 5,158,025</u></u>

See accompanying notes to the financial statements.

City of Forsyth

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended August 31, 2021

	<u>General Fund</u>	<u>Special Revenue Fund Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 1,000,421	\$ 182,745	\$ 1,183,166
Licenses and permits	19,795	-	19,795
Intergovernmental revenues	45,921	-	45,921
Charges for services	3,822	-	3,822
Fines and forfeitures	14,430	-	14,430
Miscellaneous	38,206	3,316	41,522
Total Revenues	<u>1,122,595</u>	<u>186,061</u>	<u>1,308,656</u>
Expenditures			
Current			
Administration	84,470	-	84,470
Police	411,067	-	411,067
Fire	161,814	-	161,814
Parks	119,590	-	119,590
Street	114,725	-	114,725
Building	24,926	-	24,926
Debt service			
Principal, interest and fees	-	135,051	135,051
Total Expenditures	<u>916,592</u>	<u>135,051</u>	<u>1,051,643</u>
<i>Excess of Revenues Over Expenditures</i>	206,003	51,010	257,013
Other Financing Sources			
Operating transfers in	<u>12,499</u>	-	<u>12,499</u>
<i>Excess of Revenues and Other Sources Over Expenditures</i>	218,502	51,010	269,512
Fund Balance, September 1	<u>1,317,123</u>	<u>207,920</u>	<u>1,525,043</u>
Fund Balance, August 31	<u><u>\$ 1,535,625</u></u>	<u><u>\$ 258,930</u></u>	<u><u>\$ 1,794,555</u></u>

See accompanying notes to the financial statements.

City of Forsyth

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Year Ended August 31, 2021

Net change in fund balances - total governmental funds	\$ 269,512
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 these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense.	
Capital outlay	28,989
Depreciation	(198,122)
	<u>(169,133)</u>
Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned.	3,499
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.	
Change in compensated absences	917
Change in pension related costs	90,765
	<u>91,682</u>
The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt is a use of current financial resources of governmental funds. In the Statement of Activities, interest is accrued on outstanding debt whereas, in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences.	
Repayment of principal on bonds and leases	123,515
Accrued interest payable	1,164
	<u>124,679</u>
Change in Net Position of Governmental Activities	<u>\$ 320,239</u>

See accompanying notes to the financial statements.

City of Forsyth

Statement of Net Position – Proprietary Fund

August 31, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,429,426
Utilities receivable, net	99,410
Prepaid expenses	19,412
Total Current Assets	<u>1,548,248</u>
Restricted Assets	
Cash and cash equivalents	96,707
Net Pension Asset	1,030
Property, Plant and Equipment	
Land	186,910
Water and sewer system	14,924,988
Equipment	270,258
Vehicles	210,127
	<u>15,592,283</u>
Less accumulated depreciation	<u>(9,090,844)</u>
Total Property, Plant and Equipment	<u>6,501,439</u>
Total Assets	<u>8,147,424</u>
Deferred Outflow of Resources	
Deferred pension outflows	58,094

See accompanying notes to the financial statements.

City of Forsyth

Statement of Net Position – Proprietary Fund

August 31, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	20,598
Accrued expenses	9,383
Deposits payable	96,707
Accrued interest payable	5,287
Current maturities of long-term debt	105,000
Total Current Liabilities	<u>236,975</u>
Long-Term Liabilities	
Revenue bonds payable	975,000
Compensated absences payable	6,403
Total Long-Term Liabilities	<u>981,403</u>
Total Liabilities	<u>1,218,378</u>
Deferred Inflow of Resources	
Deferred pension inflows	<u>224,307</u>
Net Position	
Net investment in capital assets	5,421,439
Unrestricted	1,341,394
Total Net Position	<u><u>\$ 6,762,833</u></u>

See accompanying notes to the financial statements.

City of Forsyth

Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund

Year Ended August 31, 2021

	Enterprise Fund
	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 431,686
Sewer	445,530
Total Operating Revenues	877,216
Operating Expenses	
Salaries and benefits	291,836
Legal and professional	3,000
Utilities	124,419
Gas and oil	9,118
Telephone	5,744
Maintenance	36,344
Supplies	43,495
Insurance	23,725
Depreciation	297,358
Travel, meetings, and dues	1,065
Support contracts	6,392
Bad debt expense	29,275
Engineering	19,549
Total Operating Expenses	891,320
<i>Operating (Loss)</i>	(14,104)
Nonoperating Revenues (Expenses)	
Intergovernmental revenues	126,000
Interest income	23,961
Interest and fees expense	(56,559)
Total Nonoperating Revenues (Expenses)	93,402
<i>Income Before Operating Transfers</i>	79,298
Operating Transfers (Out)	(12,499)
<i>Net Income</i>	66,799
Net Position, September 1	6,696,034
Net Position, August 31	\$ 6,762,833

See accompanying notes to the financial statements.

City of Forsyth

Statement of Cash Flows – Proprietary Fund

Year Ended August 31, 2021

	Enterprise Fund
	Water and
	Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 922,677
Cash paid to employees	(361,374)
Cash paid to suppliers	(301,171)
Net Cash Provided by Operating Activities	260,132
Cash Flows from Noncapital Financing Activities	
Operating transfers (out)	(12,499)
Net Cash (Used) by Noncapital Financing Activities	(12,499)
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(136,302)
Bond proceeds	1,080,000
Intergovernmental revenue	126,000
Payment of revenue bond principal	(1,150,000)
Payment of interest expense	(37,600)
Payment of debt issuance costs	(22,800)
Net Cash (Used) by Capital and Related Financing Activities	(140,702)
Cash Flows from Investing Activities	
Interest received on investments	23,961
Net Cash Provided by Investing Activities	23,961
<i>Net Increase in Cash and Cash Equivalents</i>	130,892
Cash and Cash Equivalents, Beginning of year	1,395,241
Cash and Cash Equivalents, End of year	1,526,133
Less Restricted Cash and Cash Equivalents	96,707
Unrestricted Cash and Cash Equivalents	\$ 1,429,426

See accompanying notes to the financial statements.

City of Forsyth

Statement of Cash Flows – Proprietary Fund

Year Ended August 31, 2021

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Reconciliation of Operating (Loss) to Net Cash Provided by Operating Activities	
Operating (loss)	\$ (14,104)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	297,358
(Increase) decrease in	
Utilities receivable	39,651
Prepaid expenses	431
Net pension asset	(1,030)
Deferred pension outflow	53,910
Increase (decrease) in	
Accounts payable	524
Accrued expenses	7,334
Compensated absences payable	(3,017)
Deposits payable	5,810
Net pension liability	(326,802)
Deferred pension inflow	200,067
Net Cash Provided by Operating Activities	<u>\$ 260,132</u>

See accompanying notes to the financial statements.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

1. Summary of Significant Accounting Policies

The City of Forsyth, Missouri, (the City) operates under a Mayor – Board of Aldermen form of government and provides the following services: public safety, streets, parks, planning and general administrative services. Other services include water and sewer operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The City is organized under the laws of the State of Missouri and is a primary government, which is governed by an elected Board of Aldermen. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and, therefore, no other entity has been included as a component unit in the financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

Government-Wide Financial Statements

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Capital Improvement Fund: The Capital Improvement Fund is used to account for sales tax revenues that are restricted, committed or assigned to be used for the purpose of any capital improvement for the City and expires in 20 years from the date of approval.

The City reports the following major proprietary fund:

Water and Sewer Fund: The Water and Sewer Fund accounts for the activities and capital improvements of the City's water and sewer operations.

Capital Assets

Capital assets include land, building and improvements, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$1,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the city elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Buildings, improvements and utility plants	40 years
Equipment	5-15 years
Infrastructure	20-40 years
Vehicles	5-10 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers all accounts subject to withdrawal by check or on demand to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Compensated Absences

Employees earn vacation time based on the number of years of service to the City. Outstanding vacation and compensatory time is payable on termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Net Position

In the government-wide financial statements, net position is classified in three components as follows:

Net Investment in Capital Assets: 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 improvement of those assets.

Restricted: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City first applies restricted net position.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws and regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the City's Board of Aldermen.

Assigned fund balance: This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

The Board of Aldermen has formally adopted a minimum fund balance policy to maintain at least a 25% cash balance of annual operating expenditures in the General Fund.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net 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 a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to the retirement plan.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

In addition to liabilities, the Statement of Net Position and Balance Sheet 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/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to court fines on the Balance Sheet and deferred amounts relating to the retirement plan on the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflow of resources and deferred inflow 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.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenues and expenses are considered nonoperating.

2. Cash & Cash Equivalents

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of August 31, 2021, all bank balances on deposit are entirely insured or collateralized.

3. Accounts Receivable

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	<u>Gross Receivable</u>	<u>Allowance</u>	<u>Net Receivable</u>
Utilities Receivable			
Water and Sewer Fund	\$ 103,410	\$ (4,000)	\$ 99,410

City of Forsyth

Notes to the Financial Statements

August 31, 2021

4. Restricted Assets

Governmental Activities

Cash and cash equivalents, fund balance, and net position have been restricted as follows:

General Fund

Tenant deposits	\$ 100	\$ -
Donations	29,105	29,105
Park sales tax	416,480	416,480
Fire sales tax	356,688	356,688
	<u>\$ 802,373</u>	<u>\$ 802,273</u>

Capital Improvement Fund

Capital improvement tax	<u>\$ -</u>	<u>\$ 258,930</u>
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Business-Type Activities

Restricted cash includes cash restricted for utility deposits. This restriction is as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
Water and Sewer Fund		
Utility deposits	<u>\$ 96,707</u>	<u>\$ -</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2021

5. Long-Term Debt – Governmental Activities

Long-term debt for governmental activities at August 31, 2021, consists of the 2019 Capital Improvement Sales Tax Refunding Revenue Bonds and compensated absences.

Capital Improvement Bonds

On September 24, 2019, the City issued \$1,230,000 in Capital Improvement Sales Tax Refunding Revenue Bonds due in varying annual installments through April 1, 2029; interest at 2.66% due on April 1 and October 1 of each year.

\$ 1,025,000

Principal and interest payments are due as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 110,000	\$ 27,265	\$ 137,265
2023	115,000	24,339	139,339
2024	120,000	21,280	141,280
2025	125,000	18,088	143,088
2026	130,000	14,763	144,763
2027	135,000	11,305	146,305
2028	140,000	7,714	147,714
2029	150,000	3,990	153,990
	<u>\$ 1,025,000</u>	<u>\$ 128,744</u>	<u>\$ 1,153,744</u>

In the event of default on the agreement, after 60 days, the registered owners of the Bonds then outstanding may declare the principal of all Bonds then outstanding to be due and payable immediately.

The following table is a summary of the changes in the Long-Term Debt – Governmental Activities:

	<u>Balance August 31, 2020</u>	<u>New Obligations</u>	<u>Retirements</u>	<u>Balance August 31, 2021</u>	<u>Amounts Due Within One Year</u>
Capital Improvement Bonds					
Series 2019	\$ 1,130,000	\$ -	\$ 105,000	\$ 1,025,000	\$ 110,000
Direct Borrowing					
Lease Payable	18,515	-	18,515	-	-
Compensated Absences	20,948	-	917	20,031	-
	<u>\$ 1,169,463</u>	<u>\$ -</u>	<u>\$ 124,432</u>	<u>\$ 1,045,031</u>	<u>\$ 110,000</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2021

6. Long-Term Debt – Business-Type Activities

Long-term debt for business-type activities at August 31, 2021, consists of the 2021 Combined Waterworks and Sewerage System Refunding Revenue Bonds and compensated absences.

2021 Combined Waterworks and Sewerage System Refunding Revenue Bonds

On June 3, 2021, the city issued Combined Waterworks and Sewerage System Refunding Revenue Bonds in the amount of \$1,080,000 to advance refund the Series 2012 Combined Waterworks and Sewerage System Revenue Bonds that were issued to refund the Series 1994A and 2004B Combined Waterworks and Sewerage System Revenue Bonds. In the event of default on the agreement, after 60 days, the registered owners of the Bonds then outstanding may declare the principal of all Bonds then outstanding to be due and payable immediately. The bonds bear interest at 1.98% with principal payments due on June 1, and interest payments due December 1 and June 1, of each year.

The annual debt service requirements to amortize the principal on the 2021 refunding revenue bonds outstanding at August 31, 2021, are listed in the following table:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 105,000	\$ 21,265	\$ 126,265
2023	105,000	19,305	124,305
2024	105,000	17,226	122,226
2025	110,000	15,147	125,147
2026	115,000	12,969	127,969
2027	115,000	10,692	125,692
2028	115,000	8,415	123,415
2029	70,000	6,138	76,138
2030	65,000	4,752	69,752
2031	65,000	3,465	68,465
2032	65,000	2,178	67,178
2033	45,000	891	45,891
	<u>\$ 1,080,000</u>	<u>\$ 122,443</u>	<u>\$ 1,202,443</u>

The following table is a summary of the changes in the business-type activities long-term debt for the year ended August 31, 2021:

	<u>Balance August 31, 2020</u>	<u>New Obligations</u>	<u>Retirements</u>	<u>Balance August 31, 2021</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable					
Series 2012	\$ 1,150,000	\$ -	\$ 1,150,000	\$ -	\$ -
Series 2021	-	1,080,000	-	1,080,000	105,000
Compensated Absences	9,420	-	3,017	6,403	-
	<u>\$ 1,159,420</u>	<u>\$ 1,080,000</u>	<u>\$ 1,153,017</u>	<u>\$ 1,086,403</u>	<u>\$ 105,000</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2021

Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Balance August 31, 2020	Additions	Deletions	Balance August 31, 2021
Governmental Activities				
Non-Depreciable Capital Assets				
Construction in progress	\$ -	\$ 21,151	\$ -	\$ 21,151
Land	1,091,407	-	-	1,091,407
Total Non-depreciable Capital Assets	1,091,407	\$ 21,151	\$ -	1,112,558
Depreciable Capital Assets				
Building and improvements	945,137	\$ -	\$ -	945,137
Equipment	1,132,115	7,838	-	1,139,953
Vehicles	476,944	-	-	476,944
Infrastructure	2,815,492	-	-	2,815,492
Total Depreciable Capital Assets	5,369,688	\$ 7,838	\$ -	5,377,526
Less Accumulated Depreciation				
Buildings and improvements	321,268	\$ 22,977	\$ -	344,245
Equipment	835,451	50,758	-	886,209
Vehicles	247,443	36,475	-	283,918
Infrastructure	429,967	87,912	-	517,879
Total Accumulated Depreciation	1,834,129	\$ 198,122	\$ -	2,032,251
Total Depreciable Capital Assets, net	3,535,559			3,345,275
Total Governmental Activities Capital Assets, net	\$ 4,626,966			\$ 4,457,833

Depreciation expense for governmental activities was charged to functions as follows:

Administration	\$ 18,352
Police	24,835
Fire	41,753
Streets	90,420
Parks	22,762
	\$ 198,122

City of Forsyth

Notes to the Financial Statements

August 31, 2021

	Balance August 31, 2020	Additions	Deletions	Balance August 31, 2021
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 186,910	\$ -	\$ -	\$ 186,910
Depreciable Capital Assets				
Water and sewer system	14,795,915	\$ 129,073	\$ -	14,924,988
Equipment	263,029	7,229	-	270,258
Vehicles	210,127	-	-	210,127
Total Depreciable Capital Assets	15,269,071	\$ 136,302	\$ -	15,405,373
Less Accumulated Depreciation	8,793,486	\$ 297,358	\$ -	9,090,844
Total Depreciable Capital Assets, net	6,475,585			6,314,529
Total Business-Type Activities Capital Assets, net	\$ 6,662,495			\$ 6,501,439

7. Employee Pension Plan

General Information about the Pension Plan

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) 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 receive a reduced allowance.

	2021 Valuation
Benefit multiplier	2.00% for life
Final average salary	5 years
Member contributions	4%

City of Forsyth

Notes to the Financial Statements

August 31, 2021

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, 2021, which is LAGERS fiscal year end and the latest information available, the following employees were covered by the benefit terms:

	General	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	8	7	0
Inactive employees entitled to but not yet receiving benefits	8	14	0
Active employees	9	5	1
	25	26	1

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% to the pension plan. Employer contribution rates are 16.0% (General), 11.9% (Police), and 15.9% (Fire) of annual covered payroll.

Net Pension Liability (Asset). The employer’s net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2021.

Actuarial Assumptions. The total pension liability in the February 28, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase	2.75% to 6.75% including wage inflation (General); 2.75% to 6.55% including wage inflation (Police); 2.75% to 7.15% including wage inflation (Fire)
Investment rate of return	7.00% net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

The actuarial assumptions used in the February 28, 2021, valuation were based on the results of an actuarial experience study for the period March 1, 2015, through February 29, 2020.

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 estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

Discount Rate. The discount rate used to measure the total pension liability is 7.00%. 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.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
General Division			
Balance at beginning of year	\$ 2,106,096	\$ 1,688,191	\$ 417,905
Changes for the year			
Service cost	34,982	-	34,982
Interest on total pension liability	150,513	-	150,513
Difference between expected and actual experiences	(20,837)	-	(20,837)
Contributions - employer	-	54,607	(54,607)
Contributions - employee	-	13,802	(13,802)
Net investment income	-	455,455	(455,455)
Changes in assumptions	(43,499)	-	(43,499)
Benefits paid, including refunds	(96,150)	(96,150)	-
Administrative expenses	-	(1,746)	1,746
Other (net transfer)	-	18,286	(18,286)
<i>Net Changes</i>	<u>25,009</u>	<u>444,254</u>	<u>(419,245)</u>
Balance at end of year	2,131,105	2,132,445	(1,340)
Police Division			
Balance at beginning of year	1,058,581	1,014,703	43,878
Changes for the year			
Service cost	22,244	-	22,244
Interest on total pension liability	75,811	-	75,811
Difference between expected and actual experiences	20,472	-	20,472
Contributions - employer	-	21,728	(21,728)
Contributions - employee	-	7,402	(7,402)
Net investment income	-	271,102	(271,102)
Changes in assumptions	(14,402)	-	(14,402)
Benefits paid, including refunds	(48,521)	(48,521)	-
Administrative expenses	-	(1,438)	1,438
Other (net transfer)	-	7,966	(7,966)
<i>Net Changes</i>	<u>55,604</u>	<u>258,239</u>	<u>(202,635)</u>
Balance at end of year	1,114,185	1,272,942	(158,757)

City of Forsyth

Notes to the Financial Statements

August 31, 2021

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Fire Division			
Balance at beginning of year	96,976	62,647	34,329
Changes for the year			
Service cost	5,691	-	5,691
Interest on total pension liability	7,233	-	7,233
Difference between expected and actual experiences	(1,508)	-	(1,508)
Contributions - employer	-	6,023	(6,023)
Contributions - employee	-	1,532	(1,532)
Net investment income	-	17,365	(17,365)
Changes in assumptions	762	-	762
Administrative expenses	-	(103)	103
Other (net transfer)	-	766	(766)
<i>Net Changes</i>	12,178	25,583	(13,405)
Balance at end of year	109,154	88,230	20,924
Total Plan Balances at End of Year	\$ 3,354,444	\$ 3,493,617	\$ (139,173)

The net pension liability (asset) is allocated as follows:

	Net Pension Liability (Asset)
Governmental Activities	\$ (138,143)
Business-Type Activities	(1,030)
	\$ (139,173)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following present the net pension liability (asset) of the employer, calculated using the discount rate of 7.00%, as well as what the employer's net pension liability (asset) would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	6.00%	7.00%	8.00%
General Division			
Total Pension Liability	\$ 2,423,449	\$ 2,131,105	\$ 1,888,158
Plan Fiduciary Net Position	2,132,445	2,132,445	2,132,445
Net Pension Liability (Asset)	<u>291,004</u>	<u>(1,340)</u>	<u>(244,287)</u>
Police Division			
Total Pension Liability	1,280,350	1,114,185	979,200
Plan Fiduciary Net Position	1,272,942	1,272,942	1,272,942
Net Pension Liability (Asset)	<u>7,408</u>	<u>(158,757)</u>	<u>(293,742)</u>
Fire Division			
Total Pension Liability	133,143	109,154	89,855
Plan Fiduciary Net Position	88,230	88,230	88,230
Net Pension Liability (Asset)	<u>44,913</u>	<u>20,924</u>	<u>1,625</u>
Total Net Pension Liability (Asset)	<u><u>\$ 343,325</u></u>	<u><u>\$ (139,173)</u></u>	<u><u>\$ (536,404)</u></u>

City of Forsyth

Notes to the Financial Statements

August 31, 2021

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

For the year ended August 31, 2021, the employer recognized pension credits of \$36,395 in the general division, \$50,084 in the police division, and pension expense of \$3,425 in the fire division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
General Division			
Difference between expected and actual experience	\$ 67,361	\$ (27,115)	\$ 40,246
Assumption changes	-	(32,410)	(32,410)
Net difference between projected and actual earnings on pension plan investments	-	(232,161)	(232,161)
Contributions subsequent to the measurement date*	8,184	-	8,184
	<u>75,545</u>	<u>(291,686)</u>	<u>(216,141)</u>
Police Division			
Difference between expected and actual experience	11,582	(11,409)	173
Assumption changes	-	(8,148)	(8,148)
Net difference between projected and actual earnings on pension plan investments	-	(128,959)	(128,959)
Contributions subsequent to the measurement date*	3,224	-	3,224
	<u>14,806</u>	<u>(148,516)</u>	<u>(133,710)</u>
Fire Division			
Difference between expected and actual experience	3,662	(5,048)	(1,386)
Assumption changes	712	-	712
Net difference between projected and actual earnings on pension plan investments	-	(8,530)	(8,530)
Contributions subsequent to the measurement date*	992	-	992
	<u>5,366</u>	<u>(13,578)</u>	<u>(8,212)</u>
	<u>\$ 95,717</u>	<u>\$ (453,780)</u>	<u>\$ (358,063)</u>

Deferred outflows and inflows have been allocated as follows:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Governmental Activities	\$ 37,623	\$ (229,473)	\$ (191,850)
Business-Type Activities	58,094	(224,307)	(166,213)
	<u>\$ 95,717</u>	<u>\$ (453,780)</u>	<u>\$ (358,063)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability (asset) for the year ending August 31, 2022.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

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

Year Ending August 31,	Net Deferred Outflows (Inflows) of Resources			
	General	Police	Fire	Total
2022	\$ (55,154)	\$ (44,257)	\$ (2,470)	\$ (101,881)
2023	(43,889)	(25,383)	(1,808)	(71,080)
2024	(58,590)	(27,696)	(1,884)	(88,170)
2025	(66,692)	(39,598)	(2,552)	(108,842)
2026	-	-	(46)	(46)
Thereafter	-	-	(444)	(444)
	<u>\$ (224,325)</u>	<u>\$ (136,934)</u>	<u>\$ (9,204)</u>	<u>\$ (370,463)</u>

Payable to the Pension Plan

The City had \$7,918 payable to the pension plan for the year ended August 31, 2021.

8. Assessed Valuation, Tax Levy & Legal Debt Margin

The assessed valuation of the tangible property and the tax levies per \$100 assessed valuation of that property were as follows:

	<u>2020</u>
Assessed Valuation	
Real estate	\$ 25,331,002
Personal property	5,428,824
	<u>\$ 30,759,826</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	<u>\$.5449</u>

The legal debt margin at August 31, 2021, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,075,983	\$ 3,075,983	\$ 6,151,966
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	<u>\$ 3,075,983</u>	<u>\$ 3,075,983</u>	<u>\$ 6,151,966</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2021

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights of way, constructing, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

9. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from commercial insurance companies. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

10. Claims & Adjustments

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of August 31, 2021, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

11. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the 2021 Combined Waterworks and Sewerage System Refunding Revenue Bonds issued to improve and expand the water and sewer system. The bonds are payable solely from water and sewer customer net revenues and are payable through 2033. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$1,202,443. Principal and interest paid for the current year and total customer net revenues were \$0 and \$283,254, respectively.

The City has pledged future capital improvement sales tax revenue to repay the 2019 Capital Improvement Sales Tax Refunding Revenue Bonds issued for capital improvements to the City. The bonds are payable solely from the revenue received from the ½ of 1% capital improvement sales tax and are payable through 2029. The total principal and interest remaining to be paid on the bonds is \$1,153,744. Principal and interest paid for the current year and total capital improvement sales tax revenue were \$135,051 and \$182,745, respectively.

City of Forsyth

Notes to the Financial Statements

August 31, 2021

12. Deferred Court Fines

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These revenues include court fines to be collected over several years. All of the deferred court fines at August 31, 2021, are accounted for as follows:

General Fund

Deferred court fines	<u>\$ 15,735</u>
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13. Interfund Transfers

Transfers between funds of the City for the year ended August 31, 2021, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 12,499	\$ -
Water and Sewer Fund	-	12,499
	<u>\$ 12,499</u>	<u>\$ 12,499</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the enterprise funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

14. Current Year Debt Refunding

On June 3, 2021, the City issued \$1,080,000 in Series 2021 Combined Waterworks and Sewerage System Refunding Revenue Bonds with interest at 1.98%. The City used the proceeds to refund the remaining \$1,055,000 of the Series 2012 Combined Waterworks and Sewerage System Refunding Revenue Bonds with interest of 2.90% to 3.75% on June 7, 2021.

As a result of the refunding, the City reduced its debt service requirements by \$62,417, which resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$55,229.

Required Supplementary Information

City of Forsyth

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Year Ended August 31, 2021

Missouri Local Government Employees Retirement System (LAGERS)							
Fiscal year ending August 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service Cost	\$ 62,917	\$ 66,604	\$ 48,047	\$ 47,904	\$ 46,654	\$ 45,879	\$ 47,146
Interest on total pension liability	233,557	225,954	181,820	172,119	162,282	151,120	147,444
Changes of benefit terms	-	-	350,637	54,236	-	-	-
Difference between expected and actual experience	(1,873)	(21,165)	165,515	(43,413)	-	(67,478)	(81,339)
Changes of assumptions	(57,139)	-	-	-	(168)	86,554	-
Benefit payments, including refunds	(144,671)	(184,035)	(110,020)	(84,664)	(63,120)	(61,904)	(61,951)
<i>Net Change in Total Pension Liability</i>	92,791	87,358	635,999	146,182	145,648	154,171	51,300
Total Pension Liability beginning	3,261,653	3,174,295	2,538,296	2,392,114	2,246,466	2,092,295	2,040,995
Total Pension Liability ending	3,354,444	3,261,653	3,174,295	2,538,296	2,392,114	2,246,466	2,092,295
Plan Fiduciary Net Position							
Contributions - employer	82,358	72,665	80,795	71,854	85,836	78,250	74,921
Contributions - employee	22,736	21,426	17,949	-	753	-	-
Pension plan net investment income	743,922	35,600	217,647	289,364	251,214	(2,337)	38,150
Benefit payments	(144,671)	(184,035)	(110,020)	(84,664)	(63,120)	(61,904)	(61,951)
Pension plan administrative expense	(3,287)	(4,571)	(3,863)	(2,647)	(2,276)	(2,441)	(2,609)
Other (net transfer)	27,018	(38,770)	43,430	6,141	6,480	12,916	(2,717)
<i>Net Change in Plan Fiduciary Net Position</i>	728,076	(97,685)	245,938	280,048	278,887	24,484	45,794
Plan Fiduciary Net Position beginning	2,765,541	2,863,226	2,617,288	2,337,240	2,058,353	2,033,869	1,988,075
Plan Fiduciary Net Position ending	3,493,617	2,765,541	2,863,226	2,617,288	2,337,240	2,058,353	2,033,869
Employer Net Pension Liability (Asset)	\$ (139,173)	\$ 496,112	\$ 311,069	\$ (78,992)	\$ 54,874	\$ 188,113	\$ 58,426
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	104.15%	84.79%	90.20%	103.11%	97.71%	91.63%	97.21%
Employee Payroll	\$ 541,580	\$ 515,101	\$ 594,392	\$ 564,745	\$ 605,614	\$ 565,989	\$ 568,961
Employer's Net Pension Liability (Asset) as a percentage of employee payroll	-25.70%	96.31%	52.33%	-13.99%	9.06%	33.24%	10.27%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Forsyth

Schedule of Contributions

Year Ended August 31, 2021

Year Ending August 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Excess (Deficiency)	Employee Payroll	Contributions as a Percentage of Employee Payroll
2012	\$ 71,324	\$ 70,574	\$ (750)	\$ 558,538	12.64%
2013	75,731	75,731	-	559,144	13.54%
2014	77,370	75,553	(1,817)	559,839	13.50%
2015	71,465	71,465	-	544,745	13.12%
2016	78,649	73,782	(4,867)	562,597	13.11%
2017	77,453	77,453	-	600,055	12.91%
2018	69,595	69,595	-	586,376	11.87%
2019	80,000	80,000	-	588,131	13.60%
2020	73,396	73,396	-	541,089	13.56%
2021	94,481	81,566	(12,915)	555,926	14.67%

See accompanying notes to the Schedule of Contributions.

City of Forsyth

Notes to the Schedule of Contributions

Year Ended August 31, 2021

Valuation Date: February 28, 2021

Notes: The roll-forward of total pension liability from February 28, 2021, to June 30, 2021, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of, (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period: Multiple bases from 8 to 17 years (General)

Multiple bases from 10 to 17 years (Police)

Multiple bases from 12 to 26 years (Fire)

Asset Valuation Method: 5-Year smoothed market; 20% corridor

Inflation: 2.75% wage inflation; 2.25% price inflation

Salary Increases: 2.75% to 6.75% including wage inflation (General)

2.75% to 6.55% including wage inflation (Police)

2.75% to 7.15% including wage inflation (Fire)

Investment Rate of Return: 7.00%, net of investment expenses

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition

Mortality: The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

Other Information: None

City of Forsyth

Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem taxes, penalties and interest	\$ 179,600	\$ 181,200	\$ 180,272	\$ (928)
City sales tax	310,000	370,000	381,032	11,032
Recreation sales tax	154,000	177,000	182,745	5,745
Fire department sales tax	72,000	85,000	91,335	6,335
Cable franchise tax	16,000	16,500	16,576	76
Utility franchise tax	55,000	52,000	53,022	1,022
Motor vehicle tax	80,000	91,000	95,438	4,438
Financial institution tax	100	1	1	-
	<u>866,700</u>	<u>972,701</u>	<u>1,000,421</u>	<u>27,720</u>
Licenses and Permits				
Occupational licenses	5,000	5,000	4,875	(125)
Building permits	10,000	15,000	14,920	(80)
	<u>15,000</u>	<u>20,000</u>	<u>19,795</u>	<u>(205)</u>
Intergovernmental Revenues				
Police grants	43,000	41,900	41,900	-
Fire grants	-	4,000	4,021	21
	<u>43,000</u>	<u>45,900</u>	<u>45,921</u>	<u>21</u>
Charges for Services				
Campground user fees	13,000	3,360	3,507	147
Rental income	120	315	315	-
	<u>13,120</u>	<u>3,675</u>	<u>3,822</u>	<u>147</u>
Fines and Forfeitures				
City court fines	35,000	14,500	14,430	(70)
Miscellaneous				
Interest	21,000	20,700	20,787	87
Other	6,100	17,190	17,419	229
	<u>27,100</u>	<u>37,890</u>	<u>38,206</u>	<u>316</u>
Total Revenues	<u>999,920</u>	<u>1,094,666</u>	<u>1,122,595</u>	<u>27,929</u>

See accompanying notes to the Budgetary Comparison Schedules.

City of Forsyth

Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administration	95,418	93,105	84,470	8,635
Police	478,576	431,330	411,067	20,263
Fire	329,580	184,069	161,814	22,255
Parks	161,075	139,100	119,590	19,510
Street	138,097	109,247	114,725	(5,478)
Building	19,875	26,960	24,926	2,034
Total Expenditures	1,222,621	983,811	916,592	67,219
 <i>Excess (Deficit) of Revenues Over Expenditures</i>	 (222,701)	 110,855	 206,003	 95,148
 Other Financing Sources				
Operating transfers in	-	-	12,499	12,499
 <i>Excess (Deficit) of Revenues and Other Sources Over Expenditures</i>	 (222,701)	 110,855	 218,502	 107,647
 Fund Balance, September 1	 996,574	 1,317,123	 1,317,123	 -
Fund Balance, August 31	\$ 773,873	\$ 1,427,978	\$ 1,535,625	\$ 107,647

See accompanying notes to the Budgetary Comparison Schedules.

City of Forsyth

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended August 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales tax	\$ 154,000	\$ 177,000	\$ 182,745	\$ 5,745
Miscellaneous				
Interest	3,000	3,250	3,316	66
Total Revenues	157,000	180,250	186,061	5,811
Expenditures				
Debt service				
Principal, interest and fees	135,100	135,051	135,051	-
Total Expenditures	135,100	135,051	135,051	-
<i>Excess of Revenues Over Expenditures</i>	21,900	45,199	51,010	5,811
Fund Balance, September 1	158,920	207,920	207,920	-
Fund Balance, August 31	\$ 180,820	\$ 253,119	\$ 258,930	\$ 5,811

See accompanying notes to the Budgetary Comparison Schedules.

City of Forsyth

Notes to the Budgetary Comparison Schedules

Year Ended August 31, 2021

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following September 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late July or early August to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to September 1, motions are passed by the Board, which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General Fund and Capital Improvement Fund are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by Board of Aldermen on approved budget adjustment forms.