

City of Forsyth, Missouri

Basic Financial Statements Year Ended August 31, 2022

KPM
CPAS & ADVISORS

Table of Contents

Independent Auditors' Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Statement of Net Position.....	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds.....	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	18
Statement of Net Position – Proprietary Fund.....	19
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund.....	22
Notes to the Financial Statements.....	24
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios.....	45
Schedule of Contributions.....	46
Notes to the Schedule of Contributions.....	47
Budgetary Comparison Schedule – General Fund.....	48
Budgetary Comparison Schedule – Capital Improvement Fund.....	50
Notes to the Budgetary Comparison Schedules.....	51



KPM
CPAS & ADVISORS
Independent Auditors' Report

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the **City of** Forsyth, Missouri, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, the City adopted new accounting guidance, GASB Statement No. 87 – *Leases* during the year ended August 31, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, and pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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
January 30, 2023

Management's Discussion and Analysis

City of Forsyth

Management's Discussion and Analysis

August 31, 2022

The Management's Discussion and Analysis of the City of Forsyth, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended August 31, 2022. Please read it in conjunction with the City's financial statements.

Financial Highlights

The net position of the City's governmental activities increased by \$152,687 for the year as a result of current year activities. The net position of the City's business-type activities decreased by \$235,047 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of August 31, 2022, by \$11.8 million (net position). Of this amount \$1,955,085 was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City increased by \$4,294 during the year.

Total revenues increased 1% compared to prior year revenues, while total expense increased 25% 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, 2022

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, 2022

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of August 31, 2022 and 2021:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total August 31, 2022</u>	<u>Total August 31, 2021</u>
Assets				
Current and other assets	\$ 2,493,825	\$ 2,027,575	\$ 4,521,400	\$ 3,720,583
Net pension asset	-	-	-	139,173
Capital assets	4,422,582	6,210,800	10,633,382	10,959,272
Total Assets	<u>6,916,407</u>	<u>8,238,375</u>	<u>15,154,782</u>	<u>14,819,028</u>
Deferred Outflow of Resources				
Deferred pension outflows	38,708	30,473	69,181	95,717
Liabilities				
Other liabilities	664,965	236,714	901,679	374,409
Long-term liabilities outstanding	865,541	1,055,187	1,920,728	1,916,434
Total Liabilities	<u>1,530,506</u>	<u>1,291,901</u>	<u>2,822,407</u>	<u>2,290,843</u>
Deferred Inflow of Resources				
Deferred pension inflows	113,897	220,093	333,990	453,780
Deferred lease inflows	-	229,068	229,068	249,264
Total Deferred Inflow of Resources	<u>113,897</u>	<u>449,161</u>	<u>563,058</u>	<u>703,044</u>
Net Position				
Net investment in capital assets	3,507,582	5,235,800	8,743,382	8,854,272
Restricted	1,140,031	-	1,140,031	1,061,203
Unrestricted	663,099	1,291,986	1,955,085	2,005,383
Total Net Position	<u>\$ 5,310,712</u>	<u>\$ 6,527,786</u>	<u>\$ 11,838,498</u>	<u>\$ 11,920,858</u>

Total net position of the City decreased by \$82,360 for the year due to current year activity. Total liabilities for the City increased \$531,564, primarily due to unearned ARPA grant revenue.

City of Forsyth

Management's Discussion and Analysis

August 31, 2022

Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended August 31, 2022</u>	<u>Total Year Ended August 31, 2021</u>
Revenues				
Program Revenues				
Charges for services	\$ 71,796	\$ 905,047	\$ 976,843	\$ 918,762
Operating grants and contributions	49,952	-	49,952	41,900
Capital grants and contributions	-	-	-	130,021
General Revenues				
Property taxes	192,232	-	192,232	180,273
Sales taxes	895,499	-	895,499	837,856
Motor vehicle taxes	103,472	-	103,472	95,438
Other taxes	1,248	-	1,248	1
Franchise taxes	77,879	-	77,879	69,599
Interest	8,052	18,709	26,761	48,063
Other revenue	22,915	19,165	42,080	17,419
Total Revenues	<u>1,423,045</u>	<u>942,921</u>	<u>2,365,966</u>	<u>2,339,332</u>
Expenses				
Administration	150,491	-	150,491	95,522
Police	438,272	-	438,272	365,762
Fire	192,430	-	192,430	191,043
Parks	196,123	-	196,123	113,663
Street	192,671	-	192,671	184,612
Building	74,325	-	74,325	24,926
Debt service	26,046	-	26,046	28,887
Water and sewer	-	1,177,968	1,177,968	947,879
Total Expenses	<u>1,270,358</u>	<u>1,177,968</u>	<u>2,448,326</u>	<u>1,952,294</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 152,687</u>	<u>\$ (235,047)</u>	<u>\$ (82,360)</u>	<u>\$ 387,038</u>

City of Forsyth

Management's Discussion and Analysis

August 31, 2022

Governmental Activities

Governmental activities increased the net position of the City by \$152,687. Tax revenues for the City were \$1,270,330 which represents 89% of the financing of these activities. Program revenues for the functions totaled \$121,748. 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	\$ 150,491	\$ 145,576
Police	438,272	375,980
Fire	192,430	185,671
Parks	196,123	187,600
Street	192,671	192,671
Building	74,325	35,066
Debt service	26,046	26,046
	<u>\$ 1,270,358</u>	<u>\$ 1,148,610</u>

Business-Type Activities

Business-type activities decreased the City's net position by \$235,047.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of August 31, 2022, were \$1,932,413. The General Fund increased by \$79,383. The Capital Improvement Fund increased by \$58,475.

General Fund Budgetary Highlights

Revenues

The original revenue budget of \$1,060,820 was increased to \$1,484,551 for anticipated revenue.

Expenditures

The original expenditure budget of \$1,379,512 was decreased to \$1,196,476 for anticipated expenditures.

Capital Assets and Long-Term Debt

Capital Assets

Capital assets of the governmental activities were \$4,422,582 (net of accumulated depreciation) as of August 31, 2022. This represents a \$35,251 decrease from the prior year. Capital assets for business-type activities were \$6,210,800 as of August 31, 2022. This represents a \$290,639 decrease from the prior year.

City of Forsyth

Management's Discussion and Analysis

August 31, 2022

Debt

Total debt of the governmental activities as of August 31, 2022, was \$915,000, which is down from \$1,025,000 in the prior year due to principal payments on debt.

Total debt of the business-type activities as of August 31, 2022, was \$975,000, which is down from \$1,080,000 in the prior year due to principal payments on debt.

Economic Factors and Next Year's Budget

As the restrictions of the pandemic have been lifted, the city and local businesses have struggled to obtain necessary products and services due to the supply chain shortages. The impact of inflation and increasing interest rates have resulted in higher sales tax receipts and interest earnings for the city as well as rising wages. Two business expansions that will further increase sales taxes are expected to begin in FY23.

The 2023 budget includes expenditures from the ARPA funds received and needed capital expenditures to upgrade technology in the water and sewer fund. Increased payroll, utility, and fuel costs are driving the use of reserve funds to balance the budget, but increased building permit fees, sales taxes and property tax receipts are expected to offset the dip in reserves.

As the city moves into 2023, the national economic outlook is focused on an impending recession. We will continue to monitor local economic conditions to ensure that our budget accurately forecasts revenue and is conservative in expenditure with the goal of maintaining both service levels to citizens and a healthy reserve.

Contacting the City's Financial Management

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

Dennis Winzenried, President of the Board
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, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 893,255	\$ 1,568,127	\$ 2,461,382
Ad valorem taxes receivable	764	-	764
Sales taxes receivable	180,988	-	180,988
Utilities receivable, net	-	106,442	106,442
Court fines receivable	21,588	-	21,588
Leases receivable - current	-	12,524	12,524
Accrued interest receivable	-	1,765	1,765
Other accounts receivable	8,717	-	8,717
Prepaid expenses	44,088	15,282	59,370
Noncurrent			
Restricted cash and cash equivalents	1,344,425	101,289	1,445,714
Leases receivable - noncurrent	-	222,146	222,146
Capital assets			
Non-depreciable	1,091,407	186,910	1,278,317
Depreciable, net	3,331,175	6,023,890	9,355,065
Total Assets	6,916,407	8,238,375	15,154,782
Deferred Outflow of Resources			
Deferred pension outflows	38,708	30,473	69,181
Liabilities			
Current			
Accounts payable	-	19,609	19,609
Accrued expenses	18,025	5,990	24,015
Deposits payable	250	101,289	101,539
Unearned revenue	521,549	-	521,549
Accrued interest payable	10,141	4,826	14,967
Current maturities of long-term debt	115,000	105,000	220,000
	664,965	236,714	901,679
Noncurrent			
Revenue bonds payable	800,000	870,000	1,670,000
Net pension liability	43,115	182,646	225,761
Compensated absences	22,426	2,541	24,967
	865,541	1,055,187	1,920,728
Total Liabilities	1,530,506	1,291,901	2,822,407
Deferred Inflow of Resources			
Deferred pension inflows	113,897	220,093	333,990
Deferred lease inflows	-	229,068	229,068
Total Deferred Inflow of Resources	113,897	449,161	563,058
Net Position			
Net investment in capital assets	3,507,582	5,235,800	8,743,382
Restricted	1,140,031	-	1,140,031
Unrestricted	663,099	1,291,986	1,955,085
Total Net Position	\$ 5,310,712	\$ 6,527,786	\$ 11,838,498

See accompanying Notes to the Financial Statements.

City of Forsyth

Statement of Activities

Year Ended August 31, 2022

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	\$ (150,491)	\$ 4,915	\$ -	\$ -	\$ (145,576)	\$ -	\$ (145,576)
Police	(438,272)	17,999	44,293	-	(375,980)	-	(375,980)
Fire	(192,430)	1,100	5,659	-	(185,671)	-	(185,671)
Parks	(196,123)	8,523	-	-	(187,600)	-	(187,600)
Street	(192,671)	-	-	-	(192,671)	-	(192,671)
Building	(74,325)	39,259	-	-	(35,066)	-	(35,066)
Debt service	(26,046)	-	-	-	(26,046)	-	(26,046)
Total Governmental Activities	(1,270,358)	71,796	49,952	-	(1,148,610)	-	(1,148,610)
Business-Type Activities							
Water and sewer	(1,177,968)	905,047	-	-	-	(272,921)	(272,921)
Total Business-Type Activities	(1,177,968)	905,047	-	-	-	(272,921)	(272,921)
Total Government	\$ (2,448,326)	\$ 976,843	\$ 49,952	\$ -	(1,148,610)	(272,921)	(1,421,531)
General Revenues							
Ad valorem taxes					192,232	-	192,232
Sales taxes					895,499	-	895,499
Motor vehicle taxes					103,472	-	103,472
Other taxes					1,248	-	1,248
Franchise taxes					77,879	-	77,879
Interest					8,052	18,709	26,761
Other revenue					22,915	19,165	42,080
Total General Revenues					1,301,297	37,874	1,339,171
<i>Changes in Net Position</i>					152,687	(235,047)	(82,360)
Net Position, Beginning of year					5,158,025	6,762,833	11,920,858
Net Position, End of year					\$ 5,310,712	\$ 6,527,786	\$ 11,838,498

See accompanying Notes to the Financial Statements.

City of Forsyth

Balance Sheet – Governmental Funds

August 31, 2022

	<u>General Fund</u>	<u>Special Revenue Fund Capital Improvement Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 610,564	\$ 282,691	\$ 893,255
Ad valorem taxes receivable	764	-	764
Sales taxes receivable	146,274	34,714	180,988
Court fines receivable	21,588	-	21,588
Other accounts receivable	8,717	-	8,717
Prepaid expenses	44,088	-	44,088
Restricted cash and cash equivalents	1,344,425	-	1,344,425
Total Assets	<u><u>\$ 2,176,420</u></u>	<u><u>\$ 317,405</u></u>	<u><u>\$ 2,493,825</u></u>
Liabilities, Deferred Inflow of Resources, and Fund Balances			
Liabilities			
Accrued expenses	\$ 18,025	\$ -	\$ 18,025
Deposits payable	250	-	250
Unearned revenue	521,549	-	521,549
Total Liabilities	<u>539,824</u>	<u>-</u>	<u>539,824</u>
Deferred Inflow of Resources			
Deferred court fines	<u>21,588</u>	<u>-</u>	<u>21,588</u>
Fund Balances			
Nonspendable			
Prepaid items	44,088	-	44,088
Restricted for			
Donations	28,984	-	28,984
Parks	470,628	-	470,628
Fire department	323,014	-	323,014
Capital improvements	-	317,405	317,405
Unassigned	<u>748,294</u>	<u>-</u>	<u>748,294</u>
Total Fund Balances	<u>1,615,008</u>	<u>317,405</u>	<u>1,932,413</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u><u>\$ 2,176,420</u></u>	<u><u>\$ 317,405</u></u>	<u><u>\$ 2,493,825</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, 2022

Fund balance - total governmental funds	\$ 1,932,413
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	6,656,744
Less accumulated depreciation	<u>(2,234,162)</u>
	4,422,582
Adjustment of deferred court fines	21,588
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(10,141)
The net pension liability and related deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension liability	(43,115)
Deferred outflows due to pensions	38,708
Deferred inflows due to pensions	<u>(113,897)</u>
	(118,304)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(937,426)</u>
Net Position of Governmental Activities	<u><u>\$ 5,310,712</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, 2022

	General Fund	Special Revenue Fund Capital Improvement Fund	Total Governmental Funds
Revenues			
Taxes	\$ 1,075,632	\$ 194,698	\$ 1,270,330
Licenses and permits	44,174	-	44,174
Intergovernmental revenues	49,952	-	49,952
Charges for services	9,623	-	9,623
Fines and forfeitures	12,146	-	12,146
Miscellaneous	29,925	1,042	30,967
Total Revenues	<u>1,221,452</u>	<u>195,740</u>	<u>1,417,192</u>
Expenditures			
Current			
Administration	105,532	-	105,532
Police	463,541	-	463,541
Fire	270,760	-	270,760
Parks	157,150	-	157,150
Street	93,897	-	93,897
Building	51,189	-	51,189
Debt service			
Principal, interest and fees	-	137,265	137,265
Total Expenditures	<u>1,142,069</u>	<u>137,265</u>	<u>1,279,334</u>
<i>Excess of Revenues Over Expenditures</i>	79,383	58,475	137,858
Fund Balance, September 1	1,535,625	258,930	1,794,555
Fund Balance, August 31	<u><u>\$ 1,615,008</u></u>	<u><u>\$ 317,405</u></u>	<u><u>\$ 1,932,413</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, 2022

Net change in fund balances - total governmental funds	\$ 137,858
--	------------

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	166,660
Depreciation	(201,911)
	<u>(35,251)</u>

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned. 5,853

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	(2,395)
Change in pension related costs	(64,597)
	<u>(66,992)</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	110,000
Accrued interest payable	1,219
	<u>111,219</u>
Change in Net Position of Governmental Activities	<u><u>\$ 152,687</u></u>

See accompanying Notes to the Financial Statements.

City of Forsyth

Statement of Net Position – Proprietary Fund

August 31, 2022

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,568,127
Utilities receivable, net	106,442
Leases receivable - current	12,524
Accrued interest receivable	1,765
Prepaid expenses	15,282
Total Current Assets	<u>1,704,140</u>
Restricted Assets	
Cash and cash equivalents	101,289
Noncurrent Assets	
Leases receivable - noncurrent	222,146
Property, Plant and Equipment	
Land	186,910
Water and sewer system	14,924,988
Equipment	272,395
Vehicles	210,127
	<u>15,594,420</u>
Less accumulated depreciation	<u>(9,383,620)</u>
Total Property, Plant and Equipment	<u>6,210,800</u>
Total Assets	<u>8,238,375</u>
Deferred Outflow of Resources	
Deferred pension outflows	30,473

See accompanying Notes to the Financial Statements.

City of Forsyth

Statement of Net Position – Proprietary Fund

August 31, 2022

	<u>Enterprise Fund</u> <u>Water and</u> <u>Sewer Fund</u>
Liabilities	
Current Liabilities	
Accounts payable	19,609
Accrued expenses	5,990
Deposits payable	101,289
Accrued interest payable	4,826
Current maturities of long-term debt	105,000
Total Current Liabilities	<u>236,714</u>
Long-Term Liabilities	
Revenue bonds payable	870,000
Net pension liability	182,646
Compensated absences payable	2,541
Total Long-Term Liabilities	<u>1,055,187</u>
Total Liabilities	<u>1,291,901</u>
Deferred Inflow of Resources	
Deferred pension inflows	220,093
Deferred lease inflows	229,068
Total Deferred Inflow of Resources	<u>449,161</u>
Net Position	
Net investment in capital assets	5,235,800
Unrestricted	1,291,986
Total Net Position	<u><u>\$ 6,527,786</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, 2022

	Enterprise Fund
	Water and Sewer Fund
Operating Revenues	
Charges for services	
Water	\$ 440,008
Sewer	465,039
Total Operating Revenues	905,047
Operating Expenses	
Salaries and benefits	590,420
Legal and professional	5,000
Utilities	114,990
Gas and oil	12,254
Telephone	5,098
Maintenance	59,332
Supplies	16,383
Insurance	22,468
Depreciation	292,776
Travel, meetings, and dues	1,383
Support contracts	11,894
Bad debt expense	2,266
Engineering	22,602
Total Operating Expenses	1,156,866
<i>Operating (Loss)</i>	(251,819)
Nonoperating Revenues (Expenses)	
Interest income	18,709
Other income	19,165
Interest and fees expense	(21,102)
Total Nonoperating Revenues (Expenses)	16,772
<i>Net (Loss)</i>	(235,047)
Net Position, September 1	6,762,833
Net Position, August 31	\$ 6,527,786

See accompanying Notes to the Financial Statements.

City of Forsyth

Statement of Cash Flows – Proprietary Fund

Year Ended August 31, 2022

	Enterprise Fund
	Water and
	Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 902,597
Cash paid to employees	(390,592)
Cash paid to suppliers	(270,529)
Net Cash Provided by Operating Activities	241,476
Cash Flows from Noncapital Financing Activities	
Proceeds from other non-operating activities	13,563
Net Cash Provided by Noncapital Financing Activities	13,563
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of capital assets	(2,137)
Payment of revenue bond principal	(105,000)
Payment of interest expense	(21,563)
Net Cash (Used) by Capital and Related Financing Activities	(128,700)
Cash Flows from Investing Activities	
Interest received on investments	16,944
Net Cash Provided by Investing Activities	16,944
<i>Net Increase in Cash and Cash Equivalents</i>	143,283
Cash and Cash Equivalents, Beginning of year	1,526,133
Cash and Cash Equivalents, End of year	1,669,416
Less Restricted Cash and Cash Equivalents	101,289
Unrestricted Cash and Cash Equivalents	\$ 1,568,127

See accompanying Notes to the Financial Statements.

City of Forsyth

Statement of Cash Flows – Proprietary Fund

Year Ended August 31, 2022

	<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)	\$ (251,819)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	292,776
(Increase) decrease in	
Utilities receivable	(7,032)
Prepaid expenses	4,130
Net pension asset	1,030
Deferred pension outflow	27,621
Increase (decrease) in	
Accounts payable	(989)
Accrued expenses	(3,393)
Compensated absences payable	(3,862)
Deposits payable	4,582
Net pension liability	182,646
Deferred pension inflow	(4,214)
Net Cash Provided by Operating Activities	<u>\$ 241,476</u>

See accompanying Notes to the Financial Statements.

City of Forsyth

Notes to the Financial Statements

August 31, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 three 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 and lease inflows 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.

Unearned Revenue

This is future revenue for unspent grant proceeds and will be recognized as income when earned.

New Pronouncement

The City implemented GASB Statement No. 87 – *Leases* during the year ended August 31, 2022. The objective of this pronouncement is to establish standards for the measurement, recognition, and display of lease obligations (lessee) and the measurement, recognition, and display of sums to be received from third parties where an entity is the lessor. While the application of the new pronouncement did not affect the City's net position or the net increase in net position for the year ended August 31, 2022, certain balances and other classifications were added that changed amounts previously reported.

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, 2022, all bank balances on deposit are entirely insured or collateralized.

City of Forsyth

Notes to the Financial Statements

August 31, 2022

3. Accounts Receivable

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

	Gross Receivable	Allowance	Net Receivable
Utilities Receivable			
Water and Sewer Fund	\$ 110,442	\$ (4,000)	\$ 106,442

4. Restricted Assets

Governmental Activities

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

	Restricted Cash and Cash Equivalents	Restricted Net Position/ Fund Balance
General Fund		
Tenant deposits	\$ 250	\$ -
Donations	28,984	28,984
Park sales tax	470,628	470,628
Fire sales tax	323,014	323,014
Grant funds	521,549	-
	\$ 1,344,425	\$ 822,626
Capital Improvement Fund		
Capital improvement tax	\$ -	\$ 317,405

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	\$ 101,289	\$ -

City of Forsyth

Notes to the Financial Statements

August 31, 2022

5. Long-Term Debt – Governmental Activities

Long-term debt for governmental activities at August 31, 2022, 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.

\$ 915,000

Principal and interest payments are due as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 915,000</u>	<u>\$ 101,479</u>	<u>\$ 1,016,479</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, 2021</u>	<u>New Obligations</u>	<u>Retirements</u>	<u>Balance August 31, 2022</u>	<u>Amounts Due Within One Year</u>
Capital Improvement Bonds Series 2019	\$ 1,025,000	\$ -	\$ 110,000	\$ 915,000	\$ 115,000
Compensated Absences	20,031	2,395	-	22,426	-
	<u>\$ 1,045,031</u>	<u>\$ 2,395</u>	<u>\$ 110,000</u>	<u>\$ 937,426</u>	<u>\$ 115,000</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2022

6. Long-Term Debt – Business-Type Activities

Long-term debt for business-type activities at August 31, 2022, 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, 2022, are listed in the following table:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 975,000</u>	<u>\$ 101,178</u>	<u>\$ 1,076,178</u>

The following table is a summary of the changes in the business-type activities long-term debt for the year ended August 31, 2022:

	<u>Balance August 31, 2021</u>	<u>New Obligations</u>	<u>Retirements</u>	<u>Balance August 31, 2022</u>	<u>Amounts Due Within One Year</u>
Revenue Bonds Payable					
Series 2021	\$ 1,080,000	\$ -	\$ 105,000	\$ 975,000	\$ 105,000
Compensated Absences	6,403	-	3,862	2,541	-
	<u>\$ 1,086,403</u>	<u>\$ -</u>	<u>\$ 108,862</u>	<u>\$ 977,541</u>	<u>\$ 105,000</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2022

7. Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Balance August 31, 2021	Additions	Deletions	Balance August 31, 2022
Governmental Activities				
Non-Depreciable Capital Assets				
Construction in progress	\$ 21,151	\$ 16,323	\$ 37,474	\$ -
Land	1,091,407	-	-	1,091,407
Total Non-depreciable Capital Assets	1,112,558	\$ 16,323	\$ 37,474	1,091,407
Depreciable Capital Assets				
Building and improvements	945,137	\$ 37,474	\$ -	982,611
Equipment	1,139,953	11,629	-	1,151,582
Vehicles	476,944	138,708	-	615,652
Infrastructure	2,815,492	-	-	2,815,492
Total Depreciable Capital Assets	5,377,526	\$ 187,811	\$ -	5,565,337
Less Accumulated Depreciation				
Buildings and improvements	344,245	\$ 22,948	\$ -	367,193
Equipment	886,209	47,919	-	934,128
Vehicles	283,918	43,133	-	327,051
Infrastructure	517,879	87,911	-	605,790
Total Accumulated Depreciation	2,032,251	\$ 201,911	\$ -	2,234,162
Total Depreciable Capital Assets, net	3,345,275	\$ 187,811	\$ -	3,331,175
Total Governmental Activities Capital Assets, net	\$ 4,457,833			\$ 4,422,582

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

Administration	\$ 15,574
Police	30,407
Fire	43,219
Streets	90,420
Parks	22,291
	\$ 201,911

City of Forsyth

Notes to the Financial Statements

August 31, 2022

	Balance August 31, 2021	Additions	Deletions	Balance August 31, 2022
Business-Type Activities				
Non-Depreciable Capital Assets				
Land	\$ 186,910	\$ -	\$ -	\$ 186,910
Depreciable Capital Assets				
Water and sewer system	14,924,988	\$ -	\$ -	14,924,988
Equipment	270,258	2,137	-	272,395
Vehicles	210,127	-	-	210,127
Total Depreciable Capital Assets	15,405,373	\$ 2,137	\$ -	15,407,510
Less Accumulated Depreciation	9,090,844	\$ 292,776	\$ -	9,383,620
Total Depreciable Capital Assets, net	6,314,529			6,023,890
Total Business-Type Activities Capital Assets, net	\$ 6,501,439			\$ 6,210,800

8. 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.

	<u>2022 Valuation</u>
Benefit multiplier	2.00% for life
Final average salary	5 years
Member contributions	4%

City of Forsyth

Notes to the Financial Statements

August 31, 2022

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, 2022, 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	9	7	0
Inactive employees entitled to but not yet receiving benefits	6	17	0
Active employees	10	6	1
	25	30	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 17.0% (General), 11.5% (Police), and 16.9% (Fire) of annual covered payroll.

Net Pension Liability (Asset). The employer’s net pension liability (asset) was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2022.

Actuarial Assumptions. The total pension liability in the February 28, 2022, 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, 2022

The actuarial assumptions used in the February 28, 2022, 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, 2022

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	\$ 2,131,105	\$ 2,132,445	\$ (1,340)
Changes for the year			
Service cost	38,232	-	38,232
Interest on total pension liability	147,109	-	147,109
Difference between expected and actual experiences	(276,230)	-	(276,230)
Contributions - employer	-	61,133	(61,133)
Contributions - employee	-	14,510	(14,510)
Net investment income	-	1,346	(1,346)
Benefits paid, including refunds	(98,352)	(98,352)	-
Administrative expenses	-	(1,989)	1,989
Other (net transfer)	-	(418,808)	418,808
<i>Net Changes</i>	(189,241)	(442,160)	252,919
Balance at end of year	1,941,864	1,690,285	251,579
Police Division			
Balance at beginning of year	1,114,185	1,272,942	(158,757)
Changes for the year			
Service cost	25,017	-	25,017
Interest on total pension liability	77,580	-	77,580
Difference between expected and actual experiences	33,436	-	33,436
Contributions - employer	-	22,457	(22,457)
Contributions - employee	-	7,779	(7,779)
Net investment income	-	774	(774)
Benefits paid, including refunds	(37,027)	(37,027)	-
Administrative expenses	-	(1,767)	1,767
Other (net transfer)	-	887	(887)
<i>Net Changes</i>	99,006	(6,897)	105,903
Balance at end of year	1,213,191	1,266,045	(52,854)

City of Forsyth

Notes to the Financial Statements

August 31, 2022

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Pension (b)	Net Pension Liability (Asset) (a) - (b)
Fire Division			
Balance at beginning of year	109,154	88,230	20,924
Changes for the year			
Service cost	5,967	-	5,967
Interest on total pension liability	7,846	-	7,846
Difference between expected and actual experiences	88	-	88
Contributions - employer	-	6,860	(6,860)
Contributions - employee	-	1,639	(1,639)
Net investment income	-	347	(347)
Administrative expenses	-	(221)	221
Other (net transfer)	-	(836)	836
<i>Net Changes</i>	13,901	7,789	6,112
Balance at end of year	123,055	96,019	27,036
Total Plan Balances at End of Year	\$ 3,278,110	\$ 3,052,349	\$ 225,761

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

	Net Pension Liability (Asset)
Governmental Activities	\$ 43,115
Business-Type Activities	182,646
	\$ 225,761

City of Forsyth

Notes to the Financial Statements

August 31, 2022

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents 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.

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
General Division			
Total Pension Liability	\$ 2,226,550	\$ 1,941,864	\$ 1,706,286
Plan Fiduciary Net Position	1,690,285	1,690,285	1,690,285
Net Pension Liability (Asset)	536,265	251,579	16,001
Police Division			
Total Pension Liability	1,390,906	1,213,191	1,068,768
Plan Fiduciary Net Position	1,266,045	1,266,045	1,266,045
Net Pension Liability (Asset)	124,861	(52,854)	(197,277)
Fire Division			
Total Pension Liability	149,388	123,055	101,846
Plan Fiduciary Net Position	96,019	96,019	96,019
Net Pension Liability (Asset)	53,369	27,036	5,827
Total Net Pension Liability (Asset)	\$ 714,495	\$ 225,761	\$ (175,449)

City of Forsyth

Notes to the Financial Statements

August 31, 2022

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

For the year ended August 31, 2022, the employer recognized pension expense of \$359,495 in the general division, a pension credit of \$2,507 in the police division, and pension expense of \$5,552 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	\$ 33,391	\$ (222,677)	\$ (189,286)
Assumption changes	-	(21,321)	(21,321)
Net difference between projected and actual earnings on pension plan investments	-	(59,161)	(59,161)
Contributions subsequent to the measurement date*	8,582	-	8,582
	41,973	(303,159)	(261,186)
Police Division			
Difference between expected and actual experience	18,848	-	18,848
Assumption changes	-	(1,894)	(1,894)
Net difference between projected and actual earnings on pension plan investments	-	(23,021)	(23,021)
Contributions subsequent to the measurement date*	3,203	-	3,203
	22,051	(24,915)	(2,864)
Fire Division			
Difference between expected and actual experience	3,470	(4,678)	(1,208)
Assumption changes	662	-	662
Net difference between projected and actual earnings on pension plan investments	-	(1,238)	(1,238)
Contributions subsequent to the measurement date*	1,025	-	1,025
	5,157	(5,916)	(759)
	\$ 69,181	\$ (333,990)	\$ (264,809)

* 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, 2023.

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	\$ 38,708	\$ (113,897)	\$ (75,189)
Business-Type Activities	30,473	(220,093)	(189,620)
	\$ 69,181	\$ (333,990)	\$ (264,809)

City of Forsyth

Notes to the Financial Statements

August 31, 2022

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
2023	\$ (86,857)	\$ 8,387	\$ (585)	\$ (79,055)
2024	(101,558)	(10,082)	(661)	(112,301)
2025	(107,886)	(21,984)	(1,329)	(131,199)
2026	26,533	17,612	1,177	45,322
2027	-	-	(40)	(40)
Thereafter	-	-	(346)	(346)
	<u>\$ (269,768)</u>	<u>\$ (6,067)</u>	<u>\$ (1,784)</u>	<u>\$ (277,619)</u>

Payable to the Pension Plan

The City had \$9,313 payable to the pension plan for the year ended August 31, 2022.

9. 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>2021</u>
Assessed Valuation	
Real estate	\$ 27,329,710
Personal property	6,340,493
	<u>\$ 33,670,203</u>
Tax Rates Per \$100 of Assessed Valuation	
General Fund	<u>\$.5200</u>

The legal debt margin at August 31, 2022, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 3,367,020	\$ 3,367,020	\$ 6,734,040
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	<u>\$ 3,367,020</u>	<u>\$ 3,367,020</u>	<u>\$ 6,734,040</u>

City of Forsyth

Notes to the Financial Statements

August 31, 2022

(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.

10. 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.

11. 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, 2022, 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.

12. 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 \$1,076,178. Principal and interest paid for the current year and total customer net revenues were \$126,562 and \$40,957, 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 \$1,016,479. Principal and interest paid for the current year and total capital improvement sales tax revenue were \$137,265 and \$194,698, respectively.

City of Forsyth

Notes to the Financial Statements

August 31, 2022

13. 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, 2022, are accounted for as follows:

General Fund

Deferred court fines	<u>\$ 21,588</u>
----------------------	------------------

14. Unearned Revenue

Unearned revenue consists of revenues received but not considered earned until the eligibility requirements have been met. At August 31, 2022, these unearned revenues include unspent grant proceeds in the General Fund in the amount of \$521,549.

15. Leases Receivable

The City, as a lessor, has entered into lease agreements for tower usage, the terms of which expire 2028 through 2040. Lease and interest revenue recognized under the lease agreements during the year ended August 31, 2022, was \$20,196 and \$12,191, respectively.

Below is a schedule of future payments that are included in the measurement of the lease receivable:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 12,524	\$ 11,710	\$ 24,234
2024	14,569	11,063	25,632
2025	15,582	10,312	25,894
2026	16,652	9,509	26,161
2027	17,783	8,650	26,433
2028-2032	53,969	32,221	86,190
2033-2037	62,592	18,699	81,291
2038-2040	40,999	2,723	43,722
	<u>\$ 234,670</u>	<u>\$ 104,887</u>	<u>\$ 339,557</u>

16. Commitments

In June 2022, the City approved a quote from NRoute for the purchase of Motorola radios for the Police Department in the amount of \$127,398.

In August 2022, the City approved the purchase of a Water System SCADA from Automated Control Solutions in the amount of \$41,255.

City of Forsyth

Notes to the Financial Statements

August 31, 2022

17. Restatement

During the current year, the City adopted GASB Statement No. 87 – *Leases*. Net Position of the Business-Type Activities has been restated to reflect application of the new pronouncement; however, there was no net effect on net position.

Business-Type Activities

Net Position, as previously stated, August 31, 2021	\$ 6,762,833
Lease receivable	249,264
Deferred lease inflows	(249,264)
Net Position, as restated, September 1, 2021	<u>\$ 6,762,833</u>

18. Subsequent Event

On September 28, 2022, the City entered into a financed purchase agreement for a mini excavator in the amount of \$90,995 with interest at 2.99% through October 2027.

Required Supplementary Information

City of Forsyth

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Year Ended August 31, 2022

Missouri Local Government Employees Retirement System (LAGERS)

Fiscal year ending August 31,	<u>2022</u>	<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	\$ 69,216	\$ 62,917	\$ 66,604	\$ 48,047	\$ 47,904	\$ 46,654	\$ 45,879	\$ 47,146
Interest on total pension liability	232,535	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	(242,706)	(1,873)	(21,165)	165,515	(43,413)	-	(67,478)	(81,339)
Changes of assumptions	-	(57,139)	-	-	-	(168)	86,554	-
Benefit payments, including refunds	(135,379)	(144,671)	(184,035)	(110,020)	(84,664)	(63,120)	(61,904)	(61,951)
Net Change in Total Pension Liability	(76,334)	92,791	87,358	635,999	146,182	145,648	154,171	51,300
Total Pension Liability beginning	3,354,444	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	3,278,110	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	90,450	82,358	72,665	80,795	71,854	85,836	78,250	74,921
Contributions - employee	23,928	22,736	21,426	17,949	-	753	-	-
Pension plan net investment income	2,467	743,922	35,600	217,647	289,364	251,214	(2,337)	38,150
Benefit payments	(135,379)	(144,671)	(184,035)	(110,020)	(84,664)	(63,120)	(61,904)	(61,951)
Pension plan administrative expense	(3,977)	(3,287)	(4,571)	(3,863)	(2,647)	(2,276)	(2,441)	(2,609)
Other (net transfer)	(418,757)	27,018	(38,770)	43,430	6,141	6,480	12,916	(2,717)
Net Change in Plan Fiduciary Net Position	(441,268)	728,076	(97,685)	245,938	280,048	278,887	24,484	45,794
Plan Fiduciary Net Position beginning	3,493,617	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	3,052,349	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)	\$ 225,761	\$ (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	93.11%	104.15%	84.79%	90.20%	103.11%	97.71%	91.63%	97.21%
Covered Payroll	\$ 607,443	\$ 541,580	\$ 515,101	\$ 594,392	\$ 564,745	\$ 605,614	\$ 565,989	\$ 568,961
Employer's Net Pension Liability (Asset) as a percentage of covered payroll	37.17%	-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, 2022

Year Ended August 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contributions Excess (Deficiency)	Covered Payroll	Contributions as a Percentage of Covered Payroll
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%
2022	115,490	90,621	(24,869)	597,852	15.16%

See accompanying Notes to the Schedule of Contributions.

City of Forsyth

Notes to the Schedule of Contributions

Year Ended August 31, 2022

Valuation Date: February 28, 2022

Notes: The roll-forward of total pension liability from February 28, 2022, to June 30, 2022, 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 7 to 16 years (General)

Multiple bases from 9 to 16 years (Police)

Multiple bases from 11 to 25 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, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Ad valorem taxes, penalties and interest	\$ 181,500	\$ 192,650	\$ 192,232	\$ (418)
City sales tax	360,000	415,000	408,768	(6,232)
Recreation sales tax	180,000	199,400	194,698	(4,702)
Fire department sales tax	90,000	99,700	97,335	(2,365)
Cable franchise tax	16,000	15,758	15,758	-
Utility franchise tax	55,000	55,000	62,121	7,121
Motor vehicle tax	80,000	96,500	103,472	6,972
Financial institution tax	100	1,248	1,248	-
	962,600	1,075,256	1,075,632	376
Licenses and Permits				
Occupational licenses	5,000	5,000	4,915	(85)
Building permits	10,000	39,000	39,259	259
	15,000	44,000	44,174	174
Intergovernmental Revenues				
Police grants	44,000	44,300	44,293	(7)
Fire grants	-	5,650	5,659	9
	44,000	49,950	49,952	2
Charges for Services				
Campground user fees	13,000	7,300	7,768	468
Rental income	120	1,795	1,855	60
	13,120	9,095	9,623	528
Fines and Forfeitures				
City court fines	15,000	12,150	12,146	(4)
Miscellaneous				
Interest	5,000	6,800	7,010	210
Other	6,100	287,300	22,915	(264,385)
	11,100	294,100	29,925	(264,175)
Total Revenues	1,060,820	1,484,551	1,221,452	(263,099)

See accompanying Notes to the Budgetary Comparison Schedules.

City of Forsyth

Budgetary Comparison Schedule – General Fund

Year Ended August 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Expenditures				
Current				
Administration	109,915	102,700	105,532	(2,832)
Police	509,744	487,600	463,541	24,059
Fire	346,493	286,891	270,760	16,131
Parks	227,601	167,400	157,150	10,250
Street	133,033	98,260	93,897	4,363
Building	52,726	53,625	51,189	2,436
Total Expenditures	1,379,512	1,196,476	1,142,069	54,407
 <i>Excess (Deficit) of Revenues Over Expenditures</i>	 (318,692)	 288,075	 79,383	 (208,692)
 Fund Balance, September 1	 1,282,762	 1,535,625	 1,535,625	 -
Fund Balance, August 31	\$ 964,070	\$ 1,823,700	\$ 1,615,008	\$ (208,692)

See accompanying Notes to the Budgetary Comparison Schedules.

City of Forsyth

Budgetary Comparison Schedule – Capital Improvement Fund

Year Ended August 31, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Taxes				
Sales tax	\$ 170,000	\$ 199,400	\$ 194,698	\$ (4,702)
Miscellaneous				
Interest	750	1,000	1,042	42
Total Revenues	170,750	200,400	195,740	(4,660)
Expenditures				
Debt service				
Principal, interest, and fees	138,000	137,265	137,265	-
Total Expenditures	138,000	137,265	137,265	-
<i>Excess of Revenues Over Expenditures</i>	32,750	63,135	58,475	(4,660)
Fund Balance, September 1	212,300	258,930	258,930	-
Fund Balance, August 31	\$ 245,050	\$ 322,065	\$ 317,405	\$ (4,660)

See accompanying Notes to the Budgetary Comparison Schedules.

City of Forsyth

Notes to the Budgetary Comparison Schedules

Year Ended August 31, 2022

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.



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

In planning and performing our audit of the financial statements of the City of Forsyth, Missouri, as of and for the year ended August 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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

Segregation of Duties

The City does not have an adequate segregation of duties within the various accounting functions. The basic premise behind the segregation of duties is that no one employee should have access to all phases of a transaction, to help prevent errors and irregularities. This weakness is found in the majority of smaller entities.

We Recommend:

The City take any steps economically feasible to segregate incompatible duties to help protect City assets and records. However, due to the nature of this weakness, further steps may not be practical.

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

In addition to the material weakness discussed in the preceding paragraph, we became aware of additional matters to bring to your attention. The following paragraphs summarize our comments and suggestions regarding these matters.

1. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued several new accounting standards that may affect the City in future years.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs)* – defines SBITAs and provides accounting and financial reporting for SBITAs by governments. The standard for SBITAs is based on the standards established in Statement No. 87 – *Leases*. The City will need to start gathering all agreements and make a master list of all SBITA agreements for inclusion in their fiscal year ending August 31, 2023 financial statements. We encourage the City to start this process immediately.

GASB Statement No. 100 – *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62* – defines accounting changes and prescribes the accounting and financial reporting for each type of accounting change and error corrections. This statement is effective for the City’s fiscal year ending August 31, 2024.

GASB Statement No. 101 – *Compensated Absences* – updates the definition of what compensated absences consist of and amends certain previously required disclosures. The City will need to review this new standard to determine which types of leave and earnings meet the definition of a compensated absence and implement necessary software or calculation sheets for accurate reporting. The City should review and amend, if necessary, its policy for the calculation of compensated absences. This statement is effective for the fiscal year ending August 31, 2025.

We Recommend:

Management review the above accounting standards prior to their effective date to determine best practices needed for successful implementation.

2. Water Loss

During our audit, we noted that the City’s average water loss was 26% for the year. Normal loss percentages for cities range from 15% to 20%. This could indicate leaks, old unreliable meters, or undocumented City usage.

We Recommend:

The City continue to investigate lines for leaks and investigate undocumented City usage. We further recommend the City investigate the possibility of water service to customers that are not being billed.

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

We appreciate this opportunity to serve as the City of Forsyth, Missouri's independent auditors and the courtesies and assistance extended to us by the City's employees.

Respectfully submitted,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 30, 2023



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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Forsyth, Missouri, for the year ended August 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 14, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Forsyth, Missouri, are described in Note 1 to the financial statements. As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 87 – *Leases*, during the year ended August 31, 2022. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management’s estimate of the allowance for doubtful accounts, which is based on historical utility revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

www.kpmcpa.com

1445 E. Republic Road Springfield, MO 65804 | 417-882-4300 | fax 417-882-4343
500 W. Main Street, Suite 200 Branson, MO 65616 | 417-334-2987 | fax 417-336-3403

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No material misstatements were detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, budgetary comparison information, and pension schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

Very truly yours,

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
January 30, 2023