

**SMITHVILLE BOARD OF ALDERMEN
WORK SESSION**

April 16, 2024 6:30 p.m.

City Hall Council Chambers and Via Videoconference

1. Call to Order

Mayor Boley, present, called the meeting to order at 6:30 p.m. A quorum of the Board was present: Marv Atkins, Melissa Wilson, Ronald Russell, Leeah Shipley, Dan Hartman and Dan Ulledahl (6:31 p.m.).

Staff present: Cynthia Wagner, Gina Pate, Chief Lockridge, Chuck Soules, Rick Welch, Matt Denton and Linda Drummond.

2. FY2023 Audit Review Presentation

Harold Ray, CPA with CliftonLarsonAllen, LLP, CLA presented the results of the FY2023 audit. He noted that he has been with CLA for 13 year and CLA has been working with the City since 2014. He said that during that time they have seen the City grow.

Required Communications

- Separate letter required by audit standards – included in the work session packet.

Harold encouraged the Board to read the letter. He noted that no significant or unusual transactions were identified and no significant difficulties were encountered. Their staff did not have any disagreements with City staff and no new accounting policies were adopted.

Internal Control Communications

- Material Weaknesses – deficiencies in internal control such that there is a reasonable possibility that a material misstatement would not be prevented or detected and corrected on a timely basis.
 - 2023-001 Financial Reporting
 - 2023-002 Identification of Audit Adjusting Entries

Harold noted that with the financial reporting there was nothing new from the previous audits. He explained that the Board, along with City staff, share responsibilities for the City's internal controls and CLS provides the outside audit function. As the outside auditors they cannot be part of the City's internal controls. He explained that this is a deficiency that is common to governments of Smithville's size. Harold noted that to do away with it, there is a cost associated with hiring someone else to prepare the financial statements outside of the auditors.

Harold noted that with the identification of audit adjusting entries, most of the entries relate to capitalizing property, equipment, some debt entries, an entry to record some additional interest on some CD's and reclassifying some items within the special allocation fund.

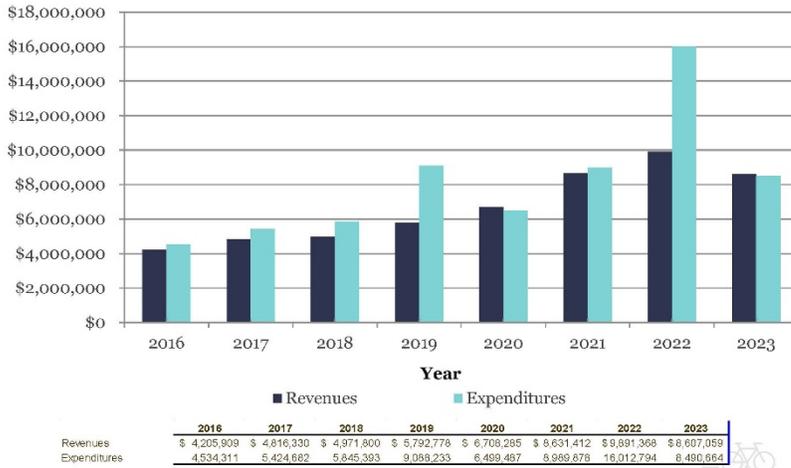
Single Audit

- Audit required by Uniform Guidance over federal funding not required for 2023
- Total Federal Expenditures - \$741,354

Harold noted that an additional single audit was not required, the City did not have expenditures over \$750,000. He explained that next year it is being raised to \$1 million.

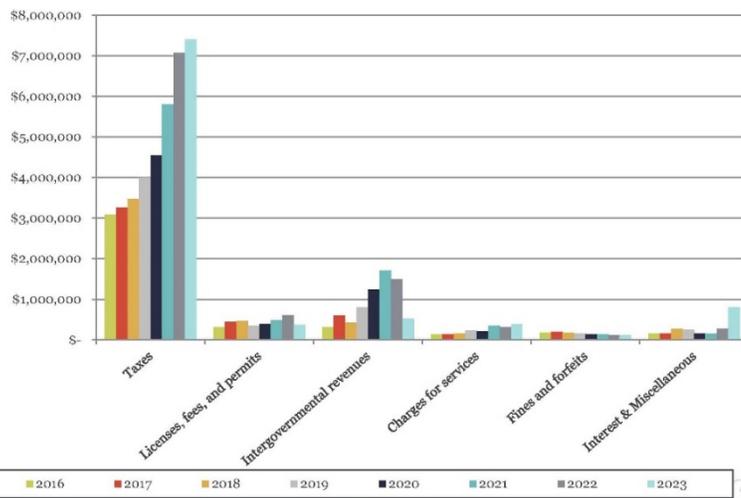
Financial Results

All Governmental Funds – Revenues and Expenditures



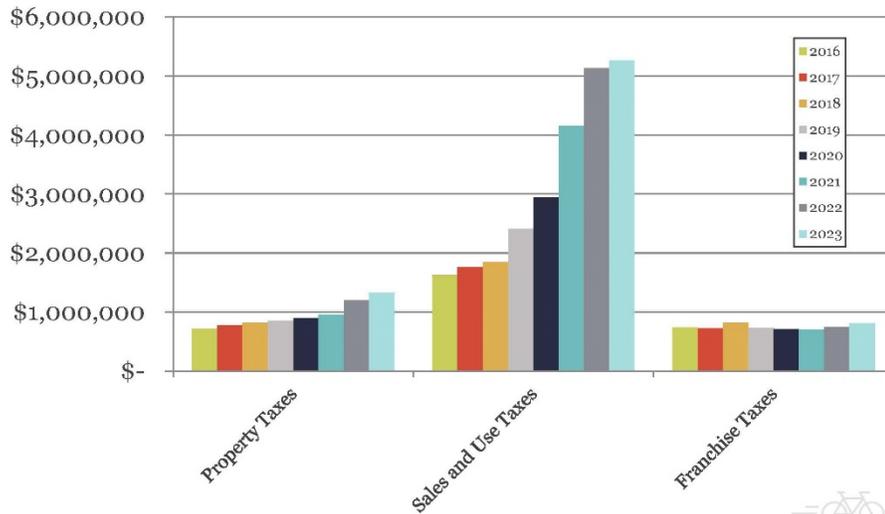
Harold noted that 2022 was abnormal year due to issuing TIF bonds and the additional expenditure for paying the proceeds of those.

All Governmental Funds – Revenue Sources



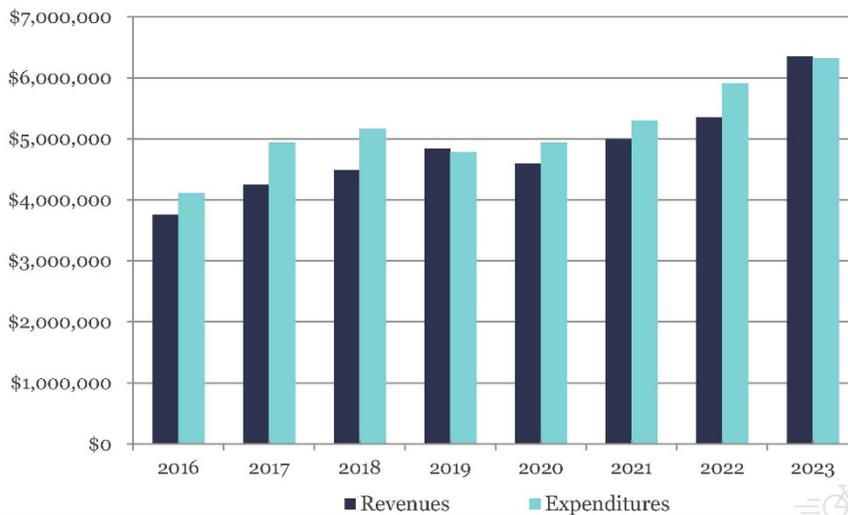
Harold noted that there was a 5% increase in taxes.

All Governmental Funds – Tax Revenues



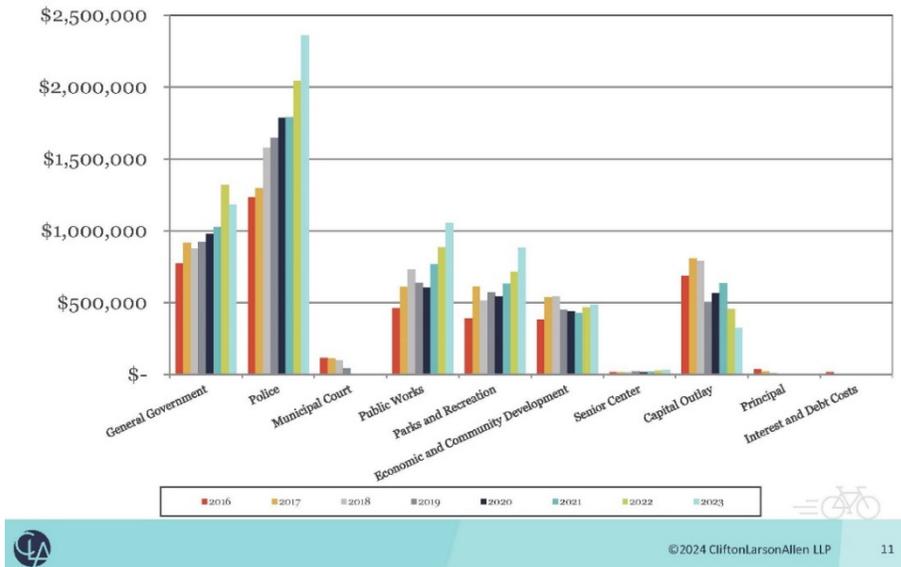
Harold noted that sales tax revenue was up about 9.8% and property taxes were up 2.6%.

General Fund – Total Revenues and Expenditures



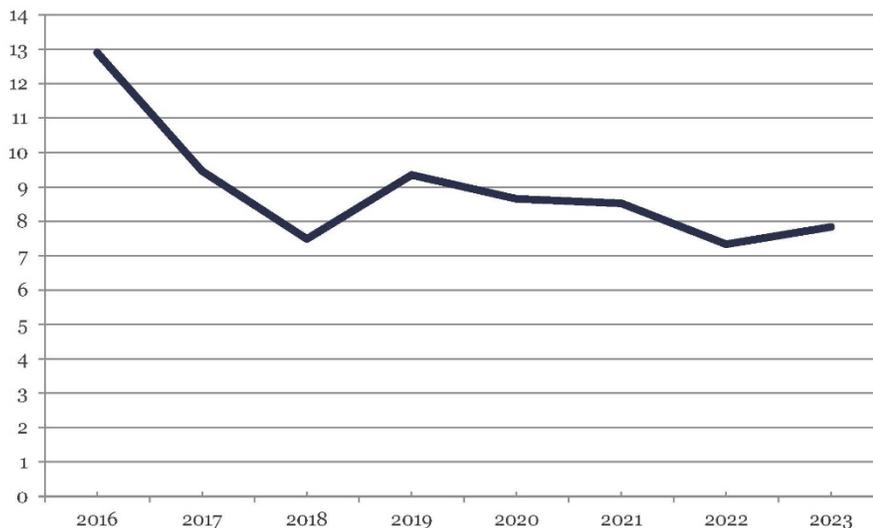
Harold noted that revenues exceeded expenditures by approximately \$28,000 in 2023.

General Fund – Expenditures



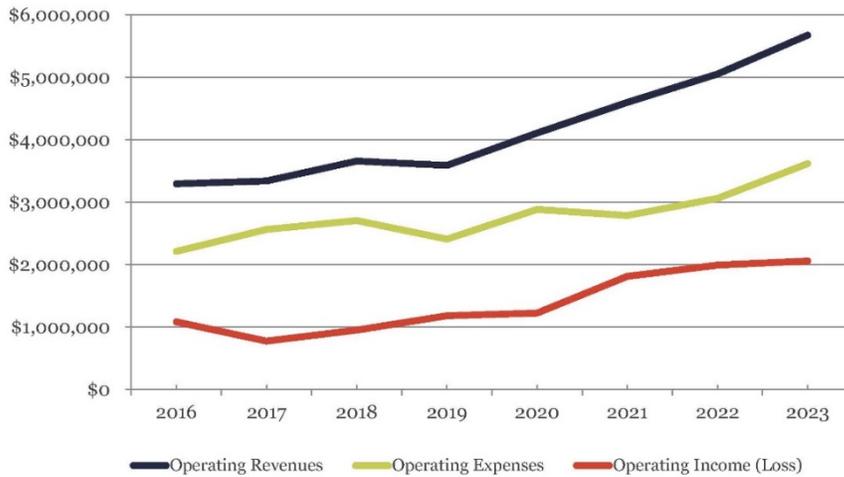
Harold noted that the Police Department expenditures for 2023 were \$2.36 million and the general government were \$1.18 million. Public Works were just over \$1 million, and Parks and Recreation were \$883,000.

Months Expenditures in Fund Balance – General Fund



Harold noted that this is the reserve funds within the general fund. 2023 ended with \$7.84 million. He said that you want to keep a six-month reserve in that fund.

Water and Sewer Fund Historical Trends

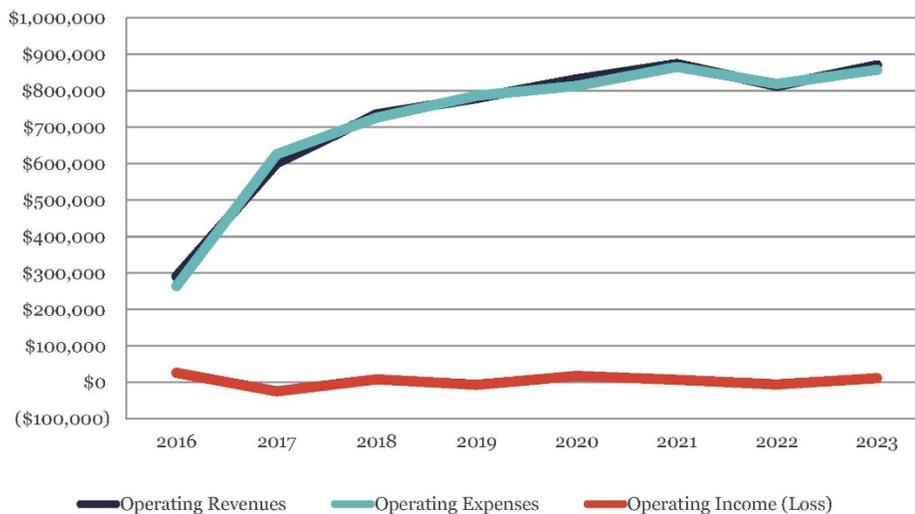


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Harold noted that revenues were up about 12% and operating expenses went up about 18%.

Sanitation Fund Historical Trends

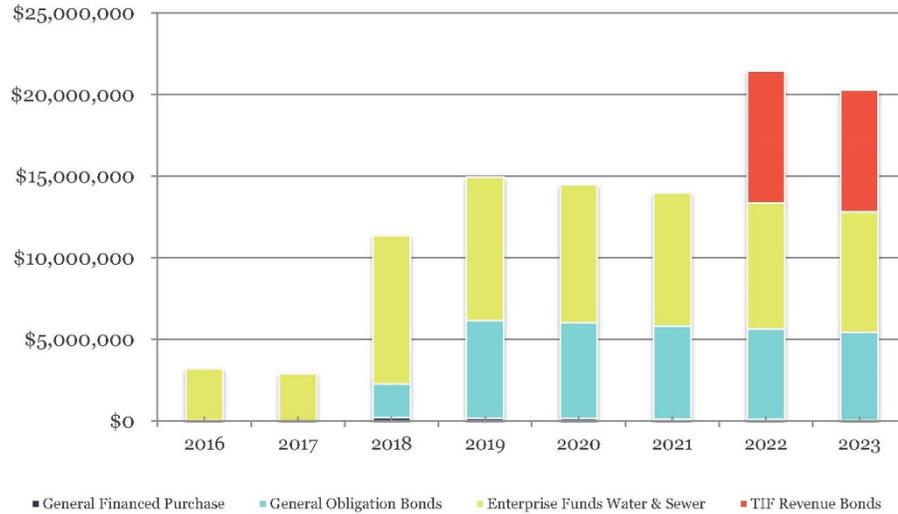


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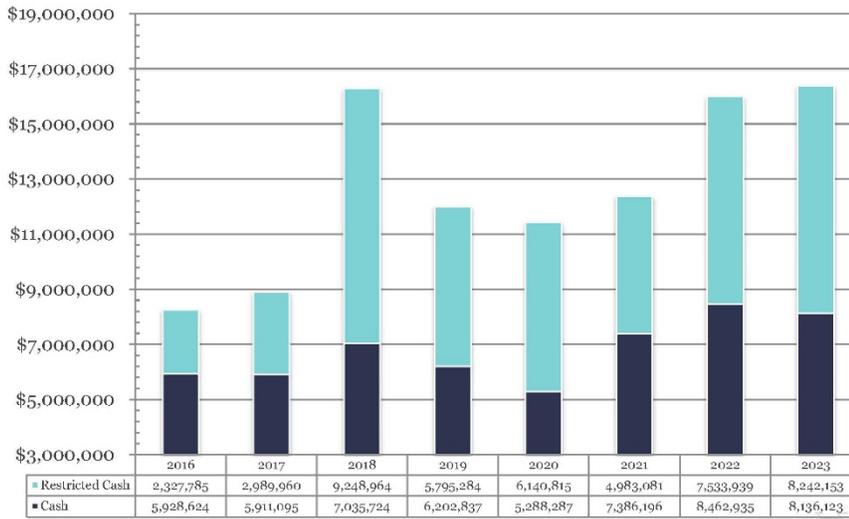
Harold noted that the operating revenue for 2023 was just under \$12,000 and is pretty much a break-even balance. The ending balance within the sanitation fund is about \$69,000 and the expenses average about \$71,000 a month. Harold pointed out the ending balance is less than one month's expenditures.

City Debt



Harold noted that there was no new debt for 2023 and the City retired about \$1,165,000 in principal and an additional \$804,000 in interest.

City Cash Position



Harold noted that a large amount of the City cash is restricted, and some are related to the TIF bonds that were issued last year.

Alderman Russell asked if the Police Department expenditures in the General Fund included overtime, and if so, what percentage was overtime.

Harold explained that the total of that fund did include overtime plus all of their expenditures, but he did not have the percentage for the overtime.

Alderman Russell said he did not understand the difference between the GAAS process the process that the City uses. He noted that it was pointed out in the material weaknesses. He asked for clarification as far as it being a different accounting type. The audit pointed out that other cities use similar to what the City does now, so it is not abnormal. He said that the City is also being graded on the GAAS format and asked if that something that cities are moving towards or away from. He asked if that was something the City needed to do or look into.

Harold explained that Alderman Russell was asking about Generally Accepted Accounting Principles or GAAP accounting. The City's financials are on a modified cash basis which means it is primarily cash in and out is modified for debt, gets recorded as a liability, capital assets that you purchase get capitalized. Harold explained that if the City would move to full GAAP accounting, there is going to be a lot of additional receivables for taxes, in receivables on customers utility bills, all the different payables, accrued payroll, retirement liabilities. He noted that there is a whole host of other things that would end up going into the financial statements. It does make them a little more complicated and maybe a little more difficult to understand. He said that it just kind of depends on the size of the city, if you have any other requirements and every once in a while if you issue bonds, sometimes they may want you to have GAAP accounting. Harold explained that is where the City is right now, it is working for you the way it is, and he would not necessarily worry about changing it.

Alderman Russell asked that this maybe something in the future, but right now we are good.

Harold said yes.

3. Adjourn

Alderman Ulledahl moved to adjourn. Alderman Atkins seconded the motion.

Ayes – 6, Noes – 0, motion carries. Mayor Boley declared the Work Session adjourned at 6:44 p.m.

Linda Drummond, City Clerk

Damien Boley, Mayor