

# City of Fayette, Missouri

## Basic Financial Statements Year Ended June 30, 2022

**KPM**  
CPAS & ADVISORS

## Table of Contents

<b>Independent Auditors' Report</b> .....	3
<b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	7
Statement of Activities.....	8
<b>Fund Financial Statements</b>	
Governmental Funds	
Balance Sheet .....	9
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	12
Proprietary Funds	
Statement of Net Position .....	13
Statement of Revenues, Expenses, and Changes in Net Position .....	14
Statement of Cash Flows .....	15
Notes to the Financial Statements.....	17
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule	
General Fund.....	36
Notes to the Budgetary Comparison Schedule .....	37
Schedule of Changes in Net Pension Asset and Related Ratios .....	38
Schedule of Contributions .....	39
Notes to the Schedule of Contributions.....	40



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

## **Report on the Audit of the Financial Statements**

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Fayette, Missouri, as of and for the year ended June 30, 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 Fayette, Missouri, as of June 30, 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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fayette 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.

### ***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.

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 and *Government 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 and *Government 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 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. Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the

Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2026, on our consideration of the City of Fayette, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fayette, Missouri's internal control over financial reporting and compliance.

KPM CPAs, LLC

KPM CPAs, LLC  
Springfield, Missouri  
April 1, 2026

## Basic Financial Statements

# City of Fayette

## Statement of Net Position

June 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Current			
Cash and cash equivalents	\$ 576,010	\$ 5,401,885	\$ 5,977,895
Accounts receivable, net	33,540	554,493	588,033
Taxes receivable	67,541	-	67,541
Intergovernmental receivable	-	40,000	40,000
Prepaid expenses	31,994	19,818	51,812
Non-current			
Restricted cash and cash equivalents	219,788	317,314	537,102
Net pension asset	-	552,359	552,359
Capital Assets			
Nondepreciable	41,585	291,676	333,261
Depreciable, net	1,563,358	14,243,181	15,806,539
<b>Total Assets</b>	2,533,816	21,420,726	23,954,542
<b>Deferred Outflows of Resources</b>			
Deferred pension outflows	80,689	19,823	100,512
<b>Total Deferred Outflows of Resources</b>	80,689	19,823	100,512
<b>Liabilities</b>			
Current liabilities			
Accounts payable	30,336	339,223	369,559
Retainage payable	-	443,384	443,384
Accrued expenses	26,278	13,333	39,611
Unearned revenue	219,788	-	219,788
Accrued interest payable	-	86,125	86,125
Customer deposits	-	222,314	222,314
Current portion of long-term debt	-	3,358,262	3,358,262
Noncurrent liabilities			
Net pension liability	63,813	-	63,813
Compensated absences	57,591	48,899	106,490
Revenue bonds	-	3,985,707	3,985,707
<b>Total Liabilities</b>	397,806	8,497,247	8,895,053
<b>Deferred Inflows of Resources</b>			
Deferred pension inflows	91,267	99,374	190,641
<b>Total Deferred Inflow of Resources</b>	91,267	99,374	190,641
<b>Net Position</b>			
Net investment in capital assets	1,604,943	7,190,888	8,795,831
Unrestricted	520,489	5,653,040	6,173,529
<b>Total Net Position</b>	\$ 2,125,432	\$ 12,843,928	\$ 14,969,360

See accompanying Notes to the Financial Statements

# City of Fayette

## Statement of Activities

Year Ended June 30, 2022

Functions/Programs	Program Revenues				Net (Expenses), Revenues, and Changes in Net Position		
	Expenses	Charges for Services			Primary Government		
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government							
Governmental Activities							
General government	\$ (442,297)	\$ 139,242	\$ 54,127	\$ -	\$ (248,928)	\$ -	\$ (248,928)
Police	(613,463)	28,118	-	-	(585,345)	-	(585,345)
Streets	(190,349)	20,074	-	167,744	(2,531)	-	(2,531)
Fire	(64,167)	-	-	-	(64,167)	-	(64,167)
Parks and recreation	(174,440)	18,843	3,308	190,968	38,679	-	38,679
Animal control	(4,484)	-	-	-	(4,484)	-	(4,484)
Building inspection	(25,453)	-	-	-	(25,453)	-	(25,453)
Economic development	(17,887)	-	-	-	(17,887)	-	(17,887)
<b>Total Governmental Activities</b>	<u>(1,532,540)</u>	<u>206,277</u>	<u>57,435</u>	<u>358,712</u>	<u>(910,116)</u>	<u>-</u>	<u>(910,116)</u>
Business-type Activities							
Electric	(2,585,008)	2,861,857	-	-	-	276,849	276,849
Water	(1,023,536)	910,263	35,358	-	-	(77,915)	(77,915)
Sewer	(711,515)	696,941	-	1,161,600	-	1,147,026	1,147,026
<b>Total Business-type Activities</b>	<u>(4,320,059)</u>	<u>4,469,061</u>	<u>35,358</u>	<u>1,161,600</u>	<u>-</u>	<u>1,345,960</u>	<u>1,345,960</u>
<b>Total Primary Government</b>	<u>\$ (5,852,599)</u>	<u>\$ 4,675,338</u>	<u>\$ 92,793</u>	<u>\$ 1,520,312</u>	<u>(910,116)</u>	<u>1,345,960</u>	<u>435,844</u>
General Revenues							
Property taxes					100,615	-	100,615
Sales taxes					356,669	-	356,669
Franchise taxes					32,678	-	32,678
Other taxes					434,463	-	434,463
Interest					25,786	36,506	62,292
Other revenue					21,847	12,761	34,608
<b>Total General Revenues</b>					<u>972,058</u>	<u>49,267</u>	<u>1,021,325</u>
Changes in Net Position					61,942	1,395,227	1,457,169
Net Position , Beginning of Year, as reported					1,929,285	11,673,616	13,602,901
Restatement					134,205	(224,915)	(90,710)
Net Position, Beginning of Year, as restated					<u>2,063,490</u>	<u>11,448,701</u>	<u>13,512,191</u>
<b>Net Position, End of Year</b>					<u>\$ 2,125,432</u>	<u>\$ 12,843,928</u>	<u>\$ 14,969,360</u>

See accompanying Notes to the Financial Statements

# City of Fayette

## Governmental Fund Balance Sheet

June 30, 2022

---

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 576,010
Accounts receivable	33,540
Taxes receivable	67,541
Prepaid expenses	31,994
Restricted cash and cash equivalents	219,788
<b>Total Assets</b>	<u><u>\$ 928,873</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 30,336
Accrued expenses	26,278
Unearned revenue	219,788
<b>Total Liabilities</b>	<u>276,402</u>
<b>Fund Balances</b>	
Nonspendable	
Prepaid expenses	31,994
Unassigned	620,477
<b>Total Fund Balance</b>	<u>652,471</u>
<b>Total Liabilities and Fund Balance</b>	<u><u>\$ 928,873</u></u>

See accompanying Notes to the Financial Statements

# City of Fayette

## Governmental Funds

### Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position

June 30, 2022

---

Fund balance - total governmental funds	\$	652,471
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Governmental capital assets		4,604,240
Less accumulated depreciation		(2,999,297)
The net pension liability and the related deferrals are not available to pay for the current-period expenditures, and therefore are not reported in the funds. The following is the detail of the net effect of these differences in the treatment of the net pension liability and the related deferred items:		
Net pension liability		(63,813)
Deferred outflows due to pension		80,689
Deferred inflows due to pension		(91,267)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due. These liabilities consist of the following:		
Compensated absences		<u>(57,591)</u>
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>2,125,432</u></b>

See accompanying Notes to the Financial Statements

# City of Fayette

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended June 30, 2022

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 639,598		\$ 639,598
Licenses and permits	20,074		20,074
Intergovernmental revenues	221,871		221,871
Court fees and fines	28,118		28,118
Sanitation charges	139,242		139,242
Park fees	18,843		18,843
Miscellaneous	241,909		241,909
<b>Total Revenues</b>	<u>1,309,655</u>		<u>1,309,655</u>
<b>Expenditures</b>			
Current			
General government	394,165		394,165
Police	586,959		586,959
Streets	134,159		134,159
Fire	23,204		23,204
Parks and recreation	160,169		160,169
Animal control	4,404		4,404
Building inspection	24,743		24,743
Economic development	17,567		17,567
Capital outlay	479,144		479,144
<b>Total Expenditures</b>	<u>1,824,514</u>		<u>1,824,514</u>
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(514,859)		(514,859)
<b>Other Financing Sources (Uses)</b>			
Payment in lieu of taxes	284,827		284,827
<i>Net Change in Fund Balances</i>	(230,032)		(230,032)
Beginning Fund Balances, as previously reported	398,727	\$ 299,249	697,976
Restatement	483,776	(299,249)	184,527
Beginning Fund Balances, as restated	<u>882,503</u>	<u>-</u>	<u>882,503</u>
<b>Ending Fund Balances</b>	<u>\$ 652,471</u>	<u>\$ -</u>	<u>\$ 652,471</u>

See accompanying Notes to the Financial Statements

## City of Fayette

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

Year Ended June 30, 2022

---

Net change in fund balances - total governmental funds	\$ (230,032)
--	--------------

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	479,144
Current year depreciation	(150,722)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal consumes current financial resources of governmental funds and is reported as an expenditure in the funds.

Repayment of principal	5,400
------------------------	-------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.

Change in compensated absences	(24,467)
Change in net pension asset and related deferrals	(17,381)

**Change in Net Position of Governmental Activities**

<u>\$ 61,942</u>
------------------

See accompanying Notes to the Financial Statements

# City of Fayette

## Proprietary Funds Statement of Net Position

June 30, 2022

	<b>Business-Type Activities - Enterprise Funds</b>			
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 3,757,919	\$ 512,302	\$ 1,131,664	\$ 5,401,885
Accounts receivable, net	302,745	140,598	111,150	554,493
Intergovernmental receivable	-	-	40,000	40,000
Prepaid expenses	10,027	6,330	3,461	19,818
<b>Total Current Assets</b>	<u>4,070,691</u>	<u>659,230</u>	<u>1,286,275</u>	<u>6,016,196</u>
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	176,938	45,376	95,000	317,314
Net pension asset	210,196	158,612	183,551	552,359
Capital assets				
Nondepreciable	-	276,006	15,670	291,676
Depreciable, net	2,103,836	3,015,951	9,123,394	14,243,181
<b>Total Noncurrent Assets</b>	<u>2,490,970</u>	<u>3,495,945</u>	<u>9,417,615</u>	<u>15,404,530</u>
<b>Total Assets</b>	<u>6,561,661</u>	<u>4,155,175</u>	<u>10,703,890</u>	<u>21,420,726</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension outflows	7,544	5,692	6,587	19,823
<b>Total Deferred Outflow of Resources</b>	<u>7,544</u>	<u>5,692</u>	<u>6,587</u>	<u>19,823</u>
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	203,561	95,817	39,845	339,223
Retainage payable	-	-	443,384	443,384
Accrued expenses	4,625	4,088	4,620	13,333
Accrued interest payable	-	-	86,125	86,125
Customer deposits	176,938	45,376	-	222,314
Current maturities of long-term debt	-	55,000	3,303,262	3,358,262
<b>Total Current Liabilities</b>	<u>385,124</u>	<u>200,281</u>	<u>3,877,236</u>	<u>4,462,641</u>
Long-Term Liabilities				
Compensated absences	12,070	13,816	23,013	48,899
Revenue bonds	-	1,580,000	2,405,707	3,985,707
<b>Total Long-Term Liabilities</b>	<u>12,070</u>	<u>1,593,816</u>	<u>2,428,720</u>	<u>4,034,606</u>
<b>Total Liabilities</b>	<u>397,194</u>	<u>1,794,097</u>	<u>6,305,956</u>	<u>8,497,247</u>
<b>Deferred Inflow of Resources</b>				
Deferred pension inflow	37,826	28,543	33,005	99,374
<b>Total Deferred Inflow of Resources</b>	<u>37,826</u>	<u>28,543</u>	<u>33,005</u>	<u>99,374</u>
<b>Net Position</b>				
Net investment in capital assets	2,103,836	1,656,957	3,430,095	7,190,888
Unrestricted	4,030,349	681,270	941,421	5,653,040
<b>Total Net Position</b>	<u>\$ 6,134,185</u>	<u>\$ 2,338,227</u>	<u>\$ 4,371,516</u>	<u>\$ 12,843,928</u>

See accompanying Notes to the Financial Statements

# City of Fayette

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended June 30, 2022

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues</b>				
Charges for services	\$ 2,861,857	\$ 910,263	\$ 696,941	\$ 4,469,061
Miscellaneous	6,320	6,441	-	12,761
<b>Total Operating Revenues</b>	<b>2,868,177</b>	<b>916,704</b>	<b>696,941</b>	<b>4,481,822</b>
<b>Operating Expenses</b>				
Salaries and benefits	207,461	131,297	150,345	489,103
Professional services	58	19,789	38,987	58,834
Purchased services	73,363	61,505	16,775	151,643
Insurance	12,384	10,518	8,078	30,980
Repairs and maintenance	3,030	1,779	1,199	6,008
Supplies and equipment	10,894	38,626	17,650	67,170
Cost of power purchased	1,949,565	-	-	1,949,565
Cost of water purchased	-	557,969	-	557,969
Payment for services	188,491	58,762	45,172	292,425
Utilities	3,138	2,571	66,965	72,674
Depreciation	136,624	108,282	211,265	456,171
<b>Total Operating Expenses</b>	<b>2,585,008</b>	<b>991,098</b>	<b>556,436</b>	<b>4,132,542</b>
<i>Operating Income (Loss)</i>	283,169	(74,394)	140,505	349,280
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	21,886	5,898	8,722	36,506
Interest expense	-	(32,438)	(155,079)	(187,517)
Intergovernmental	-	35,358	-	35,358
<b>Total Nonoperating Revenues (Expenses)</b>	<b>21,886</b>	<b>8,818</b>	<b>(146,357)</b>	<b>(115,653)</b>
<i>Income (Loss) Before Contributions and Transfers</i>	305,055	(65,576)	(5,852)	233,627
<b>Capital Contributions</b>				
Capital grants - federal	-	-	1,161,600	1,161,600
<i>Changes in Net Position</i>	305,055	(65,576)	1,155,748	1,395,227
Beginning Net Position, as previously reported	6,030,627	2,431,831	3,211,158	11,673,616
Restatement	(201,497)	(28,028)	4,610	(224,915)
Beginning Net Position, as restated	<b>5,829,130</b>	<b>2,403,803</b>	<b>3,215,768</b>	<b>11,448,701</b>
<b>Ending Net Position</b>	<b>\$ 6,134,185</b>	<b>\$ 2,338,227</b>	<b>\$ 4,371,516</b>	<b>\$ 12,843,928</b>

See accompanying Notes to the Financial Statements

# City of Fayette

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2022

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 2,695,861	\$ 960,072	\$ 643,118	\$ 4,299,051
Cash paid to suppliers	(2,050,962)	(704,856)	(174,233)	(2,930,051)
Cash paid to employees	(248,438)	(138,771)	(149,029)	(536,238)
Other cash received for nonoperating revenues	-	35,358	-	35,358
<b>Net Cash Provided by Operating Activities</b>	396,461	151,803	319,856	868,120
<b>Cash Flows from Noncapital Financing Activities</b>				
Change in internal balances	(13,500)	4,800	(4,800)	(13,500)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	(13,500)	4,800	(4,800)	(13,500)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from issuance of long-term debt	-	-	3,233,000	3,233,000
Capital contributions received	-	-	1,161,600	1,161,600
Acquisition of capital assets	-	-	(4,287,723)	(4,287,723)
Payment of long-term debt principal	-	(55,000)	(85,126)	(140,126)
Payment of interest expense	-	(32,438)	(68,954)	(101,392)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	-	(87,438)	(47,203)	(134,641)
<b>Cash Flows from Investing Activities</b>				
Interest received on investments	21,886	5,898	8,722	36,506
<b>Net Cash Provided by Investing Activities</b>	21,886	5,898	8,722	36,506
<i>Net Change in Cash and Cash Equivalents</i>	404,847	75,063	276,575	756,485
Cash and Cash Equivalents, Beginning of year	3,530,010	482,615	950,089	4,962,714
<b>Cash and Cash Equivalents, End of year</b>	3,934,857	557,678	1,226,664	5,719,199
Less Restricted Cash and Cash Equivalents	(176,938)	(45,376)	(95,000)	(317,314)
<b>Unrestricted Cash and Cash Equivalents</b>	<u>\$ 3,757,919</u>	<u>\$ 512,302</u>	<u>\$ 1,131,664</u>	<u>\$ 5,401,885</u>

See accompanying Notes to the Financial Statements

# City of Fayette

Proprietary Funds  
Statement of Cash Flows  
Year Ended June 30, 2022

	<b>Business-Type Activities - Enterprise Funds</b>			
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>				
Operating income (loss)	\$ 283,169	\$ (74,394)	\$ 140,505	\$ 349,280
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	136,624	108,282	211,265	456,171
(Increase) decrease in				
Accounts receivable, net	(154,610)	35,843	(13,823)	(132,590)
Intergovernmental receivable	-	-	(40,000)	(40,000)
Prepaid expenses	(862)	777	15	(70)
Net pension asset	33,548	51,895	104,510	189,953
Deferred pension outflows	6,786	6,684	10,349	23,819
Increase (decrease) in				
Accounts payable	190,823	45,886	20,578	257,287
Accrued expenses	(1,191)	(360)	(18,913)	(20,464)
Customer deposits	(17,706)	7,525	-	(10,181)
Compensated absences	(2,052)	5,855	9,331	13,134
Deferred pension inflows	(78,068)	(71,548)	(103,961)	(253,577)
Other cash received for nonoperating revenues	-	35,358	-	35,358
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 396,461</u>	<u>\$ 151,803</u>	<u>\$ 319,856</u>	<u>\$ 868,120</u>

See accompanying Notes to the Financial Statements

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

### **1. Summary of Significant Accounting Policies**

The City was founded in 1823 and is a fourth-class city which operates under the laws regulating such as defined by Chapter 79 of the Revised Statutes of Missouri (RSMo). The city is governed by a Mayor and a Board of Aldermen. The City provides a variety of general governmental services to residents including general administrative services, public safety, public works, parks and recreation, and community services. Other services include electric, water, sewer, and sanitation 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 and practices of the City.

#### **Financial Reporting Entity**

As required by accounting principles generally accepted in the United States of America, the City has evaluated the 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 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 of which the City would be considered a component unit.

#### **Basis of Presentation**

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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent 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 are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

do not present the long-term impact of transactions. 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 governmental fund:

*General Fund:* The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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. Proprietary funds of the City include enterprise funds, which provide goods or services to users in exchange for charges or fees. The focus of proprietary fund measurement is the determination of operating income, changes in net position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses, depreciation of capital assets, and payment of debt.

The City reports the following proprietary funds:

*Electric Fund:* The Electric Fund accounts for electric service provided for most City residents. All activities necessary to provide such services are accounted for in this fund, including billings, collections, operations, capital improvements, and financing and related debt service.

*Water Fund:* The Water Fund accounts for water services provided to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including billings, collections, operations, capital improvements, and financing and related debt service.

*Sewer Fund:* The Sewer Fund accounts for sanitary sewer services provided to the residents of the City. All activities necessary to provide such services are account for in this fund, including billings, collections, operations, capital improvements, and finance and related-debt service.

### **Adoption of New Accounting Standards**

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. The standard requires a lessee to recognize a lease liability and an intangible right-to-use lease asset, and a lessor to recognize a lease receivable and a deferred inflow of resources. As of June 30, 2022, the City had no leases that are required to be reported in accordance with this new standard.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

### **Cash, Cash Equivalents, and Investments**

The City maintains a cash and investment pool, which a majority of the City's funds share. Interest earned is allocated to individual funds based on their proportionate share of the pool.

For purposes of the cash flow statement, all investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

Investments of the City are reported at fair value.

### **Fair Value**

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

- Level 1: Inputs using quoted prices in active markets for identical assets or liabilities
- Level 2: Inputs using significant other observable inputs including quoted prices for similar assets or liabilities
- Level 3: Inputs are significant unobservable inputs

### **Accounts Receivable**

Accounts receivable in the governmental activities consists of miscellaneous receivables for services provided to citizens, such as for refuse services. Accounts receivable in the business-type activities represent billed and unbilled charges for electric, water, and sewer. Accounts receivable are shown net of allowances for uncollectible accounts.

### **Prepaid Expenses**

Prepaid expenses reflect the payment of expenses that benefit more than one fiscal period. The amount is amortized using the consumption method over the period the expense is for.

### **Internal Balances**

Activity between funds that is representative of borrowing/lending arrangements outstanding at the end of the year is referred to as either "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

### **Capital Assets**

Capital assets include land, buildings, improvements, equipment, 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 \$5,000 or greater and a useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased capital assets are valued and recorded at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

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:

Building and improvements	20 - 40 years
Machinery and equipment	3 - 15 years
Infrastructure	20 - 50 years

Expenses for maintenance and repairs are charged to expense; renewals and betterments are capitalized. Capital asset additions that are not completed by year end have been reported as construction in progress. There was no interest capitalized during the year ended June 30, 2022.

### Compensated Absences

Employees earn sick leave at the rate of one day per calendar month of service, not to exceed 640 hours. An employee with twenty years of service upon retirement or termination is paid for half of the sick pay accumulated, not to exceed 250 hours. Vacation leave is earned at various rates depending on years of employment, however, a maximum of 160 hours may be carried forward to the succeeding fiscal year. Compensated absences are recorded as a liability in the Statement of Net Position and the change is presented as net in the Notes to the Financial Statements.

### Unearned Revenue

Unearned revenue in the governmental funds arise when assets are recognized before revenue recognition criteria have been satisfied. As of June 30, 2022, the balance of \$219,788 relates to the receipt of ARPA funds that have not been recognized.

### Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, deferred amounts relating to the pension plan.

In addition to liabilities, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, deferred amounts relating to the pension plan.

### Unavailable Revenue

For governmental funds, unavailable revenue are receivables that were not collected within a time period soon enough after year end to be considered available to meet current operating needs and therefore do not qualify for recognition as revenue.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

### Long-term Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt is reported in the statement of net position as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Issuance costs are expensed as incurred.

### Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to or 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.

### Net Position

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

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

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

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

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

### 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 or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance:* These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen – the government’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

---

*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.

### **Revenue Recognition**

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. In the governmental funds, revenues are considered available and recognized if collected within 60 days after year end, and proceeds of long-term debt are reported as other financing sources.

### **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.

### **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.

### **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.

## **2. Deposits and Investments**

The City maintains a cash pool that is available for use by all funds.

### **Custodial Credit Risk**

For deposits, custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution, or by a single collateral pool established by the financial institution. As of June 30, 2022, all bank balances on deposit were entirely insured or collateralized.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### 3. Restricted Assets

Restricted cash and investments and net position are restricted for the following:

	<b>Restricted Cash</b>	<b>Restricted Net Position</b>
<b>Governmental Activities</b>		
Unspent ARPA grant advances	\$ 219,788	\$ -
<b>Business-Type Activities</b>		
Electric Fund		
Refundable customer deposits	\$ 176,938	\$ -
Water Fund		
Refundable customer deposits	45,376	-
Sewer Fund		
Unspent proceeds from interim financing	95,000	-
<b>Total Business-Type Activities</b>	<b>\$ 317,314</b>	<b>\$ -</b>

### 4. Accounts Receivable

The City presents accounts receivables net of allowance for doubtful accounts as follows:

	<b>Accounts Receivable</b>	<b>Allowance</b>	<b>Net Accounts Receivable</b>
<b>Utilities Receivable</b>			
Governmental Activities			
General Fund	\$ 33,540	\$ -	\$ 33,540
Business-type Activities			
Electric Fund	410,413	107,668	302,745
Water Fund	179,342	38,744	140,598
Sewer Fund	141,006	29,856	111,150
	730,761	176,268	554,493
	<b>\$ 764,301</b>	<b>\$ 176,268</b>	<b>\$ 588,033</b>

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### 5. Assessed Valuation, Tax Levy, & Legal Debt Margin

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

	<b>2021</b>
Assessed Valuation	
Real estate	\$ 14,293,340
Personal property	4,352,372
<b>Total</b>	<b>\$ 18,645,712</b>
	<b>2021</b>
Tax Rate Per \$100 of Assessed Valuation	
General levy	\$ 0.5743

The legal debt margin at June 30, 2022, was computed as follows:

	<b>General Obligation Bonds</b>		
	<b>Ordinary (1)</b>	<b>Additional (2)</b>	<b>Total</b>
Constitutional debt limit	\$ 1,864,571	\$ 1,864,571	\$ 3,729,142
General Obligation Bonds payable	-	-	-
<b>Legal Debt Margin</b>	<b>\$ 1,864,571</b>	<b>\$ 1,864,571</b>	<b>\$ 3,729,142</b>

(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, construction, 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.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### 6. Capital Assets

#### Governmental Activities

Capital asset activity for the year ended June 30, 2022, for the City's governmental activities was as follows:

	<b>Balance June 30, 2021</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2022</b>
<b>Governmental Activities</b>				
Non-depreciable Capital Assets				
Land	\$ 41,585	\$ -	\$ -	\$ 41,585
<b>Total capital assets not being depreciated</b>	<b>41,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>41,585</b>
Depreciable Capital Assets				
Building, improvements, and infrastructure	3,300,329	\$ 464,105	\$ -	3,764,434
Machinery and equipment	783,182	15,039	-	798,221
<b>Total depreciable capital assets</b>	<b>4,083,511</b>	<b>\$ 479,144</b>	<b>\$ -</b>	<b>4,562,655</b>
Less Accumulated Depreciation	2,848,575	\$ 150,722	\$ -	2,999,297
<b>Total depreciable capital assets, net</b>	<b>1,234,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,563,358</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 1,276,521</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,604,943</b>

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

Administrative	\$ 23,583
Police	15,830
Streets	59,150
Fire	40,541
Parks and recreation	11,358
Building inspection	260
	<b>\$ 150,722</b>

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### Business-type Activities

Capital asset activity for the year ended June 30, 2022, for the City's business-type activities was as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<b>Business-Type Activities</b>				
<i>Electric</i>				
Depreciable Capital Assets				
Buildings, improvements, and plant	\$ 6,108,873	\$ -	\$ -	\$ 6,108,873
Machinery and equipment	170,591	-	-	170,591
<b>Total depreciable capital assets</b>	<u>6,279,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>6,279,464</u>
Less Accumulated Depreciation	<u>4,039,004</u>	<u>\$ 136,624</u>	<u>\$ -</u>	<u>4,175,628</u>
<b>Total depreciable capital assets, net</b>	<u>2,240,460</u>			<u>2,103,836</u>
<i>Water</i>				
Non-depreciable Capital Assets				
Land	<u>276,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>276,006</u>
<b>Total capital assets not being depreciated</b>	<u>276,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>276,006</u>
Depreciable Capital Assets				
Buildings, improvements, and plant	5,522,972	\$ -	\$ -	5,522,972
Machinery and equipment	47,405	-	-	47,405
<b>Total depreciable capital assets</b>	<u>5,570,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>5,570,377</u>
Less Accumulated Depreciation	<u>2,446,144</u>	<u>\$ 108,282</u>	<u>\$ -</u>	<u>2,554,426</u>
<b>Total depreciable capital assets, net</b>	<u>3,124,233</u>			<u>3,015,951</u>
<i>Sewer</i>				
Non-depreciable Capital Assets				
Land	<u>15,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,670</u>
<b>Total capital assets not being depreciated</b>	<u>15,670</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,670</u>
Depreciable Capital Assets				
Buildings, improvements, and plant	9,418,770	\$ 4,731,107	\$ -	14,149,877
Machinery and equipment	203,039	-	-	203,039
<b>Total depreciable capital assets</b>	<u>9,621,809</u>	<u>\$ 4,731,107</u>	<u>\$ -</u>	<u>14,352,916</u>
Less Accumulated Depreciation	<u>5,018,257</u>	<u>\$ 211,265</u>	<u>\$ -</u>	<u>5,229,522</u>
<b>Total depreciable capital assets, net</b>	<u>4,603,552</u>			<u>9,123,394</u>
<b>Business-Type Activities Capital Assets, net</b>	<u>\$ 10,259,921</u>			<u>\$ 14,534,857</u>

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### 7. Long-Term Obligations

#### Governmental Activities

Long-term obligations and activities of the City's governmental activities for the year ended June 30, 2022, are as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Direct Borrowing					
Equipment	\$ 5,400	\$ -	\$ 5,400	\$ -	\$ -
Compensated Absences	33,124	24,467	-	57,591	-
<b>Total</b>	<u>\$ 38,524</u>	<u>\$ 24,467</u>	<u>\$ 5,400</u>	<u>\$ 57,591</u>	<u>\$ -</u>

#### Business-type Activities

Long-term debt of the business-type activities for the year ended June 30, 2022, is summarized as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
Direct Placements and Borrowings					
Revenue Bonds					
Series 2010A	\$ 2,561,095	\$ -	\$ 85,126	\$ 2,475,969	\$ 70,262
Series 2021	1,690,000	-	55,000	1,635,000	55,000
Interim Construction Notes	-	3,233,000	-	3,233,000	3,233,000
	4,251,095	3,233,000	140,126	7,343,969	3,358,262
Compensated Absences	35,767	13,132	-	48,899	-
<b>Total</b>	<u>\$ 4,286,862</u>	<u>\$ 3,246,132</u>	<u>\$ 140,126</u>	<u>\$ 7,392,868</u>	<u>\$ 3,358,262</u>

#### Revenue Bonds

On June 29, 2010, the City issued Series 2010A Taxable Combined Waterworks and Sewerage System Revenue Bonds in the amount of \$3,078,000. Principal is due in annual installments on March 1st through 2044, with interest at 4.125%. Interest subsidy payments on these bonds are received annually. The interest subsidy rate at the time of issuance was equal to approximately 35% of the amount of each interest payment, however, due to the result of automatic cuts in federal spending, the amount of subsidy has been cut by 5.7% through fiscal year 2030.

On December 15, 2020, the City issued Series 2021 Combined Waterworks and Sewerage System Refunding Revenue Bonds in the amount of \$1,690,000. Proceeds were used to current refund the City's Combined Waterworks and Sewerage System Revenue Bonds, Series B in full and to pay costs of issuing the bonds. The bonds are special limited obligations of the City payable solely from the income and revenues derived from the operation of the combined waterworks and sewerage system. Principal is due in annual installments on December 1<sup>st</sup> through 2046. Interest is due on June 1<sup>st</sup> and December 1<sup>st</sup> of each year and ranges from 1.2% to 2.25%.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### Interim Construction Notes

On July 21, 2021, the City entered into an advance agreement with the Missouri Public Utilities Commission to issue Series 2020 Interim Construction Notes in the amount not to exceed \$3,233,000 for the purpose of constructing extensions, additions, and improvements to the existing combined waterworks and sewerage system of the City. The City has obtained a commitment for permanent financing from the United States Department of Agriculture Rural Development. The Notes accrue interest at 2.5% and will be refunded and retired concurrently with the issuance and delivery of the Series 2022C Combined Waterworks and Sewerage System Revenue Bonds. As of June 30, 2022, \$3,138,000 of the Notes had been issued.

### Available Bonds

On November 8, 2005, the voters of the City authorized \$9,700,000 of combined waterworks and sewerage system revenue bonds. As of June 30, 2022, the City has issued \$4,945,000 of the bonds approved at the election, leaving \$4,755,00 of authorized, but unissued authority. The Series 2022C bonds, issued in September 2022 will use a significant portion of the remaining authorized but unissued bonds.

Annual debt service requirements to maturity for the above obligations, excluding compensated absences, as of June 30, 2022, are as follows:

Year Ending June 30,	Direct Placements and Borrowings		
	Principal	Interest	Total
2023	\$ 3,358,262	\$ 226,876	\$ 3,585,138
2024	130,962	126,125	257,087
2025	132,756	123,230	255,986
2026	164,791	90,096	254,887
2027	139,033	114,973	254,006
2028-2032	769,936	508,907	1,278,843
2033-2037	901,650	377,182	1,278,832
2038-2042	1,066,752	213,437	1,280,189
2043-2047	679,827	39,579	719,406
	<u>\$ 7,343,969</u>	<u>\$ 1,820,405</u>	<u>\$ 9,164,374</u>

## 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

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at [www.molagers.org](http://www.molagers.org).

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

### 2022 Valuation

Benefit Multiplier	1.50% for life
Final Average Salary	8 Years
Member Contributions	0%

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

*Employees Covered by Benefit Terms.* At June 30, 2022, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Retirees or beneficiaries currently receiving benefits	26	4	30
Inactive employees entitled to but not yet receiving benefits	6	8	14
Active employees	15	8	23
	<u>47</u>	<u>20</u>	<u>67</u>

*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 do not contribute to the pension plan. Employer contribution rates were 6.3% for General and 22.6% for Police, of annual covered payroll.

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

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

*Actuarial Assumptions.* The total pension asset 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 for the General Division 2.75% to 6.55% including wage inflation for the Police Division
Investment rate of return	7.00%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the 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 Tables for males and females of General groups, and 75% of the PubS-2010 Employee Mortality Table for males and females of Police groups.

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

The actuarial assumptions used in the February 28, 2022 valuation were based on the results of an actuarial experience study covering 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
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 Fayette

## Notes to the Financial Statements

June 30, 2022

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
<b>General Division</b>			
Balance at beginning of year	\$ 3,030,185	\$ 4,138,114	\$ (1,107,929)
Changes for the year			
Service cost	40,129	-	40,129
Interest on total pension liability	204,168	-	204,168
Difference between expected and actual experience of the total pension liability	74,202	-	74,202
Contributions - employer	-	32,812	(32,812)
Net investment income	-	2,538	(2,538)
Benefit payments, including refunds	(271,028)	(271,028)	-
Administrative expenses	-	(4,750)	4,750
Other (net transfers)	-	(77,811)	77,811
Net Changes	<u>47,471</u>	<u>(318,239)</u>	<u>365,710</u>
Balance at end of year	3,077,656	3,819,875	(742,219)
<b>Police Division</b>			
Balance at beginning of year	<u>1,196,575</u>	<u>1,079,854</u>	<u>116,721</u>
Changes for the year			
Service cost	23,604	-	23,604
Interest on total pension liability	82,914	-	82,914
Difference between expected and actual experience of the total pension liability	94,536	-	94,536
Contributions - employer	-	65,617	(65,617)
Net investment income	-	939	(939)
Benefit payments, including refunds	(48,201)	(48,201)	-
Administrative expenses	-	(1,326)	1,326
Other (net transfers)	-	(1,128)	1,128
Net Changes	<u>152,853</u>	<u>15,901</u>	<u>136,952</u>
Balance at end of year	<u>1,349,428</u>	<u>1,095,755</u>	<u>253,673</u>
<b>Total Plan Balances at end of year</b>	<u>\$ 4,427,084</u>	<u>\$ 4,915,630</u>	<u>\$ (488,546)</u>

*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.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

	1% Decrease 6.00%	Current Single Discount Rate Assumption 7.00%	1% Increase 8.00%
<b>General Division</b>			
Total Pension Liability	\$ 3,412,654	\$ 3,077,656	\$ 2,794,066
Plan Fiduciary Net Position	3,819,875	3,819,875	3,819,875
<b>Net Pension Liability (Asset)</b>	<b>(407,221)</b>	<b>(742,219)</b>	<b>(1,025,809)</b>
<b>Police Division</b>			
Total Pension Liability	1,577,369	1,349,428	1,165,300
Plan Fiduciary Net Position	1,095,755	1,095,755	1,095,755
<b>Net Pension Liability (Asset)</b>	<b>481,614</b>	<b>253,673</b>	<b>69,545</b>
<b>Total Net Pension Liability (Asset)</b>	<b>\$ 74,393</b>	<b>\$ (488,546)</b>	<b>\$ (956,264)</b>

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

For the year ended June 30, 2022, the employer recognized pension expense of \$10,985 relating to the General Division and a pension credit of \$33,409 relating to the Police Division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred (Inflow) of Resources	Net Deferred Outflows (Inflows) of Resources
<b>General Division</b>			
Differences between expected and actual experience	\$ 26,637	\$ -	\$ 26,637
Net difference between projected and actual earnings on pension plan investments	-	(133,568)	(133,568)
	<u>26,637</u>	<u>(133,568)</u>	<u>(106,931)</u>
<b>Police Division</b>			
Differences between expected and actual experience	73,875	(34,231)	39,644
Assumption changes	-	(5,546)	(5,546)
Net difference between projected and actual earnings on pension plan investments	-	(17,296)	(17,296)
	<u>73,875</u>	<u>(57,073)</u>	<u>16,802</u>
<b>Total</b>	<b>\$ 100,512</b>	<b>\$ (190,641)</b>	<b>\$ (90,129)</b>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition in the net pension asset in the year ending June 30, 2023.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

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

Year Ending June 30,	Net Deferred Outflows and (Inflows) of Resources		
	General Division	Police Division	Total
2023	\$ (19,825)	\$ 6,618	\$ (13,207)
2024	(51,662)	1,682	(49,980)
2025	(90,661)	(6,532)	(97,193)
2026	55,217	15,034	70,251
2027	-	-	-
Thereafter	-	-	-
	<u>\$ (106,931)</u>	<u>\$ 16,802</u>	<u>\$ (90,129)</u>

### Payable to the Pension Plan

At June 30, 2022, the City had \$7,235 of payments due to the Plan.

## 9. Pledged Revenues

The City has pledged future water and sewer customer revenues to repay the Series 2021 revenue bonds. The bonds are payable solely from customer net revenues and are payable through 2046. 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 \$2,082,311. Principal and interest paid for the current year and total customer net revenues were \$86,888 and \$385,658, respectively.

## 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 a public self-insured insurance pool. 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 federal and state programs that are fully or partially funded by grants or loans received from other governmental units. Expenditures financed by grants and loans are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the City may be required to reimburse the grantor government. The City believes that disallowed expenditures, if any, based upon subsequent audits will not have a material effect on the City's financial position.

## 12. Commitments

As of June 30, 2022, the City had an outstanding commitment relating the wastewater collection system improvements project. The remaining amount of the contract due and yet to be completed, less retainage payable, was \$195,661.

# City of Fayette

## Notes to the Financial Statements

June 30, 2022

### 13. Subsequent Event

On September 15, 2022, the City issued \$3,233,000 in Series 2022C Combined Waterworks and Sewerage System Revenue Bonds for the purpose of refunding and retiring the Series 2020 Interim Construction Notes and providing long-term financing for extending and improving the combined waterworks and sewerage system.

### 14. Restatement

The Capital Projects Fund was erroneously reported as a separate fund in the prior year financial statements. Due to this error, beginning fund balances of the General and Capital Projects Funds were restated so that the balance that was reported as a Capital Project Fund is included correctly in the General Fund.

In March 2021, the Board approved that an interfund loan between the Electric Fund and the General Fund be forgiven. This was not reflected in the prior year financial statements, and therefore, beginning net position and fund balances were restated to correct this oversight.

Beginning net position and fund balances were also restated for other errors identified during the current year relating to sales tax receivable, inventory, and capital assets.

The restatement to beginning net positions and fund balances are noted below:

	Reporting Units Affected by Restatements of Beginning Balances						
	Funds					Government-Wide	
	General Fund	Capital Projects Fund	Electric Fund	Water Fund	Sewer Fund	Governmental Activities	Business-type Activities
June 30, 2021, as previously reported	\$ 398,727	\$ 299,249	\$ 6,030,627	\$ 2,431,831	\$ 3,211,158	\$ 1,929,285	\$ 11,673,616
Cash	299,249	(299,249)	-	-	-	-	-
Taxes receivable	(44,731)	-	-	-	-	(44,731)	-
Inventory	(42,423)	-	(146,468)	(29,980)	(3,477)	(42,423)	(179,925)
Note receivable	-	-	(238,557)	-	-	-	(238,557)
Capital assets	-	-	24,271	2,796	22,052	1,223	49,119
Accumulated depreciation	-	-	(2,816)	(844)	(13,965)	(18,421)	(17,625)
Accounts payable	-	-	162,073	-	-	-	162,073
Compensated absences	33,124	-	-	-	-	-	-
Notes payable	238,557	-	-	-	-	238,557	-
<b>June 30, 2021, as restated</b>	<b>\$ 882,503</b>	<b>\$ -</b>	<b>\$ 5,829,130</b>	<b>\$ 2,403,803</b>	<b>\$ 3,215,768</b>	<b>\$ 2,063,490</b>	<b>\$ 11,448,701</b>

## **Required Supplementary Information**

# City of Fayette

## Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
Property taxes	\$ 101,700	\$ 101,700	\$ 100,615	\$ (1,085)
Sales tax	325,200	325,200	356,669	31,469
Franchise tax	88,500	88,500	32,678	(55,822)
Motor vehicle	110,800	110,800	118,823	8,023
Other	36,920	36,920	30,813	(6,107)
Licenses and permits	21,800	21,800	20,074	(1,726)
Intergovernmental revenues	465,000	465,000	221,871	(243,129)
Court fees and fines	24,350	24,350	28,118	3,768
Sanitation charges	146,750	146,750	139,242	(7,508)
Park fees	10,000	10,000	18,843	8,843
Miscellaneous				
Interest income	27,700	27,700	25,786	(1,914)
Donations	40,000	40,000	194,276	154,276
Other	35,700	35,700	21,847	(13,853)
<b>Total Revenues</b>	1,434,420	1,434,420	1,309,655	(124,765)
<b>Expenditures</b>				
Current				
General government	328,080	328,080	394,165	(66,085)
Police	557,670	557,670	586,959	(29,289)
Streets	499,301	499,301	134,159	365,142
Fire	58,410	58,410	23,204	35,206
Parks and recreation	184,341	184,341	160,169	24,172
Animal control	3,900	3,900	4,404	(504)
Building inspection	57,480	57,480	24,743	32,737
Economic development	26,480	26,480	17,567	8,913
Capital outlay	-	-	479,144	(479,144)
<b>Total Expenditures</b>	1,715,662	1,715,662	1,824,514	(108,852)
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(281,242)	(281,242)	(514,859)	(233,617)
<b>Other Financing Sources (Uses)</b>				
Payment in lieu of taxes	299,850	299,850	284,827	(15,023)
Operating transfers in	21,000	21,000	-	(21,000)
<b>Total Other Financing Sources (Uses)</b>	320,850	320,850	284,827	(36,023)
<i>Net Change in Fund Balance</i>	39,608	39,608	(230,032)	(269,640)
Beginning Fund Balance, as previously reported	398,727	398,727	398,727	-
Restatement	-	-	483,776	483,776
Beginning Fund Balance, as restated	398,727	398,727	882,503	483,776
<b>Ending Fund Balance</b>	\$ 837,062	\$ 837,062	\$ 652,471	\$ 697,912

See accompanying Notes to the Budgetary Comparison Schedules

# City of Fayette

## Notes to the Budgetary Comparison Schedule

Year Ended June 30, 2022

---

### **Budgets and Budgetary Accounting**

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

1. Prior to June, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them. The primary basis of budgetary control is at the department level.
2. One public hearing is conducted by the Board of Aldermen in June to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to July 1, ordinances are passed by the Board of Aldermen 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 are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen.

# City of Fayette

## Schedule of Changes in Net Pension Asset and Related Ratios

Year Ended June 30, 2022

### Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>Total Pension Liability</b>								
Service cost	\$ 63,733	\$ 63,284	\$ 67,303	\$ 63,793	\$ 58,863	\$ 55,030	\$ 53,127	\$ 59,020
Interest on the total pension liability	287,082	293,782	300,696	281,555	271,940	264,366	242,425	235,370
Difference between expected and actual experience	168,738	88,961	(241,447)	87,250	(30,890)	(53,623)	57,291	(2,839)
Changes of assumptions	-	(105,492)	-	-	-	-	107,387	-
Benefit payments, including refunds	(319,229)	(265,074)	(176,371)	(164,436)	(174,818)	(151,941)	(164,902)	(216,889)
<i>Net Change in Total Pension Liability</i>	200,324	75,461	(49,819)	268,162	125,095	113,832	295,328	74,662
Total Pension Liability, Beginning	4,226,760	4,151,299	4,201,118	3,932,956	3,807,861	3,694,029	3,398,701	3,324,039
<b>Total Pension Liability, Ending</b>	4,427,084	4,226,760	4,151,299	4,201,118	3,932,956	3,807,861	3,694,029	3,398,701
<b>Plan Fiduciary Net Position</b>								
Contributions - employer	98,429	88,554	81,927	72,791	64,244	62,501	61,202	65,596
Pension plan net investment income	3,477	1,187,858	57,218	259,698	445,118	398,868	(9,567)	71,345
Benefit payments, including refunds	(319,229)	(265,074)	(176,371)	(164,436)	(174,818)	(151,941)	(164,902)	(216,889)
Pension plan administrative expense	(6,076)	(5,441)	(6,317)	(5,553)	(3,842)	(3,877)	(3,785)	(4,101)
Other (net transfers)	(78,939)	115,822	(116,237)	13,664	6,765	9,753	24,663	(41,909)
<i>Net Change in Plan Fiduciary Net Position</i>	(302,338)	1,121,719	(159,780)	176,164	337,467	315,304	(92,389)	(125,958)
Plan Fiduciary Net Position, Beginning	5,217,968	4,096,249	4,256,029	4,079,865	3,742,398	3,427,094	3,519,483	3,645,441
<b>Plan Fiduciary Net Position, Ending</b>	4,915,630	5,217,968	4,096,249	4,256,029	4,079,865	3,742,398	3,427,094	3,519,483
<b>Employer Net Pension Liability (Asset)</b>	<u>\$ (488,546)</u>	<u>\$ (991,208)</u>	<u>\$ 55,050</u>	<u>\$ (54,911)</u>	<u>\$ (146,909)</u>	<u>\$ 65,463</u>	<u>\$ 266,935</u>	<u>\$ (120,782)</u>
Plan fiduciary net position as a percentage of the total pension liability	111.04%	123.45%	98.67%	101.31%	103.74%	98.28%	92.77%	103.55%
Covered payroll	\$ 857,439	\$ 594,999	\$ 737,565	\$ 725,362	\$ 668,863	\$ 648,469	\$ 608,265	\$ 602,044
Employer's net pension liability (asset) as a percentage of covered payroll	56.98%	166.59%	-7.46%	7.57%	21.96%	-10.10%	-43.88%	20.06%

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

# City of Fayette

## Schedule of Contributions

Year Ended June 30, 2022

### Missouri Local Government Employees Retirement System (LAGERS)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 104,159	\$ 104,518	\$ 94,659	\$ 83,849	\$ 81,037	\$ 74,141	\$ 72,369	\$ 67,385	\$ 103,704	\$ 106,424
Contributions in relation to the actuarially determined contribution	98,062	88,823	81,978	72,835	64,248	62,618	59,456	67,187	86,339	81,445
Contribution deficiency (excess)	<u>\$ 6,097</u>	<u>\$ 15,695</u>	<u>\$ 12,681</u>	<u>\$ 11,014</u>	<u>\$ 16,789</u>	<u>\$ 11,523</u>	<u>\$ 12,913</u>	<u>\$ 198</u>	<u>\$ 17,365</u>	<u>\$ 24,979</u>
Covered payroll	\$ 805,339	\$ 726,341	\$ 736,524	\$ 737,543	\$ 707,409	\$ 649,090	\$ 642,925	\$ 669,468	\$ 731,790	\$ 747,105
Contributions as a percentage of covered payroll	12.18%	12.23%	11.13%	9.88%	9.08%	9.65%	9.25%	10.04%	11.80%	10.90%

See accompanying Notes to the Schedule of Contributions

# City of Fayette

## Notes to the Schedule of Contributions

Year Ended June 30, 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:* Level Percentage of Payroll, Closed

*Remaining Amortization Period:* 10 to 17 years for the General Division  
7 to 17 years for the Police Division

*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 for the General Division  
2.75% to 6.55% including wage inflation for the Police Division

*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, were the 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 Tables for males and females of General groups, and 75% of the PubS-2010 Employee Mortality Table for males and females of Police and Fire 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 Fayette, Missouri

Single Audit Reports  
Year Ended June 30, 2022

**KPM**  
CPAS & ADVISORS

## Table of Contents

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	3
Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance .....	5
Schedule of Expenditures of Federal Awards .....	8
Notes to the Schedule of Expenditures of Federal Awards .....	9
Schedule of Findings and Questioned Costs .....	10
Summary Schedule of Prior Audit Findings.....	12
Corrective Action Plan.....	13



**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Fayette, Missouri, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fayette's basic financial statements, and have issued our report thereon, dated April 1, 2026.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Fayette's internal control over financial reporting (internal control) as a basis of 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 of Fayette's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be a material weakness.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Fayette's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Fayette, Missouri's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, LLC

KPM CPAS, LLC  
Springfield, Missouri  
April 1, 2026



## **Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the City of Fayette, Missouri's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Fayette, Missouri's major federal programs for the year ended June 30, 2022. The City of Fayette, Missouri's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Fayette, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Fayette, Missouri, and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Fayette, Missouri's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Fayette, Missouri's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Fayette, Missouri's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Fayette, Missouri's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, business-type activities, and each major fund as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of Fayette, Missouri's basic financial statements. We have issued our report thereon dated April 1, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, LLC

KPM CPAs, LLC  
Springfield, Missouri  
April 1, 2026

# City of Fayette

## Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

<u>Federal Agency/Pass-through Entity/Program Title</u>	<u>Assistance Listing Number</u>	<u>Identifying Number of Pass-through Entity</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Direct			
Water and Waste Disposal Systems for Rural Communities - Loan	10.760	N/A	\$ 3,138,000
Water and Waste Disposal Systems for Rural Communities - Cash		N/A	<u>1,113,107</u>
			<u>4,251,107</u>
<b>Total U.S. Department of Agriculture</b>			4,251,107
<b>U.S. Department of Housing and Urban Development</b>			
<i>CDBG-Entitlement Grants Cluster</i>			
Missouri Department of Economic Development			
Community Development Block Grants/Entitlement Grants	14.218	2017-PF-31	<u>480,000</u>
<i>Total CDBG-Entitlement Grants Cluster</i>			<u>480,000</u>
<b>Total U.S. Department of Housing and Urban Development</b>			480,000
<b>U.S. Department of Transportation</b>			
<i>Highway Planning and Construction Cluster</i>			
Missouri Highway and Transportation Commission			
Highway Planning and Construction	20.205	TAP - 9901(514)	<u>167,744</u>
<i>Total Highway Planning and Construction Cluster</i>			<u>167,744</u>
<b>Total U.S. Department of Transportation</b>			167,744
<b>U.S. Department of Treasury</b>			
Direct			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>54,127</u>
<b>Total U.S. Department of Treasury</b>			<u>54,127</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 4,952,978</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

# City of Fayette

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2022

---

## 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Fayette, Missouri, under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fayette, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fayette, Missouri.

## 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

## 3. Indirect Cost Rate

The City has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

## 4. Water and Waste Disposal Systems for Rural Communities – Loan

The City entered into an interim construction note with a commitment from the USDA for permanent financing. The amount reported as federal expenditures on the accompanying Schedule of Expenditures of Federal Awards represents the value of loan proceeds expended during the year of \$3,138,000. The outstanding balance of the loan at June 30, 2022 was \$3,233,000. The remaining balance of \$95,000 remained unexpended as of June 30, 2022.

# City of Fayette

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

### Section I: Summary of Auditors' Results

Financial Statements	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control over Financial Reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No
Federal Awards	
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	No
Identification of major federal programs:	
<b>Assistance Listing Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.760	Water and Waste Disposal Systems for Rural Communities
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

# City of Fayette

## Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

---

### Section II: Financial Statement Findings

#### Material Weakness

2022-001      *Segregation of Duties*

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. There are some mitigating controls in place, but it is not possible to have segregation in all areas.

*Criteria:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Effect:* Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

*Recommendation:* We realize because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

*Response:* The limited number of available personnel prohibits segregation of incompatible duties and the District does not have the resources to hire additional accounting personnel.

### Section III: Federal Award Findings and Questioned Costs

None

# City of Fayette

## Summary Schedule of Prior Audit Findings

Year Ended June 30, 2022

---

There were no prior year audit findings.



CITY OF  
*Fayette*

City Hall  
117 S. Main Street  
Fayette, MO 65248  
(660) 248-5246  
Fax (660) 248-3502

April 3, 2026

**U.S. Department of Agriculture**

City of Fayette, Missouri respectfully submits the following corrective action plan for the year ended June 30, 2022. Contact information for the individual responsible for the corrective action:

Greg Stidham, Mayor  
City of Fayette, Missouri  
117 S Main Street  
Fayette, Missouri 65248  
(660) 248-3502

Independent Public Accounting Firm: KPM CPAs, LLC, 1445 E. Republic Road, Springfield, MO 65804

Audit Period: Year ended June 30, 2022

The finding from the June 30, 2022, Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the numbers assigned in the schedule.

**Finding—Financial Statement Audit**

**Material Weaknesses**

2022-001      *Segregation of duties*

*Recommendation:* Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

*Action Taken:* The limited number of available personnel prohibits segregation of incompatible duties. Therefore, no corrective action will be taken.

*Completion Date:* Not applicable

Sincerely,

A handwritten signature in blue ink that reads "Greg Stidham". The signature is written in a cursive style and is positioned above the printed name and title.

Greg Stidham, Mayor  
City of Fayette, Missouri