



**SOUTHWEST MISSOURI COUNCIL OF
GOVERNMENTS
SPRINGFIELD, MISSOURI**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2020

The background of the lower half of the cover features a teal header bar at the top, followed by a large, abstract graphic of overlapping, semi-transparent geometric shapes in shades of gray and white, creating a sense of depth and complexity. In the bottom right corner, there is an orange rectangular box containing the website address.

SIKICH.COM

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI
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12655 Olive Blvd., Suite 200
St. Louis, MO 63141
314.275.7277

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Missouri Council of Governments
Springfield, Missouri

We have audited the accompanying cash basis financial statements of the Southwest Missouri Council of Governments (SMCOG), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SMCOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of SMCOG, as of and for the year ended June 30, 2020, and the respective changes in cash basis financial position and, cash flows thereof for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the SMCOG's basic financial statements. The management's discussion and analysis, as listed in the table of contents, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Sikich LLP

St. Louis, Missouri
June 8, 2023

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

This section of SMCOG’s financial report presents discussion and analysis of SMCOG’s financial performance for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

- Federal funding was restored to SMCOG as the Federally designated Economic Development District (EDD) through the Economic Development Administration (EDA) Partnership Planning. This funding supports regional economic development planning.
- SMCOG completed an Economic Development Study for Stone County in partnership with the Table Rock Lake Area Chamber of Commerce. This project was funded by a grant through MACOG with funds from CDBG and EDA and stemmed from an Economic Development Forum hosted by State Rep. Brad Hudson in Reeds Spring. The study was completed in February 2020 and will assist the County in developing a more strategic long-term economic development plan.
- SMCOG submitted an application to EDA to establish a \$1 million Revolving Loan Fund (RLF). The RLF would serve as a gap financing mechanism to create or retain jobs in the region and would be used to leverage private investment while reducing risks.
- SMCOG staff continued to serve on the executive board of RMI, Inc., which functions as a certified lender of SBA 504 Small Business Loans.
- SMCOG Net Position increased by \$25,401 to \$84,049 as of June 30, 2020. This represents an increase of 43% in net position.

OVERVIEW OF FINANCIAL STATEMENTS

The financial statements presented in this report consist of the statement of net position - cash basis and the statement of revenues collected, expenses paid, and change in net position - cash basis. The statement of net position - cash basis provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for assessing the liquidity and financial flexibility of SMCOG. This year’s revenues and expenses are accounted for in the statement of revenues collected, expenses paid, and change in net position - cash basis. This statement reports the revenues and expenses during the time periods indicated and can be used to determine whether SMCOG has successfully recovered all of its costs through user fees and other charges.

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2020

BASIS OF ACCOUNTING

SMCOG has elected to present its financial statements on a cash basis of accounting. This cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under SMCOG’s cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

FINANCIAL ANALYSIS

Statement of Net Position – Cash Basis. SMCOG’s net position was \$84,049 as of June 30, 2020. All amount was unrestricted. As mentioned earlier, net position may serve over time as a useful indicator of an entity’s financial position. The condensed statement of net position as of June 30, 2020, was as follows:

Statement of Net Position – Cash Basis

	June 30 2020
ASSETS	
Current and other assets	\$ 84,049
NET POSITION	
Unrestricted	\$ 84,049

Statement Revenues Collected, Expenses Paid, and Change in Net Position – Cash Basis. SMCOG’s net position increased by \$25,401 during the current fiscal year due to operating activities:

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2020

Statement of Revenues Collected, Expenses Paid, and Change in Net Position – Cash Basis

	For The Year Ended June 30 2020
REVENUES COLLECTED	
Program revenues:	
Service Revenues	\$ 1,000
Membership Dues	46,248
Associate Dues	5,875
Other	9,833
Total Revenues Collected	<u>62,956</u>
EXPENSES Paid	
Program Expenses	<u>37,555</u>
CHANGE IN NET POSITION	25,401
NET POSITION, JULY 1,	<u>58,648</u>
NET POSITION, JUNE 30	<u><u>\$ 84,049</u></u>

Services Revenues Census Count was the only service revenue provided by SMCOG in 2020.

Membership Dues and Associate Dues City of Fair Play became new member in 2020. Bartlett & West Inc, GRO Marshfield 2020, Polk Co Communication, and NFORM Architecture became new associates in 2020.

Program Expenses includes scholarships, insurance, food, administrative expenses, membership dues, and any project reimbursement to MSU. Project reimbursements was \$31,121 of the total and was 85% of the total program expenses for the year ended June 30, 2020.

ECONOMIC FACTORS

SMCOG operates solely in a ten-county area of Southwest Missouri. It is imperative that SMCOG succeed in the implementation of projects in Transportation, Revolving Lending Fund, Economic and Community Development, Comprehensive Planning, Environmental Planning, Hazard Mitigation, Homeland Securities, and other projects not only for the ten-county region and its residents, but also for the longevity of SMCOG. SMCOG does not have a sustained flow of revenue, except for the membership and associate dues charged to each community and county based on census count.

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended June 30, 2020

CONTACTING SMCOG'S FINANCIAL MANAGEMENT

This financial report is designed to provide SMCOG's local governments in the Southwest Missouri Region with a general overview of its finances and SMCOG demonstrate the accountability for funding it receives.

If you have questions about this report or need additional financial information, please contact:

Jason Ray
Executive Director
Levy-Wolf Building
110 Park Central Square
Springfield, MO 65806

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

STATEMENT OF NET POSITION – CASH BASIS

June 30, 2020

ASSETS

Current assets:

Cash and cash equivalents	<u>\$ 84,049</u>
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NET POSITION

Unrestricted	<u>\$ 84,049</u>
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See notes to financial statements.

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

STATEMENT OF CASH FLOWS – CASH BASIS

For the Year Ended June 30, 2020

REVENUES COLLECTED

Membership dues	\$ 46,248
Associate dues	5,875
Service revenues	1,000
Other revenues	9,833
Total revenues collected	<u>62,956</u>

EXPENSES PAID

Scholarships	2,951
Insurance	1,398
Memberships	662
Food	500
Other	923
Transfer to Missouri State University:	
Project reimbursements	31,121
Total expenses paid	<u>37,555</u>

CHANGE IN NET POSITION 25,401

TOTAL NET POSITION - BEGINNING 58,648

TOTAL NET POSITION - ENDING \$ 84,049

See notes to financial statements.

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

STATEMENT OF CASH FLOWS – CASH BASIS

For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 53,123
Receipts from miscellaneous revenues	9,833
Payments for operating expenses	(6,434)
Payments to MSU	<u>(31,121)</u>

**NET INCREASE IN CASH AND
CASH EQUIVALENTS**

25,401

**CASH AND CASH EQUIVALENTS,
BEGINNING OF YEAR**

58,648

**CASH AND CASH EQUIVALENTS,
END OF YEAR**

\$ 84,049

See notes to financial statements.

**SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Missouri Council of Governments (SMCOG) was established in 1989 in the State of Missouri. SMCOG is an association of local governments and stakeholders and is the federally designated Economic Development District for the ten-county area of Southwest Missouri. SMCOG oversees the growth and development of the region and provides professional services and information to assist cities and counties with development issues. SMCOG strives to accomplish these objectives by 1) providing staff expertise in planning and community development; 2) creating networking opportunities to address issues of common concern; 3) assisting governments in accessing resources; 4) advocating for the Southwest Missouri Region.

The basic financial statements of SMCOG have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)), except as described in Note 1c. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of SMCOG's accounting policies are described below:

(a) Reporting Entity

In evaluating how to define the government, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, and no other entities are appropriate for inclusion as component units of SMCOG in the financial statements of SMCOG, and SMCOG is not a component unit of any other entity. The primary criteria of evaluation of the reporting entity is the degree of oversight maintained by SMCOG. Oversight responsibility includes financial interdependency, selection of governing authority, ability to significantly influence operations, and accountability for fiscal matters.

(b) Fund Accounting and Measurement Focus

SMCOG is accounted for as an enterprise fund within the proprietary fund category. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services.

Proprietary fund financial statements are reported using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined in Note 1c.

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
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NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Fund Accounting and Measurement Focus (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. Operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The principal operating revenue is a charge to other governments for local assessments including membership and associate dues and project services as discussed below:

Membership and Associate Dues: All member and associate governments are required to pay assessments to the Council. Assessments are determined annually and are recognized as revenues when they are received.

Services Revenue: Any services provided for planning and development project to the members outside of the grant projects. The revenues are recognized as they are received.

Other Revenue: Other Revenue is composed of any cash received from fundraising events and other reimbursements. It is recorded as revenues were received.

When both restricted and unrestricted resources are available for use, it is SMCOG's policy to use restricted resources first, then the unrestricted resources as they are needed.

(c) Basis of Accounting

SMCOG's financial statements are presented using a cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets, and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Accounting Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

(e) Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposits or short-term investments with an original maturity of one year or less.

(f) Compensated Absences

SMCOG does not report accrued vacation or sick leave under the cash basis of accounting. Such amounts are reported as expenses when paid. SMCOG follows MSU policy as the payroll and benefits are processed through MSU. The following policies concern compensated absences for all full-time employees:

Sick Leave

Employees accrue one day sick leave per month of service. Upon resignation or dismissal, compensation for any unused sick leave will be cancelled. Upon retirement, employees may use a maximum of 21 accumulated sick days to Missouri State Employees’ Retirement System (MOSERS) or a maximum of 48 accumulated sick days to one of the university’s public retirement plans.

Vacation Leave

The policy permit employees to accumulate earned but unused vacation pay benefits. Employees who retire or whose employment otherwise terminates will be paid for all earned but unused vacation. Exempt full-time employees earn vacation benefits at 20 working days per year. Nonexempt full-time employees earn vacation benefits according to the following schedule:

<u>Years of Service</u>	<u>Working Days Per Year</u>
Less than 5	10
5 – 10	15
10 or over	20

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Net Position

Equity is classified as net position and displayed in three components.

Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt attributable to the acquisition, construction, or improvements of those assets. SMCOG does not report “Net Investment in Capital Assets” since they do not record capital assets or long-term debt.

Restricted Net Position – consist of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net assets that do not meet the definition of “restricted” or “Net Investment in Capital Assets”.

(h) Budgets and Budgetary Accounting

In accordance with SMCOG’s bylaws, the Executive Director and the budget committee prepare an annual budget and present it to SMCOG board members for final action by SMCOG board members no later than the June Board meeting. The budget shows the proportionate share of each local governmental unit participating in SMCOG. The operating budget covers all funds and includes proposed revenue and expenditures for the upcoming year.

2. CASH AND CASH EQUIVALENTS

SMCOG complies with various restrictions on deposits which are imposed by state statutes as follows:

All deposits with financial institutions must be collateralized in an amount at least equal to uninsured deposits. On June 30, 2020, the carrying amount of the SMCOG’s deposits was \$84,049 and the bank balance was \$84,934, which was covered by federal depository insurance.

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS

SPRINGFIELD, MISSOURI

NOTES TO FINANCIAL STATEMENTS (Continued)

3. CONTINGENCY

SMCOG receives federal grants and state funding for specific purposes that are subject to review and audit. These reviews and audits could lead to requests for reimbursement or to withholding of future funding for expenditures disallowed under, or other noncompliance with, the terms of the grants and funding.

There are no claims for lawsuits to which SMCOG is a part as a result of certain injuries and various other matters and complaints arising in the ordinary course of SMCOG's activities. SMCOG's management and legal counsel anticipate that any unknown potential claims, if any, against SMCOG not covered by insurance would not have a material effect on the financial position of SMCOG.

4. COMMITMENTS

The SMCOG is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; professional liabilities.

Type of Loss	Method Managed	Risk of Loss Retained
Torts, theft, damage to physical property	Purchased commercial insurance	None
Professional liabilities	Purchased commercial insurance	None

Management believes such coverage is sufficient to preclude any significant uninsured losses to SMCOG.

5. RELATED PARTY TRANSACTIONS

SMCOG has entered into an operating agreement with Missouri State University (MSU). Related party transactions with MSU are as follows:

Payroll and Fringe Benefits: All SMCOG employees are members of the University's Center for Resource Planning and Management (CRPM). Their payroll and fringe benefits are directly processed through MSU. SMCOG is required to reimburse payroll and fringe benefits spent on SMCOG projects and services to MSU. On June 30, 2020, SMCOG did not have any payroll and fringe benefits reimbursements to MSU as all projects and services were owned by MSU.

SOUTHWEST MISSOURI COUNCIL OF GOVERNMENTS
SPRINGFIELD, MISSOURI
NOTES TO FINANCIAL STATEMENTS (Continued)

5. RELATED PARTY TRANSACTIONS (Continued)

Project Reimbursements: SMCOG can accept and administer grants, agreements, or contracts with external entities for the conduct of projects to be carried out in whole or in part through MSU. However, SMCOG must have prior written approval before acting on the MSU's behalf for any purpose. On June 30, 2020, SMCOG's project and service reimbursements to MSU was \$31,121. Of this amount, \$5,225 was for project revenues administered by MSU from 2018 and 2019 to MSU B fund; \$16,176 was for 20% matching contributions to an MODOT project administered by MSU; \$9,720 was a payment for the Strafford Comprehensive Planning project, administered by MSU, received by SMCOG in error.

6. ECONOMIC DEPENDENCY

SMCOG receives a substantial amount of its support from federal, state, and local governments. If a significant reduction in this level of government support were to occur, it may have an effect on SMCOG's programs.

7. SUBSEQUENT EVENTS

Management has evaluated events and transactions for subsequent events disclosures occurring after June 30, 2020 through June 8, 2023, the date the financial statements were available to be issued and there are no material events requiring recognition or disclosure.