

City of Monett, Missouri

Basic Financial Statements With Independent Auditor's Report

For the Year Ended
March 31, 2019

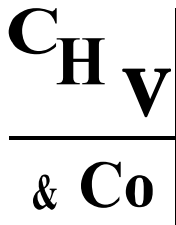
CITY OF MONETT, MISSOURI

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COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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To the Honorable Mayor and
Commissioners
City of Monett, Missouri

Other offices in Missouri
and Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monett, Missouri (the City) as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of March 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability and related ratios and schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining and individual non-major fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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's internal control over financial reporting and compliance.

Cochran Head Vick & Co., P.C.

Kansas City, Missouri
July 31, 2019

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

The Management's Discussion and Analysis of the City of Monett, Missouri's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2019. Please read it in conjunction with the City's financial statements, which begin on page 10.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of March 31, 2019, by \$56,188,819 (net position). Of this amount \$13,418,453 is unrestricted and may be used to meet future obligations of the City.
- The City's total net position increased by \$2,342,031 during the fiscal year as a result of current year activities. The City's governmental activities increased by \$922,644 and the City's business activities increased by \$1,419,387 for the year.

Using This Annual Report

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

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

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

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

Our analysis below focuses on net position (Figure 1) and changes in net position (Figure 2) of the governmental and business-type activities.

Figure 1 – Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 8,408,683	\$ 8,235,517	\$ 17,190,754	\$ 15,196,354	\$ 25,599,437	\$ 23,431,871
Capital assets	25,578,743	24,866,869	30,258,997	31,235,629	55,837,740	56,102,498
Total assets	33,987,426	33,102,386	47,449,751	46,431,983	81,437,177	79,534,369
Deferred outflow s - pension	510,827	1,071,341	311,211	554,416	822,038	1,625,757
Total deferred outflow s of resources	510,827	1,071,341	311,211	554,416	822,038	1,625,757
Long-term debt	5,771,583	6,781,596	16,140,040	17,279,316	21,911,623	24,060,912
Other liabilities	445,486	663,850	2,074,575	1,782,016	2,520,061	2,445,866
Total liabilities	6,217,069	7,445,446	18,214,615	19,061,332	24,431,684	26,506,778
Deferred inflow - pension	1,139,531	509,272	499,181	297,288	1,638,712	806,560
Total deferred inflow s of resources	1,139,531	509,272	499,181	297,288	1,638,712	806,560
Net position:						
Net investment in capital assets	20,511,871	19,969,971	14,336,238	14,195,270	34,848,109	34,165,241
Restricted	3,927,601	3,816,075	3,994,656	3,611,717	7,922,257	7,427,792
Unrestricted	2,702,181	2,432,963	10,716,272	9,820,792	13,418,453	12,253,755
Total net position	\$ 27,141,653	\$ 26,219,009	\$ 29,047,166	\$ 27,627,779	\$ 56,188,819	\$ 53,846,788

Total net position of the City increased by \$2,342,031 for the year due to current year activity. Total liabilities for the City decreased \$2,075,094. Restricted net position of the City totaled \$7,922,257 as of March 31, 2019. This amount represents funds that are restricted for capital improvements, debt service, parks and recreation, and pension benefits.

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

Figure 2 – Statement of Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,205,751	\$ 1,209,627	\$ 30,637,818	\$ 27,435,217	\$ 31,843,569	\$ 28,644,844
Operating grants and contributions	38,766	37,529	-	-	38,766	37,529
Capital grants and contributions	24,908	55,394	189,085	209,513	213,993	264,907
General revenues:						
Sales taxes	4,506,891	4,200,690	-	-	4,506,891	4,200,690
Motor vehicle and gas taxes	355,589	360,093	-	-	355,589	360,093
Franchise taxes	339,068	369,076	-	-	339,068	369,076
Other taxes	47,583	45,279	-	-	47,583	45,279
Intergovernmental activity taxes	252,706	254,342	-	-	252,706	254,342
Interest	83,806	22,323	39,624	51,511	123,430	73,834
Gain on disposal of capital assets	48,337	6,298	3,250	10,955	51,587	17,253
Other	52,734	94,563	-	-	52,734	94,563
	<u>6,956,139</u>	<u>6,655,214</u>	<u>30,869,777</u>	<u>27,707,196</u>	<u>37,825,916</u>	<u>34,362,410</u>
Expenses:						
General government	493,129	589,137	-	-	493,129	589,137
Public safety	4,516,621	4,655,142	-	-	4,516,621	4,655,142
Public works	2,381,431	2,297,983	-	-	2,381,431	2,297,983
Parks and recreation	1,518,488	1,337,216	-	-	1,518,488	1,337,216
Airport	403,402	516,926	-	-	403,402	516,926
Cemetery	182,546	184,121	-	-	182,546	184,121
Interest on long-term debt	174,558	133,025	-	-	174,558	133,025
Water	-	-	2,522,126	2,503,375	2,522,126	2,503,375
Electric	-	-	20,054,777	17,594,925	20,054,777	17,594,925
Sewer	-	-	2,452,704	3,121,316	2,452,704	3,121,316
Sanitation	-	-	637,034	627,214	637,034	627,214
Fiber	-	-	147,069	153,298	147,069	153,298
Total expenses	<u>9,670,175</u>	<u>9,713,550</u>	<u>25,813,710</u>	<u>24,000,128</u>	<u>35,483,885</u>	<u>33,713,678</u>
Change in net position	(2,714,036)	(3,058,336)	5,056,067	3,707,068	2,342,031	648,732
Payment in lieu of taxes (PILOTS)	3,036,680	2,740,977	(3,036,680)	(2,740,977)	-	-
Transfers	600,000	550,000	(600,000)	(550,000)	-	-
Change in net position after PILOTS and transfers	<u>922,644</u>	<u>232,641</u>	<u>1,419,387</u>	<u>416,091</u>	<u>2,342,031</u>	<u>648,732</u>
Net position, beginning	26,219,009	25,986,368	27,627,779	27,211,688	53,846,788	53,198,056
Net position, ending	<u>\$ 27,141,653</u>	<u>\$ 26,219,009</u>	<u>\$ 29,047,166</u>	<u>\$ 27,627,779</u>	<u>\$ 56,188,819</u>	<u>\$ 53,846,788</u>

Governmental Activities

Governmental activities increased the net position of the City by \$922,644. Tax revenues for the City were \$5,501,837, which represents 55% of the funding of these activities. Program revenues for the functions totaled \$1,269,425 or 15% of the funding. The following table shows the cost of the City's programs as well as each programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019**

**NET COST OF THE CITY OF MONETT,
MISSOURI'S GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
General government	\$ 493,129	\$ 346,718
Public safety	4,516,621	3,968,346
Public works	2,381,431	2,350,724
Parks and recreation	1,518,488	1,222,796
Airport	403,402	170,482
Cemetery	182,546	167,126
Interest on long-term debt	174,558	174,558
	<u>\$ 9,670,175</u>	<u>\$ 8,400,750</u>

Business-Type Activities

Business-type activities increased the City's net position by \$1,419,387. Total charges for services revenue increased \$3,202,601 over 2018 primarily from increased activity in the Electric and Sewer funds. Expenses increased \$1,813,582 over the prior year mostly due to increases in purchased power.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of March 31, 2019, were \$5,582,424. Of this amount \$175,130 is non-spendable, \$2,175,532 is restricted, and \$3,231,762 is unassigned.

Fund balance of the City's General Fund decreased \$665,041 from March 31, 2018, primarily due to capital outlay expenditures associated with completion of the City's aquatic center using the unspent proceeds from the \$3,484,000 Series 2017 lease purchase agreement issued in 2018.

The Transportation Sales Tax Fund is used to account for proceeds of the City's transportation sales tax. The ending fund balance decreased \$221,427 to an ending balance of \$798,163 at March 31, 2019.

The Park Sales Tax Fund accounts for proceeds of the City's park sales tax. The ending fund balance which is restricted for parks and recreation was \$329,276 at March 31, 2019.

The Tax Increment Financing #1 Fund and the Tax Increment Financing #2 Fund balances totaled \$1,296, and \$420,084, a decrease of \$4,509 and \$58,062, respectively. The fund balance of these funds is restricted to provide funds for the retirement of related tax increment financing obligations. The Tax Increment Financing #2 Fund is projected to provide approximately \$100,000 in excess revenue annually, which will retire the outstanding principal on the Series 2014 bonds ahead of schedule. In 2019, the City early redeemed \$160,000 in principal related to the Series 2014 bonds.

The Capital Improvement Sales Tax Fund balance totaled \$41,083, a decrease of \$59,351 from 2018. The entire fund balance is restricted for capital improvements.

The Airport Improvement Fund was established to set aside funding for future airport improvements. The ending fund balance was \$339,902 at March 31, 2019.

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

The City's Enterprise Funds net position increased by \$1,419,387 as the Water, Electric, Sewer, Sanitation, and Fiber Funds all reported increases to net position.

General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

The original General Fund budget projected revenues of \$5,738,950 and other financing sources of \$4,603,660 totaling \$10,342,610 while total expenditures and transfers out were budgeted at \$11,869,205. The final amended budget included a decrease in total revenues of \$732,950 while other financing sources increased \$128,340 while total expenditures and transfers out were decreased by \$107,000. The General Fund's actual revenues and other financing sources exceeded the final budgeted revenues amounts by \$181,401 primarily due to proceeds from sale of capital assets and payments in lieu of taxes. The General Fund's actual expenditures and other financing uses were under the final budget by \$1,177,763 primarily related to public safety and parks and recreation expenditures.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$25,578,743 (net of accumulated depreciation) as of March 31, 2019. This represents a \$711,874 increase over the prior year. Capital assets for business-type activities were \$30,258,997 as of March 31, 2019. This represents a decrease of \$976,632 from the prior year.

During the fiscal year, the City of Monett was involved in several large capital projects that affected the financial statements. The City completed construction on the aquatic center and completed clarifier repairs. Projects in progress at year end include Enterprise Drive, Lowes Lane, and the public works building projects. The City also purchased several vehicles during the year.

Additional information on the City's capital assets can be found in Note 6 in the Notes to the Basic Financial Statements.

Debt Administration

Total debt of the governmental activities as of March 31, 2019, was \$5,771,583, which is a decrease of \$1,010,013. Total debt of the business-type activities as of March 31, 2019, was \$16,140,040, a decrease of \$1,139,276 from the prior year. The decreases for both governmental and business-type activities are primarily due to principal payments made in the current year.

Additional information on the City's long-term debt can be found in Note 7 in the Notes to the Basic Financial Statements.

Economic Factors and Next Year's Budget

The general economy in Monett continued to see existing industries expand their operations and modest growth in housing which had a positive impact on local government. Governmental and Business-type funds experienced higher revenues due to increased sales of electricity and water and an increase in sales tax revenue. Building permits were issued for over \$16 million in new residential and commercial construction with the largest construction projects being the EFCO warehouse at Bridle Lane and County Road and improvements to Building J-7 at the Jack Henry & Associates corporate campus. There were 14 new single-family homes constructed in 2018 which was down from 2017 but higher than the 10-year average.

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

The City's General Revenues increased 7.8% due to payments-in-lieu-of-taxes and sales tax revenues from the new Parks & Stormwater sales tax. The Governmental Funds increased their net position to \$27,141,653, an increase of 3.5% over the prior fiscal year.

The City's Utility operations (Electric, Water, Sewer, Sanitation, Fiber) had revenues of \$30,637,818, an increase of 11.6%. This was primarily due to increased electric sales and the higher power cost adjustment which was passed along to consumers. This increase in electric sales also benefitted the City's General Fund through increased payments-in-lieu-of-taxes. Expenses for all utility operations were \$25,813,710, an increase of 7.5% from the prior year. In total, the City's Utility operations increased their net position to \$29,047,166, an increase of 5.1%.

During the FY2018-2019 fiscal year, the City completed construction of the new Monett Aquatics Center in May, 2018. The new facility, which was paid for by voter's approval of a new ¼ cent sales tax, cost \$3,273,306. This total was \$217,000 less than budgeted for the project. The new facility is managed under a contract with the Monett Area YMCA and is a regional attraction for the City's park system. The City has nearly completed the Enterprise Drive roadway project that connects Bridle Lane and Chapell Drive. This new street was a project identified in the City's Long-Range Transportation Improvement Plan that will allow for the future construction of a new railroad overpass on Chapell Drive that will eliminate the last at-grade rail crossing in the city.

Through the first four months of FY2019-2020, general sales taxes are up 3.4% over one year ago as retail sales continue to show growth. Major construction projects have begun that represent over \$50 million in value. The new Cox Monett Hospital is a \$43 million project along east U.S. Highway 60. The City's involvement includes the extension of water, sewer, electric and fiber utilities to the new site. The new hospital consists of a 20-acre footprint on a 160-acre parcel. The new infrastructure will also benefit new development that will occur as the hospital is constructed. The new hospital construction opens up new opportunities to repurpose the existing hospital site and the City has already begun to have discussions with various community partners that have an interest in all or part of that facility.

The City is under contract to construct a new Public Works Facility at a new location that is outside of the flood-risk area downtown. The new facility should be completed by mid-December. The existing Public Works Facility, located downtown, is included in the Kelly Creek Flood Buyout Program and will be demolished. The new facility will allow for a more efficient operation of the Street and Sanitation operations and allow for most, if not all, of the City's equipment to be stored indoors.

The Kelly Creek Flood Buyout Project is approximately 40% complete with all property appraisals and asbestos inspections completed. Environmental assessments are yet to be completed but one offer has been prepared and demolition bid specifications are being reviewed. The subject buildings must be demolished within ninety days of closing. The City would anticipate closing out this project within the next 12-18 months. Total cost is estimated to be \$570,000 with 75% paid by a grant through the Federal Emergency Management Agency (FEMA) and 25% being provided through a Community Development Block Grant (CDBG).

The City's Long-Range Transportation Improvement Plan was approved in 2015 and projects identified through the planning process continue to be completed. The Enterprise Drive project has been completed and a cost-share project with the Missouri Department of Transportation (MoDOT) for intersection improvements at U.S. Hwy 60 and MO Route 37 are under contract. This follows earlier improvements to the 60/37 intersection last year through a similar cost-share arrangement between the City and MoDOT. The City has also received a grant award from MoDOT for curb/gutter and sidewalk improvements to MO Route 37 (Central Avenue) from Broadway to Cleveland which was identified in the Plan. The City Council has expanded the scope of the Plan to include more asphalt overlays of existing streets to complement the City's existing chip and seal maintenance program funded with General revenues. The City is under contract to mill and overlay Dairy Street from MO Route 37 east to Kyler Avenue (Business 60) using local Transportation Sales Tax revenues.

Management's Discussion and Analysis
City of Monett, Missouri
March 31, 2019

The City is in the final year of its contract with Empire District Electric (EDE) to provide wholesale power to the City's electric distribution system. As stated earlier, wholesale power costs had risen significantly in the prior year but the City had intervened with the Federal Energy Regulatory Commission (FERC) challenging EDE's generation formula and transmission formula rates. This challenge was resolved between the parties which has led to a significant decrease in wholesale power costs. These savings began with the June 2019 billing period and will continue through the remainder of the fiscal year. The result of these cost savings will be reduced operating costs for the City's electric distribution system, water and sewer treatment systems, city buildings and facilities and reduced rates to consumers. It may also lead to lower payments-in-lieu-of-taxes revenue, however, it is the City Council's intent to commit funds from the Electric Department that would off-set any potential losses to General Revenue. The balance of savings will be passed along to the City's consumers.

The City's involvement in the establishment of the Southwest Missouri Public Energy Pool (SWMPEP) continues with new contracts that have been finalized which will be effective June 1, 2020. The new wholesale power contracts should extend the savings beyond this fiscal year through June, 2025.

The City has provided a contract proposal to the Lawrence County Emergency Services Board to continue to provide dispatching services to all Lawrence County agencies, excluding the cities of Aurora and Marionville. The City has provided these dispatching services for Lawrence County since September, 2015. A county-wide ballot measure was approved by voters in April, 2019, that will implement a ½ cent sales tax for dispatching services, effective October 1, 2019. The City proposes to continue to operate the system under a contract-for-fee arrangement for three years while the LCESB establishes a plan to provide these services with their own personnel, equipment and facilities.

Through the first four months of the current fiscal year, any impacts on the current year budget would be positive considering the reduced electric wholesale costs, increased building permit fees from the new hospital construction and an increase in new housing construction which has already exceeded 2018.

Contacting the City's Financial Management

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

City of Monett
217 5th Street
PO Box 110
Monett, Missouri 65708
(417) 235-3763

Dennis Pyle, City Administrator
Lisa Crawford, City Clerk

Exhibit A

CITY OF MONETT, MISSOURI
Statement of Net Position
March 31, 2019

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
Assets			
Cash and investments	\$ 4,299,678	\$ 8,245,624	\$ 12,545,302
Receivables:			
Taxes	795,267	-	795,267
Special assessments	-	25,000	25,000
Accounts and other	32,939	3,570,341	3,603,280
Due from other governments	48,641	-	48,641
Prepays, deposits, and other assets	175,130	28,926	204,056
Inventory	-	966,277	966,277
Restricted assets:			
Cash and investments	622,610	3,651,779	4,274,389
Special assessments - long-term	-	135,000	135,000
Net pension asset	2,434,418	567,807	3,002,225
Capital assets:			
Not being depreciated	3,703,157	396,131	4,099,288
Being depreciated, net of depreciation	21,875,586	29,862,866	51,738,452
Total assets	33,987,426	47,449,751	81,437,177
Deferred Outflows of Resources			
Deferred outflow - pension related activity	510,827	311,211	822,038
Total deferred outflows of resources	510,827	311,211	822,038
Liabilities			
Accounts payable	305,697	1,407,572	1,713,269
Accrued liabilities	70,287	28,541	98,828
Accrued interest	53,645	121,661	175,306
Payable from restricted assets:			
Customer deposits	11,040	516,801	527,841
Court bonds	4,817	-	4,817
Long term debt:			
Due within one year	1,058,649	1,289,522	2,348,171
Due in more than one year	4,712,934	14,850,518	19,563,452
Total liabilities	6,217,069	18,214,615	24,431,684
Deferred Inflows of Resources			
Deferred inflow - pension related activity	1,139,531	499,181	1,638,712
Total deferred inflows of resources	1,139,531	499,181	1,638,712
Net Position			
Net investment in capital assets	20,511,871	14,336,238	34,848,109
Restricted :			
Capital projects	1,424,876	3,099,313	4,524,189
Debt service	367,735	515,506	883,241
Parks and recreation	329,276	-	329,276
Pension benefits	1,805,714	379,837	2,185,551
Unrestricted	2,702,181	10,716,272	13,418,453
Total net position	\$ 27,141,653	\$ 29,047,166	\$ 56,188,819

See accompanying notes to the basic financial statements

Exhibit B

CITY OF MONETT, MISSOURI
Statement of Activities
For the Year Ended March 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 493,129	\$ 146,411	\$ -	\$ -	\$ (346,718)	\$ -	\$ (346,718)
Public safety	4,516,621	503,007	38,766	6,502	(3,968,346)	-	(3,968,346)
Public works	2,381,431	18,127	-	12,580	(2,350,724)	-	(2,350,724)
Parks and recreation	1,518,488	295,692	-	-	(1,222,796)	-	(1,222,796)
Airport	403,402	227,094	-	5,826	(170,482)	-	(170,482)
Cemetery	182,546	15,420	-	-	(167,126)	-	(167,126)
Interest on long-term debt	174,558	-	-	-	(174,558)	-	(174,558)
Total governmental activities	9,670,175	1,205,751	38,766	24,908	(8,400,750)	-	(8,400,750)
Business-type activities							
Water	2,522,126	3,329,116	-	60,972	-	867,962	867,962
Electric	20,054,777	23,126,200	-	-	-	3,071,423	3,071,423
Sewer	2,452,704	3,258,071	-	128,113	-	933,480	933,480
Sanitation	637,034	661,636	-	-	-	24,602	24,602
Fiber	147,069	262,795	-	-	-	115,726	115,726
Total business-type activities	25,813,710	30,637,818	-	189,085	-	5,013,193	5,013,193
Total primary government	\$ 35,483,885	\$ 31,843,569	\$ 38,766	\$ 213,993	(8,400,750)	5,013,193	(3,387,557)
General revenues:							
Taxes:							
Sales taxes					4,506,891	-	4,506,891
Motor vehicle and gas taxes					355,589	-	355,589
Franchise taxes					339,068	-	339,068
Other taxes					47,583	-	47,583
Intergovernmental activity taxes					252,706	-	252,706
Payment in lieu of taxes					3,036,680	(3,036,680)	-
Unrestricted investment earnings					83,806	39,624	123,430
Gain on disposal of capital assets					48,337	3,250	51,587
Other					52,734	-	52,734
Transfers					600,000	(600,000)	-
Total general revenues					9,323,394	(3,593,806)	5,729,588
Change in net position					922,644	1,419,387	2,342,031
Net position, beginning of year					26,219,009	27,627,779	53,846,788
Net position, end of year					\$ 27,141,653	\$ 29,047,166	\$ 56,188,819

See accompanying notes to the basic financial statements

CITY OF MONETT, MISSOURI
Balance Sheet - Governmental Funds
March 31, 2019

	General	Transportation Sales Tax Fund	Park Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 3,023,025	\$ 646,910	\$ 248,758	\$ 380,985	\$ 4,299,678
Receivables:					
Taxes	540,408	151,253	80,518	23,088	795,267
Accounts and other	32,939	-	-	-	32,939
Due from other governments	27,231	-	-	21,410	48,641
Prepays, deposits and other assets	175,130	-	-	-	175,130
Restricted cash and investments	245,728	-	-	376,882	622,610
Total Assets	<u>\$ 4,044,461</u>	<u>\$ 798,163</u>	<u>\$ 329,276</u>	<u>\$ 802,365</u>	<u>\$ 5,974,265</u>
Liabilities					
Accounts payable	\$ 305,697	\$ -	\$ -	\$ -	\$ 305,697
Accrued liabilities	70,287	-	-	-	70,287
Court bonds payable	4,817	-	-	-	4,817
Customer deposits	11,040	-	-	-	11,040
Total Liabilities	<u>391,841</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,841</u>
Fund balances:					
Nonspendable:					
Prepaid items	175,130	-	-	-	175,130
Restricted:					
Capital projects	245,728	798,163	-	380,985	1,424,876
Debt service	-	-	-	421,380	421,380
Parks and recreation	-	-	329,276	-	329,276
Unassigned	3,231,762	-	-	-	3,231,762
Total fund balance	<u>3,652,620</u>	<u>798,163</u>	<u>329,276</u>	<u>802,365</u>	<u>5,582,424</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 4,044,461</u>	<u>\$ 798,163</u>	<u>\$ 329,276</u>	<u>\$ 802,365</u>	<u>\$ 5,974,265</u>

See accompanying notes to the basic financial statements

CITY OF MONETT, MISSOURI
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
March 31, 2019

Fund balances of governmental funds	\$ 5,582,424
Amounts reported for governmental activities in the statement of net position are different because:	
Net pension assets are not available to pay for current period expenditures and are therefore deferred in the fund statements	2,434,418
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.	25,578,743
Deferred outflows and inflows related to pension activity are not required to be reported in the governmental funds but are required to be reported in the statement of net position	(628,704)
Liabilities for interest on long-term debt are recognized only when due in the governmental fund statements but are accrued in the government-wide statements.	(53,645)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Long-term liabilities	(5,771,583)
Net position of governmental activities	<u>\$ 27,141,653</u>

See accompanying notes to the basic financial statements

Exhibit D

CITY OF MONETT, MISSOURI
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended March 31, 2019

	General	Transportation Sales Tax Fund	Park Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,271,501	\$ 972,128	\$ 504,071	\$ 145,842	\$ 4,893,542
Intergovernmental activity taxes	-	-	-	252,706	252,706
Licenses and permits	64,831	-	-	-	64,831
Intergovernmental	478,271	-	-	-	478,271
Charges for services	978,399	-	-	-	978,399
Rental	81,362	-	-	-	81,362
Investment earnings	76,417	-	-	7,389	83,806
Miscellaneous	74,885	-	-	-	74,885
Total Revenues	<u>5,025,666</u>	<u>972,128</u>	<u>504,071</u>	<u>405,937</u>	<u>6,907,802</u>
Expenditures:					
Current:					
General government	471,152	-	-	-	471,152
Public safety	4,306,927	-	-	-	4,306,927
Public works	2,693,989	-	-	5,325	2,699,314
Parks and recreation	2,286,289	-	-	-	2,286,289
Airport	312,031	-	-	-	312,031
Cemetery	182,730	-	-	-	182,730
Debt service:					
Principal	250,404	-	301,000	407,998	959,402
Interest and fiscal charges	25,277	-	102,931	55,185	183,393
Total Expenditures	<u>10,528,799</u>	<u>-</u>	<u>403,931</u>	<u>468,508</u>	<u>11,401,238</u>
Excess of Revenues Over (Under) Expenditures	(5,503,133)	972,128	100,140	(62,571)	(4,493,436)
Other financing sources (uses):					
Transfers in	1,802,905	-	-	105,644	1,908,549
Transfers out	(55,643)	(1,193,555)	-	(59,351)	(1,308,549)
Sale of capital assets	54,150	-	-	-	54,150
Payments in lieu of taxes (PILOTS)	3,036,680	-	-	-	3,036,680
Total Other Financing Sources (Uses)	<u>4,838,092</u>	<u>(1,193,555)</u>	<u>-</u>	<u>46,293</u>	<u>3,690,830</u>
Net change in fund balances	(665,041)	(221,427)	100,140	(16,278)	(802,606)
Fund balances, beginning of year	<u>4,317,661</u>	<u>1,019,590</u>	<u>229,136</u>	<u>818,643</u>	<u>6,385,030</u>
Fund balances, end of year	<u>\$ 3,652,620</u>	<u>\$ 798,163</u>	<u>\$ 329,276</u>	<u>\$ 802,365</u>	<u>\$ 5,582,424</u>

See accompanying notes to the basic financial statements

Exhibit D
(continued)

CITY OF MONETT, MISSOURI
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (802,606)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay costs in excess of capitalization threshold	2,462,067
Depreciation	(1,693,582)
Disposal of capital assets	(5,813)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

Principal payments on long-term debt	959,402
Changes in unamortized bond issuance discount and premium	(2,550)
Changes in accrued interest expense	11,385

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences and net pension obligations	<u>(5,659)</u>
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Change in net position of governmental activities	<u><u>\$ 922,644</u></u>
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See accompanying notes to the basic financial statements

CITY OF MONETT, MISSOURI
Statement of Net Position
Proprietary Funds
March 31, 2019

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Assets					
Current assets:					
Cash and investments	\$ 2,776,382	\$ 3,640,468	\$ 671,324	\$ 1,157,450	\$ 8,245,624
Receivables					
Accounts and other	390,560	2,704,260	356,188	119,333	3,570,341
Special assessments	-	-	25,000	-	25,000
Prepaid expenses	3,912	18,529	5,147	1,338	28,926
Restricted cash and investments	1,500,327	-	2,151,452	-	3,651,779
Inventory	180,312	738,650	9,565	37,750	966,277
Total current assets	4,851,493	7,101,907	3,218,676	1,315,871	16,487,947
Noncurrent assets:					
Receivables					
Special assessments	-	-	135,000	-	135,000
Capital assets:					
Not being depreciated	84,011	62,946	237,073	12,101	396,131
Being depreciated, net of depreciation	17,148,046	1,075,349	10,962,883	676,588	29,862,866
Net pension asset	160,807	256,733	100,869	49,398	567,807
Total noncurrent assets	17,392,864	1,395,028	11,435,825	738,087	30,961,804
Total assets	22,244,357	8,496,935	14,654,501	2,053,958	47,449,751
Deferred Outflow of Resources					
Deferred outflow - pension related activity	113,212	112,611	66,018	19,370	311,211
Liabilities					
Current liabilities:					
Accounts payable	11,733	1,359,574	14,006	22,259	1,407,572
Accrued liabilities	8,431	12,075	5,701	2,334	28,541
Current liabilities (payable from restricted assets):					
Customer deposits	36,960	479,841	-	-	516,801
Accrued interest	69,653	-	52,008	-	121,661
Current portion of long-term debt	559,121	66,580	660,726	3,095	1,289,522
Total current liabilities:	685,898	1,918,070	732,441	27,688	3,364,097
Long-term liabilities:					
Long-term debt	10,135,460	98,735	4,614,480	1,843	14,850,518
Total long-term liabilities:	10,135,460	98,735	4,614,480	1,843	14,850,518
Total liabilities	10,821,358	2,016,805	5,346,921	29,531	18,214,615
Deferred Inflow of Resources					
Deferred inflow - pension related activity	141,110	213,151	104,883	40,037	499,181
Net position					
Net investment in capital assets	6,576,757	1,095,936	5,974,856	688,689	14,336,238
Restricted net position for:					
Capital projects	1,126,616	-	1,972,697	-	3,099,313
Debt service	336,751	-	178,755	-	515,506
Pension benefits	132,909	156,193	62,004	28,731	379,837
Unrestricted	3,222,068	5,127,461	1,080,403	1,286,340	10,716,272
Total net position	\$ 11,395,101	\$ 6,379,590	\$ 9,268,715	\$ 2,003,760	\$ 29,047,166

See accompanying notes to the basic financial statements

CITY OF MONETT, MISSOURI
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended March 31, 2019

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 3,264,436	\$ 23,077,645	\$ 3,235,785	\$ 921,601	\$ 30,499,467
Other	64,680	48,555	22,286	2,830	138,351
Total operating revenues	<u>3,329,116</u>	<u>23,126,200</u>	<u>3,258,071</u>	<u>924,431</u>	<u>30,637,818</u>
Operating expenses:					
Wages and benefits	653,808	971,660	445,733	198,016	2,269,217
Professional and consulting services	137,099	105,657	146,296	94,670	483,722
Insurance	15,373	60,775	18,259	4,572	98,979
Repairs and maintenance	449,275	209,361	412,122	67,020	1,137,778
Utilities	228,893	9,424	470,957	2,588	711,862
Supplies	38,558	91,675	53,879	15,347	199,459
Depreciation	641,940	149,969	616,710	153,644	1,562,263
Other operating expenses	73,964	191,222	62,259	53,887	381,332
Purchase of power	-	18,263,753	-	-	18,263,753
Landfill and recycling	-	-	-	194,359	194,359
Total operating expenses	<u>2,238,910</u>	<u>20,053,496</u>	<u>2,226,215</u>	<u>784,103</u>	<u>25,302,724</u>
Operating income	<u>1,090,206</u>	<u>3,072,704</u>	<u>1,031,856</u>	<u>140,328</u>	<u>5,335,094</u>
Nonoperating revenues (expenses):					
Interest income	5,543	22,526	11,555	-	39,624
Federal and State grants	60,972	-	128,113	-	189,085
Gain (loss) on capital asset disposal	(400)	-	3,650	-	3,250
Interest expense and fees	(283,216)	(1,281)	(226,489)	-	(510,986)
Total nonoperating revenues (expenses)	<u>(217,101)</u>	<u>21,245</u>	<u>(83,171)</u>	<u>-</u>	<u>(279,027)</u>
Income before transfers and payment in lieu of taxes	873,105	3,093,949	948,685	140,328	5,056,067
Transfers out	-	(550,000)	-	(50,000)	(600,000)
Payments in lieu of taxes (PILOTS)	<u>(338,116)</u>	<u>(2,306,118)</u>	<u>(366,166)</u>	<u>(26,280)</u>	<u>(3,036,680)</u>
Change in net position	534,989	237,831	582,519	64,048	1,419,387
Total net position, beginning of year	10,860,112	6,141,759	8,686,196	1,939,712	27,627,779
Total net position, end of year	<u>\$ 11,395,101</u>	<u>\$ 6,379,590</u>	<u>\$ 9,268,715</u>	<u>\$ 2,003,760</u>	<u>\$ 29,047,166</u>

See accompanying notes to the basic financial statements

CITY OF MONETT, MISSOURI
Statement of Cash Flows
Proprietary Funds
For the Year Ended March 31, 2019

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:					
Receipts from customers and others	\$ 3,299,480	\$ 22,805,411	\$ 3,485,703	\$ 940,738	\$ 30,531,332
Payments to suppliers	(973,772)	(18,766,383)	(1,155,861)	(434,769)	(21,330,785)
Payments to employees	(657,745)	(992,498)	(473,177)	(200,273)	(2,323,693)
Net cash provided by (used in) operating activities	<u>1,667,963</u>	<u>3,046,530</u>	<u>1,856,665</u>	<u>305,696</u>	<u>6,876,854</u>
Cash flows from noncapital financing activities:					
Transfers in (out)	-	(550,000)	-	(50,000)	(600,000)
Pilots in lieu of taxes	(338,116)	(2,306,118)	(366,166)	(26,280)	(3,036,680)
Net Cash Flows Provided by (used in) Noncapital Financing Activities	<u>(338,116)</u>	<u>(2,856,118)</u>	<u>(366,166)</u>	<u>(76,280)</u>	<u>(3,636,680)</u>
Cash flows from investing activities:					
Interest received	5,543	22,526	11,555	-	39,624
Net cash flows provided by (used in) investing activities	<u>5,543</u>	<u>22,526</u>	<u>11,555</u>	<u>-</u>	<u>39,624</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(120,848)	(78,984)	(382,549)	-	(582,381)
Intergovernmental revenues	60,972	-	128,113	-	189,085
Interest and fiscal charges	(286,023)	(1,281)	(233,683)	-	(520,987)
Proceeds from long-term debt	-	33,878	-	-	33,878
Principal payments on long-term debt	(528,900)	(13,778)	(608,800)	-	(1,151,478)
Net cash flows provided by (used in) capital and related financing activities	<u>(874,799)</u>	<u>(60,165)</u>	<u>(1,096,919)</u>	<u>-</u>	<u>(2,031,883)</u>
Net change in cash and equivalents	460,591	152,773	405,135	229,416	1,247,915
Cash and equivalents, beginning of year	3,816,118	3,487,695	2,417,641	928,034	10,649,488
Cash and equivalents, end of year	<u>\$ 4,276,709</u>	<u>\$ 3,640,468</u>	<u>\$ 2,822,776</u>	<u>\$ 1,157,450</u>	<u>\$ 11,897,403</u>
Total cash and investments reported on the Statement of Net Position	<u>\$ 4,276,709</u>	<u>\$ 3,640,468</u>	<u>\$ 2,822,776</u>	<u>\$ 1,157,450</u>	<u>\$ 11,897,403</u>
Cash and investments reported on the Statement of Net Position					
Cash and investments	\$ 2,776,382	\$ 3,640,468	\$ 671,324	\$ 1,157,450	\$ 8,245,624
Restricted cash and investments	1,500,327	-	2,151,452	-	3,651,779
Total cash and investments	<u>\$ 4,276,709</u>	<u>\$ 3,640,468</u>	<u>\$ 2,822,776</u>	<u>\$ 1,157,450</u>	<u>\$ 11,897,403</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income	\$ 1,090,206	\$ 3,072,704	\$ 1,031,856	\$ 140,328	\$ 5,335,094
Adjustments to reconcile operating income to net cash provided by operations:					
Depreciation and amortization	641,940	149,969	616,710	153,644	1,562,263
Change in compensated absences	5,192	(6,725)	(20,043)	(100)	(21,676)
Changes in net pension asset/liability	(130,066)	(210,057)	(94,271)	(34,548)	(468,942)
Changes in deferred outflows of resources	67,456	108,941	48,891	17,917	243,205
Changes in deferred inflows of resources	55,997	90,436	40,586	14,874	201,893
Changes in:					
Receivables	(29,143)	(352,292)	207,632	16,307	(157,496)
Special assessments	-	-	20,000	-	20,000
Prepaid expenses	5,771	3,252	4,483	1,863	15,369
Inventory	(39,259)	(112,864)	42	(3,335)	(155,416)
Accounts payable	2,878	275,096	3,386	(854)	280,506
Accrued liabilities	(2,516)	(3,433)	(2,607)	(400)	(8,956)
Customer deposits	(493)	31,503	-	-	31,010
Net cash provided by (used in) operating activities	<u>\$ 1,667,963</u>	<u>\$ 3,046,530</u>	<u>\$ 1,856,665</u>	<u>\$ 305,696</u>	<u>\$ 6,876,854</u>

See accompanying notes to the basic financial statements

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

(1) Summary of Significant Accounting Policies

The City of Monett, Missouri (the City) was incorporated on March 3, 1913. The City is a third class city and operates under a Mayor-Board of Commission form of government. The Mayor and the two Commissioners serve four-year terms. The City provides a variety of general governmental services to residents including general administrative services, public safety, public works, parks and recreation, airport, and cemetery operations. Other services include water, electric, sewer, fiber optic, and sanitation operations.

The accounting and reporting policies of the City conform to generally accepted accounting principles (GAAP) in the United States of America applicable to local governments. The following represent the more significant accounting and reporting policies and practices of the City.

A. Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. Component units are separate legal entities which are included in the primary government's financial report. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not only, criterion for including a potential component unit within the reporting entity is the City's financial accountability for the potential component unit. An entity is considered a component unit if City officials appoint a voting majority of the component unit's governing body and the City is able to impose its will upon the component unit. Additionally, if the entity provides specific financial benefits to or imposes specific financial burdens on the City, it may be considered a component unit.

This report includes the financial statements of the City (the primary government) and its blended component unit, the City of Monett, Missouri Tax Increment Financing (TIF) Commission (the Commission). The Commission is governed by a board of which six members are appointed by the Mayor with the consent of the Board of Commission, two members appointed by the school district and one member each appointed by the commission of Lawrence and Barry County. Although it is legally separate from the City, the Commission is reported as if it were part of the primary government because its sole function is to use TIF as a method to finance economic development through payments in lieu of taxes (PILOTS) and economic activity taxes (EATS). The Commission does not issue separate financial statements.

B. Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide financial statements

The statement of net position and the statement of activities display information about the City, the primary government, as a whole. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or supported from the general revenues of the City.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

Fund financial statements

Fund financial statements report detailed information about the City. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination.

The following are the City's major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Transportation Sales Tax Fund: The Transportation Sales Tax Fund accounts for the City's transportation sales taxes proceeds that are restricted to be used for transportation related purposes.

Park Sales Tax Fund: The Park Sales Tax Fund accounts for the City's park sales taxes proceeds that are restricted to be used for parks and recreational related purposes.

PROPRIETARY FUNDS

Proprietary Funds are used to account for the City's ongoing activities which are similar to those found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position.

The following are the City's major proprietary funds:

Waterworks Fund: This Fund accounts for the operations, maintenance, and improvement activities of the existing water system and capital improvements pertaining to the City wells, facilities, equipment and infrastructure.

Electric Fund: This fund accounts for the operations, maintenance, and improvement activities of the existing electric system and capital improvements pertaining to the City substations, facilities, equipment and infrastructure.

Sewer Fund: This fund accounts for the operations, maintenance, and improvement activities of the existing sewer system and capital improvements pertaining to the treatment plant, lift stations, equipment and infrastructure.

The City reports the following fund type of nonmajor funds:

Special Revenue Funds . These funds account for specific revenue sources that are restricted for specified purposes.

Enterprise Funds – These funds account for the operations, maintenance, and improvement activities of the sanitation and fiber services.

City of Monett, Missouri
Notes to the Basic Financial Statements
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C. Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or when all eligibility requirements have been satisfied and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, sales tax, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This is a similar approach to that used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available. The City considers all revenues for investment earnings, special assessments and state levied locally shared taxes (including motor vehicle fees) and other intergovernmental revenues to be available if the revenues are collected within sixty days after year-end. Proceeds and payments of long-term debt are reported as other financing sources and uses.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which have not matured are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Fund Financial Statements

The economic resources measurement focus and the accrual basis of accounting are utilized by the proprietary funds. Under this basis of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred. All assets and liabilities (whether current or noncurrent) associated with a proprietary fund's activities are included on its statement of net position and statement of activities. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. All other revenues and expenses are considered nonoperating.

City of Monett, Missouri
Notes to the Basic Financial Statements
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D. Cash and Investments

The City maintains a cash and investment pool in which a majority of the City's funds share. Each fund type's portion of this pool is displayed in the financial statements as cash and investments, and investments made in accordance with bond ordinances are reflected as restricted cash and investments. Permissible investments include obligations of the U.S. Government, State of Missouri, bonds, bills or notes guaranteed by the U.S., state or city governments, certificates of deposit, repurchase agreements, banker's acceptances, and commercial paper. Investments are reported at fair value based on quoted market prices. Interest earned from the pool is allocated to the funds on the basis of average monthly cash and investment balances.

E. Accounts Receivable

Governmental activities accounts receivable consists of miscellaneous services provided to citizens. Business-type activities represent billed and unbilled charges for water, electric, sewer, sanitation and fiber services. Accounts receivable are shown net of an allowance for uncollectible accounts.

F. Special Assessments Receivable

Special assessments receivable reflects the property taxes collectible by the City for the purpose of repaying certain Special Assessment debt held by the City. The amount collectible by the City is reduced each year as the taxes are levied against the property and, subsequently, collected by the City.

G. Prepaid Items

Prepaid items reflect the payment of insurance premiums for coverage that benefits more than one fiscal period. The premium amounts are amortized using the consumption method over the policy periods in both the government-wide and fund financial statements.

H. Inventory

Inventory is stated at average cost. Inventories in the enterprise funds consist of expendable supplies and merchandise held for consumption or resale. The costs of these inventories are recorded as an expense when consumed or sold.

I. Capital Assets

Capital assets include land, construction in progress, 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 are charged to expenditures as purchased in the governmental fund statements, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Fully depreciated capital assets are included in their respective accounts until their disposal.

City of Monett, Missouri
Notes to the Basic Financial Statements
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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 on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 – 50 years
Improvements	10 – 30 years
Machinery and equipment	3 – 20 years
Infrastructure	10 – 50 years

J. Compensated Absences

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

K. Deferred Outflows/inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. The item results from actuarial assumption changes, the difference between actual and projected earnings in calculating the net pension asset, and pension contributions made by the City subsequent to the pension valuation date. The contribution amount will be applied during the next fiscal year while the changes in actual versus projected amounts will be amortized over five to seven years.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so 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. The item relates to the change in actual and projected experience in calculating the pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

For purposes of measuring the net pension asset or liability, 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/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

City of Monett, Missouri
Notes to the Basic Financial Statements
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L. Interfund Activity

Loans – amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e., due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds.

Services provided and used – sales and purchases of goods and services between funds for a price approximating their fair value. Interfund services provided and used are reported as revenues in funds providing the good or service and expenditures or expenses in the fund purchasing the good or service. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or statement of net position.

Payment in Lieu of Taxes (PILOTS) . paid from the City's enterprise funds to the general fund were \$3,036,680 for the year ended March 31, 2019.

Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

M. Fund Balances

In the fund financial statements, governmental funds report the following fund balance classifications:

Non-Spendable . This consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted . This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed . This consists of amounts which can only be used for specific purposes determined by a formal action of passing an ordinance or resolution by City Council, the City's highest level of decision-making authority. Any changes or removal of specific purpose requires the same action by the City Council.

Assigned . This consists of amounts which are constrained by City management's intent to be used for a specific purpose but do not meet the criteria to be classified as committed. In accordance with City policy, only the City Council has the authority to assign amounts for a specific purpose in this category.

Unassigned . This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

The City has a fund balance policy that provides guidance for programs with multiple revenue sources. The policy is to use restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

City of Monett, Missouri
Notes to the Basic Financial Statements
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Per City policy, the general fund balance should be no less than 8% of general fund appropriations for the succeeding fiscal year in order to provide financial stability and provides the City with resources to achieve its objectives and the flexibility to respond to unexpected opportunities.

N. Net Position Classifications

In the government-wide statements, equity is shown as net position and classified into three components:

- (1) Net investment in capital assets . consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- (2) Restricted net position . consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- (3) Unrestricted net position . All other net position that do not meet the definition of restricted or net investment in capital assets.†

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

O. Use of Estimates

The preparation of the basic 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Monett, Missouri
Notes to the Basic Financial Statements
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(2) Cash and Investments

A reconciliation of cash and investments as shown on the government-wide statement of net position is as follows:

Cash on hand	\$ 1,000
Demand deposits	6,750,709
Certificates of deposits	450,951
Banker's acceptance	1,365,310
Commercial paper	749,682
U.S. treasuries and agency securities	6,823,274
Corporate bonds	117,441
Restricted cash equivalents held in trust	561,324
Total cash and investments	<u>\$ 16,819,691</u>

Government-wide Statement of Net Position

	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 4,299,678	\$ 8,245,624	\$ 12,545,302
Restricted cash and investments	622,610	3,651,779	4,274,389
Total cash and investments	<u>\$ 4,922,288</u>	<u>\$ 11,897,403</u>	<u>\$ 16,819,691</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize deposits with a standby letter of credit with the primary financial institution. The City collateralizes deposits at other financial institutions with securities held by the financial institution's agent and in the City's name.

As of March 31, 2019, the City's deposits were insured with Federal depository insurance, with the remaining uninsured balance collateralized by a \$11 million standby letter of credit and securities held in the City's name by their financial institution's agent. Accordingly, management has determined that none of the City's deposits were exposed to custodial credit risk as of March 31, 2019.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to minimize credit risk by limiting its investments to Certificates of Deposit, bonds, or other obligations of the United States, and other debt securities given the highest available rating by a nationally recognized statistical rating organization. The ratings shown below are by Standard & Poor's as of year-end for each investment.

City of Monett, Missouri
Notes to the Basic Financial Statements
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Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The City structures the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted in active markets for identical assets; Level 2 inputs are significant other observable inputs such as third party pricing services for identical assets; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of March 31, 2019:

	<u>Level 1</u>	<u>S&P Rating</u>
<u>US Treasuries and Agency Securities</u>		
US Treasuries	\$ 6,490,851	AA+
Government National Mortgage Association	211,412	AA+
Federal Home Loan Bank	111,418	AA+
Federal National Mortgage Association	9,593	AA+
Total US Treasuries and Agency Securities	<u>\$ 6,823,274</u>	
<u>Corporate Bonds</u>		
Goldman Sachs	<u>\$ 117,411</u>	A+

All of the City's investments are classified as Level 1 of the fair value hierarchy using prices quoted in active markets for those securities.

(3) Tax Revenues and Taxes Receivable

The City's property taxes are levied and recorded each November 1 on the assessed value as of the prior January 1 for all property located in the City, and are delinquent on January 1 (the lien date) following the levy date. Assessed values are established by county assessors, subject to review by the County's Board of Equalization. The assessed value of local property at January 1, 2018, was \$163,289,055.

The City is permitted by the Missouri State Constitution to levy (without a vote of two-thirds of the voting electorate) taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt. The City does not levy property taxes.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

Tax revenues for the year ended March 31, 2019 consisted of the following:

	Sales Taxes	Franchise Taxes	Other Taxes	Total
Governmental funds:				
General Fund	\$ 2,884,850	\$339,068	\$ 47,583	\$ 3,271,501
Transportation Sales Tax Fund	972,128	-	-	972,128
Parks Sales Tax Fund	504,071	-	-	504,071
Nonmajor funds	145,842	-	-	145,842
	<u>\$ 4,506,891</u>	<u>\$339,068</u>	<u>\$ 47,583</u>	<u>\$ 4,893,542</u>

Taxes receivable represent sales tax and franchise taxes. Taxes receivable consisted of the following at March 31, 2019:

	Sales Taxes	Franchise Taxes	Total
Governmental funds:			
General Fund	\$ 458,693	\$ 81,715	\$ 540,408
Transportation Sales Tax Fund	151,253	-	151,253
Parks Sales Tax Fund	80,518	-	80,518
Nonmajor funds	23,088	-	23,088
	<u>\$ 713,552</u>	<u>\$ 81,715</u>	<u>\$ 795,267</u>

(4) Intergovernmental Revenue/Receivables

Intergovernmental revenue during the year ended March 31, 2019 consisted of the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Grants - Federal, State and Local	\$ 122,682	\$ -	\$ 122,682
State:			
Motor vehicle fees and taxes	355,589	-	355,589
Local:			
Intergovernmental activity taxes	-	252,706	252,706
Total Intergovernmental Revenue	<u>\$ 478,271</u>	<u>\$ 252,706</u>	<u>\$ 730,977</u>
			Total
	Water Works Fund	Sewer Fund	Enterprise Funds
Grants - Federal, State and Local	<u>\$ 60,972</u>	<u>\$ 128,113</u>	<u>\$ 189,085</u>

City of Monett, Missouri
Notes to the Basic Financial Statements
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Amounts due from other governments at March 31, 2019, were as follows:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
State:			
Motor vehicle fees and taxes	\$ 27,231	\$ -	\$ 27,231
Local:			
Intergovernmental activity taxes	-	21,410	21,410
Total due from other governments	<u>\$ 27,231</u>	<u>\$ 21,410</u>	<u>\$ 48,641</u>

(5) Interfund Activity

Transfers between funds for the year ended March 31, 2019 were as follows:

		<u>Transfers Out:</u>				
		<u>Transportation Sales Tax Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Electric Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>
Transfers In:	<u>General</u>					
General Fund	\$ -	\$ 1,143,555	\$ 59,351	\$ 550,000	\$ 50,000	\$ 1,802,906
Nonmajor Governmental Funds	55,643	50,000	-	-	-	105,643
	<u>\$ 55,643</u>	<u>\$ 1,193,555</u>	<u>\$ 59,351</u>	<u>\$ 550,000</u>	<u>\$ 50,000</u>	<u>\$ 1,908,549</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the Electric Fund and Fiber Fund to finance administrative services provided by the General fund. Any transfers within the governmental funds or within the proprietary funds have been eliminated in the government-wide statement of activities.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

(6) Capital Assets

A summary of the changes in capital assets for the year ended March 31, 2019 is as follows:

	March 31, 2018	Additions	Retirements	March 31, 2019
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,428,627	\$ -	\$ -	\$ 2,428,627
Construction in progress	2,413,611	2,144,890	3,283,971	1,274,530
Total capital assets, not being depreciated	4,842,238	2,144,890	3,283,971	3,703,157
Capital assets, being depreciated				
Building and improvements	9,879,957	8,554	-	9,888,511
Machinery and equipment	8,082,828	308,623	236,038	8,155,413
Infrastructure	28,806,637	3,283,971	-	32,090,608
Total capital assets being depreciated	46,769,422	3,601,148	236,038	50,134,532
Less accumulated depreciation for:				
Building and improvements	3,266,383	308,793	-	3,575,176
Machinery and equipment	6,305,670	431,414	179,427	6,557,657
Infrastructure	17,172,738	953,375	-	18,126,113
Total accumulated depreciation	26,744,791	1,693,582	179,427	28,258,946
Total capital assets being depreciated, net	20,024,631			21,875,586
Governmental activities capital assets, net	<u>\$ 24,866,869</u>			<u>\$ 25,578,743</u>
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$ 305,504	\$ -	\$ 400	\$ 305,104
Construction in progress	39,778	91,027	39,778	91,027
Total capital assets, not being depreciated	345,282	91,027	40,178	396,131
Capital assets, being depreciated				
Building and improvements	16,547,477	-	-	16,547,477
Machinery and equipment	4,254,117	165,611	22,587	4,397,141
Infrastructure	43,445,049	369,171	-	43,814,220
Total capital assets being depreciated	64,246,643	534,782	22,587	64,758,838
Less accumulated depreciation for:				
Building and improvements	2,445,551	380,745	-	2,826,296
Machinery and equipment	2,591,407	326,283	22,587	2,895,103
Infrastructure	28,319,338	855,235	-	29,174,573
Total accumulated depreciation	33,356,296	1,562,263	22,587	34,895,972
Total capital assets being depreciated, net	30,890,347			29,862,866
Business-type activities capital assets, net	<u>\$ 31,235,629</u>			<u>\$ 30,258,997</u>

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

Depreciation expense was charged to functions and programs of the primary government as follows:

Governmental Activities:

General government	\$ 16,994
Public safety	385,090
Public works	886,127
Parks and recreation	257,438
Airport	130,631
Cemetery	17,302
Total depreciation expense for Governmental activities	<u>\$ 1,693,582</u>

Business-type Activities:

Waterworks	\$ 641,940
Electric	149,969
Sewer	616,710
Sanitation	114,195
Fiber	39,449
Total depreciation expense for Business-type activities:	<u>\$ 1,562,263</u>

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

(7) Long Term Debt

A summary of the changes in long term debt for the year ended March 31, 2019 is as follows:

	Beginning of Year	Adjustments/ Additions	Adjustments/ Retirements	End of Year	Due Within One Year
Governmental Activities:					
Tax Increment Financing Bonds:					
Series 2014	\$ 1,615,000	\$ -	\$ 390,000	\$ 1,225,000	\$ 170,000
Less: Discount	(27,388)	-	(2,550)	(24,838)	-
Certificate of participation - Series 2012	800,114	-	151,403	648,711	155,595
Capital leases	184,798	-	149,799	34,999	149,721
Lease purchase agreement	3,484,000	-	301,000	3,183,000	317,000
Developer agreements	128,692	-	17,998	110,694	20,000
Compensated absences **	596,380	-	2,363	594,017	246,333
Total Governmental activities	6,781,596	-	1,010,013	5,771,583	1,058,649
Business-Type Activities:					
Neighborhood Improvement Bonds:					
Series 2005	180,000	-	20,000	160,000	25,000
Revenue Bonds:					
Series 2003B	4,320,000	-	530,000	3,790,000	555,000
Series 2013	8,884,200	-	443,900	8,440,300	453,100
Series 2015	1,333,900	-	58,800	1,275,100	60,200
Certificates of Participation - Series 2010	2,300,000	-	85,000	2,215,000	90,000
Note payable - Light Upgrade at WWT	-	33,878	4,836	29,042	4,801
Note payable - Light Upgrade at Justice	22,259	-	8,942	13,317	9,190
Compensated absences	238,957	-	21,676	217,281	92,231
Total Business-type activities	17,279,316	33,878	1,173,154	16,140,040	1,289,522
Total primary government	\$ 24,060,912	\$ 33,878	\$ 2,183,167	\$ 21,911,623	\$ 2,348,171

** governmental compensated absences are liquidated by the General Fund

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

A. Governmental Activities Debt

Tax Increment Financing Bonds

\$2,430,000 Series 2014 Supported Tax Increment and Sales Tax Refunding Revenue Bonds (East US Highway 60 Improvement and RPA #1 Infrastructure Redevelopment Projects). Proceeds were used to refund the Series 2005A and 2005B Bonds, which were originally issued to make improvements on and around Chapel Drive and redevelop 385 acres in the southeast portion of the City adjacent to Highway 60. Due in annual installment through January 1, 2028; interest at 2.0% - 3.5%.

\$ 1,225,000

Certificates of Participation

\$1,500,000 Series 2012, Certificates of Participation, issued for the purpose of constructing a community building (Casino). Due in semi-annual installment through December 2022; interest at 2.75%

648,711

Lease Purchase Agreement

\$3,484,000 Series 2017, Lease Purchase Agreement. issued for the purpose of constructing the Aquatic Center. Due in annual installment through December 1, 2027; interest at 2.73%

3,183,000

\$ 5,056,711

Capital Lease Obligations

The City has entered into a capital leasing agreements for 911 equipment. The cumulative amount of assets acquired under the capital leases are \$152,258 with related accumulated depreciation of \$35,527 as of March 31, 2019.

The future minimum lease obligation and the net present value of these minimum lease payments as of March 31, 2019 were as follows:

2020	\$ 35,628
Less imputed interest	<u>(629)</u>
Present value of minimum lease payments	<u>\$ 34,999</u>

Developer Obligations

Certain developers applied for reimbursement of the cost of certain infrastructure that was contributed to the City. These obligations are special limited obligations of the City, payable only to the extent of available tax increment financing revenues. The City's obligation to reimburse these costs will expire upon the dissolution of the tax increment financing district in 2019. At March 31, 2019, the total obligations under these agreements was \$110,694.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

B. Business-type Activities Debt

Neighborhood Improvement Bonds

\$394,230 Series 2004, General Obligation Bonds, Neighborhood Improvement District Bonds Series issued to fund certain sewer projects in the City. Due in annual installments through September 1, 2024; interest at 2.00% to 5.10%.	\$ 160,000
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Revenue Bonds

\$8,950,000 Series 2003B Combined Waterworks and Sewerage System Revenue Bonds, (State Revolving Funds Program). Proceeds from this debt issuance were combined with monies from the State Environment Improvement and Energy Resources Authority to construct wastewater treatment and clean water facilities for the City. Due in annual instalments through January 1, 2025; interest at 2.00% to 4.70%.	3,790,000
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\$10,002,321 Series 2013 Combined Waterworks and Sewerage System Revenue Bonds - Direct Loan Program (Original amount not to exceed \$11,012,000). Proceeds were used for certain costs of improving the water and sewerage system. Due in annual instalments through 2035; interest at 1.61% and a semi-annual administrative fee of 0.25% of the outstanding principal balance of the bonds.	8,440,300
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\$1,397,482 Series 2015 Combined Waterworks and Sewerage System Revenue Bonds - Direct Loan Program (Original amount not to exceed \$1,895,000). Proceeds were used for the purpose of extending and improving the City's sewage system. Due in annual instalments through 2037; interest at 1.23% and a semi-annual administrative fee of 0.50% of the outstanding principal balance of the bonds.	1,275,100
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Certificates of Participation

\$2,859,000 Series 2010, Certificates of Participation, issued for the purpose of constructing a water line project. Due in annual installment through July 2035; interest at 3.49%	2,215,000
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Note Payable

\$33,878 Note payable to Mo. Department of Economic Development for the purpose of lighting upgrades for the Wasterwater Treatment Plant. Due in annual installment through September 2024; interest at 2.75%	29,042
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Note Payable

\$31,115 Note payable to Mo. Department of Economic Development for the purpose of lighting upgrades. Due in annual installment through September 2020; interest at 2.75%	13,317
	\$ 15,922,759

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

C. Future Debt Service Requirements

Governmental Activities						
	Series 2014 Tax Increment Financing Bonds		Series 2012 Certificates of Participation		Series 2017 Lease Purchase Agreement	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 170,000	\$ 42,195	\$ 155,595	\$ 16,770	\$ 317,000	\$ 86,896
2021	175,000	36,925	159,903	12,461	325,000	78,456
2022	180,000	30,800	164,331	8,034	334,000	69,369
2023	185,000	24,500	168,882	3,483	344,000	60,251
2024	195,000	18,025	-	-	353,000	50,860
2025-2029	320,000	15,400	-	-	1,510,000	104,590
2030-2034	-	-	-	-	-	-
2035-2037	-	-	-	-	-	-
Totals	\$ 1,225,000	\$ 167,845	\$ 648,711	\$ 40,748	\$ 3,183,000	\$ 450,422
Business-type Activities						
	Series 2004 General Obligation Bonds, NID		Series 2003B Waterworks and Sewerage Bonds		Series 2013 Waterworks and Sewerage Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 25,000	\$ 7,448	\$ 555,000	\$ 181,745	453,100	134,076
2021	25,000	6,210	585,000	153,301	462,100	126,745
2022	25,000	4,960	615,000	123,320	471,100	119,269
2023	25,000	3,698	645,000	95,645	481,000	111,641
2024	30,000	2,295	680,000	65,330	490,100	103,860
2025-2029	30,000	765	710,000	16,685	2,602,500	397,123
2030-2034	-	-	-	-	2,872,800	177,966
2035-2037	-	-	-	-	607,600	7,344
Totals	\$ 160,000	\$ 25,376	\$ 3,790,000	\$ 636,026	\$ 8,440,300	\$ 1,178,024
	Series 2015 Waterworks and Sewerage Bonds		Series 2010 Certificates of Participation		Grand Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 60,200	\$ 15,499	\$ 90,000	\$ 140,428	\$ 1,864,895	\$ 588,044
2021	61,600	14,753	90,000	135,725	1,922,603	525,869
2022	63,200	13,991	95,000	130,681	1,987,531	463,859
2023	64,600	13,210	100,000	125,220	2,062,582	398,149
2024	66,000	12,411	100,000	119,945	4,056,500	615,814
2025-2029	352,400	49,436	555,000	500,060	4,797,900	1,032,954
2030-2034	394,200	26,642	660,000	300,413	5,757,000	625,011
2035-2037	212,900	3,942	525,000	44,625	1,345,500	55,911
Totals	\$ 1,275,100	\$ 149,884	\$ 2,215,000	\$ 1,497,097	\$ 23,794,511	\$ 4,305,611

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

(9) Employees Retirement System

A. Plan Description

The City's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

B. Benefits Provided

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

	<u>2018 Valuation</u>
Benefit Multiplier:	2.00% for life
Final Average Salary:	3 Years
Member Contributions:	4%

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.

C. Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	57	13	7	77
Inactive employees entitled to but not yet receiving benefits	15	12	2	29
Active employees	83	19	16	118
	<u>155</u>	<u>44</u>	<u>25</u>	<u>224</u>

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

D. Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer contribute 4% to the pension plan. Employer contribution rates are 9.1% (General), 6.1% (Police) and 3.8% (Fire) of annual covered payroll.

E. Net Pension Liability

The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

F. Actuarial Assumptions

The total pension liability in the February 28, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.5% price inflation
Salary Increase	3.25% to 6.55% including wage inflation (General and Police)
	3.25% to 7.15% including wage inflation (Fire)
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality tables for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	48.00%	4.81%
Fixed Income	28.50%	1.72%
Real Assets/Real Return	23.50%	3.42%

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

G. Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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.

H. Changes in the Net Pension Liability/ (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)/Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 25,960,307	\$ 27,310,839	\$ (1,350,532)
Changes for the year:			
Service Cost	668,004	-	668,004
Interest	1,874,884	-	1,874,884
Difference between expected and actual experience	(92,430)	-	(92,430)
Contributions - employer	-	428,796	(428,796)
Contributions - employee	-	208,301	(208,301)
Net investment income	-	3,465,410	(3,465,410)
Benefit payments, including refunds	(871,222)	(871,222)	-
Administrative expense	-	(18,184)	18,184
Other changes (net transfer)	-	17,828	(17,828)
Net changes	1,579,236	3,230,929	(1,651,693)
Balances at end of year	\$ 27,539,543	\$ 30,541,768	\$ (3,002,225)

I. 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 7.25%, as well as what the employer's Net Pension Liability/(Asset) would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 31,633,412	\$ 27,539,543	\$ 24,180,224
Plan Fiduciary Net Position	(30,541,768)	(30,541,768)	(30,541,768)
Net Pension Liability/(Asset)	\$ 1,091,644	\$ (3,002,225)	\$ (6,361,544)

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

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

For the year ended March 31, 2019, the City recognized LAGERS pension expense of \$386,413 (\$275,342 (General), \$78,609 (Police) and \$32,462 (Fire)). The City reported deferred outflows related to LAGERS pension from the following sources:

	General	Police	Fire	Total
Deferred Outflows of Resources:				
Assumption changes	\$ 242,186	\$ 38,482	\$ 89,097	\$ 369,765
Difference in experience	63,824	33,272	47,836	144,932
Contributions subsequent to the measurement date*	233,053	41,269	33,019	307,341
Total	<u>\$ 539,063</u>	<u>\$ 113,023</u>	<u>\$ 169,952</u>	<u>\$ 822,038</u>
Deferred Inflows of Resources:				
Difference in experience	\$ (430,550)	\$ (66,242)	\$ (256,086)	\$ (752,878)
Difference in projected and actual earnings on plan investments	(621,379)	(118,641)	(145,814)	(885,834)
	<u>\$ (1,051,929)</u>	<u>\$ (184,883)</u>	<u>\$ (401,900)</u>	<u>\$ (1,638,712)</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability/(Asset) for the year ending March 31, 2019.

Net amounts reported as deferred outflows and deferred inflows of resources, excluding contributions subsequent to the measurement date, related to LAGERS pension will be recognized in pension expense as follows:

Year ending March 31:	General	Police	Fire	Total
2019	\$ 2,297	\$ 30,566	\$ (2,380)	\$ 30,483
2020	(135,060)	(25,881)	(47,899)	(208,840)
2021	(417,147)	(74,730)	(114,053)	(605,930)
2022	(203,325)	(43,084)	(67,525)	(313,934)
2023	7,316	-	(19,720)	(12,404)
Thereafter	-	-	(13,390)	(13,390)
Total	<u>\$ (745,919)</u>	<u>\$ (113,129)</u>	<u>\$ (264,967)</u>	<u>\$ (1,124,015)</u>

K. Payable to the Pension Plan

At March 31, 2019, the City paid all outstanding contributions to the LAGERS pension plan.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

L. Summary of financial reporting of the City's pension plan:

	General	Police	Fire	Total
Governmental activities:				
Net Pension Asset	\$ (634,210)	\$ (584,191)	\$ (1,216,017)	\$ (2,434,418)
Business-type activities:				
Net Pension Asset	(567,807)	-	-	(567,807)
Total Net Pension Asset	<u>\$ (1,202,017)</u>	<u>\$ (584,191)</u>	<u>\$ (1,216,017)</u>	<u>\$ (3,002,225)</u>
 Governmental activities:				
Pension related deferred outflows	\$ 230,269	\$ 118,430	\$ 162,128	\$ 510,827
Pension related deferred inflows	(552,748)	(184,883)	(401,900)	(1,139,531)
Business-type activities:				
Pension related deferred outflows	311,211	-	-	311,211
Pension related deferred inflows	(499,181)	-	-	(499,181)
Total	<u>\$ (510,449)</u>	<u>\$ (66,453)</u>	<u>\$ (239,772)</u>	<u>\$ (816,674)</u>

(10) Commitments and Contingencies

A. Insurance

The City is exposed to various risks of loss 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.

The amount of settlements has not exceeded the City's insurance coverage in any of the past three fiscal years.

B. Federal and State Grants

The City has received financial assistance from various federal, state, and local agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

C. Litigation

The City is involved in legal proceedings arising from the ordinary course of City activities. While these proceedings may have future financial effect, management believes that their ultimate outcome will not be material to the basic financial statements.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

D. Purchased Power

In 2010, the City entered into a ten-year full requirements service agreement with Empire District Electric (EDE) that will expire in June, 2020. The agreement provided for EDE to sell and for the City to purchase capacity and firm energy sufficient to meet the City's load.

In considering its options after the EDE contract expires in 2020, the City has collaborated with other cities with similar contract expiration dates to aggregate their loads and seek the most cost-efficient power supplier for the cities. As part of this process, the cities contracted with the Missouri Public Utility Alliance (MPUA) to prepare an Integrated Resource Plan (IRP) that would provide an in-depth report detailing the group's load forecasts and power supply options. The IRP was completed in July, 2017 and identified the types of resources and quantities that would best fit the needs of the cities with the intent of forming a new energy pool that aggregate the loads into a single power supply contract.

The cities of Monett and Mount Vernon have proceeded with approving the legal framework formally establishing the Southwest Missouri Public Energy Pool (SWMPEP). The City of Monett approved a Power Supply and Administration Agreement between the Missouri Joint Municipal Electric Utility Commission (MJMEUC) and the members of SWMPEP. SWMPEP, in conjunction with MJMEUC, solicited RFPs and received a number of proposals in March, 2018.

In October, 2018, MJMEUC approved a Power Supply Agreement on behalf of the Southwest Missouri Public Energy Pool to be effective June 1, 2020. The specific terms of the agreement between MJMEUC and Empire District Electric are:

~ The term of the contract will be from June 1, 2020 through May 31, 2025;

~ 40 MW of capacity and energy from Plum Point, 10 MW of capacity and energy from Riverton 11, 14 MW of capacity and energy from Energy Center units 1 and 2, and 20 MW of energy from the Meridian Way wind farm;

~ Capacity pricing of 78 MW is fixed for five years;

~ Energy pricing is a blended energy price with the majority of energy coming from the Plum Point coal resource, some fixed wind energy pricing, and a small amount of peaking energy from gas/oil units.

~ SWMPEP's all-in projected costs from 2020 to 2025 are expected to be approximately \$18 million/year. This represents significant savings from the current contract which were projected to increase from \$20 million/year to in excess of \$24 million/year, a savings of approximately \$6 million annually.

~ The effects of these savings will be reduced costs to the City in purchased power expenses for the Electric utility; reduced costs to the Water and Sewer utilities from decreased operating costs at the treatment plants; a reduction in revenues to the General Fund due to decreased payments-in-lieu-of-taxes; and reduced costs to the City's residential, commercial and industrial electric consumers through lower electric rates.

E. Construction Commitments

At March 31, 2019 the City had approximately \$1.5 million in construction commitments to complete construction contracts.

City of Monett, Missouri
Notes to the Basic Financial Statements
March 31, 2019

F. Leases

The City rents golf carts under a cancelable operating lease. Rent expenditures for the year ended March 31, 2019 was \$4,400. As of March 31, 2019, minimum future rental payments required under the lease for subsequent fiscal years are as follows:

2020	\$	26,400
2021		26,400
2022		26,400
2023		26,400
2024		112,000
	\$	<u>217,600</u>

(11) Subsequent Events

Management has evaluated subsequent events through July 31, 2019, the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

City of Monett, Missouri
Notes to Required Supplementary Information
March 31, 2019

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

1. Prior to April, Administration submits to the City Commission a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Commission in late February or early March to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to April 1, ordinances are passed by the Commission which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the City Commission on approved budget adjustment forms.

CITY OF MONETT, MISSOURI
Required Supplementary Information
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended March 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 3,242,500	\$ 3,242,500	\$ 3,271,501	\$ 29,001
Licenses and permits	42,000	67,000	64,831	(2,169)
Intergovernmental	1,286,000	477,300	478,271	971
Charges for services	997,400	986,200	978,399	(7,801)
Rental	85,400	70,700	81,362	10,662
Investment earnings	42,500	75,000	76,417	1,417
Miscellaneous	43,150	87,300	74,885	(12,415)
Total Revenues	<u>5,738,950</u>	<u>5,006,000</u>	<u>5,025,666</u>	<u>19,666</u>
Expenditures:				
Current:				
General government				
Administration	551,875	551,875	471,152	80,723
Public safety				
Building official	247,750	247,750	246,283	1,467
Municipal court	100,330	100,330	99,163	1,167
Police	1,752,945	1,832,945	1,830,065	2,880
E911	884,600	884,600	785,263	99,337
Emergency management	513,125	513,125	216,480	296,645
Fire	<u>1,218,575</u>	<u>1,218,575</u>	<u>1,129,673</u>	<u>88,902</u>
Total public safety	<u>4,717,325</u>	<u>4,797,325</u>	<u>4,306,927</u>	<u>490,398</u>
Public works				
Street	2,494,825	2,727,525	2,693,989	33,536
Parks and recreation				
Pool	1,523,950	1,523,950	972,188	551,762
Pavilion	-	59,800	53,447	6,353
South park	267,790	287,790	289,190	(1,400)
North park	165,400	165,400	161,671	3,729
Golf	562,600	655,100	705,941	(50,841)
Casino and community building	<u>98,785</u>	<u>98,785</u>	<u>103,852</u>	<u>(5,067)</u>
Total parks and recreation	<u>2,618,525</u>	<u>2,790,825</u>	<u>2,286,289</u>	<u>504,536</u>
Airport	949,350	357,350	312,031	45,319
Cemetery	195,375	195,375	182,730	12,645
Debt service:				
Principal	248,205	248,205	250,404	(2,199)
Interest and fiscal charges	<u>27,725</u>	<u>27,725</u>	<u>25,277</u>	<u>2,448</u>
Total Expenditures	<u>11,803,205</u>	<u>11,696,205</u>	<u>10,528,799</u>	<u>1,167,406</u>
Excess of Revenues Over (Under) Expenditures	(6,064,255)	(6,690,205)	(5,503,133)	1,187,072
Other financing sources (uses):				
Transfers in	1,766,000	1,766,000	1,802,905	36,905
Transfers out	(66,000)	(66,000)	(55,643)	10,357
Sale of capital assets	16,000	16,000	54,150	38,150
Payments in lieu of taxes	<u>2,821,660</u>	<u>2,950,000</u>	<u>3,036,680</u>	<u>86,680</u>
Total Other Financing Sources (Uses)	<u>4,537,660</u>	<u>4,666,000</u>	<u>4,838,092</u>	<u>172,092</u>
Net change in fund balances	<u>\$ (1,526,595)</u>	<u>\$ (2,024,205)</u>	<u>(665,041)</u>	<u>\$ 1,359,164</u>
Fund balances, beginning of year			<u>4,317,661</u>	
Fund balances, end of year			<u>\$ 3,652,620</u>	

Note: GAAP is the budgetary basis used to prepare this schedule

Schedule 2

CITY OF MONETT, MISSOURI
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Transportation Sales Tax Fund
For the Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 970,000	\$ 970,000	\$ 972,128	\$ 2,128
Total Revenues	970,000	970,000	972,128	2,128
Expenditures:				
Current:				
Public works	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	970,000	970,000	972,128	2,128
Other financing sources (uses):				
Transfers out	(1,132,500)	(1,250,000)	(1,193,555)	56,445
Total Other Financing Sources (Uses)	(1,132,500)	(1,250,000)	(1,193,555)	56,445
Net change in fund balances	\$ (162,500)	\$ (280,000)	(221,427)	\$ 58,573
Fund balances, beginning of year			1,019,590	
Fund balances, end of year			\$ 798,163	

Note: GAAP is the budgetary basis used to prepare this schedule

Schedule 3

CITY OF MONETT, MISSOURI
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Park Sales Tax Fund
For the Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 485,000	\$ 485,000	\$ 504,071	\$ 19,071
Total Revenues	<u>485,000</u>	<u>485,000</u>	<u>504,071</u>	<u>19,071</u>
Expenditures:				
Debt service:				
Principal	301,000	301,000	301,000	-
Interest and fiscal charges	102,930	102,931	102,931	-
Total Expenditures	<u>403,930</u>	<u>403,931</u>	<u>403,931</u>	<u>-</u>
Net change in fund balances	<u>\$ 81,070</u>	<u>\$ 81,069</u>	100,140	<u>\$ 19,071</u>
Fund balances, beginning of year			<u>229,136</u>	
Fund balances, end of year			<u>\$ 329,276</u>	

Note: GAAP is the budgetary basis used to prepare this schedule

CITY OF MONETT, MISSOURI
Required Supplementary Information
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
For the Year Ended March 31, 2019

	Lagers			
	2019	2018	2017	2016
Total Pension Liability				
Service costs	\$ 668,004	\$ 639,391	\$ 616,931	\$ 617,375
Interest on total pension liability	1,874,884	1,797,932	1,637,666	1,564,778
Difference between expected and actual experience of the total pension liability	(92,430)	(559,892)	(136,413)	(472,412)
Changes of assumptions	-	-	828,489	-
Benefit payments and refunds	(871,222)	(790,364)	(705,369)	(703,043)
Net change in total pension liability	1,579,236	1,087,067	2,241,304	1,006,698
Total pension liability - beginning of year	25,960,307	24,873,240	22,631,936	21,625,238
Total pension liability - end of year (a)	<u>\$ 27,539,543</u>	<u>\$ 25,960,307</u>	<u>\$ 24,873,240</u>	<u>\$ 22,631,936</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 428,796	\$ 438,751	\$ 476,923	\$ 524,504
Contributions - employee	208,301	207,953	196,430	187,564
Net investment income	3,465,410	2,959,657	(70,888)	465,017
Benefit payments and refunds	(871,222)	(790,364)	(705,369)	(703,043)
Administrative expenses	(18,184)	(17,532)	(17,162)	(17,989)
Other (net transfer)	17,828	(388,493)	68,562	119,677
Net change in plan fiduciary net position	3,230,929	2,409,972	(51,504)	575,730
Plan fiduciary net position - beginning of year	27,310,839	24,900,867	24,952,371	24,376,851
Plan fiduciary net position - end of year (b)	<u>\$ 30,541,768</u>	<u>\$ 27,310,839</u>	<u>\$ 24,900,867</u>	<u>\$ 24,952,581</u>
Net pension liability/(asset) (a) - (b)	<u>\$ (3,002,225)</u>	<u>\$ (1,350,532)</u>	<u>\$ (27,627)</u>	<u>\$ (2,320,645)</u>
Plan net position as a percentage of the total pension liability	110.90%	105.20%	100.11%	110.25%
Covered employee payroll	5,119,628	5,143,013	4,744,999	4,657,747
Net pension liability/(asset) as a percentage of covered payroll	-58.64%	-26.26%	-0.58%	-49.82%

GASB 68 requires presentation of ten years. As of March 31, 2019, only four years of information is available.

CITY OF MONETT, MISSOURI
Required Supplementary Information
Schedule of Employer Contributions
For the Year Ended March 31, 2019

LAGERS (General, Police and Fire)

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2009	\$ 519,830	\$ 519,830	\$ -	\$ 4,645,812	11.19%
2010	486,665	486,665	-	4,632,138	10.51%
2011	610,062	501,367	108,695	4,368,735	11.48%
2012	614,448	564,895	49,553	4,522,859	12.49%
2013	631,138	631,138	-	4,613,235	13.68%
2014	598,756	598,756	-	4,715,149	12.70%
2015	536,975	536,975	-	4,642,142	11.57%
2016	497,201	497,201	-	4,883,881	10.18%
2017	449,797	449,797	-	5,324,672	8.45%
2018	435,342	435,342	-	5,208,720	8.36%

Lagers

Valuation Date February 28, 2018

Notes: The roll-forward of total pension liability from February 28, 2018 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and assumptions used to determine contributions rates:

Actuarial cost method	Entry Age Normal and Modified Terminal Funding
Amortization method	Level percentage of payroll, closed period of years
Remaining amortization period	Multiple bases from 15 to 25 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation assumption	3.25% wage inflation; 2.5% price inflation
Salary increases	3.25% to 6.55% including wage inflation (General and Police) 3.25% to 7.15% including wage inflation (Fire)
Investment rate of return	7.25%, net of investment and administrative expenses
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for male and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for male and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period based year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other information: None

CITY OF MONETT, MISSOURI
Combining Balance Sheet - Nonmajor Governmental Funds
March 31, 2019

	Tax Increment Financing #1 Fund	Tax Increment Financing #2 Fund	Capital Improvement Fund	Airport Improvement Fund	Total
Assets					
Cash and investments	\$ -	\$ -	\$ 41,083	\$ 339,902	\$ 380,985
Receivables:					
Taxes	-	23,088	-	-	23,088
Due from other governments	1,208	20,202	-	-	21,410
Restricted cash and investments	88	376,794	-	-	376,882
Total Assets	<u>\$ 1,296</u>	<u>\$ 420,084</u>	<u>\$ 41,083</u>	<u>\$ 339,902</u>	<u>\$ 802,365</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Restricted:					
Capital projects	-	-	41,083	339,902	380,985
Debt service	1,296	420,084	-	-	421,380
Total fund balance	<u>1,296</u>	<u>420,084</u>	<u>41,083</u>	<u>339,902</u>	<u>802,365</u>
Total liabilities and fund balances	<u>\$ 1,296</u>	<u>\$ 420,084</u>	<u>\$ 41,083</u>	<u>\$ 339,902</u>	<u>\$ 802,365</u>

CITY OF MONETT, MISSOURI
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended March 31, 2019

	Tax Increment Financing #1 Fund	Tax Increment Financing #2 Fund	Capital Improvement Fund	Airport Improvement Fund	Total
Revenues:					
Taxes	\$ 4,891	\$ 140,951	\$ -	\$ -	\$ 145,842
Intergovernmental activity taxes	8,595	244,111	-	-	252,706
Investment earnings	3	7,386	-	-	7,389
Total Revenues	13,489	392,448	-	-	405,937
Expenditures:					
Current:					
Public works	-	5,325	-	-	5,325
Debt service:					
Principal	17,998	390,000	-	-	407,998
Interest and fiscal charges	-	55,185	-	-	55,185
Total Expenditures	17,998	450,510	-	-	468,508
Excess of Revenues Over (Under) Expenditures	(4,509)	(58,062)	-	-	(62,571)
Other financing (uses):					
Transfers in	-	-	-	105,644	105,644
Transfers out	-	-	(59,351)	-	(59,351)
Total Other Financing (Uses)	-	-	(59,351)	105,644	46,293
Net change in fund balances	(4,509)	(58,062)	(59,351)	105,644	(16,278)
Fund balances, beginning of year	5,805	478,146	100,434	234,258	818,643
Fund balances, end of year	\$ 1,296	\$ 420,084	\$ 41,083	\$ 339,902	\$ 802,365

CITY OF MONETT, MISSOURI

**Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Tax Increment Financing #1
For the Year Ended March 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 12,000	\$ 12,000	\$ 4,891	\$ (7,109)
Intergovernmental activity taxes	13,000	12,500	8,595	(3,905)
Investment earnings	-	-	3	3
Total Revenues	<u>25,000</u>	<u>24,500</u>	<u>13,489</u>	<u>(11,011)</u>
Expenditures:				
Debt service:				
Principal	<u>25,000</u>	<u>25,000</u>	<u>17,998</u>	<u>7,002</u>
Total Expenditures	<u>25,000</u>	<u>25,000</u>	<u>17,998</u>	<u>7,002</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (500)</u>	<u>(4,509)</u>	<u>\$ (4,009)</u>
Fund balances, beginning of year			<u>5,805</u>	
Fund balances, end of year			<u>\$ 1,296</u>	

Note: GAAP is the budgetary basis used to prepare this schedule

Schedule 9

CITY OF MONETT, MISSOURI

**Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Tax Increment Financing #2
For the Year Ended March 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 160,000	\$ 160,000	\$ 140,951	\$ (19,049)
Intergovernmental activity taxes	251,000	251,000	244,111	(6,889)
Investment earnings	2,500	2,500	7,386	4,886
Total Revenues	<u>413,500</u>	<u>413,500</u>	<u>392,448</u>	<u>(21,052)</u>
Expenditures:				
Current:				
Public works	8,000	8,000	5,325	2,675
Debt service:				
Principal	165,000	390,000	390,000	-
Interest and fiscal charges	<u>65,685</u>	<u>65,685</u>	<u>55,185</u>	<u>10,500</u>
Total Expenditures	<u>238,685</u>	<u>463,685</u>	<u>450,510</u>	<u>13,175</u>
Net change in fund balances	<u>\$ 174,815</u>	<u>\$ (50,185)</u>	<u>(58,062)</u>	<u>\$ (7,877)</u>
Fund balances, beginning of year			<u>478,146</u>	
Fund balances, end of year			<u>\$ 420,084</u>	

Note: GAAP is the budgetary basis used to prepare this schedule

Schedule 10

CITY OF MONETT, MISSOURI
Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Capital Improvements Sales Tax Fund
For the Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures:				
Current:				
Public works	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other financing sources (uses):				
Transfers out	(53,500)	(60,000)	(59,351)	649
Total Other Financing Sources (Uses)	(53,500)	(60,000)	(59,351)	649
Net change in fund balances	<u>\$ (53,500)</u>	<u>\$ (60,000)</u>	(59,351)	<u>\$ 649</u>
Fund balances, beginning of year			<u>100,434</u>	
Fund balances, end of year			<u>\$ 41,083</u>	

Note: GAAP is the budgetary basis used to prepare this schedule

CITY OF MONETT, MISSOURI

**Schedule of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
Airport Improvement Fund
For the Year Ended March 31, 2019**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures:				
Current:				
Airport	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	116,000	116,000	105,644	(10,356)
Transfers out	(30,000)	(30,000)	-	30,000
Total Other Financing Sources (Uses)	86,000	86,000	105,644	19,644
Net change in fund balances	\$ 86,000	\$ 86,000	105,644	\$ 19,644
Fund balances, beginning of year			234,258	
Fund balances, end of year			\$ 339,902	

Note: GAAP is the budgetary basis used to prepare this schedule

Schedule 12

CITY OF MONETT, MISSOURI
Combining Statement of Net Position
Nonmajor Enterprise Funds
March 31, 2019

	Sanitation Fund	Fiber Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 502,595	\$ 654,855	\$ 1,157,450
Receivables			
Accounts and other	97,398	21,935	119,333
Prepaid expenses	1,338	-	1,338
Inventory	-	37,750	37,750
Total current assets	<u>601,331</u>	<u>714,540</u>	<u>1,315,871</u>
Capital assets:			
Not being depreciated	12,101	-	12,101
Being depreciated, net of depreciation	486,149	190,439	676,588
Net pension Asset	49,398	-	49,398
Total noncurrent assets	<u>547,648</u>	<u>190,439</u>	<u>738,087</u>
Total assets	<u>1,148,979</u>	<u>904,979</u>	<u>2,053,958</u>
Deferred outflow of resources			
Deferred outflow - pension related activity	<u>19,370</u>	<u>-</u>	<u>19,370</u>
Liabilities			
Current liabilities:			
Accounts payable	14,391	7,868	22,259
Accrued liabilities	2,334	-	2,334
Current portion of long-term debt	3,095	-	3,095
Total current liabilities:	<u>19,820</u>	<u>7,868</u>	<u>27,688</u>
Long-term liabilities:			
Long-term debt	<u>1,843</u>	<u>-</u>	<u>1,843</u>
Total long-term liabilities:	<u>1,843</u>	<u>-</u>	<u>1,843</u>
Total liabilities	<u>21,663</u>	<u>7,868</u>	<u>29,531</u>
Deferred inflow of resources			
Deferred inflow - pension related activity	<u>40,037</u>	<u>-</u>	<u>40,037</u>
Net position			
Net investment in capital assets	498,250	190,439	688,689
Restricted net position for:			
Pension benefits	28,731	-	28,731
Unrestricted	579,668	706,672	1,286,340
Total net position	<u>\$ 1,106,649</u>	<u>\$ 897,111</u>	<u>\$ 2,003,760</u>

CITY OF MONETT, MISSOURI
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Nonmajor Enterprise Funds
For the Year Ended March 31, 2019

	Sanitation Fund	Fiber Fund	Total
Operating revenues:			
Charges for services	\$ 658,806	\$ 262,795	\$ 921,601
Other	2,830	-	2,830
Total operating revenues	<u>661,636</u>	<u>262,795</u>	<u>924,431</u>
Operating expenses:			
Wages and benefits	198,016	-	198,016
Professional and consulting services	102	94,568	94,670
Insurance	4,572	-	4,572
Repairs and maintenance	60,728	6,292	67,020
Utilities	961	1,627	2,588
Supplies	11,887	3,460	15,347
Depreciation	114,195	39,449	153,644
Other operating expenses	52,214	1,673	53,887
Landfill and recycling	194,359	-	194,359
Total operating expenses	<u>637,034</u>	<u>147,069</u>	<u>784,103</u>
Operating income	<u>24,602</u>	<u>115,726</u>	<u>140,328</u>
Income (loss) before transfers and payment in lieu of taxes	<u>24,602</u>	<u>115,726</u>	<u>140,328</u>
Transfers out	-	(50,000)	(50,000)
Payments in lieu of taxes (PILOTS)	<u>-</u>	<u>(26,280)</u>	<u>(26,280)</u>
Change in net position	24,602	39,446	64,048
Total net position, beginning of year	1,082,047	857,665	1,939,712
Total net position, end of year	<u>\$ 1,106,649</u>	<u>\$ 897,111</u>	<u>\$ 2,003,760</u>

Schedule 14

CITY OF MONETT, MISSOURI
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended March 31, 2019

	Sanitation Fund	Fiber Fund	Total
Cash flows from operating activities:			
Receipts from customers and others	\$ 677,533	\$ 263,205	\$ 940,738
Payments to suppliers	(323,712)	(111,057)	(434,769)
Payments to employees	(200,273)	-	(200,273)
Net cash provided by operating activities	<u>153,548</u>	<u>152,148</u>	<u>305,696</u>
Cash Flows from noncapital financing activities:			
Transfers in (out)	-	(50,000)	(50,000)
Pilots in lieu of taxes	-	(26,280)	(26,280)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>(76,280)</u>	<u>(76,280)</u>
Net change in cash and equivalents	153,548	75,868	229,416
Cash and equivalents, beginning of year	<u>349,047</u>	<u>578,987</u>	<u>928,034</u>
Cash and equivalents, end of year	<u><u>\$ 502,595</u></u>	<u><u>\$ 654,855</u></u>	<u><u>\$ 1,157,450</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 24,602	\$ 115,726	\$ 140,328
Adjustments to reconcile operating income to net cash provided by operations:			
Depreciation and amortization	114,195	39,449	153,644
Change in compensated absences	(100)	-	(100)
Changes in net pension asset/liability	(34,548)	-	(34,548)
Changes in deferred outflows of resources	17,917	-	17,917
Changes in deferred inflows of resources	14,874	-	14,874
Changes in:			
Receivables	15,897	410	16,307
Prepaid expenses	1,863	-	1,863
Inventory	-	(3,335)	(3,335)
Accounts payable	(752)	(102)	(854)
Accrued liabilities	(400)	-	(400)
Net cash provided by operating activities	<u><u>\$ 153,548</u></u>	<u><u>\$ 152,148</u></u>	<u><u>\$ 305,696</u></u>

CITY OF MONETT, MISSOURI

**REQUIRED COMMUNICATIONS,
MANAGEMENT LETTER,
AND COMPLIANCE REPORT**

For the Year Ended March 31, 2019

City of Monett, Missouri

Required Communications and Management Letter, and Compliance Report For the Year Ended March 31, 2019

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COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

July 31, 2019

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Other Offices in
Missouri and Kansas

To the Honorable Mayor and
Commissioners
City of Monett, Missouri

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Monett, Missouri (the City) for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 7, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant accounting estimates used by the City's management include determining the estimated historical cost of infrastructure and the related estimated useful lives used in recording depreciation and accumulated depreciation for capital assets; and the estimated obligation relating to pension benefits. We evaluated the key factors and assumptions used in developing the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. In addition, we assisted with certain adjustments necessary in converting from the cash basis of accounting to the modified and accrual basis of accounting used in the City's government-wide and fund financial statements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 31, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to City's management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability (asset) and related ratios and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual fund statements and schedules which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monett, Missouri as of and for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As part of our annual audit, we try to identify opportunities for improving the management of financial resources and for improving the internal controls over financial reporting. We are submitting, for your consideration, our observations and recommendations with regard to these matters.

Management's responses to our comments are included with this report. We did not audit the City's responses and, accordingly, we express no opinion on them.

CURRENT YEAR COMMENTS

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has recently issued the following statements which may impact the City's financial reporting requirements in the future:

- GASB Statement 83 . *Certain Asset Retirement Obligations*, effective for the fiscal year beginning on April 1, 2019.
- GASB Statement 84 . *Fiduciary Activities*, effective for the fiscal year beginning on April 1, 2019.
- GASB Statement No.87, *Leases*, effective for the fiscal year beginning April 1, 2020.
- GASB Statement No.88 *Certain Disclosures Related to Debt*, effective for the fiscal year beginning April 1, 2019.
- GASB Statement No. 89 . *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the fiscal year beginning April 1, 2019.
- GASB Statement No. 90 . *Majority Equity Interests* . an amendment of GASB Statements No. 14 and No. 61, effective for the fiscal year beginning April 1, 2021.
- GASB Statement No. 91 . *Conduit Debt Obligations*, effective for the fiscal year beginning April 1, 2021.

We recommend management review these standards to determine the impact they may have on the City's financial reporting.

Management's Response

City staff will review all recent and upcoming GASB statements and ensure that any required changes are incorporated in future financial reporting.

Prior Comments

In the prior year, we issued certain comments and recommendations in regard to City accounting, internal control and financial reporting issues. The following table summarizes the nature of these comments, the significance of the comments as described in the prior year's reports and our determination of the status of those comments.

<u>Prior Year Comment Description</u>	<u>Significance</u>	<u>Current Period Status</u>
Collection Policies	During our audit it was noted that the City does not currently have a formal written policy in place to monitor delinquent accounts and the timely write off delinquent accounts. We recommended that the City implement a formal policy relating to collection efforts and monitoring delinquent accounts to improve overall collections.	The City implemented the recommendation.
Future Accounting Pronouncements	We recommended that management review upcoming standards to determine what impact they may have on the City's financial reporting.	The City implemented all applicable standards that became effective during fiscal year 2019. See the current comments section for additional upcoming accounting standards.

This report is intended solely for the information and use of the Mayor, Commissioners, and management of the City, and is not intended to be and should not be used by anyone other than these specified parties.

Cochran Head Vick & Co., P.C.

COMPLIANCE REPORT

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**Independent Auditor's 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**

To the Honorable Mayor and
Commissioners
City of Monett, Missouri

We have audited, in accordance with the 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Monett, Missouri (the City), as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 City'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 that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 determination of financial statement amounts. 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*.

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cochran Head Vick & Co., P.C.

Kansas City, Missouri
July 31, 2019