

# **City of Monett, Missouri**

## **Basic Financial Statements With Independent Auditor's Report**

*For the Year Ended*  
March 31, 2017

# CITY OF MONETT, MISSOURI

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**CITY OF MONETT, MISSOURI**  
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**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, 2017, 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, 2017, 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 August 8, 2017, 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.

Kansas City, Missouri  
August 8, 2017



## **Other Matters**

### *Required Supplementary Information*

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Kansas City, Missouri  
August 8, 2017

*Cochran Head V. Jr + Co, PC.*

**Management's Discussion and Analysis**  
**City of Monett, Missouri**  
**March 31, 2017**

The Management's Discussion and Analysis of the City of Monett, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2017. Please read it in conjunction with the City's financial statements, which begin on page 10.

**Financial Highlights**

1. The City's total net position increased by \$1,484,148 during the fiscal year as a result of current year activities. The City's governmental activities increased by \$596,466 and the City's business activities increased by \$887,682 for the year.
2. The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of March 31, 2017, by \$53,198,056 (net position). Of this amount \$14,730,425 was unrestricted and may be used to meet future obligations of the City.
3. Total long-term liabilities of the City decreased by \$356,692.

**Using This Annual Report**

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

***Government-Wide Financial Statements***

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets, 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, 2017**

**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 all activities are reported in the Statement of Net Position and the Statement of Activities.

**Notes to the Basic Financial Statements**

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

**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		Business-type		Total	
	Activities		Activities			
	2017	2016*	2017	2016*	2017	2016*
Current and other assets	\$ 4,808,080	\$ 4,934,847	\$ 14,640,809	\$ 14,521,377	\$ 19,448,889	\$ 19,456,224
Capital assets	23,415,207	24,376,286	32,162,697	32,141,097	55,577,904	56,517,383
Total assets	<u>28,223,287</u>	<u>29,311,133</u>	<u>46,803,506</u>	<u>46,662,474</u>	<u>75,026,793</u>	<u>75,973,607</u>
Deferred outflows - pension	2,205,076	918,893	1,096,062	490,538	3,301,138	1,409,431
Total deferred outflows of resources	<u>2,205,076</u>	<u>918,893</u>	<u>1,096,062</u>	<u>490,538</u>	<u>3,301,138</u>	<u>1,409,431</u>
Long-term debt	3,952,885	4,335,442	18,400,906	18,429,041	22,353,791	22,764,483
Other liabilities	212,306	272,761	2,149,291	2,246,042	2,361,597	2,518,803
Total liabilities	<u>4,165,191</u>	<u>4,608,203</u>	<u>20,550,197</u>	<u>20,675,083</u>	<u>24,715,388</u>	<u>25,283,286</u>
Deferred inflow - pension	276,804	231,921	137,683	153,923	414,487	385,844
Total deferred inflows of resources	<u>276,804</u>	<u>231,921</u>	<u>137,683</u>	<u>153,923</u>	<u>414,487</u>	<u>385,844</u>
Net position:						
Net investment in capital assets	20,015,524	20,119,731	14,035,215	13,966,915	34,050,739	34,086,646
Restricted	1,475,843	704,682	2,941,049	2,571,966	4,416,892	3,276,648
Unrestricted	4,495,001	4,565,489	10,235,424	9,785,125	14,730,425	14,350,614
Total net position	<u>\$ 25,986,368</u>	<u>\$ 25,389,902</u>	<u>\$ 27,211,688</u>	<u>\$ 26,324,006</u>	<u>\$ 53,198,056</u>	<u>\$ 51,713,908</u>

\* As restated

Total net position of the City increased by \$1,484,148 for the year due to current year activity. Total liabilities for the City have decreased by \$567,898. Restricted net position of the City totaled \$4,416,892 as of March 31, 2017. This amount represents funds that are restricted for debt service and capital improvement.



**Management's Discussion and Analysis**  
**City of Monett, Missouri**  
**March 31, 2017**

**Figure 2 – Statement of Changes in Net Position**

	Governmental		Business-type		Total	
	Activities		Activities			
	2017	2016*	2017	2016*	2017	2016*
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,158,914	\$ 980,565	\$ 27,181,514	\$ 25,965,523	\$ 28,340,428	\$ 26,946,088
Operating grants and contributions	44,344	12,027	-	-	44,344	12,027
Capital grants and contributions	39,029	686,849	604,880	589,099	643,909	1,275,948
<b>General revenues:</b>						
Sales taxes	3,885,847	3,314,049	-	-	3,885,847	3,314,049
Motor vehicle and gas taxes	354,926	350,756	-	-	354,926	350,756
Franchise taxes	848,976	404,871	-	-	848,976	404,871
Other taxes	45,941	42,138	-	-	45,941	42,138
Intergovernmental activity taxes	227,757	209,716	-	-	227,757	209,716
Interest	4,528	1,955	21,982	194,295	26,510	196,250
Gain (loss) on disposal of capital assets	17,362	-	10,863	(55,304)	28,225	(55,304)
Other	168,310	111,844	-	-	168,310	111,844
	<u>6,795,934</u>	<u>6,114,770</u>	<u>27,819,239</u>	<u>26,693,613</u>	<u>34,615,173</u>	<u>32,808,383</u>
<b>Expenses:</b>						
General government	694,091	580,827	-	-	694,091	580,827
Public safety	4,447,916	3,856,223	-	-	4,447,916	3,856,223
Public works	2,160,796	2,182,970	-	-	2,160,796	2,182,970
Parks and recreation	1,340,379	1,273,815	-	-	1,340,379	1,273,815
Airport	523,718	477,395	-	-	523,718	477,395
Cemetery	172,920	166,965	-	-	172,920	166,965
Interest on long-term debt	135,892	96,243	-	-	135,892	96,243
Water	-	-	2,616,039	2,458,781	2,616,039	2,458,781
Electric	-	-	17,471,873	16,512,650	17,471,873	16,512,650
Sewer	-	-	2,800,727	2,621,199	2,800,727	2,621,199
Sanitation	-	-	602,833	544,077	602,833	544,077
Fiber	-	-	163,841	142,430	163,841	142,430
Total expenses	<u>9,475,712</u>	<u>8,634,438</u>	<u>23,655,313</u>	<u>22,279,137</u>	<u>33,131,025</u>	<u>30,913,575</u>
Change in net position	(2,679,778)	(2,519,668)	4,163,926	4,414,476	1,484,148	1,894,808
Payment in lieu of taxes (PILOTS)	2,676,244	2,640,712	(2,676,244)	(2,640,712)	-	-
Transfers	600,000	950,000	(600,000)	(950,000)	-	-
Change in net position after PILOTS and transfers	596,466	1,071,044	887,682	823,764	1,484,148	1,894,808
Net position, beginning	25,389,902	24,318,858	26,324,006	25,500,242	51,713,908	49,819,100
Net position, ending	<u>\$ 25,986,368</u>	<u>\$ 25,389,902</u>	<u>\$ 27,211,688</u>	<u>\$ 26,324,006</u>	<u>\$ 53,198,056</u>	<u>\$ 51,713,908</u>

\* As restated

**Governmental Activities**

Governmental activities increased the net position of the City by \$596,466. Tax revenues for the City were \$5,363,447, which represents 57% of the funding of these activities. Program revenues for the functions totaled \$1,242,287 or only 13% 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, 2017**

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

	Total Cost of Services	Net Cost of Services
General government	\$ 694,091	\$ 549,110
Public safety	4,447,916	3,982,098
Public works	2,160,796	2,074,970
Parks and recreation	1,340,379	1,037,472
Airport	523,718	300,763
Cemetery	172,920	153,120
Interest on long-term debt	135,892	135,892
	\$ 9,475,712	\$ 8,233,425

**Business-Type Activities**

Business-type activities increased the City's net position by \$887,682. This is comparable to the prior year increase of \$823,764. Total revenues increased \$1,125,626 over 2016 primarily from increased activity in the Electric and Sewer funds. Expenses increased \$1,376,176 over the prior year due to increase in purchased power and repairs and maintenance expenses.

**Financial Analysis of the City's Funds**

The combined fund balances of the City's governmental funds as of March 31, 2017, were \$4,257,713. Of this amount \$234,293 is non-spendable, \$1,475,843 is restricted, and \$2,547,577 is unassigned.

The City's General Fund increased by \$823,651 from March 31, 2016, primarily due to the additional revenues received from the settlement of the AT&T gross receipts issue.

The Tax Increment Financing #1 Fund and the Tax Increment Financing #2 Fund balances totaled \$5,826, and \$528,037, an increase of \$972 and \$13,642, 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.

The Capital Improvement Sales Tax Fund balance totaled \$218,514, decrease of \$28,113 from 2016. The entire fund balance is restricted for capital improvements.

In 2017, the City established the Transportation Sales Tax Fund to account for proceeds of the transportation sales tax that became effective on April 1, 2016. The ending fund balance which is restricted for transportation related expenditures was \$723,466 at March 31, 2017.

The City's Enterprise Funds net position increased by \$887,682 as the Water, Electric, Sewer, Sanitation, and Fiber Funds all reported increases to net position.

**Management's Discussion and Analysis  
City of Monett, Missouri  
March 31, 2017**

*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 \$5,520,475 plus transfers and payment-in-lieu-of-taxes of \$3,423,900 for a total of \$8,944,375 and expenditures of \$8,941,055. The final amended budget included a decrease in total revenues of \$130,255 while total expenditures were decreased by \$187,600. The General Fund's actual revenues and transfers exceed the final budgeted revenues and transfers by \$331,447 primarily due to tax revenues and lease proceeds. The General Fund's actual expenditures were under the final budget by \$431,539 primarily due to the Bridle/Callan Realignment Project being delayed and re-programmed for the following fiscal year.

*Capital Asset and Debt Administration*

**Capital Assets**

Capital assets of the governmental activities were \$23,415,207 (net of accumulated depreciation) as of March 31, 2017. This represents a \$961,079 decrease from the prior year. Capital assets for business-type activities were \$32,162,697 as of March 31, 2017. This represents an increase of \$21,600 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 wastewater treatment plant expansion, constructed a water line extension at the Monett Regional Airport and purchased new emergency 911 radio equipment.

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, 2017, was \$3,952,885, which is a decrease of \$328,557 from the prior year. This is due to principal payments made in current year.

Total debt of the business-type activities as of March 31, 2017, was \$18,400,906, a decrease of \$28,135 from the prior year. This is primarily due to principal payments made in the current year exceeding the final draws on the Series 2015 Revenue Bonds of \$987,621.

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**

During FY2016-2017, general economic conditions remained good and the City's sales tax revenues continued to post results that were in line with budget projections. Total General Fund revenues were 10% higher than the prior year due to increased sales taxes and franchise fees. These were due to a new voter-approved local sales tax for transportation which supported the City's Long-Range Transportation Improvement Plan and increased franchise fees from the settlement with AT&T relating to disputed gross receipts taxes.

The City's utility operations (Electric, Water, Sewer, Sanitation, Fiber) experienced a 4.7% increase in revenue over the prior year and a 6.1% increase in expenditures. Net revenue from utility operations was \$4,131,081 which represented a 3.5% decrease from the prior year.

**Management's Discussion and Analysis**  
**City of Monett, Missouri**  
**March 31, 2017**

The largest governmental capital projects undertaken during the fiscal year related to transportation and planning for the construction of a new outdoor aquatic facility. The City began work on the Sidewalk Improvement Program with a project on Scott Street that connected the hospital campus with the Monett R-1 School District's middle school and intermediate school campuses. This project was funded by the new transportation sales tax and grant funds from the Healthy Schools/Healthy Communities Initiative. Engineering design was started on two future street projects: the Bridle/Callan Realignment Project and the Bridle/Chapell Connector Road (Enterprise Drive).

In FY2017-2018, the City has awarded the bid and started construction on the Bridle/Callan Realignment Project with completion expected in September, 2017. The first phase of the Bridle/Chapell Connector Road has been awarded with completion of the clearing and grubbing expected in October, 2017. Construction of the new Enterprise Drive is anticipated in the summer of 2018. The Sidewalk Improvement Project for 2017 has been awarded with construction expected to begin in September, 2017. In FY2017-2018, the City has partnered with the Missouri Department of Transportation to make traffic improvements to the highway 60/37 intersection and other improvements on Hwy 60 from Eisenhower east to the 60/37 intersection. These are all projects that were identified in the City's Long-Range Transportation Improvement Plan.

In FY2017-2018, the City is currently in the bid solicitation phase of the outdoor aquatic center project. Monett voters approved a ¼ cent sales tax in April, 2017 that will be in effect for ten years to pay for the design and construction of the new facility that is being built adjacent to the Monett YMCA. The new aquatic center will be managed under contract by the YMCA and will reduce the City's annual operating costs associated with the outdoor pool by \$35,000 per year.

During the current fiscal year, the City's building inspection department issued permits that totaled just under \$40,000 in fees which was higher than anticipated due to major expansions at WinTech, Monett Metals and EFCO. This trend has continued into 2017 with building permit revenue of \$45,000 due to a major expansion at Schreiber Foods and new single-family and multi-family housing construction. This new construction has led to a significant increase in Monett's assessed valuation which will primarily benefit the school system.

During the current fiscal year, the City completed two significant utility projects. The first was a five mile waterline extension to the Monett Regional Airport that connected a well to the City's water distribution system. This resulted in better water quality for the businesses located at the airport and it provided an additional source of water for the City's existing distribution system. The City also completed a major renovation of the wastewater treatment facility which will further improve the effluent quality being discharged to Clear Creek.

The FY 2017-2018 budget focuses primarily on maintaining the current utility system and infrastructure with no major capital improvements scheduled for this year. The City will undertake planning studies of its utility networks to prepare for future capital projects. The City's Electric Department purchases wholesale electricity from Empire District Electric for distribution and re-sale to its customers. This contract expires in 2020 and the City has partnered with three other Empire wholesale customers to study the feasibility of forming an energy purchasing pool that would aggregate loads and seek power suppliers through an RFP process. We anticipate that by fiscal year end March 31, 2018, the City Council will have made a decision to move forward with the establishment of a pool with the intent of having a new supplier(s) of energy by mid-2020. The anticipated result is that a competitive energy market will provide the opportunity for savings in electricity purchases and subsequently, retail electric rates to our customers.

The City will continue its leadership role with the Tri-State Water Coalition with the objective of identifying a long-term source of drinking water for the growing southwest region of Missouri. A reallocation of water from one or more of the area's lakes that are managed by the Corps of Engineers is possible with the next step involving commitments from communities that would eventually take water from these sources. Monett has an adequate supply of drinking water but may participate in this project if the costs and benefits are favorable, especially when considering that the project will provide water for the region based on a 50-year future demand.

**Management's Discussion and Analysis  
City of Monett, Missouri  
March 31, 2017**

Through the first four months of FY2017-2018, the City hasn't experienced any unanticipated expenses that would change our outlook or guidance for the budget ending March 31, 2018.

Contacting the City's Financial Management

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

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

Dennis Pyle, City Administrator  
Janie Knight, City Clerk

**CITY OF MONETT, MISSOURI**  
**Statement of Net Position**  
**March 31, 2017**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
Cash and investments	\$ 2,880,251	\$ 6,931,829	\$ 9,812,080
Receivables:			
Taxes	700,831	-	700,831
Special assessments	-	20,000	20,000
Accounts and other	67,284	3,140,911	3,208,195
Due from other governments	61,316	-	61,316
Prepays, deposits, and other assets	234,293	48,672	282,965
Inventory	-	890,541	890,541
Restricted assets:			
Cash and investments	491,640	3,428,856	3,920,496
Special assessments	-	180,000	180,000
Net pension asset	372,465	-	372,465
Capital assets:			
Not being depreciated	2,382,654	305,504	2,688,158
Being depreciated, net of depreciation	21,032,553	31,857,193	52,889,746
<b>Total assets</b>	<b>28,223,287</b>	<b>46,803,506</b>	<b>75,026,793</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflow - pension related activity	2,205,076	1,096,062	3,301,138
<b>Total deferred outflows of resources</b>	<b>2,205,076</b>	<b>1,096,062</b>	<b>3,301,138</b>
<b>Liabilities</b>			
Accounts payable	82,707	1,133,086	1,215,793
Accrued liabilities	79,053	40,130	119,183
Accrued interest	34,404	143,430	177,834
Payable from restricted assets:			
Customer deposits	10,865	487,807	498,672
Court bonds	5,277	-	5,277
Long term debt:			
Net pension liability	-	344,838	344,838
Due within one year	645,018	1,232,543	1,877,561
Due in more than one year	3,307,867	17,168,363	20,476,230
<b>Total liabilities</b>	<b>4,165,191</b>	<b>20,550,197</b>	<b>24,715,388</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflow - pension related activity	276,804	137,683	414,487
<b>Total deferred inflows of resources</b>	<b>276,804</b>	<b>137,683</b>	<b>414,487</b>
<b>Net Position</b>			
Net investment in capital assets	20,015,524	14,035,215	34,050,739
Restricted :			
Capital projects	941,980	2,398,561	3,340,541
Debt service	533,863	542,488	1,076,351
Unrestricted	4,495,001	10,235,424	14,730,425
<b>Total net position</b>	<b>\$ 25,986,368</b>	<b>\$ 27,211,688</b>	<b>\$ 53,198,056</b>

See accompanying notes to the basic financial statements

**CITY OF MONETT, MISSOURI**  
**Statement of Activities**  
**For the Year Ended March 31, 2017**

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
<b>Government activities</b>							
General government	\$ 694,091	\$ 144,981	\$ -	\$ -	\$ (549,110)	\$ -	\$ (549,110)
Public safety	4,447,916	429,504	36,314	-	(3,982,098)	-	(3,982,098)
Public works	2,160,796	65,697	-	20,129	(2,074,970)	-	(2,074,970)
Parks and recreation	1,340,379	294,877	8,030	-	(1,037,472)	-	(1,037,472)
Airport	523,718	204,055	-	18,900	(300,763)	-	(300,763)
Cemetery	172,920	19,800	-	-	(153,120)	-	(153,120)
Interest on long-term debt	135,892	-	-	-	(135,892)	-	(135,892)
<b>Total governmental activities</b>	<b>9,475,712</b>	<b>1,158,914</b>	<b>44,344</b>	<b>39,029</b>	<b>(8,233,425)</b>	<b>-</b>	<b>(8,233,425)</b>
<b>Business-type activities</b>							
Water	2,616,039	3,139,245	-	63,888	-	587,094	587,094
Electric	17,471,873	20,054,543	-	1,310	-	2,583,980	2,583,980
Sewer	2,800,727	3,102,904	-	539,682	-	841,859	841,859
Sanitation	602,833	618,256	-	-	-	15,423	15,423
Fiber	163,841	266,566	-	-	-	102,725	102,725
<b>Total business-type activities</b>	<b>23,655,313</b>	<b>27,181,514</b>	<b>-</b>	<b>604,880</b>	<b>-</b>	<b>4,131,081</b>	<b>4,131,081</b>
<b>Total primary government</b>	<b>\$ 33,131,025</b>	<b>\$ 28,340,428</b>	<b>\$ 44,344</b>	<b>\$ 643,909</b>	<b>(8,233,425)</b>	<b>4,131,081</b>	<b>(4,102,344)</b>

General revenues:

Taxes:			
Sales taxes		3,885,847	3,885,847
Motor vehicle and gas taxes		354,926	354,926
Franchise taxes		848,976	848,976
Other taxes		45,941	45,941
Intergovernmental activity taxes		227,757	227,757
Payment in lieu of taxes		2,676,244	(2,676,244)
Unrestricted investment earnings		4,528	21,982
Gain on disposal of capital assets		17,362	10,863
Other		168,310	168,310
Transfers		600,000	(600,000)
Total general revenues		8,829,891	(3,243,399)
Change in net position		596,466	887,682
Net position, beginning of year, as restated		25,389,902	26,324,006
Net position, end of year		\$ 25,986,368	\$ 53,198,056

See accompanying notes to the basic financial statements

**CITY OF MONETT, MISSOURI**  
**Balance Sheet - Governmental Funds**  
**March 31, 2017**

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash and investments	\$ 2,085,651	\$ 794,600	\$ 2,880,251
Receivables:			
Taxes	519,776	181,055	700,831
Accounts and other	67,284	-	67,284
Due from other governments	28,818	32,498	61,316
Due from other funds	-	1,445	1,445
Prepays, deposits and other assets	234,293	-	234,293
Restricted cash and investments	25,395	466,245	491,640
Total Assets	<u>\$ 2,961,217</u>	<u>\$ 1,475,843</u>	<u>\$ 4,437,060</u>
<b>Liabilities</b>			
Accounts payable	\$ 82,707	\$ -	\$ 82,707
Accrued liabilities	79,053	-	79,053
Court bonds payable	5,277	-	5,277
Customer deposits	10,865	-	10,865
Due to other funds	1,445	-	1,445
Total Liabilities	<u>179,347</u>	<u>-</u>	<u>179,347</u>
<b>Fund balances:</b>			
Nonspendable:			
Prepaid Items	234,293	-	234,293
Restricted:			
Capital projects	-	941,980	941,980
Debt service	-	533,863	533,863
Unassigned	2,547,577	-	2,547,577
Total fund balance	<u>2,781,870</u>	<u>1,475,843</u>	<u>4,257,713</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,961,217</u>	<u>\$ 1,475,843</u>	<u>\$ 4,437,060</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, 2017**

Fund balances of governmental funds	\$	4,257,713
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the fund statements		372,465
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.		23,415,207
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		1,928,272
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.		(34,404)
<p>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:</p>		
Long-term liabilities		(3,952,885)
Net position of governmental activities	<u>\$</u>	<u>25,986,368</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, 2017**

	General	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Taxes	\$ 3,687,984	\$ 1,092,780	\$ 4,780,764
Intergovernmental activity taxes	-	227,757	227,757
Licenses and permits	46,383	-	46,383
Intergovernmental	464,054	-	464,054
Charges for services	954,957	-	954,957
Rental	72,616	-	72,616
Investment earnings	3,218	1,310	4,528
Miscellaneous	227,505	8	227,513
Total Revenues	<u>5,456,717</u>	<u>1,321,855</u>	<u>6,778,572</u>
<b>Expenditures:</b>			
Current:			
General government	648,571	-	648,571
Public safety	4,334,846	-	4,334,846
Public works	1,370,172	18,717	1,388,889
Parks and recreation	1,194,140	-	1,194,140
Airport	304,113	-	304,113
Cemetery	147,481	-	147,481
Debt service:			
Principal	279,675	274,735	554,410
Interest and fiscal charges	42,918	75,450	118,368
Total Expenditures	<u>8,321,916</u>	<u>368,902</u>	<u>8,690,818</u>
Excess of Revenues Over (Under) Expenditures	(2,865,199)	952,953	(1,912,246)
<b>Other financing sources (uses):</b>			
Transfers in	842,986	-	842,986
Transfers out	-	(242,986)	(242,986)
Sale of capital assets	17,362	-	17,362
Proceeds from capital leases	152,258	-	152,258
Payments in lieu of taxes (PILOTS)	2,676,244	-	2,676,244
Total Other Financing Sources (Uses)	<u>3,688,850</u>	<u>(242,986)</u>	<u>3,445,864</u>
Net change in fund balances	823,651	709,967	1,533,618
Fund balances, beginning of year, as restated	<u>1,958,219</u>	<u>765,876</u>	<u>2,724,095</u>
Fund balances, end of year	<u>\$ 2,781,870</u>	<u>\$ 1,475,843</u>	<u>\$ 4,257,713</u>

See accompanying notes to the basic financial statements

**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, 2017**

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

Net change in fund balances - total governmental funds	\$ 1,533,618
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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	726,741
Depreciation	(1,687,820)

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	554,410
Proceeds from issuance of capital lease	(152,258)
Changes in unamortized bond issuance discount and premium	(2,550)
Changes in accrued interest expense	(14,974)

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>(360,701)</u>
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Change in net position of governmental activities	<u><u>\$ 596,466</u></u>
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See accompanying notes to the basic financial statements

**CITY OF MONETT, MISSOURI**  
**Statement of Net Position**  
**Proprietary Fund**  
**March 31, 2017**

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Assets</b>					
<b>Current assets:</b>					
Cash and investments	\$ 2,267,639	\$ 2,969,560	\$ 855,860	\$ 838,770	\$ 6,931,829
Receivables					
Accounts and other	390,555	2,289,025	345,124	116,207	3,140,911
Special assessments	-	-	20,000	-	20,000
Prepaid expenses	10,084	24,925	10,318	3,345	48,672
Restricted cash and investments	1,067,166	448,931	1,912,759	-	3,428,856
Inventory	197,416	642,084	14,500	36,541	890,541
<b>Total current assets</b>	<b>3,932,860</b>	<b>6,374,525</b>	<b>3,158,561</b>	<b>994,863</b>	<b>14,460,809</b>
<b>Noncurrent assets:</b>					
Receivables					
Special assessments	-	-	180,000	-	180,000
Capital assets:					
Not being depreciated	56,932	58,400	178,071	12,101	305,504
Being depreciated, net of depreciation	18,253,862	1,196,839	11,623,192	783,300	31,857,193
<b>Total noncurrent assets</b>	<b>18,310,794</b>	<b>1,255,239</b>	<b>11,981,263</b>	<b>795,401</b>	<b>32,342,697</b>
<b>Total assets</b>	<b>22,243,654</b>	<b>7,629,764</b>	<b>15,139,824</b>	<b>1,790,264</b>	<b>46,803,506</b>
<b>Deferred Outflow of Resources</b>					
Deferred outflow - pension related activity	323,148	446,142	241,710	85,062	1,096,062
<b>Liabilities</b>					
<b>Current liabilities:</b>					
Accounts payable	5,134	1,101,826	9,052	17,074	1,133,086
Accrued liabilities	9,659	19,804	8,067	2,600	40,130
<b>Current liabilities (payable from restricted assets):</b>					
Customer deposits	38,876	448,931	-	-	487,807
Interest payable	75,170	-	68,260	-	143,430
Current portion of long-term debt	537,308	58,660	632,634	3,941	1,232,543
<b>Total current liabilities:</b>	<b>666,147</b>	<b>1,629,221</b>	<b>718,013</b>	<b>23,615</b>	<b>3,036,996</b>
<b>Long-term liabilities:</b>					
Net pension liability	85,975	137,303	97,274	24,286	344,838
Long-term debt	11,215,734	88,758	5,860,668	3,203	17,168,363
<b>Total long-term liabilities:</b>	<b>11,301,709</b>	<b>226,061</b>	<b>5,957,942</b>	<b>27,489</b>	<b>17,513,201</b>
<b>Total liabilities</b>	<b>11,967,856</b>	<b>1,855,282</b>	<b>6,675,955</b>	<b>51,104</b>	<b>20,550,197</b>
<b>Deferred Inflow of Resources</b>					
Deferred inflow - pension related activity	43,129	56,536	26,933	11,085	137,683
<b>Net position</b>					
Net investment in capital assets	6,605,794	1,255,239	5,378,781	795,401	14,035,215
Restricted net position for:					
Capital projects	660,279	-	1,738,282	-	2,398,561
Debt service	368,011	-	174,477	-	542,488
Unrestricted	2,921,733	4,908,849	1,387,106	1,017,736	10,235,424
<b>Total net position</b>	<b>\$ 10,555,817</b>	<b>\$ 6,164,088</b>	<b>\$ 8,678,646</b>	<b>\$ 1,813,137</b>	<b>\$ 27,211,688</b>

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, 2017**

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Operating revenues:</b>					
Charges for services	\$ 3,119,936	\$ 19,973,303	\$ 3,090,144	\$ 884,822	\$ 27,068,205
Other	19,309	81,240	12,760	-	113,309
Total operating revenues	<u>3,139,245</u>	<u>20,054,543</u>	<u>3,102,904</u>	<u>884,822</u>	<u>27,181,514</u>
<b>Operating expenses:</b>					
Wages and benefits	679,619	986,299	569,212	206,537	2,441,667
Professional and consulting services	129,119	85,354	127,056	90,623	432,152
Insurance	15,448	73,338	20,326	5,285	114,397
Repairs and Maintenance	484,210	325,467	501,154	75,632	1,386,463
Utilities	190,787	11,776	379,044	1,595	583,202
Supplies	129,245	251,255	42,399	35,638	458,537
Depreciation	614,280	174,902	806,078	134,042	1,729,302
Other operating expenses	73,252	139,729	72,090	51,890	336,961
Purchase of power	-	15,423,753	-	-	15,423,753
Landfill and recycling	-	-	-	165,432	165,432
Total operating expenses	<u>2,315,960</u>	<u>17,471,873</u>	<u>2,517,359</u>	<u>766,674</u>	<u>23,071,866</u>
Operating income	<u>823,285</u>	<u>2,582,670</u>	<u>585,545</u>	<u>118,148</u>	<u>4,109,648</u>
<b>Nonoperating revenues (expenses):</b>					
Interest income	2,263	2,198	17,521	-	21,982
Federal and State grants	63,888	1,310	539,682	-	604,880
Gain on asset disposal	2,267	6,329	2,267	-	10,863
Interest expense and fees	(300,079)	-	(283,368)	-	(583,447)
Total nonoperating revenues (expenses)	<u>(231,661)</u>	<u>9,837</u>	<u>276,102</u>	<u>-</u>	<u>54,278</u>
Income before transfers and payment in lieu of taxes	591,624	2,592,507	861,647	118,148	4,163,926
Transfers out	-	(550,000)	-	(50,000)	(600,000)
Payments in lieu of taxes (PILOTS)	<u>(320,844)</u>	<u>(1,998,417)</u>	<u>(330,326)</u>	<u>(26,657)</u>	<u>(2,676,244)</u>
Change in net position	270,780	44,090	531,321	41,491	887,682
Total net position, beginning of year, as restated	<u>10,285,037</u>	<u>6,119,998</u>	<u>8,147,325</u>	<u>1,771,646</u>	<u>26,324,006</u>
Total net position, end of year	<u>\$ 10,555,817</u>	<u>\$ 6,164,088</u>	<u>\$ 8,678,646</u>	<u>\$ 1,813,137</u>	<u>\$ 27,211,688</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, 2017**

	Waterworks Fund	Electric Fund	Sewer Fund	Nonmajor Enterprise Funds	Total
Cash flows from operating activities:					
Receipts from customers and others	\$ 3,149,468	\$ 20,075,638	\$ 3,131,049	\$ 893,505	\$ 27,249,660
Payments to suppliers	(1,029,209)	(16,189,002)	(1,580,667)	(388,169)	(19,187,047)
Payments to employees	(654,862)	(927,803)	(539,101)	(206,180)	(2,327,946)
Net cash provided by (used in) operating activities	<u>1,465,397</u>	<u>2,958,833</u>	<u>1,011,281</u>	<u>299,156</u>	<u>5,734,667</u>
Cash Flows Provided by (used in) Noncapital Financing Activities:					
Transfers in (out)	-	(550,000)	-	(50,000)	(600,000)
Pilots in lieu of taxes	(320,844)	(1,998,417)	(330,326)	(26,657)	(2,676,244)
Intergovernmental revenues	-	1,310	-	-	1,310
Net Cash Flows Provided by (used in) Noncapital Financing Activities	<u>(320,844)</u>	<u>(2,547,107)</u>	<u>(330,326)</u>	<u>(76,657)</u>	<u>(3,274,934)</u>
Cash flows from investing activities:					
Interest received	2,263	2,198	17,521	-	21,982
Net cash flows provided by (used in) investing activities	<u>2,263</u>	<u>2,198</u>	<u>17,521</u>	<u>-</u>	<u>21,982</u>
Cash flows from capital and related financing activities:					
Purchases of capital assets	(515,146)	(32,998)	(1,191,895)	-	(1,740,039)
Intergovernmental revenues	63,888	-	748,291	-	812,179
Interest and fiscal charges	(307,781)	-	(279,805)	-	(587,586)
Proceeds from long-term debt	-	-	987,621	-	987,621
Principal payments on long-term debt	(534,321)	-	(500,000)	-	(1,034,321)
Net cash flows provided by (used in) capital and related financing activities	<u>(1,293,360)</u>	<u>(32,998)</u>	<u>(235,788)</u>	<u>-</u>	<u>(1,562,146)</u>
Net change in cash and equivalents	(146,544)	380,926	462,688	222,499	919,569
Cash and equivalents, beginning of year	3,481,349	3,037,565	2,305,931	616,271	9,441,116
Cash and equivalents, end of year	<u>\$ 3,334,805</u>	<u>\$ 3,418,491</u>	<u>\$ 2,768,619</u>	<u>\$ 838,770</u>	<u>\$ 10,360,685</u>
Total cash and investments reported on the Statement of Net Position	<u>\$ 3,334,805</u>	<u>\$ 3,418,491</u>	<u>\$ 2,768,619</u>	<u>\$ 838,770</u>	<u>\$ 10,360,685</u>
Cash and investments reported on the Statement of Net Position					
Cash and investments	\$ 2,267,639	\$ 2,969,560	\$ 855,860	\$ 838,770	\$ 6,931,829
Restricted cash and investments	1,067,166	448,931	1,912,759	-	3,428,856
Total cash and investments	<u>\$ 3,334,805</u>	<u>\$ 3,418,491</u>	<u>\$ 2,768,619</u>	<u>\$ 838,770</u>	<u>\$ 10,360,685</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income	\$ 823,285	\$ 2,582,670	\$ 585,545	\$ 118,148	\$ 4,109,648
Adjustments to reconcile operating income to net cash provided by operations:					
Depreciation and amortization	614,280	174,902	806,078	134,042	1,729,302
Change in compensated absences	(232)	14,899	9,138	(5,240)	18,565
Changes in net pension asset/liability	215,249	308,278	180,677	57,648	761,852
Changes in deferred outflows of resources	(171,081)	(245,021)	(143,603)	(45,819)	(605,524)
Changes in deferred inflows of resources	(4,588)	(6,572)	(3,851)	(1,229)	(16,240)
Changes in:					
Receivables	10,463	684	8,145	8,683	27,975
Special assessments	-	-	20,000	-	20,000
Prepaid expenses and deposits	41,098	57,309	27,327	30,179	155,913
Inventory	(3,865)	(18,255)	(10,991)	3,737	(29,374)
Accounts payable	(44,381)	82,616	(454,934)	4,010	(412,689)
Accrued liabilities	(14,591)	(13,088)	(12,250)	(5,003)	(44,932)
Customer deposits	(240)	20,411	-	-	20,171
Net cash provided by (used in) operating activities	<u>\$ 1,465,397</u>	<u>\$ 2,958,833</u>	<u>\$ 1,011,281</u>	<u>\$ 299,156</u>	<u>\$ 5,734,667</u>

See accompanying notes to the basic financial statements

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**(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 draws from the general revenues of the City.

City of Monett, Missouri  
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*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 is the City's major governmental fund:

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.

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  
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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, 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.

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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	5 – 40 years
Improvements	5 – 40 years
Machinery and equipment	3 – 40 years
Infrastructure	20 – 40 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  
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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 \$2,676,244 for the year ended March 31, 2017.

**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 the approved City policy only 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.

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.

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***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. Expenditures in Excess of Budget Appropriations***

In violation of the budget ordinance, actual expenditures and transfers out exceeded budgeted appropriations in the Transportation Sales Tax Fund by \$40,093.

***P. 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  
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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	\$	1,300
Demand deposits		8,916,908
Certificates of deposits		1,160,856
Banker's acceptance		1,316,184
Commercial paper		999,780
US treasuries and agency securities		563,849
Corporate bonds		110,905
Restricted cash equivalents held in trust		662,794
	<u>\$</u>	<u>13,732,576</u>

<b>Government-wide Statement of Net Position</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and investments	\$ 2,880,251	\$ 6,931,829	\$ 9,812,080
Restricted cash and investments	491,640	3,428,856	3,920,496
	<u>\$ 3,371,891</u>	<u>\$ 10,360,685</u>	<u>\$ 13,732,576</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, 2017, the City's deposits were insured with Federal depository insurance, with the remaining uninsured balance collateralized by a \$12 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, 2017.

*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.

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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, 2017:

	<u>Level 1</u>	<u>S&amp;P Rating</u>
<b><u>US Treasuries and Agency Securities</u></b>		
US Treasuries	\$ 114,417	AA+
Government National Mortgage Association	318,278	AA+
Federal Home Loan Bank	112,614	AA+
Federal National Mortgage Association	18,540	AA+
Total US Treasuries and Agency Securities	<u>\$ 563,849</u>	
<b><u>Corporate Bonds</u></b>		
Goldman Sachs	<u>\$ 110,905</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, 2016, was \$140,857,341.

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.

Tax revenues for the year consisted of the following:

	<u>Sales Taxes</u>	<u>Franchise Taxes</u>	<u>Other Taxes</u>	<u>Total</u>
Governmental funds:				
General fund	\$ 2,793,067	\$ 848,976	\$ 45,941	\$ 3,687,984
Nonmajor funds	1,092,780	-	-	1,092,780
	<u>\$ 3,885,847</u>	<u>\$ 848,976</u>	<u>\$ 45,941</u>	<u>\$ 4,780,764</u>

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Taxes receivable represent sales tax and franchise taxes. Taxes receivable consisted of the following at March 31, 2017:

	<b>Sales Taxes</b>	<b>Franchise Taxes</b>	<b>Total</b>
Governmental funds:			
General fund	\$ 436,413	\$ 83,363	\$ 519,776
Nonmajor funds	181,055	-	181,055
	<u>\$ 617,468</u>	<u>\$ 83,363</u>	<u>\$ 700,831</u>

**(4) Intergovernmental Revenue/Receivables**

Intergovernmental revenue during the year consisted of the following:

	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total Governmental Funds</b>		<b>Water Fund</b>	<b>Electric Fund</b>	<b>Sewer Fund</b>	<b>Total Enterprise Funds</b>
Grants - Federal, State and Local	\$ 109,128	\$ -	\$ 109,128					
State:								
Motor vehicle fees and taxes	354,926	-	354,926					
Local:								
Intergovernmental activity taxes	-	227,757	227,757					
Total Intergovernmental Revenue	<u>\$ 464,054</u>	<u>\$ 227,757</u>	<u>\$ 691,811</u>					
Grants - Federal, State and Local	<u>\$ 63,888</u>	<u>\$ 1,310</u>	<u>\$ 539,682</u>	<u>\$ 604,880</u>				

Amounts due from other governments at March 31, 2017, were as follows:

	<b>General Fund</b>	<b>Nonmajor Funds</b>	<b>Total</b>
State:			
Motor vehicle fees and taxes	\$ 28,818	\$ -	\$ 28,818
Local:			
Intergovernmental activity taxes	-	32,498	32,498
Total due from other governments	<u>\$ 28,818</u>	<u>\$ 32,498</u>	<u>\$ 61,316</u>



City of Monett, Missouri  
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**(5) Interfund Activity**

Transfers between funds for the year ended March 31, 2017 were as follows:

	<b>Transfers Out:</b>			
	<b>Nonmajor Funds</b>	<b>Electric Fund</b>	<b>Fiber Fund</b>	<b>Total</b>
<b>Transfers In:</b>				
General Fund	\$ 242,986	\$ 550,000	\$ 50,000	\$ 842,986

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 enterprise funds 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.

Interfund receivable and payable balances as of March 31, 2017 were as follows:

	<b>Due to: Nonmajor Funds</b>
Due from:	
Governmental activities:	
General Fund	\$ 1,445

The interfund balances represent sales taxes received that have not yet been transferred to the TIF funds at year end.

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**(6) Capital Assets**

A summary of the changes in capital assets for the year is as follows:

	March 31, 2016	Additions	Retirements	March 31, 2017
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 2,382,654	\$ -	\$ -	\$ 2,382,654
Construction in progress	447,356	136,096	583,452	-
Total capital assets, not being depreciated	<u>2,830,010</u>	<u>136,096</u>	<u>583,452</u>	<u>2,382,654</u>
Capital assets, being depreciated				
Building and improvements	9,267,786	513,065	-	9,780,851
Machinery and equipment	7,287,910	516,217	41,652	7,762,475
Infrastructure	28,412,965	144,815	-	28,557,780
Total capital assets being depreciated	<u>44,968,661</u>	<u>1,174,097</u>	<u>41,652</u>	<u>46,101,106</u>
Less accumulated depreciation for:				
Building and improvements	2,660,788	298,199	-	2,958,987
Machinery and equipment	5,497,593	411,116	41,652	5,867,057
Infrastructure	15,264,004	978,505	-	16,242,509
Total accumulated depreciation	<u>23,422,385</u>	<u>1,687,820</u>	<u>41,652</u>	<u>25,068,553</u>
Total capital assets being depreciated, net	<u>21,546,276</u>			<u>21,032,553</u>
Governmental activities capital assets, net	<u>\$ 24,376,286</u>			<u>\$ 23,415,207</u>
	March 31, 2016	Additions	Retirements	March 31, 2017
<b>Business-type Activities:</b>				
Capital assets, not being depreciated				
Land	\$ 305,504	\$ -	\$ -	\$ 305,504
Construction in progress	1,722,321	1,557,185	3,279,506	-
Total capital assets, not being depreciated	<u>2,027,825</u>	<u>1,557,185</u>	<u>3,279,506</u>	<u>305,504</u>
Capital assets, being depreciated				
Building and improvements	13,984,705	2,463,052	-	16,447,757
Machinery and equipment	3,949,209	77,213	65,771	3,960,651
Infrastructure	42,064,536	932,958	-	42,997,494
Total capital assets being depreciated	<u>59,998,450</u>	<u>3,473,223</u>	<u>65,771</u>	<u>63,405,902</u>
Less accumulated depreciation for:				
Building and improvements	1,756,154	300,843	-	2,056,997
Machinery and equipment	2,072,627	291,045	65,771	2,297,901
Infrastructure	26,056,397	1,137,414	-	27,193,811
Total accumulated depreciation	<u>29,885,178</u>	<u>1,729,302</u>	<u>65,771</u>	<u>31,548,709</u>
Total capital assets being depreciated, net	<u>30,113,272</u>			<u>31,857,193</u>
Business-type activities capital assets, net	<u>\$ 32,141,097</u>			<u>\$ 32,162,697</u>

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

**Governmental Activities:**

General government	\$ 23,329
Public safety	359,030
Public works	882,166
Parks and recreation	200,215
Airport	206,497
Cemetery	16,583
Total depreciation expense for Governmental activities	<u>\$ 1,687,820</u>

**Business-type Activities:**

Waterworks	\$ 614,280
Electric	174,902
Sewer	806,078
Sanitation	94,594
Fiber	39,448
Total depreciation expense for Business-type activities:	<u>\$ 1,729,302</u>

**(7) Long Term Debt**

A summary of the changes in long term debt is as follows:

	<u>Beginning of Year</u>	<u>Adjustments/ Additions</u>	<u>Adjustments/ Retirements</u>	<u>End of Year</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Tax Increment Financing Bonds:					
Series 2014	\$ 2,230,000	\$ -	\$ 255,000	\$ 1,975,000	\$ 160,000
Less: Discount	(32,488)	-	(2,550)	(29,938)	-
Certificate of participation - Series 2012	1,090,792	-	143,354	947,438	147,324
Capital leases	270,198	152,258	136,321	286,135	101,425
Developer agreements	240,783	-	19,735	221,048	20,000
Compensated absences **	482,157	71,045	-	553,202	216,269
Total Governmental activities	<u>4,281,442</u>	<u>223,303</u>	<u>551,860</u>	<u>3,952,885</u>	<u>645,018</u>
<b>Business-Type Activities:</b>					
Neighborhood Improvement Bonds:					
Series 2005	220,000	-	20,000	200,000	20,000
Revenue Bonds:					
Series 2003b	5,305,000	-	480,000	4,825,000	505,000
Series 2013	9,769,321	-	449,321	9,320,000	435,000
Series 2015	409,861	987,621	-	1,397,482	78,000
Certificates of Participation - Series 2010	2,470,000	-	85,000	2,385,000	85,000
Compensated absences	254,859	18,565	-	273,424	109,543
Total Business-type activities	<u>18,429,041</u>	<u>1,006,186</u>	<u>1,034,321</u>	<u>18,400,906</u>	<u>1,232,543</u>
<b>Total primary government</b>	<u>\$ 22,710,483</u>	<u>\$ 1,229,489</u>	<u>\$ 1,586,181</u>	<u>\$ 22,353,791</u>	<u>\$ 1,877,561</u>

\*\* governmental compensated absences are liquidated by the General Fund

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**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%.

\$ 1,975,000

**Certificates of Participation**

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

947,438

\$ 2,922,438

**Capital Lease Obligations**

The City has entered into a capital leasing agreements (3) for 911 and golf equipment. The cumulative amount of assets acquired under the capital leases are \$405,985 with related accumulated depreciation of \$52,412 as of March 31, 2017.

The future minimum lease obligation and the net present value of these minimum lease payments as of March 31, 2017 were as follows:

Governmental Activities:  
Year ending March 31:

2018		\$	108,999
2019			154,046
2020			35,628
Payments			<u>298,673</u>
Less imputed interest			<u>(12,538)</u>
Present value of minimum lease payments		\$	<u><u>286,135</u></u>

**Developer Obligations**

Certain developers applied for reimbursement of the cost of certain infrastructure that 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 cost will expire upon the dissolution of the tax increment financing district in 2019. At March 31, 2017, the total obligations under these agreements was \$221,048. For the current year, payments related to the developer agreements totaled \$19,735.

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**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%. \$ 200,000

**Revenue Bonds**

\$8,950,000 Series 2003 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%. 4,825,000

\$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. 9,320,000

\$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. 1,397,482

**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% 2,385,000

\$ 18,127,482

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**C. Future Debt Service Requirements**

	<b>Governmental Activities</b>					
	<b>Series 2014 Tax Increment Financing Bonds</b>		<b>Series 2012 Certificates of Participation</b>		<b>Governmental Activities Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 160,000	\$ 70,645	\$ 147,324	\$ 25,042	\$ 307,324	\$ 95,687
2019	165,000	65,685	151,403	20,962	316,403	86,647
2020	170,000	60,570	155,595	16,770	325,595	77,340
2021	175,000	55,300	159,903	12,461	334,903	67,761
2022	180,000	49,175	164,331	8,034	344,331	57,209
2023-2027	1,005,000	146,650	168,882	3,483	1,173,882	150,133
2028-2032	120,000	7,700	-	-	120,000	7,700
2033-2037	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 1,975,000</b>	<b>\$ 455,725</b>	<b>\$ 947,438</b>	<b>\$ 86,752</b>	<b>\$ 2,922,438</b>	<b>\$ 542,477</b>
	<b>Business-type Activities</b>					
	<b>Series 2014 General Obligation Bonds, NID</b>		<b>Series 2003 Waterworks and Sewerage Bonds</b>		<b>Series 2013 Waterworks and Sewerage Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 20,000	\$ 9,520	\$ 505,000	\$ 234,789	\$ 435,800	\$ 148,305
2019	20,000	8,550	530,000	208,908	443,900	141,260
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
2023-2027	85,000	6,758	2,035,000	194,345	2,501,100	478,862
2028-2032	-	-	-	-	2,762,500	268,237
2033-2037	-	-	-	-	1,790,400	50,836
<b>Totals</b>	<b>\$ 200,000</b>	<b>\$ 43,445</b>	<b>\$ 4,825,000</b>	<b>\$ 1,096,408</b>	<b>\$ 9,320,000</b>	<b>\$ 1,467,589</b>
	<b>Series 2015 Waterworks and Sewerage Bonds</b>		<b>Series 2010 Certificates of Participation</b>		<b>Business-type Activities Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 78,000	\$ 23,444	\$ 85,000	\$ 148,715	\$ 1,123,800	\$ 564,773
2019	80,000	22,463	85,000	144,763	1,158,900	525,942
2020	82,000	21,456	90,000	140,428	1,205,100	485,152
2021	84,000	20,425	90,000	135,725	1,246,100	442,406
2022	86,000	19,369	95,000	130,681	1,292,100	397,599
2023-2027	460,000	126,125	520,000	565,988	5,601,100	1,372,077
2028-2032	527,482	49,931	620,000	386,275	3,909,982	704,444
2033-2037	-	-	800,000	137,550	2,590,400	188,386
<b>Totals</b>	<b>\$ 1,397,482</b>	<b>\$ 283,213</b>	<b>\$ 2,385,000</b>	<b>\$ 1,790,124</b>	<b>\$ 18,127,482</b>	<b>\$ 4,680,778</b>

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**(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](http://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.

	2016 Valuation
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:

	General	Police	Fire	Total
Inactive employees or beneficiaries currently receiving benefits	50	14	5	69
Inactive employees entitled to but not yet receiving benefits	15	10	2	27
Active employees	78	18	15	111
	143	42	22	207

**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), 7.0% (Police) and 6.8% (Fire) of annual covered payroll.

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

**E. Net Pension Liability**

The City's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

**F. Actuarial Assumptions**

The total pension liability in the February 29, 2016 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 29, 2016 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	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

**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.



City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at beginning of year	\$ 22,631,936	\$ 24,952,371	\$ (2,320,435)
Changes for the year:			
Service Cost	616,931	-	616,931
Interest	1,637,666	-	1,637,666
Change in benefit terms	-	-	-
Difference between expected and actual experience	(136,413)	-	(136,413)
Change in assumptions	828,489	-	828,489
Contributions - employer	-	476,923	(476,923)
Contributions - employee	-	196,430	(196,430)
Net investment income	-	(70,888)	70,888
Benefit payments, including refunds	(705,369)	(705,369)	-
Administrative expense	-	(17,162)	17,162
Other changes (net transfer)	-	68,562	(68,562)
Net changes	2,241,304	(51,504)	2,292,808
Balances at end of year	<u>\$ 24,873,240</u>	<u>\$ 24,900,867</u>	<u>\$ (27,627)</u>

**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.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
Total Pension Liability (TPL)	\$ 28,623,805	\$ 24,873,240	\$ 21,794,303
Plan Fiduciary Net Position	(24,900,867)	(24,900,867)	(24,900,867)
Net Pension Liability/(Asset)	<u>\$ 3,722,938</u>	<u>\$ (27,627)</u>	<u>\$ (3,106,564)</u>

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

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

For the year ended March 31, 2017, the City recognized LAGERS pension expense of \$879,541 (\$639,375 (General), \$135,113 (Police) and \$105,053 (Fire)). The City reported deferred outflows related to LAGERS pension from the following sources:

	General	Police	Fire	Total
<b>Deferred Outflows of Resources:</b>				
Assumption changes	\$ 448,294	\$ 98,978	\$ 128,309	\$ 675,581
Excess investment returns	1,526,720	360,356	401,169	2,288,245
Contributions subsequent to the measurement date*	252,291	44,383	40,638	337,312
Total	<u>\$ 2,227,305</u>	<u>\$ 503,717</u>	<u>\$ 570,116</u>	<u>\$ 3,301,138</u>
<b>Deferred Inflows of Resources:</b>				
Difference in experience	<u>\$ 267,873</u>	<u>\$ 36,101</u>	<u>\$ 110,513</u>	<u>\$ 414,487</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, 2018.

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
2018	\$ 452,787	\$ 116,257	\$ 113,467	\$ 682,511
2019	452,787	116,257	113,467	682,511
2020	452,789	123,583	113,467	689,839
2021	315,432	67,136	67,948	450,516
2022	33,346	-	1,795	35,141
Thereafter	-	-	8,821	8,821
Total	<u>\$ 1,707,141</u>	<u>\$ 423,233</u>	<u>\$ 418,965</u>	<u>\$ 2,549,339</u>

**K. Payable to the Pension Plan**

At March 31, 2017, the City paid all outstanding contributions to the LAGERS pension plan.

City of Monett, Missouri  
Notes to the Basic Financial Statements  
March 31, 2017

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

	General	Police	Fire	Total
<b>Governmental activities:</b>				
Net Pension Liability/(Asset)	\$ 429,657	\$ (192,505)	\$ (609,617)	\$ (372,465)
<b>Business-type activities:</b>				
Net Pension Liability	344,838	-	-	344,838
Total Net Pension Liability/(Asset)	<u>\$ 774,495</u>	<u>\$ (192,505)</u>	<u>\$ (609,617)</u>	<u>\$ (27,627)</u>
<b>Governmental activities:</b>				
Pension related deferred outflows	\$ 1,131,213	\$ 503,717	\$ 570,116	\$ 2,205,046
Pension related deferred inflows	(130,190)	(36,101)	(110,513)	(276,804)
<b>Business-type activities:</b>				
Pension related deferred outflows	1,096,092	-	-	1,096,092
Pension related deferred inflows	(137,683)	-	-	(137,683)
Total	<u>\$ 1,959,432</u>	<u>\$ 467,616</u>	<u>\$ 459,603</u>	<u>\$ 2,886,651</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, 2017

**(11) Adjustments to Prior Period Financial Statements**

For the year ended March 31, 2017, management determined that following adjustments were to be made to the opening net position and fund balances:

Certain revenue recognition adjustments between the governmental funds and government-wide financial statements related to sales taxes and franchise taxes were required to be in conformity with GASB Statement No. 33.

Management determined that certain adjustments were necessary to properly report unbilled utility service revenue earned.

Management determined that certain adjustments were necessary to properly report developer obligations.

	<u>Governmental Funds</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position/fund balance beginning of year as previously reported	\$ 2,406,522	\$ 24,843,694	\$ 25,335,864
Revenue recognition - taxes	317,573	317,573	-
Revenue recognition - utility billings	-	-	988,142
Developer obligations	<u>-</u>	<u>228,635</u>	<u>-</u>
Net position/fund balance beginning of year as restated	<u>\$ 2,724,095</u>	<u>\$ 25,389,902</u>	<u>\$ 26,324,006</u>

**(12) Subsequent Events**

The City evaluated subsequent events through August 8, 2017, 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, 2017**

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, 2017**

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes	\$ 3,160,000	\$ 3,512,500	\$ 3,687,984	\$ 175,484
Licenses and permits	33,500	54,000	46,383	(7,617)
Intergovernmental	1,017,500	443,500	464,054	20,554
Charges for services	1,014,065	1,001,065	954,957	(46,108)
Rental	68,460	68,460	72,616	4,156
Investment earnings	2,000	2,000	3,218	1,218
Miscellaneous	200,050	227,795	227,505	(290)
<b>Total Revenues</b>	<b>5,495,575</b>	<b>5,309,320</b>	<b>5,456,717</b>	<b>147,397</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government</b>				
Administration	604,150	684,150	648,571	35,579
<b>Public safety</b>				
Building official	216,150	248,150	230,011	18,139
Municipal court	84,300	84,300	85,430	(1,130)
Police	1,700,000	1,773,000	1,691,338	81,662
E911	898,000	936,000	990,015	(54,015)
Emergency management	194,400	194,400	180,155	14,245
Fire	1,168,600	1,168,600	1,157,897	10,703
<b>Total public safety</b>	<b>4,261,450</b>	<b>4,404,450</b>	<b>4,334,846</b>	<b>69,604</b>
<b>Public works</b>				
Street	1,537,000	1,610,000	1,370,172	239,828
<b>Parks and recreation</b>				
Pool	65,500	65,500	60,329	5,171
South park	279,250	290,250	260,327	29,923
North park	193,750	178,250	170,602	7,648
Golf	611,800	639,300	623,183	16,117
Casino and community building	79,150	88,550	79,699	8,851
<b>Total parks and recreation</b>	<b>1,229,450</b>	<b>1,261,850</b>	<b>1,194,140</b>	<b>67,710</b>
Airport	826,800	326,800	304,113	22,687
Cemetery	177,700	161,700	147,481	14,219
<b>Debt service:</b>				
Principal	267,500	267,500	279,675	(12,175)
Interest and fiscal charges	37,005	37,005	42,918	(5,913)
<b>Total Expenditures</b>	<b>8,941,055</b>	<b>8,753,455</b>	<b>8,321,916</b>	<b>431,539</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(3,445,480)</b>	<b>(3,444,135)</b>	<b>(2,865,199)</b>	<b>578,936</b>
<b>Other financing sources (uses):</b>				
Transfers in	753,500	803,500	842,986	39,486
Sale of capital assets	24,900	30,900	17,362	(13,538)
Proceeds from capital leases	-	-	152,258	152,258
Payments in lieu of taxes	2,670,400	2,670,400	2,676,244	5,844
<b>Total Other Financing Sources (Uses)</b>	<b>3,448,800</b>	<b>3,504,800</b>	<b>3,688,850</b>	<b>184,050</b>
<b>Net change in fund balances</b>	<b>\$ 3,320</b>	<b>\$ 60,665</b>	<b>823,651</b>	<b>\$ 762,986</b>
Fund balances, beginning of year, as restated			1,958,219	
Fund balances, end of year			<u>\$ 2,781,870</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 and Related Ratios**  
**For the Year Ended March 31, 2017**

	<b>Lagers</b>	
	<b>2017</b>	<b>2016</b>
<b>Total Pension Liability</b>		
Service costs	\$ 616,931	\$ 617,375
Interest on total pension liability	1,637,666	1,564,778
Changes in benefit terms	-	-
Difference between expected and actual experience of the total pension liability	(136,413)	(472,412)
Changes of assumptions	828,489	-
Benefit payments and refunds	(705,369)	(703,043)
Net change in total pension liability	2,241,304	1,006,698
Total pension liability - beginning of year	22,631,936	21,625,238
Total pension liability - end of year (a)	<u>\$ 24,873,240</u>	<u>\$ 22,631,936</u>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 476,923	\$ 524,504
Contributions - employee	196,430	187,654
Net investment income	(70,888)	465,017
Benefit payments and refunds	(705,369)	(703,043)
Administrative expenses	(17,162)	(17,989)
Other (net transfer)	68,562	119,377
Net change in plan fiduciary net position	(51,504)	575,520
Plan fiduciary net position - beginning of year	24,952,371	24,376,851
Plan fiduciary net position - end of year (b)	<u>\$ 24,900,867</u>	<u>\$ 24,952,371</u>
Net pension liability/(asset) (a) - (b)	<u>\$ (27,627)</u>	<u>\$ (2,320,435)</u>
Plan net position as a percentage of the total pension liability	100.11%	110.25%
Covered employee payroll	4,744,999	4,657,747
Net pension liability/(asset) as a percentage of covered payroll	-0.58%	-49.82%

GASB 68 requires presentation of ten years. As of March 31, 2017, only two years of information is available.

**CITY OF MONETT, MISSOURI**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
**For the Year Ended March 31, 2017**

**LAGERS (General, Police and Fire)**

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2008	\$ 523,859	\$ 522,484	\$ 1,375	\$ 4,442,933	11.76%
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%

**Lagers**

**Valuation Date** February 29, 2016

**Notes:** The roll-forward of total pension liability from February 29, 2016 to December 31, 2016 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

**Methods and assumptions used to determine contributions rates:**

<b>Actuarial cost method</b>	Entry Age Normal and Modified Terminal Funding
<b>Amortization method</b>	Level percentage of payroll, closed
<b>Remaining amortization period</b>	Multiple bases from 13 to 25 years
<b>Asset valuation method</b>	5-year smoothed market; 20% corridor
<b>Inflation assumption</b>	3.25% wage inflation; 2.5% price inflation
<b>Salary increases</b>	3.25% to 6.55% including wage inflation (General and Police) 3.25% to 7.15% including wage inflation (Fire)
<b>Investment rate of return</b>	7.25%, net of investment and administrative expenses
<b>Retirement age</b>	Experienced-based table of rates that are specific to the type of eligibility condition
<b>Mortality</b>	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.
<b>Other information:</b>	New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.



**CITY OF MONETT, MISSOURI**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**March 31, 2017**

	Tax Increment Financing #1 Fund	Tax Increment Financing #2 Fund	Capital Improvement Fund	Transportation Sales Tax Fund	Total
<b>Assets</b>					
Cash and investments	\$ -	\$ -	\$ 218,281	\$ 576,319	\$ 794,600
Receivables:					
Taxes	675	33,000	233	147,147	181,055
Due from other governments	3,623	28,875	-	-	32,498
Due from other funds	1,445	-	-	-	1,445
Restricted cash and investments	83	466,162	-	-	466,245
<b>Total Assets</b>	<b>\$ 5,826</b>	<b>\$ 528,037</b>	<b>\$ 218,514</b>	<b>\$ 723,466</b>	<b>\$ 1,475,843</b>
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>					
Restricted:					
Capital projects	-	-	218,514	723,466	941,980
Debt service	5,826	528,037	-	-	533,863
<b>Total fund balance</b>	<b>5,826</b>	<b>528,037</b>	<b>218,514</b>	<b>723,466</b>	<b>1,475,843</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,826</b>	<b>\$ 528,037</b>	<b>\$ 218,514</b>	<b>\$ 723,466</b>	<b>\$ 1,475,843</b>

**CITY OF MONETT, MISSOURI**  
**Combining Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Nonmajor Governmental Funds**  
**For the Year Ended March 31, 2017**

	Tax Increment Financing #1 Fund	Tax Increment Financing #2 Fund	Capital Improvement Fund	Transportation Sales Tax Fund	Total
<b>Revenues:</b>					
Taxes	\$ 8,241	\$ 138,875	\$ 14,605	\$ 931,059	\$ 1,092,780
Intergovernmental activity taxes	12,457	215,300	-	-	227,757
Investment earnings	1	1,309	-	-	1,310
Miscellaneous	8	-	-	-	8
<b>Total Revenues</b>	<b>20,707</b>	<b>355,484</b>	<b>14,605</b>	<b>931,059</b>	<b>1,321,855</b>
<b>Expenditures:</b>					
Current:					
Public works	-	11,392	-	7,325	18,717
Debt service:					
Principal	19,735	255,000	-	-	274,735
Interest and fiscal charges	-	75,450	-	-	75,450
<b>Total Expenditures</b>	<b>19,735</b>	<b>341,842</b>	<b>-</b>	<b>7,325</b>	<b>368,902</b>
Excess of Revenues Over (Under) Expenditures	972	13,642	14,605	923,734	952,953
<b>Other financing (uses):</b>					
Transfers out	-	-	(42,718)	(200,268)	(242,986)
<b>Total Other Financing (Uses)</b>	<b>-</b>	<b>-</b>	<b>(42,718)</b>	<b>(200,268)</b>	<b>(242,986)</b>
Net change in fund balances	972	13,642	(28,113)	723,466	709,967
Fund balances, beginning of year, as restated	4,854	514,395	246,627	-	765,876
Fund balances, end of year	<b>\$ 5,826</b>	<b>\$ 528,037</b>	<b>\$ 218,514</b>	<b>\$ 723,466</b>	<b>\$ 1,475,843</b>

**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, 2017**

	<u>2017</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Taxes	\$ 11,750	\$ 11,750	\$ 8,241	\$ (3,509)
Intergovernmental activity taxes	14,050	1,550	12,457	10,907
Investment earnings	-	-	1	1
Miscellaneous	1,500	1,500	8	(1,492)
Total Revenues	<u>27,300</u>	<u>14,800</u>	<u>20,707</u>	<u>5,907</u>
Expenditures:				
Current:				
Public works	1,500	1,500	-	1,500
Debt service:				
Principal	25,800	25,800	19,735	6,065
Total Expenditures	<u>27,300</u>	<u>27,300</u>	<u>19,735</u>	<u>7,565</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (12,500)</u>	972	<u>\$ 13,472</u>
Fund balances, beginning of year, as restated			<u>4,854</u>	
Fund balances, end of year			<u>\$ 5,826</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**  
**Tax Increment Financing #2**  
**For the Year Ended March 31, 2017**

	<u>2017</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Taxes	\$ 145,000	\$ 145,000	\$ 138,875	\$ (6,125)
Intergovernmental activity taxes	205,500	205,500	215,300	9,800
Investment earnings	1,000	1,000	1,309	309
Total Revenues	<u>351,500</u>	<u>351,500</u>	<u>355,484</u>	<u>3,984</u>
Expenditures:				
Current:				
Public works	4,500	12,500	11,392	1,108
Debt service:				
Principal	155,000	255,000	255,000	-
Interest and fiscal charges	75,450	75,450	75,450	-
Total Expenditures	<u>234,950</u>	<u>342,950</u>	<u>341,842</u>	<u>1,108</u>
Net change in fund balances	<u>\$ 116,550</u>	<u>\$ 8,550</u>	13,642	<u>\$ 5,092</u>
Fund balances, beginning of year, as restated			<u>514,395</u>	
Fund balances, end of year			<u>\$ 528,037</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**  
**Capital Improvements Sales Tax Fund**  
**For the Year Ended March 31, 2017**

	<u>2017</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Taxes	\$ 18,500	\$ 73,500	\$ 14,605	\$ (58,895)
Total Revenues	<u>18,500</u>	<u>73,500</u>	<u>14,605</u>	<u>(58,895)</u>
Expenditures:				
Current:				
Public works	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>18,500</u>	<u>73,500</u>	<u>14,605</u>	<u>(58,895)</u>
Other financing sources (uses):				
Transfers out	(63,500)	(63,500)	(42,718)	20,782
Total Other Financing Sources (Uses)	<u>(63,500)</u>	<u>(63,500)</u>	<u>(42,718)</u>	<u>20,782</u>
Net change in fund balances	<u>\$ (45,000)</u>	<u>\$ 10,000</u>	(28,113)	<u>\$ (38,113)</u>
Fund balances, beginning of year, as restated			<u>246,627</u>	
Fund balances, end of year			<u>\$ 218,514</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**  
**Transportation Sales Tax Fund**  
**For the Year Ended March 31, 2017**

	2017			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 810,000	\$ 783,500	\$ 931,059	\$ 147,559
Total Revenues	<u>810,000</u>	<u>783,500</u>	<u>931,059</u>	<u>147,559</u>
Expenditures:				
Current:				
Public works	75,000	17,500	7,325	10,175
Total Expenditures	<u>75,000</u>	<u>17,500</u>	<u>7,325</u>	<u>10,175</u>
Excess of Revenues Over (Under) Expenditures	<u>735,000</u>	<u>766,000</u>	<u>923,734</u>	<u>157,734</u>
Other financing sources (uses):				
Transfers out	(205,000)	(150,000)	(200,268)	(50,268)
Total Other Financing Sources (Uses)	<u>(205,000)</u>	<u>(150,000)</u>	<u>(200,268)</u>	<u>(50,268)</u>
Net change in fund balances	<u>\$ 530,000</u>	<u>\$ 616,000</u>	723,466	<u>\$ 107,466</u>
Fund balances, beginning of year			-	
Fund balances, end of year			<u>\$ 723,466</u>	

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

**CITY OF MONETT, MISSOURI**  
**Combining Statement of Net Position**  
**Nonmajor Enterprise Funds**  
**March 31, 2017**

	Sanitation Fund	Fiber Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 396,222	\$ 442,548	\$ 838,770
Receivables			
Accounts and other	93,897	22,310	116,207
Prepaid expenses	3,345	-	3,345
Inventory	-	36,541	36,541
Total current assets	<u>493,464</u>	<u>501,399</u>	<u>994,863</u>
Noncurrent assets:			
Capital assets:			
Not being depreciated	12,101	-	12,101
Being depreciated, net of depreciation	513,964	269,336	783,300
Total noncurrent assets	<u>526,065</u>	<u>269,336</u>	<u>795,401</u>
Total assets	<u>1,019,529</u>	<u>770,735</u>	<u>1,790,264</u>
Deferred outflow of resources			
Deferred outflow - pension related activity	<u>85,062</u>	<u>-</u>	<u>85,062</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	17,074	-	17,074
Accrued liabilities	2,600	-	2,600
Current liabilities (payable from restricted assets):			
Current portion of long-term debt	3,941	-	3,941
Total current liabilities:	<u>23,615</u>	<u>-</u>	<u>23,615</u>
Long-term liabilities:			
Net pension liability	24,286	-	24,286
Long-term debt	3,203	-	3,203
Total long-term liabilities:	<u>27,489</u>	<u>-</u>	<u>27,489</u>
Total liabilities	<u>51,104</u>	<u>-</u>	<u>51,104</u>
Deferred inflow of resources			
Deferred inflow - pension related activity	<u>11,085</u>	<u>-</u>	<u>11,085</u>
<b>Net position</b>			
Net investment in capital assets	526,065	269,336	795,401
Unrestricted	516,337	501,399	1,017,736
Total net position	<u>\$ 1,042,402</u>	<u>\$ 770,735</u>	<u>\$ 1,813,137</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, 2017**

	Sanitation Fund	Fiber Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 618,256	\$ 266,566	\$ 884,822
Total operating revenues	<u>618,256</u>	<u>266,566</u>	<u>884,822</u>
<b>Operating expenses:</b>			
Wages and benefits	206,537	-	206,537
Professional and consulting services	-	90,623	90,623
Insurance	5,285	-	5,285
Repairs and maintenance	69,775	5,857	75,632
Utilities	468	1,127	1,595
Supplies	11,315	24,323	35,638
Depreciation	94,594	39,448	134,042
Other operating expenses	49,427	2,463	51,890
Landfill and recycling	165,432	-	165,432
Total operating expenses	<u>602,833</u>	<u>163,841</u>	<u>766,674</u>
Operating income	<u>15,423</u>	<u>102,725</u>	<u>118,148</u>
Transfers out	-	(50,000)	(50,000)
Payments in lieu of taxes (PILOTS)	-	(26,657)	(26,657)
Change in net position	15,423	26,068	41,491
Total net position, beginning of year, as restated	1,026,979	744,667	1,771,646
Total net position, end of year	<u>\$ 1,042,402</u>	<u>\$ 770,735</u>	<u>\$ 1,813,137</u>



**CITY OF MONETT, MISSOURI**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
**For the Year Ended March 31, 2017**

	Sanitation Fund	Fiber Fund	Total
Cash flows from operating activities:			
Receipts from customers and others	\$ 624,769	\$ 268,736	\$ 893,505
Payments to suppliers	(267,513)	(120,656)	(388,169)
Payments to employees	(206,180)	-	(206,180)
Net cash provided by operating activities	<u>151,076</u>	<u>148,080</u>	<u>299,156</u>
Cash Flows from noncapital financing activities:			
Transfers in (out)	-	(50,000)	(50,000)
Pilots in lieu of taxes	-	(26,657)	(26,657)
Net cash (used in) noncapital financing activities	<u>-</u>	<u>(76,657)</u>	<u>(76,657)</u>
Net change in cash and equivalents	151,076	71,423	222,499
Cash and equivalents, beginning of year	245,146	371,125	616,271
Cash and equivalents, end of year	<u>\$ 396,222</u>	<u>\$ 442,548</u>	<u>\$ 838,770</u>
Cash and investments reported on the Statement of Net Position			
Cash and investments	<u>\$ 396,222</u>	<u>\$ 442,548</u>	<u>\$ 838,770</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 15,423	\$ 102,725	\$ 118,148
Adjustments to reconcile operating income to net cash provided by operations:			
Depreciation and amortization	94,594	39,448	134,042
Change in compensated absences	(5,240)	-	(5,240)
Changes in net pension asset/liability	57,648	-	57,648
Changes in deferred outflows of resources	(45,819)	-	(45,819)
Changes in deferred inflows of resources	(1,229)	-	(1,229)
Changes in:			
Receivables	6,513	2,170	8,683
Prepaid expenses and deposits	30,179	-	30,179
Inventory	-	3,737	3,737
Accounts payable	4,010	-	4,010
Accrued liabilities	(5,003)	-	(5,003)
Net cash provided by operating activities	<u>\$ 151,076</u>	<u>\$ 148,080</u>	<u>\$ 299,156</u>

**CITY OF MONETT, MISSOURI**

**SINGLE AUDIT REPORT**

**FOR THE YEAR ENDED MARCH 31, 2017**

**City of Monett, Missouri**  
**Single Audit Report**  
**For the Year Ended March 31, 2017**

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A copy of the City of Monett, Missouri's Basic Financial Statements for the year ended March 31, 2017 accompanies this report. The independent auditor's report and the Basic Financial Statements are hereby incorporated by reference.	
Additional information:	
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**CHV****COCHRAN HEAD VICK & CO., P.C.****& Co***Certified Public Accountants*

**Independent Auditor's Report on Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

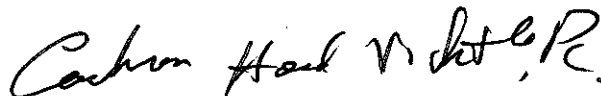
1251 NW Briarcliff Pkwy  
Suite 125  
Kansas City, MO 64116  
(816) 584-9955  
Fax (816) 584-9958

To the Honorable Mayor and  
Commissioners  
City of Monett, Missouri

And other offices in  
Missouri and Kansas

We have audited 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated August 8, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Kansas City, Missouri  
August 8, 2017



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ADDITIONAL INFORMATION

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**City of Monett, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2017**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Grantor's Number	Current Year Expenditures
<b>U.S. Department of Homeland Security</b>			
Missouri Department of Public Safety			
Emergency Management Performance Grant	97.042	2016-EP-00004-072	\$ 17,505
Federal Emergency Management Agency Grant	97.036	FEMA-4250-DR-MO	50,083
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>67,588</u>
<b>U.S. Department of Transportation</b>			
Passed through University of Central Missouri - Missouri Safety Center			
Alcohol Open Container Requirements Grant	20.607	16-154-AL-141	481
National Priority Safety Programs	20.616	16-M2HVE-05-001	316
National Priority Safety Programs	20.616	17-M5HVE-03-022	423
National Priority Safety Programs	20.616	16-M2OP-05-006	233
			<u>972</u>
Passed through Missouri Department of Transportation			
Highway Planning and Construction	20.205	TEAP - 3321(416)	8,000
DWI Enforcement Grant	20.607	17-154-AL-039	597
			<u>8,597</u>
Airport Improvement Grant	20.106	AIR 136-98B	18,900
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>28,950</u>
<b>Environmental Protection Agency</b>			
<b>Department of Natural Resources</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	C295452-02	979,370
<b>TOTAL ENVIRONMENTAL PROTECTION AGENCY</b>			<u>979,370</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,075,908</u>

See accompanying notes to the schedule of expenditures of federal awards.

**City of Monett, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended March 31, 2017**

**Note 1. Organization**

The City of Monett, Missouri, (the City) is the recipient of several federal awards. The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of the City for the year ended March 31, 2017. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the schedule.

**Note 2. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 3. Local Government Contributions**

Local cost sharing, as defined by Title 2 U.S. Code of Federal Regulations Part 200, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

**Note 4. Additional Audits**

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results which may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at March 31, 2017.

**Note 5. Indirect Cost Rate**

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

**Note 6. Outstanding Loans**

The City has outstanding loans under the Capitalized Grant for Clean Water State Revolving Loan Fund CFDA No. 66.468 - Series 2003b \$4,825,000 and Series 2013 \$9,320,000, and CFDA No. 66.458 Series 2015 \$1,397,482 at March 31, 2017.

**City of Monett, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended March 31, 2017**

**Section 1 - Summary of Auditor's Results**

**Financial Statements:**

Type Audit Report Issued on Financial Statements of Auditee  
Unmodified

Internal Control Over Financial Reporting

No significant deficiencies reported. Material weakness reported.

See finding 2017-001.

General Compliance

The audit did not disclose any instances of noncompliance which would be material to the financial statements which would be required to be reported in accordance with *Government Auditing Standards*.

**Federal Awards:**

Internal Control Over Major Programs

No significant deficiencies reported. No material weaknesses identified.

Type Audit Report Issued on Compliance for Major Programs

Unmodified

Audit Findings

The audit disclosed no audit findings that are required to be reported with the Uniform Guidance.

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
66.458	Clean Water State Revolving Fund

Dollar Threshold Used to Distinguish Between Type A and Type B Program

\$750,000

Auditee Qualified as a Low-risk Auditee

Yes.



**City of Monett, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended March 31, 2017**

**Section 2 – Financial Statement Findings**

Financial Statement Findings Required to be Reported in Accordance with Government Auditing Standards

2017-001 Financial Reporting

Condition

Our audit procedures identified material adjustments that were required to properly report certain transactions of the City in accordance with generally accepted accounting principles. These adjustments were not initially identified by the City's internal controls over financial reporting.

Criteria

Management is responsible for establishing and maintaining effective internal control over financial reporting.

Cause

Management did not identify the proper accounting treatment for these transactions.

Effect

Potential exists for material misstatements to the financial statements.

Recommendation

We recommend that management review all transactions to ensure that transactions are properly recorded and reported in accordance with generally accepted accounting principles. In addition, due to the complexities of financial reporting, we recommend that management explore various alternatives for improving the controls over financial reporting including the use of governmental accounting standards, reference guides and continuing education and training courses.

Management's Response/Corrective Action

Management will review and revise year end closing procedures to ensure that transactions are properly recorded and reported in accordance with generally accepted accounting principles.

The City of Monett adopted ordinances that established a Tax Increment Financing district in 1996. As the redevelopment area experienced growth and new construction, there were infrastructure improvements made such as the extension of streets and water/sewer lines that served the new area and were conveyed to the public upon completion. These improvements were initially paid for by private developers who had entered into agreements with the City to get reimbursed for a portion of their costs related to the public streets and utilities.

The City had issued special revenue bonds for the initial infrastructure improvements related to the project. No reimbursements were made to private developers until the outstanding bonded indebtedness was retired. The City retired all public debt associated with Tax Increment Financing District #1 on October 1, 2014.

**City of Monett, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended March 31, 2017**

The amounts owed to the private developers for 50% of the sales taxes generated from their specific developments did not begin until 2015. The amounts shown as being due to developers in prior year audits were based on estimates. In 2014, in anticipation of the retirement of the City's debt for TIF #1, an accounting was undertaken that reviewed all of the costs incurred by the developers and that were approved by the engineer as approved project costs. As a result of this accounting, restated reimbursement agreements were prepared and signed by each of the developers and approved by the City Council. These restated values (which were less than the original estimates) were then listed as liabilities on the City's balance sheet. Subsequent reimbursements made to developers have been in accordance with the agreements approved by City Council. This liability and the developer's right to collect reimbursements will end with the expiration of the Tax Increment Financing District on December 31, 2019.

We agree that the balance owed to developers that was reported in the prior year's audit was overstated and needed to be adjusted to reconcile with the actual agreements on file since October, 2014. However, this did not affect the actual amount that was due and paid to the developers. We understood that this liability would not extend beyond 2019 and believed that it would not materially affect the City's financial statements.

Summary Schedule of Prior Audit Findings

None

**Section 3 – Federal Award Findings and Questioned Costs**

Federal Award Findings Required to be Reported in Accordance with Uniform Guidance

None

Summary Schedule of Prior Audit Findings

None

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COMPLIANCE REPORTS

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COCHRAN HEAD VICK & CO., P.C.

& Co

*Certified Public Accountants*

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Suite 125  
Kansas City, MO 64116  
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Fax (816) 584-9958

**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

And other offices in  
Missouri and Kansas

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, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 8, 2017.

**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 statement, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

## The City's Response to the Findings

The City's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## 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.

Kansas City, Missouri  
August 8, 2017

*Cochran Head Vick + Co. P.C.*



COCHRAN HEAD VICK & CO., P.C.

& Co

*Certified Public Accountants*

**Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

1251 NW Briarcliff Pkwy  
Suite 125  
Kansas City, MO 64116  
(816) 584-9955  
Fax (816) 584-9958

To the Honorable Mayor and  
Commissioners  
City of Monett, Missouri

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

We have audited the City of Monett, Missouri's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended March 31, 2017. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for the compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2017.

And other offices in  
Missouri and Kansas

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Kansas City, Missouri  
August 8, 2017

*Cochran Head Vicki J.C.P.C.*