

INTRODUCTION SECTION

City of Monett

THIRD CLASS CITY – COMMISSION FORM OF GOVERNMENT

James Orr, Mayor · Donald Roberson, Commissioner · Jerry Dierker, Commissioner
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August 5, 2004

Members of the Governing Council, and Citizens of the City of Monett, Missouri:

Introduction

State law requires that all political subdivision in the state shall cause to be prepared an annual report of the financial transactions in such summary form as the state auditor shall prescribe (105.145, RSMO) and the state auditor shall receive a copy of the financial report (15 CRS 40-3.030). Pursuant to these requirement, we hereby issue the annual financial report of the City of Monett, Missouri for the fiscal year ended March 31, 2004.

This report consists of management's representations concerning the finances of the City of Monett, Missouri. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Monett, Missouri has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Monett, Missouri's financial statements in conformity with generally accepted account principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Monett, Missouri's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Monett, Missouri's financial statements have been audited by CPA Group, Inc., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Monett, Missouri for the fiscal year ended March 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering a qualified opinion that the City of Monett, Missouri's financial statements for the fiscal year ended March 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Monett, Missouri was part of a

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broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis internal controls and legal requirements involving the administration of federal awards

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Monett, Missouri's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Monett, Missouri, incorporated in 1888, is a third class city located in the southwestern part of the state. The City of Monett, Missouri currently occupies a land area of 9 square miles and has a population of 7,396. The City of Monett, Missouri empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City of Monett, Missouri operates under a commission form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and two commissioners. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and appointing the heads of the various departments. The various departments are responsible for carrying out the policies and ordinances of the governing council, and for overseeing the day-to-day operations of the government. Council members serve four-year terms that expire in April of 2008.

The City of Monett, Missouri provides a full range of services, which can be found in Note A to the financial statements. The annual budget serves as the foundation for the City of Monett, Missouri's financial planning and control. All departments of the City of Monett, Missouri are required to submit requests for appropriation to the government's director of finance in January each year. The director of finance uses these requests as the starting point for developing a proposed budget. The director of finance then presents a proposed budget to the council for review prior to March 10th. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than March 31, the close of the City of Monett, Missouri's fiscal year. The appropriated budget is prepared by fund (e.g., general fund), and department (e.g., police). Department heads may make transfers of appropriations within a department. Transfers of appropriations between departments, however, require the special approval of the governing council.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of

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Monett, Missouri operates.

Local economy. The City of Monett, Missouri currently enjoys a favorable economic environment and local indicators point to continued stability. The region has a varied manufacturing and industrial base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include several computer software providers, several window manufacturers, playground equipment manufacturer, food manufacturer, cheese processing, dairy processing and poultry processing, and several financial and insurance institutions. Currently, a major, nationally known home improvement retailer is considering the area as a site for a retail facility. Meanwhile, there continues to be a discernable trend toward steady residential growth.

Long-term financial planning. The governing council is continuing progress on a \$10.4 million dollar extension and improvement to the sewer system project. This project is funded by \$8,950,000 revenue bonds and \$1,500,000 grant. The system will be completed sometime in late 2005.

The next transportation-related project is expected to be a railroad overpass project on the western edge of the City of Monett, Missouri's boundaries. Federal highway and railroad funds will be used to pay for the greater part of the cost of the \$1.25 million overpass, with \$300,000 anticipated to be the City of Monett, Missouri's share. The overpass will probably be completed sometime in late 2007.

Cash management policies and practices. Cash temporarily idle during the year was invested in money market accounts, certificates of deposit, and U.S. government backed securities. The maturities of the investments range from 12 months to 4 years, with an average maturity of 36 months. From March 2002 thru June 2004, the average yield on investments was 4.1 percent.

Risk management. During 1998, the government initiated a safety program for workers' compensation. This program strives to emphasize the importance of practicing sound loss prevention techniques, the refinement of work safety policies and procedures and the creation and maintenance of a safe working environment. In addition, various control techniques, including employee accident prevention training, have been implemented to minimize accident-related losses.

Defined benefit pension plan. The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement systems that acts as a common investment and administrative agent for local government entities in Missouri. Additional information on the City's pension benefits can be found in Note F in the notes to the financial statements.

Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the administration department. We would like to express our

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appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Monett, Missouri's finances.

Respectfully submitted,

A handwritten signature in black ink that reads "James Orr". The signature is written in a cursive style with a large, looping initial "J".

James Orr,
Mayor

A handwritten signature in black ink that reads "Dorothy Pendergrass". The signature is written in a cursive style with a large, looping initial "D".

Dorothy Pendergrass,
Director of Finance