

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES**

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The City of Monett, Missouri, was incorporated as a town in 1888 and, as a city on March 3, 1914, under the provisions of the State of Missouri. The City operates under a Mayor-Board of Commission form of government as a Third Class City. The Mayor and the two Commissioners serve four-year terms that expire in April 2008. The City provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. Other services include electric, water and sewer utilities and airport operations.

The City of Monett (City) complies with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for established governmental accounting and financial reporting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

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**THE FINANCIAL REPORTING ENTITY**

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The City, for financial purposes, includes all of the funds and account groups relevant to the operations of the City of Monett, Missouri. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Monett.

In determining the financial reporting entity, the City complies with the provisions of the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity," and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Blended Component Units*

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. These component units' funds are blended into those of the City's by appropriate activity type to compose the primary government presentation.

**CITY OF MONETT, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. Currently, the City has no discretely presented component units.

**Blended Component Units**

Component units that are blended into the reporting activity types of the City's report are presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Reporting</u>
City of Monett Family Center Corporation	Created April 18, 2001, to operate the golf course and related activities. The current board was appointed by the City Council and it provides services which benefit the primary government even though it does not provide services directly to the primary government. This component unit was dissolved March 31, 2004.	General Fund

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**ACCOUNTING POLICIES**

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**Basis of Presentation - Fund Accounting**

The accounts of the City are organized into funds and accounts groups, each of which is considered to be a separate accounting entity. The major fund categories and account groups are:

**Governmental Fund Types**

Governmental funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their operating statements present sources and uses of available resources during a given period.

**Proprietary Fund Types**

Proprietary funds use the economic resources measurement focus. The accounting objectives are determination of net income financial position, and cash flows. All assets and liabilities associated with a proprietary fund's actives are included on its balance sheet. Proprietary fund equity is segregated into contributed capital and retained earnings.

**CITY OF MONETT, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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**BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

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The basis of accounting determines when transactions and economic events are reflected in financial statements, and measurement focus identifies which transactions and events should be recorded.

*Modified Accrual Basis of Accounting*

The City uses the modified accrual basis of accounting for governmental fund. The modified accrual basis of accounting recognizes revenues when both “measurable and available”. Measurable means the amount can be determined. Available means collectable within the current period or soon thereafter to pay current liabilities. The City considers revenues to be available if they are expected to be collected within 30 days of the end of year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. Transfer between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

*Accrual Basis of Accounting*

The accrual basis of accounting is used in proprietary fund types. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

**Budgets and Budgetary Accounting**

All departments of the City of Monett, Missouri are required to submit request for appropriation to the government’s director of finance in January each year. The director of finance uses these request 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 10<sup>th</sup>. 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 budget is prepared on the cash basis of accounting, which is an other comprehensive basis of basis of accounting. The cash basis of accounting recognizes revenues when collected and expenditures which paid. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

The budget for the fiscal year ended March 31, 2004, was amended March 20, 2004. Revisions were made to the budget after initial adoption by the City Council.

**CITY OF MONETT, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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**Cash and Cash Equivalents**

Cash includes amounts in petty cash, demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less.

**Receivables**

All receivables are reported at their gross value and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The city uses the direct write-off method. Bad debts are considered expenses in the period in which they are written off.

**Due to and due from other funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**Inventories**

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

**Restricted Assets**

Funds, because of certain contracts and/or bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service certain contract or bond covenants.

**Fixed Assets, Depreciation, and Amortization**

Property, plant and equipment of all funds and component units are stated at historical cost. Donated fixed assets are stated at their fair value on the date donated. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. Proprietary fund assets are recorded in the respective funds and depreciated using the straight-line method. Estimated useful lives, in years, for depreciable assets are as follows:

Land, buildings, and improvements	5 - 40
Furniture, fixtures, and equipment	3 - 40

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

**Net Assets**

*Unrestricted Net Assets:*

Unrestricted net assets for governmental activities represent the amount available for budgeting future operations. Unrestricted net assets for proprietary activities represent the amount available for budgeting future operations.

*Restricted Net Assets:*

Restricted net assets for governmental activities represent the amounts that have been legally identified for specific purposes. Reserved net assets for proprietary activities represent the net assets that invested in capital assets, net of related debt. Restricted net assets for proprietary activities represents amounts that have been legally identified for debt service, capital projects, nonspendable or other purposed designated by city council..

Reserved Funds:

E-911	\$ 156,179.75	Providing funding for operation of emergency telephone service and the operational cost associated with answering and dispatching of emergency calls. RSMo 190.305 (2).
Police	200.00	Providing funding for law enforcement training. RSMo 590.140.
Police	473.86	Providing funding for the investigation or prosecution of criminal activity, execution of court orders, enforcement of drug-related crimes, training, drug education and the safety of both citizens and law enforcement officers. RSMo 513.651.
TIF	629,319.55	Providing funding for the Tax Increment Financing District project.
	\$ 786,173.16	

**CITY OF MONETT, MISSOURI  
 NOTES TO THE FINANCIAL STATEMENTS  
 MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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Proprietary Fund:

Wastewater Sewer	\$ 9,396,470.09	Providing funding for sewer system bond repayment, replacement and repairs. Sewer construction cash of \$7,093,545.15 and Country Club short term note, cash of \$361,985.58.
Water	809,706.72	Providing funding for sewer system bond repayment, replacement and repairs.
	\$ 10,206,176.81	

**Vacation, sick leave, and other compensated absences**

For vacation leave the City’s policy allows full-time employees or firefighters with 1 - 2 years city employment, 80 to 88 hours or 4 to 5 shifts vacation; 3 - 5 years employment, 96 to 112 hours or 5 to 6 shifts vacation; 6-11 years employment 120 to 160 hours or 7 to 10 shifts vacation. No extra vacation time accrues beyond 160 hours or ten shifts for firefighters. With supervisor approval, employees may carry over to the next calendar year, up to 40 hours vacation or two shifts for firefighters. All additional accrued but unused vacation shall be forfeited. All employees with greater than three years of service will start with 288 hours sick leave minus documented sick leave taken in the past three calendar years. Non-exempt Fire Department personnel will start with 403 hours (16.8 shifts) of sick leave minus documented sick leave in the past three years. Employees with less than three years of service will be credited for accumulated sick leave at the rate of four hours per pay period (5.6 hours for non-exempt Fire Department personnel) since date of hire minus any sick leave taken since that time. Should employment be terminated the employee is paid for accumulated vacation leave and 1/3 of the accumulated sick leave. Vacation time and sick leave are considered as expenditures in year paid.

**Sales Taxes**

The City levies a one half of one percent sales tax dedicated to the purpose of capital improvement funding. Also, the City levies a one percent sales tax for the purpose of general operations.

**Use of Estimates**

The preparation of financial statements in conformance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

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**NOTE A - SUMMARY OF ACCOUNTING POLICIES (continued)**

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**Statement of Cash Flow**

For the purpose of the Statement of Cash Flows, the Enterprise Funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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**NOTE B - CASH AND INVESTMENTS**

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**Deposits**

Missouri Statutes require that the City have all deposits with financial institutions collateralized in an amount at least equal to uninsured deposits. As of March 31, 2004, the City was in compliance with collateralized deposits requires. The City's deposits are categorized to give an indication of the level of risk assumed by the City at year end as follows:

- Category 1 - Insured or collateralized with securities held by the City or its agent in the City's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uncollateralized.

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Cash & Cash Equivalents	\$ 9,522,030.26	\$ 2,399,004.39	\$ 7,123,025.87	\$ -	\$ 9,374,416.88

**Investments**

Investing is performed in accordance with investment policies complying with State Statutes. Pooled funds may be invested in bonds of the State of Missouri or any wholly owned corporation of the United States or in other short-term obligations of the United States.

The City's investments are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The categories are described as follows:

- Category 1 - Insured, registered, or securities held by the City or its agent in the City's name.
- Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 - Uninsured and unregistered, with securities held by the counterparty, or its trust department or agent but not in the City's name.

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**NOTE B - CASH AND INVESTMENTS (continued)**

Description	Bank Balance	Category			Carrying Amount
		1	2	3	
Investments	<u>\$ 2,702,523.77</u>	<u>\$ 2,702,523.77</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,702,523.77</u>

**NOTE C - PROPERTY FUND FIXED ASSETS**

Activities for general fixed assets capitalized by the City is summarized below:

	Balance April 1,	Additions	Deletions	Balance March 31,
Land, Buildings, & Improvements	\$ 3,690,790.94	\$ 107,294.18	\$	\$ 3,798,085.12
Infrastructure	9,509,272.76	863,100.94		10,372,373.70
Furniture, Fixtures & Equipment	4,342,742.52	185,143.24		4,527,885.76
Assets Under Capital Lease				
Construction in Progress	<u>384,573.81</u>	<u>67,169.79</u>	<u>384,573.81</u>	<u>67,169.79</u>
	<u>17,927,380.03</u>	<u>\$ 1,222,708.15</u>	<u>\$ 384,573.81</u>	<u>18,765,514.37</u>
Accumulated Depreciation	<u>(9,019,024.57)</u>	<u>(777,548.33)</u>		<u>(9,796,572.90)</u>
	<u>\$ 8,908,355.46</u>			<u>\$ 8,968,941.47</u>

A summary of property, plant and equipment of proprietary funds is presented below:

	Electric	Mechanic	Sewer	Waterworks	Fiber
Land, Buildings, & Improvements	\$ 809,526.89	\$ 86,500.00	\$ 101,548.50	\$ 965,877.50	\$
Infrastructure	4,851,290.33		13,948,334.89	4,497,252.65	
Furniture, Fixtures & Equipment	493,497.73	20,294.00	206,651.41	244,600.58	
Construction in Progress	<u>56,114.84</u>		<u>3,050,605.45</u>	<u>56,114.84</u>	<u>449,519.23</u>
	<u>6,210,429.79</u>	<u>106,794.00</u>	<u>17,307,140.25</u>	<u>5,763,845.57</u>	<u>449,519.23</u>
Accumulated Depreciation	<u>(4,211,813.31)</u>	<u>(15,998.80)</u>	<u>(7,194,341.05)</u>	<u>(2,410,688.79)</u>	
	<u>\$ 1,998,616.48</u>	<u>\$ 90,795.20</u>	<u>\$10,112,799.20</u>	<u>\$ 3,353,156.78</u>	<u>\$ 449,519.23</u>

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**NOTE D - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended March 31, 2004:

Amount of Original Issue (bonds only)	Range of Maturity Dates	Interest Rate %	Balance April 1,	Issued	Retired	Balance March 31,
<u>General Long-Term Debt:</u>						
Construction Obligation Payable:						
- Country Club	2003-2004	4.00%	\$	\$ 500,000.00	\$	\$ 500,000.00
Lease Obligations Payable:						
- Back Hoe	2002-2003	6.50%	975.31		975.31	
- Fire Truck	2002-2004	5.50%	65,387.60		65,387.60	
- Golf Equipment	2002-2006	5.13%	99,752.55		27,413.16	72,339.39
- Airport		4.00 –				
\$ 500,000.00	2003-2012	5.75%	374,680.12		31,074.99	343,605.13
- Golf Course		4.00 –				
\$ 1,100,000.00	2003-2012	5.75%	1,100,000.00		91,450.23	1,008,549.77
TIF Revenue Bonds:						
- TIF \$ 4,000,000.00	2002-2011	5.99%	3,340,000.00		110,000.00	3,230,000.00
Total General Long-Term Debt			<u>\$ 4,980,795.58</u>	<u>\$ 500,000.00</u>	<u>\$ 326,301.29</u>	<u>\$ 5,154,494.29</u>
<u>Enterprise Funds:</u>						
Sewerage Revenue Bonds:						
- Sewer 2003	2003-2005	2.00 – 4.70%	\$	\$ 8,950,000.00	\$	\$ 8,950,000.00
- Series 1992A		5.80 –				
\$ 745,000.00	2002-2014	6.45%	570,000.00		35,000.00	535,000.00
Total Revenue Bonds			\$ 570,000.00	\$ 8,950,000.00	\$ 35,000.00	\$ 9,485,000.00
Less: Current Portion			35,000.00			40,000.00
Total Long-Term Revenue Bonds			<u>\$ 535,000.00</u>			<u>\$ 9,445,000.00</u>

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

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**NOTE D - LONG-TERM DEBT (continued)**

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**Debt Service Requirements to Maturity**

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of March 31, 2004, are as follows:

Fiscal Year Ended March 31	Leases	TIF	Country Club	Series 1992A	Series 2003	Total
2004	\$ 212,390.14	\$ 432,052.50	\$ 507,500.00	\$ 73,527.50	\$ 282,435.09	\$ 1,507,905.23
2005	212,390.14	431,570.00		70,947.50	388,078.76	1,102,986.40
2006	193,787.22	429,770.00		73,206.25	938,078.76	1,634,842.23
2007	180,499.42	426,145.00		75,142.50	942,578.76	1,624,365.68
2008	180,499.42	421,520.00		71,917.50	946,578.76	1,620,495.68
2009-2013	721,997.68	1,577,720.00		363,055.00	4,883,773.80	7,546,546.48
2014-2018					5,847,556.30	5,847,556.30
2019-2023					6,622,918.76	6,622,918.76
2024-2025					2,878,700.00	2,878,700.00
<b>Total Principal and Interest</b>	<b>\$1,701,564.02</b>	<b>\$3,718,777.50</b>	<b>\$ 507,500.00</b>	<b>\$ 727,796.25</b>	<b>\$23,730,678.99</b>	<b>\$ 30,386,316.76</b>
<b>Less Interest</b>	<b>(277,069.73)</b>	<b>(488,777.50)</b>	<b>(7,500.00)</b>	<b>(192,796.25)</b>	<b>(14,780,678.99)</b>	<b>(15,746,822.47)</b>
<b>Liability as of March 31, 2004</b>	<b><u>\$1,424,494.29</u></b>	<b><u>\$3,230,000.00</u></b>	<b><u>\$ 500,000.00</u></b>	<b><u>\$ 535,000.00</u></b>	<b><u>\$ 8,950,000.00</u></b>	<b><u>\$ 14,639,494.29</u></b>

**CITY OF MONETT, MISSOURI  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2004**

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**NOTE D - LONG-TERM DEBT (continued)**

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**LEGAL DEBT MARGIN - GENERAL OBLIGATION BONDS**

Article VI, Section 26 (b), (c), (d) and (e), Constitution of Missouri, limits the outstanding amount of authorized general obligation bonds of a political subdivision to twenty-percent of the assessed valuation of the political subdivision (excluding state-assessed railroad and utilities). The legal debt margin, computed excluding state-assessed railroad and utilities, of the City at March 31, 2004 was:

Assessed Valuation	
Real Estate	\$ 67,349,857.00
Personal Property	<u>31,043,446.00</u>
Total Assessed Valuation	<u>\$ 98,393,303.00</u>

The legal debt margin at March 31, 2004, was computed as follows:

General Obligation	
Debt Limit	\$ 19,678,660.60
General Obligation	
Bonds Payable	
Legal Debt Margin	<u>\$ 19,678,660.60</u>

As of March 31, 2004, the City of Monett had no outstanding general obligation bonds.

**REVENUE BONDS**

Various bond indentures contain significant requirements for annual debt service and flow of funds through the various restricted accounts. Specifically, the bond indentures for the 1992A sewer project, and the Tax Increment Revenue Bonds require the use of operations and maintenance, principal and interest, reserve account, and depreciation and replacement account. The reporting entity is in compliance with all significant requirements of the various bond covenants.

The sewer project bonds are recorded in the proprietary fund since the repayment is to be from the operations for which the debt was issued. The Tax Increment Revenue Bonds are reported in the long-term debt account group since the Tax Increment finance district is a major revenue fund.

**Advance Refunding of Revenue Bonds, Series of 1990:**

During the year 1992, the city of Monett issued sewer system revenue refunding and improvement bonds series 1992A. The net proceeds were used to provide improvements for the sewer system and to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for debt service payments on the series 1990 bonds. As a result, the series 1990 bonds are considered to be defeased and the liability for those bonds has been removed from the sewer fund, a component of the enterprise fund. The annual requirements to amortize the 1990 bonds in defeasance, including interest payments are as follows:

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

**NOTE D - LONG-TERM DEBT (continued)**

Fiscal Year Ended March 31	Total	Total Interest	Interest Rate	Principal Maturing	Bonds Outstanding
2004					\$ 260,000.00
2005	\$ 139,287.50	\$ 14,287.50	6.90%	\$ 125,000.00	135,000.00
2006	139,893.75	4,893.75	6.90%	135,000.00	
Totals	<u>\$ 279,181.25</u>	<u>\$ 19,181.25</u>		<u>\$ 260,000.00</u>	

Total monies held in cash and U. S. Government securities to be used by trust for series 1990 bonds at March 31, 2004 is \$ 260,005.23.

**Operating Leases**

The reporting entity has entered into a number of operating leases which contain cancellation provisions and are subject to annual appropriations.

*Commitments*

As of March 31, 2004, the following funds have service and construction commitments:

	Construction Contracts
General Fund:	
Street	\$ 173,000.00
Enterprise Fund:	
Sewer	<u>9,266,693.12</u>
	<u>\$ 9,439,693.12</u>

As part of the Tax Increment Financing District Construction, the Missouri Highway and Transportation Commission will reimburse the City of Monett \$1,120,692.00 in the year 2010. The reimbursement will be made without interest upon the City's letter of request in the year 2010.

**NOTE E - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts: theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage for property damage and various Missouri Official's bonds. Management believes coverage is sufficient to preclude any significant uninsured losses to the City.

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

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**NOTE F - DEFINED BENEFIT PENSION PLAN**

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**Plan Description**

The City of Monett participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, Section RSMo 70.600-70.755. As such, it is the system's 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 it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

**Funding Status**

The City of Monett's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 12.4% (general), 11.0% (police), 11.4% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

**Annual Pension Cost**

For 2003, the political subdivision's annual pension cost of \$450,102 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2001, and/or February 28, 2002 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) pre- and post-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women.

The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfounded actuarial accrued liability is being amortized as a level of percentage of projected payroll on a closed basis. The amortization period at February 28, 2003 was 15 years.

**CITY OF MONETT, MISSOURI**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2004**

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**NOTE F - DEFINED BENEFIT PENSION PLAN (continued)**

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**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost APC	Percentage of APC Contributed	Net Pension Obligation
6/30/2001	\$ 522,854	100%	\$ 0
6/30/2002	464,976	100%	0
6/30/2003	450,102	100%	0

**Contribution Information**

All Monett City full-time employees participate in LAGERS. The payroll for employees covered by LAGERS for the year ended March 31, 2004, was \$3,829,488.24; the City's total payroll was \$4,134,852.51. All City full-time employees are eligible to participate in LT-8 LAGERS Program. Employees who retire at or after age 60 (55 for police and fire employees) with 5 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 1.50 percent of their final-average salary for each year of credited service. Final-average salary is the employee's monthly average of gross salary paid an employee during the period of sixty months or, if an election has been made in accordance with the plan, thirty-six consecutive months or credited service producing the highest monthly average within the last 120 months of credited service. Benefits fully vest on reaching 5 years of service. Vested employees may retire at or after age 55 (age 50 for police and fire employees) and receive reduced retirement benefits.

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**NOTE G - GRANTS**

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In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

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**NOTE H - CONTINGENCIES**

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**Litigation**

The City is party to various legal proceedings which normally occur in governmental operations. The potential outcome can not be determined, therefore, no provisions have been recorded.