NOTES TO FINANCIAL STATEMENTS

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Reporting Entity

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 expired in April 2012, and to which they were re-elected for another four-years. The City provides a variety of general governmental services to residents including general administrative services, public safety, public works, parks and recreation, and airport operations. Other services include water, electric, sewer, fiber optic, and sanitation operations.

The financial reporting entity consists of the primary government and its component units, which are entities that the government is considered financially accountable for. The determination of financial accountability includes consideration of a number of criteria, including: (l) the appointment of a voting majority of an entity's governing authority and the ability of the primary government to impose its will on the entity, (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the primary government, and (3) the entity's fiscal dependency on the primary government.

Blended Component Unit - The following legally separate entity is a component unit, which is, in substance, a part of the City's general operations. This component unit provides services entirely, or almost entirely, to the primary government or provides services which exclusively, or almost exclusively, benefit the primary government. Data from this unit is combined with data of the primary government for financial reporting purposes.

The East Highway 60 Community Improvement District (CID) - The CID, a political subdivision of the State of Missouri under Section 67.1401 to 67.1571 of the Revised Statutes of Missouri 2000, was created under Ordinance No. 7577 of the City adopted July 14, 2006. The purpose of the District shall be those purposes stated in Section 67.1401 to 67.1571 RSMo. 2000. The CID was established to impose a sales tax of one-half of one percent of all retail sales within the district for a period of four years from the date on which the tax is first imposed for the purpose of providing revenues to support a revenue bond issue in the City of Monett, Missouri to correct the blight conditions within the district.

The board of directors of the district consists of five persons appointed by the Mayor with the advice and consent of the City Council. Financial information for the CID has been included within the governmental activities and governmental funds. Although it is legally separate from the City, the CID is reported as if it were part of the primary government because its sole purpose is to finance the construction of various capital projects within the City. No separately issued financial statements are prepared for the CID.

No other entities met the criteria for inclusion as component units of the City.

(B) Government-wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

Government-wide Financial Statements: The government-wide statements display information about the primary government and its component unit. For the most part, the interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Assets, both the governmental and business-type activities are each consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides valuable information for greater analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for the business-type activities. Direct expenses are those that are specifically associated with a program or a function.

Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meet operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Program revenues are typically restricted to a specific function or activity.

Fund Financial Statements: Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds in their respective categories.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrued accounting. However, debt service expenditures, as well as expenditures relating to compensated absences are recorded only when payment is due. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the governmental funds balance sheet and the statement of revenues, expenditures and changes in fund balance identifying categories that required conversion from the fund statements.

In the governmental funds, sales taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of taxes received within 30 days is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Operating activities of the proprietary funds include all transactions and other events that are not defined as capital and related financing, non-capital financing, or investing activities. More specifically, operating revenues consist of sales and charges for services. Operating expenses of the proprietary funds include personnel services, operating supplies, and services incurred in conducting daily business.

The City reports the following major governmental funds:

General Fund — This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

E-911 — The purpose of this fund accounts for revenues and expenditures relating to 911 emergency dispatching services. Cash and investment for this fund are restricted by state statute.

Tax Increment Finance — The purpose of this fund accounts for revenues and expenditures relating to tax increment financing projects. Cash and investments for this fund are restricted by state statute.

The City reports the following major proprietary funds:

Water System — 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 System — 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 System — 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.

Sanitation System — This fund accounts for the operations, maintenance and improvement activities of the existing sanitation collection system and capital improvements pertaining to the recycling center, sanitation equipment and facilities.

Fiber Optic System — This fund accounts for the operations, maintenance and improvement activities of the existing fiber optics system and capital improvements pertaining to the equipment, and infrastructure.

The City reports the following fund types:

Internal Service Funds — These funds account for the costs of the Hazardous Material, Safety, and Mechanic Funds on a cost-reimbursement basis.

(C) Assets, Liabilities, and Net Assets or Equity

a. Deposits and Investments

City monies are deposited in FDIC-insured banks. Funds in excess of FDIC insurable limits are secured with collateral pledged by the banks. 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, bankers acceptances, and commercial paper. The City purchases investments from SEC-registered broker-dealers and banks. Investments are carried at cost, less purchase premiums which are amortized over the life of the investment. Cost approximates fair market value at year end.

b. Receivables and Payables

Activity between funds that are representative of borrowing/lending arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

c. Inventories and Prepaid Items

Purchases of various operating supplies are regarded as inventories at the time purchased and are recorded as assets at the close of the fiscal year. Supplies purchased are expensed at the time they are put into use.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Health insurance premiums and workman's compensation are accounted for using the consumption method.

d. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the applicable balance sheets and statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

e. Assessment Receivable

In 2004, the City issued Neighborhood Improvement District Bonds for the Brandermill/Country Club Gravity Sewer Project. Certain costs related to this project are reimbursed to the City by way of a sewer assessment. At March 31, 2009, the outstanding balance was $254,616.

f. Capital Assets

Capital assets include land, construction in progress, buildings and 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, excluding land, are defined by the City as assets with a cost of $5,000 or greater and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

Building and improvements, equipment and infrastructure are depreciated using the straight-line method over the following estimated lives:

	Years
Primary government:	
Buildings	5 to 40
Improvements	5 to 40
Machinery and equipment	3 to 40
Infrastructure	20 to 40

g. Compensated Absences

All vested or accumulated vacation, scheduled holiday leave and vested accumulated sick leave is accrued when incurred in the government-wide and proprietary financial statements. Compensated absences for the years ended March 31, 2009 and 2008 are $594,643 and $575,005, respectively.

h. Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and obligations are reported in the Statements of Net Assets as liabilities in the applicable governmental and business-type categories. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Fund Balances

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. Designations of fund balances represent tentative plans for future use of financial resources that are subject to change.

j. Capitalization of Interest

Net interest costs related to acquisition or construction is capitalized as part of the cost of the related asset for the business type and proprietary activities of the City, and component unit. Total interest costs incurred by the City were $1,412,381, of which none was capitalized.

k. Interfund and Related Party Transactions

Transactions between the City's various funds are accounted for as revenues and expenditures or expenses in the funds involved if they are similar to transactions with organizations external to City government. Certain transactions between City Utilities and the City are also treated in this manner. The operations of City Utilities for the year ended March 31, 2009 reflect payments in lieu of taxes (PILOTS) to the City of $2,107,568.

In addition, City Utilities also provides services such as energy for street lighting and other electric, water and sewer services without charge to the City. The cost of providing such services was approximately $687,657 in 2009.

l. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted— This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

m. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United State of America (GAAP) requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

(2) DETAILED NOTES ON ALL FUNDS

(A) Deposits

The City pools idle cash from all funds for the purpose of increasing income through investment activities. The cash and investment pool is available for use by all funds and is comprised of deposits and other investments. At March 31, 2009, the bank balance of the City's deposits was $1,661,032, which was covered by federal depository insurance or by collateral held by the City's agent in the City's name. A difference exists between bank and book balances of ($58,864) due to deposits in transit and other reconciling items.

The City also maintains separate cash accounts restricted for specific purposes. At March 31, 2009, the bank balance of the City's restricted deposits was $3,990,565, which was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

(B) Investments

Statutes authorize the City to invest in investments, which are:

a. Obligations of the United States government, the State of Missouri, this city, or;

b. In bonds, bills, notes, debentures or other obligations guaranteed as to payment of principal and interest by the government of the United States or any agency or instrumentality thereof, the State of Missouri or this city, or;

c. In revenue bonds of the City, or;

d. In certificates of deposit, savings accounts as defined in Chapter 369, Revised Missouri Statutes or in interest bearing time deposits when such funds are held in United States banks, state banks, savings and loan associations operating under Chapter 369, Revised Missouri Statutes, or savings and loan associations authorized by the United States government so long as such deposits, savings accounts, and interest bearing deposits are secured by one or more of the types of securities described in subparagraphs (a), (b), or (c) of this section.

e. Banker's acceptances issued by domestic commercial banks possessing the highest rating issued by a nationally recognized rating agency; or Commercial paper issued by domestic corporations which has received the highest rating issued by a nationally recognized rating agency.

The City also maintains an investment pool that is available for use by all funds and separate investments accounts which are restricted for specific purposes. At March 31, 2009, the City held the following investments, all of which have maturities of more than 24 months:

Investment Type	Fair Value
U.S. Agency:	
GNMA	$ 1,695,587
FNMA	243,933
FHMA	28,893
Certificates of deposit	629,025
Total	$ 2,597,438

The following is a listing of cash and investments held by the City as of March 31, 2009:

Money market funds	$ 90,895
Deposits	2,132,420
Investments	2,597,438
Trustee accounts	3,369,418
Total	$ 8,190,171

For purposes of the financial statements, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Deposits and investments of the City at year end are reflected as follows:

Cash and cash equivalents	$ 268,122
Investments	1,738,498
Restricted cash and cash equivalents	5,468,634
Restricted investments	714,917
Total	$ 8,190,171

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All fixed income securities shall be perfected in the name or for the account of the City.

Interest Rate Risk

Interest rate risk is the risk that the fair value of the City's investments will decrease as a result of increase in interest rates. The City minimizes the risk that the market value of fixed income securities in the portfolio will fall due to changes in the general interest rates by structuring the investment portfolio so that fixed income securities mature to meet cash requirements for ongoing operations.

Credit Risk

Credit risk is the risk that the City will not recover its investments due to the ability of the counterparty to fulfill their obligation. The City minimizes credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business and by diversifying the portfolio so that potential losses on individual fixed income securities will be minimized. As of March 31, 2009, the City's investments were rated by Moody's Investment Service or Standard & Poor's as follows:

Investment Type	Rating
U.S. Agency Securities	AAA

(C) Capital Assets

Capital asset activity for the year ended March 31, 2009, was as follows:

Governmental Activates	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ 939,346	$ -	$ -	$ -	$ 939,346
Construction in Process	-	110,384	-	-	110,384
Total Non-Depreciable Capital Assets	939,346	110,384	-	-	1,049,730
Depreciable Capital Assets					
Buildings and Building Imp.	5,928,580	682,696	(171,810)	-	6,439,466
Machinery and Equipment	5,512,144	716,350	(176,475)	-	6,052,019
Infrastructure	17,374,741	10,060,512	-	-	27,435,253
Total Depreciable Capital Assets	28,815,465	11,459,558	(348,285)	-	39,926,738
Less Accumulated Depreciation					
Buildings and Building Imp.	(1,344,257)	(214,422)	66,732	-	(1,491,947)
Machinery and Equipment	(3,714,955)	(366,084)	217,625	-	(3,863,414)
Infrastructure	(7,320,028)	(579,048)	-	-	(7,899,076)
Total Accumulated Depreciable	(12,379,240)	(1,159,554)	284,357	-	(13,254,437)
Total Capital Assets, Net	16,436,225	10,300,004	(63,928)	-	26,672,301
Total Governmental Activities Capital Assets	$ 17,375,571	$ 10,410,388	$ (63,928)	$ -	$ 27,722,031

Depreciation expense was charged to functions as follows:

Policy Development and Administration	36,049
Public Safety	336,205
Public Works	386,115
Parks and Recreation	249,773
Municipal Airport	151,412
Total depreciation expense governmental activates	$ 1,159,554

Business Type Activites

Water Fund:	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ 56,932	$ -	$ -	$ -	$ 56,932
Construction in Process		-	-	-	-
Total Non-Depreciable Capital Assets	56,932	-	-	-	56,932
Depreciable Capital Assets					
Buildings and Building Imp.	908,946	-	-	-	908,946
Machinery and Equipment	412,557	8,186	-	(18,343)	402,400
Infrastructure	6,685,017	-	-	-	6,685,017
Total Depreciable Capital Assets	8,006,520	8,186	-	(18,343)	7,996,363
Less Accumulated Depreciation					
Buildings and Building Imp.	(509,569)	(26,603)	-	-	(536,172)
Machinery and Equipment	(282,696)	(32,930)	-	16,049	(299,577)
Infrastructure	(2,489,608)	(197,713)	-	-	(2,687,321)
Total Accumulated Depreciable	(3,281,873)	(257,246)	-	16,049	(3,523,070)
Total Depreciable Capital Assets, Net	4,724,647	(249,060)	-	(2,294)	4,473,293
Total Water Fund Business - Type Capital Assets	$ 4,781,579	$ (249,060)	$ -	$ (2,294)	$ 4,530,225

Electric Fund:	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ 58,400	$ -	$ -	$ -	$ 58,400
Construction in Process		-	-	-	-
Total Non-Depreciable Capital Assets	58,400	-	-	-	58,400
Depreciable Capital Assets					
Buildings and Building Imp.	751,127	-	-	-	751,127
Machinery and Equipment	585,499	187,676	-	18,343	791,518
Infrastructure	5,218,869	25,995	-	-	5,244,864
Total Depreciable Capital Assets	6,555,495	213,671	-	18,343	6,787,509
Less Accumulated Depreciation					
Buildings and Building Imp.	(527,667)	(23,481)	-	-	(551,148)
Machinery and Equipment	(410,714)	(38,742)	-	(16,049)	(465,505)
Infrastructure	(3,936,122)	(104,691)	-	-	(4,040,813)
Total Accumulated Depreciable	(4,874,503)	(166,914)	-	(16,049)	(5,057,466)
Total Depreciable Capital Assets, Net	1,680,992	46,757	-	2,294	1,730,043
Total Electric Fund Business - Type Capital Assets	$ 1,739,392	$ 46,757	$ -	$ 2,294	$ 1,788,443

Sewer Fund:	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ 94,828	$ -	$ -	$ -	$ 94,828
Construction in Process	-	-	-	-	-
Total Non-Depreciable Capital Assets	94,828	-	-	-	94,828
Depreciable Capital Assets					
Buildings and Building Imp.	6,721	26,984	-	-	33,705
Machinery and Equipment	312,783	181,815	-	-	494,598
Infrastructure	24,870,595	-	-	-	24,870,595
Total Depreciable Capital Assets	25,190,099	208,799	-	-	25,398,898
Less Accumulated Depreciation					
Buildings and Building Imp.	(1,120)	(224)	-	-	(1,344)
Machinery and Equipment	(260,382)	(23,013)	-	-	(283,395)
Infrastructure	(10,315,928)	(995,814)	-	-	(11,311,742)
Total Accumulated Depreciable	(10,577,430)	(1,019,051)	-	-	(11,596,481)
Total Depreciable Capital Assets, Net	14,612,669	(810,252)	-	-	13,802,417
Total Sewer Fund Business - Type Capital Assets	$ 14,707,497	$ (810,252)	$ -	$ -	$ 13,897,245

Sanitation Fund:	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ -	$ -	$ -	$ -	$ -
Construction in Process	-	-	-	-	-
Total Non-Depreciable Capital Assets	-	-	-	-	-
Depreciable Capital Assets					
Buildings and Building Imp.	84,878	-	-	-	84,878
Machinery and Equipment	1,174,379	-	(162,000)	-	1,012,379
Infrastructure	61,189	-	-	-	61,189
Total Depreciable Capital Assets	1,320,446	-	(162,000)	-	1,158,446
Less Accumulated Depreciation					
Buildings and Building Imp.	(18,991)	(2,830)	-	-	(21,821)
Machinery and Equipment	(794,565)	(78,056)	162,000	-	(710,621)
Infrastructure	(8,629)	(2,039)	-	-	(10,668)
Total Accumulated Depreciable	(822,185)	(82,925)	162,000	-	(743,110)
Total Depreciable Capital Assets, Net	498,261	(82,925)	-	-	415,336
Total Sanitation Fund Business - Type Capital Assets	$ 498,261	$ (82,925)	$ -	$ -	$ 415,336

Fiber Fund:	Balance March 31, 2008	Additions	Deductions	Transfers	Balance March 31, 2009
Non-Depreciable Capital Assets					
Land	$ -	$ -	$ -	$ -	$ -
Construction in Process	-	-	-	-	-
Total Non-Depreciable Capital Assets	-	-	-	-	-
Depreciable Capital Assets					
Buildings and Building Imp.	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-
Infrastructure	631,324	4,599	-	-	635,923
Total Depreciable Capital Assets	631,324	4,599	-	-	635,923
Less Accumulated Depreciation					
Buildings and Building Imp.	-	-	-	-	-
Machinery and Equipment	-	-	-	-	-
Infrastructure	(113,021)	(31,566)	-	-	(144,587)
Total Accumulated Depreciable	(113,021)	(31,566)	-	-	(144,587)
Total Depreciable Capital Assets, Net	518,303	(26,967)	-	-	491,336
Total Fiber Fund Business - Type Capital Assets	$ 518,303	$ (26,967)	$ -	$ -	$ 491,336

Deprecation expense was charged to the functions as follows:

Water	$ 257,246
Electric	166,914
Sewer	1,019,051
Sanitation	82,925
Fiber optics	31,566
Total depreciation expense-business -type activites	$ 1,557,702

(D) Long-Term Obligations

The following is a summary of changes in long-term debt and other obligations for the year ended March 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
General obligation bonds	$ 122,271	$ -	$ 13,317	$ 108,954	$ 13,620
Revenue bonds	14,510,000		855,000	13,655,000	560,000
Total Bonds Payable	14,632,271	-	868,317	13,763,954	573,620
Notes Payable	100,000	-	50,000	50,000	150,000
Capital Lease Obligations	4,400,557	86,024	639,530	3,847,051	639,161
Developers' Agreements	-	556,139	6,984	549,155	-
Total Governmental Activities Long-Term Liabilities	$ 19,132,828	$ 642,163	$ 1,564,831	$ 18,210,160	$ 1,362,781
Business Type Activities					
Sanitary Sewerage System Fund					
Revenue bonds	$ 8,470,000	$ -	$ 345,000	$ 8,125,000	$ 355,000
General obligation bonds	350,000		15,000	335,000	15,000
Water System Fund					
Certificates of participation	515,134	-	66,073	449,061	68,440
Sanitation System Fund					
Capital lease obligations	71,208	-	55,512	15,696	15,696
Total Business Type Activities Long-Term Liabilities	$ 9,406,342	$ -	$ 481,585	$ 8,924,757	$ 454,136
Total Governmental Activities and Business Type Activities Long- Term Liabilities	$ 28,539,170	$ 642,163	$ 2,046,416	$ 27,134,917	$ 1,816,917

The following summarizes changes in the liability for accrued compensated absences:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities	$ 352,640	$ 263,543	$ 235,194	$ 380,989	$ 342,890
Business type activities					
Sanitary Sewerage System Fund	46,157	17,746	22,240	41,663	37,497
Water System Fund	47,210	19,554	28,411	38,353	34,517
Sanitation System Fund	10,204	11,559	10,338	11,425	10,284
Electric Fund	118,793	70,594	67,175	122,212	109,991
Total business-type activities	222,364	119,453	128,164	213,653	192,289
Total Governmental and Business-type activities Accrued compensated absences	$ 575,004	$ 382,996	$ 363,358	$ 594,642	$ 535,179

Debt service requirements on long-term debt at March 31, 2009 are as follows:

The annual Governmental Activities debt service requirements to maturity, including principal and interest, for long-term debt as of March 31, 2009, are as follows:

Fiscal Year Ended March 31	Governmental Activities					
	General Obligation Bonds		Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 13,620	$ 5,506	$ 560,000	$ 575,746	$ 50,000	$ 1,500
2011	14,297	4,829	1,465,000	550,499	-	-
2012	15,007	4,119	3,910,000	428,049	-	-
2013	15,753	3,373	780,000	339,931	-	-
2014	16,536	2,590	820,000	307,276	-	-
2015-2019	33,742	2,674	4,455,000	972,090	-	-
2020-2024	-	-	1,000,000	332,060	-	-
2025-2029	-	-	665,000	76,648	-	-
2030-2034	-	-	-	-	-	-
	$ 108,955	$ 23,091	$ 13,655,000	$ 3,582,299	$ 50,000	$ 1,500

Fiscal Year Ended March 31	Governmental Activities (Cont)		Total	
	Capital Lease Obligations		Governmental Activities	
	Principal	Interest	Principal	Interest
2010	$ 639,161	$ 143,518	$ 1,262,781	$ 726,270
2011	640,168	120,093	2,119,465	675,421
2012	648,088	95,951	4,573,095	528,119
2013	455,807	72,940	1,251,560	416,244
2014	466,576	54,255	1,303,112	364,121
2015-2019	997,250	59,999	5,485,992	1,034,763
2020-2024	-	-	1,000,000	332,060
2025-2029	-	-	665,000	76,648
2030-2034	-	-	-	-
	$ 3,847,050	$ 546,756	$ 17,661,005	$ 4,153,646

Fiscal Year	Business Type Activities					
Ended	General Obligation Bonds - Sewer		Revenue Bonds - Sewer		Capital Lease Obligation - Water	
March 31	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 15,000	$ 15,440	$ 355,000	$ 379,678	$ 68,440	$ 15,345
2011	15,000	14,896	370,000	366,611	70,891	12,894
2012	15,000	14,315	385,000	352,141	73,430	10,355
2013	15,000	13,700	40,000	336,673	76,060	7,725
2014	15,000	13,063	415,000	319,856	78,784	5,001
2015-2019	100,000	52,240	2,410,000	1,288,900	81,458	2,179
2020-2024	130,000	24,610	3,080,000	619,341	-	-
2025-2029	30,000	765	710,000	33,370	-	-
2030-2034	-	-	-	-	-	-
	$ 335,000	$ 149,029	$ 7,765,000	$ 3,696,570	$ 449,063	$ 53,499

Fiscal Year	Business Type Activities (Cont'd)		Total	
Ended	Capital Lease Obligation - Sanitation		Business Type Activities	
March 31	Principal	Interest	Principal	Interest
2010	$ 15,696	$ 2,610	$ 454,136	$ 413,073
2011	-	-	455,891	394,401
2012	-	-	473,430	376,811
2013	-	-	491,060	358,097
2014	-	-	508,784	337,920
2015-2019	-	-	2,591,458	1,343,319
2020-2024	-	-	3,210,000	643,951
2025-2029	-	-	740,000	34,135
2030-2034	-	-	-	-
	$ 15,696	$ 2,610	$ 8,924,759	$ 3,901,707

General Obligation Bonds payable at March 31, 2009 are comprised of the following individual issues:

4.15% General Obligation Bonds, Neighborhood Improvement District Bonds Series 2006, due through September 6, 2015	$	108,954
2.00% to 5.10% General Obligation Bonds, Neighborhood Improvement District Bonds Series 2004 due through September 1, 2024, callable on or after September 1, 2009, at premiums beginning at 102% of the principal amount decreasing to 100% on September 1, 2014. Monies from this bond were utilized for gravity sewer projects in the city.		335,000
Total General Obligation Bonds	$	443,954

Revenue bonds payable at March 31, 2009 are comprised of the following individual issues:

Tax Increment Financing fund:

1.25% to 3.80% Tax Increment Financing Revenue Bonds Series 2004 (Hwy 60 Redevelopment Project TIF #1) interest due semiannually April 1 and October 1 with principal due annually October 1; bonds maturing on October 1, 2010, shall be subject to redemption beginning with bonds maturing in October 1. 2010 are subject to optional redemption on October 1, 2004 at 100% of the principal. Funding was used in combination with funds received from Missouri Department of Transportation to improve safety and usability of the city's infrastructure particularly related to the areas adjoining Highway 60.	$	1,480,000
3.625% to 3.85% Tax Increment Allocation Bonds, Subordinate Series 2007 (Hwy 60 Amended Redevelopment Project TIF #1) interest due semi-annually October 1 and April 1; bonds mature October 1, 2010 through 2014, optional redemption beginning October 1, 2012 at 100% of the principal. Original issuance of $6,100,000 in December of 2008 had a partial defeasance of $590,000 with the issuance of the Series 2008 bonds. Monies generated from these bonds were used in combination with funds received from Missouri Department of Transportation for projects such as added lanes on Highway 60 and also combined with funds from the Burlington Northern Santa Fe Railroad to build an overpass on Eisenhower Street.		5,510,000
4.00% to 4.5% Subordinate Tax Increment Allocation Bonds,		3,000,000

Junior Series 2008 (Hwy 60 Amended Redevelopment Project TIF #1) interest due semi-annually April 1 and October 1 with bonds maturing October 1, 2104 through 2018, optional redemption begins October 1, 2012 at 100% of the principal. Funding from this issuance was to further expand and improve the infrastructure of and adjacent to Highway 60.	
5.00% Tax Increment Allocation Bonds Series 2005A (East Hwy 60 Infrastructure Project TIF #2) interest due semiannually January 1, and July 1, with principal and bonds maturing January 1, 2028 Optional redemption beginning January 1, 2010, at 100% of the principal. These monies were specifically generated to make improvements on and around Chapel Drive.	1,130,000
5.25% Tax Increment Allocation Bonds Series 2005B (RPA #1 Infrastructure Improvements Project TIF #2) interest due semiannually January 1, and July 1, with principal and bonds maturing January 1, 2028 optional redemption beginning January 1, 2010, at 100% of the principal. Specific use of this funding was to redevelop 385 acres in the southeast portion of the city adjacent to Highway 60.	2,535,000
Sewer system fund:	
2.00% to 4.70% Combined Waterworks and Sewerage System Revenue Bonds, (State Revolving Funds Program) Series 2003, due through January 1, 2025, callable on or after December 1, 2012 at 100% principal. Monies generated from this debt issuance were combined with funds from the State Environment Improvement and Energy Resources Authority to construct wastewater treatment and clean water facilities for the city (Drinking Water Loan).	7,815,000
5.20% to 6.55% Sewerage Revenues Refunding Bonds, (State Revolving Funds Program) Series 1992A, due through June 1, 2013. Monies generated from this debt issuance were combined with funds from the State Environment Improvement and Energy Resources Authority to construct wastewater treatment and clean water facilities for the city (Clean Water Loan).	310,000
Total revenue bonds payable	$ 21,780,000

Notes payable at March 31, 2009 consisted of the following obligation:

General fund:

3.00% Promissory Note (to purchase land for the police station on Business highway 60) payable in four annual payments maturing September 6, 2009.	$	50,000
Total notes payable	$	50,000

Certificates of Participation

In 2002, the City accepted the Commerce National Bank, N.A. bid to acquire leasehold certificates of participation, and subsequently entered into a Lease Purchase Agreement for the purpose of airport improvements. Currently the agreement has a present value of lease payments of $120,000, with interest at 3.30%, and is payable in semiannual installments through October 2011.

In 2002, the City accepted the Commerce National Bank, N.A. bid to acquire leasehold certificates of participation, and subsequently entered into a Lease Purchase Agreement for the purpose of golf course improvements. Currently the agreement has a present value of lease payments of $360,040, with interest at 3.30%, and is payable in semiannual installments through October 2011.

In 2004, the City accepted the Commerce National Bank, N.A. bid to acquire leasehold certificates of participation, and subsequently entered into a Lease Purchase Agreement in 2005, for the purpose of constructing a water tower. Currently the agreement has a present value of lease payments of $449,040, with interest at 3.52%, and is payable in semiannual installments through December 2014.

Capital Leases

Governmental Activities:

Wells Fargo Brokerage Services, LLC, Governmental Lease-Purchase Agreement: dated February 25, 2009, the present value of lease payments is $392,532, with interest at 3.85%, and is payable in annual payments through January 15, 2018. Funds generated from this lease were used for the interior security system and communication tower and equipment at the newly constructed Monett Justice Center.

Yamaha Commercial Customer Finance Lease Agreement: In May of 2008, the City entered into a lease of 24 golf carts. The present value of lease payments is $67,335 at year end, with interest at 5.25% and is payable in monthly payments through October 2011.

Citi-capital Finance Lease Agreement: in May 2008, the City entered into a Lease of 2 golf utility carts. The present value of lease payments at March 31, 2009 is $10,477, with interest at 5.25% and is payable monthly through November 2012.

In October 2007, the City entered into a Lease with Option to Purchase Agreement with United Missouri Bank. The present value of lease payments at March 31, 2009 is $15,696, with interest at

4.50%, and is payable in annual installments through September 2009. These funds were used to purchase a street sweeper.

In January 2008, the City entered into a Lease with Option to Purchase Agreement with Wells Fargo Brokerage Services, LLC. The present value of lease payments at March 31, 2009 is $2,540,000, with interest at 4.10%, and is payable in annual installments through July 2010. These funds were used to expand the police station and municipal court facilities by building the new Monett Justice Center.

In October 2008, the City entered into a Lease with Option to Purchases Agreement with De Lage Landen Public Financing LLC. The present value of lease payments at March 31, 2009 is $56,707, with interest at 3.47%, and is payable in annual installments through January 2011. These funds were used to lease purchase three police cars.

Developers' Agreements

Certain developers within the Monett TIF #1 District applied for reimbursement of the cost of infrastructure from the district. The related infrastructure was given to the city and is included in the City's capital assets. The payment of reimbursement is based solely on sales taxes collected and as such there is no definitive payout schedule. Additionally, should the requested reimbursement not be completely paid off before the TIF District expires in 2019, the City's obligation ends. At March 31, 2009, the amount outstanding on this obligation is $549,155.

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, 2009 was:

Assessed Valuation	
Real Estate	$ 87,284,307
Personal Property	43,769,359
Total Assessed Valuation	$131,053,666

The legal debt margin at March 31, 2009, was computed as follows:

General Obligation Debt Limit	$ 26,210,733
General Obligation Bonds Payable	443,954
Legal Debt Margin	$ 25,766,779

As of March 31, 2009, the City of Monett had $443,954 outstanding general obligation bonds.

(E) Construction Commitments City of Monett

A summary of the City's commitments on uncompleted construction contracts:

Fund	Contract Amount
Tax Increment Financing – Hwy 60	$ 99,432
General Fund – Eisenhower/Clear Creek Project	$ 239,303

(F) Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of March 31, 2009 is as follows:

Receivable fund	Payable Fund	Amount
Electric	Fiber	$ 360,000

Interfund payables and receivables are made for specific purposes for each fund, and for overdraws of cash, both of which are made in the ordinary course of business. Interfund payables and receivables are intended to be repaid in future years. At its inception, the Fiber Fund borrowed startup money from the Electric Fund which is repaid with monies generated from Fiber operations.

Interfund Transfers

General fund	Electric fund	Total
$ 300,000	$ (300,000)	$ -0-

Transfers

General fund	TIF – District 1 fund	Total
$ 254,273	$ (254,273)	$ -0-

All interfund transfers provided funding for general operations of each fund. These transfers are permanent in nature, and are not intended to be repaid in future years.

(3) OTHER INFORMATION

(A) Employee Retirement Systems and Plans

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), a statewide local government retirement system.

Missouri Local Government Employees Retirement System (LAGERS) 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 10.9% (general), 10.7% (police), and 13.1% (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 2008, the political subdivision's annual pension cost of $513,588 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2008 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 6.0% per year, depending on age, attributable to seniority/merit, and (d) pre- and post-retirement mortality based on the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women 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, 2006 was 15 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost APC	Percentage of APC Contributed	Net Pension Obligation
6/30/2006	514,468	100%	$ -0-
6/30/2007	523,460	100%	-0-
6/30/2008	513.588	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, 2009, was $4,633,876; the City's total payroll was $4,923,336. All City full-time employees are eligible to participate in the 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 1.60 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.

(B) Litigation and Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor as a result of these audits is not believed to be material.

In the normal course of business, the City is involved in various legal proceedings. Although the outcome of these proceedings is not presently determinable, it is the opinion of the City legal counsel that the resolution of these matters will not have a material adverse effect on the financial position of the City.

(C) Risk Management

The City is exposed to various risks, such as property exposures, automobile liability, workers' compensation claims, equipment losses, general liability claims, and the costs associated with an employee health plan. For property exposures, the City purchases an all-risk insurance policy. This property insurance presently carries a primary deductible of $5,000. While coverage is purchased for City-owned equipment, the comprehensive or collision exposure to City-owned vehicles is self-insured. Neither liability claims nor property losses have exceeded the limits of coverage.

The workers' compensation plan covers all City employees, while the health plan covers all full time City employees.

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.

(D) Prior Period Adjustment

In the current year, the City changed its method of accounting for "business-type" activity supplies. In order to maintain service to the industries growing and developing in the municipality, it has become necessary to increase the amount of supplies kept on hand. In prior year, all supplies were expensed when purchased. With the change, supplies are considered inventory until put into service. Had this method been adopted in prior years, supplies expense would have been reduced in the "business-type" net assets as follows:

Waterworks	$	153,513
Electric		504,320
Sewer		21,136
Fiber		23,964
Total	$	702,933