

INTRODUCTION SECTION

City of Monett, Missouri
List of Elected and Appointed Officials
March 31, 2012

Elected Officials

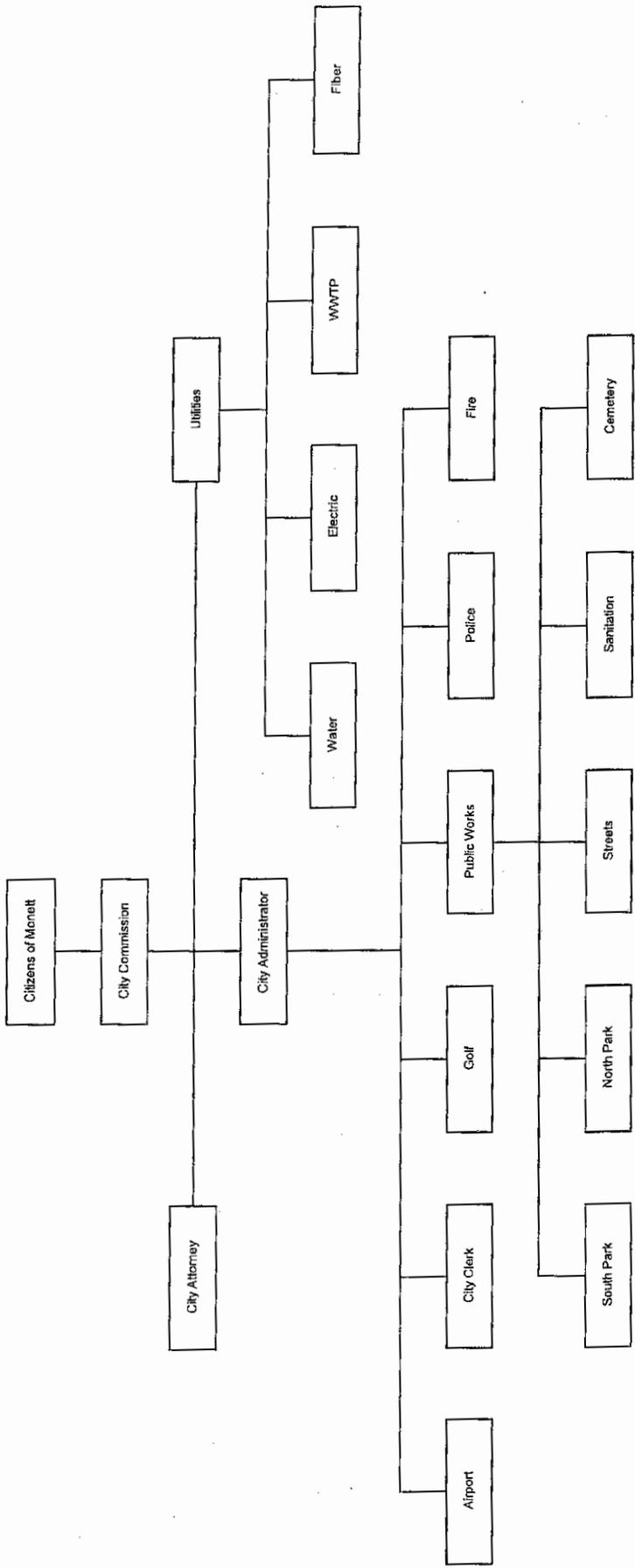
Mayor
Commissioner
Commissioner

James Orr
Jerry Dierker
Michael Brownsberger

Appointed Officials

City Administrator
Airport Superintendent
City Clerk/Treasurer
Fire Chief
Golf Superintendent
Police Chief
Public Works Superintendent
Utilities General Manager

Dennis Pyle
Howard Frazier
Janie Knight
Tom Jones
Mike Knight
Tim Schweder
Russ Balmas
Pete Rauch



City of Monett, Missouri

THIRD CLASS CITY – COMMISSION FORM OF GOVERNMENT

James Orr, Mayor • Michael Brownsberger, Commissioner • Jerry Dierker, Commissioner
217 Fifth Street • P.O. Box 110 • Monett, Missouri 65708

City Clerk - (417) 235-3763
City Collector - (417) 235-3544
Council - (417) 235-3355
Fax - (417) 235-4608

September 20, 2012

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

The Administrative Department is pleased to present the Annual Financial Report for the City of Monett, Missouri (the City), for fiscal year ended March 31, 2012. This report is submitted to you in compliance with state law requiring that all political subdivisions 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).

Responsibility to report financial data that is complete and accurate rests with the City. It is our belief that the information reported in these financial statements fairly presents the financial position of the City in all material aspects, on a Government-wide and a Fund basis. To enhance the reader's understanding of these financial statements, note disclosures have been included as an integral part thereof.

To ensure reliability of the accounting data upon which the City's financial statements are based, internal controls are utilized to provide reasonable assurance that transactions are accounted for properly and City assets are safeguarded. Additionally, the Administrative Department staff has prepared this report in conformity with accounting principles generally accepted in the United States of America (GAAP) which are standard guidelines for financial reporting, further ensuring that the financial position of the City is presented fairly.

The City's financial statements have been audited by The CPA Group, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended March 31, 2012, 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 auditors' report is presented as the first component of the financial section of this report. The independent audit of the financial statements of the City was part of a 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 on internal controls and legal requirements involving the administration of federal awards.

The Annual Report is presented in three sections: introductory, financial, and federal compliance. The *introductory section* is designed to introduce the reader to the report and includes the transmittal letter, the City's organization chart, and a list of principal officials.

The *financial section* begins with the independent auditors' report. The auditors' report expresses the opinion of the independent auditors with regard to the presentation of the financial statements and internal controls. This section also includes the Management's Discussion and Analysis, the Financial Statements and Notes that provide an overview of the City's financial position and operating results, the Combining Statement of funds and other schedules that provide detailed information relative to the Basic Financial Statements.

The *federal compliance section* specifically deals with required reporting for expenditures of federal awards.

GAAP requires 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 the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Monett, incorporated in 1888, is a third class city located in the southwestern part of the state. The City currently occupies a land area of 9 square miles and has a population of 8,873. The City is empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City 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 2016.

The City provides a full range of services normally associated with a municipality, including police and fire protection, emergency communication center, public works services, municipal airport, parks and other recreation facilities, and general administrative services. It also operates water, electric, sewer, sanitation and fiber optic services, all of which are accounted for in the financial statements as enterprise funds.

This report presents data for the financial reporting entity, which includes all departments, funds, boards, and commissions of the primary government (the City, as legally defined), as well as all of its component units. Component units are legally separate entities for which the City is financially accountable or for which exclusion would be misleading or incomplete. The one component unit of the City is the East Highway 60 Community Improvement District, which is a blended component unit. The financial reporting entity is discussed further in Note 1 of 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 are required to submit requests for appropriation to the City Administrator in January each year. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator 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'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 operates.

Local economy – The City of Monett has a diverse manufacturing and industrial base that adds stability to the local economy. Major industries with headquarters or divisions located within the government's boundaries or in close proximity include computer software providers, several window manufacturers, playground equipment manufacturer, food manufacturers, cheese processors, dairy processors, poultry processors, and several financial and insurance institutions. The City has a broad mix of retail and service establishments that serve Monett and the surrounding areas. Monett's population has increased 20% in the last ten years which has led to further expansion of the retail base and provided increased sales tax revenues to the local government.

During FY2012, the City's sales tax revenues increased by 7.2% over FY2011. Through the first quarter of FY2013, sales tax revenues have declined by 2.6%. Total General Fund revenues declined by 4.8% during FY2012 due to a decrease in utility fund transfers to supplement general operating expenses. It is the City's objective to maintain these utility fund transfers at a consistent level in order to provide additional enterprise funds for future capital needs. Total General Fund expenditures increased by 9.4% due to increased capital investments and a condemnation judgment from a 2004 street and storm water project.

Employment levels had remained stable with some slight improvements in FY2012, however, in mid-FY2013, Hydro Aluminum announced it would be closing its extrusion plant which would impact 140 jobs. Hydro's profitable remelt facility would continue in operation and retain its 60 employees. The impact on the local economy is expected to be minimal with expanding local industries showing interest in hiring the displaced workers. The outlook for FY2013 is neutral with some employers expected to add jobs and others reducing their labor costs.

Long-term financial planning – During FY2012, the City completed the water system improvements being funded by the Recovery Zone Economic Development bonds that were issued in 2010. These improvements included new transmission lines that looped the system, the addition of a new booster pump station that resolved low pressure problems in certain areas, and the construction of a wellhouse and chlorine detention line that allowed for Well # 21 to be placed in operation.

On August 2, 2011, voters approved the issuance of \$12 million in water revenue bonds to finance the construction of a new water treatment plant that would treat the water from the three highest producing wells in the system. Construction design should be completed by the end of 2012 with a bid letting and start of construction anticipated in the first quarter of 2013.

During FY2012 and the first half of FY2013, the City had prepared plans for the demolition and construction of a new Park Casino building. This community center is host to an average of 235 events per year and is being demolished due to structural deficiencies. The new structure will expand the size of the building by 50% and should be completed by mid-2013. The Council had postponed plans to construct a new clubhouse at Windmill Ridge Golf Course when preliminary bids from sub-contractors were higher than estimated and also due to an uncertain revenue outlook. The Council is re-evaluating a partnership with the Monett R-1 School District that would allow the construction technology class to construct the facility off-site. It is anticipated that a new clubhouse will be opened by early 2014.

The City's Capital Improvement Plan includes Public Facility Improvements relating to a new Public Works Maintenance Facility and constructing additional hangars at the Monett Airport. Long term plans include street improvements at the intersection of Central and Broadway streets; a new railroad overpass on Chapell Drive near the intersection of Business 60; and the construction of a new, expanded runway at the airport.

Cash management policies and practices - Cash temporarily idle during the year was invested in money market accounts, certificates of deposit, and U.S. agency securities. The maturities of the investments range from 12 months to 4 years, with an average maturity of 36 months.

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.

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 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 cursive script, appearing to read "James Orr".

James Orr, Mayor