



# City of Monett, Missouri

THIRD CLASS CITY – COMMISSION FORM OF GOVERNMENT  
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## Management's Discussion and Analysis

As management of the City of Monett, Missouri, we offer readers this narrative overview and analysis of the financial activities of the City of Monett, Missouri (the City) for the fiscal year ended March 31, 2013. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's financial statements, including footnotes, which follow this section.

### Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$37,223,915 (*net position*). Of this amount, \$6,922,753 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$129,594. Of this amount, (\$467,175) was from the City's "governmental activities" and a gain of \$337,581 from the "business-type activities".
- The City's total debt increased by \$94,733 during the current fiscal year. The City's fiscal year started with existing debt of \$20,956,545, additional debt was issues for \$1,777,709, and principal payments of \$1,682,976 were made during the year, which created ending fiscal year debt balance of \$21,051,278.

### Overview of the Financial Statements

This discussion and analysis is intended to provide an introduction to the basic financial statements. The basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are a broad overview of the City's finances, in a manner similar to a private business.

The *statement of net position* presents all of the City's assets and liabilities with the difference between the two reported as *net positions*. Net position is an important measure of the City's overall financial health. The increases or decreases in net position can be monitored to determine whether the City's financial position is improving or deteriorating.

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The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred but unused vacation leave).

Both of the government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include policy development and administration, public safety, public works, parks and recreation, and municipal airport. The business-type activities of the City of Monett, Missouri include water, electric, sewer, sanitation and fiber optic operations.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure compliance with finance-related legal requirements. These funds are divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**Proprietary funds.** The City uses two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, electric, sewer, sanitation and fiber optic operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its hazardous material, safety, and mechanic operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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

***Government-wide Financial Analysis***

Net position may serve as a useful indicator of the City's financial position. As of March 31, 2013, assets exceeded liabilities by \$37,223,915. The City uses capital assets to provide services to citizens; consequently, these assets (\$23,685,131 net of related debt) are not available for future spending.

**NET POSITION**

The following table reflects the condensed schedule of net position as of March 31, 2013 and 2012:

**City of Monett Net Position**

	Governmental Activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 4,837,164	\$ 4,503,788	\$ 12,029,038	\$ 11,573,100	\$ 16,866,202	\$ 16,076,888
Capital assets	23,972,263	24,290,190	20,764,146	21,303,489	44,736,409	45,593,679
Total assets	28,809,427	28,793,978	32,793,184	32,876,589	61,602,611	61,670,567
Long-term debt outstanding	9,986,208	9,563,682	9,171,396	9,798,545	19,157,604	19,362,227
Other liabilities	2,416,011	2,305,913	2,805,081	2,598,918	5,221,092	4,904,831
Total liabilities	12,402,219	11,869,595	11,976,477	12,397,463	24,378,696	24,267,058
Net position:						
Net investment of capital asset	12,681,165	13,614,885	11,003,966	10,972,249	23,685,131	24,587,134
Restricted	1,680,111	2,062,638	4,915,400	4,574,313	6,595,511	6,636,951
Unrestricted	2,045,932	1,196,860	4,897,341	4,932,564	6,943,273	6,129,424
Total net position	\$ 16,407,208	\$ 16,874,383	\$ 20,816,707	\$ 20,479,126	\$ 37,223,915	\$ 37,353,509

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The City's combined net position decreased to \$37,223,915 from \$37,353,509.

The largest portion of the City's net position, \$23,685,131 (64%), reflects its net investment in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that are still outstanding. An additional portion of the City's net position, \$6,616,031 (18%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of the City's net position, \$6,922,753 (18%), represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors.

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***Change in Net Position***

The following table reflects the revenues and expenses from the City's activities:

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 744,376	\$ 719,064	\$ 24,752,695	\$ 24,341,542	\$ 25,497,071	\$ 25,060,606
Capital grants and contributions	22,745	84,088	281,582	318,054	304,327	402,142
General revenues:						
Sales taxes	2,763,761	2,795,552	-	-	2,763,761	2,795,552
TIF taxes	670,637	909,465	-	-	670,637	909,465
TIF reimbursement	-	-	-	-	-	-
Franchise fees	419,274	499,386	-	-	419,274	499,386
Other taxes	70,684	79,066	-	-	70,684	79,066
Other revenues	251,689	88,990	275,038	203,895	526,727	292,885
Total revenues	4,943,166	5,175,611	25,309,315	24,863,491	30,252,481	30,039,102
Expenses:						
Policy development and administration	541,202	549,895	-	-	541,202	549,895
Public works	3,562,899	3,522,642	-	-	3,562,899	3,522,642
Public safety	2,226,567	2,531,339	-	-	2,226,567	2,531,339
Parks and recreation	1,227,197	1,268,520	-	-	1,227,197	1,268,520
Interest on long-term debt	421,575	396,490	-	-	421,575	396,490
Airport	478,571	551,570	-	-	478,571	551,570
Waterworks	-	-	2,126,515	2,022,274	2,126,515	2,022,274
Electric	-	-	16,572,513	15,237,089	16,572,513	15,237,089
Wastewater-sewer	-	-	2,426,235	2,531,127	2,426,235	2,531,127
Sanitation	-	-	543,815	541,432	543,815	541,432
Fiber optics	-	-	174,747	110,623	174,747	110,623
Total expenses	8,458,011	8,820,456	21,843,825	20,442,545	30,301,836	29,263,001
Gain (loss) on sale of assets	(88,739)	642	8,500	(21,678)	(80,239)	(21,036)
Other Sources	(88,739)	642	8,500	(21,678)	(80,239)	(21,036)
Increase in net position before transfers	(3,603,584)	(3,644,203)	3,473,990	4,399,268	(129,594)	755,065
Transfers - Payments in lieu of taxes	2,386,409	2,348,636	(2,386,409)	(2,348,636)	-	-
Transfers	750,000	637,250	(750,000)	(637,250)	-	-
Total transfers	3,136,409	2,985,886	(3,136,409)	(2,985,886)	-	-
Increase in net position	(467,175)	(658,317)	337,581	1,413,382	(129,594)	755,065
Net position, beginning	16,874,383	17,532,700	20,479,126	19,065,744	37,353,509	36,598,444
Net position, ending	\$ 16,407,208	\$ 16,874,383	\$ 20,816,707	\$ 20,479,126	\$ 37,223,915	\$ 37,353,509

***Governmental Activities***

Governmental activities decreased the City's net position by \$467,175. Sales tax revenues are one of the largest governmental categories and it amounted to \$2,763,761. For the fiscal year ended March 31, 2013, revenues from all sources totaled \$30,252,481 (governmental and business-type). Revenues from governmental activities total \$4,943,166, or 16%, of the total City revenues.

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Certain revenues are generated that are specific to governmental program activity. These totaled \$767,121. The following table shows expenses and program revenues of the governmental activities for the years ended March 31, 2013 and 2012:

**Net Cost of City of Monett Governmental Activities**

	<u>Total cost of service</u>		<u>Net cost of service</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Policy development and administration	\$ 541,202	\$ 549,895	\$ 352,146	\$ 345,473
Public safety	3,562,899	3,522,642	3,490,346	3,413,148
Public works	2,226,567	2,531,339	2,180,925	2,474,677
Parks and recreation	1,227,197	1,268,520	934,558	991,842
Municipal airport	421,575	396,490	254,344	240,594
Interest on long-term debt	478,571	551,570	478,571	551,570
	<u>\$8,458,011</u>	<u>\$8,820,456</u>	<u>\$7,690,890</u>	<u>\$8,017,304</u>

As previously noted, expenses from governmental activities total \$8,458,011 million. However, net costs of these services were \$7,690,890.

***Business-type Activities***

Business-type activities increased the City's net position by \$337,581. Key elements of this increase are as follows:

- The waterworks recorded net income of \$649,256 for the year. Revenues relating to charges for services increased \$5,927. Operating expenses increased \$108,434 compared to prior year expenses due to increases in supplies expense.
- The electric recorded net loss of \$403,533 for the year. Revenues relating to charges for services increased \$259,177. Operating expenses increased \$1,335,421, due to increases in electricity purchase charges of \$1,093,381, supplies of \$126,613, and professional fees of \$57,752.
- The sewer recorded a net income of \$48,606 for the year. Revenues increased by \$153,200 relating to charges for services. Operating expenses decreased \$91,531 due to decreases in repairs and maintenance.

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*Financial Analysis of the City's Funds*

As of the end of the fiscal year, the City's governmental funds report a total fund balance of \$4,003,631.

At the end of the fiscal year, the General Fund ended with a fund balance of \$2,323,520 which is an increase of \$895,802. Factors contributing to this increase included a sale of the gymnastic building for \$306,883 and proceeds from the financing for the Casino/Community Building of \$1,777,709. The Capital outlay increased from the prior year by \$1,242,188.

The fund balance in the E-911 Fund decreased by \$42,354 in the fiscal year due to operating expenditures in excess of restricted revenues for 911 purposes.

The fund balance in the TIF – District 1 Fund decreased by \$283,738 in the fiscal year due to debt service payments.

The fund balance in the TIF – District 2 Fund decreased by \$56,435 in the fiscal year due to debt service payments.

*Capital Assets and Debt Administration Capital Assets*

The City's net investment in capital assets for its governmental and business-type activities as of March 31, 2013, amounts to \$45.5 million. This net investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, accumulated depreciation and debt.

**City of Monett Capital Assets  
(net of accumulated depreciation)**

	Governmental Activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 884,679	\$ 937,038	\$ 305,504	\$ 305,504	\$ 1,190,183	\$ 1,242,542
Construction in progress	676,394	50,880	97,989	136,876	774,383	187,756
Building and improvements	4,181,197	4,521,401	469,571	524,000	4,650,768	5,045,401
Machinery and equipment	2,105,331	1,832,318	1,337,118	1,311,979	3,442,449	3,144,297
Infrastructure	16,124,662	16,898,553	18,553,964	19,025,130	34,678,626	35,923,683
Total	\$ 23,972,263	\$ 24,240,190	\$ 20,764,146	\$ 21,303,489	\$ 44,736,409	\$ 45,543,679

For additional information on capital assets, see note 2(C) in the notes to financial statements.

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***Debt Administration***

The City, at the end of fiscal 2013, had a total of \$21,051,278 of outstanding long-term debt. This was an increase of \$94,733 from the previous year.

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 49,950	\$ 65,604	\$ 275,000	\$ 290,000	\$ 324,950	\$ 355,604
Revenue bonds	7,460,000	7,422,091	6,615,000	7,015,000	14,075,000	14,437,091
Developers Agreements	540,194	540,194			540,194	540,194
Capital leases and participation obligations	3,240,954	2,597,416	2,870,180	3,026,240	6,111,134	5,623,656
Total	<u>\$11,291,098</u>	<u>\$10,625,305</u>	<u>\$ 9,760,180</u>	<u>\$10,331,240</u>	<u>\$21,051,278</u>	<u>\$20,956,545</u>

For additional information on debt administration, see note 2(D) in the notes to financial statements.

***Original Budget to Actual Comparison***

The original FY2012-2013 budget for the General Fund projected revenues of \$4,455,795 (not including transfers and other financing sources). The actual General Fund revenues for the fiscal year were \$4,230,112, a variance of 5%. General Fund expenditures were budgeted at \$9,199,565 with actual expenditures of \$8,537,211, a variance of 7.7%. The expenditures were less than budgeted in capital outlay, utilities, and supplies. The City's budget practices relating to capital outlay items are to budget for the expense but delay purchases of capital items if revenues do not appear to be sufficient to cover expenses. Throughout FY2012-2013, sales taxes lagged behind projections that warranted the caution in spending on capital improvements. The original budget had anticipated General Fund revenues and other financing sources would exceed expenditures by \$14,630 but the actual budget surplus was greater due to proceeds from financing and the sale of assets.

The original budget had projected revenues of \$48,800 for the E-911 Fund; however, actual revenues were only \$41,430 due to a continuing decline in landline tariff revenues. Original expenditures were budgeted at \$101,515 but actual expenses were only \$94,985 due to not spending the allotted amounts for capital outlay. E-911 expenditures exceed revenues due to the loss of the phone tariff on rural Monett customers that were incorporated into the Barry County E-911 system. Due to this loss of revenue, the losses in the E-911 Fund are covered by transfers from the City's General Fund.

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TIF – District 1 revenues were budgeted at \$543,650 and actual revenues were \$533,212 due to sales taxes not meeting projections. Expenditures were budgeted at \$871,720; however, the actual expenses were only \$816,950 due to legal expenses being less than anticipated. TIF – District 2 revenues were budgeted at \$140,850 with actual revenues of \$138,461, a variance of less than 2%, again due to sales taxes not meeting projections. Actual expenditures were higher than anticipated due to debt service interest cost being higher than projected.

All funds that had expenditures exceed revenues for FY2012-2013 had sufficient reserves to cover the loss for this particular fiscal year.

***Requests for Information***

This financial report is designed to provide the reader a general overview of the City's finances. Questions or requests for more information concerning any of the information provided in this report should be directed to Janie Knight, City Clerk of the City of Monett, PO Box 110, 217 5<sup>th</sup> Street, Monett, MO 65708.