

CITY OF MONETT, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended March 31, 2014

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Monett, Missouri, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Monett, Missouri, as of March 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* and GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* during the year ended March 31, 2014.

To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monett, Missouri's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2014, on our consideration of the City of Monett, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Monett, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
July 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

The management's discussion and analysis of the City of Monett, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended March 31, 2014. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

- The net position of the City's governmental activities increased by \$4,054,265 as a result of current year activities. The net position of the City's business activities increased by \$2,122,372 for the year.
- The assets of the City exceeded its liabilities as of March 31, 2014, by \$42.7 million (net position). Of this amount \$5.9 million was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$738,137.
- The City's total net assets increased by \$6,176,637 during the fiscal year due to capital grants for the water treatment facility and increases in sales taxes and ad valorem taxes received from escrowed TIF funds.
- The City of Monett finished the fiscal year with a General Fund balance of \$1,435,825. Of this amount, \$605,563 is a reserve to cover unanticipated expenses or emergencies and \$654,473 is unassigned. The balance is prepaid items that are non-spendable. A portion of the General Fund balance will be drawn down during FY2014-2015 to cover expenses to complete the Marshall Hill Safe Room that aren't reimbursed by FEMA. The resolution of litigation relating to the City's TIF plan led to the release of escrowed funds from Barry County and Barry County E-911 during the fiscal year. With the addition of these monies and the current collection of economic activity taxes and payments-in-lieu-of-taxes to the Special Allocation Fund, the City anticipates retiring the outstanding bonded indebtedness relating to the Tax Increment Financing #1 Fund. This will reduce the Governmental Long-Term Debt by \$2,695,000 during FY2014-2015.
- During FY2013-2014, the City began construction of a new water treatment facility. Voters had previously approved issuing \$12 million in revenue bonds to finance the construction and a contract was subsequently let for \$11.2 million. As of March 31, 2014, the project was approximately 25% complete with an anticipated completion date of March, 2015. The plant will provide treatment for the three largest producing wells in the City's water distribution system.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes in it. The City's net position – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here. Taxes are the primary source of financing for these activities.
- **Business-Type Activities** – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's utility services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. However, the City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014**

- Proprietary Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements 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

The following table presents the condensed Statement of Net Position for the City as of March 31, 2014 and 2013:

| | Governmental Activities | Business-Type Activities | Total March 31, 2014 | Total March 31, 2013 |
|----------------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|
| Current and other assets | \$ 5,431,330 | \$ 11,672,996 | \$ 17,104,326 | \$ 16,174,758 |
| Capital assets | 24,591,353 | 25,387,898 | 49,979,251 | 44,736,409 |
| TOTAL ASSETS | 30,022,683 | 37,060,894 | 67,083,577 | 60,911,167 |
| Other liabilities | 1,673,212 | 4,281,790 | 5,955,002 | 5,221,092 |
| Long-term liabilities | 8,159,746 | 10,259,721 | 18,419,467 | 19,157,604 |
| TOTAL LIABILITIES | 9,832,958 | 14,541,511 | 24,374,469 | 24,378,696 |
| Net position: | | | | |
| Net investment in capital assets | 15,725,949 | 15,239,120 | 30,965,069 | 23,685,131 |
| Restricted | 3,634,580 | 2,215,520 | 5,850,100 | 6,595,511 |
| Unrestricted | 829,196 | 5,064,743 | 5,893,939 | 6,251,829 |
| TOTAL NET POSITION | \$ 20,189,725 | \$ 22,519,383 | \$ 42,709,108 | \$ 36,532,471 |

Total net position of the City increased by \$6,176,637 for the year due to current year activity. Total liabilities for the City have decreased by \$4,227. Restricted net position of the City totaled \$5.9 million as of March 31, 2014. This amount represents monies that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

CHANGES IN NET POSITION

| | Governmental Activities | Business-Type Activities | Total March 31, 2013 | Total March 31, 2012 |
|--|----------------------------|-----------------------------|-------------------------|-------------------------|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 824,707 | \$ 25,563,373 | \$ 26,388,080 | \$ 25,497,071 |
| Operating grants and contributions | 156,949 | - | 156,949 | - |
| Capital grants and contributions | 851,366 | 2,017,490 | 2,868,856 | 304,327 |
| General Revenues and Transfers | | | | |
| Sales taxes | 4,717,800 | - | 4,717,800 | 3,102,834 |
| Ad valorem taxes | 1,837,675 | - | 1,837,675 | 42,436 |
| Motor vehicle and gas taxes | 326,194 | - | 326,194 | 318,533 |
| Other taxes | 41,873 | - | 41,873 | 41,279 |
| Franchise taxes | 417,543 | - | 417,543 | 419,274 |
| Payment in lieu of taxes | 2,526,554 | (2,526,554) | - | - |
| Gain on sale of property and equipment | 121,894 | 49,111 | 171,005 | (80,239) |
| Interest | 25,018 | 178,008 | 203,026 | 152,185 |
| Other | 129,177 | - | 129,177 | 374,543 |
| Transfers | 750,000 | (750,000) | - | - |
| TOTAL REVENUES | 12,726,750 | 24,531,428 | 37,258,178 | 30,172,243 |
| EXPENSES | | | | |
| Administrative | 515,964 | - | 515,964 | 541,202 |
| Public safety | 3,531,903 | - | 3,531,903 | 3,562,899 |
| Public works | 2,537,109 | - | 2,537,109 | 2,226,567 |
| Airport | 423,788 | - | 423,788 | 1,227,197 |
| Parks and Recreation | 1,212,692 | - | 1,212,692 | 421,575 |
| Debt service | 451,029 | - | 451,029 | 478,572 |
| Water | - | 2,059,429 | 2,059,429 | 2,126,517 |
| Sewer | - | 2,594,844 | 2,594,844 | 2,426,236 |
| Electric | - | 17,016,835 | 17,016,835 | 16,572,510 |
| Sanitation | - | 564,358 | 564,358 | 543,815 |
| Fiber | - | 173,590 | 173,590 | 174,747 |
| TOTAL EXPENSES | 8,672,485 | 22,409,056 | 31,081,541 | 30,301,837 |
| INCREASE (DECREASE) IN NET POSITION | \$ 4,054,265 | \$ 2,122,372 | \$ 6,176,637 | \$ (129,594) |

Governmental Activities

Governmental activities increased the net position of the City by \$4,054,265. Tax revenues for the City were \$7,341,085, which represents 58% of the funding of these activities. Program revenues for the functions totaled \$1,833,022 or only 14% of the funding. The following table shows the cost of the City's programs as well as each programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014**

**NET COST OF THE CITY OF MONETT, MISSOURI'S
GOVERNMENTAL ACTIVITIES**

| | Total Cost of Services | Net Cost of Services |
|----------------------|---------------------------|-------------------------|
| Administrative | \$ 515,964 | \$ 492,728 |
| Public safety | 3,531,903 | 2,952,047 |
| Public works | 2,537,109 | 2,370,527 |
| Airport | 423,788 | (304,771) |
| Parks and Recreation | 1,212,692 | 877,903 |
| Debt service | 451,029 | 451,029 |
| | \$ 8,672,485 | \$ 6,839,463 |

Business-Type Activities

Business-type activities increased the City's net position by \$2,122,372. This is up from the increase received last year from the City's business-type activities. The increase in the prior year was \$337,581.

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of March 31, 2014, were \$5,070,405. The General Fund decreased by \$886,093. The Tax Increment Financing #1 Fund increased \$1,324,686. The Tax Increment Financing #2 Fund increased \$628,181.

The City's General Fund decreased by \$886,093 from March 31, 2013, primarily due to capital spending on the community center (Casino) and the Marshall Hill Safe Room. The Casino project had received proceeds from a lease-purchase financing in the prior fiscal year and funds were committed for the project in which construction spanned two fiscal years. The Marshall Hill Safe Room was constructed with current revenues and a grant from the Federal Emergency Management Agency that paid approximately 75% of the construction costs. The Tax Increment Financing #1 Fund and Tax Increment Financing #2 Fund increased significantly from March 31, 2013, due to the payment of funds by Barry County and Barry County E-911 from escrow related to litigation that was resolved in the City's favor.

The City's Enterprise Funds increased their net position by \$2,122,372 primarily due to grants received for the new water treatment facility. The Electric and Sewer funds decreased their net position and the Water, Sanitation and Fiber departments experienced an increase in net position. Rate increases already in place for sewer and an anticipated rate increase in electric in FY2014-2015 should have a positive impact on those two utility fund balances.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

The General Fund's budgeted revenues of \$4,936,705 were exceeded by \$438,194 in actual revenues due to increased grant revenues related to land acquisitions at the Monett Regional Airport for future expansion of the runway and the sale of the old Armory building that had previously housed the Monett Area YMCA. The building was offered for sale due to the construction of the new YMCA facility in early 2013. The uncertainty related to acquiring land for future improvements to the airport makes budgeting the appropriate amount for those activities challenging.

General Fund expenses were budgeted at \$9,895,176 with actual expenses of \$9,537,546, a variance of \$357,630. The savings were due to delaying the purchase of a truck in the Fire Department, actual engineering services being less than originally budgeted for Airport operations, and delaying the purchase of equipment for the Street Department.

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$24.6 million (net of accumulated depreciation) as of March 31, 2014. This represents a \$619,090 increase from the prior year. Capital assets for business-type activities were \$25.4 million as of March 31, 2014. This represents an increase of \$4,623,754 from the prior year.

During the fiscal year, the City of Monett was involved in several large capital projects that affected the financial statements. The City completed construction of the community center (Casino) facility in the South Park. This new facility replaced a structure built in 1926 that was deemed to be structurally deficient. The City held public meetings and solicited input from citizens through various media in an attempt to build a community building that met the needs of the growing community. The former building was demolished in August 2012 and construction began on a new facility shortly thereafter. The new community center was opened in August 2013 with most of the project costs occurring in FY2013-2014. The City also began construction of the new Marshall Hill Safe Room during FY2013-2014 with \$573,465 committed for FY2014-2015 and an estimated completion date of July 2014. This building was constructed with the assistance of a grant from FEMA and is built according to FEMA 361 guidelines for use as a designated storm shelter for residents. During this fiscal year, the City commenced work on a new Water Treatment Plant designed to produce over 4.0 million gallons per day of potable water. This new plant is expected to cost \$11.2 million and be operational by March 31, 2015. Approximately \$8.7 million remained committed to this project as of March 31, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

Debt Administration

Total long-term liabilities of the governmental activities as of March 31, 2014, was \$8.2 million, which is down \$1,867,104 from the prior year. This is due to principal payments made in current year.

Total long-term liabilities of the business-type activities as of March 31, 2014, was \$10.3 million, an increase of \$1,066,960 from the prior year. This is primarily due to the issuance of the 2013 Revenue Bonds.

Economic Factors and Next Year's Budget

In FY2013-2014, the City's sales tax revenues increased by 1.8% over the previous year (not including the TIF payments received from Barry County and Barry County E-911). During the first four months of FY2014-2015, General Fund sales tax revenues have increased 5% over the same period last year. The City had budgeted sales tax growth of 0.8% so if this trend continues, sales tax revenues will exceed projections. Local industry officials have indicated that the business climate is improving and they expect 2014 to be a very good year. There is typically a delay in retail sales growth coming out of a recession and we would anticipate seeing improving conditions in the local retail sector in 2015 but early indications are that 2014 may be better than expected.

The City will complete the Marshall Hill Safe Room project which will provide shelter to residents during severe storm events. It may also be used during the community at certain times of the year for social and recreational purposes. The new water treatment facility should be completed by the end of this fiscal year and provide improved drinking water quality and capacity for residents. In April, 2014, voters approved the issuance of \$6 million for improvements to the City's wastewater treatment plant and collection system. The City Council had previously approved sewer rate increases that will re-pay the bonds. The City will utilize the state's Revolving Loan Fund program for this project and design should begin in late 2014. The City has been notified that it will receive a grant from the Missouri Department of Natural Resources that will cover up to 50% of the cost of these improvements.

The City had entered into a partnership with the Monett R-1 School District to have the Construction Technology class at Scott Regional Technical Center build a new clubhouse for the city-owned and operated Windmill Ridge Golf Course. This building was completed in June 2014, and will be moved to its permanent location at the golf course in August 2014. During FY2014-2015, the City has constructed a new parking lot for the clubhouse and made other improvements to the golf course in preparation for the new clubhouse. The existing clubhouse will be demolished.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MONETT, MISSOURI
March 31, 2014

During FY2014-2015, the City will continue to acquire properties near the Monett Regional Airport in accordance with the Airport Master Plan adopted in 2012. To date, three properties have been acquired and approximately 7 additional properties are needed before construction can begin on a new, expanded runway. When completed, the airport will have a 6,001' x 100' runway with parallel taxiway that is capable of supporting larger aircraft. The airport has experienced significant growth since operations began in 1989 and the Master Plan projects this growth to continue with more corporate jet activity. Federal and state funds generally pay 90%-95% of capital expenses at the airport with the City responsible for the balance as well as all of the operations and maintenance expenses. The source of local funds for airport activities is a combination of fuel sales, hangar rent, and general revenue funds.

The City anticipates redeeming all of the outstanding Series 2007 and Series 2008 TIF Special Obligation bonds on October 1, 2014. This will permit the City to collect the bottom 50% of economic activity taxes that previously had been allocated to the Special Allocation Fund to retire the TIF debt. Based on FY2013-2014 revenues, the City would anticipate \$235,000 in additional revenue being received in the General Fund. In FY2014-2015, the City will be refunding the Series 2005A and 2005B TIF #2 bonds relating to the Lowe's Improvement Project. This will reduce the principal balance and the on-going interest expenses associated with this debt. By refinancing the remaining TIF debt, the City projects that, assuming current revenues and no additional growth, it should be retired four years ahead of schedule in 2024.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Monett
217 5th Street
PO Box 110
Monett, Missouri 65708
(417) 235-3763

Dennis Pyle, City Administrator
Janie Knight, City Clerk

CITY OF MONETT, MISSOURI
STATEMENT OF NET POSITION
March 31, 2014

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents - unrestricted | \$ 1,197,467 | \$ 5,321,333 | \$ 6,518,800 |
| Investments - unrestricted | - | 171,082 | 171,082 |
| Taxes receivable | 342,895 | - | 342,895 |
| Utilities receivable | - | 2,011,911 | 2,011,911 |
| Other accounts receivable | 117,497 | - | 117,497 |
| Intergovernmental receivable | 26,609 | 542,620 | 569,229 |
| Special assessments receivable | - | 260,000 | 260,000 |
| Inventory | - | 1,030,449 | 1,030,449 |
| Prepaid expenses | 175,789 | 120,081 | 295,870 |
| Noncurrent | | | |
| Restricted cash and cash equivalents | 3,571,073 | 225,786 | 3,796,859 |
| Restricted investments | - | 1,989,734 | 1,989,734 |
| Capital Assets: | | | |
| Non-depreciable | 2,114,836 | 4,983,475 | 7,098,311 |
| Depreciable, net | 22,476,517 | 20,404,423 | 42,880,940 |
| TOTAL ASSETS | 30,022,683 | 37,060,894 | 67,083,577 |
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | 179,383 | 3,042,723 | 3,222,106 |
| Accrued expenses | 164,198 | 62,930 | 227,128 |
| Accrued interest payable | 115,538 | 127,837 | 243,375 |
| Court bonds payable | 10,099 | - | 10,099 |
| Deposits payable | 7,245 | 431,902 | 439,147 |
| Current maturities of long-term debt | 1,196,749 | 616,398 | 1,813,147 |
| | 1,673,212 | 4,281,790 | 5,955,002 |
| Noncurrent | | | |
| Compensated absences payable | 424,128 | 247,341 | 671,469 |
| Net pension obligation | 66,963 | - | 66,963 |
| Certificates of participation | 1,230,283 | 2,550,000 | 3,780,283 |
| Tax increment allocation bonds | 5,230,000 | - | 5,230,000 |
| Developer agreement | 512,489 | - | 512,489 |
| Lease payable | 679,604 | - | 679,604 |
| Neighborhood improvement bonds | 16,279 | 240,000 | 256,279 |
| Revenue bonds payable | - | 7,222,380 | 7,222,380 |
| | 8,159,746 | 10,259,721 | 18,419,467 |
| TOTAL LIABILITIES | 9,832,958 | 14,541,511 | 24,374,469 |
| NET POSITION | | | |
| Net investment in capital assets | 15,725,949 | 15,239,120 | 30,965,069 |
| Restricted for debt service | 3,634,580 | 2,215,520 | 5,850,100 |
| Unrestricted | 829,196 | 5,064,743 | 5,893,939 |
| TOTAL NET POSITION | \$ 20,189,725 | \$ 22,519,383 | \$ 42,709,108 |

See accompanying notes.

CITY OF MONETT, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended March 31, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses), Revenues and Changes in Net Position | | |
|--|--------------------|----------------------------|--|--|--|-----------------------------|--------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental activities | | | | | | | |
| Administrative | \$ (515,964) | \$ 23,236 | \$ - | \$ - | \$ (492,728) | \$ - | \$ (492,728) |
| Safety | (6,537) | - | 6,420 | - | (117) | - | (117) |
| Building official | (139,953) | 9,662 | - | - | (130,291) | - | (130,291) |
| Municipal court | (76,647) | 10,545 | - | - | (66,102) | - | (66,102) |
| Police | (1,749,873) | 211,308 | 10,506 | - | (1,528,059) | - | (1,528,059) |
| E911 | (162,156) | 43,207 | - | - | (118,949) | - | (118,949) |
| Emergency management | (57,739) | - | - | 292,189 | 234,450 | - | 234,450 |
| Fire | (1,130,320) | - | - | - | (1,130,320) | - | (1,130,320) |
| Airport | (423,788) | 169,382 | - | 559,177 | 304,771 | - | 304,771 |
| Street | (2,041,146) | 4,471 | - | - | (2,036,675) | - | (2,036,675) |
| Cemetery | (161,903) | 24,485 | - | - | (137,418) | - | (137,418) |
| Hazardous materials | (5,681) | - | 5,681 | - | - | - | - |
| Shop | (134,190) | - | 127,964 | - | (6,226) | - | (6,226) |
| Communications | (342,950) | - | - | - | (342,950) | - | (342,950) |
| Pool | (61,763) | - | - | - | (61,763) | - | (61,763) |
| South park | (256,715) | - | 6,378 | - | (250,337) | - | (250,337) |
| North park | (144,832) | - | - | - | (144,832) | - | (144,832) |
| Golf | (625,296) | 269,545 | - | - | (355,751) | - | (355,751) |
| Casino and community building | (113,623) | 51,108 | - | - | (62,515) | - | (62,515) |
| Recreation | (10,463) | 7,758 | - | - | (2,705) | - | (2,705) |
| Public works | (59,917) | - | - | - | (59,917) | - | (59,917) |
| Debt service | (451,029) | - | - | - | (451,029) | - | (451,029) |
| TOTAL GOVERNMENTAL ACTIVITIES | (8,672,485) | 824,707 | 156,949 | 851,366 | (6,839,463) | - | (6,839,463) |

See accompanying notes.

CITY OF MONETT, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended March 31, 2014

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses), Revenues and Changes in Net Position | | |
|---------------------------------------|------------------------|----------------------------|--|--|--|-----------------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Business-Type Activities | | | | | | | |
| Water | (2,059,429) | 2,749,885 | - | 2,017,490 | - | 2,707,946 | 2,707,946 |
| Sewer | (2,594,844) | 2,532,774 | - | - | - | (62,070) | (62,070) |
| Electric | (17,016,835) | 19,391,912 | - | - | - | 2,375,077 | 2,375,077 |
| Sanitation | (564,358) | 592,998 | - | - | - | 28,640 | 28,640 |
| Fiber | (173,590) | 295,804 | - | - | - | 122,214 | 122,214 |
| TOTAL BUSINESS-TYPE ACTIVITIES | (22,409,056) | 25,563,373 | - | 2,017,490 | - | 5,171,807 | 5,171,807 |
| TOTAL GOVERNMENT | \$ (31,081,541) | \$ 26,388,080 | \$ 156,949 | \$ 2,868,856 | (6,839,463) | 5,171,807 | (1,667,656) |
| General Revenues: | | | | | | | |
| | | | | | 4,717,800 | - | 4,717,800 |
| | | | | | 1,837,675 | - | 1,837,675 |
| | | | | | 326,194 | - | 326,194 |
| | | | | | 41,873 | - | 41,873 |
| | | | | | 417,543 | - | 417,543 |
| | | | | | 2,526,554 | (2,526,554) | - |
| | | | | | 121,894 | 49,111 | 171,005 |
| | | | | | 25,018 | 178,008 | 203,026 |
| | | | | | 129,177 | - | 129,177 |
| | | | | | 750,000 | (750,000) | - |
| | | | | | 10,893,728 | (3,049,435) | 7,844,293 |
| | | | | | | | |
| | | | | | 4,054,265 | 2,122,372 | 6,176,637 |
| | | | | | 16,135,460 | 20,397,011 | 36,532,471 |
| | | | | | \$ 20,189,725 | \$ 22,519,383 | \$ 42,709,108 |

See accompanying notes.

CITY OF MONETT, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2014

| | General Fund | Tax Increment Financing #1 Fund | Tax Increment Financing #2 Fund | Total Governmental Funds |
|--|---------------------|---------------------------------------|---------------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,197,467 | \$ - | \$ - | \$ 1,197,467 |
| Taxes receivable | 269,289 | 66,205 | 7,401 | 342,895 |
| Other accounts receivable | 117,497 | - | - | 117,497 |
| Intergovernmental receivable | 26,609 | - | - | 26,609 |
| Prepaid expenses | 175,789 | - | - | 175,789 |
| Restricted cash and cash equivalents | 10,099 | 2,181,417 | 1,379,557 | 3,571,073 |
| TOTAL ASSETS | <u>\$ 1,796,750</u> | <u>\$ 2,247,622</u> | <u>\$ 1,386,958</u> | <u>\$ 5,431,330</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 179,383 | \$ - | \$ - | \$ 179,383 |
| Accrued expenses | 164,198 | - | - | 164,198 |
| Court bonds payable | 10,099 | - | - | 10,099 |
| Deposits payable | 7,245 | - | - | 7,245 |
| TOTAL LIABILITIES | 360,925 | - | - | 360,925 |
| Fund Balances | | | | |
| Nonspendable - not in spendable form: | | | | |
| Prepaid Items | 175,789 | - | - | 175,789 |
| Restricted for: | | | | |
| Debt service | - | 2,247,622 | 1,386,958 | 3,634,580 |
| Assigned for: | | | | |
| Reserve | 605,563 | - | - | 605,563 |
| Unassigned | 654,473 | - | - | 654,473 |
| TOTAL FUND BALANCES | <u>1,435,825</u> | <u>2,247,622</u> | <u>1,386,958</u> | <u>5,070,405</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,796,750</u> | <u>\$ 2,247,622</u> | <u>\$ 1,386,958</u> | <u>\$ 5,431,330</u> |

See accompanying notes.

CITY OF MONETT, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 March 31, 2014

| | |
|--|-----------------------------|
| Fund balance - total governmental funds | \$ 5,070,405 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds: | |
| Governmental capital assets | 44,792,044 |
| Less accumulated depreciation | <u>(20,200,691)</u> |
| | 24,591,353 |
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due | (115,538) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds | <u>(9,356,495)</u> |
| Net position of governmental activities | <u><u>\$ 20,189,725</u></u> |

See accompanying notes.

CITY OF MONETT, MISSOURI
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL
 FUNDS

Year Ended March 31, 2014

| | General Fund | Tax Increment Financing #1 Fund | Tax Increment Financing #2 Fund | Total Governmental Funds |
|---|---------------------|---------------------------------------|---------------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 3,230,762 | \$ 3,141,698 | \$ 968,625 | \$ 7,341,085 |
| Licenses and permits | 23,173 | - | - | 23,173 |
| Intergovernmental revenues | 1,001,937 | - | - | 1,001,937 |
| Charges for services | 801,534 | - | - | 801,534 |
| Miscellaneous | 317,493 | 14,673 | 6,093 | 338,259 |
| TOTAL REVENUES | 5,374,899 | 3,156,371 | 974,718 | 9,505,988 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 494,649 | - | - | 494,649 |
| Safety | 6,537 | - | - | 6,537 |
| Building official | 138,122 | - | - | 138,122 |
| Municipal court | 76,647 | - | - | 76,647 |
| Police | 1,447,576 | - | - | 1,447,576 |
| E911 | 139,461 | - | - | 139,461 |
| Emergency management | 51,466 | - | - | 51,466 |
| Fire | 1,048,003 | - | - | 1,048,003 |
| Airport | 236,609 | - | - | 236,609 |
| Street | 1,188,894 | - | - | 1,188,894 |
| Cemetery | 152,254 | - | - | 152,254 |
| Hazardous materials | 5,681 | - | - | 5,681 |
| Shop | 128,009 | - | - | 128,009 |
| Communications | 342,950 | - | - | 342,950 |
| Pool | 45,355 | - | - | 45,355 |
| South park | 220,847 | - | - | 220,847 |
| North park | 122,938 | - | - | 122,938 |
| Golf | 462,337 | - | - | 462,337 |
| Casino and community building | 50,135 | - | - | 50,135 |
| Recreation | 2,584 | - | - | 2,584 |
| Public works | - | 53,512 | 6,405 | 59,917 |
| Capital Outlay | 2,390,696 | - | - | 2,390,696 |
| Debt Service | | | | |
| Principal and interest | 785,796 | 1,778,173 | 340,132 | 2,904,101 |
| TOTAL EXPENDITURES | 9,537,546 | 1,831,685 | 346,537 | 11,715,768 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (4,162,647) | 1,324,686 | 628,181 | (2,209,780) |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 750,000 | - | - | 750,000 |
| Payment in lieu of taxes | 2,526,554 | - | - | 2,526,554 |
| TOTAL OTHER FINANCING SOURCES | 3,276,554 | - | - | 3,276,554 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | (886,093) | 1,324,686 | 628,181 | 1,066,774 |
| FUND BALANCE, April 1 | 2,321,918 | 922,936 | 758,777 | 4,003,631 |
| FUND BALANCE, March 31 | <u>\$ 1,435,825</u> | <u>\$ 2,247,622</u> | <u>\$ 1,386,958</u> | <u>\$ 5,070,405</u> |

See accompanying notes.

CITY OF MONETT, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended March 31, 2014

Net change in fund balances - total governmental funds \$ 1,066,774

Amounts reported for governmental activities in the statement
 of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense. The following is the detail of the amount by which capital outlay exceeded depreciation for the year.

| | |
|----------------|--------------------|
| Capital outlay | 1,731,991 |
| Depreciation | <u>(1,112,901)</u> |
| | 619,090 |

The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal of long-term debt is a use of current financial resources of governmental funds. In the statement of activities, interest is accrued on outstanding debt whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net affect of these differences.

| | |
|---|---------------|
| Repayment of principal on COPs and leases | 2,425,695 |
| Accrued interest payable | <u>27,377</u> |
| | 2,453,072 |

| | |
|---|-----------------|
| Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the statement of activities when incurred. | <u>(84,671)</u> |
|---|-----------------|

| | |
|---|----------------------------|
| Change in net position of governmental activities | <u><u>\$ 4,054,265</u></u> |
|---|----------------------------|

See accompanying notes.

CITY OF MONETT, MISSOURI
STATEMENT OF NET POSITION – ENTERPRISE FUNDS
March 31, 2014

| | Major Enterprise Funds | | | | | Total Enterprise Funds |
|---|------------------------|---------------------|---------------------|-------------------|-------------------|------------------------------|
| | Waterworks | Electric | Sewer | Sanitation | Fiber | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 2,188,546 | \$ 2,480,491 | \$ - | \$ 434,248 | \$ 218,048 | \$ 5,321,333 |
| Investments | 8,434 | - | 162,648 | - | - | 171,082 |
| Utilities receivable | 206,095 | 1,544,744 | 194,587 | 42,760 | 23,725 | 2,011,911 |
| Intergovernmental receivable | 542,620 | - | - | - | - | 542,620 |
| Special assessments receivable | - | - | 260,000 | - | - | 260,000 |
| Prepaid expenses | 30,488 | 47,775 | 22,752 | 19,066 | - | 120,081 |
| Inventory | 267,591 | 704,349 | 12,329 | - | 46,180 | 1,030,449 |
| TOTAL CURRENT ASSETS | 3,243,774 | 4,777,359 | 652,316 | 496,074 | 287,953 | 9,457,476 |
| Restricted Assets | | | | | | |
| Cash and cash equivalents | 225,786 | - | - | - | - | 225,786 |
| Investments | - | - | 1,989,734 | - | - | 1,989,734 |
| TOTAL RESTRICTED ASSETS | 225,786 | - | 1,989,734 | - | - | 2,215,520 |
| Capital Assets | | | | | | |
| Nondepreciable | | | | | | |
| Land | 56,932 | 58,400 | 178,071 | 12,101 | - | 305,504 |
| Construction in progress | 4,569,089 | - | 108,882 | - | - | 4,677,971 |
| Depreciable | | | | | | |
| Building and improvements | 908,946 | 769,757 | 33,705 | 84,878 | - | 1,797,286 |
| Machinery and equipment | 506,698 | 1,123,987 | 852,587 | 937,442 | 151,522 | 3,572,236 |
| Infrastructure | 10,325,026 | 5,381,749 | 25,551,766 | 61,189 | 635,923 | 41,955,653 |
| Less accumulated depreciation | (4,935,266) | (5,633,552) | (15,283,978) | (668,192) | (399,764) | (26,920,752) |
| TOTAL CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION) | 11,431,425 | 1,700,341 | 11,441,033 | 427,418 | 387,681 | 25,387,898 |
| TOTAL NONCURRENT ASSETS | 11,657,211 | 1,700,341 | 13,430,767 | 427,418 | 387,681 | 27,603,418 |
| TOTAL ASSETS | 14,900,985 | 6,477,700 | 14,083,083 | 923,492 | 675,634 | 37,060,894 |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | 1,753,368 | 1,260,972 | - | 19,726 | 8,657 | 3,042,723 |
| Accrued payroll and payroll taxes | 15,490 | 26,322 | 15,801 | 5,317 | - | 62,930 |
| Accrued interest payable | 51,681 | - | 76,156 | - | - | 127,837 |
| Deposits payable | 35,444 | 396,458 | - | - | - | 431,902 |
| Current maturities of long-term liabilities | 161,398 | - | 455,000 | - | - | 616,398 |
| TOTAL CURRENT LIABILITIES | 2,017,381 | 1,683,752 | 546,957 | 25,043 | 8,657 | 4,281,790 |
| Long-Term Liabilities, less current maturities | | | | | | |
| Accrued compensated absences | 44,983 | 132,603 | 58,112 | 11,643 | - | 247,341 |
| Certificates of participation payable | 2,550,000 | - | - | - | - | 2,550,000 |
| Neighborhood improvement bonds | - | - | 240,000 | - | - | 240,000 |
| Revenue bonds payable | 1,457,380 | - | 5,765,000 | - | - | 7,222,380 |
| TOTAL NONCURRENT LIABILITIES | 4,052,363 | 132,603 | 6,063,112 | 11,643 | - | 10,259,721 |
| TOTAL LIABILITIES | 6,069,744 | 1,816,355 | 6,610,069 | 36,686 | 8,657 | 14,541,511 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 7,262,647 | 1,700,341 | 5,461,033 | 427,418 | 387,681 | 15,239,120 |
| Restricted for: | | | | | | |
| Debt Service | 225,786 | - | 1,989,734 | - | - | 2,215,520 |
| Unrestricted | 1,342,808 | 2,961,004 | 22,247 | 459,388 | 279,296 | 5,064,743 |
| TOTAL NET POSITION | \$ 8,831,241 | \$ 4,661,345 | \$ 7,473,014 | \$ 886,806 | \$ 666,977 | \$ 22,519,383 |

See accompanying notes.

CITY OF MONETT, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – ENTERPRISE FUNDS
 Year Ended March 31, 2014

| | Major Enterprise Funds | | | | | Total |
|---|------------------------|-------------------|------------------|----------------|----------------|-------------------|
| | Waterworks | Electric | Sewer | Sanitation | Fiber | Enterprise Funds |
| OPERATING REVENUES | | | | | | |
| Charges for services | \$ 2,730,465 | \$ 19,333,834 | \$ 2,450,237 | \$ 589,594 | \$ 276,048 | \$ 25,380,178 |
| Other | 19,420 | 58,078 | 82,537 | 3,404 | 19,756 | 183,195 |
| TOTAL OPERATING REVENUES | 2,749,885 | 19,391,912 | 2,532,774 | 592,998 | 295,804 | 25,563,373 |
| OPERATING EXPENSES | | | | | | |
| Wages and benefits | 617,471 | 942,938 | 627,347 | 199,905 | - | 2,387,661 |
| Professional and consulting service | 78,135 | 72,648 | 115,311 | - | 48,144 | 314,238 |
| Insurance | 19,647 | 79,987 | 24,446 | 5,248 | - | 129,328 |
| Repairs and maintenance | 290,061 | 104,459 | 250,998 | 44,352 | 12,228 | 702,098 |
| Utilities | 190,436 | 12,325 | 350,328 | 342 | 623 | 554,054 |
| Supplies | 237,669 | 121,843 | 42,101 | 5,076 | 45,425 | 452,114 |
| Depreciation | 351,981 | 217,037 | 764,260 | 64,144 | 46,468 | 1,443,890 |
| Other operating expenses | 54,671 | 125,707 | 66,896 | 71,964 | 20,702 | 339,940 |
| Purchase of Power | - | 15,339,891 | - | - | - | 15,339,891 |
| Landfill and recycling | - | - | - | 173,327 | - | 173,327 |
| TOTAL OPERATING EXPENSES | 1,840,071 | 17,016,835 | 2,241,687 | 564,358 | 173,590 | 21,836,541 |
| OPERATING INCOME | 909,814 | 2,375,077 | 291,087 | 28,640 | 122,214 | 3,726,832 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | |
| Investment income | 2,431 | 1,416 | 174,161 | - | - | 178,008 |
| Federal and State grants | 2,017,490 | - | - | - | - | 2,017,490 |
| Gain on asset disposal | 2,151 | - | 46,960 | - | - | 49,111 |
| Interest expense and fees | (219,358) | - | (353,157) | - | - | (572,515) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 1,802,714 | 1,416 | (132,036) | - | - | 1,672,094 |
| Income before contributions and transfers | 2,712,528 | 2,376,493 | 159,051 | 28,640 | 122,214 | 5,398,926 |
| Payments in lieu of taxes (PILOTS) | (282,160) | (1,934,857) | (279,957) | - | (29,580) | (2,526,554) |
| Transfers (out) | - | (750,000) | - | - | - | (750,000) |
| NET INCOME (LOSS) | 2,430,368 | (308,364) | (120,906) | 28,640 | 92,634 | 2,122,372 |
| NET POSITION, April 1, as restated | 6,400,873 | 4,969,709 | 7,593,920 | 858,166 | 574,343 | 20,397,011 |
| NET POSITION, March 31 | \$ 8,831,241 | \$ 4,661,345 | \$ 7,473,014 | \$ 886,806 | \$ 666,977 | \$ 22,519,383 |

See accompanying notes.

CITY OF MONETT, MISSOURI
STATEMENT OF CASH FLOWS – ENTERPRISE FUNDS
Year Ended March 31, 2014

| | Major Enterprise Funds | | | | | Total |
|---|------------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| | Waterworks | Electric | Sewer | Sanitation | Fiber | Enterprise Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Cash received from customers | \$ 2,740,871 | \$ 19,340,967 | \$ 2,442,221 | \$ 591,576 | \$ 274,544 | \$ 25,390,179 |
| Cash received from other sources | 19,420 | 16,445 | 82,537 | 3,404 | 19,756 | 141,562 |
| Cash payments to suppliers | 929,034 | (15,731,153) | (824,851) | (227,221) | (91,921) | (15,946,112) |
| Cash payments to employees | (612,449) | (983,068) | (623,031) | (200,844) | - | (2,419,392) |
| Cash payments for other expenses | (54,671) | (125,707) | (66,896) | (71,964) | (20,702) | (339,940) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 3,022,205 | 2,517,484 | 1,009,980 | 94,951 | 181,677 | 6,826,297 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | |
| Transfers (to) other funds | - | (750,000) | - | - | - | (750,000) |
| Transfers - Payments in lieu of taxes (PILOTS) | (282,160) | (1,934,857) | (279,956) | - | (29,580) | (2,526,553) |
| NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES | (282,160) | (2,684,857) | (279,956) | - | (29,580) | (3,276,553) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Interest expense & fees | (194,662) | - | (331,807) | - | - | (526,469) |
| Principal payment on capital lease | (78,782) | - | - | - | - | (78,782) |
| Purchase of capital acquisitions | (5,225,272) | (193,219) | (593,639) | - | (6,400) | (6,018,530) |
| Principal payment on certificates of participation | (80,000) | - | - | - | - | (80,000) |
| Principal payment on revenue bonds | - | - | (415,000) | - | - | (415,000) |
| Bond proceeds | 1,457,380 | - | - | - | - | 1,457,380 |
| Federal and state grants | 1,474,870 | - | - | - | - | 1,474,870 |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (2,646,466) | (193,219) | (1,340,446) | - | (6,400) | (4,186,531) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Investment income | 2,431 | 1,416 | 174,160 | - | - | 178,007 |
| Purchase of investments | (8,434) | - | - | - | - | (8,434) |
| Proceeds from maturity of investments | - | - | 421,496 | - | - | 421,496 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (6,003) | 1,416 | 595,656 | - | - | 591,069 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | | | | | |
| | 87,576 | (359,176) | (14,766) | 94,951 | 145,697 | (45,718) |
| CASH AND CASH EQUIVALENTS, Beginning of year | 2,326,756 | 2,839,667 | 14,766 | 339,297 | 72,351 | 5,592,837 |
| CASH AND CASH EQUIVALENTS, End of year | 2,414,332 | 2,480,491 | - | 434,248 | 218,048 | 5,547,119 |
| LESS RESTRICTED CASH AND CASH EQUIVALENTS | (225,786) | - | - | - | - | (225,786) |
| TOTAL UNRESTRICTED CASH AND CASH EQUIVALENTS | \$ 2,188,546 | \$ 2,480,491 | \$ - | \$ 434,248 | \$ 218,048 | \$ 5,321,333 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | | | |
| Operating income | \$ 909,814 | \$ 2,375,077 | \$ 291,087 | \$ 28,640 | \$ 122,214 | \$ 3,726,832 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation | 351,981 | 217,037 | 764,260 | 64,144 | 46,468 | 1,443,890 |
| Miscellaneous revenue | | | | | | |
| (Increase) decrease in accounts receivable | 5,577 | (29,199) | (8,016) | 1,982 | (1,504) | (31,160) |
| (Increase) in prepaid expenses | (11,596) | (14,992) | (6,574) | (528) | - | (33,690) |
| (Increase) decrease in inventory | 62,522 | (8,956) | 6,992 | - | 9,465 | 70,023 |
| Increase (decrease) in accounts payable | 1,694,056 | (17,685) | (42,085) | 1,652 | 5,034 | 1,640,972 |
| Increase (decrease) in accrued payroll | (418) | (571) | (1,239) | 228 | - | (2,000) |
| Increase in customer deposits | 4,829 | 36,332 | - | - | - | 41,161 |
| Increase (decrease) in accrued compensated absences | 5,440 | (39,559) | 5,555 | (1,167) | - | (29,731) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$ 3,022,205 | \$ 2,517,484 | \$ 1,009,980 | \$ 94,951 | \$ 181,677 | \$ 6,826,297 |

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Monett, Missouri, was incorporated as a town in 1888 and, as a city on March 3, 1913, 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 tenus that expire in April 2016. 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 accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will, or the component unit may provide financial benefits or impose a burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by a Mayor-Board of Commission. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that no other outside entity meets the above criteria and therefore, no other entity has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity for which the City would be considered as a component unit of that entity.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. 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 Position, both the governmental and business-type activities are 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 information to improve 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 and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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.

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. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Tax Increment Financing #1 Fund: The Tax Increment Financing #1 Fund is used to account for resources restricted for debt service.

Tax Increment Financing #2 Fund: The Tax Increment Financing #2 Fund is used to account for resources restricted for debt service.

The City reports the following major proprietary funds:

Waterwork Fund: 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 Fund: 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 Fund: 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 Fund: 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 Fund: This fund accounts for the operations, maintenance, and improvement activities of the existing fiber optic system and capital improvements pertaining to the equipment and infrastructure.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets include land, buildings, 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 five years. 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.

In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

| | |
|-------------------------|---------------|
| Buildings | 5 - 40 years |
| Improvements | 5 - 40 years |
| Machinery and equipment | 3 - 40 years |
| Infrastructure | 20 - 40 years |

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Deposits and Investments

City monies are deposited in FDIC-insured banks. Deposits 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 fair value. Investment in securities at March 31, 2014, consists mainly of certificates of deposit and obligations of government backed securities. The City classifies its investments as available-for-sale securities. Available-for-sale securities are recorded at fair value. The fair values of governmental invested mutual funds are based on quoted market prices for those or similar investments at the reporting date.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If a fixed maturity security is in an unrealized loss position and the City has the intent to sell the fixed maturity security, or it is more likely than not that the City will have to sell the fixed maturity security before recovery of its amortized cost basis, the decline in value is deemed to be other-than-temporary and is recorded as an other-than-temporary impairment loss recognized in the City's Statement of Activities. For impaired fixed maturity securities that the City does not intend to sell or it is more likely than not that such securities will not have to be sold, but the City expects not to fully recover the amortized cost basis, the credit component of the other-than-temporary impairment is recorded as an other-than-temporary impairment loss recognized in the City's Statement of Net Position and the non-credit component of the other-than-temporary impairment is reported in other comprehensive income. Unrealized losses entirely caused by non-credit related factors related to fixed maturity securities for which the City expects to fully recover the amortized cost basis are reported in accumulated other comprehensive income.

The unrealized gains or losses on the City's equity securities classified as available-for-sale are included in accumulated other comprehensive income as a separate component of surplus equity, unless the decline in value is deemed to be other-than-temporary and the City does not have the intent and ability to hold such equity securities until their full cost can be recovered, in which case such equity securities are written down to fair value and the loss is charged to other-than-temporary impairment losses recognized in earnings.

A decline in the fair value of any available-for-sale security below cost that is deemed to be other-than-temporary results in an impairment reducing the carrying amount to fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether impairment is other-than-temporary, the City considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, market conditions, changes in value subsequent to year end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield. Dividend and interest income are recognized when earned.

Pooled Cash And Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unassigned and Assigned Fund Balance

The unassigned and assigned fund balances for governmental funds represent the amount available for budgeting future operations.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. Inventory usage is recognized on the consumption method.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after March 31 of that year.

Compensated Absences

Employees earn vacation time based on the number of year's service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

Use of Estimates

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with FASB Accounting Standards Codification Topic No. 835-20-30 – *The Amount Interest Cost to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

New Pronouncements

The Governmental Accounting Standards Board (GASB) issued Statement No. 63 – *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position* for reporting periods beginning after December 15, 2011. This statement provides financial reporting guidance and standardization for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis*, by incorporating deferred inflows and deferred outflows into the definition of the required components of residual measure and by renaming that measure as net position, rather than net assets.

The Governmental Accounting Standards Board (GASB) issued Statement No. 65 – *Items Previously Reported as Assets and Liabilities* (GASB 65) effective for reporting periods beginning after December 15, 2012, though early application was encouraged. The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources, certain items that were previously reported as assets and liabilities.

The City adopted GASB Statements No. 63 and 65 for the year ended March 31, 2014.

Net Position

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

Net Investment in Capital Assets – 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 position that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted – This consists of net position that does not meet the definition of restricted or invested in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Council removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2014, reflect payments in lieu of taxes (PILOTS) to the City of \$2,526,554.

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.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of March 31, 2014, all bank balances on deposit are entirely insured or collateralized.

The City of Monett maintains a cash pool that is available for use by all government funds.

NOTE C – 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.

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE C – INVESTMENTS (continued)

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, 2014, the City held the following investments, all of which have maturities of more than 24 months:

| Investment Type | Maturity | Fair Value |
|---------------------------------------|-----------------------|---------------------|
| Certificates of Deposit | 5/15/2014 - 4/24/2015 | \$ 1,539,237 |
| Government Agencies Pool Certificates | 4/15/2024 - 6/20/2037 | |
| GNMA II | | 518,928 |
| GNMA | | 58,176 |
| FNMA | | 44,475 |
| | | <u>\$ 2,160,816</u> |

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of March 31, 2014, all certificates of deposit are entirely insured or collateralized with securities.

The accredited cost, gross unrealized gains, gross unrealized losses, and estimated fair value of available-for-sale securities by U.S. Agency at March 31, 2014, were as follows:

| | Accredited Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|--------------|--------------------|------------------------------|-------------------------------|----------------------------|
| U.S. Agency: | | | | |
| GNMA II | \$ 519,928 | \$ - | \$ - | \$ 519,928 |
| GNMA | 58,176 | - | - | 58,176 |
| FNMA | 44,476 | - | - | 44,476 |
| | <u>\$ 622,580</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 622,580</u> |

NOTE C – INVESTMENTS (continued)

The fair values of all of the available-for-sale securities as of March 31, 2014, are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs). The City regularly monitors and evaluates the difference between the cost and estimated fair value of investments. For investments with a fair value below cost, the process includes evaluating: (1) the length of time and the extent to which the estimated fair value has been less than amortized cost for fixed maturity securities, or cost for equity securities, (2) the financial condition, near-term and long-term prospects for the issuer, including relevant industry conditions and trends, and implications of rating agency actions, (3) the City's intent to sell or the likelihood of a required sale prior to recovery, (4) the recoverability of principal and interest for fixed maturity securities, or cost for equity securities, and (5) other factors, as applicable. This process is not exact and requires consideration of risks such as credit and interest rate risks. Consequently, if an investment's cost exceeds its estimated fair value solely due to changes in interest rates, other-than-temporary impairment may not be appropriate. Due to the subjective nature of the City's analysis, along with the judgment that must be applied in the analysis, it is possible that the City could reach a different conclusion whether or not to impair a security if it had access to additional information about the investee. Additionally, it is possible that the investee's ability to meet future contractual obligations may be different than determined by the City during its analysis, which may lead to a different impairment conclusion in future periods. If, after monitoring and analyzing impaired securities, the City determines that a decline in the estimated fair value of any available-for-sale security below cost is other-than-temporary, the carrying amount of the security is reduced to its fair value by the credit component of the other-than-temporary impairment. The new cost basis of an impaired security is not adjusted for subsequent increases in estimated fair value. In periods subsequent to the recognition of an other-than-temporary impairment, the impaired security is accounted for as if it had been purchased on the measurement date of the impairment. For debt securities, the discount (or reduced premium) based on the new cost basis may be accreted into net investment income in future periods based on prospective changes in cash flow estimates, to reflect adjustments to the effective yield.

The City continues to review the investment portfolios. Given the current market conditions and the significant judgments involved, there is a continuing risk that further declines in fair value may occur and material other-than-temporary impairments may be recorded in future periods.

U.S. Government Debt Securities and State and Local Government Debt Securities – Any specific unrealized loss on the City's investments in debt securities was mainly caused by fluctuations in interest rate and general market conditions. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the par value of the investment. In addition, most of these investments have investment grade ratings. These investments are not considered other-than-temporarily impaired, for the following reasons: (1) the decline in fair value is attributable to changes in interest rates and not credit quality; (2) the City does not intend to sell the investments; (3) the City does not expect to be required to sell the investments before recovery of their amortized cost basis, which may be maturity; and (4) the City expects to collect all contractual cash flows.

NOTE C – INVESTMENTS (continued)

Certificates of Deposits - negotiable – Any specific unrealized loss on the City's investments in certificates of deposits negotiable securities are mainly caused by fluctuations in interest rate and general market conditions. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the face value of the investment. These investments are not considered other-than-temporarily impaired, for the following reasons: (1) the decline in fair value is attributable to changes in interest rates and not credit quality; (2) the City does not intend to sell the investments; (3) the City does not expect to be required to sell the investments before recovery of their amortized cost basis, which may be maturity; and (4) the City expects to collect all contractual cash flows.

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 are 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 increases 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 issuer to fulfill their obligations. The City minimizes credit risk by diversifying the portfolio to that potential losses on individual fixed income securities will be minimized. As of March 31, 2014, the City's investments were rated by Moody's Investment Service or Standard & Poor's as follows:

| <u>Investment Type</u> | <u>Rating</u> |
|------------------------|---------------|
| U.S. Agency Securities | AAA |

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE D – ASSESSED VALUATION, TAX LEVY, AND LEGAL DEBT MARGIN

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

| | |
|--|-----------------------|
| | <u>2013</u> |
| Assessed Valuation | |
| Real estate | \$ 94,071,349 |
| Personal property | <u>35,704,553</u> |
| TOTAL | <u>\$ 129,775,902</u> |
| | <u>2013</u> |
| Tax Rate Per \$100 of Assessed Valuation | |
| General Fund | <u>\$ -</u> |

The legal debt margin at March 31, 2014, was computed as follows:

| | <u>General Obligation Bonds</u> | | |
|----------------------------------|---------------------------------|-----------------------|----------------------|
| | <u>Ordinary (1)</u> | <u>Additional (2)</u> | <u>Total</u> |
| Constitutional Debt Limit | \$ 12,977,590 | \$ 12,977,590 | \$ 25,955,180 |
| General Obligation Bonds Payable | <u>(293,638)</u> | <u>-</u> | <u>(293,638)</u> |
| LEGAL DEBT MARGIN | <u>\$ 12,683,952</u> | <u>\$ 12,977,590</u> | <u>\$ 25,661,542</u> |

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

NOTE E – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

Long-term debt in the Enterprise Fund consists of the following:

2.00% to 5.10% General Obligation Bonds, Neighborhood Improvement District Bonds Series 2004 due through September 1, 2014, callable on or after September 1, 2012, 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. This had an original issuance of \$394,230 dated September 2004. \$ 260,000

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, 2013 at 100% principal. Monies generated from this debt issuance were combined with monies from the State Environment Improvement and Energy Resources Authority to construct wastewater treatment and clean water facilities for the City (Drinking Water Loan). The bond had an original issuance of \$8,950,000 beginning in April 2003. 6,200,000

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 \$81,398 with interest at 3.52%, and is payable in semi-annual installments through December 2014. 81,398

In 2010, the City accepted the United Missouri Bank bid to acquire leasehold certificates of participation, and subsequently entered into a Lease Purchase Agreement for the purpose of constructing a water line project. Currently the agreement has a present value of lease payments of \$2,630,000, with interest at 3.49%, and is payable in annual installments through July 2035. Monies are being held in the amount of \$220,000 in the event the City could not meet its debt payment. 2,630,000

On September 9, 2013, the City approved the issuance of combined waterworks and sewerage system revenue bonds in an amount not to exceed \$11,012,000 for the purpose of paying all or part of the costs of improving the water and sewerage system. As of March 31, 2014, \$1,457,380 of the bonds have been issued. Five-year maturities of principal and interest are not presented since the project was not complete as of March 31, 2014. 1,457,380

\$ 10,628,778

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE E – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

The annual debt service requirements to amortize the principal on the business-type activities debt outstanding at March 31, 2014, are listed in the following table:

| Year Ended March 31, | General Obligation Bonds - Sewer | | | Revenue Bonds - Sewer | | | Capital Lease Obligation - Water | | |
|-------------------------|----------------------------------|------------------|-------------------|-----------------------|---------------------|---------------------|----------------------------------|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2015 | \$ 20,000 | \$ 12,300 | \$ 32,300 | \$ 435,000 | \$ 304,626 | \$ 739,626 | \$ 161,398 | \$ 160,677 | \$ 322,075 |
| 2016 | 20,000 | 11,400 | 31,400 | 460,000 | 281,789 | 741,789 | 80,000 | 155,698 | 235,698 |
| 2017 | 20,000 | 10,470 | 30,470 | 480,000 | 258,788 | 738,788 | 85,000 | 152,413 | 237,413 |
| 2018 | 20,000 | 9,520 | 29,520 | 505,000 | 234,788 | 739,788 | 85,000 | 148,715 | 233,715 |
| 2019 | 25,000 | 8,550 | 33,550 | 530,000 | 205,908 | 735,908 | 85,000 | 144,762 | 229,762 |
| 2020-2024 | 125,000 | 24,610 | 149,610 | 3,080,000 | 619,341 | 3,699,341 | 475,000 | 651,549 | 1,126,549 |
| 2025-2026 | 30,000 | 745 | 30,745 | 710,000 | 33,370 | 743,370 | 555,000 | 500,060 | 1,055,060 |
| 2027-2031 | - | - | - | - | - | - | 660,000 | 300,413 | 960,413 |
| 2032-2035 | - | - | - | - | - | - | 525,000 | 44,625 | 569,625 |
| | <u>\$ 260,000</u> | <u>\$ 77,595</u> | <u>\$ 337,595</u> | <u>\$ 6,200,000</u> | <u>\$ 1,938,610</u> | <u>\$ 8,138,610</u> | <u>\$ 2,711,398</u> | <u>\$ 2,258,912</u> | <u>\$ 4,970,310</u> |

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE E – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

A summary of the changes in long-term debt – business-type activities for the year ended March 31, 2014, is as follows:

| | Balance March 31, 2013 | Additions | Retirements | Balance March 31, 2014 | Amounts Due Within One Year |
|--------------------------------|------------------------------|---------------------|-------------------|------------------------------|-----------------------------------|
| Neighborhood improvement bonds | | | | | |
| Series 2005 | \$ 275,000 | \$ - | \$ 15,000 | \$ 260,000 | \$ 20,000 |
| Revenue bonds | | | | | |
| Series 2003 | 6,545,000 | - | 345,000 | 6,200,000 | 435,000 |
| Series 2013 | - | 1,457,380 | - | 1,457,380 | - |
| Series 1992A | 70,000 | - | 70,000 | - | - |
| Certificates of Participation | | | | | |
| Series 2004 | 160,180 | - | 78,782 | 81,398 | 81,398 |
| Series 2013 | 2,710,000 | - | 80,000 | 2,630,000 | 80,000 |
| | 9,760,180 | 1,457,380 | 588,782 | 10,628,778 | 616,398 |
| Compensated Absences | 277,072 | - | 29,731 | 247,341 | - |
| TOTAL | <u>\$10,107,252</u> | <u>\$ 1,457,380</u> | <u>\$ 688,513</u> | <u>\$10,876,119</u> | <u>\$ 616,398</u> |

The City's lease/purchase agreements provide for the cancellation of the leases at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at March 31, 2014, consists of the following:

| | |
|---|-----------|
| 4.15% General Obligation Bonds, Neighborhood Improvement District Bonds Series 2005, due through September 6, 2015. This bond had an original issuance of \$148,000 dated September 2005. | \$ 33,638 |
|---|-----------|

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

| | |
|---|-----------|
| 3.80% 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, 2012 through 2014, optional redemption beginning October 1, 2013, at 100% of the principal. Original issuance of \$6,100,000 in December 2007 had a partial defeasance of \$590,000 with the issuance of the Series 2007 bonds. Monies generated from these bonds were used in combination with monies from the Burlington Northern Santa Fe Railroad to build an overpass on Eisenhower Street. | 455,000 |
| 4.00% to 4.5% Subordinate Tax Increment Allocation Bonds, Junior Series 2008 (Hwy 60 Amended Redevelopment Project TIF #1) interest due semi-annually April 1 and October 1 with bonds maturing October 1, 2014 through 2018, optional redemption begins October 1, 2013, at 100% of the principal. Funding from this issuance was to further expand and improve the infrastructure of and adjacent to Highway 60. The bond had an original issuance of \$3,000,000 beginning in February 2008. | 1,720,000 |
| 5.00% Tax Increment Allocation Bonds Series 2005A (East Hwy 60 Infrastructure Project TIF #1) interest due semi-annually January 1 and July 1, with principal and bonds maturing January 1, 2028, optional redemption beginning January 1, 2012, at 100% of the principal. These monies were specifically generated to make improvements on and around Chapel Drive. The bond had an original issuance of \$1,630,000 beginning in August 2005. | 975,000 |
| 5.25% Tax Increment Allocation Bonds Series 2005B (RPA #1 Infrastructure Improvements Project TIF #2) interest due semi-annually January 1 and July 1, maturing January 1, 2028, optional redemption beginning January 1, 2012, 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. The bond had an original issuance of \$2,535,000 beginning in August 2005. | 2,535,000 |

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Certain developers applied for reimbursement of the cost of infrastructure should the City receive an increase in the sales taxes collected from the TIF district. The related infrastructure was given to the City and is included as capital assets. There is no scheduled payment for any future reimbursement, and any liability remaining upon the dissolution of the TIF district in 2019 will be eliminated. Therefore, five-year amortization schedule of payments is not presented. 512,489

In 2012, the City accepted the Community National Bank, N.A. bid to acquire leasehold certificates of participation, and subsequently entered into a Lease Purchase Agreement for the purpose of constructing a community building (Casino). Currently the agreement has a present value of lease payments of \$1,366,016, with interest at 2.75%, and is payable in semi-annual installments through December 2022. 1,366,016

Wells Fargo Brokerage Services, LLC, Governmental Lease-Purchase Agreement: Amount of the original lease was \$759,000 dated February 25, 2009. The present value of lease payments are \$336,612, 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. 336,612

Yamaha Motor Corporation Commercial Customer Finance Lease Agreement: Amount of the original lease was \$86,300 dated July 2009 to purchase 24 golf carts. The present value of lease payments is \$38,071 at year end, with interest at 4.88% and is payable in monthly payments through November 2014. 38,071

Wells Fargo Brokerage Services, LLC: In January 2008, the City entered into a \$3,000,000 lease for which the funds were used to expand the police station and municipal court facilities by building the new Monett Justice Center. The present value of lease payments at March 31, 2013, is \$660,000, with interest at 4.10%, and is payable in annual installments through January 2016. 660,000

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

US BanCorp: In 2012, the City entered into a \$264,726 lease for which the funds were used to purchase a 2012 Pierce Kenworth pumper truck. The lease was refinanced in the current year. The present value of lease payments at March 31, 2014, is \$164,922, with interest at 1.69%, and is payable in annual installements through April 2017. 164,922

PNC Equipment Finance, LLC: In 2012, the City entered into a \$12,983 lease for which the funds were used to purchase irrigation equipment for the golf course. The present value of lease payments at March 31, 2014, is \$8,656, with interest at 0%, and is payable in annual installments through February 2016. 8,656

On November 20, 2013, the City entered into a loan agreement with EFCO for the purchase of an airport hangar. The loan requires annual payments of \$20,000. 60,000

\$ 8,865,404

The annual debt service requirements to amortize principal on the governmental-activities debt outstanding at March 31, 2014, are listed in the following tables:

| Year Ended March 31, | Limited General Obligation bonds | | |
|-------------------------|----------------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2015 | \$ 17,358 | \$ 1,026 | \$ 18,384 |
| 2016 | 16,280 | 2,426 | 18,706 |
| | <u>\$ 33,638</u> | <u>\$ 3,452</u> | <u>\$ 37,090</u> |

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

| Year Ended March 31, | Tax Increment Allocation Bonds | | |
|-------------------------|--------------------------------|---------------------|---------------------|
| | Principal | Interest | Total |
| 2015 | \$ 455,000 | \$ 324,200 | \$ 779,200 |
| 2016 | - | 306,683 | 306,683 |
| 2017 | 315,000 | 282,698 | 597,698 |
| 2018 | 775,000 | 252,038 | 1,027,038 |
| 2019 | 630,000 | 217,938 | 847,938 |
| 2020-2024 | - | 947,938 | 947,938 |
| 2025-2028 | 3,510,000 | 758,350 | 4,268,350 |
| | <u>\$ 5,685,000</u> | <u>\$ 3,089,845</u> | <u>\$ 8,774,845</u> |

| Year Ended March 31, | Capital Lease Obligations | | |
|-------------------------|---------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2015 | \$ 724,385 | \$ 77,138 | \$ 801,523 |
| 2016 | 573,242 | 49,159 | 622,401 |
| 2017 | 300,655 | 34,932 | 335,587 |
| 2018 | 235,881 | 27,625 | 263,506 |
| 2019 | 151,403 | 20,963 | 172,366 |
| 2020-2024 | 648,711 | 40,748 | 689,459 |
| | <u>\$ 2,634,277</u> | <u>\$ 250,565</u> | <u>\$ 2,884,842</u> |

The City's lease/purchase agreements provide for the cancellation of the leases at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancellable capital leases in accordance with FASB Accounting Standards Codification Topic ASC-840-30-30, "Accounting for Capital Leases".

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

A summary of the changes in long-term debt – governmental activities for the year ended March 31, 2014, is as follows:

| | Balance March 31, <u>2013</u> | <u>Additions</u> | <u>Retirements</u> | Balance March 31, <u>2014</u> | Amounts Due Within <u>One Year</u> |
|--|-------------------------------------|-------------------|---------------------|-------------------------------------|--|
| Neighborhood improvement bonds | | | | | |
| Valley View | \$ 49,950 | \$ - | \$ 16,312 | \$ 33,638 | \$ 17,359 |
| Tax allocation Bonds | | | | | |
| Series 2007 | 1,075,000 | - | 620,000 | 455,000 | 455,000 |
| Series 2008 | 2,720,000 | - | 1,000,000 | 1,720,000 | - |
| Series 2005A | 1,130,000 | - | 155,000 | 975,000 | - |
| Series 2005B | 2,535,000 | - | - | 2,535,000 | - |
| TIF developer agreement | 540,194 | - | 27,705 | 512,489 | - |
| Capital Leases | | | | | |
| 2012 lease certificates of participation | 1,500,000 | - | 133,984 | 1,366,016 | 135,733 |
| Golf equipment lease | 12,623 | - | 3,967 | 8,656 | 4,332 |
| Golf carts lease | 50,451 | - | 12,380 | 38,071 | 38,071 |
| Justice Center 2008 lease | 1,050,000 | - | 390,000 | 660,000 | 390,000 |
| Justice Center 2009 lease | 413,188 | - | 76,576 | 336,612 | 79,553 |
| Pumper truck lease | 214,693 | - | 49,771 | 164,922 | 56,701 |
| Airport hanger lease | - | 70,000 | 10,000 | 60,000 | 20,000 |
| Net pension obligation | - | 66,963 | - | 66,963 | - |
| Compensated absences payable | 406,420 | 17,708 | - | 424,128 | - |
| TOTAL | <u>\$ 11,697,519</u> | <u>\$ 154,671</u> | <u>\$ 2,495,695</u> | <u>\$ 9,356,495</u> | <u>\$ 1,196,749</u> |

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE G – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2014, was as follows:

| | Balance March 31, 2013 | Additions | Deletions | Balance March 31, 2014 |
|---------------------------------------|------------------------------|---------------------|-------------------|------------------------------|
| Governmental Activities | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Construction in progress | \$ 676,394 | \$ 624,412 | \$ 574,999 | \$ 725,807 |
| Land | 884,679 | 506,750 | 2,400 | 1,389,029 |
| Total Non-depreciable Capital Assets | <u>\$ 1,561,073</u> | <u>\$ 1,131,162</u> | <u>\$ 577,399</u> | <u>\$ 2,114,836</u> |
| Depreciable Capital Assets: | | | | |
| Building and improvements | \$ 6,430,263 | \$ 1,731,196 | \$ 499,324 | \$ 7,662,135 |
| Machinery and equipment | 6,791,261 | 206,663 | 251,451 | 6,746,473 |
| Infrastructure | 28,277,456 | - | 8,856 | 28,268,600 |
| Total Depreciable Capital Assets | 41,498,980 | <u>\$ 1,937,859</u> | <u>\$ 759,631</u> | 42,677,208 |
| Less Accumulated Depreciation | 19,087,790 | <u>\$ 1,715,813</u> | <u>\$ 602,912</u> | 20,200,691 |
| Total Depreciable Capital Assets, net | <u>\$ 22,411,190</u> | | | <u>\$ 22,476,517</u> |

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE G – CAPITAL ASSETS (continued)

Depreciation expense for governmental activities was charged to functions as follows:

| | |
|-------------------------------|---------------------|
| Administration | \$ 21,315 |
| 911 | 22,695 |
| Airport | 187,179 |
| Building official | 1,831 |
| Casino and community building | 63,488 |
| Cemetery | 9,649 |
| Emergency management | 6,273 |
| Fire | 82,317 |
| Golf | 162,958 |
| Shop | 6,181 |
| North Park | 21,894 |
| Police | 217,626 |
| Pool | 16,408 |
| Recreation | 7,879 |
| South park | 35,868 |
| Street | 852,252 |
| | <u>\$ 1,715,813</u> |

| | Balance March 31, 2013 | Additions | Deletions | Balance March 31, 2014 |
|--------------------------------------|------------------------------|---------------------|-------------|------------------------------|
| Business-Type Activities | | | | |
| Water | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | \$ 56,932 | \$ - | \$ - | \$ 56,932 |
| Construction in progress | - | 4,569,089 | - | 4,569,089 |
| Total Non-Depreciable Capital Assets | 56,932 | <u>\$ 4,569,089</u> | <u>\$ -</u> | 4,626,021 |

CITY OF MONETT, MISSOURI
NOTES TO FINANCIAL STATEMENTS
March 31, 2014

NOTE G – CAPITAL ASSETS (continued)

| | Balance March 31, 2013 | Additions | Deletions | Balance March 31, 2014 |
|--|------------------------------|-------------------|-------------------|------------------------------|
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 908,946 | \$ - | \$ - | 908,946 |
| Machinery and equipment | 506,698 | - | - | 506,698 |
| Equipment | 9,666,693 | 658,333 | - | 10,325,026 |
| Total Depreciable Capital Assets | 11,082,337 | <u>\$ 658,333</u> | <u>\$ -</u> | 11,740,670 |
| Less Accumulated Depreciation | 4,583,285 | <u>\$ 351,981</u> | <u>\$ -</u> | 4,935,266 |
| Depreciable Capital Assets, net | 6,499,052 | | | 6,805,404 |
| Electric | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | 58,400 | \$ - | \$ - | 58,400 |
| Total Non-Depreciable Capital Assets | 58,400 | <u>\$ -</u> | <u>\$ -</u> | 58,400 |
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 769,757 | \$ - | \$ - | 769,757 |
| Machinery and equipment | 1,088,809 | 193,222 | 158,044 | 1,123,987 |
| Infrastructure | 5,381,749 | - | - | 5,381,749 |
| Total Depreciable Capital Assets | 7,240,315 | <u>\$ 193,222</u> | <u>\$ 158,044</u> | 7,275,493 |
| Less Accumulated Depreciation | 5,574,558 | <u>\$ 186,406</u> | <u>\$ 127,412</u> | 5,633,552 |
| Depreciable Capital Assets, net | 1,665,757 | | | 1,641,941 |
| Sewer | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | 178,071 | \$ - | \$ - | 178,071 |
| Construction in progress | 97,989 | 10,893 | - | 108,882 |
| Total Non-Depreciable Capital Assets | 276,060 | <u>\$ 10,893</u> | <u>\$ -</u> | 286,953 |
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 33,705 | \$ - | \$ - | 33,707 |
| Machinery and equipment | 494,598 | 496,970 | 138,522 | 853,046 |
| Infrastructure | 25,419,028 | 132,737 | - | 25,551,765 |
| Total Depreciable Capital Assets | 25,947,331 | <u>\$ 629,707</u> | <u>\$ 138,522</u> | 26,438,518 |
| Less Accumulated Depreciation | 14,658,699 | <u>\$ 764,721</u> | <u>\$ 138,982</u> | 15,284,438 |
| Depreciable Capital Assets, net | 11,288,632 | | | 11,154,080 |

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE G – CAPITAL ASSETS (continued)

| | Balance March 31, 2013 | Additions | Deletions | Balance March 31, 2014 |
|----------------------------------|------------------------------|-----------|-----------|------------------------------|
| Sanitation | | | | |
| Non-Depreciable Capital Assets: | | | | |
| Land | 12,101 | \$ - | \$ - | 12,101 |
| Depreciable Capital Assets: | | | | |
| Buildings and improvements | 84,878 | - | - | 84,878 |
| Machinery and Equipment | 937,442 | - | - | 937,442 |
| Infrastructure | 61,189 | - | - | 61,189 |
| Total Depreciable Capital Assets | 1,083,509 | \$ - | \$ - | 1,083,509 |
| Less Accumulated Depreciation | 604,048 | \$ 64,144 | \$ - | 668,192 |
| Depreciable Capital Assets, net | 479,461 | | | 415,317 |
| Fiber | | | | |
| Depreciable Capital Assets: | | | | |
| Machinery and Equipment | 145,122 | \$ 6,400 | \$ - | 151,522 |
| Infrastructure | 635,923 | - | - | 635,923 |
| Total Depreciable Capital Assets | 781,045 | \$ 6,400 | \$ - | 787,445 |
| Less Accumulated Depreciation | 353,296 | \$ 46,468 | \$ - | 399,764 |
| Depreciable Capital Assets, net | 427,749 | | | 387,681 |
| Total Capital Assets, net | \$ 20,764,144 | | | \$ 25,387,898 |

NOTE H – EMPLOYEE PENSION PLAN

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.

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE H – EMPLOYEE PENSION PLAN (continued)

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

Full-time employees of the City of Monett contribute 4% to the pension plan. The June 30th statutorily required contribution rates are 12.9% (General), 11.2% (Police), and 13.5% (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 (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

| | |
|--|-------------------------|
| Annual required contribution | \$ 610,587 |
| Interest on net pension obligation | 5,244 |
| Adjustment to annual required contribution | <u>(5,111)</u> |
| Annual pension cost | 610,720 |
| Actual contributions | <u>616,082</u> |
| Increase in NPO | (5,362) |
| NPO beginning of year | <u>72,325</u> |
| NPO end of year | <u><u>\$ 66,963</u></u> |

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE H – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2011, and February 29, 2012, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2011, was 19 years for the General division, 15 years for the Police division, and 30 years for the Fire division. The amortization period as of February 29, 2012, was 22 years for the General division, 30 years for the Police division, and 4 years for the Fire division.

Three-Year Trend Information

| Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-----------------------|------------------------------|-------------------------------------|---------------------------|
| 2011 | \$ 567,449 | 90.9% | \$ 68,172 |
| 2012 | 609,123 | 99.3% | 72,325 |
| 2013 | 610,720 | 100.9% | 66,963 |

The actuarial valuation revealed the following relating to the financial position of the Plan:

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability | (b-a) Unfunded Accrued Liability (UAL) | (a/b) Funded Ratio | (c) Annual Covered Payroll | [(b-a)/c] UAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|--|--------------------------|-------------------------------------|--|
| 02/28/2013 | \$ 12,197,958 | \$ 13,887,210 | \$ 1,689,252 | 88% | \$ 4,530,385 | 37% |

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE I – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE J – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of March 31, 2014, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE K – PLEDGED REVENUES

The City has pledged future sales and property tax revenues in the TIF districts to repay the 2007, 2008 and 2005A and 2005B tax allocation revenue bonds issued to make improvements in the Districts. The bonds are payable solely from increased sales and property taxes and are payable through 2024. The total principal, interest and fees remaining to be paid on the bonds is \$5,685,000. Principal and interest paid for the current year and total tax allocation revenues were \$2,118,304 and \$4,110,323, respectively.

CITY OF MONETT, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 March 31, 2014

NOTE L – COMMITMENT

As of March 31, 2014, the City was committed on the following projects:

| <u>Contractor</u> | <u>Project</u> | <u>Amount</u> |
|-----------------------------|-----------------------|---------------|
| Crossland Heavy Contractors | Water treatment plant | \$ 8,721,806 |
| Springfield Builders | Safe room project | \$ 573,465 |

NOTE M – RESTATEMENT

During the year ended March 31, 2014, the City adopted the provisions of GASB statement Number 65 – *Items Previously Reported as Assets and Liabilities*. Net position has been restated for the adoption as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Waterworks Fund</u> | <u>Sewer Fund</u> |
|---|------------------------------------|-------------------------------------|----------------------------|-----------------------|
| Net Position, as previously stated, March 31, 2013 | \$ 16,407,208 | \$ 20,816,707 | \$ 6,473,763 | \$ 7,940,726 |
| Bond issue costs | <u>(271,748)</u> | <u>(419,696)</u> | <u>(72,890)</u> | <u>(346,806)</u> |
| Net Position, as restated, April 1, 2013 | <u>\$ 16,135,460</u> | <u>\$ 20,397,011</u> | <u>\$ 6,400,873</u> | <u>\$ 7,593,920</u> |

NOTE N – SUBSEQUENT EVENT

On May 1, 2014, the City entered into a lease purchase agreement in the amount of \$155,000 for the purchase of golf equipment. The agreement requires annual payments of \$40,987 including interest at 2.3% through May 1, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONETT, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended March 31, 2014

Missouri Local Government Employees Retirement System (LAGERS)

| Actuarial Valuation Date | (a) Actuarial Value of Assets | (b) Entry Age Actuarial Accrued Liability | (b-a) Unfunded Accrued Liability (UAL) | (a/b) Funded Ratio | (c) Annual Covered Payroll | [(b-a)/c] UAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|--|--------------------------|-------------------------------------|--|
| 02/28/2011 | \$ 9,908,020 | \$ 11,019,500 | \$ 1,111,480 | 90% | \$ 4,443,165 | 25% |
| 02/28/2012 | 10,818,828 | 12,985,570 | 2,166,742 | 83% | 4,443,828 | 49% |
| 02/28/2013 | 12,197,958 | 13,887,210 | 1,689,252 | 88% | 4,530,385 | 37% |

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF MONETT, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended March 31, 2014

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|-----------------------------------|--------------------|------------------|------------------|-------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Surtax | \$ 40,000 | \$ 40,000 | \$ 41,873 | \$ 1,873 |
| Motor vehicle sales and fuel tax | 311,250 | 311,250 | 326,194 | 14,944 |
| Sales tax | 2,531,175 | 2,531,175 | 2,445,152 | (86,023) |
| Franchise taxes | 490,250 | 490,250 | 417,543 | (72,707) |
| Other taxes | 18,170 | 18,170 | - | (18,170) |
| | <u>3,390,845</u> | <u>3,390,845</u> | <u>3,230,762</u> | <u>(160,083)</u> |
| Licenses and Permits | | | | |
| Building permits | 17,500 | 17,500 | 9,662 | (7,838) |
| Business licenses | 14,000 | 14,000 | 13,351 | (649) |
| Other | 125 | 125 | 160 | 35 |
| | <u>31,625</u> | <u>31,625</u> | <u>23,173</u> | <u>(8,452)</u> |
| Intergovernmental Revenues | | | | |
| Federal and State Grants | 503,305 | 503,305 | 861,872 | 358,567 |
| Other | 145,860 | 145,860 | 140,065 | (5,795) |
| | <u>649,165</u> | <u>649,165</u> | <u>1,001,937</u> | <u>352,772</u> |
| Charges for Services | | | | |
| Parks and recreation | 10,300 | 10,300 | 7,758 | (2,542) |
| Cemetery | 25,100 | 25,100 | 24,485 | (615) |
| Jail boarding fees | 7,050 | 7,050 | 7,923 | 873 |
| Rental income | 86,870 | 86,870 | 123,985 | 37,115 |
| E911 | 44,900 | 44,900 | 43,207 | (1,693) |
| Fuel sales | 110,000 | 110,000 | 105,845 | (4,155) |
| Golf | 276,750 | 276,750 | 269,545 | (7,205) |
| Fines and forfeitures | 182,750 | 182,750 | 210,909 | 28,159 |
| Street repair | 5,000 | 5,000 | 4,471 | (529) |
| Other | 37,000 | 37,000 | 3,406 | (33,594) |
| | <u>785,720</u> | <u>785,720</u> | <u>801,534</u> | <u>15,814</u> |
| Miscellaneous | | | | |
| Interest | 6,500 | 6,500 | 4,252 | (2,248) |
| Donations and other contributions | 7,000 | 7,000 | 6,378 | (622) |
| Sale of property | 6,500 | 6,500 | 177,686 | 171,186 |
| Other | 59,350 | 59,350 | 129,177 | 69,827 |
| | <u>79,350</u> | <u>79,350</u> | <u>317,493</u> | <u>238,143</u> |
| TOTAL REVENUES | <u>4,936,705</u> | <u>4,936,705</u> | <u>5,374,899</u> | <u>438,194</u> |

CITY OF MONETT, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended March 31, 2014

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 521,305 | 521,305 | 494,649 | 26,656 |
| Safety | 10,420 | 10,420 | 6,537 | 3,883 |
| Building official | 168,750 | 168,750 | 138,122 | 30,628 |
| Municipal Court | 83,515 | 83,515 | 76,647 | 6,868 |
| Police | 1,467,500 | 1,467,500 | 1,447,576 | 19,924 |
| E911 | 124,980 | 124,980 | 139,461 | (14,481) |
| Emergency management | 34,000 | 34,000 | 51,466 | (17,466) |
| Fire | 1,148,100 | 1,148,100 | 1,048,003 | 100,097 |
| Airport | 316,960 | 316,960 | 236,609 | 80,351 |
| Street | 1,239,850 | 1,239,850 | 1,188,894 | 50,956 |
| Cemetery | 173,600 | 173,600 | 152,254 | 21,346 |
| Hazardous Materials | 5,555 | 5,555 | 5,681 | (126) |
| Shop | 135,440 | 135,440 | 128,009 | 7,431 |
| Communications | 391,150 | 391,150 | 342,950 | 48,200 |
| Pool | 51,200 | 71,200 | 45,355 | 25,845 |
| South Park | 247,750 | 247,750 | 220,847 | 26,903 |
| North Park | 141,700 | 141,700 | 122,938 | 18,762 |
| Golf | 500,285 | 500,285 | 462,337 | 37,948 |
| Casino and Community Building | 55,975 | 55,975 | 50,135 | 5,840 |
| Recreation | 8,400 | 8,400 | 2,584 | 5,816 |
| Capital outlay | 2,262,500 | 2,242,500 | 2,390,696 | (148,196) |
| Debt service | 806,241 | 806,241 | 785,796 | 20,445 |
| TOTAL EXPENDITURES | <u>9,895,176</u> | <u>9,895,176</u> | <u>9,537,546</u> | <u>357,630</u> |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | (4,958,471) | (4,958,471) | (4,162,647) | 795,824 |
| OTHER FINANCING SOURCES | | | | |
| Transfers in | 750,000 | 750,000 | 750,000 | - |
| Lease proceeds | 1,400,000 | 1,400,000 | - | (1,400,000) |
| Payments in lieu of taxes | 2,807,140 | 2,807,140 | 2,526,554 | (280,586) |
| TOTAL OTHER FINANCING SOURCES | <u>4,957,140</u> | <u>4,957,140</u> | <u>3,276,554</u> | <u>(1,680,586)</u> |
| (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | (1,331) | (1,331) | (886,093) | (884,762) |
| FUND BALANCE, April 1 | <u>2,321,918</u> | <u>2,321,918</u> | <u>2,321,918</u> | <u>-</u> |
| FUND BALANCE, March 31 | <u>\$ 2,320,587</u> | <u>\$ 2,320,587</u> | <u>\$ 1,435,825</u> | <u>\$ (884,762)</u> |

CITY OF MONETT, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING #1 FUND
 Year Ended March 31, 2014

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|----------------------------|----------------------------|---------------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ 42,000 | \$ 1,164,257 | \$ 1,433,882 | \$ 269,625 |
| Sales taxes | 482,250 | 1,161,415 | 1,707,816 | 546,401 |
| Miscellaneous | | | | |
| Interest | 1,200 | 1,200 | 14,673 | 13,473 |
| TOTAL REVENUES | <u>525,450</u> | <u>2,326,872</u> | <u>3,156,371</u> | <u>829,499</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Professional and Consulting | 30,000 | 30,000 | 53,085 | (23,085) |
| Miscellaneous | 500 | 500 | 427 | 73 |
| Debt Service | 778,173 | 1,778,173 | 1,778,173 | - |
| TOTAL EXPENDITURES | <u>808,673</u> | <u>1,808,673</u> | <u>1,831,685</u> | <u>(23,012)</u> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (283,223) | 518,199 | 1,324,686 | 806,487 |
| FUND BALANCE, April 1 | <u>922,936</u> | <u>922,936</u> | <u>922,936</u> | - |
| FUND BALANCE, March 31 | <u><u>\$ 639,713</u></u> | <u><u>\$ 1,441,135</u></u> | <u><u>\$ 2,247,622</u></u> | <u><u>\$ 806,487</u></u> |

CITY OF MONETT, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – TAX INCREMENT FINANCING #2 FUND
 Year Ended March 31, 2014

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|--------------|-------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| Ad valorem taxes | \$ - | \$ 309,483 | \$ 403,793 | \$ 94,310 |
| Sales taxes | 125,250 | 418,666 | 564,832 | 146,166 |
| Miscellaneous | | | | |
| Interest | - | - | 6,093 | 6,093 |
| TOTAL REVENUES | 125,250 | 728,149 | 974,718 | 246,569 |
| EXPENDITURES | | | | |
| Current | | | | |
| Professional and Consulting | 5,000 | 5,000 | 6,405 | (1,405) |
| Debt Service | 189,588 | 189,588 | 340,132 | (150,544) |
| TOTAL EXPENDITURES | 194,588 | 194,588 | 346,537 | (151,949) |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (69,338) | 533,561 | 628,181 | 94,620 |
| FUND BALANCE, April 1 | 758,777 | 758,777 | 758,777 | - |
| FUND BALANCE, March 31 | \$ 689,439 | \$ 1,292,338 | \$ 1,386,958 | \$ 94,620 |

CITY OF MONETT, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended March 31, 2014

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April, Administration submits to the City Commission a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Commission in late February or early March to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to April 1, ordinances are passed by the Commission which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Commission.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the City Commission on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Monett, Missouri, as of and for the year ended March 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Monett, Missouri's basic financial statements, and have issued our report thereon, dated July 28, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monett, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monett, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monett, Missouri's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Monett, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Monett, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
July 28, 2014



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Monett, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Monett, Missouri's major federal programs for the year ended March 31, 2014. The City of Monett, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monett, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Monett, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Monett, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Monett, Missouri, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Report on Internal Control Over Compliance

Management of the City of Monett, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Monett, Missouri's internal control over compliance with types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor James Orr,
Commissioner Jerry Dierker and Commissioner Michael Brownsberger
City of Monett
Monett, Missouri

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
July 28, 2014

CITY OF MONETT, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 Year Ended March 31, 2014

| Federal Grantor Pass Through Grantor/ Program Title | Federal CFDA Number | Pass-through Grantor's Number | Federal Expenditures |
|--|---------------------------|----------------------------------|-------------------------|
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | |
| Missouri Department of Homeland Security | | | |
| Emergency Management Performance Grant | 97.042 | N/A | \$ 19,379 |
| State Emergency Management Agency | | | |
| Hazard Mitigation Grant | 97.039 | FEMA-DR-1980-MO | <u>280,515</u> |
| TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY | | | 299,894 |
| <u>U.S. DEPARTMENT OF TRANSPORTATION</u> | | | |
| Missouri Department of Transportation | | | |
| Alcohol Open Container Requirements | 20.607 | 13-154-AL-049 | 4,534 |
| | | 13-154-AL-017 | 1,908 |
| | | 13-154-AL-067 | 979 |
| DWI Checkpoint | 20.000 | BPCSW2CZ | 750 |
| University of Central Missouri | | | |
| Alcohol Open Container Requirements | 20.607 | 13-154-AL-074 | 1,411 |
| | | 14-154-AL-062 | 352 |
| State and Community Highway Safety | 20.600 | 13-OP-05-003 | 403 |
| | | 14-OP-05-002 | 388 |
| Missouri Department of Transportation | | | |
| Aiport Improvement Grant | 20.106 | AIR 136-98B | <u>517,989</u> |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | 528,714 |
| <u>ENVIRONMENTAL PROTECTION AGENCY</u> | | | |
| Department of Natural Resources | | | |
| Capitalization Grants for Drinking Water State Revolving funds | 66.468 | DW291327-01 | <u>3,687,746</u> |
| TOTAL ENVIRONMENTAL PROTECTION AGENCY | | | <u>3,687,746</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 4,516,354</u> |

N/A - Not Applicable

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures and Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

The City did not provide funds to subrecipients in the current year.

CITY OF MONETT, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2014

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the basic financial statements.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs expresses an unmodified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were:

| | |
|--|--------|
| Airport Improvement Grant | 20.106 |
| Capitalization Grants for Drinking Water State Revolving Funds | 66.468 |
8. The threshold for determining Type A programs was \$300,000.
9. The City of Monett, Missouri, was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award programs.

CITY OF MONETT, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended March 31, 2014

There were no prior audit findings.