

CITY OF MONROE CITY, MISSOURI

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HANNIBAL, MISSOURI

CITY OF MONROE CITY, MISSOURI
AS OF AND FOR THE YEAR ENDED SEPTEMBER 30, 2016
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board of Aldermen
City of Monroe City, Missouri

We have audited the accompanying financial statements of the City of Monroe City, Missouri, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Monroe 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.

Auditor's 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also involves 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 opinion.

Basis for Adverse Opinion on Financial Statements as a Whole

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the City's governmental activities, business-type activities, and discretely presented component units have not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Financial Statements as a Whole" paragraph, the financial statements referred to above do not present fairly the financial position of the City of Monroe City, Missouri, as of September 30, 2016, or the changes in financial position or, where applicable, cash flows thereof for the year then ended.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2017, on our consideration of the City of Monroe City, Missouri's internal control over financial reporting and on 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 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 Monroe City, Missouri's internal control over financial reporting and compliance.

Respectfully submitted,

Luck, Humphreys and Associates

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants

April 28, 2017

CITY OF MONROE CITY, MISSOURI

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2016

	Governmental Fund Types			Proprietary Fund Types	Account Groups			Totals
	General	Special Revenue	Debt Service	Enterprise	General Capital Assets	Long-Term Debt		
<u>Assets:</u>								
Cash	\$199,370	\$1,236,758	\$ ---	\$ 2,376,329	\$ ---	\$ ---		\$ 3,812,457
Receivables	48,818	1,019,334	---	432,647	---	---		1,500,799
Due from other funds	---	---	---	680,000	---	---		680,000
Inventory of supplies, at cost	26,112	---	---	367,751	---	---		393,863
<u>Restricted assets:</u>								
Cash	33,601	---	---	50,996	---	---		84,597
Capital assets	---	---	---	11,606,607	11,310,816	---		22,917,423
Amount to be provided for retirement of long-term debt	---	---	---	---	---	---		---
<u>Total Assets</u>	<u>\$307,901</u>	<u>\$2,256,092</u>	<u>\$ ---</u>	<u>\$15,514,330</u>	<u>\$11,310,816</u>	<u>\$1,514,159</u>		<u>\$30,903,298</u>
<u>Liabilities:</u>								
Accounts payable	\$ 34,390	\$ 443	\$ ---	\$ 402,719	\$ ---	\$ ---		\$ 437,552
Accrued payroll	21,445	---	---	16,211	---	---		37,656
Accrued compensated absences	53,636	---	---	26,693	---	---		80,329
Due to other funds	---	680,000	---	---	---	---		680,000
Deposits	---	---	---	41,300	---	---		41,300
Construction costs payable	---	---	---	---	---	---		---
Accrued interest	---	---	16,606	5,431	---	---		22,037
USDA - Revenue Bond	---	---	---	4,278,485	---	---		4,278,485
Certificates of participation	---	---	---	429,885	---	1,500,115		1,930,000
Capitalized lease payable	---	---	---	---	---	14,044		14,044
<u>Total Liabilities</u>	<u>\$109,471</u>	<u>\$ 680,443</u>	<u>\$16,606</u>	<u>\$ 5,200,724</u>	<u>\$ ---</u>	<u>\$1,514,159</u>		<u>\$ 7,521,403</u>

CITY OF MONROE CITY, MISSOURI
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 2016

(CONTINUED)

	Governmental Fund Types			Proprietary Fund Types	Account Groups			Totals
	General	Special Revenue	Debt Service		General Capital Assets	General Long-Term Debt		
Fund Equity:								
Investment in general capital assets	\$ -----	\$ -----	\$ -----	\$ -----	\$11,310,816	\$ -----		\$11,310,816
Net position	-----	-----	-----	10,313,606	-----	-----		10,313,606
Fund balances:								
Nonspendable	26,112	-----	-----	-----	-----	-----		26,112
Restricted	30,048	-----	-----	-----	-----	-----		30,048
Committed	-----	-----	-----	-----	-----	-----		-----
Assigned	3,553	1,575,649	(16,606)	-----	-----	-----		1,562,596
Unassigned	138,717	-----	-----	-----	-----	-----		138,717
Total Fund Equity	\$198,430	\$1,575,649	\$ (16,606)	\$10,313,606	\$11,310,816	\$ -----		\$23,381,895
Total Liabilities and Fund Equity	\$307,901	\$2,256,092	\$ -----	\$15,514,330	\$11,310,816	\$1,514,159		\$30,903,298

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Totals</u>
<u>Revenues:</u>				
Taxes	\$ 976,171	\$ 436,952	\$ ----	\$1,413,123
Licenses and permits	14,428	----	----	14,428
Intergovernmental revenue	----	2,710	----	2,710
Charges for services	22,043	----	----	22,043
Fines and forfeits	19,593	268	----	19,861
Miscellaneous revenues	966,688	164,393	----	1,131,081
<u>Total Revenues</u>	<u>\$1,998,923</u>	<u>\$ 604,323</u>	<u>\$ ----</u>	<u>\$2,603,246</u>
<u>Expenditures:</u>				
Current:				
City administration	\$ 401,474	\$ ----	\$ ----	\$ 401,474
Public safety	638,340	13,479	----	651,819
Humane officer	3,253	----	----	3,253
Inspection and zoning	5,769	----	----	5,769
Street Department	309,116	361,690	----	670,806
Culture and recreation	163,338	58,297	----	221,635
Industrial Development	----	84,121	----	84,121
Airport	48,469	----	----	48,469
Cemetery	31,724	----	----	31,724
Capital outlay	5,153	21,165	----	26,318
Debt service	----	----	233,132	233,132
<u>Total Expenditures</u>	<u>\$1,606,636</u>	<u>\$ 538,752</u>	<u>\$ 233,132</u>	<u>\$2,378,520</u>
<u>Excess of Revenues Over (Under)</u>				
<u>Expenditures</u>	<u>\$ 392,287</u>	<u>\$ 65,571</u>	<u>\$(233,132)</u>	<u>\$ 224,726</u>
<u>Other Financing Sources (Uses):</u>				
Operating transfers in	\$ ----	\$ ----	\$ 234,170	\$ 234,170
Operating transfers out	(391,995)	(106,098)	----	(498,093)
<u>Total Other Sources (Uses)</u>	<u>\$ (391,995)</u>	<u>\$ (106,098)</u>	<u>\$ 234,170</u>	<u>\$ (263,923)</u>
<u>Excess of Revenues and Other Sources</u>				
<u>Over (Under) Expenditures and Other</u>				
<u>Uses</u>	<u>\$ 292</u>	<u>\$ (40,527)</u>	<u>\$ 1,038</u>	<u>\$ (39,197)</u>
<u>Fund Balances, October 1</u>	<u>198,138</u>	<u>1,616,176</u>	<u>(17,644)</u>	<u>1,796,670</u>
<u>Fund Balances, September 30</u>	<u>\$ 198,430</u>	<u>\$1,575,649</u>	<u>\$ (16,606)</u>	<u>\$1,757,473</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF POSITION
ALL ENTERPRISE FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Assets:</u>			
Cash	\$ 494,745	\$ 176,775	\$ 729,607
Receivables (net of allowance for uncollectibles):			
Accounts	317,305	38,832	31,243
Inventory of supplies, at cost	170,132	106,141	12,792
Due from Industrial Development Fund	----	----	----
<u>Total Current Assets</u>	<u>\$ 982,182</u>	<u>\$ 321,748</u>	<u>\$ 773,642</u>
Restricted assets:			
Cash	\$ 16,400	\$ 12,100	\$ 9,696
Capital assets (net of accumulated depreciation - Note 2)	<u>2,499,894</u>	<u>3,725,940</u>	<u>5,158,977</u>
<u>Total Assets</u>	<u>\$3,498,476</u>	<u>\$4,059,788</u>	<u>\$5,942,315</u>
<u>Liabilities and Fund Equity:</u>			
<u>Liabilities:</u>			
Accounts payable	\$ 317,057	\$ 33,256	\$ 5,843
Accrued payroll	5,080	4,889	4,685
Construction costs payable	----	----	----
Accrued interest	1,495	1,035	2,901
Current portion of:			
Revenue Bonds payable	----	----	80,973
Capitalized lease certificates of participation	<u>150,745</u>	<u>104,390</u>	<u>----</u>
<u>Total Current Liabilities</u>	<u>\$ 474,377</u>	<u>\$ 143,570</u>	<u>\$ 94,402</u>
<u>Noncurrent Liabilities:</u>			
Deposits	\$ 16,400	\$ 12,100	\$ ----
Accrued compensated absences	9,518	6,370	7,701
Revenue Bonds payable	----	----	4,197,512
Capitalized lease certificates of participation	<u>103,250</u>	<u>71,500</u>	<u>----</u>
<u>Total Liabilities</u>	<u>\$ 603,545</u>	<u>\$ 233,540</u>	<u>\$4,299,615</u>

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$ 959,820	\$15,382	\$ 2,376,329
36,349	8,918	432,647
78,686	----	367,751
680,000	----	680,000
<u>\$1,754,855</u>	<u>\$24,300</u>	<u>\$ 3,856,727</u>
\$ 12,800	\$ ----	\$ 50,996
221,796	----	11,606,607
<u>\$1,989,451</u>	<u>\$24,300</u>	<u>\$15,514,330</u>
\$ 38,707	\$ 7,856	\$ 402,719
1,557	----	16,211
----	----	----
----	----	5,431
----	----	80,973
----	----	255,135
<u>\$ 40,264</u>	<u>\$ 7,856</u>	<u>\$ 760,469</u>
\$ 12,800	\$ ----	\$ 41,300
3,104	----	26,693
----	----	4,197,512
----	----	174,750
<u>\$ 56,168</u>	<u>\$ 7,856</u>	<u>\$ 5,200,724</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF POSITION
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Net Position:</u>			
Invested in capital assets net of related debt	\$2,244,404	\$3,549,015	\$ 877,591
Restricted	----	----	9,696
Unrestricted	<u>650,527</u>	<u>277,233</u>	<u>755,413</u>
<u>Total Net Position</u>	<u>\$2,894,931</u>	<u>\$3,826,248</u>	<u>\$1,642,700</u>

The accompanying notes to financial statements are an integral part of this statement.

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$ 221,046	\$ ----	\$ 6,892,056
----	----	9,696
<u>1,712,237</u>	<u>16,444</u>	<u>3,411,854</u>
<u>\$1,933,283</u>	<u>\$16,444</u>	<u>\$10,313,606</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Operating Revenues:</u>			
Charges for services	\$4,216,202	\$ 613,525	\$ 497,789
Other revenues	<u>5,281</u>	<u>2,265</u>	<u>208</u>
<u>Total Operating Revenues</u>	<u>\$4,221,483</u>	<u>\$ 615,790</u>	<u>\$ 497,997</u>
<u>Operating Expenses:</u>			
Administration	\$ 759,090	\$ 190,233	\$ 57,051
Utility production/treatment	5,715	429,681	177,463
Utility purchases/interconnect	3,394,751	----	----
Utility distribution/collection	264,860	123,987	72,345
Depreciation	<u>194,658</u>	<u>133,046</u>	<u>98,008</u>
<u>Total Operating Expenses</u>	<u>\$4,619,074</u>	<u>\$ 876,947</u>	<u>\$ 404,867</u>
<u>Operating Income (Loss)</u>	<u>\$ (397,591)</u>	<u>\$ (261,157)</u>	<u>\$ 93,130</u>
<u>Non-Operating Revenues (Expenses):</u>			
Interest income	\$ 3,586	\$ 1,952	\$ 6,456
Pole rental income	3,044	----	----
Interest expense and fiscal charges	(4,598)	(3,184)	(23,060)
Debt issue cost	----	----	(22,937)
Demolish old house	<u>----</u>	<u>----</u>	<u>----</u>
<u>Total Non-Operating Revenues (Expenses)</u>	<u>\$ 2,032</u>	<u>\$ (1,232)</u>	<u>\$ (39,541)</u>
<u>Net Income (Loss) Before Other Financing Sources (Uses)</u>	<u>\$ (395,559)</u>	<u>\$ (262,389)</u>	<u>\$ 53,589</u>
<u>Other Financing Sources (Uses):</u>			
Operating transfers in	\$ 155,937	\$ 107,986	\$ ----
Operating transfers (out)	<u>(25,000)</u>	<u>----</u>	<u>----</u>
<u>Total Other Financing Sources (Uses)</u>	<u>\$ 130,937</u>	<u>\$ 107,986</u>	<u>\$ ----</u>
<u>Net Income (Loss)</u>	<u>\$ (264,622)</u>	<u>\$ (154,403)</u>	<u>\$ 53,589</u>
<u>Net Position, October 1</u>	<u>3,159,553</u>	<u>3,980,651</u>	<u>1,589,111</u>
<u>Net Position, September 30</u>	<u>\$2,894,931</u>	<u>\$3,826,248</u>	<u>\$1,642,700</u>

The notes to financial statements are an integral part of this statement.

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$1,005,638	\$100,278	\$ 6,433,432
<u>624</u>	<u>----</u>	<u>8,378</u>
<u>\$1,006,262</u>	<u>\$100,278</u>	<u>\$ 6,441,810</u>
\$ 172,963	\$ 665	\$ 1,180,002
<u>----</u>	<u>----</u>	<u>612,859</u>
703,624	94,202	4,192,577
113,628	<u>----</u>	574,820
<u>31,600</u>	<u>----</u>	<u>457,312</u>
<u>\$1,021,815</u>	<u>\$ 94,862</u>	<u>\$ 7,017,570</u>
<u>\$ (15,553)</u>	<u>\$ 5,411</u>	<u>\$ (575,760)</u>
\$ 10,666	\$ 170	\$ 22,830
<u>----</u>	<u>----</u>	<u>3,044</u>
<u>----</u>	<u>----</u>	<u>(30,842)</u>
<u>----</u>	<u>----</u>	<u>(22,937)</u>
<u>----</u>	<u>(5,225)</u>	<u>(5,225)</u>
<u>\$ 10,666</u>	<u>\$ (5,055)</u>	<u>\$ (33,130)</u>
<u>\$ (4,887)</u>	<u>\$ 356</u>	<u>\$ (608,890)</u>
\$ 25,000	\$ ----	\$ 288,923
<u>----</u>	<u>----</u>	<u>(25,000)</u>
<u>\$ 25,000</u>	<u>\$ ----</u>	<u>\$ 263,923</u>
\$ 20,113	\$ 356	\$ (344,967)
<u>1,913,170</u>	<u>16,088</u>	<u>10,658,573</u>
<u>\$1,933,283</u>	<u>\$ 16,444</u>	<u>\$10,313,606</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Cash Flows from Operating Activities:</u>			
Cash receipts from customers	\$ 4,276,003	\$ 642,716	\$ 514,154
Cash payments to suppliers	(4,286,696)	(669,529)	(191,358)
Cash payments to employees	(156,781)	(114,685)	(110,546)
Cash payments for payroll taxes	<u>(11,297)</u>	<u>(8,861)</u>	<u>(7,610)</u>
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>\$ (178,771)</u>	<u>\$(150,359)</u>	<u>\$ 204,640</u>
<u>Cash Flow from Non-Capital Financing Activities:</u>			
Operating transfers	<u>\$ 130,937</u>	<u>\$ 107,986</u>	<u>\$ ----</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and construction of capital assets	\$ (25,256)	\$ (23,386)	\$(1,222,017)
Proceeds from USDA construction loan	----	----	1,227,900
Proceeds from Revenue Bonds	----	----	4,322,000
Principal payments	(150,745)	(104,390)	(4,365,515)
Interest and loan fees paid	<u>(5,192)</u>	<u>(3,596)</u>	<u>(20,159)</u>
<u>Net Cash Provided (Used) for Capital and Related Activities</u>	<u>\$ (181,193)</u>	<u>\$(131,372)</u>	<u>\$ (57,791)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest income received	\$ 3,586	\$ 1,952	\$ 6,456
Interfund loan	<u>146,000</u>	<u>----</u>	<u>----</u>
<u>Net Cash Provided (Used) from Investing Activities</u>	<u>\$ 149,586</u>	<u>\$ 1,952</u>	<u>\$ 6,456</u>
<u>Increase (Decrease) in Cash</u>	<u>\$ (79,441)</u>	<u>\$(171,793)</u>	<u>\$ 153,305</u>
<u>Cash, October 1, 2015</u>	<u>590,586</u>	<u>360,668</u>	<u>585,998</u>
<u>Cash, September 30, 2016</u>	<u>\$ 511,145</u>	<u>\$ 188,875</u>	<u>\$ 739,303</u>

The notes to financial statements are an integral part of this statement.

<u>Natural Gas</u> <u>Department</u>	<u>Sanitation</u> <u>Department</u>	<u>Totals</u>
\$1,016,738	\$ 100,556	\$ 6,550,167
(950,718)	(100,391)	(6,198,692)
(42,375)	----	(424,387)
<u>(3,088)</u>	<u>----</u>	<u>(30,856)</u>
 \$ 20,557	 \$ 165	 \$ (103,768)
 \$ 25,000	 \$ ----	 \$ 263,923
 \$ (5,220)	 \$ ----	 \$(1,275,879)
----	----	1,227,900
----	----	4,322,000
----	----	(4,620,650)
<u>----</u>	<u>----</u>	<u>(28,947)</u>
 \$ (5,220)	 \$ ----	 \$ (375,576)
 \$ 10,666	 \$ 170	 \$ 22,830
<u>(146,000)</u>	<u>----</u>	<u>----</u>
 \$ (135,334)	 \$ 170	 \$ 22,830
 \$ (94,997)	 \$ 335	 \$ (192,591)
 <u>1,067,617</u>	 <u>15,047</u>	 <u>2,619,916</u>
 <u>\$ 972,620</u>	 <u>\$ 15,382</u>	 <u>\$ 2,427,325</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Electric Department</u>	<u>Water Department</u>	<u>Sewer Department</u>
<u>Cash at the End of the Year Consists</u> <u>of:</u>			
Cash	\$ 494,745	\$ 176,775	\$729,607
Restricted Cash	<u>16,400</u>	<u>12,100</u>	<u>9,696</u>
	<u>\$ 511,145</u>	<u>\$ 188,875</u>	<u>\$739,303</u>
 <u>Reconciliation of Operating Income to</u> <u>Net Cash Provided by Operating</u> <u>Activities:</u>			
<u>Operating Income (Loss)</u>	\$(397,591)	\$(261,157)	\$ 93,130
 <u>Adjustments to Reconcile</u> <u>Operating Income (Loss) to</u> <u>Net Cash Provided by Operating</u> <u>Activities:</u>			
Depreciation	194,658	133,046	98,008
(Increase) decrease in accounts receivable	54,520	26,926	16,157
(Increase) decrease in supplies inventory	10,153	2,593	559
Increase (decrease) in accounts payable	5,776	15,218	(4,616)
Increase (decrease) in accrued payroll	3,773	4,086	3,928
Increase (decrease) in accrued compensated absences	(2,719)	(9,813)	3,155
Increase (decrease) in construction costs payable	----	----	----
Increase (decrease) in customer deposits	(2,200)	(200)	----
Pole rental	3,044	----	----
Demolish old house	----	----	----
Prior period adjustment	<u>(48,185)</u>	<u>(61,058)</u>	<u>(5,681)</u>
<u>Net Cash Provided (Used) by Operating</u> <u>Activities</u>	<u>\$(178,771)</u>	<u>\$(150,359)</u>	<u>\$204,640</u>

The notes to financial statements are an integral part of this statement.

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$959,820	\$15,382	\$2,376,329
<u>12,800</u>	<u>----</u>	<u>50,996</u>
<u>\$972,620</u>	<u>\$15,382</u>	<u>\$2,427,325</u>
\$ (15,553)	\$ 5,411	\$ (575,760)
31,600	----	457,312
10,476	278	108,357
5,597	----	18,902
(635)	(299)	15,444
1,267	----	13,054
(1,441)	----	(10,818)
----	----	----
600	----	(1,800)
----	----	3,044
----	(5,225)	(5,225)
<u>(11,354)</u>	<u>----</u>	<u>(126,278)</u>
<u>\$ 20,557</u>	<u>\$ 165</u>	<u>\$ (103,768)</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

The accounting methods and procedures adopted by the City of Monroe City, Missouri conform to generally accepted accounting principles as applied to governmental entities, except for the presentation of the government-wide financial statements and the management discussion and analysis as defined by GASB No. 34. The following notes to the financial statements are an integral part of the City's general purpose financial statements.

1. Summary of Significant Accounting Policies:

The City of Monroe City, Missouri (the City) was incorporated as a town on April 6, 1889 by order of the Monroe County Court. The City operates under a Board of Aldermen - Mayor form of government and provides the following services as authorized by its charter: public safety, street, culture and recreation, public improvements, planning and zoning, electric, water, sewer and gas utilities, airport operations, cemetery and general administrative services.

The financial statements of the City are prepared in accordance with the pre-GASB No. 34 reporting model. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in the subsequent section of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2016.

A. Reporting Entity

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

The financial statements of the City include those of separately administered organizations that are financially controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements: Special Fire Department Fund - Special Revenue Fund, Monroe City Public Library - Special Revenue Fund, and Monroe City, Missouri Community Foundation - Special Revenue Fund.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

Based on the foregoing criteria, the financial statements of the following organization are not included: Mosswood Golf Course.

B. Funds and Account Groups

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

Governmental Fund Types - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax revenues and other sources of revenue used to finance the fundamental operations of the City are included in this fund. The fund is charged with all costs of operating the government for which a separate fund has not been established.

Special Revenue Funds - These funds are established to account for the proceeds of specific revenue sources other than special assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes.

Debt Service Fund - This fund is established for the purpose of accumulating resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

Capital Projects Fund - This fund is established to account for financial resources to be used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Proprietary Fund Types - These funds account for operations that are organized to be self-supporting through user charges. The funds included in this category are the Enterprise Funds.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

Enterprise Funds - These funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Account Groups - In addition to the three broad types of governmental funds, the City also maintains two account groups as described below:

General Capital Asset Account Group - This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes and excludes fixed assets in the Enterprise Funds.

General Long-Term Debt Account Group - This is not a fund but rather an account group that is used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

C. Basis of Accounting and Measurement Focus

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

Governmental fund types use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (1) during the current event or (2) after the end of the period but in time to pay fund liabilities. The City considers revenues to be available if they are expected to be collected within 60 days of the end of the year. Generally, tax revenues (including taxpayer-assessed taxes), fees, and nontax revenues are recognized when received. Grants, entitlements, and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied, with proper allowances made for estimated uncollectible accounts and delinquent accounts. Expenditures, if measurable, are recorded when they have been used or are expected to use current expendable financial resources.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). The basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises, and revenues are recorded when earned and expenses are recorded when incurred.

D. Cash and Cash Equivalents

The City pools cash resources of its various funds into a common interest-bearing bank account to facilitate the management of cash and to maximize investment opportunities.

E. Receivables

All receivables and amounts due from other governments are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

F. Inventories

The City has not maintained perpetual inventory cost records. For the Enterprise Funds and the General Fund (Airport Fuel), a physical inventory as of the balance sheet date was taken and priced using the lower of cost (on a first in, first out (FIFO) basis) or market value. Inventories of all other governmental funds are deemed to be immaterial and accounted for using the purchase method in which supplies are charged to expenditures when purchased.

G. Restricted Assets

Because of certain revenue bond covenants, the City is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt. These assets are stated at cost. The difference between cost and fair market value is not material.

H. Capital Assets

Capital assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, sidewalks and

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

bridges, are not capitalized. Capital assets acquired or constructed for general governmental operations are recorded as an expenditure in the fund making the expenditure and capitalized at cost in the General Capital Assets Account Group.

Capital assets acquired for proprietary funds are capitalized in the respective funds to which they apply.

Capital assets are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the enterprise funds' balance sheets. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation.

I. Retirement

The provision for retirement cost is recorded on an accrual basis, and the City's policy is to fund retirement costs as they accrue.

J. Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Assigned fund balances is a limitation imposed by the City Council. Unassigned fund balance is the net resources in excess of what can be properly classified in one of the above four categories.

Enterprise fund equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

2. Restricted net position—Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted fund balances are available for use, it is the City’s policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

K. Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and nontax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses of enterprise funds are recognized in essentially the same manner as used in commercial accounting.

L. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable by December 31. All unpaid taxes become delinquent January 1 of the following year.

The tax levy per \$100 of the assessed valuation of tangible taxable property for calendar year 2015 for the purposes of local taxation was:

General Fund	\$0.7258
Library Fund	<u>0.1924</u>
	<u>\$0.9182</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

1. Summary of Significant Accounting Policies: (Continued)

Property taxes are recorded as revenue using the modified accrual basis of accounting and include amounts collected through November, 2016.

M. Vacation, Sick Leave, and Other Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. The amount accrued at September 30, 2016 totaled \$80,329 and was allocated to the following funds:

General	\$53,636
Electric	9,518
Water	6,370
Sewer	7,701
Gas	<u>3,104</u>
	<u>\$80,329</u>

N. Estimates Used in the Preparation of Financial Statements

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

2. Stewardship, Compliance, and Accountability:

Compliance with Bond Covenants - The City is in compliance with the terms of the Series 2012 Certificates of Participation debt issue, and the 2016 Sewer System Revenue Bonds.

3. Deposits and Temporary Cash Investments:

At year-end, the City's deposits consisted of an interest bearing checking account in a local FDIC insured financial institution. The carrying amount of the City's deposits was \$3,895,679 and the bank balance was \$3,924,106. Of the bank balance, \$250,000 was covered by federal depository insurance, and the balance was collateralized with securities held by the pledging financial institution's agent in the City's name.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

3. Deposits and Temporary Cash Investments: (Continued)

For the purposes of the basic financial statements, the City considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amount of cash and mature within three months of the date they are acquired.

Interest Rate Risk

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The City does not have a formal policy to limit exposure to credit risk.

Concentration of Credit Risk

The City does not have a formal investment policy that limits the total amount of securities that can be held with any one company or government agency.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal policy to limit exposure to a custodial credit risk.

4. Receivables:

Receivables as of year end for the City's individual funds, including the applicable allowances for uncollectible accounts, are as follows:

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

4. Receivables: (Continued)

<u>Governmental Fund Types</u>	<u>General</u>	<u>Library</u>	<u>Capital Improvement Sales Tax</u>	<u>Park Sales Tax</u>	<u>Industrial Development</u>	<u>Total</u>
Property taxes	\$ 1,339	\$ 355	\$ ---	\$ ---	\$ ---	\$ 1,694
Sales tax	32,076	---	15,116	15,117	---	62,309
Use tax	3,562	---	1,781	1,781	---	7,124
Motor fuel tax	8,778	---	---	---	---	8,778
Notes receivable:						
Mosswood						
Golf Course	3,063	---	---	---	---	3,063
Lakeside						
Casting LLC	---	---	---	---	985,184	985,184
Allowance for uncollectible accounts	---	---	---	---	---	---
<u>Total</u>	<u>\$48,818</u>	<u>\$ 355</u>	<u>\$16,897</u>	<u>\$16,898</u>	<u>\$985,184</u>	<u>\$1,068,152</u>

<u>Proprietary Fund Types</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>	<u>Natural Gas</u>	<u>Sanitation</u>	<u>Total</u>
Billings	\$353,452	\$42,660	\$34,895	\$41,067	\$9,800	\$481,874
Allowance for uncollectible accounts	(36,147)	(3,828)	(3,652)	(4,718)	(882)	(49,227)
<u>Total</u>	<u>\$317,305</u>	<u>\$38,832</u>	<u>\$31,243</u>	<u>\$36,349</u>	<u>\$8,918</u>	<u>\$432,647</u>

5. Capital Assets:

A summary of changes in general capital assets follows:

	<u>Balance 10-1-15</u>	<u>Additions</u>	<u>Retirements/ Trade-Ins</u>	<u>Balance 9-30-16</u>
Total General Capital Assets	<u>\$11,284,498</u>	<u>\$26,318</u>	<u>\$ ---</u>	<u>\$11,310,816</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

5. Capital Assets: (Continued)

A summary of changes in enterprise fund capital assets follows:

	Balance 10-1-15	Additions	Retirements/ Trade-Ins	Balance 9-30-16
Electric system	\$ 8,814,478	\$ 25,256	\$ ----	\$ 8,839,734
Water system	6,484,255	23,386	----	6,507,641
Sewerage system	2,768,954	4,108,875	----	6,877,829
Natural gas system	1,547,499	5,220	----	1,552,719
	\$ 19,615,186	\$4,162,737	\$ ----	\$ 23,777,923
Less: Accumulated depreciation	(11,714,004)	(457,312)	----	(12,171,316)
Net capital assets	<u>\$ 7,901,182</u>	<u>\$3,705,425</u>	<u>\$ ----</u>	<u>\$ 11,606,607</u>
Construction in progress	<u>\$ 2,909,795</u>	<u>\$1,208,480</u>	<u>\$4,118,275</u>	<u>\$ ----</u>

6. Long-Term Debt:

The following is a summary of bonds payable and capitalized lease transactions of the City for the year ended September 30, 2016:

	Balance 10-1-15	Additions	Principal Payments	Balance 9-30-16
Capitalized Lease with Commerce Bank	\$ 27,719	\$ ----	\$ 13,675	\$ 14,044
Lease Refunding and Improvements Certificates of Participation, Series 2012	2,360,000	----	430,000	1,930,000
Sewer System Revenue Bonds Dated August 25, 2014 Construction Financing	3,094,100	1,227,900	4,322,000	----
Sewer System Revenue Bonds Dated July 21, 2016	----	4,322,000	43,515	4,278,485
<u>Totals</u>	<u>\$5,481,819</u>	<u>\$5,549,900</u>	<u>\$4,809,190</u>	<u>\$6,222,529</u>

Long-term debt at September 30, 2016 consists of the following issues:

\$3,195,000 Lease Refunding and Improvements Certificates of Participation, Series 2012 dated November 15, 2012, due in annual installments of \$415,000 to \$430,000 through September 30, 2017; \$315,000 in September, 2018; and \$60,000 to \$100,000 from September, 2019 through September, 2033, plus interest of .75% to 3.75%. Fund allocation of this obligation is as follows:

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

6. Long-Term Debt: (Continued)

Long-Term Debt Account Group -	
General Fund	\$ 185,115
Park Sales Tax Fund	1,315,000
Electric Fund	253,995
Water Fund	<u>175,890</u>
 <u>Total</u>	 <u>\$1,930,000</u>

The maturity analysis to amortize this issue as of September 30, 2016 follows:

<u>Year Ending</u> <u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 430,000	\$ 46,813	\$ 476,813
2018	315,000	41,282	356,282
2019	65,000	37,950	102,950
2020	65,000	36,325	101,325
2021	70,000	34,638	104,638
2022-2026	365,000	141,513	506,513
2027-2031	425,000	76,500	501,500
2032-2033	<u>195,000</u>	<u>7,406</u>	<u>202,406</u>
 <u>Total</u>	 <u>\$1,930,000</u>	 <u>\$422,427</u>	 <u>\$2,352,427</u>

There are a number of limitations and restrictions contained in the certificate of participation issue. The City is in compliance with all significant limitations and restrictions.

Capitalized lease with Commerce Bank payable in annual installments of \$14,423.39 including interest at 2.7% through January 31, 2017.

Proceeds of the financing was the purchase of two 2014 Taurus police cars.

The annual requirements to amortize this issue as of September 30, 2016 follows:

<u>Year Ending</u> <u>September 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	<u>\$14,044</u>	<u>\$379</u>	<u>\$14,423</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

6. Long-Term Debt: (Continued)

The City has adopted the policy of acquiring certain fixed assets through the use of lease-purchase agreements. For the lease-purchases backed by the full faith and credit of the City, debt service is accounted for in the Debt Service Fund. Assets acquired through lease-purchase for the Electric, Water, and Sewer Departments are accounted for in the Enterprise Fund.

USDA - Construction Loan

On August 25, 2014, the City entered into an agreement with the USDA, to finance a \$4,322,000 sewer system upgrade. Following is a summary of the transactions of this agreement for the fiscal year ended September 30, 2016:

<u>Balance</u> <u>October 1,</u> <u>2015</u>	<u>Advance for</u> <u>Construction</u>	<u>Principal</u> <u>Payment</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>
<u>\$3,094.100</u>	<u>\$1,227.900</u>	<u>\$4,322,000</u>	<u>\$ ----</u>

On July 21, 2016, the debt was restructured into an installment loan. Interest paid upon refinancing of \$117,275 was capitalized as part of the sewer system upgrade.

\$4,322,000 Sewer System Revenue Bonds dated July 21, 2016, due in monthly installments of \$16,158 including interest of 2¾%.

Following is a summary of the transactions of this bond issue for the fiscal year ended September 30, 2016:

<u>Balance</u> <u>October 1,</u> <u>2015</u>	<u>Proceeds</u>	<u>Principal</u> <u>Repayment</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>
<u>\$ ----</u>	<u>\$4,322,000</u>	<u>\$43,519</u>	<u>\$4,278,481</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

6. Long-Term Debt: (Continued)

The maturity analysis to amortize this issue as of September 30, 2016 follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 80,973	\$ 112,923	\$ 193,896
2018	82,944	110,952	193,896
2019	84,958	108,938	193,896
2020	87,028	106,868	193,896
2021	89,150	104,746	193,896
2022-2026	479,768	489,712	969,480
2027-2031	542,416	427,064	969,480
2032-2036	614,165	355,315	969,480
2037-2041	696,337	273,143	969,480
2042-2046	790,447	179,033	969,480
2047-2051	<u>730,295</u>	<u>84,923</u>	<u>815,218</u>
<u>Totals</u>	<u>\$4,278,481</u>	<u>\$2,353,617</u>	<u>\$6,632,098</u>

There are a number of limitations and restrictions contained in this revenue bond issue. The City is in compliance with all significant limitations and restrictions.

7. Interfund Transactions:

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The Governmental and Enterprise Funds financial statements generally reflect such transactions as operating transfers.

8. Litigation:

As of September 30, 2016, there were no lawsuits pending or claims outstanding against the City that would have a material effect on the financial statements.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

9. Contingent Liabilities:

The City has in the past participated in various federally assisted grant programs, principal of which is the Community Development Block Grant. These programs are subject to program compliance audits by the grantor or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

10. Retirement Plans:

Deferred Compensation Plan - The City government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the government's legal counsel that the government has no liability for losses under the plan, but does have the duty of care that would be required of an ordinary prudent investor.

Defined Contribution Plan - The City of Monroe City retirement plan is a single employer defined contribution pension plan established by the City of Monroe City to provide benefits at retirement for all of its employees. Plan members are required to contribute at least 4 percent of their wages to a matching deferred compensation plan. The City is required to contribute 4 percent to match the employee's contribution. Plan provisions and contribution requirements are established, and may be amended by, the Board of Aldermen. The City has contracted with Security Financial Resources, Inc. to provide administration of the plan. Retirement plan financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period in which the contributions become due.

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

11. Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disaster. These risks are covered through the purchase of commercial insurance with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage to the prior year.

12. Unfavorable Fund Variances:

Departments within the General Fund which incurred unfavorable expenditure variance when compared to the budget include the following:

City Administration	<u>\$32,510</u>
Municipal Court	<u>\$ 1,125</u>
Police Department	<u>\$12,687</u>
Humane Officer	<u>\$ 37</u>
Inspection and Zoning	<u>\$ 299</u>
Park Maintenance	<u>\$ 1,271</u>
Street Department	<u>\$ 4,729</u>
Swimming Pool	<u>\$ 672</u>
Cemetery	<u>\$ 2,289</u>

13. Construction Commitments:

As of September 30, 2016, the City has the following construction commitments:

<u>HVAC System for the City Hall/Library Complex</u>	
Architechnics	<u>\$25,765.</u>

CITY OF MONROE CITY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
(CONTINUED)

14. Prior Period Adjustment:

During the current year, we discovered an error that occurred during completion of fiscal year September 30, 2015 financial statements. The valuation of September 30, 2015 utility department accounts receivable was overstated due to a misinterpretation of customer accounts with credit balances.

This misinterpretation resulted in the following overstatement of accounts receivable and net position balance:

<u>Electric Department</u>	<u>\$ 48.185</u>
<u>Water Department</u>	<u>\$ 61.058</u>
<u>Sewer Department</u>	<u>\$ 5.681</u>
<u>Natural Gas Department</u>	<u>\$ 11.354</u>

The correct amount of net position at the beginning of the current year is:

<u>Electric Department</u>	<u>\$3,159.553</u>
<u>Water Department</u>	<u>\$3,980.651</u>
<u>Sewer Department</u>	<u>\$1,589.111</u>
<u>Natural Gas Department</u>	<u>\$1,913.170</u>

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

CITY OF MONROE CITY, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Budget - Original</u>	<u>Budget - Revised</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues:</u>				
<u>Taxes:</u>				
Property taxes	\$194,750	\$196,783	\$197,414	\$ 631
Railroad and utility	6,500	6,739	6,740	1
Surtax	3,360	7,165	7,165	---
Financial institution	15	4	4	---
Sales tax	373,727	363,575	364,080	505
Use tax	34,724	47,758	43,054	(4,704)
Motor vehicle taxes	97,100	99,863	99,548	(315)
Cigarette tax	16,086	16,132	16,132	---
Telephone franchise tax	34,000	23,498	24,499	1
Cable TV franchise tax	22,104	23,594	23,595	1
Municipal utilities franchise tax	<u>195,230</u>	<u>194,940</u>	<u>194,940</u>	<u>---</u>
<u>Total Taxes</u>	<u>\$977,596</u>	<u>\$980,051</u>	<u>\$976,171</u>	<u>\$ (3,880)</u>
<u>Licenses and Permits:</u>				
Liquor licenses	\$ 2,800	\$ 2,800	\$ 2,800	\$ ---
Business licenses	5,600	5,975	5,975	---
Building permits	3,600	2,052	2,053	1
Animal licenses	265	250	250	---
Street excavation permits	500	3,000	3,000	---
Planning and zoning fees	<u>550</u>	<u>350</u>	<u>350</u>	<u>---</u>
<u>Total Licenses and Permits</u>	<u>\$ 13,315</u>	<u>\$ 14,427</u>	<u>\$ 14,428</u>	<u>\$ 1</u>
<u>Intergovernmental Revenue:</u>				
Grant income	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>
<u>Charges for Services:</u>				
Swimming pool/Route J	\$ 19,943	\$ 20,858	\$ 20,968	\$ 110
Fire calls	3,000	1,000	1,000	---
Animal control and shelter fees	<u>150</u>	<u>75</u>	<u>75</u>	<u>---</u>
<u>Total Charges for Services</u>	<u>\$ 23,093</u>	<u>\$ 21,933</u>	<u>\$ 22,043</u>	<u>\$ 110</u>
<u>Fines and Forfeits:</u>				
Fines and court costs	<u>\$ 28,435</u>	<u>\$ 19,592</u>	<u>\$ 19,593</u>	<u>\$ 1</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget - Original</u>	<u>Budget - Revised</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Miscellaneous Revenues:</u>				
Interest	\$ 1,610	\$ 2,691	\$ 2,750	\$ 59
Administrative fee income	878,883	877,739	877,740	1
Agent fees	42,768	41,000	41,399	399
Airport retail sales	38,288	39,254	39,679	425
Rent income - hangar	1,700	1,700	1,700	---
Sale of graves	3,000	3,200	3,200	---
Return check charges	100	67	67	---
Contributions	50	---	---	---
Transfer from Mosswood	7,267	7,267	---	(7,267)
Other	2,500	150	153	3
<u>Total Miscellaneous Revenues</u>	<u>\$ 976,166</u>	<u>\$ 973,068</u>	<u>\$ 966,688</u>	<u>\$ (6,380)</u>
<u>Total Revenues</u>	<u>\$2,018,605</u>	<u>\$2,009,071</u>	<u>\$1,998,923</u>	<u>\$(10,148)</u>
<u>Expenditures:</u>				
<u>City Administration:</u>				
Payroll	\$ 198,152	\$ 179,800	\$ 179,777	\$ 23
Payroll taxes	15,159	12,689	12,684	5
Employee benefits	41,967	38,965	38,963	2
Office expense	33,000	35,553	35,926	(373)
Advertising	4,000	8,586	8,586	---
Fuel	500	80	63	17
Supplies and maintenance	20,700	21,529	39,224	(17,695)
Safety and compliance	450	233	233	---
Professional services	30,000	29,948	39,562	(9,614)
Telephone	4,000	4,589	4,588	1
Travel and training	4,000	2,085	2,084	1
Insurance	12,000	13,666	13,665	1
Utilities - City Hall	5,000	5,016	5,484	(468)
Election expense	3,000	3,207	3,207	---
Assessments and memberships	1,500	1,809	1,808	1
Donations	10,715	10,196	10,196	---
Meals and mileage	50	---	---	---
Miscellaneous	600	1,013	5,424	(4,411)
<u>Total City Administration</u>	<u>\$ 384,793</u>	<u>\$ 368,964</u>	<u>\$ 401,474</u>	<u>\$(32,510)</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget -</u> <u>Original</u>	<u>Budget -</u> <u>Revised</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Public Safety:</u>				
<u>Municipal Court:</u>				
Office expense	\$ 500	\$ 272	\$ 271	\$ 1
Incarceration fees	150	----	----	----
Professional services	10,000	8,325	9,451	(1,126)
Travel and training	150	----	----	----
Miscellaneous	----	----	----	----
<u>Total Municipal Court</u>	<u>\$ 10,800</u>	<u>\$ 8,597</u>	<u>\$ 9,722</u>	<u>\$ (1,125)</u>
<u>Police Department:</u>				
Payroll	\$288,007	\$284,420	\$295,870	\$(11,450)
Payroll taxes	22,033	21,657	21,204	453
Employee benefits	40,050	36,838	36,934	(96)
Employee clothing allowance	4,200	3,182	3,181	1
Office expense	5,500	8,105	8,104	1
Fuel	13,500	8,520	8,519	1
Supplies and maintenance	8,300	11,764	12,849	(1,085)
Safety and compliance	500	705	705	----
Drug enforcement	15,500	12,584	12,594	(10)
DARE expenses	1,000	225	224	1
Telephone	5,700	7,239	7,238	1
Insurance	18,000	17,357	17,356	1
Utilities	7,000	6,610	7,116	(506)
Travel and training	3,000	1,528	1,528	----
Assessments and memberships	200	75	75	----
Miscellaneous	1,550	837	836	1
Dispatching fees	<u>68,680</u>	<u>68,680</u>	<u>68,680</u>	<u>----</u>
<u>Total Police Department</u>	<u>\$502,720</u>	<u>\$490,326</u>	<u>\$503,013</u>	<u>\$(12,687)</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget -</u> <u>Original</u>	<u>Budget -</u> <u>Revised</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Fire Department:</u>				
Payroll	\$ 58,260	\$ 50,900	\$ 51,648	\$ (748)
Payroll taxes	4,457	3,900	3,952	(52)
Contract labor	3,600	3,600	3,600	---
Office expense	500	168	168	---
Fuel	5,500	3,542	3,542	---
Fire prevention/investigation	2,500	---	---	---
Supplies and maintenance	31,000	22,321	20,969	1,352
Recruitment and retention	1,000	1,020	1,020	---
Emergency preparedness	3,000	---	---	---
Telephone	2,700	4,155	4,204	(49)
Travel and training	6,000	2,564	1,009	1,555
Insurance	22,000	23,023	23,203	(180)
Utilities	9,000	7,272	7,728	(456)
Public relations	5,000	7,734	4,552	3,182
Assessments and memberships	1,000	---	---	---
Miscellaneous	1,100	11	10	1
<u>Total Fire Department</u>	<u>\$156,617</u>	<u>\$130,210</u>	<u>\$125,605</u>	<u>\$ 4,605</u>
<u>Total Public Safety</u>	<u>\$670,137</u>	<u>\$629,133</u>	<u>\$638,340</u>	<u>\$ (9,207)</u>
<u>Humane Officer:</u>				
Payroll	\$ 2,260	\$ 2,260	\$ 2,300	\$ (40)
Payroll taxes	173	170	169	1
Supplies and maintenance	800	399	398	1
Telephone	---	---	---	---
Insurance	285	74	74	---
Utilities	800	313	312	1
Animal transfers	500	---	---	---
Miscellaneous	---	---	---	---
<u>Total Humane Officer</u>	<u>\$ 4,818</u>	<u>\$ 3,216</u>	<u>\$ 3,253</u>	<u>\$ (37)</u>
<u>Inspection and Zoning</u> <u>Department:</u>				
Payroll	\$ 5,700	\$ 4,689	\$ 4,989	\$ (300)
Payroll taxes	437	355	355	---
Office expense	154	198	198	---
Advertising	180	93	92	1
Travel and training	500	135	135	---
<u>Total Inspection and Zoning</u> <u>Department</u>	<u>\$ 6,971</u>	<u>\$ 5,470</u>	<u>\$ 5,769</u>	<u>\$ (299)</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget -</u> <u>Original</u>	<u>Budget -</u> <u>Revised</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Park Maintenance:</u>				
Payroll	\$ 4,371	\$ 4,276	\$ 4,439	\$ (163)
Payroll taxes	335	323	323	---
Employee benefits	1,278	1,323	1,323	---
Contract payments	27,800	27,800	29,653	(1,853)
Supplies and maintenance	5,000	8,066	8,066	---
Insurance	2,100	2,341	2,341	---
Utilities	13,700	11,572	12,437	(865)
Mosswood Golf Course expenses	36,018	36,018	34,409	1,609
Park Board expenses	6,000	3,619	3,618	1
<u>Total Park Maintenance</u>	<u>\$ 96,602</u>	<u>\$ 95,338</u>	<u>\$ 96,609</u>	<u>\$(1,271)</u>
<u>Street Department:</u>				
Payroll	\$146,415	\$151,404	\$157,320	\$(5,916)
Payroll taxes	11,201	11,331	11,330	1
Employee benefits	41,129	36,761	36,760	1
Office expense	300	469	468	1
Uniforms	1,000	712	712	---
Fuel	25,000	16,200	12,725	3,475
Supplies and maintenance	20,750	19,630	19,657	(27)
Safety and compliance	2,500	2,550	2,549	1
Street maintenance materials	25,000	39,486	41,430	(1,944)
Winter mix supplies	6,000	4,135	4,135	---
Telephone	1,500	1,893	1,892	1
Travel and training	1,000	---	---	---
Insurance	15,000	14,027	14,027	---
Utilities	7,500	5,594	5,916	(322)
Miscellaneous	250	195	195	---
<u>Total Street Department</u>	<u>\$304,545</u>	<u>\$304,387</u>	<u>\$309,116</u>	<u>\$(4,729)</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget - Original</u>	<u>Budget - Revised</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Swimming Pool:</u>				
Payroll	\$30,600	\$35,039	\$35,039	\$ ---
Payroll taxes	2,341	2,681	2,680	1
Office expense	100	---	---	---
Supplies and maintenance	12,100	11,682	11,681	1
Safety and compliance	1,000	691	690	1
Telephone	325	369	368	1
Utilities	7,000	9,351	10,027	(676)
Insurance	4,700	5,044	5,044	---
Travel and training	2,200	1,200	1,200	---
Miscellaneous	200	---	---	---
<u>Total Swimming Pool</u>	<u>\$60,566</u>	<u>\$66,057</u>	<u>\$66,729</u>	<u>\$ (672)</u>
<u>Airport:</u>				
Contract payments	\$ 4,300	\$ 4,100	\$ 4,100	\$ ---
Office expense	1,500	1,948	1,947	1
Supplies and maintenance	3,200	3,099	4,133	(1,034)
Purchases for resale	38,176	44,540	31,480	13,060
Telephone	2,100	1,337	1,336	1
Insurance	2,500	776	776	---
Utilities	5,800	4,451	4,697	(246)
Miscellaneous	---	---	---	---
<u>Total Airport</u>	<u>\$57,576</u>	<u>\$60,251</u>	<u>\$48,469</u>	<u>\$11,782</u>
<u>Cemetery:</u>				
Payroll	\$ 5,794	\$ 4,276	\$ 4,439	\$ (163)
Payroll taxes	443	323	323	---
Employee benefits	874	902	902	---
Contract payments	22,200	23,630	25,715	(2,085)
Supplies and maintenance	500	79	79	---
Insurance	228	---	---	---
Utilities	200	225	266	(41)
Miscellaneous	---	---	---	---
<u>Total Cemetery</u>	<u>\$30,239</u>	<u>\$29,435</u>	<u>\$31,724</u>	<u>\$ (2,289)</u>

CITY OF MONROE CITY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Budget -</u> <u>Original</u>	<u>Budget -</u> <u>Revised</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Capital Outlay:</u>				
City administration	\$ 53,380	\$ 21,041	\$ ----	\$ 21,041
Municipal court	2,500	----	----	----
Police Department	14,425	14,424	----	14,424
Fire Department	----	----	----	----
Humane Officer	----	----	----	----
Parks Department	----	----	----	----
Street Department	----	----	----	----
Airport	10,000	5,153	5,153	----
Cemetery	7,000	----	----	----
<u>Total Capital Outlay</u>	<u>\$ 87,305</u>	<u>\$ 40,618</u>	<u>\$ 5,153</u>	<u>\$ 35,465</u>
<u>Total Expenditures</u>	<u>\$1,703,552</u>	<u>\$1,602,869</u>	<u>\$1,606,636</u>	<u>\$ (3,767)</u>
<u>Excess of Revenues Over (Under)</u> <u>Expenditures</u>	<u>\$ 315,053</u>	<u>\$ 406,202</u>	<u>\$ 392,287</u>	<u>\$(13,915)</u>
<u>Other Financing Sources (Uses):</u>				
Operating transfers in	\$ ----	\$ ----	\$ ----	\$ ----
Operating transfers out	(378,800)	(377,572)	(391,995)	(14,423)
<u>Total Other Financing Sources (Uses)</u>	<u>\$ (378,800)</u>	<u>\$ (377,572)</u>	<u>\$ (391,995)</u>	<u>\$(14,423)</u>
<u>Excess of Revenues and Other Sources</u> <u>Over (Under) Expenditures and Other</u> <u>Uses</u>	<u>\$ (63,747)</u>	<u>\$ 28,630</u>	<u>\$ 292</u>	<u>\$(28,338)</u>
<u>Fund Balance, October 1</u>			<u>198,138</u>	
<u>Fund Balance, September 30</u>			<u>\$ 198,430</u>	

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI

COMBINING BALANCE SHEET

ALL SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2016

	Library Fund	Fire Department Fund	Sales Tax Fund	Park Sales Tax Fund	Industrial Development Fund	Monroe City, Missouri Community Foundation	D.A.R.E.	St. Jude Cemetery Endowment Fund	Totals
<u>Assets:</u>									
Cash	\$150,738	\$463,204	\$227,510	\$298,081	\$ 66,331	\$ 389	\$ 656	\$29,849	\$1,236,758
Receivables:									
Notes	----	----	----	----	985,184	----	----	----	985,184
Taxes	355	----	16,898	16,897	----	----	----	----	34,150
Total Assets	<u>\$151,093</u>	<u>\$463,204</u>	<u>\$244,408</u>	<u>\$314,978</u>	<u>\$1,051,515</u>	<u>\$ 389</u>	<u>\$ 656</u>	<u>\$29,849</u>	<u>\$2,256,092</u>
<u>Liabilities and Fund Equity:</u>									
<u>Liabilities:</u>									
Accounts payable	\$ 223	\$ 220	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ 443
Due to Electric Fund	----	----	----	----	680,000	----	----	----	680,000
Due to Gas Fund	----	----	----	----	\$ 680,000	----	----	----	\$ 680,443
Total Liabilities	<u>\$ 223</u>	<u>\$ 220</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 680,000</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 680,443</u>
<u>Fund Equity:</u>									
Nonspendable	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----	\$ ----
Restricted	----	----	----	----	----	----	----	----	----
Assigned	150,870	462,984	244,408	314,978	371,515	389	656	29,849	1,575,649
Unassigned	----	----	----	----	----	----	----	----	----
Total Fund Equity	<u>\$150,870</u>	<u>\$462,984</u>	<u>\$244,408</u>	<u>\$314,978</u>	<u>\$ 371,515</u>	<u>\$ 389</u>	<u>\$ 656</u>	<u>\$29,849</u>	<u>\$1,575,649</u>
Total Liabilities and Fund Equity	<u>\$151,093</u>	<u>\$463,204</u>	<u>\$244,408</u>	<u>\$314,978</u>	<u>\$1,051,515</u>	<u>\$ 389</u>	<u>\$ 656</u>	<u>\$29,849</u>	<u>\$2,256,092</u>

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2016

	Library Fund	Fire Department Fund	Sales Tax Fund	Park Sales Tax Fund	Industrial Development Fund	Monroe City, Missouri Community Foundation	D.A.R.E.	St. Jude Cemetery Endowment Fund	Totals
<u>Revenues:</u>									
Taxes	\$53,193	\$ ---	\$ 192,101	\$ 191,658	\$ ---	\$ ---	\$ ---	\$ ---	\$ 436,952
Licenses and permits	---	---	---	---	---	---	---	---	---
Intergovernmental revenue	2,710	---	---	---	---	---	---	---	2,710
Charges for services	---	---	---	---	---	---	---	---	---
Fines and forfeits	268	---	---	---	---	---	---	---	268
Miscellaneous revenues	2,617	108,908	4,686	2,201	45,369	---	612	---	164,393
<u>Total Revenues</u>	<u>\$58,788</u>	<u>\$108,908</u>	<u>\$196,787</u>	<u>\$193,859</u>	<u>\$45,369</u>	<u>\$ ---</u>	<u>\$ 612</u>	<u>\$ ---</u>	<u>\$ 604,323</u>
<u>Expenditures:</u>									
<u>Current:</u>									
Public safety	\$ ---	\$ 12,053	\$ ---	\$ ---	\$ ---	\$ ---	\$ 1,426	\$ ---	\$ 13,479
Street improvements	---	---	361,690	---	---	---	---	---	361,690
Culture and recreation	58,297	---	---	---	---	---	---	---	58,297
Industrial Development	---	---	---	---	84,121	---	---	---	84,121
Capital outlay	---	16,665	4,500	---	---	---	---	---	21,165
<u>Total Expenditures</u>	<u>\$58,297</u>	<u>\$ 28,718</u>	<u>\$ 366,190</u>	<u>\$ ---</u>	<u>\$ 84,121</u>	<u>\$ ---</u>	<u>\$ 1,426</u>	<u>\$ ---</u>	<u>\$ 538,752</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>\$ 491</u>	<u>\$ 80,190</u>	<u>\$ (169,403)</u>	<u>\$ 193,859</u>	<u>\$ (38,752)</u>	<u>\$ ---</u>	<u>\$ (814)</u>	<u>\$ ---</u>	<u>\$ 65,571</u>
<u>Other Financing Sources (Uses):</u>									
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Operating transfers out	---	---	---	(106,098)	---	---	---	---	(106,098)
<u>Total Other Financing Sources (Uses)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (106,098)</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ (106,098)</u>

CITY OF MONROE CITY, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2016

(CONTINUED)

	Library Fund	Fire Department Fund	Sales Tax Fund	Park Sales Tax Fund	Industrial Development Fund	Monroe City, Missouri Community Foundation	D.A.R.E.	St. Jude Cemetery Endowment Fund	Totals
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 491	\$ 80,190	\$(169,403)	\$ 87,761	\$(38,752)	\$ ----	\$ (814)	\$ ----	\$ (40,527)
Fund Balances, October 1	<u>150,372</u>	<u>382,794</u>	<u>413,811</u>	<u>227,217</u>	<u>410,267</u>	<u>389</u>	<u>1,470</u>	<u>29,849</u>	<u>1,616,176</u>
Fund Balances, September 30	<u>\$150,870</u>	<u>\$462,984</u>	<u>\$ 244,408</u>	<u>\$314,978</u>	<u>\$371,515</u>	<u>\$' 389</u>	<u>\$ 656</u>	<u>\$29,849</u>	<u>\$1,575,649</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF OPERATING EXPENSES
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Electric</u> <u>Department</u>	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>
<u>Administration:</u>			
Professional services	\$ 14,650	\$ 312	\$ 312
Insurance	37,860	11,758	5,679
Franchise tax	132,240	15,840	8,556
Assessments and memberships	----	850	52
Administrative fee	558,723	162,572	33,836
Bad debts, net	15,617	(1,099)	8,616
Miscellaneous	----	----	----
<u>Total Administration</u>	<u>\$ 759,090</u>	<u>\$190,233</u>	<u>\$ 57,051</u>
<u>Production/Sewer Treatment:</u>			
Payroll	\$ ----	\$ 78,760	\$ 65,300
Payroll taxes	----	5,770	4,533
Employee benefits	----	15,674	19,186
Uniforms	----	401	328
Office expense	----	844	752
Fuel	----	672	442
Supplies and maintenance	138	175,431	6,870
Chemicals/testing and reports	----	95,073	11,013
Telephone	----	3,181	2,309
Transportation and training	----	8,090	45
Utilities	5,577	43,505	66,393
Safety and compliance	----	2,182	234
Miscellaneous	----	98	58
<u>Total Production/Sewer Treatment</u>	<u>\$ 5,715</u>	<u>\$429,681</u>	<u>\$177,463</u>
<u>Utility Purchase/Interconnect:</u>			
Power purchases	\$3,394,751	\$ ----	\$ ----
Natural gas purchases	----	----	----
Sanitation contract	----	----	----
<u>Total Utility Purchase/Interconnect</u>	<u>\$3,394,751</u>	<u>\$ ----</u>	<u>\$ ----</u>

The notes to financial statements are an integral part of this statement.

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$ 624	\$ ----	\$ 15,898
7,747	----	63,044
38,304	----	194,940
2,863	----	3,765
122,608	----	877,739
817	665	24,616
----	----	----
<u>\$172,963</u>	<u>\$ 665</u>	<u>\$1,180,002</u>
\$ ----	\$ ----	\$ 144,060
----	----	10,303
----	----	34,860
----	----	729
----	----	1,596
----	----	1,114
----	----	182,439
----	----	106,086
----	----	5,490
----	----	8,135
----	----	115,475
----	----	2,416
----	----	156
<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 612,859</u>
\$ ----	\$ ----	\$3,394,751
703,624	----	703,624
----	94,202	94,202
<u>\$703,624</u>	<u>\$94,202</u>	<u>\$4,192,577</u>

CITY OF MONROE CITY, MISSOURI
COMBINING STATEMENT OF OPERATING EXPENSES
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

	<u>Electric</u> <u>Department</u>	<u>Water</u> <u>Department</u>	<u>Sewer</u> <u>Department</u>
<u>Distribution/Collection:</u>			
Payroll	\$156,781	\$ 35,925	\$45,246
Payroll taxes	11,297	3,091	3,077
Employee benefits	33,067	8,212	8,147
Uniforms	3,124	969	911
Office expense	282	472	472
Fuel	4,829	1,405	1,405
Supplies and maintenance	16,338	48,197	4,371
Distribution/collection materials	20,025	22,134	5,140
Telephone	2,915	1,277	1,277
Utilities	1,416	2,040	2,079
Travel and training	6,460	45	---
Safety and compliance	6,136	155	155
Railroad easement	1,369	---	---
Miscellaneous	821	65	65
<u>Total Distribution/Collection</u>	<u>\$264,860</u>	<u>\$123,987</u>	<u>\$72,345</u>
<u>Depreciation:</u>			
Administration	\$ 481	\$ 47	\$ ---
Production/treatment	139,287	65,034	25,084
Interconnect	5,264	---	---
Distribution/collection	49,626	67,965	72,924
<u>Total Depreciation</u>	<u>\$194,658</u>	<u>\$133,046</u>	<u>\$98,008</u>

The notes to financial statements are an integral part of this statement.

<u>Natural Gas Department</u>	<u>Sanitation Department</u>	<u>Totals</u>
\$ 42,375	\$ ----	\$280,327
3,088	----	20,553
9,619	----	59,045
944	----	5,948
472	----	1,698
1,405	----	9,044
8,614	----	77,520
39,606	----	86,905
1,430	----	6,899
1,926	----	7,461
2,504	----	9,009
1,535	----	7,981
----	----	1,369
<u>110</u>	<u>----</u>	<u>1,061</u>
<u>\$113,628</u>	<u>\$ ----</u>	<u>\$574,820</u>
\$ 781	\$ ----	\$ 1,309
----	----	229,405
----	----	5,264
<u>30,819</u>	<u>----</u>	<u>221,334</u>
<u>\$ 31,600</u>	<u>\$ ----</u>	<u>\$457,312</u>

SUPPLEMENTARY INFORMATION

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF CHANGES IN GENERAL CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

	<u>Balance</u> <u>10-1-15</u>	<u>Additions</u>	<u>Sales/</u> <u>Retirements</u>	<u>Balance</u> <u>9-30-16</u>
<u>Function and Activity:</u>				
<u>General Government:</u>				
City administration	\$ 2,258,233	\$ ----	\$ ----	\$ 2,258,233
<u>Public Safety:</u>				
Police	\$ 571,521	\$ ----	\$ ----	\$ 571,521
Fire	2,173,835	16,665	----	2,190,501
Humane Officer	28,402	----	----	28,402
<u>Total Public Safety</u>	<u>\$ 2,773,758</u>	<u>\$16,665</u>	<u>\$ ----</u>	<u>\$ 2,790,424</u>
<u>Street Department</u>	<u>\$ 1,136,012</u>	<u>\$ 4,500</u>	<u>\$ ----</u>	<u>\$ 1,140,512</u>
<u>Culture and Recreation:</u>				
Parks	\$ 983,657	\$ ----	\$ ----	\$ 983,657
Library	158,146	----	----	158,146
Mosswood Golf Course	386,298	----	----	386,298
Park sales tax	1,511,694	----	----	1,511,694
<u>Total Culture and Recreation</u>	<u>\$ 3,039,795</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 3,039,795</u>
<u>Airport</u>	<u>\$ 1,766,418</u>	<u>\$ 5,153</u>	<u>\$ ----</u>	<u>\$ 1,771,571</u>
<u>St. Jude's Cemetery</u>	<u>\$ 115,707</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 115,707</u>
<u>Industrial Park</u>	<u>\$ 194,575</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 194,575</u>
<u>Total General Capital Assets</u>	<u>\$11,284,498</u>	<u>\$26,318</u>	<u>\$ ----</u>	<u>\$11,310,816</u>

The accompanying notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
STATEMENT OF CHANGES IN CAPITAL ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	COST			
	BALANCE 9/30/2015	ADDITIONS	RETIREMENTS	BALANCE 9/30/2016
ELECTRIC DEPARTMENT				
Land	\$12,278	\$0	\$0	\$12,278
Production	\$6,077,688	\$0	\$0	\$6,077,688
Interconnect	\$248,188	\$0	\$0	\$248,188
Distribution	\$2,432,161	\$25,256	\$0	\$2,457,417
Office Equipment	\$44,163	\$0	\$0	\$44,163
TOTAL ELECTRIC DEPARTMENT	\$8,814,478	\$25,256	\$0	\$8,839,734
NATURAL GAS DEPARTMENT				
Land	\$14,691	\$0	\$0	\$14,691
Natural Gas System	\$1,490,066	\$5,220	\$0	\$1,495,286
Office Equipment	\$42,742		\$0	\$42,742
TOTAL NATURAL GAS DEPARTMENT	\$1,547,499	\$5,220	\$0	\$1,552,719
WATER DEPARTMENT				
Production System	\$2,802,855	\$19,649	\$0	\$2,822,504
Distribution System	\$3,670,383	\$3,737	\$0	\$3,674,120
Office Equipment	\$11,017		\$0	\$11,017
TOTAL WATER DEPARTMENT	\$6,484,255	\$23,386	\$0	\$6,507,641
SEWER DEPARTMENT				
Treatment System	\$1,342,511	\$9,800	\$0	\$1,352,311
Collection System	\$1,425,017	\$4,099,075	\$0	\$5,524,092
Office Equipment	\$1,426		\$0	\$1,426
Construction in progress	\$2,909,795	\$1,208,480	\$4,118,275	\$0
TOTAL SEWER DEPARTMENT	\$5,678,749	\$5,317,355	\$4,118,275	\$6,877,829
TOTAL PROPRIETARY FUND TYPES	\$22,524,981	\$5,371,237	\$4,118,275	\$23,777,923

The accompanying notes to financial statements are an integral part of this statement.

ACCUMULATED DEPRECIATION

BALANCE 9/30/2015	ADDITIONS	RETIREMENTS	BALANCE 9/30/2016
\$0	\$0	\$0	\$0
\$4,437,710	\$139,287	\$0	\$4,576,997
\$246,500	\$5,264	\$0	\$251,764
\$1,423,636	\$49,626	\$0	\$1,473,262
\$37,336	\$481	\$0	\$37,817
\$6,145,182	\$194,658	\$0	\$6,339,840
\$0	\$0	\$0	\$0
\$1,260,215	\$30,819	\$0	\$1,291,034
\$39,108	\$781	\$0	\$39,889
\$1,299,323	\$31,600	\$0	\$1,330,923
\$1,426,238	\$65,034	\$0	\$1,491,272
\$1,212,297	\$67,965	\$0	\$1,280,262
\$10,120	\$47	\$0	\$10,167
\$2,648,655	\$133,046	\$0	\$2,781,701
\$575,730	\$25,084	\$0	\$600,814
\$1,043,688	\$72,924	\$0	\$1,116,612
\$1,426	\$0	\$0	\$1,426
\$0	\$0	\$0	----
\$1,620,844	\$98,008	\$0	\$1,718,852
\$11,714,004	\$457,312	\$0	\$12,171,316

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF OPERATING STATISTICS
ELECTRIC DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

	<u>Quantity</u>	<u>Percent</u>
<u>Generation and Usage Statistics:</u>		
Gross KWHRS generated at plant	----	0.00%
KWHRS purchased	43,140,276	<u>100.0%</u>
Total KWHRS generated and purchased	43,140,276	<u>100.0%</u>
KWHRS distributed from plant	<u>42,475,832</u>	<u>98.5%</u>
Power plant loss	<u>664,444</u>	<u>1.5%</u>
KWHRS distributed from plant	42,475,832	
KWHRS billed to customers	41,222,037	
KWHRS used by power plant and street lights	<u>664,444</u>	
Total KWHRS accounted for	<u>41,886,481</u>	
Unaccounted KWHRS distributed	<u>589,351</u>	
Total KWHRS generated and purchased	43,140,276	
Total KWHRS accounted for	<u>41,886,481</u>	
Total KWHRS unaccounted for	<u>1,253,795</u>	<u>2.9%</u>
	<u>Total Cost</u>	<u>Cost per KWHR</u>
<u>Cost per KWHR Generated and Purchased:</u>		
<u>Cost per KWHR Purchased</u>	<u>\$3,394,751</u>	<u>\$0.0787</u>

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF OPERATING STATISTICS
ELECTRIC DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)
(CONTINUED)

	<u>Average Number of Customers</u>	<u>Charges - Unadjusted</u>	<u>KWHRS Billed</u>	<u>Charge per KWHR Sold</u>
<u>Customer Statistics:</u>				
Residential	1,099	\$1,341,165	11,771,614	\$0.1139
Commercial	253	1,256,060	11,133,509	0.1128
Industrial	<u>4</u>	<u>1,567,405</u>	<u>18,316,914</u>	<u>0.0857</u>
	<u>1,356</u>	<u>\$4,164,630</u>	<u>41,222,037</u>	<u>\$0.1010</u>
				<u>Average Annual Bill</u>
Residential				<u>\$ 1.220</u>
Commercial				<u>\$ 4.965</u>
Industrial				<u>\$391.851</u>

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF OPERATING STATISTICS
WATER DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

	<u>Quantity</u>	<u>Percent</u>
<u>Generation and Usage Statistics:</u>		
Gallons of water pumped	98,457	100.0%
Gallons of water sold to customers	<u>80,756</u>	<u>82.0%</u>
Total gallons unaccounted for	<u>17,701</u>	<u>18.0%</u>

	<u>Total Cost</u>	<u>Cost per 1,000 Gallons</u>
<u>Chemical Cost per 1,000 Gallons Pumped</u>	<u>\$95.073</u>	<u>\$0.9656</u>

	<u>Gallons Sold</u>	<u>Charge per 1,000 Gallons Sold</u>
<u>Customer Statistics:</u>		
Residential	40,073	\$ 8.210
Commercial	19,049	\$ 7.392
Industrial	8,248	\$ 6.866
Water Districts	<u>13,386</u>	<u>\$ 5,104</u>
	<u>80,756</u>	<u>\$ 7.365</u>

	<u>Average Number of Customers</u>	<u>Charges - Unadjusted</u>	<u>Average Annual Bill</u>
Residential	1,033	\$329,016	<u>\$ 319</u>
Commercial	164	140,819	<u>\$ 859</u>
Industrial	4	56,634	<u>\$14,159</u>
Water districts	<u>2</u>	<u>68,317</u>	<u>\$34,159</u>
	<u>1,203</u>	<u>\$594,786</u>	

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF OPERATING STATISTICS
SEWER DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

	<u>Average Number of Customers</u>	<u>Charges - Unadjusted</u>	<u>Gallons Billed (1,000's)</u>	<u>Charges per 1,000 Gallons Billed</u>
<u>Customer Statistics:</u>				
Residential	1,022	\$325,375	39,311	\$ 8.277
Commercial	147	112,616	15,295	7.363
Industrial	<u>4</u>	<u>56,234</u>	<u>8,048</u>	<u>6.987</u>
	<u>1,173</u>	<u>\$494,225</u>	<u>62,654</u>	<u>\$ 7.888</u>
				<u>Average Annual Bill</u>
Residential				<u>\$ 318</u>
Commercial				<u>\$ 766</u>
Industrial				<u>\$14,059</u>

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF OPERATING STATISTICS
NATURAL GAS DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

	<u>Quantity</u>	<u>Percent</u>
<u>Purchase and Usage Statistics:</u>		
Total MCFS of gas transported by		
Panhandle Eastern	207,239	
Deduct Perry	<u>(26,338)</u>	
Total MCFS of gas available for		
Monroe City	<u>180,901</u>	<u>100.0%</u>
Total MCFS transported	180,901	100.0%
MCFS of gas sold to customers	<u>180,110</u>	<u>99.6%</u>
MCFS unaccounted or	<u>791</u>	<u>.4%</u>

	<u>Average Number of Customers</u>	<u>Charges - Unadjusted</u>	<u>MCFS Sold</u>	<u>Charges per MCF Sold</u>
<u>Customer Statistics:</u>				
Residential	951	\$382,477	54,632	\$ 7.001
Commercial	158	156,732	25,884	\$ 6.055
Industrial	<u>4</u>	<u>446,178</u>	<u>99,594</u>	\$ 4.480
	<u>1,113</u>	<u>\$985,387</u>	<u>180,110</u>	\$ 5.471

	<u>Average Annual Bill</u>
Residential	\$ 402
Commercial	\$ 992
Industrial	<u>\$111,545</u>

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF RURAL WATER RATE CALCULATION
WATER DEPARTMENT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)

Water Production Costs:

Payroll	\$ 78,760
Payroll tax	5,770
Employee benefits	15,674
Uniforms	401
Office expense	844
Fuel	672
Supplies and maintenance	175,431
Chemicals	95,073
Telephone	3,181
Transportation and training	8,090
Utilities	43,505
Safety and compliance	2,182
Miscellaneous	<u>98</u>

<u>Total Water Production</u>	\$429,681
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<u>Water Production Depreciation</u>	<u>65,034</u>
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<u>Total Allowable Costs</u>	<u>\$494,715</u>
------------------------------	------------------

<u>Total Gallons of Water Metered - Fiscal Year Ended</u> <u>September 30, 2016</u>	<u>80,756</u>
--	---------------

<u>Total Allowable Cost per 1,000 Gallons of Metered Water</u>	\$ 6.126
--	----------

<u>Add-On Amount per Water Contract</u>	<u>.70</u>
---	------------

<u>Revised Price of Water Sold to Water Districts</u>	<u>\$ 6.826</u>
---	-----------------

The notes to financial statements are an integral part of this statement.

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF ASSESSED VALUATION AND TAX RATE
TAX YEAR 2016

Assessed Valuation:

Monroe County	\$16,566,697
Marion County	6,896,640
Ralls County	<u>2,226,930</u>

<u>Total Assessed Valuation</u>	<u>\$25,690,267</u>
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Tax Rate per \$100 of Assessed Valuation:

General Fund	\$0.7258
Library Fund	<u>0.1924</u>

Total tax levy	<u>\$0.9182</u>
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Assessed valuations are made each year by the County Assessor on real and personal properties owned by the taxpayers.

The notes to financial statements are an integral part of this statement.

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.

GARY C. LUCK, C.P.A.

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INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Honorable Mayor and Board of Aldermen
City of Monroe City, Missouri

In planning and performing our audit of the financial statements of the City of Monroe City, Missouri as of and for the year ended September 30, 2016 in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Monroe City, Missouri's internal control.

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 that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 consider the following deficiencies in internal control to be significant deficiencies:

Inadequate Separation of Duties

A fundamental concept in a good system of internal control is separation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

Auditor Prepares the Financial Statements

Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with U.S. generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the entity. Management is as responsible for outsourced functions performed by a service provider as it would be for such functions performed internally. Specifically, management is responsible for management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, because management does not have a working knowledge of generally accepted accounting principles, there is the possibility of a material misstatement occurring and not being detected. A system of internal control over financial reporting does not consist solely of controls over the proper recording of transactions in the general ledger. Rather, it includes controls over financial statement preparation, including footnote disclosures. The absence of this control procedure is considered a significant deficiency. This is a common problem for small governmental organizations.

The existence of significant deficiencies or material weaknesses may already be known to management, and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible for communicating significant deficiencies and material weaknesses in accordance with professional standards, regardless of management's decisions.

This communication is intended for the information and use of management, Mayor and Board of Aldermen, and others within the City of Monroe City, Missouri and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Luck, Humphreys and Associates

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants
Hannibal, Missouri 63401

April 28, 2017

REPORTS AND SCHEDULES PERTAINING TO THE SINGLE AUDIT OF THE
CITY OF MONROE CITY, MISSOURI'S
FEDERAL FINANCIAL ASSISTANCE

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.

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**INDEPENDENT AUDITOR'S 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 and Board of Aldermen
City of Monroe City, Missouri

We have audited, in accordance with the 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 City of Monroe City, Missouri as of September 30, 2016, and for the year then ended, and have issued our report thereon dated April 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Monroe City, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Monroe City, 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.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (See 2016-1 Inadequate Segregation of Duties and 2016-2 Auditor Prepares the Financial Statements.)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe City, Missouri's financial statements are free from 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*.

City of Monroe City, Missouri's Response to Findings

The size and budget constraints of the City limit the application of adequate segregation of duties and the ability to draft the financial statements and related notes. These areas should be reviewed periodically and consideration given to improving the segregation of duties.

The City of Monroe City, Missouri's response to the findings identified in our audit is described previously. The City of Monroe City, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants

April 28, 2017

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.

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

To the Honorable Mayor and Board of Aldermen
City of Monroe City, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Monroe City, 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 Monroe City, Missouri's major federal programs for the year ended September 30, 2016. The City of Monroe City, Missouri's major federal program is 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Monroe City, 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 Monroe City, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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 of the City of Monroe City, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Monroe City, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of the City of Monroe City, 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 Monroe City, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 of Monroe City, Missouri'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 over compliance, 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 and Board of Aldermen
City of Monroe City, Missouri
Page 3

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.

Respectfully submitted,

Luck, Humphreys and Associates

LUCK, HUMPHREYS AND ASSOCIATES, C.P.A., P.C.
Certified Public Accountants
Hannibal, Missouri

April 28, 2017

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Federal Grantor/ Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Total Awards Expended</u>
<u>U.S. Department of Agriculture -</u> Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$1,239,838</u>

Note: Program was audited as a Major Program, Type A.

Independent Auditor's Report on Schedule of Federal Financial Assistance
for the Year Ended September 30, 2016

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe City, Missouri's basic financial statements. The above schedule of expenditures of federal assistance 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 schedule of federal financial assistance is fairly stated, in all material respects, in accordance with the reporting requirements of 2 CFR Part 200, Subpart F Uniform Guidance.

CITY OF MONROE CITY, MISSOURI
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2016

1. Summary of Significant Accounting Policies:

- A. Expenditures reported on the accompanying schedule of expenditures of federal awards (the Schedule) are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Basis of Presentation:

The Schedule includes the federal financial assistance of the City of Monroe City, Missouri under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Monroe City, Missouri, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Monroe City, Missouri.

3. Reconciliation to Financial Statements:

Total awards expended	<u>\$1,239,838</u>
Construction costs	\$1,208,480
Refund to U.S.D.A.	<u>31,358</u>
<u>Total</u>	<u>\$1,239,838</u>

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Adverse
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
10.760	United States Department of Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	No
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CITY OF MONROE CITY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(CONTINUED)

Section II - Financial Statement Findings

Control Deficiencies

2016-1 Segregation of Duties

Condition: The City has a lack of segregation of duties.

Criteria: Segregation of duties encompasses assigning the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets to different people within the City. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect: There is an increased risk to the City of loss or errors in recording transactions, safeguarding assets and financial statement reporting.

Cause of Condition: There is limited staff available to fully segregate duties.

Recommendation: Although the small size of the City's accounting staff limits the extent of segregation of duties, we believe certain steps could be taken to separate incompatible duties.

Management Response: Management and the Board concur but agree that the cost of eliminating the segregation of duties issues may outweigh the benefits derived. The Board will continue to take an active supervisory role in operations to maintain an awareness of sources and uses of funds.

2016-2 Auditor Prepares the Financial Statements

Condition: Management has outsourced the preparation of the financial statements and related notes to the auditor.

Criteria: Management and administrative employees do not have a working knowledge of generally accepted accounting principles so the responsibility of preparing the financial statements is assigned to the auditor.

Effect: The City is relying on the auditor's knowledge of generally accepted accounting principles.

Cause of Condition: This is common practice in small communities.

Recommendation: None.

CITY OF MONROE CITY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(CONTINUED)

2016-2 Auditor Prepares the Financial Statements (Continued)

Management Response: We do not want to prepare the financial statements.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Prior Period Federal Award Findings and Questioned Costs

No matters were reported.

Section V - Prior Period Financial Statement Findings and Questioned Costs

The discussion for findings 2016-1 and 2 also applies to this finding.