

REPORT OF
CITY OF MONTGOMERY, MISSOURI
YEAR ENDED JUNE 30, 2021

CITY OF MONTGOMERY, MISSOURI

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GERDING, KORTE & CHITWOOD CPAS
Professional Corporation
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and Members
of the Board of Aldermen
City of Montgomery, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Missouri (the "City") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

PARTNERS

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson

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.

PARTNER EMERITUS

Robert A. Gerding

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 includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and Street Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of contributions, notes to schedule of contributions, and schedule of changes in net pension liability and related ratios and on pages 4 through 10 and 63 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 combining nonmajor fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the City'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 solely 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's internal control over financial reporting and compliance.



November 30, 2021

Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

As management of the City of Montgomery, Missouri (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2021. The City implemented Governmental Accounting Standards Board GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, for the first time for fiscal year 2004. Statement 34 allows for prospective reporting of general infrastructure effective with the year beginning July 1, 2003.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,833,357 (net position). Of this amount, \$4,157,305 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net position increased by \$763,536.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$399,580. Of this amount (\$230,963) is unassigned.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$51,499.
- The City's revenue bonds payable decreased \$210,000 due to scheduled payments.
- The City's capital lease debt decreased \$80,000 due to scheduled payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with the broad overview of the City's finances, in a manner similar to private-sector business.

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The Statement of Net Position presents information on all of the City's assets, deferred outflows, deferred inflows, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator as to whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government and administration, public safety, transportation, cultural, parks and recreation, and community development. The business-type activities of the City include water, sewer, and gas operations. The government-wide financial statements can be found on page 11-13 of this report.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories - governmental funds and proprietary funds.

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

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

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The City maintains five governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Street Fund which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 14-19.

Proprietary Funds - The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, and gas operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, wastewater and gas funds since they are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 20-23 of this report.

Fiduciary Funds - Fiduciary fund statements provide information about the financial relationships, like the Employee Deferred Compensation Fund, in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-62.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 63-66 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 67-68 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Montgomery, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,833,357 as of June 30, 2021.

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

The largest portion of the City's net position (59.5%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

The following table provides a summary of the City's net position at June 30, 2021, with comparative figures for June 30, 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current assets	\$ 1,415,132	\$ 1,305,011	\$ 3,634,867	\$ 3,136,332	\$ 5,049,999	\$ 4,441,343
Restricted assets	60,490	56,167	355,384	815,909	415,874	872,076
Pension assets	646,660	21,458	168,002	-	814,662	21,458
Capital assets	2,970,925	2,974,842	6,124,128	5,961,059	9,095,053	8,935,901
Total Assets	<u>5,093,207</u>	<u>4,357,478</u>	<u>10,282,381</u>	<u>9,913,300</u>	<u>15,375,588</u>	<u>14,270,778</u>
Deferred pension outflows	<u>20,982</u>	<u>98,931</u>	<u>789</u>	<u>24,991</u>	<u>21,771</u>	<u>123,922</u>
Current liabilities	1,054,212	947,629	935,224	584,463	1,989,436	1,532,092
Long-term liabilities	281,996	392,288	730,034	1,355,430	1,012,030	1,747,718
Total Liabilities	<u>1,336,208</u>	<u>1,339,917</u>	<u>1,665,258</u>	<u>1,939,893</u>	<u>3,001,466</u>	<u>3,279,810</u>
Deferred pension inflows	<u>442,209</u>	<u>31,555</u>	<u>120,327</u>	<u>13,514</u>	<u>562,536</u>	<u>45,069</u>
Net Position						
Net investment in capital assets	2,366,405	2,449,295	4,671,240	4,186,093	7,037,645	6,635,388
Restricted	356,231	213,213	282,176	719,626	638,407	932,839
Unrestricted	613,136	422,429	3,544,169	3,079,165	4,157,305	3,501,594
Total Net Position	<u>\$ 3,335,772</u>	<u>\$ 3,084,937</u>	<u>\$ 8,497,585</u>	<u>\$ 7,984,884</u>	<u>\$ 11,833,357</u>	<u>\$ 11,069,821</u>

As of June 30, 2021, the City is able to report positive balances in all three categories of net position for the government as a whole.

Analysis of the City's Operations - Overall the City had an increase in net position of \$763,536.

Governmental Activities: Governmental activities decreased the net position by \$250,835.

Business-Type Activities: Net Position from business-type activities increased by \$512,701 or 6.4% from \$7,984,884 to \$8,497,585.

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Changes in Net Position

The following table provides a summary of the City's operations for the year ended June 30, 2021, with comparative figures for the year ended June 30, 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Fees, fines and charges for services	\$ 638,408	\$ 633,629	\$ 2,979,483	\$ 1,994,239	\$ 3,617,891	\$ 2,627,868
Operating grants and contributions	45,053	31,089	-	-	45,053	31,089
Capital grants and contributions	-	10,000	42,850	2,800	42,850	12,800
General Revenues:						
Property taxes	372,596	371,524	-	-	372,596	371,524
Sales and use taxes	550,044	540,381	-	-	550,044	540,381
Motor vehicle and fuel taxes	120,447	111,318	-	-	120,447	111,318
Other taxes	251,938	262,052	-	-	251,938	262,052
Investment earnings	8,697	11,170	18,382	38,248	27,079	49,418
Transfers	349,630	344,400	(349,630)	(344,400)	-	-
Miscellaneous	36,033	31,959	-	-	36,033	31,959
Total Revenues	<u>2,372,846</u>	<u>2,347,522</u>	<u>2,691,085</u>	<u>1,690,887</u>	<u>5,063,931</u>	<u>4,038,409</u>
Expenses:						
General government	451,927	498,292	-	-	451,927	498,292
Public safety	473,207	561,705	-	-	473,207	561,705
Public works	750,615	757,702	-	-	750,615	757,702
Cultural, parks and recreation	37,600	34,025	-	-	37,600	34,025
Solid waste	453,977	459,869	-	-	453,977	459,869
Water/sewer	-	-	766,050	744,319	766,050	744,319
Gas	-	-	1,422,760	498,361	1,422,760	498,361
Interest on long-term debt	16,650	39,227	-	-	16,650	39,227
Economic development	104,733	102,780	-	-	104,733	102,780
Total Expenses	<u>2,288,709</u>	<u>2,453,600</u>	<u>2,188,810</u>	<u>1,242,680</u>	<u>4,477,519</u>	<u>3,696,280</u>
Total other items	<u>166,698</u>	<u>6,910</u>	<u>10,426</u>	<u>-</u>	<u>177,124</u>	<u>6,910</u>
Change in net position	250,835	(99,168)	512,701	448,207	763,536	349,039
Net Position - Beginning of Year	<u>3,084,937</u>	<u>3,184,105</u>	<u>7,984,884</u>	<u>7,536,677</u>	<u>11,069,821</u>	<u>10,720,782</u>
Net Position - End of Year	<u>\$ 3,335,772</u>	<u>\$ 3,084,937</u>	<u>\$ 8,497,585</u>	<u>\$ 7,984,884</u>	<u>\$ 11,833,357</u>	<u>\$ 11,069,821</u>

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Financial Analysis of the Government’s Funds

Governmental Funds - The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirement. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$399,580. Of this amount (\$230,963) constitutes unassigned fund balance.

In the general fund, the City originally budgeted for a decrease of \$10,000 in the fund balance. Due to actual expenditures being more and revenues being more than budgeted, the actual fund balance increased for fiscal year 2021 by \$88,763. The final budget was adjusted to actual revenues and expenses by the City.

Proprietary Funds - The City’s proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the respective proprietary funds are Gas - \$1,609,186 and Water/Sewer - \$1,934,983. Funds which had a net position increase/(decrease) in 2021 were as follows: Gas - \$209,922 and Water/Sewer - \$302,779.

Capital Assets

The City’s investment in capital assets for its governmental and business-type activities as of June 30, 2021 amounts to \$9,095,053 (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements and construction in progress. The following table provides a summary of the City’s capital assets at June 30, 2021, with comparative figures for June 30, 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment:						
Land, land rights and land improvements/construction in progress	\$ 94,500	\$ 94,500	\$ 42,960	\$ 42,960	\$ 137,460	\$ 137,460
Buildings and improvements	520,779	489,672	83,520	33,857	604,299	523,529
Infrastructure	2,027,293	2,151,870	-	-	2,027,293	2,151,870
Distribution & collection systems	-	-	5,839,005	5,735,692	5,839,005	5,735,692
Machinery & equipment	328,353	238,800	158,643	148,550	486,996	387,350
Net Capital Assets	\$ 2,970,925	\$ 2,974,842	\$ 6,124,128	\$ 5,961,059	\$ 9,095,053	\$ 8,935,901

Additional information on the City’s capital assets can be found in Note III-D on pages 44 and 45 of this report.

CITY OF MONTGOMERY, MISSOURI
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Debt Administration

At the end of the current fiscal year, the City had a total bonded debt and capital leases payable, contracts payable, and accrued compensated absences of \$2,737,682. Of this amount, \$435,000 comprises revenue bonded debt backed by the revenues of the gas, water and sewer departments.

**Outstanding Debt at Year End
Revenue Bonds, Special Assessment Debt and Capital Lease**

The following table provides a summary of the City’s outstanding debt at June 30, 2021, with comparative figures for June 30, 2020:

	Debt At Year-End Net of Accumulated Depreciation					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Capital lease obligations	\$ -	\$ -	\$ 565,000	\$ 645,000	\$ 565,000	\$ 645,000
Notes payable	1,181,070	1,210,859	452,888	33,466	1,633,958	1,244,325
Bonds payable	-	-	435,000	645,000	435,000	645,000
DNR loan payable	-	-	-	451,500	-	451,500
Accrued compensated absences	78,690	65,908	25,034	19,907	103,724	85,815
Net Capital Assets	<u>\$ 1,259,760</u>	<u>\$ 1,276,767</u>	<u>\$ 1,477,922</u>	<u>\$ 1,794,873</u>	<u>\$ 2,737,682</u>	<u>\$ 3,071,640</u>

During the fiscal year, the City’s total debt decreased by \$333,958 or 10.9%. The decrease was due to scheduled debt payments.

Additional information on the City’s debt can be found in Notes III-F and III-G on pages 45-52 of this report.

Economic Outlook

The City’s 2021/22 budget request totals \$4,737,860, which is in line with past years and fluctuates depending on natural gas usage forecasts and grant projects each year. The City has healthy reserve positions and adjusts utility rates annually to account for increased maintenance, administration, and constructions costs. We have positioned ourselves well to attract and handle future growth and our infrastructure systems are well maintained as is our equipment and buildings. The City continues to provide great benefits and retains a topnotch work force to handle all aspects of a municipal government operation as well as stable, competent elected officials to oversee the City’s activities. Financially and physically, the City continues to have a very positive and healthy future.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City’s finances. If you have questions about this report or need any additional information, contact the City of Montgomery, Missouri, Attn: Steven Deves, City Clerk or Linda Block, Deputy City Clerk, 723 N. Sturgeon St., Montgomery City, Missouri 63361.

CITY OF MONTGOMERY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 308,141	\$ 1,872,892	\$ 2,181,033
Investments	66,752	1,120,981	1,187,733
Taxes receivable	203,553	-	203,553
Accounts receivable, net	33,636	406,864	440,500
Intergovernmental receivables	8,275	-	8,275
Inventories	-	92,918	92,918
Prepaid insurance	18,284	8,133	26,417
Internal balances	(133,079)	133,079	-
Notes receivable	25,000	-	25,000
Other assets-real estate for resale	884,570	-	884,570
Total Current Assets	<u>1,415,132</u>	<u>3,634,867</u>	<u>5,049,999</u>
Non Current Assets:			
Restricted Assets:			
Cash and cash equivalents	60,490	320,984	381,474
Investments	-	34,400	34,400
Total Restricted Assets	<u>60,490</u>	<u>355,384</u>	<u>415,874</u>
Capital assets:			
Land	94,500	42,960	137,460
Other capital assets, net of accumulated depreciation	2,876,425	6,081,168	8,957,593
Net Capital Assets	<u>2,970,925</u>	<u>6,124,128</u>	<u>9,095,053</u>
Net pension asset	646,660	168,002	814,662
Total Noncurrent Assets	<u>3,678,075</u>	<u>6,647,514</u>	<u>10,325,589</u>
Total Assets	<u>5,093,207</u>	<u>10,282,381</u>	<u>15,375,588</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	20,982	789	21,771
LIABILITIES			
Current Liabilities:			
Notes payable	968,900	452,888	1,421,788
Current portion of long term notes payable	8,864	-	8,864
Accounts payable	39,136	65,664	104,800
Accrued liabilities	23,202	-	23,202
Payable From Segregated Funds:			
Interest payable	-	19,698	19,698
Bonded debt due within one year	-	215,000	215,000
Refundable deposits	14,110	101,974	116,084
Certificates of participation due within one year	-	80,000	80,000
Total Current Liabilities	<u>1,054,212</u>	<u>935,224</u>	<u>1,989,436</u>
Noncurrent Liabilities:			
Certificates of participation	-	485,000	485,000
Notes payable	203,306	-	203,306
Bonds payable	-	220,000	220,000
Compensated absences	78,690	25,034	103,724
Total Noncurrent Liabilities	<u>281,996</u>	<u>730,034</u>	<u>1,012,030</u>
Total Liabilities	<u>1,336,208</u>	<u>1,665,258</u>	<u>3,001,466</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	442,209	120,327	562,536
NET POSITION			
Net investment in capital assets	2,366,405	4,671,240	7,037,645
Restricted but expendable for (except as noted):			
Debt service	46,380	233,712	280,092
Pension	225,433	48,464	273,897
Other purposes	84,418	-	84,418
Unrestricted	613,136	3,544,169	4,157,305
Total Net Position	<u>\$ 3,335,772</u>	<u>\$ 8,497,585</u>	<u>\$ 11,833,357</u>

See Notes to Financial Statements

CITY OF MONTGOMERY, MISSOURI
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Operating		Capital Grants & Contributions	Primary Government		Total
		Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 451,927	\$ 47,668	\$ 5,772	\$ -	\$ (398,487)	\$ -	\$ (398,487)
Public works	750,615	8,980	29,524	-	(712,111)	-	(712,111)
Public safety	473,207	17,658	9,757	-	(445,792)	-	(445,792)
Solid waste	453,977	564,102	-	-	110,125	-	110,125
Parks	37,600	-	-	-	(37,600)	-	(37,600)
Community planning/economic development	104,733	-	-	-	(104,733)	-	(104,733)
Interest on long -term debt	16,650	-	-	-	(16,650)	-	(16,650)
Total Governmental Activities	<u>2,288,709</u>	<u>638,408</u>	<u>45,053</u>	<u>-</u>	<u>(1,605,248)</u>	<u>-</u>	<u>(1,605,248)</u>
Business-Type Activities:							
Water and waste water	766,050	1,236,125	-	42,850	-	512,925	512,925
Gas	1,422,760	1,743,358	-	-	-	320,598	320,598
Total Business-Type Activities	<u>2,188,810</u>	<u>2,979,483</u>	<u>-</u>	<u>42,850</u>	<u>-</u>	<u>833,523</u>	<u>833,523</u>
Total Primary Government	<u>\$ 4,477,519</u>	<u>\$ 3,617,891</u>	<u>\$ 45,053</u>	<u>\$ 42,850</u>	<u>\$ (1,605,248)</u>	<u>\$ 833,523</u>	<u>\$ (771,725)</u>

See Notes to Financial Statements

CITY OF MONTGOMERY, MISSOURI
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (Cont'd)
 YEAR ENDED JUNE 30, 2021

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property taxes, levied for general purpose	\$ 217,075	\$ -	\$ 217,075
Property taxes, levied for library	155,521	-	155,521
Sales tax	366,696	-	366,696
Sales tax, restricted for street	183,348	-	183,348
Vehicle sales taxes	120,447	-	120,447
Other taxes	251,938	-	251,938
Interest income	8,697	18,382	27,079
Miscellaneous	36,033	-	36,033
Transfers	349,630	(349,630)	-
Total general revenues and transfers	1,689,385	(331,248)	1,358,137
Other items:			
Gain on sale of assets	166,698	10,426	177,124
Total Other Items	166,698	10,426	177,124
Change in net position	250,835	512,701	763,536
Net position - beginning	3,084,937	7,984,884	11,069,821
Net position - ending	\$ 3,335,772	\$ 8,497,585	\$ 11,833,357

See Notes to Financial Statements

CITY OF MONTGOMERY, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Street Fund	Other Governmental Funds	Total
ASSETS				
Cash and cash equivalents	\$ 57,011	\$ -	\$ 251,130	\$ 308,141
Investments	-	-	66,752	66,752
Taxes receivable	141,902	48,491	13,160	203,553
Accounts receivable, net	33,636	-	-	33,636
Prepaid insurance	17,558	-	726	18,284
Note receivable	25,000	-	-	25,000
Grants receivable	8,275	-	-	8,275
Other assets-real estate for resale	884,570	-	-	884,570
Restricted assets:				
Cash and cash equivalents	14,110	-	46,380	60,490
Total Assets	\$ 1,182,062	\$ 48,491	\$ 378,148	\$ 1,608,701
LIABILITIES				
Notes payable	\$ 641,464	\$ 327,436	\$ -	\$ 968,900
Accounts payable	37,673	522	941	39,136
Accrued expenses	23,202	-	-	23,202
Due to other funds	130,084	2,995	-	133,079
Customer deposits	14,110	-	-	14,110
Total Liabilities	846,533	330,953	941	1,178,427
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	17,767	-	12,927	30,694
Total Deferred Inflows of Resources	17,767	-	12,927	30,694
FUND BALANCES				
Nonspendable				
Real estate for resale	243,106	-	-	243,106
Prepaid expenses	17,558	-	726	18,284
Assigned to public safety	5,599	-	-	5,599
Assigned to library	-	-	186,732	186,732
Assigned to cemetery	-	-	129,896	129,896
Assigned to library corporation	-	-	46,926	46,926
Unassigned	51,499	(282,462)	-	(230,963)
Total Fund Balances	317,762	(282,462)	364,280	399,580
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,182,062	\$ 48,491	\$ 378,148	\$ 1,608,701

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balance - total governmental funds	\$ 399,580
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities of \$6,006,299 net of accumulated depreciation of \$3,035,374 are not financial resources and, therefore, are not reported in the funds.	2,970,925
The net pension asset and deferred outflows related to pension are not available resources and, therefore, are not reported in the funds.	667,642
The deferred inflows related to pension are not payable from available resources and, therefore, are not reported in the funds.	(442,209)
Long-term liabilities of \$212,170 (including Library Corporation short-term portion of long-term debt of \$8,864) are not due and payable in the current period and are not reported in the funds.	(212,170)
Unavailable revenue accounts are used by management to report revenues collected within 60 days of the fiscal year-end as deferred inflows of resources of the individual funds. Such amounts are considered revenues of the government-wide statements when earned.	30,694
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	<u>(78,690)</u>
Net Position of Governmental Activities	<u><u>\$ 3,335,772</u></u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 212,787	\$ -	\$ 153,413	\$ 366,200
Sales tax	366,696	183,348	-	550,044
Railroad, utility and intangible taxes	226,066	-	14,245	240,311
Cigarette tax	11,627	-	-	11,627
Motor fuel and vehicle taxes	120,447	-	-	120,447
Intergovernmental	15,299	-	14,113	29,412
Charges for services	585,114	-	7,235	592,349
Fines and forfeits	16,731	-	-	16,731
Licenses, permits and fees	28,403	-	925	29,328
Interest	6,035	-	2,662	8,697
Donations	230	-	15,411	15,641
Miscellaneous	14,850	-	21,183	36,033
Total Revenues	<u>1,604,285</u>	<u>183,348</u>	<u>229,187</u>	<u>2,016,820</u>
EXPENDITURES				
Current				
General government	477,370	-	-	477,370
Public works	356,688	83,803	196,009	636,500
Public safety	505,444	-	-	505,444
Solid waste	453,977	-	-	453,977
Parks	30,396	-	-	30,396
Community planning/economic development	86,060	-	-	86,060
Debt service	2,693	173,911	17,616	194,220
Capital outlay	72,225	129,987	-	202,212
Total Expenditures	<u>1,984,853</u>	<u>387,701</u>	<u>213,625</u>	<u>2,586,179</u>
Excess (Deficit) of Revenues over Expenditures and Other Sources (Uses)	<u>(380,568)</u>	<u>(204,353)</u>	<u>15,562</u>	<u>(569,359)</u>
OTHER FINANCING SOURCES AND USES				
Sale of property	162,498	-	4,200	166,698
Transfers in	358,130	51,297	-	409,427
Transfers out	<u>(51,297)</u>	<u>-</u>	<u>(8,500)</u>	<u>(59,797)</u>
Net Other Financing Sources and Uses	<u>469,331</u>	<u>51,297</u>	<u>(4,300)</u>	<u>516,328</u>
Net Change in Fund Balances	88,763	(153,056)	11,262	(53,031)
Fund Balance, beginning of year	<u>228,999</u>	<u>(129,406)</u>	<u>353,018</u>	<u>452,611</u>
Fund Balance, end of year	<u>\$ 317,762</u>	<u>\$ (282,462)</u>	<u>\$ 364,280</u>	<u>\$ 399,580</u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net change in fund balances - total governmental funds \$ (53,031)

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

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	202,212	
Depreciation expense	(206,129)	
Excess of capital outlay over depreciation expense		(3,917)

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Library corporation loan principal payments	17,616	
General and street long-term loan principal payments	159,954	

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred inflows of resources changes		6,396
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Accrued compensated absences		(12,782)
Net pension expenses		136,599

		\$ 250,835
Change in Net Position of Governmental Activities		

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 220,000	\$ 212,787	\$ 212,787	\$ -
Sales tax	347,000	366,696	366,696	-
Railroad, utility and intangible taxes	252,600	226,066	226,066	-
Cigarette tax	13,000	11,627	11,627	-
Motor fuel and vehicle taxes	115,500	120,447	120,447	-
Intergovernmental	22,000	19,410	19,410	-
Charges for services	550,410	585,114	585,114	-
Fines and forfeits	50,000	16,731	16,731	-
Licenses, permits and fees	28,200	28,403	28,403	-
Interest	950	6,035	6,035	-
Miscellaneous	60	230	230	-
Total Revenues	<u>1,599,720</u>	<u>1,593,546</u>	<u>1,593,546</u>	<u>-</u>
EXPENDITURES				
Current				
General government	458,460	477,370	477,370	-
Public works	390,230	356,688	356,688	-
Public safety	501,790	505,444	505,444	-
Solid waste	452,850	453,977	453,977	-
Parks	28,820	30,396	30,396	-
Community planning/ economic development	97,250	86,060	86,060	-
Debt service	15,000	3,126	3,126	-
Capital Outlay	29,000	72,225	72,225	-
Total Expenditures	<u>1,973,400</u>	<u>1,985,286</u>	<u>1,985,286</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures	<u>(373,680)</u>	<u>(391,740)</u>	<u>(391,740)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	7,000	173,237	173,237	-
Transfers in	356,680	315,047	315,047	-
Transfers out	-	(7,781)	(7,781)	-
Total Other Financing Sources (Uses)	<u>363,680</u>	<u>480,503</u>	<u>480,503</u>	<u>-</u>
Net Change in Fund Balances	(10,000)	88,763	88,763	<u>\$ -</u>
Fund Balance - beginning of year	<u>228,999</u>	<u>228,999</u>	<u>228,999</u>	
Fund Balance - end of year	<u>\$ 218,999</u>	<u>\$ 317,762</u>	<u>\$ 317,762</u>	

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
STREET FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ 173,000	\$ 183,348	\$ 183,348	\$ -
Total Revenues	<u>173,000</u>	<u>183,348</u>	<u>183,348</u>	<u>-</u>
EXPENDITURES				
Current				
Public works	133,000	83,803	83,803	-
Debt service	-	173,911	173,911	-
Capital outlay	40,000	129,987	129,987	-
Total Expenditures	<u>173,000</u>	<u>387,701</u>	<u>387,701</u>	<u>-</u>
Excess (Deficit) of Revenues over Expenditures	<u>-</u>	<u>(204,353)</u>	<u>(204,353)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds				-
Transfers in		51,297	51,297	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>51,297</u>	<u>51,297</u>	<u>-</u>
Net Change in Fund Balances	-	(153,056)	(153,056)	<u>\$ -</u>
Fund Balance - beginning of year	<u>(129,406)</u>	<u>(129,406)</u>	<u>(129,406)</u>	
Fund Balance - end of year	<u>\$ (129,406)</u>	<u>\$ (282,462)</u>	<u>\$ (282,462)</u>	

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

	Water & Waste Water Fund	Gas Fund	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,104,154	\$ 768,738	\$ 1,872,892
Investments	643,189	477,792	1,120,981
Accounts receivable, net	61,119	345,745	406,864
Inventories	72,015	20,903	92,918
Prepaid insurance	6,694	1,439	8,133
Due from other funds	97,250	133,079	230,329
Total Current Assets	<u>1,984,421</u>	<u>1,747,696</u>	<u>3,732,117</u>
Restricted Assets:			
Restricted cash	274,139	46,845	320,984
Restricted investments	34,400	-	34,400
Total Restricted Assets	<u>308,539</u>	<u>46,845</u>	<u>355,384</u>
Noncurrent Assets:			
Fixed Assets:			
Non-Depreciable Assets:			
Land	34,149	8,811	42,960
Depreciable Assets:			
Buildings and improvements	61,143	104,583	165,726
Machinery and equipment	459,620	309,476	769,096
Distribution and collection systems	10,844,679	756,430	11,601,109
Less: Accumulated depreciation	(5,686,589)	(768,174)	(6,454,763)
Net Fixed Assets	<u>5,713,002</u>	<u>411,126</u>	<u>6,124,128</u>
Net Pension Asset	91,370	76,632	168,002
Total Assets	<u>8,097,332</u>	<u>2,282,299</u>	<u>10,379,631</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	789	-	789
LIABILITIES			
Current Liabilities:			
Accounts payable	34,315	31,349	65,664
Current portion of note payable	287,853	165,035	452,888
Due to other funds	-	97,250	97,250
Current Liabilities Payable From Restricted Cash:			
Customer deposits	55,129	46,845	101,974
Interest payable	19,698	-	19,698
Revenue bonds due within one year	215,000	-	215,000
Certificates of participation due within one year	80,000	-	80,000
Total Current Liabilities	<u>691,995</u>	<u>340,479</u>	<u>1,032,474</u>
Non-Current Liabilities:			
Certificates of participation	485,000	-	485,000
Bonds payable	220,000	-	220,000
Compensated absences	15,123	9,911	25,034
Total Non-Current Liabilities	<u>720,123</u>	<u>9,911</u>	<u>730,034</u>
Total Liabilities	<u>1,412,118</u>	<u>350,390</u>	<u>1,762,508</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	61,231	59,096	120,327
NET POSITION			
Net investment in capital assets	4,425,149	246,091	4,671,240
Restricted but expendable for:			
Debt service	233,712	-	233,712
Pension	30,928	17,536	48,464
Unrestricted	1,934,983	1,609,186	3,544,169
Total Net Position	<u>\$ 6,624,772</u>	<u>\$ 1,872,813</u>	<u>\$ 8,497,585</u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Water & Waste Water Fund	Gas Fund	Total
Operating Revenues:			
Charges for services	\$ 1,187,213	\$ 1,697,121	\$ 2,884,334
Other	44,662	50,487	95,149
Total operating revenues	<u>1,231,875</u>	<u>1,747,608</u>	<u>2,979,483</u>
Operating Expenses:			
Personnel services	154,235	102,609	256,844
Contractual services	52,157	1,155,190	1,207,347
Repairs and maintenance	62,775	61,277	124,052
Insurance	36,891	7,845	44,736
Sales tax	16,799	48,325	65,124
Utilities	71,194	2,084	73,278
Other supplies and expenses	66,505	2,928	69,433
Depreciation and amortization	256,068	41,040	297,108
Total operating expenses	<u>716,624</u>	<u>1,421,298</u>	<u>2,137,922</u>
Operating Income	<u>515,251</u>	<u>326,310</u>	<u>841,561</u>
Nonoperating Revenue (Expenses):			
Interest revenue	16,246	2,136	18,382
Interest expense	(49,426)	(1,462)	(50,888)
Gain on disposal of property	7,338	3,088	10,426
Total nonoperating revenue (expense)	<u>(25,842)</u>	<u>3,762</u>	<u>(22,080)</u>
Net Income Before Contributions and Transfers	489,409	330,072	819,481
Capital Contributions-grant proceeds	-	42,850	42,850
Transfers	(186,630)	(163,000)	(349,630)
Change in Net Position	<u>302,779</u>	<u>209,922</u>	<u>512,701</u>
Net position - beginning of year	<u>6,321,993</u>	<u>1,662,891</u>	<u>7,984,884</u>
Net position - end of year	<u>\$ 6,624,772</u>	<u>\$ 1,872,813</u>	<u>\$ 8,497,585</u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Water & Waste Water Fund	Gas Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,224,417	\$ 1,423,774	\$ 2,648,191
Payments to suppliers and contractors	(277,154)	(1,254,548)	(1,531,702)
Payments to and on behalf of employees	(177,402)	(124,760)	(302,162)
Receipts (payments) of customer deposits (net)	1,585	129	1,714
Net cash provided (used) by operating activities	<u>771,446</u>	<u>44,595</u>	<u>816,041</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(283,880)	(26,463)	(310,343)
Net cash provided (used) by noncapital financing activities	<u>(283,880)</u>	<u>(26,463)</u>	<u>(310,343)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(324,268)	(135,909)	(460,177)
Proceeds from sale of capital assets	7,338	3,088	10,426
Capital grant	-	42,850	42,850
Loan proceeds	287,853	228,819	516,672
Principal paid on capital debt	(741,500)	-	(741,500)
Interest paid on capital debt	(55,676)	(1,462)	(57,138)
Net cash provided (used) by capital and related financing activities	<u>(826,253)</u>	<u>137,386</u>	<u>(688,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investment assets	681,228	-	681,228
Purchase of investments	(146,858)	(94,634)	(241,492)
Interest	16,246	2,136	18,382
Net cash provided (used) by investing activities	<u>550,616</u>	<u>(92,498)</u>	<u>458,118</u>
Net increase (decrease) in cash and cash equivalents	211,929	63,020	274,949
Balances - beginning of year	<u>1,166,364</u>	<u>752,563</u>	<u>1,918,927</u>
Balances - end of year	<u>\$ 1,378,293</u>	<u>\$ 815,583</u>	<u>\$ 2,193,876</u>
DISPLAYED AS:			
Cash and cash equivalents	\$ 1,104,154	\$ 768,738	\$ 1,872,892
Restricted cash	274,139	46,845	320,984
	<u>\$ 1,378,293</u>	<u>\$ 815,583</u>	<u>\$ 2,193,876</u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF CASH FLOWS (CONTD)
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Water & Waste Water Fund	Gas Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 515,251	\$ 326,310	\$ 841,561
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	256,068	41,040	297,108
Change in assets and liabilities:			
Receivables, net	(7,458)	(323,834)	(331,292)
Inventories	(2,243)	(5,212)	(7,455)
Prepaid insurance	(414)	(173)	(587)
Net pension asset	(91,370)	(76,632)	(168,002)
Net pension liability	(3,699)	(2,594)	(6,293)
Accounts and other payables	31,824	28,486	60,310
Accrued expenses	(4,142)	(3,023)	(7,165)
Deferred outflows related to pension	13,894	10,308	24,202
Deferred inflows related to pension	57,568	49,245	106,813
Compensated absences payable	4,582	545	5,127
Customer deposits	1,585	129	1,714
Total adjustments	256,195	(281,715)	(25,520)
Net cash provided by operating activities	<u>\$ 771,446</u>	<u>\$ 44,595</u>	<u>\$ 816,041</u>

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Employee Deferred Compensation Fund
ASSETS	
Investments, at fair value	
Mutual stock funds	\$ 39,065
Total Assets	<u>\$ 39,065</u>
Net Position Held in Trust for Future Compensation	<u>\$ 39,065</u>

CITY OF MONTGOMERY, MISSOURI
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Employee Deferred Compensation Fund
ADDITIONS	
Contributions	
Employer/employee	\$ -
Total contributions	-
Investment earnings	
Net increase (decrease) in fair value of investments	8,765
Net investment earnings	8,765
Total Additions	8,765
DEDUCTIONS	
Employee withdrawals/transfers out	1,170
Total Deductions	1,170
Change in net position	7,595
Net position, beginning of year	31,470
Net position, end of year	\$ 39,065

See notes to financial statements

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Montgomery, Missouri (the “City”) is a municipal corporation governed by an elected mayor and board of aldermen. The City receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the City is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

B. Financial Reporting Entity

The financial statements of the City have been prepared in conformity with generally accepted accounting principles as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so data from these units are combined with data of the primary government.

In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity”, as amended by GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus”, and includes all component units of which the City appointed a voting majority of the units’ board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. Based on this criteria, the Montgomery City Library Corporation is considered a component unit.

Blended Component Unit

The Montgomery City Library Corporation is a not-for-profit corporation governed by a board of directors which is the same as the City’s library board and which is appointed by the City Council. The purpose of the corporation is solely to benefit the City’s library. The corporation’s fiscal year ends June 30. Complete financial statements for the component unit may be obtained at the City’s administrative office.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City complies with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of this Note.

The City's basic financial statements include the accounts of all City operations.

C. Basis of Presentation

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City's net position is reported in three parts –net investment in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, utilities, etc.). The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, utilities, community and youth services, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditure/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

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

Special Revenue Fund: The special revenue funds account for revenue sources that are legally restricted to expenditures for specified purposes. The Street, Library, Cemetery, and Library Corporation Funds are special revenue funds of the City.

Proprietary Funds

Enterprise Funds: Enterprise funds are used to account for business-type activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Water and Waste Water Fund and the Gas Fund.

Fiduciary Funds

Fiduciary funds financial statements include the statement of net position and statement of changes in net position. The statement of net position includes information about the assets held in an agency capacity. The reporting entity includes the Employee Deferred Compensation Fund.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is used to account for all revenues and expenditures of the City not accounted for in other funds. It is an operating fund from which most current operations are financed. It is required by law to operate in accordance with a formal budget.

Street Fund

The Street Fund accounts for the operating activities of the City's streets. This is reported with governmental activities in the government-wide statements.

Proprietary Funds

The City reports the following major enterprise funds:

Water and Waste Water Fund

The Water and Waste Water Fund accounts for the operating activities of the City's water and waste water utilities services.

Gas Fund

The Gas Fund accounts for the operating activities of the City's gas utilities services.

Other Funds

The City also reports the following governmental fund types (non-major):

Library Fund

The Library Fund accounts for the operating activities of the City's library. This is reported with governmental activities in the government-wide statements.

Cemetery Fund

The Cemetery Fund accounts for the operating activities of the City's cemetery. This is reported with governmental activities in the government-wide statements.

Library Corporation Fund

The Library Corporation Fund accounts for the activities of the corporation which receives grants and donations for the library.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City also reports the following fiduciary fund type:

Employee Deferred Compensation Fund

The Employee Deferred Compensation Fund accounts for assets held by the City which are for employees who defer a portion of their compensation under the provisions of Internal Revenue Code Section 457. Agency funds are custodial funds (assets equal liabilities); therefore, they do not involve measurement of operations. All amounts of compensation deferred under the plan, all property 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 City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of general creditors of the City in the amount equal to the fair market value of the deferred account for each participant. All assets of the plan are reported at fair market value.

E. Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting related to the timing of the measurement made, regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position. The City applies all applicable FASB pronouncements that do not conflict with or contradict GASB pronouncements.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Investments

Cash of all funds are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has an equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. An individual fund’s pooled Cash and Cash Investments are available upon demand and are considered to be “cash equivalents” when preparing these financial statements. In addition, any marketable securities not included in the common pooled accounts that are purchased with a maturity of ninety days or less are also considered to be “cash equivalents”.

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand, savings accounts, and certificates of deposits of the City. For the purpose of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Note III-A.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. See Note III-H for details of interfund transactions.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes, franchise taxes, grants, police fines, and ambulance fees. Business-type activities report utilities and interest earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as sales tax, franchise tax, and grants and other similar intergovernmental revenues since they are usually both measurable and available. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable and interest earnings compose the majority of proprietary fund receivables. Allowance for uncollectible accounts receivable are based upon historical trends and the periodic aging of receivables.

Prepaid Items

Certain payments to vendors (for insurance) reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements.

Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Prior to October 1, 2003, the governmental funds' infrastructure assets were not capitalized.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. When capital assets are disposed, the costs and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The range of estimated useful lives by types of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Distribution and collection systems	10-50 years
Infrastructure	25-50 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and investments of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to revenue bond trustee accounts and utility meter deposits.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of certificates of participation, notes payable, revenue bonds payable and capital leases payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies as a deferred outflow of resources. This item is for excess investment returns relating to the City's pension on the government-wide statement of net position and proprietary fund statement of net position.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of deferred inflows. The first arises under a modified accrual basis of accounting. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second is reported on the government-wide statement of net position and proprietary funds statement of net position and relates to differences in expenditures on the City's pension valuation.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

The City of Montgomery provides paid sick leave to all regular, full-time employees for periods of temporary absence due to illness or injury. All regular, full-time employees accrue sick leave benefits at the rate of 8 hours per month. Employees may accumulate a maximum of 1,000 hours of sick leave. Upon retirement, any unused sick leave will be paid at a 20% ratio of unused sick leave remaining at regular pay rates. Upon termination of employment (other than retirement), any unused sick leave will be paid at a 10% ratio of unused sick leave remaining at regular pay rates. Accumulated, but unused sick pay is not material and is accordingly, charged to operations when paid.

Vacation pay accumulates at varying rates based on length of employment. Employees are permitted to accumulate 10 days of vacation leave from one anniversary year to the next. Upon termination of employment, employees will be paid for unused vacation time that has been earned through the last day of employment.

Capital Leases

Property, plant and equipment financed by capital leases are reflected as assets and corresponding liabilities in the government-wide statements and the related depreciation expense is provided on the same basis as assets financed with other resources.

Equity Classifications

Government-Wide Statements:

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - 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.
- b. Restricted net position - Consists of net position with constraints placed on the 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.
- c. Unrestricted net position - All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Equity – Fund Financial Statements:

Governmental fund equity is classified as fund balance. Beginning with FY 2011, the City implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has determined there are nonspendable fund balances as detailed in Note III-J.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources because they are either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
 - Imposed by law through constitutional provisions or enabling legislation.

Management has determined there are no amounts that should be considered restricted.

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's board of directors, which is the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of year-end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the City's board of directors, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The City's management assigned funds during year as detailed in Note III-J.
- **Unassigned:** This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the City would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer to the use of the other classified funds.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

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

G. Revenues, Expenditures, and Expenses

Program Revenues

In the statement of activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits; operating grant from the Missouri Department of Social Services
Public Works	Commercial vehicle and gasoline excise tax shared by the State; cemetery lot sales and permits; library fees and operating grants and contributions
Public Safety	Fine revenue; operating and capital grants from the Missouri Department of Public Safety
Solid Waste	Fees
Parks	None
Community Planning/ Economic Development	Community development block grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Function

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

H. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deposits and Investment Laws and Regulations

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral valued at the lower of market or par. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State of Missouri or political subdivision debt obligations, or surety bonds. As required by 12 U.S.C.A., Section 1823(e), all financial institutions pledging collateral to the City must have a written collateral agreement approved by the board of directors or loan committee. As reflected in Note III-A, all deposits were fully insured or collateralized at June 30, 2021.

B. Budget Basis of Accounting

The City of Montgomery prepares its annual budget on a basis (budget basis), which agrees with generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual to provide a meaningful comparison of actual results with the budget.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, net position, revenues, and expenditures/expenses.

A. Deposits and Investments

Deposits:

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principal amount of the uninsured deposits.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash and invested cash." In addition, investments are separately held by several of the City's funds. Deposits and investments are stated at cost. Invested cash consists of certificates of deposit and U.S. Government securities.

Income from investment of pooled cash is allocated to the various funds based on the fund's balance in the pooled account.

At year-end, the carrying amount of the City's deposits (checking and savings accounts and certificates of deposit) (including Library Corporation deposits of \$46,926) was \$3,784,640 and the bank balance (including Library Corporation deposits of \$46,926) was \$3,882,918. Of the bank balance, \$1,542,732 was covered by federal depository insurance or by collateral held by the City's agent in the City's name and \$2,340,186 was covered by collateral held in the pledging bank's trust department or by its agent in the City's name. There were no uninsured and uncollateralized deposits.

Interest rate risk. As a means of limiting exposure to fair value losses arising from rising interest rates, the City's investment policy mandates structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity. The investment policy also mandates investing operating funds primarily in U.S. Treasury securities.

Credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2021, the City's investments are U.S. Treasury securities.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Custodial credit risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize custodial credit risk, it is the City's policy that all securities purchased be perfected in the name of or for the account of the City's and be held by a third-party custodian as evidenced by appropriate safekeeping receipts.

Concentration of credit risk. As a means of limiting its exposure to losses arising from concentration of investments, the City's investment policy is to invest only in U.S. treasuries and securities having principal and/or interest guaranteed by the U.S. Government.

Investments:

The City may purchase any investments allowed by the State Treasurer. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U. S. Treasury obligations or obligations of U. S. government agencies or instrumentalities of any maturity, as provided by law.

Investments are stated at market value and all investment activities are conducted through the depository bank and the City's financial advisor.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

At June 30, 2021, deposits and investments held by the City are as follows:

	Maturity Date	Carrying Value
Deposits:		
Demand deposits and money market accounts		\$ 2,562,507
Time deposits	June 1, 2022	74,139
Time deposits	November 22, 2021	194,174
Time deposits	November 10, 2021	30,360
Time deposits	September 27, 2021	36,027
Time deposits	February 19, 2022	44,096
Time deposits	February 19, 2022	41,398
Time deposits	September 4, 2023	21,000
Time deposits	September 4, 2023	53,000
Time deposits	November 14, 2021	19,718
Time deposits	June 29, 2022	66,752
Time deposits	September 18, 2021	78,150
Time deposits	October 24, 2021	163,384
Time deposits	October 22, 2021	161,800
Time deposits	June 10, 2022	130,000
Time deposits	July 31, 2021	54,135
Time deposits	July 29, 2021	54,000
Total Time Deposits		1,222,133
Total deposits and investments		\$ 3,784,640
Investments - Mutual stock funds		\$ 39,065
Reconciliation of Statement of Net Position:		
Current:		
Cash and cash equivalents		\$ 2,181,033
Investments		1,187,733
Total Current		3,368,766
Restricted:		
Cash and cash equivalents		381,474
Investments		34,400
Total Noncurrent		415,874
Total		\$ 3,784,640

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

At June 30, 2021, cash of the Enterprise Funds was restricted for the purposes below. Amounts restricted for debt service, construction, and operations, maintenance and depreciation are in accordance with revenue bond ordinances.

	Water and Wastewater Fund	Gas Fund	Total
Debt service and reserve	\$ 219,010	\$ -	\$ 219,010
Renewal and replacement	34,400	-	34,400
Refundable deposits	55,129	46,845	101,974
Total	<u>\$ 308,539</u>	<u>\$ 46,845</u>	<u>\$ 355,384</u>
	Water and Wastewater Fund	Gas Fund	Total
Cash and cash equivalents			
Unrestricted	\$ 1,104,154	\$ 768,738	\$ 1,872,892
Restricted	274,139	46,845	320,984
Total	<u>1,378,293</u>	<u>815,583</u>	<u>2,193,876</u>
Invested cash			
Unrestricted	643,189	477,792	1,120,981
Restricted	34,400	-	34,400
Total	<u>677,589</u>	<u>477,792</u>	<u>1,155,381</u>
Total	<u>\$ 2,055,882</u>	<u>\$ 1,293,375</u>	<u>\$ 3,349,257</u>
Total Cash and Invested Cash			
Unrestricted	\$ 1,747,343	\$ 1,246,530	\$ 2,993,873
Restricted	308,539	46,845	355,384
Total	<u>\$ 2,055,882</u>	<u>\$ 1,293,375</u>	<u>\$ 3,349,257</u>

The restricted assets of the governmental funds represent cash reserved by the Library Corporation for debt repayment and asset replacement and extension.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The restricted assets can be used only for the following:

Customer deposits - Refunds of utility deposits to customers discontinuing solid waste service (General Fund)	\$ 14,110
Debt service account - Payment of principal and interest only on loans (Library Corporation Fund)	23,190
Replacement and extension account - Payments for replacement and/or extensions of Library Corporation Fund fixed assets	<u>23,190</u>
Total Governmental Funds and Activities Restricted Funds	<u><u>\$ 60,490</u></u>

Other Assets – Real Estate for Resale

The City has purchased property to be used for development within the City. The acquisition cost of the property at June 30, 2021, as recorded on the Government-Wide Statement of Net Position and in the General Fund was \$884,570. Notes payable for which these properties are held as collateral total \$576,550. During the year ended June 30, 2021, the City sold 25 acres for \$33,333. Payments in the amount of \$8,333 were made with the remaining balance of \$25,000 to be paid to the City over the next five years at \$5,000 per year. The balance due at June 30, 2021 was \$25,000.

B. Receivables

Accounts receivable of the business-type activities consist of utilities receivable. Accounts receivable of the governmental activities consist of miscellaneous receivables. Receivables detail at June 30, 2021, is as follows:

The City provides an allowance for doubtful accounts based upon a review of existing receivables. Based on prior experience of collectability the accounts receivable have been adjusted as follows:

	Governmental Activities	Business-Type Activities	Total
Total accounts receivable	\$ 76,451	\$ 609,908	\$ 686,359
Less: Allowance for uncollectible accounts	<u>(42,815)</u>	<u>(203,044)</u>	<u>(245,859)</u>
Net accounts receivable	<u><u>\$ 33,636</u></u>	<u><u>\$ 406,864</u></u>	<u><u>\$ 440,500</u></u>

C. Taxes Receivable

Taxes receivable of the governmental activities consist of property, sales, franchise, gas and motor vehicle tax receivable. Receivables detail at June 30, 2021 was as follows:

	Governmental Activities
Taxes receivable	\$ 203,553
Allowance for uncollectible accounts	<u>-</u>
Net accounts receivable	<u><u>\$ 203,553</u></u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

Capital asset activity, for the fiscal year ended June 30, 2021, was as follows:

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 94,500	\$ -	\$ -	\$ 94,500
	<u>94,500</u>	<u>-</u>	<u>-</u>	<u>94,500</u>
Capital assets being depreciated:				
Buildings and improvements	956,221	54,099	-	1,010,320
Machinery, equipment and furniture	1,294,304	148,113	-	1,442,417
Infrastructure	3,459,062	-	-	3,459,062
	<u>5,709,587</u>	<u>202,212</u>	<u>-</u>	<u>5,911,799</u>
Total capital assets at historical costs	<u>5,804,087</u>	<u>202,212</u>	<u>-</u>	<u>6,006,299</u>
Less accumulated depreciation:				
Buildings and improvements	(466,549)	(22,992)	-	(489,541)
Machinery, equipment and furniture	(1,055,504)	(58,560)	-	(1,114,064)
Infrastructure	(1,307,192)	(124,577)	-	(1,431,769)
Total accumulated depreciation	<u>(2,829,245)</u>	<u>(206,129)</u>	<u>-</u>	<u>(3,035,374)</u>
Net capital assets being depreciated	<u>2,880,342</u>	<u>(3,917)</u>	<u>-</u>	<u>2,876,425</u>
Net capital assets	<u>\$ 2,974,842</u>	<u>\$ (3,917)</u>	<u>\$ -</u>	<u>\$ 2,970,925</u>
	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 42,960	\$ -	\$ -	\$ 42,960
Construction in progress	-	-	-	-
	<u>42,960</u>	<u>-</u>	<u>-</u>	<u>42,960</u>
Capital assets being depreciated:				
Buildings and improvements	111,627	54,099	-	165,726
Machinery, equipment and furniture	773,461	45,350	(49,715)	769,096
Distribution and collection systems	11,240,381	360,728	-	11,601,109
	<u>12,125,469</u>	<u>460,177</u>	<u>(49,715)</u>	<u>12,535,931</u>
Total capital assets at historical costs	<u>12,168,429</u>	<u>460,177</u>	<u>(49,715)</u>	<u>12,578,891</u>
Less accumulated depreciation:				
Buildings and improvements	(77,770)	(4,436)	-	(82,206)
Machinery, equipment and furniture	(624,911)	(35,257)	49,715	(610,453)
Distribution and collection systems	(5,504,689)	(257,415)	-	(5,762,104)
Total accumulated depreciation	<u>(6,207,370)</u>	<u>(297,108)</u>	<u>49,715</u>	<u>(6,454,763)</u>
Net capital assets being depreciated	<u>5,918,099</u>	<u>163,069</u>	<u>-</u>	<u>6,081,168</u>
Net capital assets	<u>\$ 5,961,059</u>	<u>\$ 163,069</u>	<u>\$ -</u>	<u>\$ 6,124,128</u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental Activities:

General	\$ 11,672
Public works	152,093
Public safety	16,487
Parks	7,204
Community planning/economic development	18,673
Total depreciation expense for governmental activities	\$ 206,129

Business-Type Activities:

Water and waste water	\$ 256,068
Gas	41,040
Total depreciation expense for business-type activities	\$ 297,108

E. Accounts Payable

Payables in the governmental funds are composed of payables to vendors (100%) and accrued salaries and benefits (0%). Payables of Enterprise Funds are composed of payables to vendors (100%) and accrued salaries and benefits (0%).

F. Short-term Notes

Changes in Short-Term Debt:

The following is a summary of changes in short-term debt for the year ended June 30, 2021:

Type of Debt	Balance at June 30, 2020	Additions	Reduction	Balance at June 30, 2021
Governmental Activities - Notes payable	\$ 821,119	\$ 352,884	\$ 205,103	\$ 968,900
Business-Type Activities - Notes payable	\$ 33,466	\$ 443,000	\$ 23,578	\$ 452,888

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Governmental Activities:

On June 10, 2021, the City borrowed \$129,827 secured by a certificate of deposit in the amount of \$130,000. The loan is due June 10, 2021 and the interest rate is the CD rate. The balance at June 30, 2021 is \$129,827.

On June 26, 2021, the City borrowed \$414,969 secured by developed real estate land. The loan is due June 26, 2022 and the interest rate is 2.50%. The balance at June 30, 2021 is \$414,969.

On June 1, 2010, the City borrowed \$161,582 from the Montgomery City Growth, Inc. at 0% for the purchase of developed land. The loan matures upon the sale of the property. The balance at June 30, 2021 is \$161,582.

On September 18, 2021, the City borrowed \$78,144 (\$39,072 each due by street and gas funds) secured by a 2019 Bobcat. The loan is due September 18, 2022 and the interest rate is 1.07%. The balance at June 30, 2021 is \$51,370. The street portion of the liability at June 30, 2021 is \$25,685.

On October 30, 2020, the City borrowed \$95,325 to finance the street overlay program. The loan is due October 30, 2023 and the interest rate is 2.10%. The balance at June 30, 2021 is \$95,325.

On October 23, 2020, the City borrowed \$95,485 to finance the street overlay program. The loan is due October 23, 2021 and the interest rate is 1.40%. The balance at June 30, 2021 is \$95,485. The loan is secured by a certificate of deposit.

On July 30, 2020, the City borrowed \$54,000 for the purchase of real estate, secured by such real estate. The loan is due July 30, 2021 and the interest rate is 1.15%. The balance on June 30, 2021 is \$46,028.

Business-Type Activities:

On September 18, 2021, the City borrowed \$78,144 (\$39,072 each due by street and gas funds) secured by a 2019 Bobcat. The loan is due September 18, 2022 and the interest rate is 1.07%. The balance at June 30, 2021 is \$51,370. The gas portion of the liability at June 30, 2021 is \$25,685.

On July 31, 2020, the City borrowed \$54,000 secured by a certificate of deposit in the amount of \$54,135. The loan is due July 31, 2021 and the interest rates is 1.25%. The balance at June 30, 2021 is \$45,997.

On May 5, 2021, the City borrowed \$389,000 for the purchase of a meter reading system for the Combined Waterworks and Sewerage System Fund and Gas Fund secured by the equipment purchased. The loan is due April 30, 2022 and the interest rate is 1.80%. The balance at June 30, 2021 is \$381,206 (Gas Fund \$93,353 and Water Fund \$287,853).

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-term Debt

Changes in long-term debt:

The following is a summary of changes of long-term debt for the year ended June 30, 2021:

Type of Debt	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 389,740	\$ -	\$ 177,570	\$ 212,170	\$ 8,864
Accrued compensated absences	65,908	12,782	-	78,690	-
Total General Long-Term Debt	\$ 455,648	\$ 12,782	\$ 177,570	\$ 290,860	\$ 8,864
Business-Type Activities:					
Bonds Payable	\$ 645,000	\$ -	\$ 210,000	\$ 435,000	\$ 215,000
Certificates of Participation	645,000	-	80,000	565,000	85,000
DNR Loan Payable	451,500	-	451,500	-	-
Accrued Compensated Absences	19,907	5,127	-	25,034	-
Total Enterprise Fund Debt	\$ 1,794,873	\$ 5,127	\$ 741,500	\$ 1,025,034	\$ 300,000

The City issued \$3,500,000 of Revenue Bonds on November 1, 2001. The bond proceeds were used to improve and extend the City's Waterworks and Sewerage System. These bonds were approved by the City's voters in November 1997. The following is a summary of bond transactions for the year ended June 30, 2021, for this issue:

	<u>Revenue Bonds</u> <u>Combined Waterworks and</u> <u>Sewerage System</u> <u>2001 Bond Issue</u>
Bonds payable at June 30, 2021	\$ 435,000
Less: Current portion due June 30, 2021	(215,000)
Long-term debt at June 30, 2021	<u>\$ 220,000</u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The Revenue Bonds become due on July 1 in annual installments of \$145,000 to \$220,000 through July 1, 2022. Bonds bear interest ranging from 3.00% to 5.00%. Principal and interest payments required for each of the next five years and five-year increments to maturity are as follows:

Year Ending June 30,	Annual Rate of Interest	Principal	Interest	Total
2022	5.000%	\$ 215,000	\$ 16,375	\$ 231,375
2023	5.000%	220,000	5,500	225,500
Total		<u>\$ 435,000</u>	<u>\$ 21,875</u>	<u>\$ 456,875</u>

With the issuance of the 2001 Series Bonds, the City is participating in the Missouri Leveraged State Water Pollution Control Revolving Fund Program (the “SRF Program”) of the Missouri Department of Natural Resources (“DNR”) and the State Environmental Improvement and Energy Resources Authority to provide the most cost effective financing of the extensions and improvements to the City’s Waterworks and Sewerage System. DNR is making the revolving fund loan to the City under the Clean Water SRF Program from the available money in the Water and Wastewater Loan Fund.

The revolving fund loan is funded in installments as disbursements are made to the City. Each installment of the revolving fund loan is an amount equal to the reserve percentage (70%) of the sum of the actual reimbursement amount approved by DNR in accordance with the purchase agreement. No interest is payable on the loan.

The City is responsible for repayment of the revolving fund loan in the following manner. On the date of each payment of the principal amount of the participant bonds or the defeasance, thereof, the trustee (UMB Bank, N.A.) will transfer, from the reserve account to the master trustee (UMB Bank, N.A.), an amount equal to the reserve percentage of the principal amount of the participant bonds paid or deemed paid within the meaning of the ordinance. No transfer will result in the reserve security being less than the reserve percentage of the outstanding principal amount of the participant bonds. The outstanding balance of the revolving loan fund is reduced by the amount of the transfer to the master trustee (UMB Bank, N.A.). During the year ended June 30, 2021, DNR made loan fund payments in the amount of \$0 to the City. The City repaid \$451,500 during the year ended June 30, 2021, leaving a balance of \$0.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

Governmental Activities

Library Corporation

On March 6, 2008, the Montgomery Library Corporation borrowed \$300,000 from USDA Rural Development for the purchase of the library building from the City of Montgomery in the amount of \$310,000. The funds were borrowed at an interest rate of 4.125% per annum, with the principal and interest to be paid over a period of 30 years with the due date of the final installment of March 6, 2038.

A reserve account is to be established in the sum of \$3,524 each year until there is accumulated in that account the sum of \$35,240. As of June 30, 2021, the debt service account balance was \$23,190 and the replacement and extension account balance was \$23,190.

Principal and interest payments required for each of the next five years and five-year increments to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 8,864	\$ 8,752	\$ 17,616
2023	9,229	8,386	17,615
2024	9,610	8,006	17,616
2025	10,007	7,609	17,616
2026	10,420	7,196	17,616
2027-2031	58,910	29,170	88,080
2032-2036	72,105	15,975	88,080
2037-2038	33,025	2,053	35,078
Total	<u>\$ 212,170</u>	<u>\$ 87,147</u>	<u>\$ 299,317</u>

Certificates of Participation

The changes in obligations for the year ended June 30, 2021 are shown below:

	Balance 6/30/2020	Certificate Proceeds	Principal Paid	Balance 6/30/2021	Interest Paid
Business-Type Activities:					
Water & waste water	\$ 645,000	\$ -	\$ 80,000	\$ 565,000	\$ 23,585
	<u>\$ 645,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>	<u>\$ 565,000</u>	<u>\$ 23,585</u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The business-type activities assets which are subject to these leases have costs as follows:

Leased property	\$ 1,361,652
Leased property accumulated depreciation	<u>(462,394)</u>
Total	<u><u>\$ 899,258</u></u>

Amortization including depreciation expense	<u><u>\$ 34,041</u></u>
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Lease - Purchase Agreement

The City entered into a Base Lease and Lease Purchase Obligation as of February 1, 2007, for certain personal property of the City including the clarifier equipment of the City's combined water and sewerage system. This equipment consists of a traveling bridge with scrapers on the bottom of its basin that rotates around a center point, which sits inside a circular concrete structure with steel wire around its circumference.

The City leased the Leased Property to First Bank of Missouri (The Trustee), who then leased the Leased Property back to the City pursuant to a Lease/Purchase Agreement of even date and executed a Declaration of Trust (The Indenture) of the same date under which the Trustee delivered Certificates of Participation (City of Montgomery, Missouri, Lessee) Series 2007 to provide funds to pay the costs of the project and pay the costs of delivering the Series 2007 Certificates.

The term of the base lease commenced on February 1, 2007 and will end on February 1, 2027.

The Trustee leased the personal property back to the City with the City having the right to purchase the property back. Annual payments consisting of a Base Rental representing a Principal component are payable on each February 1 beginning February 1, 2008. There is also a Base Rental payment representing an Interest Component payable on February 1 and August 1. The first payment was on August 1, 2007.

In addition to the Base Rentals, the City will from time to time be required to pay for certain expenses such as reasonable trustee expenses, maintenance and repairs of the leased property, public liability and workers' compensation insurance and various other costs associated with the property.

If the City is not in default in making payments as discussed above, the City may instruct the Trustee to take all steps that may be necessary under the prepayment provisions of the Indenture to affect the prepayment of all or such part of the then outstanding certificates on such optional prepayment dates as may be specified in writing by the City.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The City has determined the Base Rentals during the Initial Term and any Renewal Term represent the fair value of the Leased Property and that the Option Price represents the fair purchase price of the Trustee's interest in the Leased Property. The City declares that the period during which the City has an option to purchase the Trustee's interest in the Leased Property (that is the maximum term of the Lease including all Renewal Terms) does not exceed the useful life of the Leased Property.

During the term of the Lease, the City covenants and agrees that its responsible officer will include in the budget proposal submitted to the Board of Aldermen a request or requests for an appropriation equal to the Base Rentals and reasonably estimated Supplemental Rent to become due during the next succeeding Renewal Term. If sufficient funds are not appropriated by the Board of Aldermen for the payment of the Base Rental and the Supplemental Rental, and funds are not otherwise legally available for such purposes, the City shall relinquish the Leased Property as of the expiration of the Initial Term or Renewal Term for which funds have been appropriated.

The City may purchase the Trustee's interest in the Leased Property on any Optional Prepayment Date by delivering written notice to the Trustee not less than 60 days prior to the Optional Prepayment Date on which the option is to be exercised. The purchase price to be paid by the City to exercise the option shall be an amount equal to (1) the Option Price applicable on such Optional Prepayment dates as indicated in the Option Price Schedule plus interest, premium, if any, and fees, costs, and expenses which must be paid to prepay the then Outstanding Certificates, less all amounts in reverses held by the Trustee under the Indenture which may be applied to the prepayment of such outstanding Certificates and such other expenses, (2) all costs of transferring the Property to the City and (3) all other reasonable costs and expenses incidental thereto.

Title to the Leased Property will be held in the name of the City, subject of the Base Lease and the Indenture.

The City is under no obligation to exercise its option to purchase the Trustee's interest in the Leased Property.

Defeased Debt – 2013

On January 30, 2013, the City issued water and wastewater refunding certificates of participation (Series 2013) of \$1,170,000 (par value) with an interest rate of 1.25% to 4.000% to advance refund certificates of participation (Series 2007) with an interest rate of 4.85% to 5.10% and a par value of \$1,075,000. The Series 2007 certificates mature on July 1, 2022 and are callable on February 1, 2014. The Series 2013 certificates were issued at par and, after paying issuance costs of \$17,845 and an underwriter's discount of \$22,502, the net proceeds were \$1,129,654.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

The annual debt service requirements to maturity for the 2013 outstanding certificates of participation at June 30, 2021 are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 85,000	\$ 21,175	\$ 106,175
2023	90,000	18,242	108,242
2024	90,000	15,138	105,138
2025	95,000	11,763	106,763
2026	100,000	8,200	108,200
2027	105,000	4,200	109,200
Total	\$ 565,000	\$ 78,718	\$ 643,718

H. Interfund Transfers

The governmental-wide statement of activities eliminates transfers as reported within the segregated governmental and business-type activities columns. Only transfers between the two columns appear in this statement.

Interfund transfers between funds of the City were as follows:

<u>Disbursing Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Library (non-major)	General (major)	\$ 6,000
General (major)	Street (major)	43,083
Water and wastewater (major)	General (major)	186,630
Gas (major)	General (major)	163,000
Cemetery (non-major)	General (major)	2,500
General (major)	Street (major)	8,214
Total		\$ 409,427

The above transfers are budgeted routine transfers.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

III. DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

I. Fund Equity

Restricted Net Position

The following table shows the net position restricted for debt service and pension in the Governmental Activities as shown on the Statement of Net Position:

Debt service-library	\$ 46,380
Pension	\$ 225,433
Other Purposes:	
Public Safety	\$ 5,598
Public Works	78,820
Total	\$ 84,418

J. Fund Balance

Classifications of fund balances at June 30, 2021 are as follows:

	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total
Fund Balances:						
General	\$ 260,664	\$ -	\$ -	\$ 5,599	\$ 51,499	\$ 317,762
Street	-	-	-	-	(282,462)	(282,462)
Library	635	-	-	186,732	-	187,367
Cemetery	91	-	-	129,896	-	129,987
Library Corporation	-	-	-	46,926	-	46,926
Total	\$ 261,390	\$ -	\$ -	\$ 369,153	\$ (230,963)	\$ 399,580

The City has not adopted a policy that sets forth a minimum fund balance amount.

IV. OTHER INFORMATION

A. Employee Pension Plan

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF MONTGOMERY, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021

IV. OTHER INFORMATION (continued)

General Information about the Pension Plan

Plan description. The City defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	<u>2021 Valuation</u>
Benefit Multiplier:	1.25% for life
Final Average Salary:	3 years
Member Contributions:	0%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	7
Active employees	17
	<u>40</u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 8.2% (General) and 6.4% (Police).

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2021.

Actuarial assumptions. The total pension liability in the February 28, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage; 2.25% price
Salary Increase	2.75% to 6.75% including inflation (general) 2.75% to 6.55% including inflation (police)
Investment rate of return	7.00%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality used in evaluating allowances to be paid, were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General Groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2021 valuation were based on the results of an actuarial experience study for the period March 1, 2011 through February 29, 2016.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Alpha	15.00%	3.67%
Cash/Leverage	-25.00%	-0.29%

Discount rate. The discount rate used to measure the total pension liability is 7.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balances at 6/30/2020	\$ 3,032,295	\$ 3,047,460	\$ (15,165)
Changes for the year:			
Service Cost	70,264	-	70,264
Interest	219,000	-	219,000
Difference between expected and actual experience	(137,880)	-	(137,880)
Changes of assumptions	(42,146)	-	(42,146)
Contributions - employer	-	75,950	(75,950)
Contributions - employee	-	-	-
Net investment income	-	825,376	(825,376)
Benefit payments, including refunds	(93,898)	(93,898)	-
Administrative expense	-	(4,006)	4,006
Other changes	-	11,415	(11,415)
Net changes	<u>15,340</u>	<u>814,837</u>	<u>(799,497)</u>
Balances at 6/30/2021	<u>\$ 3,047,635</u>	<u>\$ 3,862,297</u>	<u>\$ (814,662)</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower 6.00% or one percentage point higher 8.00% than the current rate.

	1% Decrease	Current Single Discount	1% Increase
	6.00%	Rate Assumption 7.00%	8.00%
Total Pension Liability	\$ 3,506,943	\$ 3,047,635	\$ 2,668,433
Plan Fiduciary Net Position	3,862,297	3,862,297	3,862,297
Net Position Liability (Asset)	<u>\$ (355,354)</u>	<u>\$ (814,662)</u>	<u>\$ (1,193,864)</u>

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021 the employer recognized pension expense of \$(103,929). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 21,279	\$ 134,086
Differences in assumptions	492	34,134
Excess (deficit) investment returns	-	394,316
Contributions subsequent to the measurement date*	-	-
Total	\$ 21,771	\$ 562,536

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ending June 30, 2022.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended		
2022	\$	(148,798)
2023		(115,279)
2024		120,708
2025		(155,980)

Payable to the Pension Plan

At June 30, 2021, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

B. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of participants' salary until future years. Participation in the plan is optional and participants elect how the salary deferrals are invested. Investment options include the following: stock funds, bond funds, and money market accounts, including various risk alternatives. 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 City subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of a general creditor of the City in the amount equal to the fair market value of the deferred account for each participant.

The City has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

D. Closure of Montgomery City Sanitary Landfill

The landfill was inspected by Missouri Department of Natural Resources on March 28, 2019 and a report of unsatisfactory findings was sent to the City. The City made necessary repairs and a return to compliance letter dated September 11, 2019 was received by the City.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

E. Commitments and Contingencies

1. Grants

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2021, the City believes that disallowed expenditures, if any, based on subsequent audits of grant expenditures will not have a material effect on any of the individual government funds or the overall financial position of the City.

2. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

F. Litigation

Based on discussions with the City attorney, management believes there are no outstanding matters which will have a material effect on the financial statements of the City.

G. Environmental Matters

The City is also subject to various laws and regulations with respect to environmental matters such as air and water quality. The effect of any future changes in environmental laws and/or regulations cannot be estimated. However, compliance with such changes may necessitate substantial expenditures.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

H. Taxes

Assessed values are established by the County Assessor subject to review by the County’s Board of Equalization and State Tax Commission. The assessed value for property located in the City as of January 1, 2020 and 2019 on which the fiscal 2020 and 2019 levies were based, were as follows:

	2020	2019
Real estate	\$ 33,501,232	\$ 33,797,229
Personal property	7,636,055	7,806,985
	\$ 41,137,287	\$ 41,604,214

The City is permitted by Missouri State Statutes, which encompass certain limitations, to levy taxes for various general governmental services and in unlimited amounts for the payment of principal and interest on general obligation bonded debt. Property tax levies per \$100 assessed valuation are as follows:

Fund	2020	2019
General Revenue	\$ 0.5632	\$ 0.5556
Library	0.4000	0.4000
	\$ 0.9632	\$ 0.9556

I. Pledged Revenues

The Water and Wastewater Fund, the Library Corporation, Street Fund, Gas Fund and General Fund have pledged future water and wastewater, Library Corporation, street, gas and general revenues, net of specified operating expenses, to repay water and wastewater revenue bonds, water and wastewater capital lease obligations, a water and wastewater loan payable, Library Corporation note payable, street notes payable, general notes payable, and gas note payable that were issued for the purpose of water and wastewater improvements and equipment, the Library Corporation building, and city improvements and equipment. The bonds, leases and loans payable are payable from water and wastewater and gas fund net revenues and are payable through 2027. The notes payable are payable from Library Corporation, general, street and gas net revenues and are payable through 2038. Annual principal and interest payments in 2021 on the bonds, leases, loan payable and notes required 45% of net revenues in the water and wastewater fund, 83% of net revenues of the Library Corporation, 100% in the General, 100% in the Street and 6% in the Gas Funds. The total principal and interest remaining to be paid on bonds, leases, loan payable and notes are \$1,388,446 for the water and wastewater fund, \$299,317 for the Library Corporation, \$165,035 for the gas fund, \$752,406 for the general fund, and \$216,495 for the street fund. Principal and interest paid for the current year were \$344,933 for the water and wastewater fund, \$17,616 for the Library Corporation, \$21,143 for the gas fund, \$8,611 for the general fund, and \$92,584 for the street fund. Total water and wastewater, Library Corporation, gas fund, general fund, and street fund net revenues for the current year were \$771,319, \$21,326, \$367,350, (\$371,957), and (\$111,769), respectively.

CITY OF MONTGOMERY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

IV. OTHER INFORMATION (continued)

J. Fines and Court Costs Revenue

Fines and court costs revenue for the year ended June 30, 2021 was \$17,094, which is 1.07% of total general fund revenues.

K. Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurement as of June 30, 2021 and 2020:

June 30, 2021:

- Mutual fund stocks of \$39,065 are valued using quoted prices in an active market for identical assets (Level 1 Inputs).

June 30, 2020:

- U.S. Treasury securities of \$649,181 are valued using quoted prices in an active market for identical assets (Level 1 inputs).
- Mutual fund stocks of \$31,470 are valued using quoted prices in an active market for identical assets (Level 1 Inputs).

L. Consideration of Subsequent Events

Subsequent events have been evaluated through November 30, 2021, which is the date the financial statements are available to be issued. No events requiring disclosure were identified as a result of this review.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MONTGOMERY, MISSOURI
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED JUNE 30, 2021

Fiscal Year	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency	Covered Employee Payroll	Contribution as Percentage
2012	\$ 30,559.41	\$ 20,005.55	\$ 10,553.86	\$ 859,236.70	2.33%
2013	32,859.39	28,677.33	4,182.06	861,533.16	3.33%
2014	30,535.89	30,535.91	(0.02)	854,797.81	3.57%
2015	29,101.55	29,101.61	(0.06)	893,595.75	3.26%
2016	17,210.83	17,210.72	0.11	892,946.54	1.93%
2017	19,946.92	19,946.95	(0.03)	840,260.97	2.37%
2018	44,246.32	44,246.43	(0.11)	867,573.59	5.10%
2019	60,202.21	59,087.09	1,115.12	926,827.48	6.38%
2020	64,836.66	64,836.64	0.02	947,056.15	6.85%
2021	76,427.36	75,950.87	476.49	978,531.34	7.76%

CITY OF MONTGOMERY, MISSOURI
 NOTES TO SCHEDULE OF CONTRIBUTIONS
 (MISSOURI LAGERS)
 YEAR ENDED JUNE 30, 2021

Valuation Date:	February 28, 2021
Notes:	The roll-forward of total pension liability from February 28, 2021 to June 30, 2021 reflects expected service cost and interest reduced by actual benefit payments.
Methods and Assumptions Used to Determine Contribution Rates:	
Actuarial Cost Method	Entry Age Normal and Modified Terminal Funding
Amortization Method	A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period or (ii) 15 years.
Remaining Amortization Period	Multiple bases from 10 to 15 years
Asset Valuation Method	5-Year smoothed market; 20% corridor
Inflation	2.75% wage inflation; 2.25% price inflation
Salary Increases	2.75% to 6.75% including wage inflation for (general) 2.75% to 6.55% including wage inflation for (police)
Investment Rate of Return	7.00%, net of investment expenses
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	<p>The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.</p> <p>Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.</p>
Other Information:	None

CITY OF MONTGOMERY MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS)
YEAR ENDED JUNE 30, 2021

	<u>Fiscal Year Ending</u>	
	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
Total Pension Liability		
Service Cost	\$ 70,264	\$ 68,617
Interest on the Total Pension Liability	219,000	206,914
Benefit Changes	-	-
Difference between expected and actual experience	(137,880)	(16,893)
Assumption Changes	(42,146)	-
Benefit Payments	(93,898)	(91,621)
Refunds	-	-
Net Change in Total Pension Liability	<u>15,340</u>	<u>167,017</u>
Total Pension Liability beginning	<u>3,032,295</u>	<u>2,865,278</u>
Total Pension Liability ending	<u><u>\$ 3,047,635</u></u>	<u><u>\$ 3,032,295</u></u>
 Plan Fiduciary Net Position		
Contributions - employer	75,950	64,836
Contributions - employee	-	-
Pension Plan Net Investment Income	825,376	38,737
Benefit Payments	(93,898)	(91,621)
Refunds	-	-
Pension Plan Administrative expense	(4,006)	(5,109)
Other	<u>11,415</u>	<u>(8,602)</u>
Net Change in Plan Fiduciary Net Position	<u>814,837</u>	<u>(1,759)</u>
Plan Fiduciary Net Position beginning	<u>3,047,460</u>	<u>3,049,219</u>
Plan Fiduciary Net Position ending	<u><u>\$ 3,862,297</u></u>	<u><u>\$ 3,047,460</u></u>
 Employer Net Pension Liability (Asset)	<u><u>\$ (814,662)</u></u>	<u><u>\$ (15,165)</u></u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	126%	101%
 Covered Employee Payroll	924,832	973,021
 Employer's Net Pension Liability as a percentage of covered employee payroll	(88%)	(2%)

CITY OF MONTGOMERY MISSOURI
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (UNAUDITED)
(MISSOURI LAGERS) (CONT'D)
YEAR ENDED JUNE 30, 2021

	Fiscal Year Ending				
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability					
Service Cost	\$ 63,122	\$ 57,269	\$ 47,890	\$ 46,726	\$ 46,090
Interest on the Total Pension Liability	195,718	192,855	158,870	146,158	138,895
Benefit Changes	-	-	297,601	-	-
Difference between expected and actual experience	19,685	(69,416)	106,577	(5,833)	(11,725)
Assumption Changes	-	-	-	102,842	-
Benefit Payments	(160,767)	(128,002)	(164,952)	(66,989)	(79,604)
Refunds	-	-	-	-	-
Net Change in Total Pension Liability	<u>117,758</u>	<u>52,706</u>	<u>445,986</u>	<u>222,904</u>	<u>93,656</u>
Total Pension Liability beginning	<u>2,747,520</u>	<u>2,694,814</u>	<u>2,248,828</u>	<u>2,025,924</u>	<u>1,932,268</u>
Total Pension Liability ending	<u><u>\$ 2,865,278</u></u>	<u><u>\$ 2,747,520</u></u>	<u><u>\$ 2,694,814</u></u>	<u><u>\$ 2,248,828</u></u>	<u><u>\$ 2,025,924</u></u>
Plan Fiduciary Net Position					
Contributions - employer	59,087	44,245	19,948	17,211	29,101
Contributions - employee	-	-	-	-	-
Pension Plan Net Investment Income	188,150	348,844	345,798	(3,493)	51,413
Benefit Payments	(160,767)	(128,002)	(164,952)	(66,989)	(79,604)
Refunds	-	-	-	-	-
Pension Plan Administrative expense	(4,708)	(3,499)	(3,371)	(3,365)	(3,448)
Other	(120,346)	(84,274)	36,075	20,591	56,932
Net Change in Plan Fiduciary Net Position	<u>(38,584)</u>	<u>177,314</u>	<u>233,498</u>	<u>(36,045)</u>	<u>54,394</u>
Plan Fiduciary Net Position beginning	<u>3,087,803</u>	<u>2,910,489</u>	<u>2,676,991</u>	<u>2,713,036</u>	<u>2,658,642</u>
Plan Fiduciary Net Position ending	<u><u>\$ 3,049,219</u></u>	<u><u>\$ 3,087,803</u></u>	<u><u>\$ 2,910,489</u></u>	<u><u>\$ 2,676,991</u></u>	<u><u>\$ 2,713,036</u></u>
Employer Net Pension Liability (Asset)	<u><u>\$ (183,941)</u></u>	<u><u>\$ (340,283)</u></u>	<u><u>\$ (215,675)</u></u>	<u><u>\$ (428,163)</u></u>	<u><u>\$ (687,112)</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	106%	112%	108%	119%	133%
Covered Employee Payroll	934,083	851,787	781,827	914,122	853,156
Employer's Net Pension Liability as a percentage of covered employee payroll	(20%)	(40%)	(28%)	(47%)	(80%)

Notes to Schedule: Data prior to 2015 is not available.

OTHER SUPPLEMENTARY INFORMATION

Other supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Statements - Nonmajor governmental funds
- Statistical Data

COMBINING FINANCIAL STATEMENTS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Library Fund	Accounts for the operating activities of the City's library. This is reported with governmental activities in the government-wide statements.
Cemetery Fund	Accounts for the operation and maintenance of the City-owned cemetery. Financing is provided primarily through fees and interest earned.
Library Corporation Fund	Accounts for the activities of the corporation which receives grants and donations for the library.

CITY OF MONTGOMERY, MISSOURI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2021

	<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
	<u>Library</u>	<u>Cemetery</u>	<u>Library Corporation</u>	
ASSETS				
Cash and cash equivalents	\$ 187,440	\$ 63,144	\$ 546	\$ 251,130
Certificates of deposit	-	66,752	-	66,752
Taxes receivable	13,160	-	-	13,160
Prepaid insurance	635	91	-	726
Cash-restricted	-	-	46,380	46,380
Total Assets	<u>\$ 201,235</u>	<u>\$ 129,987</u>	<u>\$ 46,926</u>	<u>\$ 378,148</u>
LIABILITIES				
Accounts payable	\$ 941	\$ -	\$ -	\$ 941
Accrued expenses	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	<u>941</u>	<u>-</u>	<u>-</u>	<u>941</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues-property taxes	12,927	-	-	12,927
Total Deferred Inflows of Resources	<u>12,927</u>	<u>-</u>	<u>-</u>	<u>12,927</u>
FUND BALANCES				
Nonspendable-prepaid expenses	635	91	-	726
Assigned to library	186,732	-	-	186,732
Assigned to cemetery	-	129,896	-	129,896
Assigned to library corporation	-	-	46,926	46,926
Unassigned (deficit)	-	-	-	-
Total Fund Balances	<u>187,367</u>	<u>129,987</u>	<u>46,926</u>	<u>364,280</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 201,235</u>	<u>\$ 129,987</u>	<u>\$ 46,926</u>	<u>\$ 378,148</u>

CITY OF MONTGOMERY, MISSOURI
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Library	Cemetery	Library Corporation	
REVENUES				
Property taxes	\$ 153,413	\$ -	\$ -	\$ 153,413
Sales tax	-	-	-	-
Railroad, utility and intangible taxes	14,245	-	-	14,245
Intergovernmental	14,113	-	-	14,113
Charges for services	7,235	-	-	7,235
Licenses, permits and fees	-	925	-	925
Interest	970	1,549	143	2,662
Donations	3,350	12,061	-	15,411
Miscellaneous	-	-	21,183	21,183
Total Revenues	<u>193,326</u>	<u>14,535</u>	<u>21,326</u>	<u>229,187</u>
EXPENDITURES				
Current:				
Public works	195,511	498	-	196,009
Debt service:				
Principal	-	-	8,513	8,513
Interest	-	-	9,103	9,103
Capital outlay	-	-	-	-
Total Expenditures	<u>195,511</u>	<u>498</u>	<u>17,616</u>	<u>213,625</u>
Excess (Deficit) Revenues				
Over Expenditures	<u>(2,185)</u>	<u>14,037</u>	<u>3,710</u>	<u>15,562</u>
OTHER FINANCING SOURCES (USES)				
Sale of property	-	4,200	-	4,200
Transfers out	(6,000)	(2,500)	-	(8,500)
Total Other Financing Sources (Uses)	<u>(6,000)</u>	<u>1,700</u>	<u>-</u>	<u>(4,300)</u>
Net Change in Fund Balances	(8,185)	15,737	3,710	11,262
Fund Balance - beginning of year	<u>195,552</u>	<u>114,250</u>	<u>43,216</u>	<u>353,018</u>
Fund Balance - end of year	<u>\$ 187,367</u>	<u>\$ 129,987</u>	<u>\$ 46,926</u>	<u>\$ 364,280</u>

STATISTICAL DATA
(UNAUDITED)

CITY OF MONTGOMERY, MISSOURI
INSURANCE COVERAGE
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

<u>Insurance Agency</u>	<u>Date of Policies</u>		<u>Amount of Coverage</u>
Scott Agency	10/1/20 - 10/1/21	Scheduled Equipment	\$ 838,853
		Business Real Estate and Personal Property	18,535,646
		Vehicle Liability Each Occurrence	2,905,664
		Uninsured & Underinsured Motorist	50,000
		General Aggregate Limit	1,000,000
		(Other Than Products-Completed Operations)	
		Products-Completed Operations Aggregate Limit	1,000,000
		Personal & Advertising Injury Limit	1,000,000
		Each Occurrence Limit	1,000,000
		Employee Benefits Liability Aggregate Limit	3,000,000
		Employee Benefits Liability Occurrence Limit	1,000,000
		Employment Practices Occurrence Limit	2,000,000
		Employment Practices Aggregate Limit	2,000,000
		Public Officials Liability Occurrence Limit	2,000,000
		Public Officials Liability Aggregate Limit	2,000,000
		Law Enforcement Liability Occurrence Limit	2,905,664
		Law Enforcement Liability Aggregate Limit	2,905,664
Missouri Employers Mutal Insurance	7/1/20 - 7/1/21	WORKERS COMPENSATION:	
		Bodily Injury - Accident	500,000
		Bodily Injury - Disease	500,000
		Bodily Injury - Disease Each Occurrence	500,000
		FIDELITY BONDS:	
CNA Surety	3/21/21 - 3/21/22	Deputy Clerk/Treasurer	50,000
Nationwide	7/26/20 - 7/26/21	City Collector	25,000
CNA Surety	1/27/21 - 1/27/22	City Administrator/Clerk	50,000
Scott Agency	1/27/21 - 1/26/22	3 Employees	95,000

CITY OF MONTGOMERY, MISSOURI
INSURANCE COVERAGE (CONTD)
(UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2021

<u>Insurance Agency</u>	<u>Date of Policies</u>	<u>Amount of Coverage</u>
Scott Agency	10/1/20 - 10/1/21	ADDITIONAL BENEFITS COVERAGE:
		Debris Removal \$ 250,000
		Pollutant Clean Up and Removal 100,000
		Deferred Payments 25,000
		Business Income 500,000
		Building Ordinance or Law 250,000
		Civil Authority 30 days
		Claim Data Expense 25,000
		Employee Tools 25,000
		Expediting Expense 25,000
		Green Building Alternative 100,000
		Loss of Master Key 25,000
		Newly Acquired or Constructed Property
		Buildings 2,000,000
		Personal Property at each premise 1,000,000
		Personal Effects and Property of Others 50,000
		Valuable Papers and Records 100,000
		(Other Than Electronic Data)
		Property Off-Premises Including Transit 50,000
		Outdoor Property 50,000
		Accounts Receivable 100,000
		Electronic Data Processing and Media 50,000
		Fine Arts 50,000
		Stored Water 25,000
		Outdoor Signs 100,000
		Appurtenant Buildings and Structures 100,000
		Non-Owned Detached Trailers 25,000

CITY OF MONTGOMERY, MISSOURI
CUSTOMERS IN SERVICE - WATER AND WASTE WATER
(UNAUDITED)
JUNE 30, 2021 AND 2020

WATER UTILITY

Number of customers served	-	June 30, 2021	1,372
Number of customers served	-	June 30, 2020	<u>1,364</u>
INCREASE/(DECREASE) IN CUSTOMERS DURING YEAR			<u><u>8</u></u>

WASTE WATER UTILITY

Number of customers served	-	June 30, 2021	1,352
Number of customers served	-	June 30, 2020	<u>1,344</u>
INCREASE/(DECREASE) IN CUSTOMERS DURING YEAR			<u><u>8</u></u>

COMPLIANCE AND INTERNAL CONTROL



GERDING, KORTE & CHITWOOD CPAS

Professional Corporation

Certified Public Accountants

**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**

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Boonville, MO 65233
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Fax: (660) 882-7765

www.gkccpas.com

Honorable Mayor and Members
of the Board of Aldermen
City of Montgomery, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Montgomery, Missouri (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 30, 2021.

PARTNERS

Fred W. Korte, Jr.
Joseph E. Chitwood
Travis W. Hundley
Jeffrey A. Chitwood
Amy L. Watson

Internal Control Over Financial Reporting

PARTNER EMERITUS

Robert A. Gerding

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City'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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Gerding, Korte & Chitwood, P.C.
Certified Public Accountants
Boonville, Missouri

November 30, 2021

CITY OF MONTGOMERY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

2021-001 Documentation of Internal Controls

Criteria: Current auditing standards require adequate documentation of components of internal controls. This is considered to be at least a significant deficiency and, possibly, a material weakness.

Condition: The City does not have written documentation of internal controls.

Context: During the audit, we requested to review the internal control documentation manual and were told no such manual exists.

Effect: City personnel do not have a manual to which to refer to determine how duties are to be performed to ensure that adequate internal controls are followed.

Cause: The City has developed internal controls over the years, however, they have not been developed in written form, most likely due to the time which would be involved to accurately record such controls.

Recommendation: The City should establish written internal control procedures which are made available to all personnel. The written controls should be periodically reviewed to ensure they are being followed and are adequate.

Views of Responsible Officials & Planned Corrective Actions:

We are currently planning to develop a written manual for our employees to follow. This is a time-consuming task that has been hard to implement due to our small number of personnel, but one that needs to be done to ensure adequate internal controls are in place and followed by City personnel.

CITY OF MONTGOMERY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
YEAR ENDED JUNE 30, 2021

2021-002 Accounting Personnel

Criteria: Proper segregation of duties reduces the risk of errors and fraud and is an important internal control.

Condition: The City does not have enough accounting personnel to properly segregate duties.

Context: During our audit we reviewed City policies and procedures and determined adequate segregation of duties did not exist.

Effect: A small number of employees perform several accounting duties.

Cause: The City does not have the financial resources to hire enough personnel to segregate duties.

Recommendation: The City should segregate duties wherever possible and implement other controls to compensate for the lack of segregation of duties.

Views of Responsible Officials & Planned Corrective Actions:

The cost of hiring additional personnel is prohibitive and outweighs the potential benefits. We currently require two signatures on all checks and important documents, we have personnel coding the bills which are different than the personnel making the payments, we have board approval of all bills paid, and many other ways we attempt to mitigate potential risk due to our limited accounting personnel.