

CITY OF CARL JUNCTION

CARL JUNCTION, MISSOURI

**AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

YEAR ENDED APRIL 30, 2019

CITY OF CARL JUNCTION, MISSOURI

TABLE OF CONTENTS

	<u>Statement</u>	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT		1-2
MANAGEMENT'S DISCUSSION & ANALYSIS		3-15
BASIC FINANCIAL STATEMENTS:		
<i>Government-Wide Financial Statements:</i>		
Statement of Net Position	1	16-17
Statement of Activities	2	18-19
<i>Fund Financial Statements:</i>		
Balance Sheet – Governmental Funds	3	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4	21-22
Statement of Net Position– Proprietary Fund	5	23-24
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	6	25-26
Statement of Cash Flows – Proprietary Fund	7	27
<i>Notes to Basic Financial Statements</i>		28-41
REQUIRED SUPPLEMENTARY INFORMATION:		
	<u>Exhibit</u>	42
Budgetary Comparison Schedule		
– General Fund	1	43-45
– Street Fund	2	46
Notes to Required Supplementary Information – Budgetary Comparison Schedule	3	47
Schedule of Changes in Net Pension Liability and Related Ratios	4	48
Schedule of Contributions	5	49
OTHER SUPPLEMENTARY INFORMATION		
	<u>Schedule</u>	50
Combining Balance Sheet – Other Governmental Funds	1	51
Combining Statement of Revenues, Expenditures and Changes In Fund Balance	2	52
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH <i>GOVERNMENTAL AUDITING STANDARDS</i>		53-54

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Alderpersons
City of Carl Junction
303 N. Main Street
Carl Junction, Missouri 64834

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 Carl Junction, Missouri as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Carl Junction, Missouri's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also 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 of Carl Junction, Missouri, as of April 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension required supplementary information, on pages 3-15, pages 43-47 and pages 48-49 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 opinions on the financial statements that collectively comprise the City of Carl Junction, Missouri's basic financial statements. The combining nonmajor fund financial statements 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the City of Carl Junction, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the effectiveness of the City of Carl Junction, Missouri's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carl Junction, Missouri's internal control over financial reporting and compliance.



Taylor Green PC

Neosho, Missouri
September 20, 2019

City of Carl Junction
Management's Discussion and Analysis
April 30, 2019

As the financial managers of the City of Carl Junction, Missouri, we offer readers of the City financial statements this narrative overview and analysis of the financial activities of the City of Carl Junction, Missouri for the fiscal year ended April 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- On a government wide basis the assets and deferred outflows of the City of Carl Junction exceeded its liabilities and deferred inflows for the most recent fiscal year by \$36,989,976. The City has a total net position of \$36,989,976 primarily due to \$3,562,903 in net unrestricted balance.
- As of the close of the current fiscal year, the City of Carl Junction government wide activities reported \$38,493 net loss.
- The City of Carl Junction total governmental funds for the end of the fiscal year was reported as \$2,576,531 a 16.6% increase over the preceding fiscal year.
- As of the close of the current fiscal year, the City of Carl Junction reported a net change in fund balances for total governmental funds of \$366,628 with a depreciation expense of \$745,161 for a total change in net position of governmental activities of \$166,586.
- The City of Carl Junction assets exceeded its liabilities for proprietary funds with total assets reported at \$ 19,430,390 and total liabilities reported at \$2,583,780.
- The statement of revenues, expenses and changes in fund net position for the proprietary funds showed total operating revenues of \$2,469,420 and total operating expenses of \$2,399,259 for an operating income of \$70,161. As of the close of the fiscal year a total net ending position of \$16,846,610 for a decrease in net position over last fiscal year of \$205,083.
- The total proprietary fund balance for the end of the fiscal year was \$16,846,610. This provided a net cash by operating activities of \$825,733.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Carl Junction, Missouri'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 basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide reader with a broad overview of the City of Carl Junction, Missouri's finances, in a manner similar to a private-sector business. Please note that these government-wide financial statements exclude fiduciary fund activities since the city has no fiduciary fund activities.

The *statement of net position* represents information on all of the City of Carl Junction's assets 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 of 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 accrued vacation leave).

The government-wide financial statements distinguish functions of the City of Carl Junction, Missouri that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Carl Junction, Missouri include general government, municipal court, police, and public works.

Business-type Activities

The City of Carl Junction, Missouri's business-type activities consist of its: refuse collection and disposal services, which is operated under a contractual arrangement with a private hauler, drinking water pumping from deep wells and distribution, waste water collection and treatment. These operations derive revenues from charges for services that are intended to recoup the full cost of operations.

The government-wide financial statements include only the City of Carl Junction, Missouri itself (known as the *primary government*), as the City does not have any component units to be included herein.

The government-wide financial statements can be found on pages 16 through 19 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 of Carl Junction, Missouri, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Carl Junction, Missouri maintains five (5) individual 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 major funds. The Park Fund, Capital Improvements Fund, and Debt Service Fund are presented as Other Governmental Funds in the governmental fund balance sheet and in the governmental fund statements of revenue, expenditures, and changes in fund balances. Combining statements are provided as other supplementary information which shows the breakout of these non-major funds.

The City of Carl Junction, Missouri, adopts an annual appropriated budget for all major governmental funds. Budgetary comparison statements have been provided for all major governmental funds to demonstrate legal compliance with the respective adopted budget.

The governmental fund financial statements can be found on pages 20 through 22 of this report.

Proprietary Funds

Proprietary Funds are to be used to report the same functions presented as *business-type activities* in the government-wide financial statements. These statements include two enterprise funds utilized for the City's Water Works Fund and Waste Water Treatment Plant Fund.

The Proprietary enterprise Fund financial statements can be found on pages 23 through 27 of this report.

Notes to the Basic 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 basic financial statements can be found on pages 28 through 41 of this report.

Required Supplementary Information

In addition to the financial statements and notes to the financial statements, this report presents required supplementary information concerning the City's budgetary comparisons for the General Fund and Street Fund. This report also contains required supplementary information concerning net pension liabilities and contributions.

The required supplementary information can be found on pages 43 through 49 of this report.

Other Supplementary Information

The combining balance sheet – other governmental funds and combining statement of revenues, expenditures, and changes in fund balance provide fund level detail for all non-major governmental funds which are combined when reported in the balance sheet – governmental funds and statement of revenues, expenditures, and changes in fund balance – governmental funds.

The supplementary information can be found on pages 51 through 52 of this report.

Financial Analysis of the City as a Whole

This is the third year that the City has presented its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Net Position

The City's combined net position was approximately \$36,989,976. Looking at the net position of governmental and business type activities separately provides additional information.

The comparative condensed statement of net position is as follows:

City of Carl Junction
Condensed Statement of Net Position
April 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Current assets:			
Cash & cash equivalents	1,979,316	1,359,304	3,338,620
Internal balances	17,339	(17,339)	-
Prepaid Insurance	11,721	10,024	21,745
Taxes receivable	149,641	-	149,641
Construction in Progress	-	126,006	126,006
Accounts receivable, net	4,850	190,319	195,169
Total current assets	2,162,867	1,668,314	3,831,181
Restricted assets:			
Cash	818,803	383,198	1,202,001
Total restricted assets	818,803	383,198	1,202,001
Non-current assets:			
Capital assets:			
Land	445,000	242,000	687,000
Other capital assets, net of accumulated depreciation	20,647,827	17,119,540	37,767,367
Total non-current assets	21,092,827	17,361,540	38,454,367
Total Assets	24,074,497	19,413,052	43,487,549
Deferred outflows of resources:			
Relating to pension	329,615	-	329,615
Total Assets and Deferred Outflows	24,404,112	19,413,052	43,817,164

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	29,980	69,006	98,986
Pension payable	14,085	-	14,085
Accrued liabilities	214,613	112,384	326,997
Current maturities of long-term debt	309,869	196,862	506,731
Total current liabilities	568,547	378,252	946,799
Non-current liabilities			
Meter deposits payable	-	178,696	178,696
Lease purchase agreement payable	3,222,339	2,009,493	5,231,832
Net Pension Liability	197,431	-	197,431
Total non-current liabilities	3,419,770	2,188,189	5,607,959
Total Liabilities	3,988,317	2,566,441	6,554,758
Deferred inflows of resources:			
Relating to Pensions	272,429	-	272,429
Total Liabilities and Deferred Inflows	4,260,746	2,566,441	6,827,187
NET POSITION			
Net investment in capital assets	17,560,619	15,155,184	32,715,803
Nonspendable	11,718	-	11,718
Restricted for:			
Bond Requirements	-	210,926	210,926
Street Improvements	283,353	-	283,353
Shop with a Cop	9,388	-	9,388
Court Bonds	4,641	-	4,641
Deposits	6,711	184,530	191,241
Unrestricted	2,266,933	1,295,970	3,562,903
Round	3	-	3
Total Net Position	20,143,366	16,846,610	36,989,976

As provided above, at the end of the current fiscal year, the City of Carl Junction, Missouri is able to report a total positive net position of \$36,989,976.

Government Activities

Governmental activities increased the City of Carl Junction, Missouri's net position by \$166,586. The comparative Condensed Statement of Changes in Net Position is as follows:

City of Carl Junction
Condensed Statement of Changes in Net Position
April 30, 2019

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
General & Administrative	(1,025,983)	-	-	-	(1,025,983)
Municipal Court	(125,234)	-	-	-	(125,234)
Police Department	(1,053,509)	206,911	88,521	-	(758,077)
Trash	-	69,455	-	-	69,455
Community service	(25,077)	-	-	-	(25,077)
Park department	(194,300)	-	-	-	(194,300)
Street	(585,858)	-	-	-	(585,858)
Capital improvements	(226,087)	-	-	143,745	(82,342)
Debt services	(2,514)	-	-	-	(2,514)
Total governmental activities	(3,238,562)	276,366	88,521	143,745	(2,729,930)
Business-type activities					
Sewer fund	(1,245,120)	1,240,079	-	-	(5,041)
Water fund	(1,225,332)	1,181,288	-	31,005	(13,039)
Total business-type activities	(2,470,452)	2,421,367	-	31,005	(18,080)
Total primary government	(5,709,014)	2,697,733	88,521	174,750	(2,748,010)

Primary Government			
	Governmental Activities	Business-type Activities	Total
Change in net position			
Net (expense) Revenue	(2,729,930)	(18,080)	(2,748,010)
General Revenues:			
Taxes:			
Sales taxes:			
General	357,820	-	357,820
City	409,402	-	409,402
Motor vehicle	98,539	-	98,539
Motor fuel taxes	199,823	-	199,823
Property taxes	837,146	-	837,146
Franchise taxes (fees)	518,614	-	518,614
Dog pound	1,151	-	1,151
Licenses and permits	122,086	-	122,086
Intergovernmental rent	61,523	-	61,523
Interest income	2,430	697	3,127
Miscellaneous	52,233	48,053	100,286
Net transfers	235,749	(235,749)	-
Total general revenues	2,896,516	(186,999)	2,709,517
Net position - beginning	19,976,781	17,051,690	37,028,471
Changes in net position	166,586	(205,079)	(38,493)
Round	(1)	(1)	(2)
Net position - ending	20,143,366	16,846,610	36,989,976

Financial Analysis of the Governmental Funds

As noted earlier, the City of Carl Junction, Missouri uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Carl Junction, Missouri's governmental funds is to provide information on inflows and balances of available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

At the end of the fiscal year 2019 the unassigned fund balance of the general fund was \$173,345, while the total fund balance was \$1,506,979. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 8% of total general fund expenditures, while total fund balance represents 65% of total general fund expenditures.

The fund balance in the City's general fund increased by \$343,379 or 29.5% from the prior year fund balance.

Proprietary Funds

The City's proprietary enterprise fund statements provide the same type of information found in the government wide financial statements, but in more detail.

Net position of the Waterworks system fund at end of fiscal year amounted to \$6,180,827, a decrease in net position of \$179,356 from the prior year.

Net position of the Wastewater system fund at end of fiscal year amounted to \$10,665,785, a decrease in net position of \$25,722 from the prior year.

Total net position of the Proprietary Funds at end of fiscal year amounted to \$16,846,612, a decrease in net position of \$205,078 from the prior year.

Fund Balance Budgetary Highlights

Total budgeted revenue and expenses were adjusted during the year end budget changes as certain line items were adjusted to better reflect the City's revenue and expenses. The following are line items that needed to be adjusted:

General fund saw increases in building repairs to the Community Center with the changeover to more efficient lighting, new programming at the Community Center with offerings of Zumba and Yoga. The largest adjust was in the Court Shortage line item. This item was to show the payback of court items from a 2015 audit by the Missouri State Auditor's office. This audit was requested by the City for discrepancies found in court procedures.

Changes to the Police Department fund show up in 2 line items, 1st is the transfer to the Police Department from the General Fund and 2nd is in the Police Department fund. The increase in Office Expense was for the unbudgeted funds for software licensing fees. These fees will become a separate line item in future budgets.

Capital Improvement fund had the largest adjustments reflecting the construction of sidewalks, curb and guttering, and stormwater control improvements along Pennell Street/ Z Highway.

	Budgeted Amount	Actual Amount
General Fund		
Building Repairs	\$20,000	\$29,700
Office Expense	\$40,000	\$46,500
Refunds to Customers	\$0	\$2,885
Tornado Sirens	\$0	\$3,100
Center Instructors	\$0	\$2,000
Trf to Police Dept	\$1,063,406	\$1,113,406
Health Ins	\$14,298	\$16,163
General Supplies	\$3,500	\$5,730
BI Lagers	\$652	\$1,957
Court Lagers	\$2,046	\$3,996
Court Shortage	\$0	\$8,815
Police Dept		
Electric	\$20,000	\$22,215
Lagers	\$23,267	\$58,837
Office Expense	\$10,000	\$37,526
GO Bond		
Refunds to customers	\$0	\$2,514
Capital Imp Fund		
Engineering	\$0	\$352
CI Transportation	\$140,000	\$227,410
Park Improvements	\$118,050	\$134,483

Capital Assets

The City has invested \$38,454,367 in a broad range of capital assets, including land, facilities, buildings, machinery and equipment, automobiles and trucks. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$1,350,803. Capital asset activity resulting from accrual based transactions for the fiscal year ended April 30, 2019 was as follows:

	Balance at May 1, 2018	Additions	Deductions	Balance at April 30, 2019
Governmental activities:				
Land (non-depreciable)	445,000	-	-	445,000
Buildings	17,307,141	5,354	-	17,312,495
Machinery & Equipment	1,166,390	69,603	-	1,235,993
Vehicles	207,353	63,783	20,900	250,236
Improvements	387,014	141,505	-	528,519
Infrastructure	15,668,250	-	-	15,668,250
Total at historical cost	35,181,148	280,245	20,900	35,440,493
Less accumulated depreciation:				
Buildings	7,205,003	346,246	-	7,551,249
Machinery & Equipment	506,513	64,980	-	571,493
Vehicles	77,935	31,396	18,472	90,859
Improvements	30,910	23,518	-	54,428
Infrastructure	5,800,616	279,021	-	6,079,637
Total accumulated depreciation	13,620,977	745,161	18,472	14,347,666
Governmental activities capital assets, net	21,560,171	(464,916)	2,428	21,092,827
Business-type activities:				
Land (non-depreciable)	242,000	-	-	242,000
Buildings	23,089,427	-	67,730	23,021,697
Machinery and Equipment	2,623,248	48,694	-	2,671,942
Vehicles	194,410	23,166	-	217,577
Infrastructure	15,001,484	30,200	-	15,031,684
Totals at historical cost	41,150,569	102,060	67,730	41,184,900
Less accumulated depreciation:				
Buildings	13,544,552	434,987	43,121	13,936,417
Machinery & Equipment	1,325,679	134,240	-	1,459,919
Vehicles	89,198	16,334	-	105,532
Infrastructure	7,946,141	375,350	-	8,321,492
Total accumulated depreciation	22,905,570	960,911	43,121	23,823,361
Business-type activities capital assets, net	18,244,999	(858,851)	24,609	17,361,540
Total Assets (net)	39,805,170			\$ 38,454,367

Long-Term Debt

At the end of April 2019, the City had outstanding long-term debt obligations for governmental and business-type activities in the amount of \$ 5,738,563 compared to \$6,220,382 in 2018. The 7.8% decrease in the City's long-term debt obligations is due to meeting the amortization schedules and the paying-off for these obligations.

The City's long-term debt is detailed below:

Type of Debt	Balance April 30, 2018	Additions	Reductions	Balance April 30, 2019
General Obligation Bonds	\$ 3,560,000	-	\$ 260,000	\$ 3,300,000
Revenue Bonds	2,343,200	-	182,017	2,161,183
Notes Payable	317,182	-	39,802	277,380
Total Long-Term Debt	\$ 6,220,382	\$ -	\$ 481,819	\$ 5,738,563

Economic Factors and Next Year's Budget

General Fund Revenue for fiscal year 2019-2020 is projected to be flat or a very small increase. Offsetting any increases in gross receipts (franchise fees) will be a reduction in fines from the court as recent legislation reduced the maximum amount of fine and also added more offenses to the list that have a maximum fine amount. The unfunded court mandates by the Missouri Legislature have had and will continue to have a chilling effect on the municipal court system.

Expenditures on the General Fund budget are expected to decrease in a like amount. Efficiencies are being sought in phone system realignment, postage reduction as residents move to a system to receive paperless billing via emails and reassignment of personnel within the court system to make up for the loss of revenue.

The Street fund budget is level from year to year as this fund is dependent on fuel taxes from the State of Missouri and a local ½ cent transportation sales tax. Both of these revenues are fairly consistent from year to year. Expenditures are expected to be minimal as the City prefers to accrue some funds for a number of years before a street project is undertaken.

The Park Fund budget is another fund that shows little movement on the revenue or expense side. A ½ cent sales tax is split between the park systems and storm-water systems as directed by State of Missouri Revised Statutes. Most expenditure is related to park and pool maintenance. There will be some expenditure on the development of a Veterans Memorial. Any improvements or new items are budgeted through the Capital Improvement Sales Tax or by accrual of funds for specific activities.

The Water Works Proprietary Fund continues to make improvements to water revenues. After several years of annual rate increases it is finally showing a better fund balance. It is expected to make a change in meter reading as the technology that is currently used will be changed out to newer equipment making for better efficiencies. This project may be able to use low interest loans from the state or local lenders. A comprehensive rate study is now done annually to make sure that rates are correctly set.

The Wastewater Proprietary Fund has a healthy reserve and a large project is anticipated to be finished shortly after year end. This would be the removal of the Karen Drive Lift Station and the installation of a

gravity line to replace it. A large note was paid off in 2016 for the installation of a lift station on Highway JJ. A large renovation at the treatment plant was just completed in 2016 and the expansion of the plant in 2015 has it modernized and working efficiently. Inflow & Infiltration problems continue to be funded by a dedicated I&I fund through the sewer rate. A Small Communities Engineering Assistance Grant from the Missouri Department of Natural Resources starting in September of 2018 will be used to analyze I&I for a system wide approach. A comprehensive rate study is now done on an annual basis to make sure that rates are correctly set. The 2002 Series Bonds was due to be paid off in 2023, paying this bond off early with reserves will save the city several thousand in interest and agent fees and will allow reserves to increase at a more rapid pace to replenish them.

Revenues from property taxes continue to be flat at a very conservative rate of less than 1/2% as it has annually for the past 17 years. Total assessed value has grown steadily at 1.5% annually for the last three years and at 4.7% when comparing the year 2000 to the year 2017. The annual tax levy has changed by 1/2% over the same time span.

In summary, the City continues to perform at a very steady rate and is relatively well financially. Continued emphasis on paying off long term debt and a philosophy of accruing funds before spending them has worked well for the City. Carl Junction continues to be an attractive place to live and new construction of homes is on a rather brisk pace. On an above average rate the homes sell quickly and at a good market rate.

Requests for Information

This financial report is designed to provide a general overview of the City of Carl Junction, Missouri's finances for our citizens, taxpayers, customers, investors and creditors. It is to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk, 303 N Main, Carl Junction, MO 64834

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF NET POSITION
APRIL 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 1,979,316	\$ 1,359,304	\$ 3,338,620
Internal balances	17,339	(17,339)	-
Prepaid Insurance	11,721	10,024	21,745
Taxes receivable	149,641	-	149,641
Construction in progress	-	126,006	126,006
Accounts receivable, net	4,850	190,319	195,169
Total current assets	<u>2,162,867</u>	<u>1,668,314</u>	<u>3,831,181</u>
Restricted assets:			
Cash	818,803	383,198	1,202,001
Total restricted assets	<u>818,803</u>	<u>383,198</u>	<u>1,202,001</u>
Non-current assets:			
Capital assets:			
Land	445,000	242,000	687,000
Other capital assets, net of accumulated depreciation	20,647,827	17,119,540	37,767,367
Total non-current assets	<u>21,092,827</u>	<u>17,361,540</u>	<u>38,454,367</u>
Total Assets	<u>24,074,497</u>	<u>19,413,052</u>	<u>43,487,549</u>
DEFERRED OUTFLOWS OF RESOURCES			
Property taxes receivable	-	-	-
Relating to pensions	329,615	-	329,615
Total Deferred Outflows of Resources	<u>329,615</u>	<u>-</u>	<u>329,615</u>
Total Assets and Deferred Outflows	<u>\$ 24,404,112</u>	<u>\$ 19,413,052</u>	<u>\$ 43,817,164</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI

STATEMENT OF NET POSITION

APRIL 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 29,980	\$ 69,006	\$ 98,986
Pension payable	14,085	-	14,085
Accrued liabilities	214,613	112,384	326,997
Current maturities of long-term debt	309,869	196,862	506,731
Total current liabilities	<u>568,547</u>	<u>378,252</u>	<u>946,799</u>
Non-current liabilities:			
Meter deposits payable	-	178,696	178,696
Lease purchase agreement payable	3,222,339	2,009,493	5,231,832
Net pension liability	197,431	-	197,431
Total non-current liabilities	<u>3,419,770</u>	<u>2,188,189</u>	<u>5,607,959</u>
Total Liabilities	<u>3,988,317</u>	<u>2,566,441</u>	<u>6,554,758</u>
DEFERRED INFLOWS OF RESOURCES			
Relating to pensions	272,429	-	272,429
Total Deferred Inflows of Resources	<u>272,429</u>	<u>-</u>	<u>272,429</u>
Total Liabilities and Deferred Inflows	<u>\$ 4,260,746</u>	<u>\$ 2,566,441</u>	<u>\$ 6,827,187</u>
NET POSITION			
Net investment in capital assets	\$ 17,560,619	\$ 15,155,184	\$ 32,715,803
Nonspendable	11,718	-	11,718
Restricted for:			
Bond requirements	-	210,926	210,926
Street improvements	283,353	-	283,353
Shop with a Cop	9,388	-	9,388
Court Bonds	4,641	-	4,641
Deposits	6,711	184,530	191,241
Unrestricted	2,266,933	1,295,970	3,562,903
Round	3	-	3
Total Net Position	<u>\$ 20,143,366</u>	<u>\$ 16,846,610</u>	<u>\$ 36,989,976</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 24,404,112</u>	<u>\$ 19,413,052</u>	<u>\$ 43,817,164</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General and administrative	\$ (1,025,983)	\$ -	\$ -	\$ -	\$ (1,025,983)
Municipal court	(125,234)	-	-	-	(125,234)
Police department	(1,053,509)	206,911	88,521	-	(758,077)
Trash	-	69,455	-	-	69,455
Community service	(25,077)	-	-	-	(25,077)
Park department	(194,300)	-	-	-	(194,300)
Street	(585,858)	-	-	-	(585,858)
Capital improvements	(226,087)	-	-	143,745	(82,342)
Debt services	(2,514)	-	-	-	(2,514)
Total governmental activities	<u>(3,238,562)</u>	<u>276,366</u>	<u>88,521</u>	<u>143,745</u>	<u>(2,729,930)</u>
Business-type activities:					
Sewer fund	(1,245,120)	1,240,079	-	-	(5,041)
Water fund	(1,225,332)	1,181,288	-	31,005	(13,039)
Total business-type activities	<u>(2,470,452)</u>	<u>2,421,367</u>	<u>-</u>	<u>31,005</u>	<u>(18,080)</u>
Total primary government	<u><u>\$ (5,709,014)</u></u>	<u><u>\$ 2,697,733</u></u>	<u><u>\$ 88,521</u></u>	<u><u>\$ 174,750</u></u>	<u><u>\$ (2,748,010)</u></u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Change in net position:			
Net (expense) revenue	\$ (2,729,930)	\$ (18,080)	\$ (2,748,010)
General revenues:			
Taxes:			
Sales taxes:			
General	357,820	-	357,820
City	409,402	-	409,402
Motor vehicle	98,539	-	98,539
Motor fuel taxes	199,823	-	199,823
Property taxes	837,146	-	837,146
Franchise taxes (fees)	518,614	-	518,614
Dog pound	1,151	-	1,151
Licenses and permits	122,086	-	122,086
Intergovernmental rent	61,523	-	61,523
Interest income	2,430	697	3,127
Miscellaneous	52,233	48,053	100,286
Net transfers	235,749	(235,749)	-
Total general revenues	<u>2,896,516</u>	<u>(186,999)</u>	<u>2,709,517</u>
Net position—beginning	19,976,781	17,051,690	37,028,471
Change in net position	166,586	(205,079)	(38,493)
Round	(1)	(1)	(2)
Net position—ending	<u>\$ 20,143,366</u>	<u>\$ 16,846,610</u>	<u>\$ 36,989,976</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
APRIL 30, 2019

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Current assets:				
Cash	\$ 901,405	\$ 288,863	\$ 789,048	\$ 1,979,316
Internal balances	17,339	-	-	17,339
Prepaid insurance	10,628	1,090	-	11,718
Taxes receivable	80,388	-	69,253	149,641
Accounts receivable, net	4,850	-	-	4,850
	1,014,610	289,953	858,301	2,162,864
Restricted assets:				
Cash	818,803	-	-	818,803
	818,803	-	-	818,803
Total Assets	\$ 1,833,413	\$ 289,953	\$ 858,301	\$ 2,981,667
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 19,046	\$ 5,499	\$ 5,435	\$ 29,980
Pension payable	14,085	-	-	14,085
Accrued liabilities	214,602	11	-	214,613
Total Liabilities	247,733	5,510	5,435	258,678
Deferred Inflows of Resources:				
Non-current taxes receivable	78,701	-	67,757	146,458
Total Deferred Inflows of Resources	78,701	-	67,757	146,458
Fund Balances:				
Unassigned	173,345	-	-	173,345
Assigned	504,158	-	-	504,158
Committed	798,108	-	785,109	1,583,217
Restricted	20,740	283,353	-	304,093
Nonspendable	10,628	1,090	-	11,718
Total Fund Balances	1,506,979	284,443	785,109	2,576,531
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 1,833,413	\$ 289,953	\$ 858,301	\$ 2,981,667
Reconciliation to Statement of Net Position:				
Total fund balance - total governmental funds				\$ 2,576,531
Amounts reported for governmental activities in the statement of net position is different because:				
Capital assets used in governmental activities of \$35,440,493 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$14,347,666.				21,092,827
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.				146,458
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				(3,532,208)
Pension benefits are reported as they are earned in the statement of net position:				
Net pension liability				(197,431)
Deferred outflow of resources relating to pension				329,615
Deferred inflow of resources relating to pension				(272,429)
Round				3
Net position of governmental activities				\$ 20,143,366

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2019

	<u>General Fund</u>	<u>Street Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 1,324,168	\$ 434,831	\$ 670,147	\$ 2,429,146
Fines	206,911	-	-	206,911
Trash	69,455	-	-	69,455
Grant	88,521	-	143,745	232,266
Dog pound	1,151	-	-	1,151
Licenses and permits	122,086	-	-	122,086
Intergovernmental rent	61,523	-	-	61,523
Interest income	658	166	1,606	2,430
Miscellaneous	17,419	3,520	31,295	52,234
Total Revenues	<u>1,891,892</u>	<u>438,517</u>	<u>846,793</u>	<u>3,177,202</u>
Expenditures:				
Current:				
General and administrative	806,555	-	-	806,555
Health insurance premiums	333,350	-	-	333,350
Municipal court	125,234	-	-	125,234
Police department	1,017,744	-	-	1,017,744
Community service	25,077	-	-	25,077
Park department	-	-	227,840	227,840
Streets	-	284,908	-	284,908
Capital improvements	-	-	226,087	226,087
Debt service	-	-	2,514	2,514
Total Expenditures	<u>2,307,960</u>	<u>284,908</u>	<u>456,441</u>	<u>3,049,309</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (416,068)</u>	<u>\$ 153,609</u>	<u>\$ 390,352</u>	<u>\$ 127,893</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED APRIL 30, 2019

	General Fund	Street Fund	Other Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses):				
Operating transfers in	2,377,789	15,792	170,156	2,563,737
Operating transfers out	(1,618,342)	(140,946)	(565,714)	(2,325,002)
Total Other Financing Sources (Uses)	759,447	(125,154)	(395,558)	238,735
Net change in fund balances	343,379	28,455	(5,206)	366,628
Fund balances--beginning	1,163,600	255,985	790,318	2,209,903
Fund balances--ending	\$ 1,506,979	\$ 284,440	\$ 785,112	\$ 2,576,531

Reconciliation to the Statement of Activities:

Net change in fund balances - total governmental funds \$ 366,628

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

In the statement of activities, the pension expense recognized is equal to the change in the pension liability adjusted for deferred recognition of changes in the liability and investment experience.

Current year pension expense (4,117)

Some expenses in the governmental funds are recorded as a reduction in long-term liabilities in the statement of net position. This amount represents payments on various long-term payables.

276,790

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

(7,802)

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures to over the life of the assets:

Capital asset purchases capitalized 280,245

Depreciation expense (745,161)

Round 3

Change in Net Position of Governmental Activities \$ 166,586

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
APRIL 30, 2019

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
ASSETS			
Current assets:			
Cash	\$ 237,414	\$ 1,121,890	\$ 1,359,304
Construction in Progress	-	126,006	126,006
Prepaid insurance	3,670	6,354	10,024
Accounts receivable, net	92,368	97,951	190,319
Total current assets	<u>333,452</u>	<u>1,352,201</u>	<u>1,685,653</u>
Restricted assets:			
Cash	174,892	208,306	383,198
Total restricted assets	<u>174,892</u>	<u>208,306</u>	<u>383,198</u>
Non-current assets:			
Capital assets:			
Land	92,000	150,000	242,000
Other capital assets, net of accumulated depreciation	6,348,870	10,770,669	17,119,539
Total non-current assets	<u>6,440,870</u>	<u>10,920,669</u>	<u>17,361,539</u>
Total Assets	<u>\$ 6,949,214</u>	<u>\$ 12,481,176</u>	<u>\$ 19,430,390</u>

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

APRIL 30, 2019

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 172	\$ 68,834	\$ 69,006
Accrued liabilities	56,186	56,198	112,384
Internal balances	-	17,339	17,339
Current maturities of long-term debt	100,000	96,862	196,862
Total current liabilities	<u>156,358</u>	<u>239,233</u>	<u>395,591</u>
Non-current liabilities:			
Meter deposits payable	178,696		178,696
Lease Purchase Agreement payable	433,333	1,576,160	2,009,493
Total non-current liabilities	<u>612,029</u>	<u>1,576,160</u>	<u>2,188,189</u>
Total Liabilities	<u>768,387</u>	<u>1,815,393</u>	<u>2,583,780</u>
NET POSITION			
Net investment in capital assets	5,907,537	9,247,647	15,155,184
Restricted for:			
Bond requirement	8,454	202,472	210,926
Deposits	178,696	5,834	184,530
Unrestricted	86,140	1,209,830	1,295,970
Total Net Position	<u>6,180,827</u>	<u>10,665,783</u>	<u>16,846,610</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 6,949,214</u>	<u>\$ 12,481,176</u>	<u>\$ 19,430,390</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED APRIL 30, 2019

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
Operating Revenues:			
Charges for services:			
Water	\$ 1,122,502	\$ -	\$ 1,122,502
Sewer	-	1,220,641	1,220,641
Penalties	58,786	19,438	78,224
Miscellaneous	6,482	41,571	48,053
	<u>1,187,770</u>	<u>1,281,650</u>	<u>2,469,420</u>
Total Operating Revenues			
Operating Expenses:			
Accounting	4,671	4,671	9,342
Attorney	-	5,850	5,850
Contract labor & engineering	6,872	15,386	22,258
Depreciation	380,832	580,079	960,911
Dues	3,544	3,491	7,035
General supplies	49,302	17,503	66,805
Insurance	23,041	41,420	64,461
Meter reading expense	32,528	-	32,528
Miscellaneous and travel	1,160	837	1,997
Office supplies	42,280	28,264	70,544
Payroll expenses	20,941	17,635	38,576
Professional fees	29,870	32,961	62,831
Repairs and maintenance	162,354	85,074	247,428
Retirement	31,259	26,106	57,365
Salaries	287,363	245,482	532,845
Training	3,291	2,768	6,059
Utilities	118,383	72,163	190,546
Vehicle	11,466	10,412	21,878
	<u>1,209,157</u>	<u>1,190,102</u>	<u>2,399,259</u>
Total Operating Expenses			
Operating Income (Loss)	(21,387)	91,548	70,161

(Continued)

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED APRIL 30, 2019

	<u>Business-type Activities</u>		<u>Total Proprietary Funds</u>
	<u>Waterworks System Fund</u>	<u>Wastewater System Fund</u>	
Non-Operating Revenues (Expenses):			
Interest and investment revenue	135	562	697
Interest expense	(16,175)	(30,409)	(46,584)
Loss on sale of assets	-	(24,609)	(24,609)
Non-cash contributions	-	31,005	31,005
 Total Non-Operating Revenues (Expenses)	<u>(16,040)</u>	<u>(23,451)</u>	<u>(39,491)</u>
 Net Income (Loss) Before Transfers	<u>(37,427)</u>	<u>68,097</u>	<u>30,670</u>
 Operating transfers in	82,000	75,289	157,289
Operating transfers out	(223,927)	(169,111)	(393,038)
 Change in net position	(179,354)	(25,725)	(205,079)
 Total net position - beginning	6,360,183	10,691,507	17,051,690
 Round	(2)	1	(1)
Total net position - ending	<u><u>\$ 6,180,827</u></u>	<u><u>\$ 10,665,783</u></u>	<u><u>\$ 16,846,610</u></u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2019

	Business-type Activities		Total Proprietary Funds
	Waterworks System Fund	Wastewater System Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,187,904	\$ 1,313,226	\$ 2,501,130
Cash paid to suppliers and employees	(820,311)	(572,753)	(1,393,064)
Operating transfers in	82,000	75,289	157,289
Operating transfers out	(223,927)	(169,111)	(393,038)
Interest paid	(16,175)	(30,409)	(46,584)
Net Cash Provided by Operating Activities	<u>209,491</u>	<u>616,242</u>	<u>825,733</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(39,360)	(62,700)	(102,060)
Cash received from sales of capital assets	(1)	24,609	24,608
Principal and interest paid on bonds, notes, and lease obligations	(96,667)	(105,483)	(202,150)
Cost of construction in progress	-	(126,006)	(126,006)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(136,028)</u>	<u>(269,580)</u>	<u>(405,608)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	73,463	346,662	420,125
Balances - beginning of the year	<u>338,843</u>	<u>983,540</u>	<u>1,322,383</u>
Round	-	(6)	(6)
Balances - end of the year	<u>\$ 412,306</u>	<u>\$ 1,330,196</u>	<u>\$ 1,742,502</u>

	Business-type Activities		Total Proprietary Funds
	Waterworks System Fund	Sewer Revenue Fund	
Net Income/Loss	\$ (179,354)	\$ (25,725)	\$ (205,079)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and Amortization expense	380,832	580,079	960,911
Change in assets and liabilities:			
Increase (decrease) in customer deposits payable	3,483	-	3,483
Increase (decrease) in accrued liabilities	4,998	4,997	9,995
Increase (decrease) in accounts payable	(468)	56,889	56,421
Net cash provided by operating activities	<u>\$ 209,491</u>	<u>\$ 616,242</u>	<u>\$ 825,733</u>

See accompanying notes to the basic financial statements.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Carl Junction, Missouri operates as a fourth class city as provided for in Chapter 79 of the Missouri Revised Statutes. The City operates under an elected Mayor/Board of Aldermen/City Administrator form of government. The City's major operations include public safety, public works, recreation and general administrative services.

As discussed further in Note 1.A., the financial statements of the Governmental Funds are presented on a modified accrual basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified accrual basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

Pensions- For purposes of measuring 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.

1. A. FINANCIAL REPORTING ENTITY – BASIS OF PRESENTATION

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

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

1. A. 1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. 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, liabilities, revenues, or expenditures/expenses of the 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, liabilities, 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 entity currently has four major funds: the General fund, the Street fund, the Waterworks fund, and the Wastewater fund.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

Fund	Brief Description
Street Fund	Accounts for the portion of the city sales tax earmarked for transportation and intergovernmental transfers from the State received for street improvements. This fund is classified as a major fund.
Park Fund	Accounts for the portion of the city sales tax dedicated to maintenance of the City's park and stormwater systems.

Capital Improvement Fund

A Capital Improvement Fund is formed to account for the acquisition, construction, or improvement of major capital assets (other than those financed by proprietary funds, private organizations, or other governments).

Debt Service Fund

The Debt Service Fund is for the accumulation of resources for, and the payment of, principal and interest of the City's General Obligation Bond.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like 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 following enterprise fund that is reported as a major fund:

<u>Fund</u>	<u>Brief Description</u>
Waterworks and Wastewater Funds	The Waterworks and Wastewater Funds were established to account for operations of the water and sewer system of the City of Carl Junction. Enterprise Funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing services to the general public on a continuing basis will be recovered or financed primarily through user charges. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Both funds are considered major funds.

1. A. 2. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

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

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

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

- a. Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present resources 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. The length of time used to define available for purposes of revenue recognition in the governmental financial statements is sixty days from the end of the fiscal year.
- b. The proprietary fund statement incorporates the economic resources measurement focus and the accrual basis of accounting. 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, financial or nonfinancial) associated with their activities are reported. Revenue is recognized when earned. Expenses are recorded when the liability is incurred or the economic asset used. Proprietary fund equity is classified as net position.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both the governmental and business-type activities are consolidated and presented on the full accrual, economic resources basis of accounting. The consolidated presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The cost of normal maintenance and repairs that does not add to the value of the assets or materially extend asset lives is not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

1. A. 3. RISK MANAGEMENT

The City of Carl Junction, Missouri is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA) that carries pooled high risk insurance which manages these various risk factors.

1. B. ASSETS, LIABILITIES, AND FUND BALANCES

1. B. 1. CASH

At April 30, 2019, the reported amount of the City's deposits was \$4,540,621 and the bank balance was \$4,540,850. All of the bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

1. B. 2. INVESTMENTS

The City is allowed to invest in obligations of the United States Government or any agency thereof, maturing and becoming payable not more than three years from date of purchase. In addition, the City may enter into repurchase agreements maturing and becoming payable within ninety days, secured by United States Governmental Agencies or instrumentalities of any maturity.

1. B. 3. RECEIVABLES

Receivables are presented net of an allowance for doubtful accounts as follows:

	Gross receivable	Allowance	Net Receivable
Governmental	\$154,491	\$0	\$154,491
Proprietary	\$204,207	\$(13,888)	\$190,319

1. B. 4. CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital 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, capital assets are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation (with no expected salvage value). There is no formal capitalization threshold used to report capital assets.

The range of useful lives by type of asset is as follows:

- ◆ Buildings 50 years
- ◆ Machinery, furniture and equipment 5-20 years
- ◆ Vehicles 5-20 years

Fund Financial Statements

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

1. B. 5. GOVERNMENTAL FUND BALANCES

As required, the City of Carl Junction has applied GASB Statement No. 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to observe constraints imposed upon the use of its resources reported in governmental funds. As such, the City has identified April 30, 2019 fund balances on the Balance Sheet as follows:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

- a. The amounts shown as nonspendable consist of prepaid insurance balances.
- b. The amounts shown as restricted reflect fund balances restricted for specific use by external resource providers.
- c. The amounts shown as committed are funds that have been committed to specific uses by a formal action of the Carl Junction Board of Aldermen.
- d. The assigned amounts in funds other than the General Fund represent resources intended for the respective fund uses.

The City of Carl Junction considers restricted, committed, assigned and unassigned amounts to be spent in that order when expenditures are incurred for which any of those amounts are available.

1. B. 6. DUE FROM/TO OTHER FUNDS AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, the amounts reported as intergovernmental activity and balances in the fund financial statements have been eliminated or reclassified. However, internal balances, amounts reported in the fund financial statements as intergovernmental receivables and payables reported as Due to or Due from other funds, are expected to be repaid to the lending Fund. The Due to/Due from balances for the current year are as follows:

Due from Wastewater Fund to General Fund	\$17,339
Due to General from Wastewater	(\$17,339)

1. C. REVENUES, EXPENDITURES, AND EXPENSES

1. C. 1. PROPERTY TAX

Property taxes are an enforceable lien on property as of January 1. Taxes are levied November 1 and are due and payable in full by December 31; unpaid taxes become delinquent after December 31. The assessed valuation of the tangible real property for the calendar year 2018 for the purposes of local taxation was:

Real Estate	\$86,714,977
-------------	--------------

The tax levy of \$100.00 of the assessed valuation of tangible real property for the calendar year was:

General Fund	\$.4892
Debt Service Fund	\$.4350
	\$.9243

1. C. 2. SALES TAX

The City levies a 1% general sales tax, a ½% transportation sales tax, a ½% parks/stormwater sales tax and a ½% capital improvements sales tax on taxable sales within the City. The tax is collected by the Missouri Department of Revenue and remitted to the City.

**CITY OF CARL JUNCTION, MISSOURI
 NOTES TO THE FINANCIAL STATEMENTS
 April 30, 2019**

1. C. 3. OPERATING REVENUE 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, non-capital financing, or investing activities.

1. C. 4. EXPENDITURES/EXPENSES

In the government-wide financial statement, expenses are reported on the accrual basis and are classified by function for both governmental and business-type activities. In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

1. D. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the City is subject to various federal, state and local laws and contractual regulations. An analysis of the City’s compliance with significant laws, regulations, grants and contracts and demonstration of its stewardship of City resources follows:

2. A. REVENUE RESTRICTIONS

For the year ended April 30, 2019, the City was in compliance with certain restrictions placed over revenue sources from state, local, or debt requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales Tax	To be allocated among general purpose, capital improvements, parks/storm water, and street improvements.
Motor Vehicle and Fuel Tax	To be used for the purpose of funding and maintaining streets and alleys.
Wastewater and Waterworks Revenue	Utility operations and debt service.

2. B. DEBT RESTRICTIONS AND COVENANTS

Business-type Activity Debt

The restrictions and covenants relating to the \$1,760,000 Series 2003 Waterworks System Revenue Bonds are as follows:

1. Particular Covenants of the City:
 - a. The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the System as will produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal and interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Revenues Available for Debt Service of not less than 110% of the amount required to be paid by the City in the Fiscal Year on account of both

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

principal of and interest on all System Revenue Bonds at the time outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in Ordinance 02-13. The City met this test.

- b. The annual amount required by the User Charge Ordinance to be deposited in the Water Repair and Replacement Account is \$16,200. The City met this requirement.
- c. The annual amount required by the User Charge Ordinance to be deposited in the Sewer Repair and Replacement Account is \$67,000. The City met this requirement.

NOTE 3. DETAILED NOTES ON FUNDS

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

3. A. ASSETS

3. A. 1. DEPOSITS

The City has adopted formal investment policies or policies related to custody credit risk for City moneys.

3. A. 2. CAPITAL ASSETS

Capital asset activity resulting from accrual based transactions for the fiscal year ended April 30, 2019, was as follows:

	Balance at May 1, 2018	Additions	Deductions	Balance at April 30, 2019
<i>Governmental activities:</i>				
Land (non-depreciable)	\$ 445,000	\$ 0	\$ 0	\$ 445,000
Buildings	17,307,141	5,354	0	17,312,495
Machinery and Equipment	1,166,390	69,603	0	1,235,993
Vehicles	207,353	63,783	20,900	250,236
Improvements	387,014	141,505	0	528,519
Infrastructure	15,668,250	0	0	15,668,250
Totals at historical cost	35,181,148	280,245	20,900	35,440,493
Less accumulated depreciation:				
Buildings	7,205,003	346,246	0	7,551,249
Machinery & Equipment	506,513	64,980	0	571,493
Vehicles	77,935	31,396	18,472	90,859
Improvements	30,910	23,518	0	54,428
Infrastructure	5,800,616	279,021	0	6,079,637
Total accum. depreciation	13,620,977	745,161	18,472	14,347,666
Governmental activities capital assets, net	\$ 21,560,171	\$ (464,916)	\$ 2,428	\$ 21,092,827
<i>Business-type activities:</i>				
Land (non-depreciable)	\$ 242,000	\$ 0	\$ 0	\$ 242,000
Buildings	23,089,427	0	67,730	23,021,697
Machinery and Equipment	2,623,248	48,694	0	2,671,942
Vehicles	194,410	23,166	0	217,577
Infrastructure	15,001,484	30,200	0	15,031,684
Totals at historical cost	41,150,569	102,060	67,730	41,184,900

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

Less accumulated depreciation:				
Buildings	13,544,552	434,987	43,121	13,936,417
Machinery and Equipment	1,325,679	134,240	0	1,459,919
Vehicles	89,198	16,334	0	105,532
Infrastructure	7,946,141	375,350	0	8,321,492
Total accum. depreciation	22,905,570	960,911	43,121	23,823,361
Business-type activities capital assets, net	18,244,999	(858,851)	24,609	17,361,540
Total Assets (net)				\$ 38,454,367

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

<u>Governmental Activities</u>	
General Fund	\$266,132
Street Fund	\$350,306
Park Fund	\$128,723
<u>Business-Type Activities</u>	
Water/ Fund	\$380,832
Wastewater Fund	\$580,079

3. A. 3. RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use by statute or contract. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

The amounts reported as restricted cash are comprised of amounts held by the various funds. The following table shows the breakdown and classification of the amounts:

<u>Classification</u>	<u>Amount</u>
Court Bonds	4,596
Shop with a Cop	9,388
Reserves	798,108
Building Deposit	6,300
Court Reserve	411
Wastewater Repair & Replacement	202,472
FRPV Deposit	5,834
Waterworks Repair & Replacement	4,042
Water Deposits	170,850
	<u>\$1,202,001</u>

3. B. LIABILITIES

3. B. 1. REFUNDABLE DEPOSITS/BONDS

Refundable deposits reported as a fund liability within the Statement of Net Position are comprised of the following:

Water Deposits Payable	\$178,696
Sewer Deposits Payable	5,834
Building Deposits Payable	6,300
Court Reserve	411

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

3. B. 2. LONG-TERM LIABILITIES

At year end, obligations consisted of the following:

On November 4, 2005, the City assumed a promissory note In the amount of \$99,952 with the Department of Natural Resources For the costs of the design, acquisition, installation, and Implementation of energy conservation measures. Repayment Is made with annual payments of \$6,247 at 0% interest. Maturity Date is August 1, 2021.	15,618
On July 30, 2008, the City authorized 2012B Series General Obligation Bonds in the amount of \$4,245,000. Interest rates from 3.75% to 5.10%. Maturity date is March 2028.	3,300,000
On April 3, 2003, the City authorized Series 2003 bonds for water system improvements in the amount of \$1,760,000. Interest rates vary from 2.00% to 4.70%. Maturity date is January 2024.	533,333
On February 16, 2016, the City entered into a promissory note with the Missouri Department of Economic Development/ Division of Energy for solar arrays in the amount of \$358,000 at an interest rate of 2.75%. Maturity date is February 16, 2026.	261,762
On September 19, 2013, the City authorized Series 2013 bonds for sewer system improvements in the amount of \$2,050,000. Interest at 1.55%. Maturity date is July 1, 2034.	<u>1,627,850</u>
Total	\$5,738,563
Less portion considered current	<u>(506,731)</u>
Total Long-Term Liabilities	<u>\$5,231,832</u>

Maturities of long term debt for the next five years and forward are as follows:

Year Ending	Principal	Interest
<u>April 30,</u>	<u> </u>	<u> </u>
2020	506,731	166,632
2021	535,686	150,876
2022	560,544	125,951
2023	699,762	123,593
2024	504,465	91,553
2025-2029	2,330,525	246,318
2030-2034	600,850	14,075
Total	<u>\$ 5,738,563</u>	<u>\$ 918,998</u>

Total interest expense on the above liabilities was \$163,696 during the year ended April 30, 2019.

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended April 30, 2019:

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

Type of Debt	Balance April 30, 2018	Additions	Reductions	Balance April 30, 2019
General Obligation Bonds	\$3,560,000	\$ 0	\$ 260,000	\$3,300,000
Revenue Bonds	2,343,200	0	182,017	2,161,183
Notes Payable	317,182	0	39,802	277,380
Total Long-Term Debt				\$5,738,563

NOTE 4. OTHER NOTES

4. A. CONTINGENCIES

4. A. 1. CONTINGENCIES

No contingencies of significance were noted other than possible liabilities of an indeterminable amount relating to two legal claims against the City.

4. B. FISCAL RESPONSIBILITY

The Board of Aldermen follow the following procedures in the preparation of the budget:

1. Prior to May 1, the City Administrator submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing May 1.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to May 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for all funds.

Section 67.040 of RSMo 1994 provides that a City may not exceed the authorized expenditures in the approved budget without adopting a resolution which sets forth the facts and reasons for making an increase necessary and approves or adopts an order, motion, resolution or ordinance to authorize the expenditures.

NOTE 5. PENSIONS

5. A. PENSIONS

Plan Description – The City’s 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 it is tax exempt. The responsibility for operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publically 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 five years of credited service. Employees who retire on or after age 60 (55 for police) with five 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

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

benefit with a minimum of five years of credited service and after attaining age 55 (50 for police) and receive a reduced allowance.

	<u>2018 Valuation</u>
Benefit multiplier:	2%
Final Average Salary:	5 years
Member Contribution Rate:	4%

Benefit terms provide for annual postretirement 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 April 30, 2019 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>32</u>
Total	<u>56</u>

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 an 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 contribute 4% of their gross pay to the pension plan. Employer contribution rates are 11.5 % (general) and 9.8% (police) of annual covered payroll.

Net Pension Liability -- The City's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

Actuarial assumptions -- The total pension liability in the February 28, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation, 2.5% price inflation
Salary increases	3.25% to 6.55%, including wage inflation
Investment rate of return	7.25%, net of investment and admin expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees' mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

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 class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	43%	5.16%
Fixed Income	26%	2.86%
Real Assets	21%	3.23%
Strategic Assets	10%	5.59%

Discount rate -- The discount rate used to measure the total pension liability is 7.25%. 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 actuarially determined rates for employers. Based on these assumptions, the pensions 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 payments to determine the total pension liability.

Changes in the Net Pension Liability:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/17	\$3,509,073	\$3,108,100	\$400,973
Changes for the year:			
Service Cost	142,227		
Interest	256,657		
Changes of Benefit Terms	0		
Diff Between Exp/Actual	(26,953)		
Employer Contributions		138,203	
Employee Contributions		48,249	
Net Investment Income		381,753	
Changes of Assumptions	0		
Benefit Payments	(79,063)	(79,063)	
Administrative Expense		(4,184)	
Other Changes		11,450	
Net Changes	292,868	496,408	
Balances at 6/30/18	\$3,801,941	\$3,604,508	\$197,433

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 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) and one percentage point higher (8.25%) than the current rate.

1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
\$783,196	\$197,433	\$(281,280)

CITY OF CARL JUNCTION, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS
April 30, 2019

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions -- For the year ended April 30, 2019, the employer recognized pension expense of \$144,534.

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	\$49,786	\$(73,724)
Changes in assumptions	68,242	(11,072)
Excess (deficit) investment returns	0	(95,100)
Contributions subsequent to the measurement date*	211,587	(92,533)
Total	\$329,615	\$(272,429)

*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 April 30, 2019.

Amounts reported as Deferred Outflows and Inflows of Resources related to pensions will be recognized in pension expense as follows:

Year Ended:	
2019	\$ 30,588
2020	118,514
2021	(44,644)
2022	(39,227)
2023	(6,502)
Thereafter	<u>(1541)</u>
Total	\$ 57,188

At April 30, 2019, the City reported a payable of \$14,085 for the outstanding amount of contributions to the pension plan required for the year ended April 30, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule
 - General Fund
 - Street Fund
- Notes to RSI – Budgetary Comparison Schedule
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Contributors

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 1,163,600	\$ 1,163,600	\$ 1,163,600	\$ -
Resources (Inflows):				
Taxes:				
Sales taxes:				
General	330,000	330,000	357,820	27,820
Property taxes	425,000	425,000	447,734	22,734
Franchise (fees):				
Franchise	491,800	491,800	518,614	26,814
Total Taxes	<u>1,246,800</u>	<u>1,246,800</u>	<u>1,324,168</u>	<u>77,368</u>
Intergovernmental:				
Rent	<u>54,730</u>	<u>54,730</u>	<u>61,523</u>	<u>6,793</u>
Charges for Services:				
Trash	<u>67,000</u>	<u>67,000</u>	<u>69,455</u>	<u>2,455</u>
Fines and Forfeitures:				
Dog pound	1,500	1,500	1,151	(349)
Fines	65,300	65,300	206,911	141,611
Total Fines and Forfeitures	<u>66,800</u>	<u>66,800</u>	<u>208,062</u>	<u>141,262</u>
Licenses and Permits	<u>93,600</u>	<u>93,600</u>	<u>122,086</u>	<u>28,486</u>
Investment Income	<u>300</u>	<u>300</u>	<u>658</u>	<u>358</u>
Miscellaneous:				
Grants	70,000	70,000	67,042	(2,958)
Donations	-	-	21,479	21,479
Other	1,350	1,350	17,419	16,069
Total Miscellaneous	<u>71,350</u>	<u>71,350</u>	<u>105,940</u>	<u>34,590</u>
Other Financing Sources:				
Operating transfers from other funds	<u>1,349,706</u>	<u>1,349,706</u>	<u>2,377,789</u>	<u>1,028,083</u>
Total Other Financing Sources	<u>1,349,706</u>	<u>1,349,706</u>	<u>2,377,789</u>	<u>1,028,083</u>
Amounts available for appropriation	<u>4,113,886</u>	<u>4,113,886</u>	<u>5,433,281</u>	<u>1,319,395</u>

(Continued)

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges to Appropriations (Outflows):				
General and Administrative				
All salaries	134,900	134,900	145,659	(10,759)
Accounting	3,750	3,750	4,428	(678)
Advertising	400	400	579	(179)
Attorney fees	4,875	4,875	4,875	-
Cleaning	30,000	30,000	23,749	6,251
Contract personnel	160	2,160	9,417	(7,257)
Dues and subscriptions	26,000	28,885	28,641	244
Election expense	5,300	5,300	3,436	1,864
General supplies	15,100	17,330	15,462	1,868
Health Insurance	2,535	2,535	2,584	(49)
Insurance	13,108	13,108	12,352	756
Interest	113,956	113,956	115,140	(1,184)
Loan payments	260,000	260,000	265,033	(5,033)
Miscellaneous	2,100	14,015	11,934	2,081
Payroll taxes	9,722	9,722	10,552	(830)
Printing, postage, office supplies	42,160	48,660	48,791	(131)
Repairs and maintenance	33,000	42,700	33,639	9,061
Retirement	10,498	13,753	13,040	713
Training	4,650	4,650	11,537	(6,887)
Utilities	53,730	53,730	46,742	6,988
Vehicle	2,250	2,250	2,537	(287)
Capital outlay	5,000	5,000	4,000	1,000
Total General and Administrative	<u>773,194</u>	<u>811,679</u>	<u>814,127</u>	<u>(2,448)</u>
Police Department:				
Animal Control	6,500	6,500	5,400	1,100
Equipment purchases	-	-	7,669	(7,669)
Cleaning	6,000	6,000	5,421	579
General supplies	14,500	9,824	8,250	1,574
Insurance	56,070	56,070	52,778	3,292
Interest	-	-	1,184	(1,184)
Miscellaneous	1,950	1,950	828	1,122
Loan payments	6,247	6,247	11,280	(5,033)
Office supplies	5,324	37,526	32,848	4,678
Payroll taxes	46,655	46,655	43,955	2,700
Repairs and maintenance	24,146	24,146	29,094	(4,948)
Retirement	23,267	58,837	61,289	(2,452)
Salary	599,662	599,662	623,981	(24,319)
Training	15,000	15,000	10,690	4,310
Utilities	32,000	34,215	29,442	4,773
Vehicle	28,800	28,800	25,652	3,148
Capital Outlay	67,730	67,730	67,983	(253)
Total Police Department	<u>933,851</u>	<u>999,162</u>	<u>1,017,744</u>	<u>(18,329)</u>

(Continued)

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Health insurance expense	362,608	364,473	333,350	31,123
Total Health Insurance Premiums	<u>362,608</u>	<u>364,473</u>	<u>333,350</u>	<u>31,123</u>
Community Service:				
Miscellaneous	-	-	25,077	(25,077)
Total Community Service	<u>-</u>	<u>-</u>	<u>25,077</u>	<u>(25,077)</u>
Municipal Court:				
Court expenses	-	-	125,234	(125,234)
Total Municipal Court	<u>-</u>	<u>-</u>	<u>125,234</u>	<u>(125,234)</u>
Other Financing Uses:				
Operating transfers to other funds	1,381,706	1,431,706	1,618,342	(186,636)
Gain on sale of asset	-	-	(7,572)	7,572
Total Other Financing Uses	<u>1,381,706</u>	<u>1,431,706</u>	<u>1,610,770</u>	<u>(179,064)</u>
Total Charges to Appropriations	3,451,359	3,607,020	3,926,302	(319,282)
Ending Budgetary Fund Balance	<u>\$ 662,527</u>	<u>\$ 506,866</u>	<u>\$ 1,506,979</u>	<u>\$ 1,000,113</u>

**CITY OF CARL JUNCTION, MISSOURI
BUDGETARY COMPARISON SCHEDULE
STREET FUND
FOR THE YEAR ENDED APRIL 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$ 255,985	\$ 255,985	\$ 255,985	\$ -
Resources (Inflows):				
Taxes:				
Sales taxes:				
Transportation	125,000	125,000	136,469	11,469
Motor vehicle	100,000	100,000	98,539	(1,461)
Motor fuel	200,000	200,000	199,823	(177)
Total Taxes	<u>425,000</u>	<u>425,000</u>	<u>434,831</u>	<u>9,831</u>
Investment Income	<u>100</u>	<u>100</u>	<u>166</u>	<u>66</u>
Miscellaneous:				
Other	700	700	3,520	2,820
Total Miscellaneous	<u>700</u>	<u>700</u>	<u>3,520</u>	<u>2,820</u>
Other Financing Sources:				
Operating transfers to/from other funds	-	-	15,792	15,792
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>15,792</u>	<u>15,792</u>
Amounts available for appropriation	<u>681,785</u>	<u>681,785</u>	<u>710,294</u>	<u>28,509</u>
Charges to Appropriations (Outflows):				
Expenses				
Accounting	3,063	3,063	5,261	(2,198)
Equipment purchases	-	-	2,262	(2,262)
Contract labor	6,260	6,260	11,581	(5,321)
Dues	1,750	1,750	1,772	(22)
Interest	-	-	789	(789)
Fuel	12,100	12,100	10,412	1,688
Health insurance	-	-	430	(430)
Insurance	8,692	8,692	5,615	3,077
Miscellaneous	1,000	1,000	46	954
Loan payments	-	-	3,356	(3,356)
Payroll expenses	6,061	6,061	6,536	(475)
Repairs and maintenance	13,000	13,000	13,432	(432)
Retirement	2,575	2,575	8,881	(6,306)
Road materials	185,000	185,000	19,532	165,468
Salaries	70,705	70,705	81,915	(11,210)
Supplies	5,300	5,300	5,278	22
Training	500	500	1,100	(600)
Utilities	66,150	66,150	60,710	5,440
Capital Outlay	21,000	21,000	46,000	(25,000)
Total Expenses	<u>403,156</u>	<u>403,156</u>	<u>284,908</u>	<u>118,248</u>
Other Financing Uses:				
Operating transfers to other funds	-	-	140,946	(140,946)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>140,946</u>	<u>(140,946)</u>
Total Charges to Appropriations	<u>403,156</u>	<u>403,156</u>	<u>425,854</u>	<u>(22,698)</u>
Ending Budgetary Fund Balance	<u>\$ 278,629</u>	<u>\$ 278,629</u>	<u>\$ 284,440</u>	<u>\$ 5,811</u>

**CITY OF CARL JUNCTION, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE FISCAL YEAR ENDED APRIL 30, 2019**

Budgetary Accounting

The City prepares its budgets for the General and Street funds on the modified accrual basis of accounting as applied to the governmental funds in the basic financial statements.

Although the City is required to prepare an annual budget for all funds, there is no requirement to report on the budget for proprietary funds or non-major governmental funds. Therefore, the schedule includes the comparison of budget to actual only for the major governmental funds with a legally adopted budget.

CITY OF CARL JUNCTION, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
LAST 10 FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability			
Service Cost	\$ 142,227	\$ 134,111	\$ 113,932
Interest on Total Pension Liability	256,657	236,932	190,218
Changes of Benefit Terms	-	-	296,229
Difference Between Expected and Actual Experience	(26,953)	(28,526)	(4,913)
Changes of Assumptions	-	(16,572)	139,540
Benefit Payments, Including Refunds	(79,063)	(69,233)	(98,989)
Net Change in Total Pension Liability	<u>292,868</u>	<u>256,712</u>	<u>636,017</u>
Total Pension Liability - Beginning	3,509,073	3,252,361	2,616,344
Total Pension Liability - Ending (a)	<u>\$ 3,801,941</u>	<u>\$ 3,509,073</u>	<u>\$ 3,252,361</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 138,203	\$ 125,755	\$ 96,338
Contributions - Employee	48,249	46,577	43,066
Net Investment Income	381,753	328,598	(4,468)
Benefit Payments, Including Refunds	(79,063)	(69,233)	(98,989)
Pension Plan Administrative Expense	(4,184)	(3,878)	(3,871)
Other (Net Transfer)	11,450	7,409	15,511
Net Change in Plan Fiduciary Net Position	<u>496,408</u>	<u>435,228</u>	<u>47,587</u>
Plan Fiduciary Net Position - Beginning	<u>3,108,100</u>	<u>2,672,872</u>	<u>2,625,285</u>
Plan Fiduciary Net Position - Ending (b)	3,604,508	3,108,100	2,672,872
Net Pension Liability/(Asset), Ending=(a)-(b)	<u>\$ 197,433</u>	<u>\$ 400,973</u>	<u>\$ 579,489</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.81%	88.57%	82.18%
Covered-Employee Payroll	\$ 1,222,302	\$ 1,155,730	\$ 1,079,412
Net Pension Liability as a Percentage of Covered Employee Payroll	16.15%	34.69%	53.69%

**CITY OF CARL JUNCTION, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**

Fiscal Year Ending April 30	Actuarially Determined Contribution	Contribution in Relation	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2010	59,309	59,309	0.45	1,016,665	5.83%
2011	81,679	69,066	12,613.36	1,004,319	6.88%
2012	80,075	80,075	(0.17)	1,026,525	7.80%
2013	83,843	83,843	(0.07)	1,091,934	7.68%
2014	100,548	100,548	(0.45)	997,052	10.08%
2015	105,581	105,582	(0.34)	1,092,557	9.66%
2016	96,264	96,264	0.17	1,117,988	8.61%
2017	124,425	124,425	(0.10)	1,164,236	10.69%
2018	137,855	136,371	1,483.83	1,188,585	11.47%
2019	140,418	140,418	0.06	1,231,877	11.40%

Notes to Schedule:

Valuation Date: February 28, 2018

The roll-forward of total pension liability from February 28, 2018 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple Bases from 15 to 24 years
Asset Valuation Method	5-Year Smoothed Market; 20% Corridor
Inflation	3.25% Wage Inflation; 2.5% Price Inflation
Salary Increases	3.25% to 6.55% Including Wage Inflation
Investment Rate of Return	7.25%, net of investment and administrative expenses
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality tables for males and females. The disabled reitree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality tables for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality tables for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information	None

OTHER SUPPLEMENTARY INFORMATION

- Other Governmental Funds – Combining Balance Sheet
- Other Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance

CITY OF CARL JUNCTION, MISSOURI
**COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS**
 APRIL 30, 2019

	Park Fund	Capital Improvements Fund	Debt Service Fund	Total Other Governmental Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 143,800	\$ 126,033	\$ 519,215	\$ 789,048
Accounts receivable, net	-	-	69,253	69,253
Total current assets	<u>143,800</u>	<u>126,033</u>	<u>588,468</u>	<u>858,301</u>
Total Assets	<u>\$ 143,800</u>	<u>\$ 126,033</u>	<u>\$ 588,468</u>	<u>\$ 858,301</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 644	\$ 4,823	\$ (32)	\$ 5,435
Total Liabilities	<u>644</u>	<u>4,823</u>	<u>(32)</u>	<u>5,435</u>
Deferred Inflows of Resources:				
Non-current taxes receivable	-	-	67,757	67,757
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>67,757</u>	<u>67,757</u>
Fund Balances:				
Committed	<u>143,156</u>	<u>121,210</u>	<u>520,743</u>	<u>785,109</u>
Total Fund Balances	<u>143,156</u>	<u>121,210</u>	<u>520,743</u>	<u>785,109</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 143,800</u>	<u>\$ 126,033</u>	<u>\$ 588,468</u>	<u>\$ 858,301</u>

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CITY OF CARL JUNCTION, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2019

	Park Fund	Capital Improvement Fund	Debt Service Fund	Total Other Governmental Funds
Revenues:				
Sales taxes:				
Taxes	\$ 136,464	\$ 136,469	\$ 397,214	\$ 670,147
Grant	-	143,745	-	143,745
Interest income	61	1,284	261	1,606
Miscellaneous	1,395	-	29,900	31,295
Total Revenues	137,920	281,498	427,375	846,793
Expenditures:				
Current:				
Park department	227,840	-	-	227,840
Capital improvements	-	226,087	-	226,087
Debt service	-	-	2,514	2,514
Total Expenditures	227,840	226,087	2,514	456,441
Excess (deficiency) of revenues over expenditures	(89,920)	55,411	424,861	390,352
Other Financing Sources (Uses):				
Operating transfers in	170,156	-	-	170,156
Operating transfers out	(55,602)	(136,156)	(373,956)	(565,714)
Total Other Financing Sources (Uses)	114,554	(136,156)	(373,956)	(395,558)
Net change in fund balances	24,634	(80,745)	50,905	(5,206)
Fund balances--beginning	118,524	201,956	469,838	790,318
Fund balances--ending	\$ 143,158	\$ 121,211	\$ 520,743	\$ 785,112

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

The Honorable Mayor and Board of Alderpersons
City of Carl Junction
303 N. Main Street
Carl Junction, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carl Junction, Missouri, as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Carl Junction, Missouri's basic financial statements, and have issued our report thereon dated September 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carl Junction, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Carl Junction, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carl Junction, Missouri'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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

Taylor Green PC

Taylor Green PC

Neosho, Missouri

September 20, 2019