

**CITY OF MACON, MISSOURI**

**COMMUNICATION TO THE HONORABLE MAYOR  
AND CITY COUNCIL  
OF THE CITY OF MACON, MISSOURI**

**DECEMBER 31, 2021**

June 9, 2022

To the Honorable Mayor and City Council  
of the City of Macon, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Macon, Missouri (the City) for the year ended December 31, 2021. Professional standards require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated March 18, 2022, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting for governmental funds and governmental activities and U.S. generally accepted accounting principles for proprietary funds and business-type activities. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included updating our understanding of the City and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the City or to acts by management or employees acting on behalf of the City.

We performed the audit according to the planned scope and timing previously communicated in our engagement letter dated March 18, 2022.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. Except as noted below, no new accounting policies were adopted, and the application of existing policies was not changed during 2021. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

During the year ended December 31, 2021, the City implemented Governmental Accounting Standards Board (GASB) Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which allows interest cost incurred before the end of a construction period be expensed instead of capitalized. This statement did not have a significant impact on the City's financial statements.

The following summarizes a new accounting standard that may impact the City in the future:

GASB has issued Statement 87, *Leases*, which is intended to improve financial reporting about leasing transactions. This statement will require governmental entities that lease assets – referred to as “lessees” – to recognize on the government-wide statement of net position (and on the proprietary funds' statement of net position) the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12-months. The accounting by governmental entities that own the assets leased by the lessee – also known as lessor accounting – will remain largely unchanged from current generally accepted accounting principles. This statement will be effective for the City's year ending December 31, 2022.

Management will need to assess the impact, if any, of the above standard on the City's financial statements.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were unbilled accounts receivable; the allowance for doubtful accounts receivable; the depreciable lives for property, plant and equipment; and the net pension plan asset/liability and related deferred outflows and inflows of resources. We evaluated the key factors and assumptions used to develop such estimates in determining their reasonableness in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were those related to capital assets, debt, and commitments and contingencies.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of our audit procedures.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 9, 2022.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Internal Control*

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. 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.

#### Other Matters

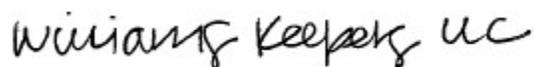
We applied certain limited procedures to the management's discussion and analysis and the pension plan schedules, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison schedules and non-major governmental funds combining statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### Restriction on Use

This information is intended solely for the information and use of the City Council and management of the City of Macon and is not intended to be and should not be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Williams-Keepers LLC". The signature is written in a cursive, slightly slanted style.

WILLIAMS-KEEPERS LLC

**CITY OF MACON, MISSOURI**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
of the City of Macon, Missouri

### Opinions

We have audited the accompanying financial statements of the governmental activities (cash basis), the business-type activities (accrual basis), each major fund, and the aggregate remaining fund information of the City of Macon, Missouri (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (cash basis), the business-type activities (accrual basis), each major fund, and the aggregate remaining fund information of the City as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the basis of accounting as described in Note 1.

### Basis for Opinions

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Emphasis of Matter

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements related to the City's governmental activities and governmental funds are prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting for the governmental activities and the governmental funds (as described in Note 1) and with U.S. generally accepted accounting principles for the business-type activities and the proprietary funds; this includes determining that these bases of accounting are an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an (or update our) understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Required Supplementary Information**

U.S. generally accepted accounting principles require that the management's discussion and analysis and the pension plan schedules as listed in the table of contents 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 U.S. generally accepted auditing standards, 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.

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

*William J. Keppel, U.C.*

Columbia, Missouri  
June 9, 2022

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **CITY OF MACON**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2021**

This discussion and analysis is prepared by the City of Macon's (the City) management and is meant to provide an objective and easily readable analysis of the City's financial activities based on current facts and conditions. Please read this in conjunction with the accompanying basic financial statements.

#### **Description of City Activities**

The City is located in central Missouri and is governed by a city administrator, an elected mayor, and an eight-member council. The City also has a Board of Public Works, which oversees the utilities, and a Library Board of Directors, which oversees the library.

The Governmental Funds provide public safety (police and fire), health (animal control and solid waste), street and infrastructure maintenance, recreation (parks and library), economic development and airport services.

The Enterprise Funds (Macon Municipal Utilities, or MMU) provide electricity, natural gas, water, and wastewater services to the City of Macon and is governed by the four-member Macon Municipal Utilities Board of Public Works. MMU purchases electricity from the Missouri Public Energy Pool (MoPEP) in Columbia, Missouri and receives transmission services from the Northeast Missouri Electric Power Cooperative in Palmyra, Missouri. While sold to MoPEP, the majority of the electricity generated by MMU's 10 megawatt (MW) natural gas-powered turbine generator located approximately four miles east of the City at the site of the POET Biorefining, Inc. - Macon ethanol plant and the 3.2 MW solar farm owned by MC Power and located in the Heartland Industrial Park is consumed by MMU customers. Additionally, MMU owns six diesel generators for backup emergency power. An inspection of these generators indicates they are currently unreliable to be utilized for electrical generation. MMU is in discussions with MoPEP to update the generators to meet operating regulations and be utilized. MMU obtains its water from the U.S. Army Corps of Engineers' Long Branch Lake located approximately one mile west of the City. MMU is paying debt service through 2029 for 4,400 acre-feet of storage in the lake.

#### **Fiscal Year Highlights**

The fiscal year of the City of Macon coincides with the calendar year. In 2021, the City grew in terms of residential and industrial development. Below is a brief description of some of the more salient transactions that took place that reflect Macon's growth and development.

- The City's overall net position increased 5.1%, or \$2,583,761 in 2021 compared to an increase of 4.5%, or \$2,194,375 in 2020. Governmental activities' net position increased 24.0%, or \$2,124,642 in 2021 and increased 16.9%, or \$1,284,048 in 2020, while business-type activities net position increased 1.1% or \$459,119 in 2021 and 2.2% or \$910,327 in 2020. These increases were due to operating activities.

- In 2017, the City began receiving funds from a ½ cent Transportation Sales Tax. This sales tax is in place for a 10-year period (January 1, 2017 – December 31, 2026). These funds are used for transportation infrastructure projects and associated transportation system equipment needs. In 2020, the City used these funds to purchase a tilt trailer, skid steer milling head attachment, and street roller. In addition, final payments were made for completion of the 2019 overlay on Bourke Street from Rutherford Street to Sunset Hills Drive and \$207,299 was utilized to fund an overlay project on Walnut Street from Missouri Street, East to the City limits. In 2021, the City used these funds to purchase a street line striping machine and a rotary tiller. Additionally, the City contracted with Capital Paving to complete roadway infrastructure milling and asphalt overlay. Total project cost to the City was \$1,007,696 which included six and one-half miles of City roadway.
- The Capital Improvement Sales Tax Fund allocated funds to the Stormwater Fund, which were utilized to purchase a mini-excavator (\$65,808) and provide various stormwater mitigation tube replacements around Macon. The park allocation of this sales tax was used to replace and enlarge the basketball court at Rubey Street Park (\$10,800), design and install nine of the eighteen holes on the new disc golf course (\$5,000) located on the Bourke Street Park property, demolish a residential property (\$6,000) located on the Bourke Street Park property, and replace three zero-turn mowers (\$11,400 after trade-in) for the Parks and Recreation Department. The remaining Capital Improvement Sales Tax balance of \$3.4 million is being held to fund a tennis court to pickleball court conversion, add the final nine holes to the disc golf course, and design/construction of a new municipal pool.
- The citizens of Macon passed a ¼ cent Fire Protection Sales Tax in August 2017 and funds from this tax were received beginning January 1, 2018. The revenue collected from this tax is, for the most part, committed until 2028 on the 2018 lease-purchase of two new fire engines (\$184,320 in 2021) and self-contained breathing apparatus (\$34,920 in 2021).
- Economic growth continued in the City during 2021 with the addition of multiple businesses. 385 Nutrition and Fiesta Bar & Grill opened business in historic downtown Macon. Agri-Genesis continued construction on future phases of their medical marijuana cultivation facility located in Heartland Industrial Park. Additionally, businesses opened on Highway 63 and Business Highway 36 which included the medical marijuana dispensary “Sunrise Dispensary”, Scooters Coffee, Closets by Carmen, GC8 Beauty, Sorella’s Italian Express, and Stone Inspirations.
- General revenue was used to make the fourth and final payment (\$31,573) on the 2018 lease-purchase of four Ford Explorer patrol vehicles, replace the handrail on the Police Department pedestrian ramp with quality stainless steel, remodel the Macon Fower Memorial Airport terminal/aviation lounge, and remodel the Fire Department bathroom and kitchen.
- MMU continued to work with Burns & McDonnell on an Integrated Management Plan to go along with the current Long-Term Control Plan (LTCP) for the Combined Sewer System, which was adopted with the Missouri Department of Natural Resources in 2009. To work towards meeting water quality standards, MMU neared completion of a new headworks at the wastewater treatment plant. The project was bid and started construction in 2020 with completion in 2022. Submission of the updated Integrated Management Plan is to be submitted to Missouri Department of Natural Resources for approval in 2022.
- Following the 2018 legalization of medical marijuana within Missouri, Agri-Genesis was approved for 3 cultivation and 1 manufacturing licenses to be operated in Macon, MO in early 2020. Following Agri-Genesis’ property acquisition, MMU worked during 2020 and 2021 to extend electric, water and gas services to the property. Agri-Genesis went on-line with phase 1 of 3 in 2021 and they plan to progress into phases 2 and 3 by 2024. These phases include significant upgrades to MMUs substation to meet their anticipated electrical demand.

- Winter Storm Uri plagued a large portion of the Midwest states from February 13-17, 2021. The storm produced extremely cold temperatures causing the natural gas wells where MMU's commodity enters the pipeline to freeze. The weather phenomenon caused excessive gas and electric prices, MMU used the annual gas commodity budget within just these four days. MMU hedged a larger portion of gas (details notated below) which significantly reduced the potential burden to Macon. Following the storm, the State of Missouri implemented a 0% Municipal Utility Emergency Loan Program to assist communities in payment of excessive electric and gas commodity invoices. MMU received \$977,365 for electric and \$2,025,914 for gas.
- MMU went out for bid on updates to the north water tower in January 2021, and Utility Service Co was awarded the bid for \$416,400. The water tower was stripped of paint, cleaned and repainted with a new design. Work was completed in July 2021. This project overhauled the tower that was constructed in 2001-2002 to better serve the water needs of the community and surrounding area serviced.
- The Board of Public Works continued to float natural gas rates in 2021 due to the volatility of the commodity price. The billing rate is per 100 cubic feet for residential, commercial, and industrial customers and the base rate is \$7.37. The floating rate is analyzed monthly based on the actual natural gas commodity costs and is adjusted as needed. For 2021, the floating rate ranged from \$0.63 to \$0.85 per 100 cubic feet. In February 2021, with its supplier Kinect Energy, MMU locked in 50% of historical usage for November 2021 through March 2022 at \$3.00 per dekatherm (1,000 ccf). Similarly, MMU locked in an additional 25% of historical usage at \$3.30 per dekatherm in April 2021 and an additional 20% at \$5.95 per dekatherm in October 2021. The collective hedging locked in a total of 95% of historical usage. This significantly helped to reduce the overall commodity bill during Winter Storm Uri.

## **The Annual Financial Report**

This annual financial report consists of four parts:

- Management's discussion and analysis (this part),
- The basic financial statements, which include the government-wide and the fund financial statements, along with the notes to the basic financial statements,
- Required supplementary information, and
- Supplementary information (budgetary statements for major governmental funds, combining statements for non-major governmental funds and non-major enterprise funds, internal service funds, and fiduciary funds, if any).

The City presents its financial statements in accordance Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Under this standard, the accounting model presents two kinds of information. First, the government-wide financial statements provide both long-term and short-term information about the City's overall financial status. These statements are prepared on a full accrual basis for the business-type activities to present information in a more corporate-like presentation. The governmental activities, however, are presented on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Second, fund financial statements are included to provide useful information on individual parts of the government. The enterprise fund financial statements are also prepared on a full accrual basis while the governmental fund statements are prepared on the cash basis. More relevant detail is provided by distinct presentation of major funds in the basic financial statements, rather than summaries by total fund types.

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

## Government-Wide Financial Statements

The basic financial statements include two government-wide financial statements: the statement of net position and the statement of activities. These can be found on pages 14 and 15. The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by the private sector, except that as previously noted, the governmental activities are on the cash basis of accounting.

The statement of net position and statement of activities divide the City into the following:

- **Governmental activities** – All of the City’s basic services are considered to be governmental activities, including public safety, public works, health, parks, planning, cultural and economic development and general administration. These activities are supported primarily with general City revenue such as sales taxes, gross receipts taxes, property taxes, fines and specific program revenue like permit fees and grants.
- **Business-type activities** – All of the City’s enterprise activities are included here. These operations derive revenues from charges for services that are intended to recoup the full cost of operations.

## Fund Financial Statements

Another major section of the basic financial statements is the fund financial statements. These statements are on pages 16 – 20. The fund financial statements provide detailed information about each of the City’s most significant funds, called “major funds.” All “non-major” funds are summarized and presented in a single column.

A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related current liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions or limitations.

The City has two kinds of funds:

- **Governmental funds** – Most of the City’s basic services are included in governmental funds. These statements are prepared on a cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the governmental fund statements. Because this information does not encompass the long-term focus of the government-wide financial statements, additional information is normally provided at the bottom of the governmental funds statements that explains the differences between them. However, since the governmental funds in the fund statements and the governmental activities in the entity wide statements are both presented on the cash basis, there is no reconciliation needed.
- **Proprietary funds** – These statements include both enterprise funds and internal service fund, if any. Statements are prepared on the full accrual basis and include all their assets and liabilities, current and long term. This is the same basis used in the government-wide financial statements.

## Notes to the Financial Statements

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

**Other information** – In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information related to the City’s pension plan, which can be found on pages 43 and 44 of this report.

The supplementary information referred to above can be found on pages 45 – 48 of this report.

### Statement of Net Position

The following table reflects the condensed statement of net position as of December 31, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 11,011,546	\$ 8,888,966	\$ 23,238,934	\$ 20,277,167	\$ 34,250,480	\$ 29,166,133
Capital assets	-	-	26,932,986	24,623,242	26,932,986	24,623,242
Total assets	11,011,546	8,888,966	50,171,920	44,900,409	61,183,466	53,789,375
Pension plan contributions	-	-	134,697	151,686	134,697	151,686
Pension plan - other	-	-	343,751	961,787	343,751	961,787
Total deferred outflows of resources	-	-	478,448	1,113,473	478,448	1,113,473
Long-term obligations	-	-	4,396,821	1,554,333	4,396,821	1,554,333
Other liabilities	22,288	24,350	1,279,095	1,610,246	1,301,383	1,634,596
Total liabilities	22,288	24,350	5,675,916	3,164,579	5,698,204	3,188,929
Pension plan - other	-	-	2,956,120	1,290,090	2,956,120	1,290,090
Total deferred inflows of resources	-	-	2,956,120	1,290,090	2,956,120	1,290,090
Net position						
Net investment in capital assets	-	-	25,411,830	23,589,342	25,411,830	23,589,342
Restricted	7,053,013	5,687,854	4,004,406	713,897	11,057,419	6,401,751
Unrestricted	3,936,245	3,176,762	12,602,096	17,255,974	16,538,341	20,432,736
Total net position	\$ 10,989,258	\$ 8,864,616	\$ 42,018,332	\$ 41,559,213	\$ 53,007,590	\$ 50,423,829

In 2021, governmental activities constitute approximately 18% of total assets and 21% of total net position, compared to approximately 17% of total assets, 1% of liabilities, and 18% of total net position in 2020. In 2021, business-type activities constitute approximately 82% of total assets, 100% of liabilities, and 79% of total net position, compared approximately 83% of total assets, 99% of liabilities, and 82% of total net position in 2020. As noted previously, the governmental activities are reported on the cash basis while the business-type activities are reported on the accrual basis. The governmental activities recognize certain liabilities resulting from cash transactions such as payroll tax withholdings.

The following summarizes comments related to the changes in net position for the year ended December 31, 2021:

- Current and other assets for governmental activities increased in 2021 by \$2,122,580 or 24%. This change was mainly attributable to the increase in cash net position that is restricted and held to fund future projects such as: \$531,977 of Capital Improvement Tax being held to fund a future municipal pool project, \$235,585 of Motor Fuel Fund distribution from the State of Missouri being held to fund a future roadway project, and \$538,868 of American Rescue Plan Act funding being held to fund qualifying costs that are required to be obligated between March 3, 2021 and December 31, 2024 and expended by December 31, 2026. Additionally, an increase of \$206,670 was experienced in utilities license tax due to harsh winter weather and higher customer usage. Further, the City experienced a reduction in expenses primarily related to staffing shortages in multiple departments which is plaguing local governments around the nation.
- Business-type activities realized an overall increase in total assets of \$5,271,511 or 12%, which was attributable to an increase in property, plant and equipment in the Waste Water Fund (\$3,418,902) due to a large construction in progress project building a headworks to the process chain at the plant to meet governmental regulations which is anticipated to be completed in 2021, as well as, the GASB 68 recorded entry for Missouri LAGERS pension plan notated below (\$3,289,039).

- Business-type activities recorded entries to comply with GASB 68 requirements related to the LAGERS pension plan. This included an increase of \$3,289,039 in the net pension plan asset, a decrease of \$635,025 in deferred outflows of resources (items that will be reported as an expense in a future period) and an increase of \$1,666,030 in deferred inflows of resources (items that will be used to reduce expense in a future period). Entries are made based on economic and demographic assumptions, as well as to align timing to the accrual method of accounting. Detailed information related to the pension plan is included in Note 11 of the financial statements.
- Total liabilities for business-type activities increased by \$2,511,337 or 79% in 2021, which was attributable to the receipt of funds from the State of Missouri's 0% Municipal Utility Emergency Loan Program to assist in paying excess from typical electric (\$977,365) and gas (\$2,025,914) commodity bills following the extremely cold weather during Winter Storm Uri February 13-17, 2021.

## Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the years ended December 31, 2021 and 2020:

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 312,545	\$ 231,188	\$ 18,092,155	\$ 17,513,920	\$ 18,404,700	\$ 17,745,108
Grants and contributions	672,448	122,961	500,000	-	1,172,448	122,961
General revenues:						
Taxes	5,194,186	4,739,005	-	-	5,194,186	4,739,005
Investment revenue	80,703	99,516	170,409	221,472	251,112	320,988
Other	592,913	544,365	264,334	328,340	857,247	872,705
Gain (loss) on sale of capital assets	-	-	(3,365)	120,241	(3,365)	120,241
Total revenues	<u>6,852,795</u>	<u>5,737,035</u>	<u>19,023,533</u>	<u>18,183,973</u>	<u>25,876,328</u>	<u>23,921,008</u>
<b>Expenses:</b>						
City administrator	540,548	508,764	-	-	540,548	508,764
Community development	82,786	86,405	-	-	82,786	86,405
Police department	902,575	896,873	-	-	902,575	896,873
Fire department	491,507	555,324	-	-	491,507	555,324
Parks, pool, and cemetery	221,207	429,573	-	-	221,207	429,573
Public safety	-	-	-	-	-	-
City collector	96,810	89,244	-	-	96,810	89,244
Street projects	1,395,040	632,820	-	-	1,395,040	632,820
Storm water projects	68,369	401,284	-	-	68,369	401,284
Animal control	30,630	23,539	-	-	30,630	23,539
Solid waste	243,387	236,444	-	-	243,387	236,444
Airport	183,985	70,970	-	-	183,985	70,970
Code enforcement	66,282	51,121	-	-	66,282	51,121
Equipment and building	226,740	290,412	-	-	226,740	290,412
Library	178,287	180,214	-	-	178,287	180,214
Electric utility	-	-	10,315,478	11,453,009	10,315,478	11,453,009
Natural gas utility	-	-	4,615,510	2,164,589	4,615,510	2,164,589
Waste water utility	-	-	1,526,182	1,584,798	1,526,182	1,584,798
Water utility	-	-	2,107,244	2,071,250	2,107,244	2,071,250
Total expenses	<u>4,728,153</u>	<u>4,452,987</u>	<u>18,564,414</u>	<u>17,273,646</u>	<u>23,292,567</u>	<u>21,726,633</u>
Change in net position	<u>2,124,642</u>	<u>1,284,048</u>	<u>459,119</u>	<u>910,327</u>	<u>2,583,761</u>	<u>2,194,375</u>
Net position, beginning	<u>8,864,616</u>	<u>7,580,568</u>	<u>41,559,213</u>	<u>40,648,886</u>	<u>50,423,829</u>	<u>48,229,454</u>
Net position, ending	<u>\$ 10,989,258</u>	<u>\$ 8,864,616</u>	<u>\$ 42,018,332</u>	<u>\$ 41,559,213</u>	<u>\$ 53,007,590</u>	<u>\$ 50,423,829</u>

The following comments summarize significant events or changes in governmental activities:

- Taxes increased \$455,181 or 10%. Macon citizens passed a use tax in 2019 with collections beginning in 2020. The use tax continues to increase in performance as citizens increase online shopping. Franchise and utility taxes increased \$194,061 due to increased usage and harsh winter weather. Sales tax revenue increased as well by \$96,052. Additionally, other taxes increased \$110,910 mainly attributed to an increase in use tax collected in 2021 as compared to 2020.
- Grants and contributions increased \$549,487 or 447%. The City, as a non-entitlement city, is designated to receive a total of \$983,746 in American Rescue Plan Act funding from the State of Missouri. \$538,868 was received in 2021 with the remaining \$444,878 scheduled for receipt in 2022.
- Street projects expenses in 2021 increased \$762,220 or 120% as a result of six and one-half miles of milling and asphalt overlay that was completed for roadway infrastructure improvements throughout the City.
- In 2021, storm water project expenses decreased \$332,915 or 83% mainly attributed to the large Walnut Street stormwater mitigation project (\$159,894), which included six stormwater inlets and 772 feet of stormwater pipe that was completed in 2020 with no significant stormwater projects in 2021.
- Airport expenses increased \$113,015 or 159% in 2021 due to increased fuel for resale inventory purchases and the renovation of the airport terminal and lounge. This expense increase is offset by a \$71,082 increase in fuel sales revenue.

The following comments summarize significant events or changes in business-type activities:

- The Electric Fund's net position increased by \$86,979 in 2021. The Electric Fund saw a decrease in expenses for each sector of the electric fund, the largest singular decrease was the distribution payroll expenses (\$165,104) derived primarily from the retirement of the department supervisor June 1, 2021.
- The Gas Fund in 2021 realized a decrease in net position of \$1,050,753. The Gas Fund saw an increase in distribution expenses in relation to 2020. The commodity bill for February 2021 was extraordinarily larger than normal due to the cold temperatures during Winter Storm Uri, \$2,025,914 in comparison to February 2020.
- The Waste Water Fund's net position increased by \$1,092,170 in 2021. The Waste Water Fund saw an increase in grant revenue (\$500,000) from the State of Missouri Department of Natural Resources' Rural Sewer Grant, as well as, an increase in leachate income (\$167,730) from Waste Management as they delivered more loads to be processed than in prior years.
- The Water Fund's net position increased by \$330,723 in 2021. The Water Fund saw an increase in charges for services in relation to 2020. The billing group with the largest singular increase was large commercial customer over 1,000,000 gallons per month, this group alone realized a \$46,211 increase.

## **Currently Known Facts**

As in any year, energy costs are the largest budgeted items by far and their respective costs continually fluctuate and swing simply due to energy market cost drivers, production cost movements under various contracts in projects within Macon's energy portfolio, and general market exposure and trends. Electricity is supplied to Macon Municipal Utilities by the Missouri Public Energy Pool (MoPEP) Group of the Missouri Joint Municipal Electric Utility Commission (MJMEUC), in which MMU is a voting member of both. MoPEP consists of 35 full requirements cities which, under MoPEP/MJMEUC, actively manage the energy portfolio of the 35-city group. The portfolio includes energy, capacity and transmission components for numerous and diverse resources for all cities. This includes contracts, Purchase Power Agreements, and ownership shares of the portfolio's resources the group has put together and manages. The MoPEP group is keenly focused on long-term rate stabilization. Natural gas is supplied contractually by Kinect Energy Group (formerly US Energy Services). Kinect Energy and MMU work together to manage MMU's natural gas needs on a daily basis, oversee month to month purchases, and some hedging activities to mitigate risks in a sometimes very volatile market.

## **Fund Statements**

The City of Macon's fund statements can be found on pages 16 – 20 of the basic financial statements.

The General Fund is the chief operating fund of the City. For external financial reporting purposes only, the General Fund includes the City's internal Common Fund as well as the Airport, Asset Replacement, and Park Funds as they do not meet the definition of a special revenue fund under GAAP and are required to be combined with the Common Fund to form the General Fund in the financial statements.

At the end of the current fiscal year, total fund balance in the General Fund was \$2,715,713. The fund balance of the General Fund increased by \$752,249 in 2021 compared to an increase of \$659,015 in 2020. Other than the items previously mentioned in the "Statement of Activities" section, there were no significant changes in the General Fund's revenues or expenditures in 2021 as compared to 2020. The total fund balance in the General Fund has increased from \$47,343 as of December 31, 2014, to \$2,715,713 as of December 31, 2021.

Net position, including net investment in capital assets and restricted amounts, of the Electric, Gas, Waste Water, and Water Funds at the end of the current fiscal year amounted to \$11,934,277; \$5,560,966; \$15,423,150; and \$9,099,939; respectively. The change in net position in the current fiscal year for the Electric, Gas, Waste Water and Water Funds was \$86,979; (\$1,050,753); \$1,092,170; and \$330,723; respectively. The change in net position of the Electric, Gas, Waste Water, and Water Funds during 2020 was (\$1,735,885); (\$2,927,391); \$5,282,347; and \$291,256; respectively. Significant changes were previously discussed.

## **Budget Variances**

Overall, the General Fund ended both fiscal years 2021 and 2020 with favorable budget variances for revenues netting to \$671,898 over budget in 2021 offset by favorable budget variances for expenses netting to \$291,552 under budget in 2021. Transfers were \$212,179 under budget. Year-end revenues were approximately 21.0% and 19.1% over budget in 2021 and 2020, respectively. Year-end expenditures were approximately 8.5% and 10.7% under budget in 2021 and 2020, respectively. Overall, the General Fund ended with a net increase of \$751,271 over budget.

## 2021 Major Capital Assets

The following summarizes significant changes in capital assets for the Enterprise Funds. Because the Governmental Funds are reported on a cash basis, no capital assets are reported for governmental activities in the entity-wide statements.

- To continue to provide more uninterrupted power to citizens; line insulators for the transmission line into town were purchased and installed (\$22,711), a recloser at substation 1 was replaced (\$19,045) and a 7.5 MVA transformer at substation 1 was replaced (\$363,676).
- Various water main replacements were made in 2021 following the Owner Supervision Plan on file with the Missouri Department of Natural Resources (\$126,903). The north water tower was as rehabilitated for the first-time following construction in 2001-2002 (\$443,500).
- Waste Water collection main relining, completed in 2021, was contracted with Municipal Pipe Tool Company and was completed with a total project cost of \$122,986. MMU budgets these types of infrastructure improvements annually to rehabilitate an aged wastewater collection system to better service our customers. To better service customers a new waste water collection main was installed on Jackson Street (\$48,786) to an area of residents previously serviced through a private collection main.
- Building and grounds upgrades were made at the power plant facility in flat roof restoration (\$50,543) and rip rap restoration on the Macon Lake dam (\$41,912).
- Equipment purchases were also made in 2021 to replace deteriorated items, to make safety enhancements or to upgrade equipment for operations. The Water Fund purchased a new bulk chemical storage tank (\$17,585). The Waste Water Fund purchased a 2006 dump truck (\$30,000) and a new trailer-mounted jet machine (\$79,937). A combination of various funds purchased a directional boring machine (\$137,103) and a mini excavator (\$51,580).

Additional information regarding the City's capital assets can be found in Note 5 on pages 30 and 31 of this report.

## Long-Term Debt

At the end of the current fiscal year, the City of Macon had bonded debt in the amount of \$920,500. The City also applied for and received the Missouri Utility Emergency Loan Program (MUELP) loan, and the outstanding loan amount at the end of the current fiscal year was \$3,003,279. The City also has a long-term liability to the federal government related to Long Branch Lake. Additional information regarding the City's long-term debt can be found in Note 7 on pages 32 – 34 of this report.

## Economic Outlook

In January 2017, the City began receiving sales tax funds derived from the ½ cent Transportation Tax approved by the voters in August of 2016. This tax will be in place for a ten-year period. City Council has placed an emphasis on roadway infrastructure improvements in Macon and strides were made in 2021 with completion of a six and one-half mile project. Future plans are to fund another large project in 2023.

In the fall of 2020, the City purchased, with the Capital Improvement Sales Tax Fund, 28 acres on West Bourke Street to be utilized as a City park. Planning is still underway, including design and construction of a new municipal pool. This property will include an eighteen-hole disc golf course which is slated for completion in 2022. Additionally, plans are underway to convert the Brees Park double tennis court to six pickleball courts.

In August 2017, the voters passed a ¼ cent sales tax for the purpose of operating the Macon Municipal Fire Department. Collection began January 1, 2018. The funds are being used to pay for two fire suppression vehicles and self-contained breathing apparatus (SCBA). Final payment will be made on the SCBA units in 2023 and on the two fire engines in 2028. Additionally, the City plans to purchase a new incident command/brush truck and repair of the apparatus bay floor for the Fire Department.

### **Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Any questions regarding the report or request for additional information should be directed to the City Administrator, 106 West Bourke Street, Macon, Missouri 63552.

## **FINANCIAL STATEMENTS**

**CITY OF MACON**  
**STATEMENT OF NET POSITION**  
**December 31, 2021**

	Governmental Activities - Cash Basis	Business-type Activities - Accrual Basis	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,369,401	\$ 6,175,437	\$ 12,544,838
Accounts receivable, net of allowance of \$26,600	-	2,210,636	2,210,636
Due (to) from other funds	(43)	43	-
Investments:			
Restricted	-	64,622	64,622
Unrestricted	4,610,380	9,800,000	14,410,380
Accrued interest receivable	-	90,504	90,504
Notes receivable	31,808	-	31,808
Grants receivable	-	25,000	25,000
Prepaid expenses	-	155,793	155,793
Inventories	-	583,286	583,286
Prepaid water storage	-	193,829	193,829
Capital assets:			
Non-depreciable	-	5,908,354	5,908,354
Depreciable, net	-	21,024,632	21,024,632
Net pension plan asset	-	3,939,784	3,939,784
Total assets	<u>11,011,546</u>	<u>50,171,920</u>	<u>61,183,466</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plan contributions	-	134,697	134,697
Pension plan - other	-	343,751	343,751
Total deferred outflows of resources	<u>-</u>	<u>478,448</u>	<u>478,448</u>
<b>LIABILITIES</b>			
Accounts payable	-	953,405	953,405
Accrued expenses	22,288	210,153	232,441
Accrued payroll	-	42,116	42,116
Accrued vacation and sick leave	-	73,421	73,421
Long-term liabilities:			
Due to federal government:			
Amounts due within one year	-	35,464	35,464
Amounts due beyond one year	-	287,254	287,254
Bonds and notes payable:			
Amounts due within one year	-	717,056	717,056
Amounts due beyond one year	-	3,206,723	3,206,723
Customer security deposits:			
Amounts due beyond one year	-	150,324	150,324
Total liabilities	<u>22,288</u>	<u>5,675,916</u>	<u>5,698,204</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plan - other	-	2,956,120	2,956,120
Total deferred inflows of resources	<u>-</u>	<u>2,956,120</u>	<u>2,956,120</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	25,411,830	25,411,830
Restricted for:			
Capital improvements	4,029,458	-	4,029,458
Debt service	-	64,622	64,622
Library	1,866,730	-	1,866,730
Net pension plan asset	-	3,939,784	3,939,784
Public safety	348,676	-	348,676
Street projects	808,149	-	808,149
Unrestricted	<u>3,936,245</u>	<u>12,602,096</u>	<u>16,538,341</u>
Total net position	<u>\$ 10,989,258</u>	<u>\$ 42,018,332</u>	<u>\$ 53,007,590</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2021**

Program/Function	Program revenues				Net (expense) revenue and changes in net position		Total
	Expenses	Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities (cash basis)	Business-type activities (accrual basis)	
<b>Governmental activities (cash basis)</b>							
City administrator	\$ 540,548	\$ 173,612	\$ -	\$ -	\$ (366,936)	\$ -	\$ (366,936)
Community development	82,786	-	1,650	24,699	(56,437)	-	(56,437)
Police department	902,575	-	-	-	(902,575)	-	(902,575)
Fire department	491,507	-	-	-	(491,507)	-	(491,507)
Parks, pool, and cemetery	221,207	-	-	-	(221,207)	-	(221,207)
City collector	96,810	-	-	-	(96,810)	-	(96,810)
Street projects	1,395,040	-	-	-	(1,395,040)	-	(1,395,040)
Storm water projects	68,369	-	-	-	(68,369)	-	(68,369)
Animal control	30,630	-	-	-	(30,630)	-	(30,630)
Solid waste	243,387	-	-	-	(243,387)	-	(243,387)
Airport	183,985	132,581	102,521	-	51,117	-	51,117
Code enforcement	66,282	-	-	-	(66,282)	-	(66,282)
Equipment and building purchases	226,740	-	-	-	(226,740)	-	(226,740)
Library	178,287	6,352	-	4,710	(167,225)	-	(167,225)
Other	-	-	-	538,868	538,868	-	538,868
<b>Total governmental activities</b>	<b>4,728,153</b>	<b>312,545</b>	<b>104,171</b>	<b>568,277</b>	<b>(3,743,160)</b>	<b>-</b>	<b>(3,743,160)</b>
<b>Business-type activities (accrual basis)</b>							
Electric utility	10,315,478	10,182,764	-	-	-	(132,714)	(132,714)
Natural gas utility	4,615,510	3,525,727	-	-	-	(1,089,783)	(1,089,783)
Waste water utility	1,526,182	2,036,028	500,000	-	-	1,009,846	1,009,846
Water utility	2,107,244	2,347,636	-	-	-	240,392	240,392
<b>Total business-type activities</b>	<b>18,564,414</b>	<b>18,092,155</b>	<b>500,000</b>	<b>-</b>	<b>-</b>	<b>27,741</b>	<b>27,741</b>
<b>Total</b>	<b>\$ 23,292,567</b>	<b>\$ 18,404,700</b>	<b>\$ 604,171</b>	<b>\$ 568,277</b>	<b>(3,743,160)</b>	<b>27,741</b>	<b>(3,715,419)</b>
<b>General revenue</b>							
<b>Taxes</b>							
Property taxes					619,318	-	619,318
Fuel and vehicle taxes					234,596	-	234,596
Franchise and utility taxes					1,480,350	-	1,480,350
Sales taxes					1,958,101	-	1,958,101
Other taxes					901,821	-	901,821
Interest income					80,703	170,409	251,112
MJMEUC agreement					-	79,939	79,939
Miscellaneous					592,913	184,395	777,308
Loss on sale of capital assets					-	(3,365)	(3,365)
<b>Total general revenues</b>					<b>5,867,802</b>	<b>431,378</b>	<b>6,299,180</b>
Change in net position					2,124,642	459,119	2,583,761
Net position - beginning					8,864,616	41,559,213	50,423,829
Net position - ending					<b>\$ 10,989,258</b>	<b>\$ 42,018,332</b>	<b>\$ 53,007,590</b>

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES - CASH BASIS  
ALL GOVERNMENTAL FUND TYPES**

**December 31, 2021**

	Major Funds			Total
	General Fund	Capital Improvement Sales Tax Fund	Non-Major Governmental Funds	
<b>ASSETS</b>				
ASSETS				
Cash and cash equivalents	\$ 1,766,865	\$ 1,697,317	\$ 2,905,219	\$ 6,369,401
Due from other funds	-	-	105,118	105,118
Investments:				
Unrestricted	1,076,297	1,682,920	1,851,163	4,610,380
Notes receivable	-	-	31,808	31,808
Total assets	\$ 2,843,162	\$ 3,380,237	\$ 4,893,308	\$ 11,116,707
<b>LIABILITIES AND FUND BALANCES</b>				
LIABILITIES				
Due to other funds	\$ 105,161	\$ -	\$ -	\$ 105,161
Accrued expenses	22,288	-	-	22,288
Total liabilities	127,449	-	-	127,449
FUND BALANCES				
Restricted for:				
Capital improvements	-	3,380,237	649,221	4,029,458
Library	-	-	1,866,730	1,866,730
Public safety	-	-	348,676	348,676
Street projects	-	-	808,149	808,149
Committed to:				
Industrial development	-	-	1,220,532	1,220,532
Assigned to:				
Airport	4,830	-	-	4,830
Parks	32,307	-	-	32,307
Unassigned	2,678,576	-	-	2,678,576
Total fund balances	2,715,713	3,380,237	4,893,308	10,989,258
Total liabilities and fund balances	\$ 2,843,162	\$ 3,380,237	\$ 4,893,308	\$ 11,116,707

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - CASH BASIS**

**ALL GOVERNMENTAL FUND TYPES**

**Year Ended December 31, 2021**

	Major Funds			Total
	General Fund	Capital Improvement Sales Tax Fund	Non-Major Governmental Funds	
<b>REVENUES</b>				
Taxes	\$ 3,215,687	\$ 621,182	\$ 1,357,317	\$ 5,194,186
Licenses, permits, and fines	173,612	-	6,352	179,964
Federal and state grants	24,699	-	647,749	672,448
Charges for services	132,581	-	-	132,581
Interest	17,806	12,364	50,533	80,703
Miscellaneous	312,087	-	280,826	592,913
Total revenues	3,876,472	633,546	2,342,777	6,852,795
<b>EXPENDITURES</b>				
City administrator	540,548	-	-	540,548
Community development	-	-	82,786	82,786
Police department	902,575	-	-	902,575
Fire department	491,507	-	-	491,507
Parks, pool, and cemetery	188,007	33,200	-	221,207
City collector	96,810	-	-	96,810
Street projects	382,313	-	1,012,727	1,395,040
Storm water projects	-	68,369	-	68,369
Animal control	30,630	-	-	30,630
Solid waste	243,387	-	-	243,387
Airport	183,985	-	-	183,985
Code enforcement	66,282	-	-	66,282
Equipment and building purchases	-	-	226,740	226,740
Library	-	-	178,287	178,287
Total expenditures	3,126,044	101,569	1,500,540	4,728,153
Excess of revenues over expenditures	750,428	531,977	842,237	2,124,642
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	1,821	-	-	1,821
Operating transfers (out)	-	-	(1,821)	(1,821)
Total other financing sources (uses)	1,821	-	(1,821)	-
Net change in fund balances	752,249	531,977	840,416	2,124,642
Fund balances, January 1	1,963,464	2,848,260	4,052,892	8,864,616
<b>FUND BALANCES, DECEMBER 31</b>	\$ 2,715,713	\$ 3,380,237	\$ 4,893,308	\$ 10,989,258

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**  
**STATEMENT OF NET POSITION - ACCRUAL BASIS**  
**ALL PROPRIETARY FUNDS**  
**December 31, 2021**

	Major Funds				Total
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 2,878,531	\$ 2,435,726	\$ 371,550	\$ 489,630	\$ 6,175,437
Accounts receivable, net of \$26,600 allowance	1,042,426	649,348	227,712	291,150	2,210,636
Due from other funds	43	-	-	-	43
Grants receivable	-	-	25,000	-	25,000
Accrued interest receivable	30,245	10,573	33,011	16,675	90,504
Prepaid expenses	56,961	28,238	35,297	35,297	155,793
Inventories	325,587	65,334	9,497	182,868	583,286
Prepaid water storage, current portion	-	-	-	22,368	22,368
Total current assets	4,333,793	3,189,219	702,067	1,037,988	9,263,067
Non-current assets					
Investments:					
Restricted	-	-	64,622	-	64,622
Unrestricted	2,600,000	1,000,000	3,800,000	2,400,000	9,800,000
Prepaid water storage, net of current portion	-	-	-	171,461	171,461
Property, plant and equipment, net of accumulated depreciation	6,016,474	3,497,364	11,665,479	5,753,669	26,932,986
Net pension plan asset	1,855,650	455,602	776,283	852,249	3,939,784
Total non-current assets	10,472,124	4,952,966	16,306,384	9,177,379	40,908,853
Total assets	14,805,917	8,142,185	17,008,451	10,215,367	50,171,920
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension plan contributions	66,075	15,427	26,156	27,039	134,697
Pension plan - other	186,023	38,246	65,488	53,994	343,751
Total deferred outflows of resources	252,098	53,673	91,644	81,033	478,448
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	489,238	266,176	171,327	26,664	953,405
Accrued expenses	5,466	734	1,611	202,342	210,153
Accrued payroll	20,448	5,003	7,877	8,788	42,116
Accrued vacation and sick leave	15,281	10,240	20,032	27,868	73,421
Due to federal government, current portion	-	-	-	35,464	35,464
Long-term debt, current portion	195,473	405,183	116,400	-	717,056
Total current liabilities	725,906	687,336	317,247	301,126	2,031,615
Non-current liabilities					
Due to federal government, net of current portion	-	-	-	287,254	287,254
Long-term debt, net of current portion	781,892	1,620,731	804,100	-	3,206,723
Customer security deposits	150,324	-	-	-	150,324
Total non-current liabilities	932,216	1,620,731	804,100	287,254	3,644,301
Total liabilities	1,658,122	2,308,067	1,121,347	588,380	5,675,916
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension plan - other	1,465,616	326,825	555,598	608,081	2,956,120
Total deferred inflows of resources	1,465,616	326,825	555,598	608,081	2,956,120
<b>NET POSITION</b>					
Net investment in capital assets	5,821,001	3,092,181	10,744,979	5,753,669	25,411,830
Restricted for debt service	-	-	64,622	-	64,622
Restricted for net pension plan asset	1,855,650	455,602	776,283	852,249	3,939,784
Unrestricted	4,257,626	2,013,183	3,837,266	2,494,021	12,602,096
Total net position	\$ 11,934,277	\$ 5,560,966	\$ 15,423,150	\$ 9,099,939	\$ 42,018,332

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - ACCRUAL BASIS  
ALL PROPRIETARY FUND TYPES  
Year Ended December 31, 2021**

	Major Funds				Total
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 10,130,737	\$ 3,514,320	\$ 1,713,680	\$ 2,343,102	\$ 17,701,839
MJMEUC agreement	79,939	-	-	-	79,939
Leachate income	-	-	314,339	-	314,339
Penalties	52,027	11,407	8,009	4,534	75,977
Miscellaneous	91,807	13,522	20,431	58,635	184,395
Total operating revenues	<u>10,354,510</u>	<u>3,539,249</u>	<u>2,056,459</u>	<u>2,406,271</u>	<u>18,356,489</u>
<b>OPERATING EXPENSES</b>					
Production	8,106,300	-	566,350	1,053,676	9,726,326
Distribution	1,107,338	4,193,693	346,942	392,464	6,040,437
Administrative and general	(158,615)	164,829	104,584	231,941	342,739
Depreciation	1,260,455	256,988	494,214	416,763	2,428,420
Total operating expenses	<u>10,315,478</u>	<u>4,615,510</u>	<u>1,512,090</u>	<u>2,094,844</u>	<u>18,537,922</u>
OPERATING INCOME (LOSS)	<u>39,032</u>	<u>(1,076,261)</u>	<u>544,369</u>	<u>311,427</u>	<u>(181,433)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Grant revenue	-	-	500,000	-	500,000
Interest income	51,312	25,508	61,893	31,696	170,409
Interest expense	-	-	(14,092)	(12,400)	(26,492)
Other	(3,365)	-	-	-	(3,365)
Total non-operating revenues	<u>47,947</u>	<u>25,508</u>	<u>547,801</u>	<u>19,296</u>	<u>640,552</u>
Change in net position	86,979	(1,050,753)	1,092,170	330,723	459,119
Net position, January 1	11,847,298	6,611,719	14,330,980	8,769,216	41,559,213
<b>NET POSITION, DECEMBER 31</b>	<u>\$ 11,934,277</u>	<u>\$ 5,560,966</u>	<u>\$ 15,423,150</u>	<u>\$ 9,099,939</u>	<u>\$ 42,018,332</u>

The notes to the financial statements are an integral part of these statements.

**CITY OF MACON**

**STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
Year Ended December 31, 2021**

	Major Funds				Total
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash received from customers	\$ 10,233,921	\$ 3,410,174	\$ 2,012,236	\$ 2,327,148	\$ 17,983,479
Cash received from other sources	91,807	13,522	20,431	58,635	184,395
Cash paid to vendors	(7,994,023)	(4,068,003)	(656,001)	(1,157,026)	(13,875,053)
Cash paid to employees	(1,730,597)	(403,687)	(678,478)	(757,499)	(3,570,261)
Net cash provided (used) by operating activities	601,108	(1,047,994)	698,188	471,258	722,560
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Net change in interfund payables/receivables	(43)	-	-	-	(43)
Net cash (used) by noncapital financing activities	(43)	-	-	-	(43)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payment for capital acquisitions	(171,661)	(69,476)	(3,913,116)	(587,276)	(4,741,529)
Capital grants	-	-	475,000	-	475,000
Issuance of debt	977,365	2,025,914	-	-	3,003,279
Principal payments on debt	-	-	(113,400)	(34,216)	(147,616)
Interest payments on debt	-	-	(14,092)	(12,400)	(26,492)
Net cash provided (used) by capital and related financing activities	805,704	1,956,438	(3,565,608)	(633,892)	(1,437,358)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest income	51,312	25,508	67,024	30,549	174,393
Maturity of investments	-	-	1,000,000	-	1,000,000
Purchase of investments	-	-	-	(400,000)	(400,000)
Net cash provided (used) by investing activities	51,312	25,508	1,067,024	(369,451)	774,393
Net change in cash and cash equivalents	1,458,081	933,952	(1,800,396)	(532,085)	59,552
Cash and cash equivalents, beginning of year	1,420,450	1,501,774	2,171,946	1,021,715	6,115,885
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 2,878,531</b>	<b>\$ 2,435,726</b>	<b>\$ 371,550</b>	<b>\$ 489,630</b>	<b>\$ 6,175,437</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ 39,032	\$ (1,076,261)	\$ 544,369	\$ 311,427	\$ (181,433)
Adjustments:					
Depreciation and amortization	1,260,455	256,988	494,214	416,763	2,428,420
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	(15,607)	(115,553)	(23,792)	(20,488)	(175,440)
Prepaid expenses	(923)	(2,431)	(3,038)	(3,038)	(9,430)
Inventories	(22,239)	2,554	(777)	(9,151)	(29,613)
Prepaid water storage	-	-	-	22,366	22,366
Net pension plan asset	(1,598,008)	(370,280)	(627,983)	(692,767)	(3,289,038)
Pension plan contributions	8,254	1,913	3,244	3,578	16,989
Pension plan - other	300,279	69,578	118,003	130,176	618,036
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable	(152,548)	(2,780)	(126,101)	(47,388)	(328,817)
Accrued expenses	1,361	(25)	357	7,677	9,370
Accrued payroll	2,744	1,029	1,352	1,273	6,398
Accrued vacation and sick leave	(17,972)	(288)	241	(84)	(18,103)
Customer security deposits	(13,175)	-	-	-	(13,175)
Pension plan - other	809,455	187,562	318,099	350,914	1,666,030
Net cash provided (used) by operating activities	\$ 601,108	\$ (1,047,994)	\$ 698,188	\$ 471,258	\$ 722,560

The notes to the financial statements are an integral part of these statements.

## CITY OF MACON

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Macon (the City) is located in central Missouri and is governed by a city administrator, an elected mayor, and an eight-member council. The City also has a Board of Public Works, which oversees the utilities, and a Library Board of Directors, which oversees the library. The more significant of the City's accounting policies are described below.

##### *A. Reporting Entity*

The City, for financial purposes, includes all of the funds relevant to the operations of the City of Macon. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the City of Macon that have been determined not to be component units as defined by Governmental Accounting Standards Board (GASB) Statement 61, *The Financial Reporting Entity: Omnibus*, (GASB 61). Based on the criteria of GASB 61, there are no other agencies or entities for which the City has been determined to be financially accountable and, therefore, should be included in the combined financial statements of the City.

##### *B. Government-Wide and Fund Financial Accounting*

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the City. The effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The City currently does not have any fiduciary funds.

The City uses funds to report its financial position and results of its operations in the fund financial statements. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into three categories: governmental, proprietary and fiduciary. The City had no fiduciary funds as of December 31, 2021.

The City reports the following major governmental funds:

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

Capital Improvement Sales Tax Fund – The Capital Improvement Sales Tax Fund is the special tax fund that was established to fund capital improvement projects for storm water and park improvements, as well as other related items throughout the community.

The City reports the following major proprietary funds:

Electric Fund – The Electric Fund accounts for the billing and collection of charges for electric service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Gas Fund – The Gas Fund accounts for the billing and collection of charges for gas service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Waste Water Fund – The Waste Water Fund accounts for the billing and collection of charges for sanitary sewer service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

Water Fund – The Water Fund accounts for the billing and collection of charges for water service for most City residents. Revenues are used to pay for both operating expenses and capital expenditures to maintain these services. All activities necessary to provide such services are accounted for in this fund.

### *C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting for the business-type activities and the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, for the governmental activities. For the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. For the cash basis of accounting, revenues are recorded when received, and expenses are recorded when paid. Certain liabilities are reported as a result of cash transactions.

The governmental fund financial statements use the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the cash basis of accounting, revenues are recognized when received, and expenditures are recognized when paid. Certain liabilities are reported as a result of cash transactions.

The proprietary fund financial statements use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

The City's general spending prioritization policy is to consider restricted resources to have been used first, followed by committed, assigned, and unassigned amounts when expenditures have been incurred for which resources in more than one classification could be used.

Sometimes the City will fund outlays for a particular purpose from both restricted (i.e., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### *D. Budgets*

Budgets are also adopted on the cash basis of accounting. Annual appropriated budgets are adopted for the General Fund and other governmental funds. All annual appropriations lapse at year-end. Encumbrance accounting is not used.

#### *E. Pooled Cash*

The City maintains a cash money-market pool that is used by all enterprise funds and one that is used for all governmental funds, with the exception of the Project, Library, and Motor Fuel Funds, which each have their own account. Interest income is allocated to each fund in proportion to each fund’s ownership of the pool each month for the proprietary funds.

For purposes of the statement of cash flows, all highly liquid investments with an original maturity of three months or less when purchased are considered to be cash equivalents.

#### *F. Accounts Receivable*

Accounts receivable, which include earned but unbilled amounts, result primarily from electric, gas, water, and waste water services accounted for in the proprietary funds.

#### *G. Short-Term Interfund Receivables/Payables*

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the statements of financial position.

#### *H. Inventories*

Inventories of materials and supplies in the proprietary funds are stated at average cost. Cost is determined primarily by averaging historical cost of all items on hand at year-end.

#### *I. Governmental Activities Capital Assets*

General capital assets acquired or constructed for general governmental purposes are reported as expenditures in the governmental fund that finances the asset acquisition. However, the related asset has not been capitalized in the government-wide statements at cost or estimated historical cost as the City’s governmental activities are reported on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The City has not maintained any listing of general governmental capital assets and has excluded these assets from its financial statements.

#### *J. Property, Plant and Equipment*

Property, plant and equipment owned by the proprietary funds are stated at cost. Contributions of capital assets received from federal, state or local sources are recorded as assets at fair value at the time received. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method beginning when the asset is placed in service, with zero expected salvage value. The estimated useful lives are as follows:

Land improvements	10-50 years
Buildings and building improvements	10-75 years
Systems	20-75 years
Vehicles and equipment	3-25 years
Furniture and office equipment	3-25 years

The cost of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement and any resulting gain or loss is reflected in the financial statements.

Fully depreciated capital assets are included in the capital assets accounts until their disposal.

#### *K. Deferred Outflows/Inflows of Resources*

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The City has two items that qualify for reporting in this category, which are the pension plan contributions and pension plan – other, reported in the government-wide statement of net position and the proprietary funds statement of net position.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, which is the pension plan – other, reported in the government-wide statement of net position and the proprietary funds statement of net position.

#### *L. Compensated Absences*

Under terms of the City’s personnel policy, City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is not paid for sick leave. Employees will be paid for their sick leave when they retire. Employees are allowed to carry over certain amounts to the next year and are paid earned vacation upon termination.

As of and for the year December 31, 2021, accumulated vacation and sick leave of the proprietary funds are recorded as an expense and liability of those funds as management estimated that unused vacation and sick leave at year-end is material to the financial statements. These balances are evaluated on a yearly basis.

#### *M. Long-Term Obligations*

General long-term obligations consist of the non-current portion of bonds and leases payable, compensable leave, and other long-term liabilities. In the business-type activities in the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Debt issuance costs include all costs incurred to issue debt and are expensed as incurred in all statements.

In the governmental fund financial statements, general long-term obligations are not reported as liabilities because they do not require the use of current resources and because the governmental funds report on the cash basis. Governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuance and issuance costs are reported as other financing uses. Principal repayments are reported as debt service expenditures. Any governmental activities long-term debt is reported similarly to that of the business-type activities. However, there is no governmental activities long-term debt as of December 31, 2021.

#### *N. Fund Balance and Net Position*

In the governmental fund financial statements, fund balance is displayed in five components as follows:

Nonspendable – This consists of amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are constrained to specific purposes by their providers, through constitutional or contractual provisions or by enabling legislation.

Committed - This consists of amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority (the City Council) by the end of the fiscal year. The City Council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

Assigned – This consists of amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City Council can assign fund balance; however, an additional formal action does not have to be taken for the removal of the assignment.

Unassigned – This consists of amounts that are available for any purpose and can only be reported in the General Fund.

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

Net investment in capital assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

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

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. As of December 31, 2021, the following net position amounts were restricted by enabling legislation: \$3,490,590 related to the capital improvement sales tax was restricted for capital improvements; \$1,866,730 related to the library property tax was restricted for the library; \$348,676 related to the fire protection sales tax was restricted for public safety; and \$808,149 related to the motor fuel tax and transportation tax was restricted for street projects.

### *O. Use of Estimates*

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

### *P. Pensions*

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

### *Q. Subsequent Events*

Events that have occurred subsequent to December 31, 2021, have been evaluated through June 9, 2022, which represents the date the City's financial statements were approved by management and therefore were available to be issued.

## **2. LEGAL COMPLIANCE – BUDGET AND PROPERTY TAXES**

The City's policy is to prepare the operating budgets on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. The City prepared budgets for the General, Project, Capital Improvement Sales Tax, Motor Fuel, Transportation Sales Tax, Airport, Asset Replacement, Park, Fire Protection Sales Tax, and Revolving Loan Funds for the year ended December 31, 2021.

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the December Council meeting, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year. The City Council approves the budget by a majority vote.
2. Formal budgetary integration is employed as a management control device during the year for all funds budgeted.
3. The City Council approves, by ordinance, total budget appropriations only. The City Administrator is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, for report purposes, this level has been expanded to a functional basis (general government, cemetery, etc.).
4. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
5. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. The budget was not amended during the year.

The Board of Public Works approved operating budgets for the Electric, Gas, Waste Water, and Water Funds for the year ended December 31, 2021. Upon approval from the Board of Public Works, the budgets for these proprietary funds are subsequently approved by the City Council.

Property taxes are recorded as revenue when received, in accordance with the cash basis of accounting. Taxes are levied on October 1 and become delinquent on January 1 of the following year. Property taxes attach as an enforceable lien on property as of January 1 of the current year. For 2021, the levy was \$0.5937 for general revenue and \$0.2375 for the library per \$100 of assessed valuation. The total assessed valuation was \$75,712,528.

### 3. CASH AND INVESTMENTS

The City maintains two cash and investment pools. One is available for use by the following funds: Electric, Gas, Waste Water, and Water. The other is available for use by all of the governmental funds. Each fund type's portion of this pool is displayed on the statements of financial position as either cash or investments. In addition, investments are separately held by several of the City's funds.

Missouri State Statutes authorize the City to deposit funds in obligations of the U.S Treasury, federal agencies and instrumentalities; certificates of deposit; and repurchase agreements. Custodial credit risk for deposits is the risk that, in event of a bank failure, the government's deposits may not be returned to it. The City's deposit policy for custodial credit risk is set by statute. Statutes require that collateral pledged must have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities, which are the same type as authorized for investment by the City, are limited to the following as prescribed by state statutes:

- Bonds of the State of Missouri, of the United States, or of wholly owned corporation of the United States.
- Other short-term obligations of the United States.

Deposits, categorized by level of custodial risk, were as follows as of December 31, 2021:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 500,000	\$ -	\$ -	\$ 500,000
Collateralized with securities pledged by the financial institution	12,953,067	14,410,935	-	27,364,002
Uncollateralized*	384,524	-	-	384,524
	<u>\$ 13,837,591</u>	<u>\$ 14,410,935</u>	<u>\$ -</u>	<u>\$ 28,248,526</u>
Carrying value	<u>\$ 12,542,654</u>	<u>\$ 14,410,380</u>	<u>\$ 2,184</u>	<u>\$ 26,955,218</u>

\*Due to the timing of deposits made at or near year-end, a portion of the City's cash and cash equivalents were uncollateralized as of December 31, 2021. The City became fully collateralized in May 2022.

The City had the following investments as of December 31, 2021:

	Investment Maturities (in years)			Fair Value	Carrying Value
	Less than 1	1-5	Over 5		
Money market mutual funds:					
Restricted	\$ 64,622	\$ -	\$ -	\$ 64,622	\$ 64,622
Total investments	\$ 64,622	\$ -	\$ -	\$ 64,622	\$ 64,622

Investments held by governmental funds are recorded at cost, in accordance with the cash basis of accounting. Investments held by proprietary funds are recorded at fair value, in accordance with U.S. generally accepted accounting principles.

Interest rate risk – Interest rate risk is the risk that the fair values of investments will be adversely affected by a change in interest rates. The City does not have a formal interest rate risk policy but manages its exposure to declines in fair values by only investing in obligations that return initial purchase prices and the earned interest. This practice eliminates exposure to declines in fair values.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor’s and Moody’s. The City’s policy is to only invest in obligations of the United States or its agencies, insured or secured certificates of deposits, certain obligations of the State of Missouri or political subdivisions and municipalities, and certain surety bonds. Policy prohibits the purchase of any investments that do not meet the above-mentioned criteria. The money market mutual funds are held by the bond trustee and their underlying investments are in the type allowed to the City.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The City’s investment policy does not address concentration of credit risk.

The City’s total deposits and investments are summarized below:

Deposits	\$ 26,955,218
Investments	<u>64,622</u>
Total deposits and investments	<u>\$ 27,019,840</u>

A reconciliation of cash and investments as shown on the government-wide statement of net position is as follows:

Cash and cash equivalents	\$ 12,544,838
Investments:	
Restricted	64,622
Unrestricted	<u>14,410,380</u>
Total	<u>\$ 27,019,840</u>

## Fair Value Measurements

For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by U.S. generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the City has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The City's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The City's assets and liabilities measured at fair value on a recurring basis as of December 31, 2021, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Measured at fair value:				
Money market mutual funds	<u>\$ 64,622</u>	<u>\$ 64,622</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	<u>\$ 64,622</u>	<u>\$ 64,622</u>	<u>\$ -</u>	<u>\$ -</u>

Level 1 classifications above consist of money market mutual funds that are valued at the daily closing price as reported by the fund. These funds are primarily invested in U.S. Treasuries and other governmental securities.

No investments are classified as Level 2 or Level 3 above.

#### 4. NOTES RECEIVABLE

On December 19, 2018, the City loaned Creed Archery Supply, Inc. \$75,000 to assist with the new business. The repayment period is five years bearing interest at 4% per annum. The loan is secured by personal guarantees of the business' shareholders. As of December 31, 2021, the loan had not been called and the principal outstanding was \$31,808.

The note receivable was recorded when the City advanced funds to the above entity from its Revolving Loan Fund. The City feels the note is fully collectible; therefore, no allowance was recorded as of December 31, 2021.

#### 5. CAPITAL ASSETS

A summary of the proprietary funds' property, plant and equipment as of December 31, 2021, follows:

	Electric	Gas	Waste Water	Water	Total
Capital assets, not being depreciated					
Land	\$ 326,486	\$ 43,099	\$ 126,620	\$ 370,159	\$ 866,364
Construction in progress	-	-	5,041,990	-	5,041,990
Total capital assets not being depreciated	326,486	43,099	5,168,610	370,159	5,908,354
Capital assets, being depreciated					
Structures and improvements	23,691,441	8,827,500	14,435,509	13,469,056	60,423,506
Vehicles, furniture and other equipment	2,137,859	820,679	712,802	445,043	4,116,383
Total capital assets being depreciated	25,829,300	9,648,179	15,148,311	13,914,099	64,539,889
Less: accumulated depreciation	20,139,312	6,193,914	8,651,442	8,530,589	43,515,257
Total capital assets being depreciated, net	5,689,988	3,454,265	6,496,869	5,383,510	21,024,632
Total capital assets, net	\$ 6,016,474	\$ 3,497,364	\$ 11,665,479	\$ 5,753,669	\$ 26,932,986

Capital asset activity for the year ended December 31, 2021, was as follows:

	Balance December 31, 2020	Additions	Deductions, Transfers, Other	Balance December 31, 2021
Capital assets, not being depreciated				
Land	\$ 866,364	\$ -	\$ -	\$ 866,364
Construction in progress	1,864,707	3,313,436	(136,153)	5,041,990
Total capital assets not being depreciated	<u>2,731,071</u>	<u>3,313,436</u>	<u>(136,153)</u>	<u>5,908,354</u>
Capital assets, being depreciated				
Structures and improvements	59,200,271	1,121,494	101,741	60,423,506
Vehicles, furniture and other equipment	3,824,917	306,596	(15,130)	4,116,383
Total capital assets being depreciated	<u>63,025,188</u>	<u>1,428,090</u>	<u>86,611</u>	<u>64,539,889</u>
Less accumulated depreciation for				
Structures and improvements	38,905,812	2,064,203	(13,462)	40,956,553
Vehicles, furniture and other equipment	2,227,205	364,217	(32,718)	2,558,704
Total accumulated depreciation	<u>41,133,017</u>	<u>2,428,420</u>	<u>(46,180)</u>	<u>43,515,257</u>
Total capital assets being depreciated, net	<u>21,892,171</u>	<u>(1,000,330)</u>	<u>132,791</u>	<u>21,024,632</u>
Business-type activities capital assets, net	<u>\$ 24,623,242</u>	<u>\$ 2,313,106</u>	<u>\$ (3,362)</u>	<u>\$ 26,932,986</u>

Depreciation expense was charged to the proprietary funds as follows:

Electric Fund	\$ 1,260,455
Gas Fund	256,988
Waste Water Fund	494,214
Water Fund	416,763
Total depreciation expense - business-type activities	<u>\$ 2,428,420</u>

## 6. PREPAID WATER STORAGE AND DUE TO FEDERAL GOVERNMENT

The federal government constructed Long Branch Lake, located outside of the City of Macon, which is used as a recreational and water supply facility.

The City is presently using 4,400 acre-feet of storage and was billed \$1,118,261 for its proportional share (13.75%) of the project costs. This amount is payable in annual installments of \$47,240, including interest at 3.649%, through October 2029. The unpaid balance due the federal government as of December 31, 2021, was \$193,829. The City recorded the same amount as prepaid water storage and is amortizing the cost over 50-years on a straight-line basis. Accumulated amortization as of December 31, 2021, was \$924,432. The City recorded interest expense of \$12,400 as a direct functional expense on the statement of activities for the year ended December 31, 2021.

## 7. LONG-TERM DEBT

### Bonds Payable

In 2011, the City issued Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2011 for the purpose of financing construction of certain waste water improvements to the City’s collection and treatment system. In connection with the issuance of these bonds, the City participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. As the City incurs approved expenditures, DNR reimburses the City for the expenditures from the construction escrow fund. Additionally, an amount (83.33% of which is federal funding) representing 70% of the construction costs is deposited into a bond reserve fund in the City’s name and is held as a guarantee against the outstanding bond obligation. Interest earned from this reserve fund can be used by the City to fund interest payments on the revenue bonds. A portion of the reserve fund will be transferred back to the State as principal payments are made on the revenue bonds. The costs of operation and maintenance of the waste water improvements and the debt service is payable from operating revenues. The revenue bonds do not constitute a general obligation of the City.

In 2015, the City issued Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2015 not to exceed \$826,000 for the purpose of financing construction of certain waste water improvements to the City’s collection and treatment system. In connection with the issuance of these bonds, the City participates in a revolving loan program established by the Missouri Department of Natural Resources (DNR). The State of Missouri manages and invests the bond proceeds on behalf of the City. The State of Missouri manages and invests the bond proceeds on behalf of the City. The costs of operation and maintenance of the waste water improvements and the debt service is payable from operating revenues. The revenue bonds do not constitute a general obligation of the City.

The City has pledged future waste water revenues, net of current specified operating expenses, to repay the revenue bonds. Proceeds from the bonds provided financing for waste water system improvements. The bonds are payable solely from utility customer net revenues through 2031. Net revenues available for debt service are not to be less than 110% of the amount required to be paid annually of principal and interest. Net revenues for 2021 are approximately 826% of the annual principal and interest payments made during 2021. The total principal and interest paid for the current year and total net revenues were \$127,492 and \$1,052,675, respectively.

The following summarizes the bonds payable:

	Interest Rates	Final Maturity Date	Principal Balance 12/31/2021
Waste Water Fund - Series 2011	1.66%	7/1/2026	\$ 339,500
Waste Water Fund - Series 2015	1.24%	7/1/2031	581,000
			<u>920,500</u>
		Less current portion	<u>(116,400)</u>
		Long-term bonds payable	<u><u>\$ 804,100</u></u>

In addition to interest, the City is responsible for a 0.5% administrative fee on the outstanding principal.

Activity on the bonds payable for the year is as follows:

	Balance December 31, 2020	Issuances	Principal Payments, Reductions	Balance December 31, 2021	Due Within One Year
Waste Water Fund - Series 2011	\$ 401,900	\$ -	\$ (62,400)	\$ 339,500	\$ 64,400
Waste Water Fund - Series 2015	632,000	-	(51,000)	581,000	52,000
	<u>\$ 1,033,900</u>	<u>\$ -</u>	<u>\$ (113,400)</u>	<u>\$ 920,500</u>	<u>\$ 116,400</u>

The following is a schedule of the future minimum payments under the bonds as of December 31, 2021, based on the current amount outstanding:

Year Ending December 31:	Principal	Interest	Total
2022	\$ 116,400	\$ 12,412	\$ 128,812
2023	120,400	10,686	131,086
2024	122,700	8,909	131,609
2025	125,800	7,085	132,885
2026	128,200	5,534	133,734
Thereafter	307,000	10,701	317,701
	<u>\$ 920,500</u>	<u>\$ 55,327</u>	<u>\$ 975,827</u>

### Notes Payable

In February 2021, the Midwest region, including Texas and Oklahoma, experienced an extended severe cold weather event with daily high temperatures near zero degrees. This event caused natural gas delivery equipment to freeze up and limited the availability of natural gas in a time of very high demand with the extreme cold temperatures. This limitation of natural gas during this event caused natural gas prices to soar, which had the effect of causing electric prices to soar for these few days since the electric industry has become reliant on natural gas generation.

In May 2021, a State of Missouri \$50 million relief fund for municipal utilities who experienced extraordinary natural gas and electric prices during this polar vortex event, named the Municipal Utility Emergency Loan Program (MUELP), was created.

In June 2021, the City received an MUELP loan in an amount not to exceed \$3,003,279. The City allocated \$977,365 and \$2,025,914 of the proceeds between the Electric and Gas Funds, respectively. The loan bears interest at 0% with a payback period of no more than five years. Notwithstanding any other provisions of the loan agreement, the first principal payment became due on January 1, 2022, and the final principal payment will be made on or before June 1, 2026.

The following summarizes the notes payable:

	Interest Rates	Final Maturity Date	Principal Balance 12/31/2021
Electric Fund - MUELP loan	0.00%	6/1/2026	\$ 977,365
Gas Fund - MUELP loan	0.00%	6/1/2026	2,025,914
			<u>3,003,279</u>
		Less current portion	<u>(600,656)</u>
		Long-term notes payable	<u><u>\$ 2,402,623</u></u>

Activity on the notes payable for the year is as follows:

	Balance December 31, 2020	Issuances	Principal Payments, Reductions	Balance December 31, 2021	Due Within One Year
Electric Fund - MUELP Loan	\$ -	\$ 977,365	\$ -	\$ 977,365	\$ 195,473
Gas Fund - MUELP Loan	-	2,025,914	-	2,025,914	405,183
	<u>\$ -</u>	<u>\$ 3,003,279</u>	<u>\$ -</u>	<u>\$ 3,003,279</u>	<u>\$ 600,656</u>

The following is a schedule of the future minimum payments under the notes as of December 31, 2021, based on the current amount outstanding:

Year Ending December 31:	Principal	Interest	Total
2022	\$ 600,656	\$ -	\$ 600,656
2023	600,656	-	600,656
2024	600,656	-	600,656
2025	600,656	-	600,656
2026	600,655	-	600,655
	<u>\$ 3,003,279</u>	<u>\$ -</u>	<u>\$ 3,003,279</u>

## 8. INTERFUND ACTIVITY

Interfund receivable and payable balances as of December 31, 2021, in the fund financial statements resulting from interfund transfers and interfund loans were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Net</u>
Governmental funds:			
General Fund (major fund)	\$ -	\$ (105,161)	\$ (105,161)
Library Fund (non-major fund)	105,118	-	105,118
Proprietary funds:			
Electric Fund (major fund)	43	-	43
	<u>\$ 105,161</u>	<u>\$ (105,161)</u>	<u>\$ -</u>

Amounts due from the General Fund to the Library Fund are from taxes collected and not yet remitted.

A summary of interfund transfers for the year ended December 31, 2021, follows:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Net</u>
Governmental funds:			
General Fund (major fund)	\$ -	\$ 1,821	\$ 1,821
Transportation Sales Tax Fund (non-major fund)	(1,821)	-	(1,821)
	<u>\$ (1,821)</u>	<u>\$ 1,821</u>	<u>\$ -</u>

Amounts were transferred from the Transportation Sales Tax Fund to the General Fund for the City's match on the Bourke Street paving project.

## 9. COMMITMENTS AND CONTINGENCIES

### A. MIRMA

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workman's compensation; liability, crime, and employee errors and omissions; and natural disasters. The City participates in Missouri Intergovernmental Risk Management Association (MIRMA) to cover these risks of losses. MIRMA is a group of local governments which provides a program of self-insurance to its members. The City pays annual premiums to MIRMA based on its payroll. There were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded insurance coverage in any of the past three years.

### B. Intergovernmental Awards

Intergovernmental awards received by the City are subject to audit and adjustment by the funding agency or its representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements as of December 31, 2021.

### *C. Electricity Commitments*

The City is a member of the Missouri Joint Municipal Electric Utility Commission (MJMEUC), an entity formed under Missouri statutes to obtain sufficient and economical power for the benefit of its Missouri municipal members. The City is also a member of the Missouri Public Energy Pool #1 (MoPEP), a membership pool within MJMEUC. Through its membership in MJMEUC and MoPEP, the City has joint agreements committing its current and future electric generating facilities and power purchase contracts to the pool of members to facilitate joint planning, scheduling, dispatching, power purchases, and payment of operating costs of power generating facilities in which MJMEUC has joint ownership interests. The joint agreement under MoPEP entails certain obligations, including maintaining adequate customer rates and maintenance of power facilities and contracts in order to meet the City's commitments to the pool. As of December 31, 2021, MJMEUC has several long-term commitments for power purchase contracts and payment of power plant operating costs in connection with its joint ownership interests in power generating facilities. The joint ownership interests generally include commitments under loan or bond financing arrangements. Through its participation in the joint contract with other MJMEUC members and the joint agreement with other MoPEP members, the City has an allocated share of the various long-term commitments under these contracts, including its allocated share of joint ownership interest in the power generating facilities and take-or-pay power purchase commitments. There are various cancellation provisions under these contracts. Because of the joint commitments, there is some risk that a future default by a member could result in an increase to other members' existing allocated shares of joint power purchase and ownership interest commitments, if the allocated share of the defaulting member is not voluntarily assumed by the remaining members, a new member or another party.

### *D. Natural Gas Commitments*

The City has entered into contracts for the purchase of natural gas from Kinect Energy at agreed upon capacities of dekatherms (dth) each month from November 2021 through March 2022 priced at rates ranging from \$3.00/dth to \$5.95/dth. The City paid \$314,003 under this agreement during 2021 and committed to paying \$534,651 under this agreement during 2022.

### *E. Gas Turbine Project*

The City has entered into a 10-year extended service agreement (ESA) with Solar Turbines Inc. (Solar) to provide services for key components of the Macon Energy Center, an asset owned and operated by the City. In September 2008, an ESA was signed, with Amendment 1 effective November 1, 2010, and Amendment 2 effective September 21, 2011. A new 5-year agreement was signed effective January 1, 2019, which states a capacity of 9500 KW priced at \$2.29/KW/month. During 2021, the monthly fee due to Solar increased to \$74,549 for the entire year. The monthly fee is paid directly to Solar by MJMEUC. The City received a reduction in generation capacity credits when MJMEUC began paying the fee directly to Solar in August 2008.

### *F. Laddonia Gas Turbine Project*

The City has entered into an agreement to operate and maintain MJMEUC's gas turbine in Laddonia, Missouri. The City is paid a monthly fee of \$6,447. The City received approximately \$77,360 under this agreement during 2021.

### *G. Significant Customers*

The City's proprietary funds have one customer who generated \$5,303,305 or approximately 29% of its operating revenue during 2021.

*H. Litigation*

Various suits and claims against the City are presently pending involving claims for various miscellaneous cases. In the opinion of management such suits or claims, both individually and in the aggregate, will not have a material effect on the financial position of the City.

*I. Contract Commitments*

The City has entered into agreements with contractors for various projects. As of December 31, 2021, contract commitments were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
MMU Headworks Project	\$ 3,718,926	\$ 98,177
Airport Layout Plan Update	11,746	5,242
Bourke Street Demolition	6,000	3,000
Walnut St. Stormwater - Phase II	21,312	288
	<u>\$ 3,757,984</u>	<u>\$ 106,707</u>

*J. Other Commitments*

In May 2018, the City entered into a capital lease agreement for two fire trucks. The agreement requires ten annual lease payments of \$184,320. The total lease payments remaining to be paid as of December 31, 2021 were \$1,290,241.

In October 2018, the City entered into a capital lease agreement for several self-contained breathing apparatuses. The agreement requires four annual lease payments of \$34,920 and a final lease payment of \$5,815. The total lease payments remaining to be paid as of December 31, 2021 were \$40,735.

**10. RELATED PARTY TRANSACTIONS**

The City has related party transactions with a construction company owned by the former Mayor. The City paid a total of \$47,912 to this company during 2021. All construction projects were procured through the public competitive bid process and awarded in compliance with the City’s purchasing policy and state statute RSMo. 105.456.

**11. PENSION PLAN**

***General Information about the Pension Plan***

The following information is presented in accordance with Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

### Plan Description

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

### Benefits Provided

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

	<u>2021 Valuation</u>
Benefit multiplier	1.5%
Final average salary	3 years
Member contributions	0%

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

### Employees Covered by Benefit Terms

As of June 30, 2021, the following employees were covered by the benefit terms:

Active employees	72
Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	53
Total	<u><u>220</u></u>

### Contributions

The City is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the City do not contribute to the pension plan. The City's contribution rates are 11.2% (General), 0.6% (Police), 23.7% (Fire), and 9.6% (Utility) of annual covered payroll.

### ***Net Pension Liability (Asset)***

The City's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 28, 2021.

#### Actuarial Assumptions

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

Inflation	2.75% wage, 2.25% price
Salary increase:	
General	2.75% to 6.75%, including inflation
Police	2.75% to 6.55%, including inflation
Fire	2.75% to 7.15%, including inflation
Utility	2.75% to 6.75%, including inflation
Investment rate of return	7.00%, net of investment expenses

Mortality rates were based on the PubG-2010 Retiree, PubNS-2010 Disabled Retiree, PubG-2010 Employee, and PubS-2010 Employee mortality tables.

The actuarial assumptions used in the February 28, 2021, valuation were based on the results of an actuarial experience study for the period March 1, 2015 through February 29, 2020.

Changes in actuarial assumptions from the February 29, 2020, actuarial valuation include the following: wage inflation was decreased from 3.25% to 2.75%, price inflation was decreased from 2.50% to 2.25%, the salary increase ranges changed, investment rate of return was decreased from 7.25%, net of investment expenses, to 7.00%, net of investment expenses, and mortality rates were based on different tables.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed income	31.00%	1.41%
Real assets	36.00%	3.29%
Strategic assets	8.00%	5.25%
Cash/leverage	-25.00%	-0.29%
	<u>100.00%</u>	

## Discount Rate

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

## ***Changes in the Net Pension Liability (Asset)***

As a result of City's governmental activities using the cash basis of accounting, the net pension liability (asset) is not recorded in the governmental activities column of the accompanying government-wide statement of net position, although it is recorded for the business-type activities.

The following table summarizes the changes in the net pension liability (asset) if the full amount had been recorded.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2020	\$ 23,137,472	\$ 24,116,031	\$ (978,559)
Changes for the year:			
Service cost	368,393	-	368,393
Interest	1,644,062	-	1,644,062
Difference between expected and actual experience	167,363	-	167,363
Changes in assumptions	(484,994)	-	(484,994)
Contributions - employer	-	366,330	(366,330)
Net investment income	-	6,484,460	(6,484,460)
Benefit payments, including refunds	(1,306,331)	(1,306,331)	-
Administrative expense	-	(19,510)	19,510
Other changes	-	172,419	(172,419)
Net changes	388,493	5,697,368	(5,308,875)
Balances at June 30, 2021	23,525,965	29,813,399	(6,287,434)
Less amount attributable to governmental activities	(7,948,730)	(10,296,380)	2,347,650
Balances attributable to business-type activities	\$ 15,577,235	\$ 19,517,019	\$ (3,939,784)

### Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 7.00%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	Current Single Discount		
	1% Decrease (6.00%)	Rate Assumption (7.00%)	1% Increase (8.00%)
Total pension liability	\$ 26,667,517	\$ 23,525,965	\$ 20,931,527
Plan fiduciary net position	29,813,399	29,813,399	29,813,399
Net pension liability (asset)	<u>\$ (3,145,882)</u>	<u>\$ (6,287,434)</u>	<u>\$ (8,881,872)</u>

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's net position is available in the separately issued LAGERS financial report.

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

As a result of the City's governmental activities using the cash basis of accounting, deferred outflows and inflows of resources are not recorded in the accompanying government-wide statement of net position. In addition, pension expense is recorded as an expenditure in the accompanying government-wide statement of activities based on actual cash basis contributions made to the pension plan during the year ended December 31, 2021.

For the year ended December 31, 2021, the City's governmental activities' pension benefit under full accrual accounting would have been \$352,949. However, on the cash basis of accounting, the City's governmental activities recognized payments to LAGERS of \$105,422 as expense.

The City's business-type activities and proprietary funds recognized pension expense of (\$735,638).

The following summarizes the full amount of deferred outflows and inflows of resources and pension expense if they had been recorded.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between:		
Expected and actual experience	\$ 422,385	\$ (857,602)
Projected and actual earnings on investments	-	(3,114,072)
Changes in assumptions	8,042	(348,099)
Contributions subsequent to the measurement date*	196,426	-
Total	<u>626,853</u>	<u>(4,319,773)</u>
Less amount attributable to governmental activities	<u>(148,405)</u>	<u>1,363,653</u>
Attributable to business-type activities	<u>\$ 478,448</u>	<u>\$ (2,956,120)</u>

\*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 (asset) for the year ending December 31, 2022.

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

Year ending:	
2022	\$ (1,288,953)
2023	(956,031)
2024	(691,544)
2025	<u>(952,818)</u>
Total	<u>\$ (3,889,346)</u>

***Payable to the Pension Plan***

As of December 31, 2021, the City reported a payable of \$3,964 for the outstanding amount of contributions to the pension plan required for the year then ended.

**12. TAX ABATEMENTS**

In 2014, the City entered into an agreement with a local business to abate 100% of the property taxes for the purpose of economic development. The abatement is effective for the 2014 through 2021 tax years. Total taxes abated under the agreement totaled approximately \$4,600 during 2021.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF MACON**

**LAGERS (PENSION PLAN)**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

**December 31, 2021**

	2021	2020	2019	2018	2017	2016	2015
Total pension liability							
Service cost	\$ 368,393	\$ 391,465	\$ 424,939	\$ 400,614	\$ 389,694	\$ 389,342	\$ 384,053
Interest on the total pension liability	1,644,062	1,625,039	1,679,238	1,490,819	1,433,874	1,322,837	1,259,153
Difference between expected and actual experience	167,363	(379,431)	(1,632,090)	1,572,968	(190,026)	32,060	7,658
Assumption changes	(484,994)	-	-	-	-	655,354	-
Benefit payments	<u>(1,306,331)</u>	<u>(1,418,435)</u>	<u>(995,417)</u>	<u>(763,570)</u>	<u>(940,235)</u>	<u>(798,702)</u>	<u>(752,246)</u>
Net change in total pension liability	388,493	218,638	(523,330)	2,700,831	693,307	1,600,891	898,618
Total pension liability beginning	<u>23,137,472</u>	<u>22,918,834</u>	<u>23,442,164</u>	<u>20,741,333</u>	<u>20,048,026</u>	<u>18,447,135</u>	<u>17,548,517</u>
Total pension liability ending	<u>\$ 23,525,965</u>	<u>\$ 23,137,472</u>	<u>\$ 22,918,834</u>	<u>\$ 23,442,164</u>	<u>\$ 20,741,333</u>	<u>\$ 20,048,026</u>	<u>\$ 18,447,135</u>
Plan fiduciary net position							
Contributions - employer	\$ 366,330	\$ 385,490	\$ 418,929	\$ 455,646	\$ 378,050	\$ 386,369	\$ 410,229
Pension plan net investment income	6,484,460	331,329	1,564,260	2,564,567	2,290,433	(62,623)	385,951
Benefit payments	(1,306,331)	(1,418,435)	(995,417)	(763,570)	(940,235)	(798,702)	(752,246)
Pension plan administrative expense	(19,510)	(25,000)	(21,849)	(15,364)	(14,749)	(14,719)	(15,937)
Other	<u>172,419</u>	<u>302,052</u>	<u>13,039</u>	<u>(197,592)</u>	<u>(75,926)</u>	<u>426,885</u>	<u>(288,816)</u>
Net change in plan fiduciary net position	5,697,368	(424,564)	978,962	2,043,687	1,637,573	(62,790)	(260,819)
Plan fiduciary net position beginning	<u>24,116,031</u>	<u>24,540,595</u>	<u>23,561,633</u>	<u>21,517,946</u>	<u>19,880,373</u>	<u>19,943,163</u>	<u>20,203,982</u>
Plan fiduciary net position ending	<u>\$ 29,813,399</u>	<u>\$ 24,116,031</u>	<u>\$ 24,540,595</u>	<u>\$ 23,561,633</u>	<u>\$ 21,517,946</u>	<u>\$ 19,880,373</u>	<u>\$ 19,943,163</u>
Employer's net pension liability (asset)	<u>\$ (6,287,434)</u>	<u>\$ (978,559)</u>	<u>\$ (1,621,761)</u>	<u>\$ (119,469)</u>	<u>\$ (776,613)</u>	<u>\$ 167,653</u>	<u>\$ (1,496,028)</u>
Plan fiduciary net position as a percentage of the total pension liability	126.73%	104.23%	107.08%	100.51%	103.74%	99.16%	108.11%
Covered payroll	\$ 3,629,607	\$ 3,765,272	\$ 3,763,801	\$ 4,163,574	\$ 4,034,607	\$ 3,809,347	\$ 3,839,732
Employer's net pension liability (asset) as a percentage of covered payroll	173.23%	25.99%	43.09%	2.87%	19.25%	-4.40%	38.96%

*Note: This schedule will ultimately contain ten years of data.*

This Schedule includes the net pension activity for the City overall. As the governmental funds are reported on the cash basis of accounting, the net pension liability (asset) is not recorded in the financial statements.

**CITY OF MACON**

**LAGERS (PENSION PLAN)  
SCHEDULE OF CONTRIBUTIONS – LAST TEN FISCAL YEARS  
December 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 397,696	\$ 437,275	\$ 440,186	\$ 474,172	\$ 454,161
Contributions in relation to the actuarially determined contribution	<u>362,382</u>	<u>388,853</u>	<u>407,423</u>	<u>438,246</u>	<u>418,834</u>
Contribution deficiency (excess)	<u>\$ 35,314</u>	<u>\$ 48,422</u>	<u>\$ 32,763</u>	<u>\$ 35,926</u>	<u>\$ 35,327</u>
Covered payroll	\$ 3,629,607	\$ 3,765,272	\$ 3,763,801	\$ 4,163,574	\$ 4,034,607
Contributions as a percentage of covered payroll	9.98%	10.33%	10.82%	10.53%	10.38%
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 395,136	\$ 429,748	\$ 458,602	\$ 484,317	\$ 492,366
Contributions in relation to the actuarially determined contribution	<u>368,071</u>	<u>404,506</u>	<u>424,963</u>	<u>411,108</u>	<u>370,734</u>
Contribution deficiency (excess)	<u>\$ 27,065</u>	<u>\$ 25,242</u>	<u>\$ 33,639</u>	<u>\$ 73,209</u>	<u>\$ 121,632</u>
Covered payroll	\$ 3,809,347	\$ 3,839,732	\$ 3,711,235	\$ 3,780,508	\$ 3,745,760
Contributions as a percentage of covered payroll	9.66%	10.53%	11.45%	10.87%	9.90%

## **SUPPLEMENTARY INFORMATION**

**CITY OF MACON**  
**STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND - CASH BASIS**  
**Year Ended December 31, 2021**

	General Fund as Reported in Financial Statements	Less Other City Funds Included for Reporting Purposes	General Fund Activity on the City's Budgetary Basis	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>						
Taxes	\$ 3,215,687	\$ -	\$ 3,215,687	\$ 2,704,000	\$ 2,704,000	\$ 511,687
Licenses, permits, and fines	173,612	-	173,612	139,565	139,565	34,047
Federal and state grants	24,699	-	24,699	-	-	24,699
Charges for services	132,581	-	132,581	59,340	59,340	73,241
Interest income	17,806	(438)	17,368	12,000	12,000	5,368
Miscellaneous	312,087	(540)	311,547	288,691	288,691	22,856
Total revenues	<u>3,876,472</u>	<u>(978)</u>	<u>3,875,494</u>	<u>3,203,596</u>	<u>3,203,596</u>	<u>671,898</u>
<b>EXPENDITURES</b>						
City administrator	540,548	-	540,548	608,904	608,904	68,356
Police department	902,575	-	902,575	1,015,505	1,015,505	112,930
Fire department	491,507	-	491,507	600,394	600,394	108,887
Parks, pool, and cemetery	188,007	-	188,007	201,537	201,537	13,530
City collector	96,810	-	96,810	88,539	88,539	(8,271)
Street department	382,313	-	382,313	473,197	473,197	90,884
Animal control	30,630	-	30,630	31,812	31,812	1,182
Solid waste	243,387	-	243,387	245,141	245,141	1,754
Airport	183,985	-	183,985	86,588	86,588	(97,397)
Code enforcement	66,282	-	66,282	65,979	65,979	(303)
Total expenditures	<u>3,126,044</u>	<u>-</u>	<u>3,126,044</u>	<u>3,417,596</u>	<u>3,417,596</u>	<u>291,552</u>
Excess (deficiency) of revenues over (under) expenditures	<u>750,428</u>	<u>(978)</u>	<u>749,450</u>	<u>(214,000)</u>	<u>(214,000)</u>	<u>963,450</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in	1,821	-	1,821	234,000	234,000	(232,179)
Operating transfers (out)	-	-	-	(20,000)	(20,000)	20,000
Total other financing sources (uses)	<u>1,821</u>	<u>-</u>	<u>1,821</u>	<u>214,000</u>	<u>214,000</u>	<u>(212,179)</u>
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	<u>\$ 752,249</u>	<u>\$ (978)</u>	<u>\$ 751,271</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 751,271</u>

Note: The Airport, Asset Replacement, and Park Funds are recorded in separate funds for internal reporting and budgeting by the City, but are combined with the City's General Fund for financial reporting purposes as they do not meet the definition of a special revenue fund type. Because this schedule is presented on a budgetary basis, activity for these funds is removed so only General Fund activity remains.

**CITY OF MACON**

**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
CAPITAL IMPROVEMENT SALES TAX FUND - CASH BASIS**

**Year Ended December 31, 2021**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 621,182	\$ 520,000	\$ 520,000	\$ 101,182
Interest income	12,364	6,000	6,000	6,364
Total revenues	<u>633,546</u>	<u>526,000</u>	<u>526,000</u>	<u>107,546</u>
<b>EXPENDITURES</b>				
Parks, pool, and cemetery	33,200	3,438,914	3,438,914	3,405,714
Storm water projects	68,369	88,586	88,586	20,217
Total expenditures	<u>101,569</u>	<u>3,527,500</u>	<u>3,527,500</u>	<u>3,425,931</u>
Excess (deficiency) of revenues over (under) expenditures	<u>531,977</u>	<u>(3,001,500)</u>	<u>(3,001,500)</u>	<u>3,533,477</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	3,001,500	3,001,500	(3,001,500)
Total other financing sources	<u>-</u>	<u>3,001,500</u>	<u>3,001,500</u>	<u>(3,001,500)</u>
Excess of revenues and other financing sources over expenditures	<u>\$ 531,977</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,977</u>

**CITY OF MACON**  
**COMBINING BALANCE SHEET - CASH BASIS**  
**NON-MAJOR FUNDS**  
**December 31, 2021**

	Industrial Development Fund	Project Fund	Library Fund	Motor Fuel Fund	Transportation Sales Tax Fund	Fire Protection Sales Tax Fund	American Rescue Plan Act Fund	Total
<b>ASSETS</b>								
ASSETS								
Cash and cash equivalents	\$ 723,503	\$ 110,353	\$ 731,781	\$ 255,430	\$ 196,608	\$ 348,676	\$ 538,868	\$ 2,905,219
Due from other funds	-	-	105,118	-	-	-	-	105,118
Investments:								
Unrestricted	465,221	-	1,029,831	356,111	-	-	-	1,851,163
Notes receivable	31,808	-	-	-	-	-	-	31,808
Total assets	<u>\$ 1,220,532</u>	<u>\$ 110,353</u>	<u>\$ 1,866,730</u>	<u>\$ 611,541</u>	<u>\$ 196,608</u>	<u>\$ 348,676</u>	<u>\$ 538,868</u>	<u>\$ 4,893,308</u>
<b>FUND BALANCES</b>								
FUND BALANCES								
Restricted for:								
Capital improvements	-	110,353	-	-	-	-	538,868	649,221
Library	-	-	1,866,730	-	-	-	-	1,866,730
Public safety	-	-	-	-	-	348,676	-	348,676
Street projects	-	-	-	611,541	196,608	-	-	808,149
Committed to:								
Industrial development	1,220,532	-	-	-	-	-	-	1,220,532
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>\$ 1,220,532</u>	<u>\$ 110,353</u>	<u>\$ 1,866,730</u>	<u>\$ 611,541</u>	<u>\$ 196,608</u>	<u>\$ 348,676</u>	<u>\$ 538,868</u>	<u>\$ 4,893,308</u>

**CITY OF MACON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- CASH BASIS**  
**NON-MAJOR FUNDS**  
**Year Ended December 31, 2021**

	Industrial Development Fund	Project Fund	Library Fund	Motor Fuel Fund	Transportation Sales Tax Fund	Fire Protection Sales Tax Fund	American Rescue Plan Act Fund	Total
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ 191,451	\$ 234,596	\$ 620,868	\$ 310,402	\$ -	\$ 1,357,317
Licenses, permits, and fines	-	-	6,352	-	-	-	-	6,352
Federal and state grants	-	104,171	4,710	-	-	-	538,868	647,749
Interest	8,753	-	38,996	1,146	1,204	434	-	50,533
Miscellaneous	-	-	280,826	-	-	-	-	280,826
<b>Total revenues</b>	<b>8,753</b>	<b>104,171</b>	<b>522,335</b>	<b>235,742</b>	<b>622,072</b>	<b>310,836</b>	<b>538,868</b>	<b>2,342,777</b>
<b>EXPENDITURES:</b>								
Community development	1,519	81,267	-	-	-	-	-	82,786
Street projects	-	-	-	156	1,012,571	-	-	1,012,727
Equipment and building	-	-	-	-	7,500	219,240	-	226,740
Library	-	-	178,287	-	-	-	-	178,287
<b>Total expenditures</b>	<b>1,519</b>	<b>81,267</b>	<b>178,287</b>	<b>156</b>	<b>1,020,071</b>	<b>219,240</b>	<b>-</b>	<b>1,500,540</b>
Excess (deficiency) of revenues over (under) expenditures	7,234	22,904	344,048	235,586	(397,999)	91,596	538,868	842,237
<b>OTHER FINANCING (USES)</b>								
Operating transfers (out)	-	-	-	-	(1,821)	-	-	(1,821)
<b>Total other financing (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,821)</b>	<b>-</b>	<b>-</b>	<b>(1,821)</b>
Net change in fund balances	7,234	22,904	344,048	235,586	(399,820)	91,596	538,868	840,416
Fund balances, January 1	1,213,298	87,449	1,522,682	375,955	596,428	257,080	-	4,052,892
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 1,220,532</b>	<b>\$ 110,353</b>	<b>\$ 1,866,730</b>	<b>\$ 611,541</b>	<b>\$ 196,608</b>	<b>\$ 348,676</b>	<b>\$ 538,868</b>	<b>\$ 4,893,308</b>

**CITY OF MACON**  
**REPORT FOR MIRMA**  
**DECEMBER 31, 2021**

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council  
of the City of Macon, Missouri

### Opinion

We have audited the accompanying Schedule of Payroll Reportable to MIRMA (the Schedule) of the City of Macon (the City) for the year ended December 31, 2021, and the related note.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the payroll information contained therein of the City of Macon for the year ended December 31, 2021, on the basis specified in Note 1 to the Schedule.

### Basis for Opinion

We conducted our audit in accordance with U.S. generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the City and to meet our other ethical requirements, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Emphasis of Matter

We draw attention to Note 1 to the Schedule, which describes the basis of presentation. The Schedule of Payroll Reportable to MIRMA was prepared on the basis of the provisions of the renewal agreement as provided by MIRMA, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Schedule

Management is responsible for the preparation and fair presentation of the Schedule in accordance with the requirements of the Missouri Intergovernmental Risk Management Association; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Schedule.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts in the Schedule.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Schedule.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Matter**

We have audited, in accordance with U.S. generally accepted auditing standards, the financial statements of the City of Macon as of and for the year ended December 31, 2021, and our report thereon dated June 9, 2022, expressed an unmodified opinion on the financial statements of the City of Macon.

#### **Restriction on Use**

This report is intended for the information and use of the City Council and management of the City of Macon and for filing with the Missouri Intergovernmental Risk Management Association and is not intended to be, and should not be, used by anyone other than these specified parties.

*William G. Keppel UC*

Columbia, Missouri  
June 9, 2022

**CITY OF MACON**

**SCHEDULE OF PAYROLL REPORTABLE TO MIRMA  
Year Ended December 31, 2021**

	Operational Type		Total
	Governmental	Utilities	
Federal taxable wages, IRS Form 941	\$ 1,489,666	\$ 2,466,718	\$ 3,956,384
Plus employee payroll deductions for:			
Deferred compensation	8,901	33,412	42,313
IRS section 125 benefits	53,095	82,151	135,246
Total additions	61,996	115,563	177,559
Less reimbursements and certain payroll:			
Reimbursed expenses	11,850	160	12,010
Premium portion of overtime pay	17,441	54,996	72,437
Total deductions	29,291	55,156	84,447
Net payroll reportable to MIRMA	\$ 1,522,371	\$ 2,527,125	\$ 4,049,496

The accompanying note is an integral part of this schedule.

## **CITY OF MACON**

### **NOTE TO SCHEDULE OF PAYROLL REPORTABLE TO MIRMA**

#### **1. PURPOSE OF PRESENTATION**

The City of Macon (the City) is a member of the Missouri Intergovernmental Risk Management Association (MIRMA). MIRMA provides the City with property, casualty and workers' compensation insurance protection. MIRMA assesses its members for insurance based on the gross wages of covered employees. Gross wages are calculated by taking Federal taxable wages from IRS Form 941, and adding non-taxable amounts such as employee payroll deductions for deferred compensation and IRS section 125 benefits, as well as, all remuneration paid to individually contracted recreation officials and umpires, elected or appointed officials, etc. Such amounts are then reduced by that portion of Form 941 wages which represent reimbursed employee expenses, clothing and automobile allowances and the premium portion of overtime payment (the portion of overtime pay in excess of the normal wage rate).

**SUMMARY REPORT**

**CITY OF MACON**

**DECEMBER 31, 2021**

June 9, 2022

To the Honorable Mayor and City Council  
of the City of Macon, Missouri

We appreciate the opportunity to assist the City Council of the City of Macon (the City) in its governance and oversight function by providing annual audit services. Our audit reports for the year ended December 31, 2021, have been provided to you and management and include the following:

### Financial Statements

The City's annual financial statements for the year ended December 31, 2021, include our report on those financial statements.

Highlights are as follows:

- We issued an “unmodified” or “clean” opinion on the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of the activities and funds of the City as of December 31, 2021, and the respective changes in its financial position and cash flows for the year then ended in conformity with the applicable basis of accounting.
- Management is responsible for the preparation and fair presentation of the financial statements, including the design and implementation of internal control. We prepared the financial statements, which were reviewed and approved by management.
- We used our judgment in determining how to audit the City. We focused our attention on areas where the financial statements could be misstated.
- The financial statements have been prepared using different bases of accounting.
  - The governmental fund financial statements use the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP). Under the cash basis of accounting, revenues are recognized when received, and expenditures are recognized when paid. Certain liabilities are reported as a result of cash transactions, but capital assets, debt, and other liabilities are not recorded.
  - The proprietary fund financial statements use GAAP and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Capital assets, debt, and other long-term liabilities are recorded.

- The financial statements include two different sets of financial statements.
  - Government-wide financial statements, which include all funds. These are separated into columns for the governmental (cash basis) and the business-type activities (accrual basis). Capital assets, debt, and other long-term liabilities are recorded for the business-type activities but not the governmental activities.
  - Fund financial statements, which are separated into governmental funds (revenue from taxes and other general sources) and proprietary funds (revenue from user charges).
- The following summarizes the highlights from the government-wide financial statements as of and for the years ended December 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Assets and Deferred Outflows:		
Governmental	\$ 11,011,546	\$ 8,888,966
Utility	50,650,368	46,013,882
Total assets and DOs	<u>61,661,914</u>	<u>54,902,848</u>
Liabilities and Deferred Inflows:		
Governmental	22,288	24,350
Utility	8,632,036	4,454,669
Total liabilities and DIs	<u>8,654,324</u>	<u>4,479,019</u>
Equity		
Governmental		
Restricted	6,514,145	5,687,854
Unrestricted	4,475,113	3,176,762
	<u>10,989,258</u>	<u>8,864,616</u>
Utility		
Capital assets, net	25,411,830	23,589,342
Restricted	4,004,406	713,897
Unrestricted	12,602,096	17,255,974
	<u>42,018,332</u>	<u>41,559,213</u>
Total equity	<u>\$ 53,007,590</u>	<u>\$ 50,423,829</u>

- The City's assets and deferred outflows increased, primarily due to increases in cash (as a result of positive operating results), non-depreciable assets (as a result of capital projects), and the net pension plan asset and related deferred outflows (as a result of GASB 68 activity).
- The City's liabilities and deferred inflows also increased, primarily due increases in debt (as a result of the \$3M MUELP loan) and deferred inflows (as a result of GAB 68 activity).
- Equity reflected as restricted is available only for specified purposes while unrestricted equity is available for any purpose.

- Equity reflected as capital assets, net, reports the City’s investment in capital assets (such as land, buildings, and equipment) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens and as such, they are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>2021</u>	<u>2020</u>
Governmental		
Charges for services and grants	\$ 984,993	\$ 354,149
Taxes and other	<u>5,867,802</u>	<u>5,382,886</u>
Total revenues	6,852,795	5,737,035
Expenses	<u>(4,728,153)</u>	<u>(4,452,987)</u>
Net change	<u>\$ 2,124,642</u>	<u>\$ 1,284,048</u>
Utility		
Charges for services and grants	\$ 18,592,155	\$ 17,513,920
Taxes and other	<u>431,378</u>	<u>670,053</u>
Total revenues	19,023,533	18,183,973
Expenses	<u>(18,564,414)</u>	<u>(17,273,646)</u>
Net change	<u>\$ 459,119</u>	<u>\$ 910,327</u>

- The governmental funds reflected an increase in total revenues due to the collection of use tax and the receipt of American Rescue Plan Act funding. Expenses remained steady.
- The utilities reflected steady revenues and expenses.
- Additional detailed information can be found in the Management’s Discussion and Analysis prepared by the City on pages 4-13 in the financial statements.

#### Auditors’ Communication Letter

This letter consists of comments about the audit process and its results that are required under our professional standards to be communicated to an audit or similar committee of the governing board of an organization or entity. For the City, the City Council serves that role.

Highlights are as follows:

- We noted no transactions that we considered both unusual and significant, and there were no changes in accounting policies during the year other than Governmental Accounting Standards Board (GASB) Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which the City implemented during 2021. This statement did not have a significant impact on the City’s financial statements.
  - GASB Statement 87, *Leases*, will be effective for the City’s financial statements for the year ending December 31, 2022.
- We evaluated the key factors and assumptions used to develop significant estimates in the financial statements in determining that they are reasonable in relation to the financial statements taken as a whole.

- The financial statement disclosures are neutral, consistent, and clear.
- We found the accounting records to be in good order, and no misstatements were detected as a result of our audit procedures.
- We had no disagreements with management on accounting or auditing issues, we had no difficulties in performing our audit, and we felt we received full cooperation from the City's staff.
- We noted the following related to internal control:
  - Although the scope of our engagement was not directed towards an opinion on the adequacy of internal control, we considered internal control as a basis for designing our audit procedures. Given this limitation and inherent limitations in internal control, we did not identify any material weaknesses in internal control.

Report for MIRMA

We also issued a report on the Schedule of Payroll Reportable to MIRMA of the City for the year ended December 31, 2021, in compliance with the requirements of Missouri Intergovernmental Risk Management Association (MIRMA).

We wish to thank the City and its personnel for their cooperation and assistance during our audit. This information in this audit report is intended solely for the use of the City Council and management of the City.

Sincerely,

A handwritten signature in black ink that reads "Williams Keepers LLC". The signature is written in a cursive, slightly slanted style.

WILLIAMS KEEPERS LLC