

SUMMARY REPORT

CITY OF MACON

DECEMBER 31, 2020

May 26, 2021

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, 2020, 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, 2020, 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, 2020, 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. That judgment was based on our risk assessment performed on the City's balances, transactions, processes, and controls. 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, 2020 and 2019.

	2020	2019
Assets and Deferred Outflows:		
Governmental	\$ 8,888,966	\$ 7,581,052
Utility	46,013,882	45,609,052
Total assets and DOs	<u>54,902,848</u>	<u>53,190,104</u>
Liabilities and Deferred Inflows:		
Governmental	24,350	484
Utility	4,454,669	4,960,166
Total liabilities and DIs	<u>4,479,019</u>	<u>4,960,650</u>
Equity		
Governmental		
Restricted	5,687,854	5,096,972
Unrestricted	<u>3,176,762</u>	<u>2,483,596</u>
	<u>8,864,616</u>	<u>7,580,568</u>
Utility		
Capital assets, net	23,589,342	22,573,197
Restricted	713,897	981,808
Unrestricted	<u>17,255,974</u>	<u>17,093,881</u>
	<u>41,559,213</u>	<u>40,648,886</u>
Total equity	<u>\$ 50,423,829</u>	<u>\$ 48,229,454</u>

- The City experienced an overall increase in assets and deferred outflows, primarily due to an increase in cash and non-depreciable assets, primarily as a result of positive operating results.
- The City's liabilities and deferred inflows decreased, primarily due to a decrease in deferred inflows related to the pension plan.
- 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.

	2020	2019
Governmental		
Charges for services and grants	\$ 354,149	\$ 367,740
Taxes and other	5,382,886	4,850,598
Total revenues	5,737,035	5,218,338
Expenses	(4,452,987)	(4,523,679)
Net change	<u>\$ 1,284,048</u>	<u>\$ 694,659</u>
Utility		
Charges for services and grants	\$ 17,513,920	\$ 17,594,961
Taxes and other	670,053	434,498
Total revenues	18,183,973	18,029,459
Expenses	(17,273,646)	(17,579,763)
Net change	<u>\$ 910,327</u>	<u>\$ 449,696</u>

- The governmental funds reflected an increase in total revenues due to the collection of use tax and the receipt of CARES Act funding. Expenses remained steady.
- The utilities reflected steady revenues and expenses.
- Further detailed information can be found in the Management's Discussion and Analysis prepared by the City on pages 3 – 12 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 was no change in accounting policies during the year.
 - GASB Statement 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, will be effective for the City's financial statements for the year ending December 31, 2021.
 - GASB Statement 87, *Leases*, will be effective for the City's financial statements for the year ending December 31, 2022. Early application is permitted.
- 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 most significant estimates are the City's unbilled accounts receivable; the allowance for doubtful accounts receivable; the depreciable lives for property, plant and equipment; and the net pension plan asset and related deferred outflows and inflows of resources.
- The financial statement disclosures are neutral, consistent, and clear. The most sensitive disclosures affecting the financial statements were capital assets, debt, and commitments and contingencies.

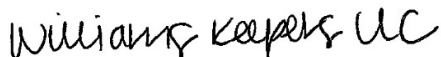
- We found the accounting records to be in good order, and no misstatements were detected as a result of our audit procedures.
- We had no disagreements with management on accounting or auditing issues, we had no difficulties in performing our audit, and we felt we received full cooperation from the City's staff.
- We noted the following related to internal control:
 - As part of our audit, we considered internal control over financial reporting to determine our audit procedures and not to provide any assurance on internal control. Accordingly, we do not provide an opinion on internal control but are required to report certain control deficiencies to the City Council.
 - 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 City's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.
 - Because of our limited procedures and 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. Therefore, there could be weaknesses that were not identified during the audit.

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, 2020, 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

CITY OF MACON, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

CITY OF MACON, MISSOURI
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2020

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INDEPENDENT AUDITORS' REPORT

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

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to in the first paragraph 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 of Macon as of December 31, 2020, 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 described in Note 1.

Basis of Accounting

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.

Other Matters

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.

Other 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. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 K. Kapers UC

May 26, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF MACON

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2020

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 2020, 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 4.5%, or \$2,194,375 in 2020 compared to an increase of 2.4%, or \$1,144,355 in 2019. Governmental activities' net position increased 16.9%, or \$1,284,048 in 2020 and increased 10.1%, or \$694,659 in 2019, while business-type activities net position increased 2.2% or \$910,327 in 2020 and 1.1% or \$449,696 in 2019. 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.

- The Capital Improvement Sales Tax Fund allocated to stormwater, financed \$159,894 of stormwater mitigation for the Walnut Street project, which included six stormwater inlets and 772 feet of stormwater pipe, \$18,876 for a street tube replacement project on Goggin Street, and other supplementary stormwater improvements in Macon.
- The citizens of Macon passed a ¼ cent Fire Protection Sales Tax in August 2017 and funds from this sales tax were received beginning January 1, 2018. The revenue collected from this tax are, for the most part, committed until 2028 on the 2018 lease-purchase of two new fire engines (\$184,320 in 2020) and self-contained breathing apparatus (\$34,920 in 2020).
- Despite the impact COVID-19 had on 2020, Macon businesses proved to be resilient and saw some economic growth with the addition of multiple businesses. KaSara's Unique Boutique, Thao's Nail Spa, and Walk-Designs opened businesses in downtown Macon during the year. Heartland Industrial Park saw groundbreaking for the Agri-Genesis medical marijuana cultivation and infused product manufacturing facility. Construction on this large project will continue into 2021. Two additional businesses opened on Highway 63, which included The Boat Shop and King Investment Strategies.
- General Revenue was used to make payment 3 of 4 on the 2018 lease purchase of four Ford Explorer patrol vehicles. Final payment on the four vehicles will be made in 2021. During 2020, \$16,352 was transferred out of General Revenue for the City's 10% matching portion of Non-Primary Entitlement funds used to finance the Macon Fower-Memorial Airport Layout Plan update. Additional funds were used for a new City of Macon website with upgrades such as citizen communication email capabilities and a community calendar. Future plans for this project are to integrate an online version of City Code for Macon residents.
- MMU completed the full overlay implementation of advanced metering infrastructure (AMI) in the electric system. The completion of this project allows MMU to read nearly all electric, water and natural gas meters, as well as turn on and off electric meters from our business office and operations center.
- 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 began work on the new headworks at the wastewater treatment plant. The project was bid and started construction in 2020 with completion anticipated in 2021.
- MMU went out for bid on a new 4-bay garage to be constructed at 301 E Vine adjacent to the mechanic shop in 2019, and JT Holman Construction was awarded the bid. Following building materials being shipped to site in late 2019, the garage was completed in 2020 to hold equipment and the existing truck lift from the mechanic shop. The height of the new garage allows for larger trucks to be worked on that would not have previously fit within the mechanic shop, and a new smaller lift was purchased and installed in the mechanic shop.
- MMU completed an upgrade to the control room/operations center in 2020. This upgrade includes a new hardened room with direct communications to multiple MoPEP turbines in Macon, Laddonia, and Fredericktown. The communication lines allow MMU the ability to view and control various functions on behalf of MoPEP. A commercial grade battery bank was also added that allows for up to 8 hours of electricity and prevents computers from losing power while the facility at 404 E Vine switches to generator power.
- 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 throughout the year planning utility service extensions to meet customer needs. A water main was extended to the property in 2020 with the remaining services projected for installation in 2021.

- The Board of Public Works continued to float natural gas rates in 2019 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 2020, the floating rate ranged from \$0.39 to \$0.71 per 100 cubic feet. In June 2020, with its supplier Kinect Energy, MMU locked in 50% of historical usage for November 2020 through March 2021 at \$2.25 per 100 cubic feet.

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 13 and 14. 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 15 – 19. 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 41 and 42 of this report.

The supplementary information referred to above can be found on pages 43 – 46 of this report.

Statement of Net Position

The following table reflects the condensed statement of net position as of December 31, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 8,888,966	\$ 7,581,052	\$ 20,277,167	\$ 20,686,096	\$ 29,166,133	\$ 28,267,148
Capital assets	-	-	24,623,242	23,814,197	24,623,242	23,814,197
Total assets	8,888,966	7,581,052	44,900,409	44,500,293	53,789,375	52,081,345
Pension plan contributions	-	-	151,686	143,258	151,686	143,258
Pension plan - other	-	-	961,787	965,501	961,787	965,501
Total deferred outflows of resources	-	-	1,113,473	1,108,759	1,113,473	1,108,759
Long-term obligations	-	-	1,554,333	1,782,309	1,554,333	1,782,309
Other liabilities	24,350	484	1,610,246	1,379,357	1,634,596	1,379,841
Total liabilities	24,350	484	3,164,579	3,161,666	3,188,929	3,162,150
Pension plan - other	-	-	1,290,090	1,798,500	1,290,090	1,798,500
Total deferred inflows of resources	-	-	1,290,090	1,798,500	1,290,090	1,798,500
Net position						
Net investment in capital assets	-	-	23,589,342	22,573,197	23,589,342	22,573,197
Restricted	5,687,854	5,096,972	713,897	981,808	6,401,751	6,078,780
Unrestricted	3,176,762	2,483,596	17,255,974	17,093,881	20,432,736	19,577,477
Total net position	\$ 8,864,616	\$ 7,580,568	\$ 41,559,213	\$ 40,648,886	\$ 50,423,829	\$ 48,229,454

In 2020, governmental activities constitute approximately 17% of total assets, 1% of liabilities, and 18% of total net position, compared to approximately 15% of total assets and 16% of total net position in 2019. In 2020, business-type activities constitute approximately 83% of total assets, 99% of liabilities, and 82% of total net position, compared approximately 85% of total assets, 100% of liabilities, and 84% of total net position in 2019. 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, 2020:

- Current and other assets for governmental activities increased in 2020 by \$1,307,914 or 17%. This change was mainly attributable to the increase in cash net position resulting from special sales tax fund revenues continuing to be restricted and held to fund street construction projects, lease-purchase payments on the fire engines, and a municipal pool. Additionally, Macon Citizens passed a Use Tax in 2019, which collected \$202,709 beginning in 2020 and the City received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding in the amount of \$241,325. Finally, the City experienced a reduction in personnel and training expenses due to COVID-19 pandemic restrictions.
- Business-type activities realized an overall increase in total assets of \$400,116 or 1%, which was attributed to an increase in cash and cash equivalents primarily in the Water Fund (\$526,145) due to increased customer usage during 2020, as well as increased property, plant and equipment primarily in the Waste Water Fund (\$1,076,282) due to a large construction in progress project, and building a headworks to the process chain at the plant to meet governmental regulations, which is anticipated to be completed in 2021.
- Business-type activities recorded entries to comply with GASB 68 requirements related to the LAGERS pension plan. This included a decrease of \$267,987 in the net pension plan asset, an increase of \$4,714 in deferred outflows of resources (items that will be reported as an expense in a future period) and a decrease of \$508,410 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 \$2,913 or less than 1% in 2020 attributable to a \$274,596 increase in accounts payable. Of this increase in accounts payable, the majority is an increase in the Waste Water Fund for \$253,943 of payables to the engineer and contractor on a construction in progress headworks project, and an additional \$78,001 in the Natural Gas Fund's payables for commodities transportation expense in comparison to 2019.

Statement of Activities

The following table reflects the revenues and expenses for the City's activities for the years ended December 31, 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 231,188	\$ 236,021	\$ 17,513,920	\$ 17,594,961	\$ 17,745,108	\$ 17,830,982
Grants and contributions	122,961	131,719	-	-	122,961	131,719
General revenues:						
Taxes	4,739,005	4,420,629	-	-	4,739,005	4,420,629
Investment revenue	99,516	123,759	221,472	224,218	320,988	347,977
Other	544,365	306,210	328,340	210,280	872,705	516,490
Gain (loss) on sale of capital assets	-	-	120,241	-	120,241	-
Total revenues	<u>5,737,035</u>	<u>5,218,338</u>	<u>18,183,973</u>	<u>18,029,459</u>	<u>23,921,008</u>	<u>23,247,797</u>
Expenses:						
City administrator	508,764	511,672	-	-	508,764	511,672
Community development	86,405	257,324	-	-	86,405	257,324
Police department	896,873	923,699	-	-	896,873	923,699
Fire department	555,324	571,319	-	-	555,324	571,319
Parks, pool, and cemetery	429,573	187,810	-	-	429,573	187,810
Public safety	-	10	-	-	-	10
City collector	89,244	81,856	-	-	89,244	81,856
Street projects	632,820	839,095	-	-	632,820	839,095
Storm water projects	401,284	193,592	-	-	401,284	193,592
Animal control	23,539	26,594	-	-	23,539	26,594
Solid waste	236,444	225,690	-	-	236,444	225,690
Airport	70,970	106,671	-	-	70,970	106,671
Code enforcement	51,121	53,869	-	-	51,121	53,869
Equipment and building	290,412	379,429	-	-	290,412	379,429
Library	180,214	165,049	-	-	180,214	165,049
Electric utility	-	-	11,453,009	11,512,809	11,453,009	11,512,809
Natural gas utility	-	-	2,164,589	2,071,740	2,164,589	2,071,740
Waste water utility	-	-	1,584,798	1,734,504	1,584,798	1,734,504
Water utility	-	-	2,071,250	2,260,710	2,071,250	2,260,710
Total expenses	<u>4,452,987</u>	<u>4,523,679</u>	<u>17,273,646</u>	<u>17,579,763</u>	<u>21,726,633</u>	<u>22,103,442</u>
Change in net position	<u>1,284,048</u>	<u>694,659</u>	<u>910,327</u>	<u>449,696</u>	<u>2,194,375</u>	<u>1,144,355</u>
Net position, beginning	<u>7,580,568</u>	<u>6,885,909</u>	<u>40,648,886</u>	<u>40,199,190</u>	<u>48,229,454</u>	<u>47,085,099</u>
Net position, ending	<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>

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

- Taxes increased \$318,376 or 7%. Macon citizens passed a Use Tax in 2019 and \$202,709 was collected in 2020. Additionally, sales tax increased 5% (\$47,127) as citizens shopped local due to the COVID-19 pandemic.
- Other revenues increased \$238,155 or 78% which is attributed to CARES Act funding in the amount of \$241,325.

- In 2020, community development expenses decreased by \$170,919 or 66%. This is due to larger 2019 Bourke Street overlay project expenditures compared to the 2020 Airport Layout Plan project expenditures.
- Parks, pool, and cemetery expenses increased by \$241,763 or 129% in 2020. The increased expenditures are attributed to the purchase of 28 acres of City park land in anticipation of a new municipal pool project.
- Street projects expenses in 2020 decreased \$206,275 or 25% as a result of the 2020 Walnut Street overlay project costing less than the 2019 Bourke Street widening/overlay project.
- In 2020, storm water projects expenses increased \$207,692 or 107%. This increase was mainly attributed to the Walnut Street stormwater mitigation project (\$159,894), which included six stormwater inlets and 772 feet of stormwater pipe, and the Goggin Street stormwater tube replacement (\$18,876).

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

- The Electric Fund's net position decreased by \$1,735,885 in 2020. This decrease is primarily attributable to a transfer out of \$2,000,000. Cash was transferred to the Waste Water Fund to assist in covering the cost on the headworks project, for which no bonds or other debt was issued, to be completed in 2021.
- The Gas Fund in 2020 realized a decrease in net position of \$2,927,391. As with the Electric Fund, this decrease is primarily attributable to a transfer out of \$3,000,000. A certificate of deposit was transferred to the Waste Water Fund to assist in covering the cost on the headworks project, for which no bonds or other debt was issued, to be completed in 2021.
- The Waste Water Fund's net position increased by \$5,282,347 in 2020. As noted in the Electric and Gas Funds, transfers of \$5,000,000 were made to the Waste Water Fund.
- The Water Fund's net position increased by \$291,256 in 2020. The Water Fund saw a decrease in operating expenses in relation to 2019. The largest singular decrease in expenses was over \$48,000 due to turnover in employees, and bringing in new employees at lower wages than those who resigned or retired within the prior year.

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 15 – 19 of the basic financial statements.

The General Fund is the chief operating fund of the City of Macon. 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 \$1,963,464. The fund balance of the General Fund increased by \$659,015 in 2020 compared to an increase of \$404,626 in 2019. 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 2020 as compared to 2019.

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 \$11,847,298; \$6,611,719; \$14,330,980; and \$8,769,216; respectively. The change in net position in the current fiscal year for the Electric, Gas, Waste Water and Water Funds was (\$1,735,885); (\$2,927,391); \$5,282,347; and \$291,256; respectively. The increase in net position of the Electric, Gas, Waste Water, and Water Funds during 2019 was \$184,494; \$67,027; \$102,396; and \$95,779; respectively. Significant changes were previously discussed.

Budget Variances

Overall, the General Fund ended both fiscal years 2020 and 2019 with favorable budget variances for revenues netting to \$597,524 over budget in 2020 offset by favorable budget variances for expenses netting to \$357,128 under budget in 2020. Transfers were \$297,183 under budget. Year-end revenues were approximately 19.1% and 6.0% over budget in 2020 and 2019, respectively. Year-end expenditures were approximately 10.7% and 5.8% under budget in 2020 and 2019, respectively. Overall, the General Fund ended with a net increase of \$657,469 over budget.

2020 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, an additional \$67,239 of primary electrical lines were moved from overhead to underground, as well as the addition of steel poles and a new line spanning Highway 36 at MMU's water plant for \$54,484 in 2020. The full overlay for electric AMI was completed in 2020 that began in 2018 for \$572,797. Upgrades were also made to the control room/operations center for \$54,276.
- Various water main replacements were made in 2020 totaling \$26,995 and followed the Owner Supervision Plan on file with the Missouri Department of Natural Resources. Due to Microsoft mandates, upgrades to the water SCADA system were completed for \$16,203.

- Waste Water collection main relining, completed in 2020, was contracted with Visu-Sewer of Missouri and was completed with a total project cost of \$120,853. MMU budgets these types of infrastructure improvements annually to rehabilitate an aged wastewater collection system to better service our customers. Rehabilitation work was completed on the West Bourke lift station (\$62,139) and South Brees lift station (\$92,148). Upgrades were also performed at the Waste Water treatment plant by installing new influent pumps and valves for \$155,925.
- Building upgrades were made surrounding the Business Office and City Hall including new sidewalks and retaining wall for \$84,256. Additions were made including a handicap fishing dock and boat ramp dock at Macon Lake for \$30,140. Construction was completed on a new 4-bay garage totaling \$395,199.
- Equipment purchases were also made in 2020 to replace deteriorated items, to make safety enhancements or to upgrade equipment for operations. The Electric Fund purchased a new 3/4-ton truck (\$38,629), a John Deere commercial lawn mower (\$21,500), a digger derrick truck (\$328,690) and a 2-ton truck (\$50,000). A combination of various funds purchased a vacuum excavator (\$44,950), Mohawk truck lift (\$25,688) and a mini excavator (\$51,580).

Additional information regarding the City's capital assets can be found in Note 5 on pages 29 and 30 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 \$1,033,900. The City paid off the capital lease obligation during 2020. 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 Notes 7 and 8 on pages 30 – 32 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. Planning for a large asphalt overlay project distributed among all four City wards is projected to go out for bid in April 2021 to rehabilitate failing roadway infrastructure.

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. Additional projects are anticipated in the coming years such as a disc golf course and the conversion of a tennis court to pickle ball 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.

At the August 6, 2019 election, Macon voters approved a local use tax to be collected at the same rate as Macon's City sales tax rate (currently 2.25%). Collection of this revenue began in January 2020 and contributes to revenue in the General Fund and Special Revenue Funds (Capital Improvement, Fire Operations, and Transportation).

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, 2020**

	Governmental Activities - Cash Basis	Business-type Activities - Accrual Basis	Total
ASSETS			
Cash and cash equivalents	\$ 4,819,324	\$ 6,115,885	\$ 10,935,209
Accounts receivable, net of allowance of \$26,600	-	2,035,196	2,035,196
Investments			
Restricted	-	63,152	63,152
Unrestricted	4,022,858	10,400,000	14,422,858
Accrued interest receivable	-	95,958	95,958
Notes receivable	46,784	-	46,784
Prepaid expenses	-	146,363	146,363
Inventories	-	553,673	553,673
Prepaid water storage	-	216,195	216,195
Capital assets:			
Non-depreciable	-	2,731,071	2,731,071
Depreciable, net	-	21,892,171	21,892,171
Net pension plan asset	-	650,745	650,745
Total assets	<u>8,888,966</u>	<u>44,900,409</u>	<u>53,789,375</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan contributions	-	151,686	151,686
Pension plan - other	-	961,787	961,787
Total deferred outflows of resources	<u>-</u>	<u>1,113,473</u>	<u>1,113,473</u>
LIABILITIES			
Accounts payable	-	1,282,221	1,282,221
Accrued expenses	24,350	200,783	225,133
Accrued payroll	-	35,718	35,718
Accrued vacation and sick leave	-	91,524	91,524
Long-term liabilities:			
Due to federal government			
Amounts due within one year	-	34,216	34,216
Amounts due beyond one year	-	322,718	322,718
Bonds payable			
Amounts due within one year	-	113,400	113,400
Amounts due beyond one year	-	920,500	920,500
Customer security deposits			
Amounts due beyond one year	-	163,499	163,499
Total liabilities	<u>24,350</u>	<u>3,164,579</u>	<u>3,188,929</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan - other	-	1,290,090	1,290,090
Total deferred inflows of resources	<u>-</u>	<u>1,290,090</u>	<u>1,290,090</u>
NET POSITION			
Net investment in capital assets	-	23,589,342	23,589,342
Restricted for:			
Capital improvements	2,935,709	-	2,935,709
Debt service	-	63,152	63,152
Library	1,522,682	-	1,522,682
Net pension plan asset	-	650,745	650,745
Public safety	257,080	-	257,080
Street projects	972,383	-	972,383
Unrestricted	<u>3,176,762</u>	<u>17,255,974</u>	<u>20,432,736</u>
Total net position	<u>\$ 8,864,616</u>	<u>\$ 41,559,213</u>	<u>\$ 50,423,829</u>

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

CITY OF MACON

STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Program/Function	Expenses	Program revenues			Net (expense) revenue and changes in net position		Total
		Charges for services	Capital grants and contributions	Operating grants and contributions	Governmental activities (cash basis)	Business-type activities (accrual basis)	
Governmental activities (cash basis)							
City administrator	\$ 508,764	\$ 161,798	\$ -	\$ -	\$ (346,966)	\$ -	\$ (346,966)
Community development	86,405	-	34,183	24,643	(27,579)	-	(27,579)
Police department	896,873	-	-	-	(896,873)	-	(896,873)
Fire department	555,324	-	-	-	(555,324)	-	(555,324)
Parks, pool, and cemetery	429,573	-	-	-	(429,573)	-	(429,573)
City collector	89,244	-	-	-	(89,244)	-	(89,244)
Street projects	632,820	-	-	-	(632,820)	-	(632,820)
Storm water projects	401,284	-	-	-	(401,284)	-	(401,284)
Animal control	23,539	-	-	-	(23,539)	-	(23,539)
Solid waste	236,444	-	-	-	(236,444)	-	(236,444)
Airport	70,970	64,624	59,834	-	53,488	-	53,488
Code enforcement	51,121	-	-	-	(51,121)	-	(51,121)
Equipment and building purchases	290,412	-	-	-	(290,412)	-	(290,412)
Library	180,214	4,766	-	4,301	(171,147)	-	(171,147)
Total governmental activities	4,452,987	231,188	94,017	28,944	(4,098,838)	-	(4,098,838)
Business-type activities (accrual basis)							
Electric utility	11,453,009	11,252,860	-	-	-	(200,149)	(200,149)
Natural gas utility	2,164,589	2,188,145	-	-	-	23,556	23,556
Waste water utility	1,584,798	1,794,837	-	-	-	210,039	210,039
Water utility	2,071,250	2,278,078	-	-	-	206,828	206,828
Total business-type activities	17,273,646	17,513,920	-	-	-	240,274	240,274
Total	\$ 21,726,633	\$ 17,745,108	\$ 94,017	\$ 28,944	(4,098,838)	240,274	(3,858,564)
General revenue							
Taxes							
Property taxes					585,005	-	585,005
Fuel and vehicle taxes					214,751	-	214,751
Franchise and utility taxes					1,286,289	-	1,286,289
Sales taxes					1,862,049	-	1,862,049
Other taxes					790,911	-	790,911
Interest income					99,516	221,472	320,988
MJMEUC agreement					-	77,360	77,360
Miscellaneous					544,365	250,980	795,345
Gain on sale of capital assets					-	120,241	120,241
Total general revenues					5,382,886	670,053	6,052,939
Change in net position					1,284,048	910,327	2,194,375
Net position - beginning					7,580,568	40,648,886	48,229,454
Net position - ending					\$ 8,864,616	\$ 41,559,213	\$ 50,423,829

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, 2020

	<u>Major Funds</u>		<u>Non-Major Governmental</u>	
	<u>General Fund</u>	<u>Capital Improvement Sales Tax Fund</u>	<u>Funds</u>	<u>Total</u>
ASSETS				
ASSETS				
Cash and cash equivalents	\$ 1,278,212	\$ 1,175,508	\$ 2,365,604	\$ 4,819,324
Due from other funds	10,439	-	107,000	117,439
Investments				
Unrestricted	806,163	1,672,752	1,543,943	4,022,858
Notes receivable	-	-	46,784	46,784
Total assets	<u>\$ 2,094,814</u>	<u>\$ 2,848,260</u>	<u>\$ 4,063,331</u>	<u>\$ 9,006,405</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to other funds	\$ 107,000	\$ -	\$ 10,439	\$ 117,439
Accrued expenses	24,350	-	-	24,350
Total liabilities	<u>131,350</u>	<u>-</u>	<u>10,439</u>	<u>141,789</u>
FUND BALANCES				
Restricted for:				
Capital improvements	-	2,848,260	87,449	2,935,709
Library	-	-	1,522,682	1,522,682
Public safety	-	-	257,080	257,080
Street projects	-	-	972,383	972,383
Committed to:				
Industrial development	-	-	1,213,298	1,213,298
Assigned to:				
Airport	4,823	-	-	4,823
Parks	32,259	-	-	32,259
Unassigned	1,926,382	-	-	1,926,382
Total fund balances	<u>1,963,464</u>	<u>2,848,260</u>	<u>4,052,892</u>	<u>8,864,616</u>
Total liabilities and fund balances	<u>\$ 2,094,814</u>	<u>\$ 2,848,260</u>	<u>\$ 4,063,331</u>	<u>\$ 9,006,405</u>

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, 2020**

	Major Funds		Non-Major	
		Capital	Governmental	
	General Fund	Improvement	Funds	Total
		Sales Tax Fund		
REVENUES:				
Taxes	\$ 2,903,522	\$ 576,480	\$ 1,259,003	\$ 4,739,005
Licenses, permits, and fines	161,798	-	4,766	166,564
Federal and state grants	24,643	-	98,318	122,961
Charges for services	64,624	-	-	64,624
Interest	23,542	32,061	43,913	99,516
Miscellaneous	544,240	-	125	544,365
Total revenues	3,722,369	608,541	1,406,125	5,737,035
EXPENDITURES:				
City administrator	508,764	-	-	508,764
Community development	-	-	86,405	86,405
Police department	896,873	-	-	896,873
Fire department	555,324	-	-	555,324
Parks, pool, and cemetery	165,637	263,936	-	429,573
City collector	89,244	-	-	89,244
Street projects	391,903	-	240,917	632,820
Storm water projects	-	401,284	-	401,284
Animal control	23,539	-	-	23,539
Solid waste	236,444	-	-	236,444
Airport	70,970	-	-	70,970
Code enforcement	51,121	-	-	51,121
Equipment and building purchases	-	-	290,412	290,412
Library	-	-	180,214	180,214
Total expenditures	2,989,819	665,220	797,948	4,452,987
Excess (deficiency) of revenues over (under) expenditure	732,550	(56,679)	608,177	1,284,048
OTHER FINANCING SOURCES (USES)				
Operating transfers in	513	-	100,100	100,613
Operating transfers (out)	(74,048)	-	(26,565)	(100,613)
Total other financing sources (uses)	(73,535)	-	73,535	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	659,015	(56,679)	681,712	1,284,048
Fund balances, January 1	1,304,449	2,904,939	3,371,180	7,580,568
FUND BALANCES, DECEMBER 31	\$ 1,963,464	\$ 2,848,260	\$ 4,052,892	\$ 8,864,616

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, 2020

	Major Funds				
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	Total
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,420,450	\$ 1,501,774	\$ 2,171,946	\$ 1,021,715	\$ 6,115,885
Accounts receivable, net of \$26,600 allowance	1,026,819	533,795	203,920	270,662	2,035,196
Accrued interest receivable	30,245	10,573	39,612	15,528	95,958
Prepaid expenses	56,038	25,807	32,259	32,259	146,363
Inventories	303,348	67,888	8,720	173,717	553,673
Prepaid water storage, current portion	-	-	-	22,368	22,368
Total current assets	2,836,900	2,139,837	2,456,457	1,536,249	8,969,443
Non-current assets					
Investments					
Restricted	-	-	63,152	-	63,152
Unrestricted	2,600,000	1,000,000	4,800,000	2,000,000	10,400,000
Prepaid water storage, net of current portion	-	-	-	193,827	193,827
Property, plant and equipment, net of accumulated depreciation	7,108,633	3,684,876	8,246,577	5,583,156	24,623,242
Net pension plan asset	257,642	85,322	148,299	159,482	650,745
Total non-current assets	9,966,275	4,770,198	13,258,028	7,936,465	35,930,966
Total assets	12,803,175	6,910,035	15,714,485	9,472,714	44,900,409
DEFERRED OUTFLOWS OF RESOURCES					
Pension plan contributions	74,329	17,340	29,400	30,617	151,686
Pension plan - other	486,302	107,824	183,491	184,170	961,787
Total deferred outflows of resources	560,631	125,164	212,891	214,787	1,113,473
LIABILITIES					
Current liabilities					
Accounts payable	641,786	268,956	297,427	74,052	1,282,221
Accrued expenses	4,105	759	1,254	194,665	200,783
Accrued payroll	17,704	3,974	6,525	7,515	35,718
Accrued vacation and sick leave	33,253	10,528	19,791	27,952	91,524
Due to federal government, current portion	-	-	-	34,216	34,216
Bonds payable, current portion	-	-	113,400	-	113,400
Total current liabilities	696,848	284,217	438,397	338,400	1,757,862
Non-current liabilities					
Due to federal government, net of current portion	-	-	-	322,718	322,718
Bonds payable, net of current portion	-	-	920,500	-	920,500
Customer security deposits	163,499	-	-	-	163,499
Total non-current liabilities	163,499	-	920,500	322,718	1,406,717
Total liabilities	860,347	284,217	1,358,897	661,118	3,164,579
DEFERRED INFLOWS OF RESOURCES					
Pension plan - other	656,161	139,263	237,499	257,167	1,290,090
Total deferred inflows of resources	656,161	139,263	237,499	257,167	1,290,090
NET POSITION					
Net investment in capital assets	7,108,633	3,684,876	7,212,677	5,583,156	23,589,342
Restricted for debt service	-	-	63,152	-	63,152
Restricted for net pension plan asset	257,642	85,322	148,299	159,482	650,745
Unrestricted	4,481,023	2,841,521	6,906,852	3,026,578	17,255,974
Total net position	\$ 11,847,298	\$ 6,611,719	\$ 14,330,980	\$ 8,769,216	\$ 41,559,213

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, 2020**

	Major Funds				Total
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	
OPERATING REVENUES					
Charges for services	\$ 11,199,918	\$ 2,181,590	\$ 1,640,433	\$ 2,273,433	\$ 17,295,374
MJMEUC agreement	77,360	-	-	-	77,360
Leachate income	-	-	146,609	-	146,609
Penalties	52,942	6,555	7,795	4,645	71,937
Miscellaneous	170,839	8,966	13,969	57,206	250,980
Total operating revenues	11,501,059	2,197,111	1,808,806	2,335,284	17,842,260
OPERATING EXPENSES					
Production	8,898,194	-	568,611	1,026,502	10,493,307
Distribution	1,194,076	1,667,559	335,731	341,189	3,538,555
Administrative and general	172,728	260,136	210,723	273,148	916,735
Depreciation	1,188,011	236,894	453,180	416,784	2,294,869
Total operating expenses	11,453,009	2,164,589	1,568,245	2,057,623	17,243,466
OPERATING INCOME	48,050	32,522	240,561	277,661	598,794
NON-OPERATING REVENUES (EXPENSES)					
Interest income	84,816	45,591	58,339	32,726	221,472
Interest expense	-	-	(16,553)	(13,627)	(30,180)
Other	131,249	(5,504)	-	(5,504)	120,241
Total non-operating revenues	216,065	40,087	41,786	13,595	311,533
INCOME BEFORE INTERFUND TRANSFERS	264,115	72,609	282,347	291,256	910,327
INTERFUND TRANSFERS					
Transfers in	-	-	5,000,000	-	5,000,000
Transfers (out)	(2,000,000)	(3,000,000)	-	-	(5,000,000)
Change in net position	(1,735,885)	(2,927,391)	5,282,347	291,256	910,327
Net position, January 1	13,583,183	9,539,110	9,048,633	8,477,960	40,648,886
NET POSITION, DECEMBER 31	\$ 11,847,298	\$ 6,611,719	\$ 14,330,980	\$ 8,769,216	\$ 41,559,213

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, 2020

	Major Funds				
	Electric Fund	Gas Fund	Waste Water Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	\$ 11,400,521	\$ 2,053,044	\$ 1,806,934	\$ 2,298,432	\$ 17,558,931
Cash received from other sources	170,839	8,966	13,968	57,206	250,979
Cash paid to vendors	(8,919,976)	(1,568,177)	(517,119)	(1,056,322)	(12,061,594)
Cash paid to employees	(1,537,038)	(300,231)	(515,899)	(580,814)	(2,933,982)
Net cash provided by operating activities	<u>1,114,346</u>	<u>193,602</u>	<u>787,884</u>	<u>718,502</u>	<u>2,814,334</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Operating transfers in	-	-	5,000,000	-	5,000,000
Operating transfers out	(2,000,000)	(3,000,000)	-	-	(5,000,000)
Net change in interfund payables/receivables	49	-	-	-	49
Net cash provided (used) by noncapital financing activities	<u>(1,999,951)</u>	<u>(3,000,000)</u>	<u>5,000,000</u>	<u>-</u>	<u>49</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Payment for capital acquisitions	(1,146,600)	(263,740)	(1,529,461)	(177,870)	(3,117,671)
Proceeds from sale of capital assets	134,001	-	-	-	134,001
Principal payments on debt	-	-	(207,100)	(33,011)	(240,111)
Interest payments on debt	-	-	(16,553)	(13,627)	(30,180)
Net cash (used) by capital and related financing activities	<u>(1,012,599)</u>	<u>(263,740)</u>	<u>(1,753,114)</u>	<u>(224,508)</u>	<u>(3,253,961)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest income	76,528	70,600	32,401	32,151	211,680
Maturity of investments	400,000	3,200,000	200,000	-	3,800,000
Purchase of investments	-	-	(3,000,000)	-	(3,000,000)
Net cash provided (used) by investing activities	<u>476,528</u>	<u>3,270,600</u>	<u>(2,767,599)</u>	<u>32,151</u>	<u>1,011,680</u>
Net change in cash and cash equivalents	(1,421,676)	200,462	1,267,171	526,145	572,102
Cash and cash equivalents, beginning of year	<u>2,842,126</u>	<u>1,301,312</u>	<u>904,775</u>	<u>495,570</u>	<u>5,543,783</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,420,450</u></u>	<u><u>\$ 1,501,774</u></u>	<u><u>\$ 2,171,946</u></u>	<u><u>\$ 1,021,715</u></u>	<u><u>\$ 6,115,885</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income	\$ 48,050	\$ 32,522	\$ 240,561	\$ 277,661	\$ 598,794
Adjustments:					
Depreciation and amortization	1,188,011	236,894	453,180	416,784	2,294,869
(Increase) decrease in assets and deferred outflows:					
Accounts receivable	58,167	(135,101)	12,093	20,351	(44,490)
Prepaid expenses	(3,463)	(293)	(367)	(367)	(4,490)
Inventories	(41,756)	(4,767)	(604)	(3,475)	(50,602)
Prepaid water storage	-	-	-	22,368	22,368
Net pension plan asset	139,795	26,683	47,646	53,863	267,987
Pension plan contributions	(4,397)	(839)	(1,498)	(1,694)	(8,428)
Pension plan - other	1,937	370	660	747	3,714
Increase (decrease) in liabilities and deferred inflows:					
Accounts payable	37,161	97,258	143,125	(2,950)	274,594
Accrued expenses	(8,681)	(1,650)	(3,186)	52,006	38,489
Accrued payroll	(46,765)	(8,003)	(14,902)	(17,512)	(87,182)
Accrued vacation and sick leave	(636)	1,150	1,567	2,905	4,986
Customer security deposits	12,135	-	-	-	12,135
Pension plan - other	(265,212)	(50,622)	(90,391)	(102,185)	(508,410)
Net cash provided by operating activities	<u><u>\$ 1,114,346</u></u>	<u><u>\$ 193,602</u></u>	<u><u>\$ 787,884</u></u>	<u><u>\$ 718,502</u></u>	<u><u>\$ 2,814,334</u></u>

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

CITY OF MACON

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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 at December 31, 2020.

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, 2020, 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 at December 31, 2020.

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. At December 31, 2020, the following net position amounts were restricted by enabling legislation: \$2,935,709 related to the capital improvement sales tax was restricted for capital improvements; \$1,522,682 related to the library property tax was restricted for the library; \$257,080 related to the fire protection sales tax was restricted for public safety; and \$972,383 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, 2020, have been evaluated through May 26, 2021, which represents the date the City's financial statements were approved by management and therefore were available to be issued.

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 was created. This relief fund provides, on a first-come, first served, basis, zero percent loans with a payback period of no more than five years. The City has applied for this relief fund financing, but funds have yet to be received.

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, 2020.

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, 2020. 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 2020, the levy was \$0.5937 for general revenue and \$0.2375 for the library per \$100 of assessed valuation. The total assessed valuation was \$74,269,475.

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, 2020:

	Cash and Cash Equivalents	Certificates of Deposit	Petty Cash	Total
Bank balance				
Insured by the FDIC	\$ 500,000	\$ 405,155	\$ -	\$ 905,155
Collateralized with securities pledged by the financial institution	9,612,732	14,017,703	-	23,630,435
Uncollateralized*	908,968	-	-	908,968
	<u>\$ 11,021,700</u>	<u>\$ 14,422,858</u>	<u>\$ -</u>	<u>\$ 25,444,558</u>
Carrying value	<u>\$ 10,932,925</u>	<u>\$ 14,422,858</u>	<u>\$ 2,284</u>	<u>\$ 25,358,067</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 at December 31, 2020. The City became fully collateralized in May 2021.

The City had the following investments as of December 31, 2020:

	Investment Maturities (in years)			Fair Value	Cost
	Less than 1	1-5	Over 5		
Money market mutual funds:					
Restricted	\$ 63,152	\$ -	\$ -	\$ 63,152	\$ 63,152
Total investments	<u>\$ 63,152</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,152</u>	<u>\$ 63,152</u>

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 cash and investments are summarized below:

Deposits	\$ 25,358,067
Investments	<u>63,152</u>
Total cash and investments	<u><u>\$ 25,421,219</u></u>

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

Cash and cash equivalents	\$ 10,935,209
Investments:	
Restricted	63,152
Unrestricted	<u>14,422,858</u>
Total	<u><u>\$ 25,421,219</u></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, 2020, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

Description	Total	Level 1	Level 2	Level 3
Measured at fair value:				
Money market mutual funds	\$ 63,152	\$ 63,152	\$ -	\$ -
Total investments	<u>\$ 63,152</u>	<u>\$ 63,152</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, 2020, the loan had not been called and the principal outstanding was \$46,784.

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, 2020.

5. CAPITAL ASSETS

A summary of the proprietary funds' property, plant and equipment as of December 31, 2020, 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	<u>353,792</u>	<u>-</u>	<u>1,460,392</u>	<u>50,523</u>	<u>1,864,707</u>
Total capital assets not being depreciated	<u>680,278</u>	<u>43,099</u>	<u>1,587,012</u>	<u>420,682</u>	<u>2,731,071</u>
Capital assets, being depreciated					
Structures and improvements	23,241,814	8,817,022	14,253,260	12,888,175	59,200,271
Vehicles, furniture and other equipment	<u>2,078,861</u>	<u>761,681</u>	<u>596,248</u>	<u>388,127</u>	<u>3,824,917</u>
Total capital assets being depreciated	<u>25,320,675</u>	<u>9,578,703</u>	<u>14,849,508</u>	<u>13,276,302</u>	<u>63,025,188</u>
Less: accumulated depreciation	<u>18,892,320</u>	<u>5,936,926</u>	<u>8,189,943</u>	<u>8,113,828</u>	<u>41,133,017</u>
Total capital assets being depreciated, net	<u>6,428,355</u>	<u>3,641,777</u>	<u>6,659,565</u>	<u>5,162,474</u>	<u>21,892,171</u>
Total capital assets, net	<u>\$ 7,108,633</u>	<u>\$ 3,684,876</u>	<u>\$ 8,246,577</u>	<u>\$ 5,583,156</u>	<u>\$ 24,623,242</u>

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance December 31, 2019	Additions	Deductions, Transfers, Other	Balance December 31, 2020
Capital assets, not being depreciated				
Land	\$ 869,412	\$ -	\$ (3,048)	\$ 866,364
Construction in progress	998,489	2,582,667	(1,716,449)	1,864,707
Total capital assets not being depreciated	1,867,901	2,582,667	(1,719,497)	2,731,071
Capital assets, being depreciated				
Structures and improvements	57,464,571	16,203	1,719,497	59,200,271
Vehicles, furniture and other equipment	3,632,051	518,802	(325,936)	3,824,917
Total capital assets being depreciated	61,096,622	535,005	1,393,561	63,025,188
Less accumulated depreciation for				
Structures and improvements	36,905,642	2,000,170	-	38,905,812
Vehicles, furniture and other equipment	2,244,684	294,699	(312,178)	2,227,205
Total accumulated depreciation	39,150,326	2,294,869	(312,178)	41,133,017
Total capital assets being depreciated, net	21,946,296	(1,759,864)	1,705,739	21,892,171
Business-type activities capital assets, net	<u>\$ 23,814,197</u>	<u>\$ 822,803</u>	<u>\$ (13,758)</u>	<u>\$ 24,623,242</u>

Depreciation expense was charged to the proprietary funds as follows:

Electric Fund	\$ 1,188,011
Gas Fund	236,894
Waste Water Fund	453,180
Water Fund	416,784
Total depreciation expense - business-type activities	<u>\$ 2,294,869</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 at December 31, 2020, was \$216,195. 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 at December 31, 2020, was \$902,066. The City recorded interest expense of \$13,627 as a direct functional expense on the statement of activities for the year ended December 31, 2020.

7. 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 2020 are approximately 561% of the annual principal and interest payments made during 2020. The total principal and interest paid for the current year and total net revenues were \$126,506 and \$709,147, respectively.

The following summarizes the bonds payable:

	Interest Rates	Final Maturity Date	Principal Balance 12/31/2020
Waste Water Fund - Series 2011	1.66%	7/1/2026	\$ 401,900
Waste Water Fund - Series 2015	1.24%	7/1/2031	632,000
			<u>1,033,900</u>
		Less current portion	<u>(113,400)</u>
		Long-term bonds payable	<u>\$ 920,500</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, 2019	Issuances	Principal Payments, Reductions	Balance December 31, 2020	Due Within One Year
Waste Water Fund - Series 2011	\$ 463,000	\$ -	\$ (61,100)	\$ 401,900	\$ 62,400
Waste Water Fund - Series 2015	682,000	-	(50,000)	632,000	51,000
	<u>\$ 1,145,000</u>	<u>\$ -</u>	<u>\$ (111,100)</u>	<u>\$ 1,033,900</u>	<u>\$ 113,400</u>

The following is a schedule of the future minimum payments under the bonds at December 31, 2020, based on the current amount outstanding:

Year Ending December 31:	Principal	Interest	Total
2021	\$ 113,400	\$ 14,097	\$ 127,497
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
Thereafter	435,200	16,235	451,435
	<u>\$ 1,033,900</u>	<u>\$ 69,424</u>	<u>\$ 1,103,324</u>

8. INTERFUND ACTIVITY

Interfund receivable and payable balances at December 31, 2020, in the fund financial statements resulting from interfund transfers and interfund loans were as follows:

	Due From Other Funds	Due To Other Funds	Net
Governmental funds:			
General Fund (major fund)	\$ 10,439	\$ (107,000)	\$ (96,561)
Project Fund (non-major fund)	-	(10,439)	(10,439)
Library Fund (non-major fund)	107,000	-	107,000
	<u>\$ 117,439</u>	<u>\$ (117,439)</u>	<u>\$ -</u>

Amounts due from the General Fund to the Library Fund are from taxes collected and not yet remitted. The balance due from the Project Fund to the General Fund is due to project expenses that exceeded budget. It is the City's intention for the Project Fund to repay those balances.

A summary of interfund transfers for the year ended December 31, 2020, follows:

	<u>Transfers Out</u>	<u>Transfers In</u>	<u>Net</u>
Governmental funds:			
General Fund (major fund)	\$ (74,048)	\$ 513	\$ (73,535)
Project Fund (non-major fund)	-	100,100	100,100
Transportation Sales Tax Fund (non-major fund)	(26,565)	-	(26,565)
Proprietary funds:			
Electric Fund (major fund)	(2,000,000)	-	(2,000,000)
Waste Water Fund (major fund)	-	5,000,000	5,000,000
Natural Gas Fund (major fund)	(3,000,000)	-	(3,000,000)
	<u><u>\$(5,100,613)</u></u>	<u><u>\$ 5,100,613</u></u>	<u><u>\$ -</u></u>

Amounts were transferred from the General Fund and the Transportation Sales Tax Fund to the Project Fund for the City's match on various projects. Amounts were transferred from the Electric Fund and the Natural Gas Fund to the Waste Water Fund to support the headworks project at the waste water treatment plant.

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 at December 31, 2020.

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, 2020, 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

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 a contract for the purchase of natural gas from Kinect Energy at an agreed upon capacity of dekatherms (dth) each month from November 2020 through March 2021 priced at \$2.10/dth. The City paid \$94,605 under this agreement in 2020 and committed to paying \$154,560 in 2021.

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 2020, the monthly fee due to Solar increased to \$72,731 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 in 2020.

G. Significant Customers

The City's proprietary funds have one customer who generated \$4,479,492 or approximately 25% of its operating revenue in 2020.

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, 2020, contract commitments were as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
MMU Headworks Project	\$ 386,599	\$ 3,431,508
Airport Layout Plan Update	5,088	11,900
Rubey Park Basketball Court	-	9,000
Walnut St. Culverts	650,716	2,696
	<u>\$ 1,042,403</u>	<u>\$ 3,455,104</u>

J. Other Commitments

The City entered into a capital lease agreement for four police vehicles in March 2018. The agreement requires four annual lease payments of \$31,573. The total lease payment remaining to be paid as of December 31, 2020 was \$31,573. The agreement was paid-off in April 2021.

The City entered into a capital lease agreement for two fire trucks in May 2018. The agreement requires ten annual lease payments of \$184,320. The total lease payments remaining to be paid as of December 31, 2020 were \$1,474,561.

The City entered into a capital lease agreement for several self-contained breathing apparatuses in October 2018. 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, 2020 were \$75,655.

10. RELATED PARTY TRANSACTIONS

The City has related party transactions with a construction company owned by the Mayor. The City paid a total of \$848,414 to this company during 2020. 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.

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>2020 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

At June 30, 2020, the following employees were covered by the benefit terms:

Active employees	75
Inactive employees or beneficiaries currently receiving benefits	85
Inactive employees entitled to but not yet receiving benefits	55
Total	<u>215</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 10.8% (General), 0.6% (Police), 22.7% (Fire), and 10.0% (Utility) of annual covered payroll.

Net Pension Liability (Asset)

The City's net pension liability (asset) was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of February 29, 2020.

Actuarial Assumptions

The total pension liability in the February 29, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage, 2.50% price
Salary increase	3.25% to 6.55% including inflation
Investment rate of return	7.25%, net of investment expenses

Mortality rates were based on the 2014 Healthy Annuitant, Disabled, and Employees Mortality Tables.

The actuarial assumptions used in the February 29, 2020, valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

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 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and 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, 2019	\$ 22,918,834	\$ 24,540,595	\$ (1,621,761)
Changes for the year:			
Service cost	391,465	-	391,465
Interest	1,625,039	-	1,625,039
Difference between expected and actual experience	(379,431)	-	(379,431)
Changes in assumptions	-	-	-
Contributions - employer	-	385,490	(385,490)
Net investment income	-	331,329	(331,329)
Benefit payments, including refunds	(1,418,435)	(1,418,435)	-
Administrative expense	-	(25,000)	25,000
Other changes	-	302,052	(302,052)
Net changes	218,638	(424,564)	643,202
Balances at June 30, 2020	23,137,472	24,116,031	(978,559)
Less amount attributable to governmental activities	(8,098,151)	(8,425,965)	327,814
Balances attributable to business-type activities	\$ 15,039,321	\$ 15,690,066	\$ (650,745)

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 7.25%, as well as what the employer's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	Current Single Discount		
	1% Decrease (6.25%)	Rate Assumption (7.25%)	1% Increase (8.25%)
Total pension liability	\$ 26,288,559	\$ 23,137,472	\$ 20,544,932
Plan fiduciary net position	\$ 24,116,031	\$ 24,116,031	\$ 24,116,031
Net pension liability (asset)	\$ 2,172,528	\$ (978,559)	\$ (3,571,099)

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, 2020.

For the year ended December 31, 2020, the City's governmental activities' pension expense under full accrual accounting would have been \$101,130. However, on the cash basis of accounting, the City's governmental activities recognized payments to LAGERS of \$106,275 as expense.

The City's business-type activities and proprietary funds recognized pension expense of \$35,694.

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 in experience	\$ 686,684	\$ (1,371,600)
Differences in assumptions	22,606	-
Excess (deficit) investment returns	626,922	-
Contributions subsequent to the measurement date*	200,918	-
Total	1,537,130	(1,371,600)
Less amount attributable to governmental activities	(423,657)	81,510
Attributable to business-type activities	<u>\$ 1,113,473</u>	<u>\$ (1,290,090)</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, 2021.

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

Year ending:	
2021	\$ (176,701)
2022	(237,899)
2023	95,023
2024	284,189
Total	<u>\$ (35,388)</u>

Payable to the Pension Plan

At December 31, 2020, the City reported a payable of \$4,022 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 \$4,800 in 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MACON

LAGERS (PENSION PLAN)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

December 31, 2020

	2020	2019	2018	2017	2016	2015
Total pension liability						
Service cost	\$ 391,465	\$ 424,939	\$ 400,614	\$ 389,694	\$ 389,342	\$ 384,053
Interest on the total pension liability	1,625,039	1,679,238	1,490,819	1,433,874	1,322,837	1,259,153
Difference between expected and actual experience	(379,431)	(1,632,090)	1,572,968	(190,026)	32,060	7,658
Assumption changes	-	-	-	-	655,354	-
Benefit payments	(1,418,435)	(995,417)	(763,570)	(940,235)	(798,702)	(752,246)
Net change in total pension liability	218,638	(523,330)	2,700,831	693,307	1,600,891	898,618
Total pension liability beginning	22,918,834	23,442,164	20,741,333	20,048,026	18,447,135	17,548,517
Total pension liability ending	<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	\$ 385,490	\$ 418,929	\$ 455,646	\$ 378,050	\$ 386,369	\$ 410,229
Pension plan net investment income	331,329	1,564,260	2,564,567	2,290,433	(62,623)	385,951
Benefit payments	(1,418,435)	(995,417)	(763,570)	(940,235)	(798,702)	(752,246)
Pension plan administrative expense	(25,000)	(21,849)	(15,364)	(14,749)	(14,719)	(15,937)
Other	302,052	13,039	(197,592)	(75,926)	426,885	(288,816)
Net change in plan fiduciary net position	(424,564)	978,962	2,043,687	1,637,573	(62,790)	(260,819)
Plan fiduciary net position beginning	24,540,595	23,561,633	21,517,946	19,880,373	19,943,163	20,203,982
Plan fiduciary net position ending	<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>\$ (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	104.23%	107.08%	100.51%	103.74%	99.16%	108.11%
Covered payroll	\$ 3,768,864	\$ 3,763,801	\$ 4,163,574	\$ 4,034,607	\$ 3,811,114	\$ 3,839,732
Employer's net pension liability (asset) as a percentage of covered payroll	25.96%	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, 2020

	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 437,681	\$ 440,186	\$ 474,172	\$ 454,161	\$ 395,170
Contributions in relation to the actuarially determined contribution	389,205	407,423	438,246	418,834	368,106
Contribution deficiency (excess)	<u>\$ 48,476</u>	<u>\$ 32,763</u>	<u>\$ 35,926</u>	<u>\$ 35,327</u>	<u>\$ 27,064</u>
Covered payroll	\$ 3,768,864	\$ 3,763,801	\$ 4,163,574	\$ 4,034,607	\$ 3,811,114
Contributions as a percentage of covered payroll	10.33%	10.82%	10.53%	10.38%	9.66%
	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 429,748	\$ 458,602	\$ 484,317	\$ 492,366	\$ 437,433
Contributions in relation to the actuarially determined contribution	404,506	424,963	411,108	370,734	326,369
Contribution deficiency (excess)	<u>\$ 25,242</u>	<u>\$ 33,639</u>	<u>\$ 73,209</u>	<u>\$ 121,632</u>	<u>\$ 111,064</u>
Covered payroll	\$ 3,839,732	\$ 3,711,235	\$ 3,780,508	\$ 3,745,760	\$ 3,675,737
Contributions as a percentage of covered payroll	10.53%	11.45%	10.87%	9.90%	8.88%

SUPPLEMENTARY INFORMATION

CITY OF MACON

**STATEMENT OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND - CASH BASIS
Year Ended December 31, 2020**

	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)
REVENUES:						
Taxes	\$ 2,903,522	\$ -	\$ 2,903,522	\$ 2,639,522	\$ 2,639,522	\$ 264,000
Licenses, permits, and fines	161,798	-	161,798	134,565	134,565	27,233
Federal and state grants	24,643	-	24,643	-	-	24,643
Charges for services	64,624	-	64,624	56,000	56,000	8,624
Interest income	23,542	(1,066)	22,476	13,000	13,000	9,476
Miscellaneous	544,240	(480)	543,760	280,212	280,212	263,548
Total revenues	3,722,369	(1,546)	3,720,823	3,123,299	3,123,299	597,524
EXPENDITURES:						
City administrator	508,764	-	508,764	553,183	553,183	44,419
Police department	896,873	-	896,873	974,659	974,659	77,786
Fire department	555,324	-	555,324	631,006	631,006	75,682
Parks, pool, and cemetery	165,637	-	165,637	226,482	226,482	60,845
City collector	89,244	-	89,244	87,354	87,354	(1,890)
Street department	391,903	-	391,903	458,987	458,987	67,084
Animal control	23,539	-	23,539	29,433	29,433	5,894
Solid waste	236,444	-	236,444	238,299	238,299	1,855
Airport	70,970	-	70,970	80,742	80,742	9,772
Code enforcement	51,121	-	51,121	66,802	66,802	15,681
Total expenditures	2,989,819	-	2,989,819	3,346,947	3,346,947	357,128
Excess (deficiency) of revenues over (under) expenditures	732,550	(1,546)	731,004	(223,648)	(223,648)	954,652
OTHER FINANCING SOURCES (USES)						
Operating transfers in	513	-	513	240,000	240,000	(239,487)
Operating transfers (out)	(74,048)	-	(74,048)	(16,352)	(16,352)	(57,696)
Total other financing sources (uses)	(73,535)	-	(73,535)	223,648	223,648	(297,183)
Excess (deficiency) of revenues and other financing sources over (under) expenditures	\$ 659,015	\$ (1,546)	\$ 657,469	\$ -	\$ -	\$ 657,469

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, 2020**

	Actual	Original Budget	Final Budget	Variance Favorable/ (Unfavorable)
REVENUES:				
Taxes	\$ 576,480	\$ 473,862	\$ 473,862	\$ 102,618
Interest income	32,061	20,000	20,000	12,061
Total revenues	<u>608,541</u>	<u>493,862</u>	<u>493,862</u>	<u>114,679</u>
EXPENDITURES:				
Parks, pool, and cemetery	263,936	345,703	345,703	81,767
Storm water projects	401,284	228,172	228,172	(173,112)
Total expenditures	<u>665,220</u>	<u>573,875</u>	<u>573,875</u>	<u>(91,345)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(56,679)</u>	<u>(80,013)</u>	<u>(80,013)</u>	<u>23,334</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>80,013</u>	<u>80,013</u>	<u>(80,013)</u>
Total other financing sources	<u>-</u>	<u>80,013</u>	<u>80,013</u>	<u>(80,013)</u>
(Deficiency) of revenues and other financing sources (under) expenditures	<u>\$ (56,679)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (56,679)</u>

CITY OF MACON
COMBINING BALANCE SHEET - CASH BASIS
NON-MAJOR FUNDS
December 31, 2020

	Industrial Development Fund	Project Fund	Library Fund	Motor Fuel Fund	Transportation Sales Tax Fund	Fire Protection Sales Tax Fund	Total
ASSETS							
ASSETS							
Cash and cash equivalents	\$ 707,381	\$ 97,888	\$ 385,852	\$ 320,975	\$ 596,428	\$ 257,080	\$ 2,365,604
Due from other funds	-	-	107,000	-	-	-	107,000
Investments							
Unrestricted	459,133	-	1,029,830	54,980	-	-	1,543,943
Notes receivable	46,784	-	-	-	-	-	46,784
Total assets	<u>\$ 1,213,298</u>	<u>\$ 97,888</u>	<u>\$ 1,522,682</u>	<u>\$ 375,955</u>	<u>\$ 596,428</u>	<u>\$ 257,080</u>	<u>\$ 4,063,331</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Due to other funds	\$ -	\$ 10,439	\$ -	\$ -	\$ -	\$ -	\$ 10,439
FUND BALANCES							
Restricted for:							
Capital improvements	-	87,449	-	-	-	-	87,449
Library	-	-	1,522,682	-	-	-	1,522,682
Public safety	-	-	-	-	-	257,080	257,080
Street projects	-	-	-	375,955	596,428	-	972,383
Committed to:							
Industrial development	1,213,298	-	-	-	-	-	1,213,298
Total fund balances	<u>1,213,298</u>	<u>87,449</u>	<u>1,522,682</u>	<u>375,955</u>	<u>596,428</u>	<u>257,080</u>	<u>4,052,892</u>
Total liabilities and fund balances	<u>\$ 1,213,298</u>	<u>\$ 97,888</u>	<u>\$ 1,522,682</u>	<u>\$ 375,955</u>	<u>\$ 596,428</u>	<u>\$ 257,080</u>	<u>\$ 4,063,331</u>

CITY OF MACON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- CASH BASIS
NON-MAJOR FUNDS
Year Ended December 31, 2020**

	Industrial Development Fund	Project Fund	Library Fund	Motor Fuel Fund	Transportation Sales Tax Fund	Fire Protection Sales Tax Fund	Total
REVENUES							
Taxes	\$ -	\$ -	\$ 180,220	\$ 214,751	\$ 576,135	\$ 287,897	\$ 1,259,003
Licenses, permits, and fines	-	-	4,766	-	-	-	4,766
Federal and state grants	-	94,017	4,301	-	-	-	98,318
Interest	13,888	-	26,534	747	1,899	845	43,913
Miscellaneous	-	-	125	-	-	-	125
Total revenues	13,888	94,017	215,946	215,498	578,034	288,742	1,406,125
EXPENDITURES:							
Community development	931	85,474	-	-	-	-	86,405
Street projects	-	-	-	-	240,917	-	240,917
Equipment and building	-	-	-	-	71,172	219,240	290,412
Library	-	-	180,214	-	-	-	180,214
Total expenditures	931	85,474	180,214	-	312,089	219,240	797,948
Excess of revenues over expenditures	12,957	8,543	35,732	215,498	265,945	69,502	608,177
OTHER FINANCING SOURCES (USES)							
Operating transfers in	-	100,100	-	-	-	-	100,100
Operating transfers (out)	-	-	-	-	(26,565)	-	(26,565)
Total other financing sources (uses)	-	100,100	-	-	(26,565)	-	73,535
Excess of revenues and other financing sources (uses) over expenditures	12,957	108,643	35,732	215,498	239,380	69,502	681,712
Fund balances, January 1	1,200,341	(21,194)	1,486,950	160,457	357,048	187,578	3,371,180
FUND BALANCES, DECEMBER 31	\$ 1,213,298	\$ 87,449	\$ 1,522,682	\$ 375,955	\$ 596,428	\$ 257,080	\$ 4,052,892

CITY OF MACON, MISSOURI

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

DECEMBER 31, 2020

May 26, 2021

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, 2020. 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 October 23, 2019, 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 our audit according to the planned scope and timing previously communicated to management in our meeting about planning matters during February 2021.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2020. 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.

The following are pronouncements issued by the Governmental Accounting Standards Board (GASB) that will be effective in the next few years:

- | | |
|------------|--|
| 12/31/2021 | GASB 89 – <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i> – enhances the relevance and comparability of information about capital leases and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Early application is permitted. |
| 12/31/2022 | GASB 87 – <i>Leases</i> – improves accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases. Early application is permitted. |

Management will need to assess the impact, if any, of the above standards 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 auditor's 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 May 26, 2021.

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 auditor's 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

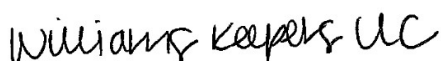
We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison schedules, and the pension plan schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management 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 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
REPORT FOR MIRMA
DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

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

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, 2020, and the related note.

Management's Responsibility 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' Responsibility

Our responsibility is to express an opinion on the Schedule based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Schedule is free of material misstatement.

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

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

Opinion

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, 2020, on the basis specified in Note 1 to the Schedule.

Basis of Presentation

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.

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, 2020, and our report thereon dated May 26, 2021, expressed unmodified opinions 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 K. Kepler UC

May 26, 2021

CITY OF MACON

**SCHEDULE OF PAYROLL REPORTABLE TO MIRMA
Year Ended December 31, 2020**

	Operational Type		Total
	Governmental	Utilities	
Federal taxable wages, IRS Form 941	\$ 1,581,276	\$ 2,551,635	\$ 4,132,911
Plus employee payroll deductions for:			
Deferred compensation	12,025	34,603	46,628
IRS section 125 benefits	74,400	102,603	177,003
Total additions	86,425	137,206	223,631
Less reimbursements and certain payroll:			
Reimbursed expenses	11,400	290	11,690
Premium portion of overtime pay	22,875	45,104	67,979
Total deductions	34,275	45,394	79,669
Net payroll reportable to MIRMA	\$ 1,633,426	\$ 2,643,447	\$ 4,276,873

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).