

CITY OF MT. VERNON, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2010

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen
City of Mt. Vernon
Mt. Vernon, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Vernon, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the City of Mt. Vernon, Missouri, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Honorable Mayor and Board of Aldermen
City of Mt. Vernon
Mt. Vernon, Missouri

Management's Discussion and Analysis, budgetary comparison schedules, and schedule of funding progress are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Vernon, Missouri's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2010, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
December 2, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

The management's discussion and analysis of the City of Mt. Vernon's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements, which begin on page 14.

Financial Highlights

- The net assets of the City's governmental activities decreased by \$465,819 as a result of current year activities. The net assets of the City's business activities increased by \$340,265 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2010 by \$25,080,926. Of this amount \$5,790,387 was unrestricted and may be used to meet future obligations of the City.
- During FY 10 the City paid principal on long-term debt in the amount \$559,660.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

Government-Wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net assets and changes in them. The City's net assets – the difference between assets and liabilities – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

Government-Wide Financial Statements (continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here. Taxes are the primary sources of financing for these activities.
- Business-Type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's electric, water, and sewer services are provided here.

Fund Financial Statements

The fund financial statements provide detailed information about the City's most significant funds and not the City as a whole. However, the Board of Aldermen establishes funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

- Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.
- Enterprise Funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in enterprise funds. Enterprise funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2010 and 2009:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total June 30, 2010</u>	<u>Total June 30, 2009</u>
Current and other assets	\$ 2,633,216	\$ 9,692,277	\$ 12,325,493	\$ 16,634,483
Capital assets	<u>12,384,014</u>	<u>16,985,584</u>	<u>29,369,598</u>	<u>25,549,939</u>
TOTAL ASSETS	15,017,230	26,677,861	41,695,091	42,184,422
Other liabilities	264,590	1,700,090	1,964,680	1,727,908
Long-term liabilities	<u>1,014,499</u>	<u>13,634,986</u>	<u>14,649,485</u>	<u>15,250,034</u>
TOTAL LIABILITIES	<u>1,279,089</u>	<u>15,335,076</u>	<u>16,614,165</u>	<u>16,977,942</u>
Net assets:				
Invested in capital assets				
net of related debt	11,210,770	5,187,978	16,398,748	15,644,973
Restricted	1,232,308	1,659,483	2,891,791	2,779,751
Unrestricted	<u>1,295,063</u>	<u>4,495,324</u>	<u>5,790,387</u>	<u>6,781,756</u>
TOTAL NET ASSETS	<u>\$ 13,738,141</u>	<u>\$ 11,342,785</u>	<u>\$ 25,080,926</u>	<u>\$ 25,206,480</u>

Total net assets of the City decreased by \$125,554 for the year due to current year activity. Total liabilities for the City have decreased by \$363,777. Restricted net assets of the City totaled \$2,891,791 as of June 30, 2010. This amount represents assets that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2010	Total Year Ended June 30, 2009
REVENUES				
Program Revenues				
Charges for services	\$ 194,858	\$ 7,305,246	\$ 7,500,104	\$ 8,032,698
Operating grants and contributions	50,754	-	50,754	81,670
Capital grants and contributions	49,988	-	49,988	-
General Revenues				
Sales taxes	969,363	-	969,363	1,021,131
Motor vehicle and gas taxes	151,345	-	151,345	149,789
Other taxes	25,356	-	25,356	25,094
Franchise fees	100,809	-	100,809	128,268
Interest	94,585	344,829	439,414	268,494
Other revenue	37,273	-	37,273	28,181
Transfers	331,914	(331,914)	-	-
TOTAL REVENUES AND TRANSFERS	2,006,245	7,318,161	9,324,406	9,735,325
EXPENSES				
Administrative	128,755	-	128,755	158,589
Police	547,759	-	547,759	527,499
Municipal court	32,067	-	32,067	34,160
Fire	115,905	-	115,905	107,597
Animal control	11,057	-	11,057	10,610
Parks	214,678	-	214,678	246,105
Street	938,440	-	938,440	819,274
Planning and zoning	65,669	-	65,669	59,466
Transportation	69,451	-	69,451	66,179
Airport	73,162	-	73,162	18,286
Golf	182,637	-	182,637	196,994
Economic development	15,945	-	15,945	9,851
Debt service	76,539	-	76,539	86,479
Electric	-	4,947,380	4,947,380	5,047,857
Water	-	903,846	903,846	1,072,112
Sewer	-	1,126,670	1,126,670	880,948
TOTAL EXPENSES	2,472,064	6,977,896	9,449,960	9,342,006
INCREASE (DECREASE) IN NET ASSETS	\$ (465,819)	\$ 340,265	\$ (125,554)	\$ 393,319

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

Governmental Activities

Governmental activities decreased the net assets of the City by \$465,819. Tax revenues for the City were \$1,246,873, which represents 62% of the funding of these activities. Program and other revenues for the functions totaled \$759,371, or 38% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

**NET COST OF THE CITY OF MT. VERNON'S
GOVERNMENTAL ACTIVITIES**

	Total Cost of Services	Net Cost of Services
Administration	\$ 128,755	\$ 117,061
Police	547,759	499,091
Municipal court	32,067	32,067
Fire	115,905	115,905
Animal control	11,057	11,057
Parks	214,678	184,897
Street	938,440	938,440
Planning and zoning	65,669	65,669
Transportation	69,451	18,799
Airport	73,162	23,174
Golf	182,637	77,820
Economic development	15,945	15,945
Principal and Interest	76,539	76,539
	\$ 2,472,064	\$ 2,176,464

Business-Type Activities

Business-type activities increased the City's net assets by \$340,265. Last year the business-type activities increased net assets by \$837,819.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2010, was \$2,608,794. The General Fund increased by \$42,515. The Special Sales Tax Fund decreased by \$35,296. The Industrial Development Fund increased by \$114,130. The Debt Service Fund decreased by \$109,705.

General Fund Budgetary Highlights

The City of Mt. Vernon amended the budget in the General Fund for revenues or expenses to reflect the actual ending numbers. In their original budget, the City budgeted revenues of \$1,317,061 and budgeted expenses of \$2,111,200.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$12,384,014 (net of accumulated depreciation) as of June 30, 2010. This represents a \$624,370 decrease from the prior year. Capital assets for business-type activities were \$16,985,584 as of June 30, 2010. This represents an increase of \$4,444,029.

Debt

Total debt of the governmental activities as of June 30, 2010, was \$1,173,244. Governmental activities debt consists of \$135,000 in 1992 General Obligation Bonds, \$955,000 in 1995 General Obligation Industrial Bonds, and \$83,244 in capital lease obligations.

Total debt of the business-type activities as of June 30, 2010, was \$14,041,853. This consists of \$1,540,000 in 2008 Certificates of Participation, \$3,560,000 in 2005 Certificates of Participation, \$2,415,000 in 2003 Certificates of Participation, \$860,000 in Series 1998 Revenue Bonds, and \$5,666,853 in Series 2008 Revenue Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2010

Economic Factors and Next Year's Budget

The City of Mt. Vernon has changed its fiscal year to mirror the calendar year, so instead of running from July 1st to June 30th, the fiscal year will be January 1st to December 31st. To make this change possible the preceding budget was for only six months and will end December 31, 2010. This change was made to accommodate the funding of construction projects in the public works, parks and electric departments and to alleviate confusion between the calendar and fiscal years. Work has been completed on the new sewer plant upgrade that will allow Mt. Vernon to accommodate future growth and meet present and future DNR standards. The 2011 budget will reflect economic realities of the day and will therefore be conservative in nature, however, we are optimistic about the future of Mt. Vernon and will plan accordingly.

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Mt. Vernon
319 E. Dallas, P.O. Box 70
Mt. Vernon, MO 65712
(417) 466-2122

Dave Eden, Mayor
John Rice, City Administrator
Shannon Neely, City Clerk

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 647,331	\$ 1,964,422	\$ 2,611,753
Investments	602,175	2,723,747	3,325,922
Interest receivable	-	5,588	5,588
Taxes receivable	224,050	-	224,050
Utilities receivable	-	974,096	974,096
Other receivable	27,063	-	27,063
Note receivable	1,061,653	-	1,061,653
Interfund balances	(118,007)	118,007	-
Inventory	-	331,694	331,694
Restricted cash and cash equivalents	121,280	2,319,947	2,441,227
Restricted investments	67,671	865,625	933,296
Deferred bond issuance costs	-	389,151	389,151
Capital Assets:			
Non-depreciable	713,965	6,087,123	6,801,088
Depreciable, net	11,670,049	10,898,461	22,568,510
TOTAL ASSETS	\$ 15,017,230	\$ 26,677,861	\$ 41,695,091
LIABILITIES			
Current			
Accounts payable	\$ -	\$ 901,128	\$ 901,128
Accrued expenses	12,355	1,815	14,170
Deposits payable	-	93,039	93,039
Court bonds payable	775	-	775
Accrued interest payable	11,001	279,108	290,109
Current maturities of long-term debt	240,459	425,000	665,459
	264,590	1,700,090	1,964,680
Noncurrent			
Compensated absences payable	81,714	18,133	99,847
Capital leases payable	37,785	-	37,785
General obligation bonds	895,000	-	895,000
Revenue bonds payable	-	6,296,853	6,296,853
Certificates of participation	-	7,320,000	7,320,000
	1,014,499	13,634,986	14,649,485
TOTAL LIABILITIES	1,279,089	15,335,076	16,614,165
NET ASSETS			
Invested in capital assets, net of related debt	11,210,770	5,187,978	16,398,748
Restricted	1,232,308	1,659,483	2,891,791
Unrestricted	1,295,063	4,495,324	5,790,387
TOTAL NET ASSETS	13,738,141	11,342,785	25,080,926
TOTAL LIABILITIES AND NET ASSETS	\$ 15,017,230	\$ 26,677,861	\$ 41,695,091

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ (128,755)	\$ 11,694	\$ -	\$ -	\$ (117,061)	\$ -	\$ (117,061)
Police	(547,759)	41,650	7,018	-	(499,091)	-	(499,091)
Municipal court	(32,067)	-	-	-	(32,067)	-	(32,067)
Fire	(115,905)	-	-	-	(115,905)	-	(115,905)
Animal control	(11,057)	-	-	-	(11,057)	-	(11,057)
Parks	(214,678)	29,781	-	-	(184,897)	-	(184,897)
Street	(938,440)	-	-	-	(938,440)	-	(938,440)
Planning and zoning	(65,669)	-	-	-	(65,669)	-	(65,669)
Transportation	(69,451)	6,916	43,736	-	(18,799)	-	(18,799)
Airport	(73,162)	-	-	49,988	(23,174)	-	(23,174)
Golf	(182,637)	104,817	-	-	(77,820)	-	(77,820)
Economic development	(15,945)	-	-	-	(15,945)	-	(15,945)
Debt service	(76,539)	-	-	-	(76,539)	-	(76,539)
TOTAL GOVERNMENTAL ACTIVITIES	(2,472,064)	194,858	50,754	49,988	(2,176,464)	-	(2,176,464)
Business-type activities:							
Electric	(4,947,380)	6,020,975	-	-	-	1,073,595	1,073,595
Water	(903,846)	511,600	-	-	-	(392,246)	(392,246)
Sewer	(1,126,670)	772,671	-	-	-	(353,999)	(353,999)
TOTAL BUSINESS-TYPE ACTIVITIES	(6,977,896)	7,305,246	-	-	-	327,350	327,350
TOTAL GOVERNMENT	\$ (9,449,960)	\$ 7,500,104	\$ 50,754	\$ 49,988	(2,176,464)	327,350	(1,849,114)
		General Revenues:					
					969,363	-	969,363
					151,345	-	151,345
					25,356	-	25,356
					100,809	-	100,809
					94,585	344,829	439,414
					37,273	-	37,273
					331,914	(331,914)	-
				Total General Revenues and Transfers	1,710,645	12,915	1,723,560
				Changes in Net Assets	(465,819)	340,265	(125,554)
				Net Assets, Beginning of year,	14,203,960	11,002,520	25,206,480
				Net Assets, End of year	\$ 13,738,141	\$ 11,342,785	\$ 25,080,926

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010

	General Fund	Special Sales Tax Fund	Industrial Development Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents - unrestricted	\$ 314,728	\$ 135,453	\$ 197,150	\$ -	\$ 647,331
Investments - unrestricted	-	602,175	-	-	602,175
Taxes receivable	186,852	37,198	-	-	224,050
Other receivable	27,063	-	-	-	27,063
Notes receivable	-	-	-	1,061,653	1,061,653
Due from other funds	75	53,000	-	-	53,075
Restricted cash and cash equivalents	775	-	-	120,505	121,280
Restricted investments	-	-	-	67,671	67,671
TOTAL ASSETS	<u>\$ 529,493</u>	<u>\$ 827,826</u>	<u>\$ 197,150</u>	<u>\$ 1,249,829</u>	<u>\$ 2,804,298</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 12,355	\$ -	\$ -	\$ -	\$ 12,355
Court bonds payable	775	-	-	-	775
Due to other funds	-	164,853	-	6,229	171,082
Deferred revenue	-	-	-	11,292	11,292
TOTAL LIABILITIES	<u>13,130</u>	<u>164,853</u>	<u>-</u>	<u>17,521</u>	<u>195,504</u>
Fund Balances					
Reserved for:					
Debt service	-	-	-	1,232,308	1,232,308
Unreserved, reported in:					
General Fund	516,363	-	-	-	516,363
Special Revenue Fund	-	662,973	197,150	-	860,123
TOTAL FUND BALANCES	<u>516,363</u>	<u>662,973</u>	<u>197,150</u>	<u>1,232,308</u>	<u>2,608,794</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 529,493</u>	<u>\$ 827,826</u>	<u>\$ 197,150</u>	<u>\$ 1,249,829</u>	<u>\$ 2,804,298</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 June 30, 2010

Fund balance - total governmental funds	\$ 2,608,794
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	36,015,501
Less accumulated depreciation	<u>(23,631,487)</u>
	12,384,014
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when paid	(81,714)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(11,001)
Adjustment of deferred revenue	11,292
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,173,244)</u>
Net Assets of Governmental Activities	<u><u>\$ 13,738,141</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General Fund	Special Sales Tax	Industrial Development Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 997,496	\$ 249,377	\$ -	\$ -	\$ 1,246,873
Licenses and permits	9,444	-	-	-	9,444
Intergovernmental revenues	100,742	-	-	-	100,742
Charges for services	143,764	-	-	-	143,764
Fines and forfeitures	41,650	-	-	-	41,650
Miscellaneous	29,133	8,373	9,637	84,715	131,858
TOTAL REVENUES	1,322,229	257,750	9,637	84,715	1,674,331
EXPENDITURES					
Current					
Administrative	126,377	-	-	-	126,377
Police	546,968	-	-	-	546,968
Municipal Court	32,067	-	-	-	32,067
Fire	75,495	-	-	-	75,495
Animal control	11,057	-	-	-	11,057
Parks	220,017	-	-	-	220,017
Street	518,066	-	-	-	518,066
Planning and zoning	63,531	-	-	-	63,531
Transportation	59,792	-	-	-	59,792
Airport	64,533	-	-	-	64,533
Golf	189,673	-	-	-	189,673
Economic development	15,945	-	-	-	15,945
Capital expenditures	-	-	13,000	-	13,000
Debt Service					
Principal and interest	-	-	-	259,235	259,235
TOTAL EXPENDITURES	1,923,521	-	13,000	259,235	2,195,756
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(601,292)	257,750	(3,363)	(174,520)	(521,425)
OTHER FINANCING SOURCES (USES)					
Lease proceeds	83,662	-	-	-	83,662
Sale of land	-	-	117,493	-	117,493
Operating transfers in (out)	560,145	(293,046)	-	64,815	331,914
TOTAL OTHER FINANCING SOURCES (USES)	643,807	(293,046)	117,493	64,815	533,069
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	42,515	(35,296)	114,130	(109,705)	11,644
FUND BALANCE, July 1	473,848	698,269	83,020	1,342,013	2,597,150
FUND BALANCE, June 30	\$ 516,363	\$ 662,973	\$ 197,150	\$ 1,232,308	\$ 2,608,794

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2010

Net change in fund balances - total governmental funds \$ 11,644

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

Governmental funds report capital outlays as expenditures. However, in the statement
 of activities the cost of these assets is allocated over their estimated useful lives on a
 straight line basis and reported as depreciation expense. The following is the detail
 of the amount by which depreciation exceeded capital outlay for the year.

Capital outlay	160,631
Depreciation	(785,001)
	<u>(624,370)</u>

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the statement of
 activities when incurred. (9,362)

The issuance of long-term debt provides current financial resources to governmental
 funds. The repayment of the principal of long-term debt is a use of current financial
 resources of governmental funds. In the statement of activities, interest is accrued
 on outstanding bonds whereas in the governmental funds, an interest expenditure is
 reported when due. The following is the detail of the net effect of these differences.

Capital lease proceeds	(83,662)
Repayment of principal on bonds and leases	237,235
Interest	2,696
	<u>156,269</u>

Change in net assets of governmental activities \$ (465,819)

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2010

ASSETS	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Current Assets				
Cash and cash equivalents	\$ 1,150,551	\$ 423,512	\$ 390,359	\$ 1,964,422
Investments	2,520,606	203,141	-	2,723,747
Interest receivable	5,588	-	-	5,588
Utilities receivable, net	804,018	70,635	99,443	974,096
Interfund balances	-	(228,314)	346,321	118,007
Inventory	292,523	39,171	-	331,694
TOTAL CURRENT ASSETS	4,773,286	508,145	836,123	6,117,554
Restricted Assets				
Cash and cash equivalents	81,990	-	2,237,957	2,319,947
Investments	32,738	832,887	-	865,625
TOTAL RESTRICTED ASSETS	114,728	832,887	2,237,957	3,185,572
Deferred Bond Issuance Costs	40,500	219,919	128,732	389,151
Property, Plant and Equipment,				
Non-depreciable	1,603,998	-	4,483,125	6,087,123
Depreciable	5,388,483	5,110,913	9,678,569	20,177,965
Accumulated Depreciation	(2,062,236)	(1,222,562)	(5,994,706)	(9,279,504)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	4,930,245	3,888,351	8,166,988	16,985,584
TOTAL ASSETS	\$ 9,858,759	\$ 5,449,302	\$ 11,369,800	\$ 26,677,861
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 391,027	\$ -	\$ 510,101	\$ 901,128
Accrued expenses	1,815	-	-	1,815
Accrued interest payable	11,884	111,678	155,546	279,108
Utility deposits	93,039	-	-	93,039
Current maturities of long-term debt	55,000	140,000	230,000	425,000
TOTAL CURRENT LIABILITIES	552,765	251,678	895,647	1,700,090
Long-Term Liabilities				
Compensated absences payable	4,639	13,103	391	18,133
Revenue bonds payable	-	-	6,296,853	6,296,853
Certificates of participation payable	1,485,000	5,835,000	-	7,320,000
TOTAL LONG-TERM LIABILITIES	1,489,639	5,848,103	6,297,244	13,634,986
TOTAL LIABILITIES	2,042,404	6,099,781	7,192,891	15,335,076
NET ASSETS				
Invested in capital assets, net of related debt	3,390,245	(1,253,762)	3,051,495	5,187,978
Restricted	-	832,886	826,597	1,659,483
Unrestricted	4,426,110	(229,603)	298,817	4,495,324
TOTAL NET ASSETS	7,816,355	(650,479)	4,176,909	11,342,785
TOTAL LIABILITIES AND NET ASSETS	\$ 9,858,759	\$ 5,449,302	\$ 11,369,800	\$ 26,677,861

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
OPERATING REVENUES				
Charges for services	\$ 6,018,087	\$ 509,962	\$ 769,972	\$ 7,298,021
Miscellaneous	2,888	1,638	2,699	7,225
TOTAL OPERATING REVENUES	6,020,975	511,600	772,671	7,305,246
OPERATING EXPENSES				
Salaries and wages	190,960	154,531	235,695	581,186
Employee benefits	51,564	50,166	2,580	104,310
Gas and oil	6,925	14,775	1,526	23,226
Materials and supplies	9,119	34,054	14,039	57,212
Insurance and taxes	38,409	-	14,253	52,662
Power purchased	4,119,459	-	42,817	4,162,276
Telephone and utilities	6,891	5,677	3,631	16,199
Repairs and maintenance	111,181	73,849	61,633	246,663
Professional fees	16,645	3,460	110,951	131,056
Other expenses	60,901	35,460	8,595	104,956
Depreciation	159,652	166,429	161,144	487,225
Administrative	100,000	78,924	98,514	277,438
TOTAL OPERATING EXPENSES	4,871,706	617,325	755,378	6,244,409
OPERATING INCOME (LOSS)	1,149,269	(105,725)	17,293	1,060,837
NONOPERATING REVENUES (EXPENSES)				
Interest income	74,608	8,684	261,537	344,829
Interest expense	(75,674)	(286,521)	(371,292)	(733,487)
TOTAL NONOPERATING REVENUES (EXPENSES)	(1,066)	(277,837)	(109,755)	(388,658)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,148,203	(383,562)	(92,462)	672,179
OPERATING TRANSFERS IN (OUT)	(819,145)	454,000	33,231	(331,914)
NET INCOME (LOSS)	329,058	70,438	(59,231)	340,265
NET ASSETS, July 1	7,487,297	(720,917)	4,236,140	11,002,520
NET ASSETS, June 30	\$ 7,816,355	\$ (650,479)	\$ 4,176,909	\$ 11,342,785

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2010

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,128,079	\$ 527,578	\$ 794,757	\$ 7,450,414
Cash paid to suppliers	(4,549,780)	(298,844)	(70,285)	(4,918,909)
Cash paid to employees	(264,082)	(154,892)	(239,397)	(658,371)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,314,217	73,842	485,075	1,873,134
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfer in (out)	(819,145)	454,000	33,231	(331,914)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(819,145)	454,000	33,231	(331,914)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of fixed assets	(1,031,526)	(78,097)	(3,821,631)	(4,931,254)
Payment of bond principal	-	-	(132,325)	(132,325)
Payment of certificates of participation	(55,000)	(135,000)	-	(190,000)
Payment of interest expense	(151,395)	(271,731)	(407,771)	(830,897)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(1,237,921)	(484,828)	(4,361,727)	(6,084,476)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	74,608	8,684	261,537	344,829
Purchase of investments	-	(201)	-	(201)
Proceeds from maturity of investments	1,033,942	-	201,087	1,235,029
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,108,550	8,483	462,624	1,579,657
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	365,701	51,497	(3,380,797)	(2,963,599)
CASH AND CASH EQUIVALENTS, Beginning of year	866,840	372,015	6,009,113	7,247,968
CASH AND CASH EQUIVALENTS, End of year	1,232,541	423,512	2,628,316	4,284,369
LESS RESTRICTED CASH AND CASH EQUIVALENTS	81,990	-	2,237,957	2,319,947
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,150,551	\$ 423,512	\$ 390,359	\$ 1,964,422
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,149,269	\$ (105,725)	\$ 17,293	\$ 1,060,837
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	159,652	166,429	161,144	487,225
(Increase) decrease in:				
Utilities receivable	26,373	15,978	22,086	64,437
Inventory	12,087	(1,714)	-	10,373
Increase (decrease) in:				
Accounts payable	(92,337)	(765)	285,674	192,572
Accrued expenses	(13,125)	(983)	(1,083)	(15,191)
Meter deposits payable	80,731	-	-	80,731
Compensated absences payable	(8,433)	622	(39)	(7,850)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,314,217	\$ 73,842	\$ 485,075	\$ 1,873,134

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Board of Aldermen/Mayor form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, culture-recreation, public improvements, planning, and general administrative services. Other services include water, sewer and electric operations.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB Section 1600.131 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

Financial Reporting Entity

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Assets and the Statement of Activities) and fund financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements display information about the government as a whole. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

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

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental and business-type activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

FUND FINANCIAL STATEMENTS

Separate fund financial statements report information on the City's governmental and proprietary funds. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Special Sales Tax Fund: The Special Sales Tax Fund of the City is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Industrial Development Fund: The Industrial Development Fund is used to account for resources restricted for industrial development.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of the 1992 General Obligation Bonds and the 1995 General Obligation Industrial Bonds.

The City reports the following major proprietary funds:

Electric Fund: The Electric Fund accounts for the activities and capital improvements of the City's electric operations.

Water Fund: The Water Fund accounts for the activities and capital improvements of the City's water operations.

Sewer Fund: The Sewer Fund accounts for the activities and capital improvements of the City's sewer operations.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, storm sewers, and similar items) and are included in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least five years. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Historically, governmental infrastructure assets have not been capitalized and reported in the financial statements. In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Land improvements	20 years
Electric plant	30 years
Water and sewer systems	30-50 years
Buildings and improvements	50 years
Major moveable equipment	7-15 years
Infrastructure	50 years

Expenses for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Unreserved Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

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

Inventories

Inventories are stated at cost using first in, first out method.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Codification Topic No. 835-20-30 – *The Amount of Interest Cost to be Capitalized in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Net Assets

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

Invested in Capital Assets, Net of Related Debt – 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 improvement of those assets.

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

Unrestricted – This consists of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City first applies restricted net assets.

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2010, all bank balances on deposit are entirely insured or collateralized.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2010, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	8/9/2010 - 7/15/2011	\$ 2,821,936
Edward Jones Money Market Funds	N/A	9,042
Federal National Mortgage Notes	11/15/17 - 2/22/33	522,505
Guaranteed Investment Contracts	N/A	37,141
Federated Treasury Obligation Fund	N/A	868,594
		<u>\$ 4,259,218</u>

Custodial Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City's Certificates of Deposit are entirely insured or collateralized by a trust department of a bank that does not hold the collateralized deposits. The city-guaranteed investment contracts are invested under the State Revolving Fund Program and are required to be collateralized in the amount of 105% of the value of the investment.

Interest Rate Risk

The City holds debt securities until maturity to neutralize interest rate risk.

Credit Risk

The City's investments in Federal Home Loan Mortgage Notes were rated AAA by Standard and Poor's. The Edward Jones Money Market Funds, and Federated Treasury Obligation Fund are not rated.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash has been restricted in the amount of \$775 for the outstanding court bonds. In the Debt Service Fund, cash has been restricted in the amount of \$120,505 and investments have been restricted in the amount of \$67,671 for future debt service obligations.

Business-Type Activities

The 1998 and 2008 Combined Waterworks and Sewerage System revenue bond ordinances and the 2008, 2005, and 2003 Certificates of Participation ordinances established amounts required to be deposited in certain sinking and reserve funds. As of June 30, 2010, the required deposits for the 1998 Combined Waterworks and Sewerage System revenue bond fund have been made. As of June 30, 2010, the City has made the required deposits for the 2008, 2005, and 2003 Certificates of Participation accounts. These special reserves consist of cash and cash equivalents and are reported in the accompanying balance sheet as restricted cash and cash equivalents and restricted net assets. Restricted cash and cash equivalents also include cash and cash equivalents restricted for customer meter deposits. These restrictions are as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
SEWER FUND		
1998 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 185,482	\$ 185,482
Debt Service Reserve Fund	117,000	117,000
Depreciation and Replacement Fund	258,316	258,316
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	89,799	89,799
Debt Service Reserve Fund	176,000	176,000
Project Fund	<u>1,411,360</u>	<u>-</u>
	2,237,957	826,597

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
WATER FUND		
2003 Certificates of Participation		
Debt Service Reserve Fund	280,000	280,000
Principal and Interest Fund	145,306	145,306
2005 Certificates of Participation		
Debt Service Reserve Fund	407,580	407,580
	<u>832,886</u>	<u>832,886</u>
ELECTRIC FUND		
2008 Project Fund	32,738	-
Customer Deposits	81,990	-
	<u>114,728</u>	<u>-</u>
	<u>\$ 3,185,571</u>	<u>\$ 1,659,483</u>

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
UTILITIES RECEIVABLE			
Enterprise Funds			
Electric Fund	\$ 863,926	\$ (59,908)	\$ 804,018
Water Fund	76,341	(5,706)	70,635
Sewer Fund	105,148	(5,705)	99,443
	<u>\$ 1,045,415</u>	<u>\$ (71,319)</u>	<u>\$ 974,096</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2010, consists of the 1992 General Obligation Bonds, the 1995 General Obligation Industrial Bonds, and two Capital Lease obligations payable.

In 1992, the City issued \$790,000 in general obligation bonds. The bonds bear interest at 4.50% to 6.55%. Interest payments are due semi-annually on July 1 and January 1 of each year. The annual debt service requirements to amortize the principal on the 1992 General Obligation Bonds outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 65,000	\$ 8,843	\$ 73,843
2012	70,000	4,585	74,585
	<u>\$ 135,000</u>	<u>\$ 13,428</u>	<u>\$ 148,428</u>

In 1995, the City issued \$2,200,000 in General Obligation Industrial Bonds. The bonds bear interest at 4.60% to 6.40%. Interest payments are due semi-annually on June 1 and December 1 of each year. The annual debt service requirements to amortize the principal on the 1995 General Obligation Industrial Bonds outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Principal	Interest	Total
	2011	\$ 130,000	\$ 56,640
2012	135,000	48,160	183,160
2013	145,000	39,200	184,200
2014	155,000	29,600	184,600
2015	390,000	12,320	402,320
	<u>\$ 955,000</u>	<u>\$ 185,920</u>	<u>\$ 1,140,920</u>

Capital Lease Payable – Police Cars: During the year ended June 30, 2009, the City entered into a lease purchase obligation to finance the purchase of three Ford Crown Victoria police cars for a total cost of \$65,891. The agreement required an initial payment of \$23,097 with future annual payments of \$23,097 plus interest at 5.25%.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (continued)

Capital Lease Payable – Dump Truck: During the year ended June 30, 2010, the City entered into a lease purchase obligation to finance the purchase of a 2010 International 7400 dump truck in the amount of \$83,662. The lease requires annual payments of \$22,362 plus interest at 4.53%.

Although the lease agreement provides for cancellation of the lease at the City's option on the renewal date each year, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable lease in accordance with ASC-840-10-25.

The following is a schedule of future minimum lease payments under the leases (assuming noncancellation):

Year Ended June 30,	Three Police Cars	International Truck	Total
2011	\$ 23,097	\$ 22,362	\$ 45,459
2012	-	22,362	22,362
2013	-	22,362	22,362
TOTAL MINIMUM LEASE PAYMENTS	23,097	67,086	90,183
LESS AMOUNT REPRESENTING INTEREST	(1,153)	(5,786)	(6,939)
NET LEASE PAYMENTS	<u>\$ 21,944</u>	<u>\$ 61,300</u>	<u>\$ 83,244</u>

The following is a summary of the changes in Governmental Activities Long-Term Debt for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
1992 General Obligation Bonds	\$ 195,000	\$ -	\$ 60,000	\$ 135,000
1995 General Obligation Industrial Bonds	1,075,000	-	120,000	955,000
Capital Leases Payable - fire truck	14,023	-	14,023	-
Capital Leases Payable -three police cars	42,794	-	20,850	21,944
Capital Leases Payable -International truck	-	83,662	22,362	61,300
	<u>\$ 1,326,817</u>	<u>\$ 83,662</u>	<u>\$ 237,235</u>	<u>\$ 1,173,244</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

The business-type activities long-term debt at June 30, 2010, consists of 1998 and 2008 Combined Waterworks and Sewerage System revenue bonds, and the 2003 2005, and 2008 Certificates of Participation.

Water Fund

During 2005, the City issued \$3,835,000 in Refunding Certificates of Participation to advance refund the Series 2002 Certificates of Participation. The Series 2005 certificates bear interest at 4.19%. Interest payments are due in semi-annual installments on March 1 and September 1 of each year. The annual debt service requirements to amortize the principal on the 2005 Certificates of Participation outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 55,000	\$ 149,164	\$ 204,164
2012	55,000	146,860	201,860
2013	130,000	144,555	274,555
2014	130,000	139,108	269,108
2015	230,000	133,661	363,661
2016	340,000	124,024	464,024
2017	360,000	109,778	469,778
2018	375,000	94,694	469,694
2019	395,000	78,981	473,981
2020	415,000	62,431	477,431
2021	430,000	45,042	475,042
2022	645,000	27,025	672,025
	<u>\$ 3,560,000</u>	<u>\$ 1,255,323</u>	<u>\$ 4,815,323</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Electric Fund

During 2008, the City issued \$1,645,000 in Certificates of Participation (COPS). The certificates bear interest at 4.63%. Interest payments are due in semi-annual installments on May 1 and November 1 of each year. The annual debt service requirements to amortize the principal on the 2008 Certificates of Participation outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 55,000	\$ 71,302	\$ 126,302
2012	60,000	68,756	128,756
2013	60,000	65,978	125,978
2014	65,000	63,200	128,200
2015	70,000	60,190	130,190
2016	70,000	56,949	126,949
2017	75,000	53,708	128,708
2018	80,000	50,236	130,236
2019	80,000	46,532	126,532
2020	85,000	42,828	127,828
2021	90,000	38,892	128,892
2022	95,000	34,725	129,725
2023	100,000	30,327	130,327
2024	100,000	25,697	125,697
2025	105,000	21,067	126,067
2026	110,000	16,205	126,205
2027	115,000	11,112	126,112
2028	125,000	5,782	130,782
	<u>\$ 1,540,000</u>	<u>\$ 763,486</u>	<u>\$ 2,303,486</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Water Fund

During 2003, the City issued \$2,800,000 in Certificates of Participation (COPS). The certificates bear interest at 2.00% to 5.10%. Interest payments are due in semi-annual installments on February 1 and August 1 of each year. The annual debt service requirements to amortize the principal on the 2003 Certificates of Participation outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 85,000	\$ 117,269	\$ 202,269
2012	90,000	113,875	203,875
2013	90,000	110,185	200,185
2014	100,000	106,145	206,145
2015	10,000	103,745	113,745
2016	-	103,495	103,495
2017	85,000	101,370	186,370
2018	85,000	97,120	182,120
2019	90,000	92,745	182,745
2020	90,000	88,245	178,245
2021	100,000	83,495	183,495
2022	95,000	78,620	173,620
2023	590,000	61,200	651,200
2024	905,000	23,078	928,078
	<u>\$ 2,415,000</u>	<u>\$ 1,280,587</u>	<u>\$ 3,695,587</u>

Sewer Fund

Sewer Fund long-term debt consists of the 1998 Combined Waterworks and Sewerage System Refunding Revenue Bonds and the 2008 Combined Waterworks and Sewerage System Revenue Bonds.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

During 2008, the City issued \$5,715,000 in Combined Waterworks and Sewerage System Revenue Bonds. The bonds bear interest at 4.00% to 5.75%. Interest payments are due semi-annually on July 1 and January 1 of each year. Annual debt service requirements to amortize the principal on the 2008 revenue bonds outstanding at June 30, 2010, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 90,000	\$ 303,925	\$ 393,925
2012	90,000	300,325	390,325
2013	95,000	296,725	391,725
2014	95,000	292,688	387,688
2015	185,000	288,650	473,650
2016	325,000	280,325	605,325
2017	325,000	264,888	589,888
2018	335,000	248,638	583,638
2019	350,000	231,888	581,888
2020	345,000	213,513	558,513
2021	350,000	195,831	545,831
2022	360,000	177,106	537,106
2023	370,000	157,306	527,306
2024	375,000	136,956	511,956
2025	385,000	115,956	500,956
2026	395,000	94,300	489,300
2027	405,000	71,588	476,588
2028	415,000	48,300	463,300
2029	425,000	24,436	449,436
	<u>\$ 5,715,000</u>	<u>\$ 3,743,344</u>	<u>\$ 9,458,344</u>

Sewer Fund

In 1998, the City issued \$1,380,000 in Combined Waterworks and Sewerage System Refunding Bonds. The bonds bear interest at 4.25% to 5.00%. Interest payments are due semi-annually on June 1 and December 1 of each year. Annual debt service requirements to amortize the principal on the 1998 revenue bonds outstanding at June 30, 2010, are listed in the table below:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE G – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES (continued)

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2011	\$ 140,000	\$ 39,500	\$ 179,500
2012	145,000	32,375	177,375
2013	155,000	24,875	179,875
2014	160,000	17,000	177,000
2015	170,000	8,750	178,750
2016	90,000	2,250	92,250
	<u>\$ 860,000</u>	<u>\$ 124,750</u>	<u>\$ 984,750</u>

The following table is a summary of the changes in the long-term debt – business-type activities for the year ended June 30, 2010:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010
Electric Fund				
COP Payable				
2008 COP Issue	\$ 1,595,000	\$ -	\$ 55,000	\$ 1,540,000
SEWER FUND				
Revenue Bonds Payable				
1998 Revenue Bonds	995,000	-	135,000	860,000
2008 Revenue Bonds	5,715,000	-	-	5,715,000
	6,710,000	-	135,000	6,575,000
Unamortized bond discount on 2008 issue	(50,822)	-	(2,675)	(48,147)
	6,659,178	-	132,325	6,526,853
WATER FUND				
COP Payable				
2003 COP Issue	2,495,000	-	80,000	2,415,000
2005 COP Issue	3,615,000	-	55,000	3,560,000
	6,110,000	-	135,000	5,975,000
TOTAL	<u>\$ 14,364,178</u>	<u>\$ -</u>	<u>\$ 322,325</u>	<u>\$ 14,041,853</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 807,948	\$ 23,510	\$ 117,493	\$ 713,965
Depreciable Capital Assets				
Land improvements	231,081	\$ -	\$ -	231,081
Building and improvements	739,105	-	-	739,105
Major moveable equipment	974,825	25,687	-	1,000,512
Infrastructure	33,101,911	228,927	-	33,330,838
Total Depreciable Capital Assets	35,046,922	\$ 254,614	\$ -	35,301,536
Less Accumulated Depreciation				
Land improvements	84,535	\$ 11,553	\$ -	96,088
Building and improvements	245,926	13,478	-	259,404
Major moveable equipment	695,743	97,846	-	793,589
Infrastructure	21,820,282	662,124	-	22,482,406
Total Accumulated Depreciation	22,846,486	\$ 785,001	\$ -	23,631,487
Total Depreciable Capital Assets, net	12,200,436			11,670,049
Total Governmental Activities Capital Assets, net	\$ 13,008,384			\$ 12,384,014

Depreciation expense was charged to functions as follows:

Administrative	\$ 6,703
Police	17,772
Fire	54,432
Parks	22,392
Street	656,489
Transportation	9,457
Airport	8,629
Golf	9,127
	<u>\$ 785,001</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE H – CAPITAL ASSETS (continued)

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	607,686	3,821,631		4,429,317
	<u>661,494</u>	<u>\$ 3,821,631</u>	<u>\$ -</u>	4,483,125
Depreciable Capital Assets				
Sewer plant	9,678,569	\$ -	\$ -	9,678,569
Less Accumulated Depreciation				
Sewer plant	5,833,562	\$ 161,144	\$ -	5,994,706
Depreciable Capital Assets, net	3,845,007			3,683,863
Electric Fund				
Non-Depreciable Capital Assets				
Land	145,617	\$ -	\$ -	145,617
Construction in Progress	668,538	789,843	-	1,458,381
	<u>814,155</u>	<u>\$ 789,843</u>	<u>\$ -</u>	1,603,998
Depreciable Capital Assets:				
Electric plant	5,146,800	\$ 241,683	\$ -	5,388,483
Less Accumulated Depreciation				
Electric plant	1,902,584	\$ 159,652	\$ -	2,062,236
Depreciable Capital Assets, net	3,244,216			3,326,247
Water Fund				
Depreciable Capital Assets:				
Water plant	5,032,816	\$ 78,097	\$ -	5,110,913
Less Accumulated Depreciation				
Water plant	1,056,133	\$ 166,429	\$ -	1,222,562
Depreciable Capital Assets, net	<u>3,976,683</u>			<u>3,888,351</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 12,541,555</u>			<u>\$ 16,985,584</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Mt. Vernon participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries.

LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Mt. Vernon do not contribute to the pension plan. The June 30th statutorily required contribution rates are 10.5% (General) and 7.7% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost (APC) and Net Pension Obligation (NPO)

The subdivision's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 105,019
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>105,019</u>
Actual contributions	<u>105,019</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 29, 2008, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 29, 2008, was 15 years for the General division and 15 years for the Police division.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/08	\$ 108,051	100%	\$ -
06/30/09	110,808	100%	-
06/30/10	105,019	100%	-

The actuarial valuation revealed the following relating to the financial position of the Plan:

Actuarial Valuation Date	(a) Actuarial Value of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	UAL as a Percentage of Covered Payroll
02/28/10	\$ 1,129,262	\$ 1,552,658	\$ 423,396	73%	\$ 1,114,662	38%

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

NOTE J – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

NOTE K – NOTE RECEIVABLE ON INDUSTRIAL BONDS AND PROPERTY SALE

In 1995, the City issued general obligation industrial bonds in the amount of \$2,200,000. The proceeds were loaned to Reyco Industries, Inc. for industrial development in exchange for a note receivable being held in a trust administered by the Bank of New York. The trust receives payments on the note from Reyco Industries, Inc. and then disburses the bond payments. \$960,000 has been recorded in the Debt Service Fund for the balance remaining on the note receivable. Deferred revenue was recorded for the difference between the amount loaned to Reyco Industries, Inc. and the amount of the note receivable. This amount is to be amortized over the life of the bonds on the straight-line basis. As of June 30, 2010, the unamortized portion was \$11,292.

In 2006, the City sold an industrial property and owner-financed the purchase price of \$128,000. The City will earn 5.75% on this note receivable. At June 30, 2010, \$101,653 has been recorded in the Debt Service Fund for the balance remaining on the note receivable.

NOTE L – DEFERRED DEBT ISSUE COSTS

During 2003, 2005 and 2008, the City issued Waterworks Certificates of Participation and during 1995 and 1998, the City issued Combined Waterworks and Sewerage System Refunding Revenue Bonds. The issue costs will be amortized as an adjustment to interest expense using straight line amortization over the life of the bonds and certificates.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE L – DEFERRED DEBT ISSUE COSTS (continued)

These deferred debt issue costs are presented net of current amortization as follows:

	Unamortized Debt Issue Costs June 30, 2009	Additions	Current Amortization	Unamortized Debt Issue Costs June 30, 2010
Electric Fund	\$ 42,750	\$ -	\$ 2,250	\$ 40,500
Sewer Fund	144,314	-	15,582	128,732
Water Fund	236,836	-	16,917	219,919
	<u>\$ 423,900</u>	<u>\$ -</u>	<u>\$ 34,749</u>	<u>\$ 389,151</u>

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2010, consisted of the following:

	General Fund	Special Sales Tax Fund	Debt Service Fund	Water Fund	Sewer Fund
Internal balances	<u>\$ 75</u>	<u>\$ (111,853)</u>	<u>\$ (6,229)</u>	<u>\$ (228,314)</u>	<u>\$ 346,321</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE N – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2010, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE O – PLEDGED REVENUES

Electric Fund

The City has pledged future electric customer revenues to repay the 2008 Lease Certificates of Participation issued to improve and expand the electric system. The lease is payable solely from electric customer net revenues and are payable through 2028. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the lease is \$2,606,486. Principal and interest paid for the current year and total customer net revenues were \$130,674 and \$1,308,921, respectively.

Water Fund

The City has pledged future water customer revenues to repay the 2003 and 2005 Lease Certificates of Participation (COP) issued to improve and expand the water system. The leases are payable solely from water customer net revenues and are payable through 2024. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the leases is \$8,510,910. Principal and interest paid for the current year and total customer net revenues were \$421,521 and \$60,704, respectively.

Sewer Fund

The City has pledged future sewer customer revenues to repay the 1998 and 2008 Combined Waterworks and Sewerage Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customer net revenues and are payable through 2029. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$6,575,000. Principal and interest paid for the current year and total customer net revenues were \$506,292 and \$178,437, respectively.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2010

NOTE P – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended June 30, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 560,145	\$ -
Special Sales Tax Fund	-	293,046
Industrial Development Fund	-	-
Debt Service Fund	64,815	-
Electric Fund	-	819,145
Water Fund	454,000	-
Sewer Fund	33,231	-
	<u>\$ 1,112,191</u>	<u>\$ 1,112,191</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE Q – COMMITMENTS

The City was committed to a contract for construction of a new wastewater facility with McClanahan Construction in the amount of \$488,719 as of June 30, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended June 30, 2010

Missouri Local Government Employees Retirement System (LAGERS)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/29/08	\$ 1,619,072	\$ 1,753,671	\$ 134,599	92%	\$ 1,007,620	13%
02/28/09	1,015,413	1,471,119	455,706	69%	1,095,739	42%
02/28/10	1,129,262	1,552,658	423,396	73%	1,114,662	38%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 790,000	\$ 719,986	\$ 719,986	\$ -
Motor vehicle tax	125,000	151,345	151,345	-
Utility franchise tax	104,000	100,809	100,809	-
Other taxes	25,000	25,356	25,356	-
	<u>1,044,000</u>	<u>997,496</u>	<u>997,496</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	4,500	4,966	4,966	-
Building permits	7,000	4,478	4,478	-
	<u>11,500</u>	<u>9,444</u>	<u>9,444</u>	<u>-</u>
Intergovernmental Revenues				
Grants	64,586	100,742	100,742	-
Charges for Services				
Taxi	7,000	6,916	6,916	-
Animal control	500	-	-	-
Pool	16,000	20,575	20,575	-
Park	7,000	9,206	9,206	-
Golf fees	105,000	104,817	104,817	-
Cemetery	1,000	2,250	2,250	-
	<u>136,500</u>	<u>143,764</u>	<u>143,764</u>	<u>-</u>
Fines and forfeitures				
City court fines	45,000	41,650	41,650	-
Miscellaneous				
Rent income	8,500	9,780	9,780	-
Interest	1,500	1,124	1,124	-
Donations	3,675	4,410	4,410	-
Other	1,800	13,819	13,819	-
	<u>15,475</u>	<u>29,133</u>	<u>29,133</u>	<u>-</u>
TOTAL REVENUES	1,317,061	1,322,229	1,322,229	-

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	418,672	126,377	126,377	-
Police	552,217	546,968	546,968	-
Municipal Court	37,159	32,067	32,067	-
Fire	78,756	75,495	75,495	-
Animal control	11,705	11,057	11,057	-
Parks	204,950	220,017	220,017	-
Street	428,368	518,066	518,066	-
Planning and zoning	74,394	63,531	63,531	-
Transportation	71,891	59,792	59,792	-
Airport	19,950	64,533	64,533	-
Golf	196,754	189,673	189,673	-
Economic development	16,384	15,945	15,945	-
TOTAL EXPENDITURES	<u>2,111,200</u>	<u>1,923,521</u>	<u>1,923,521</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(794,139)	(601,292)	(601,292)	-
OTHER FINANCING SOURCES				
Lease proceeds	-	83,662	83,662	-
Operating transfers in	517,000	560,145	560,145	-
TOTAL OTHER FINANCING SOURCES	<u>517,000</u>	<u>643,807</u>	<u>643,807</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(277,139)	42,515	42,515	-
FUND BALANCE, July 1	<u>473,848</u>	<u>473,848</u>	<u>473,848</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 196,709</u>	<u>\$ 516,363</u>	<u>\$ 516,363</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL SALES TAX FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 258,000	\$ 249,377	\$ 249,377	\$ -
Miscellaneous				
Interest	10,000	8,373	8,373	-
TOTAL REVENUES	268,000	257,750	257,750	-
OTHER FINANCING (USES)				
Operating transfers (out)	(260,000)	(293,046)	(293,046)	-
EXCESS (DEFICIT) OF REVENUES OVER OTHER FINANCING (USES)	8,000	(35,296)	(35,296)	-
FUND BALANCE, July 1	698,269	698,269	698,269	-
FUND BALANCE, June 30	\$ 706,269	\$ 662,973	\$ 662,973	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Rents	\$ 10,500	\$ 9,264	\$ 9,264	\$ -
Interest	650	373	373	-
TOTAL REVENUES	11,150	9,637	9,637	-
EXPENDITURES				
Capital outlay	-	13,000	13,000	-
TOTAL EXPENDITURES	-	13,000	13,000	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	11,150	(3,363)	(3,363)	-
OTHER FINANCING SOURCES				
Sale of land		117,493	117,493	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	11,150	114,130	114,130	-
FUND BALANCE, July 1	83,020	83,020	83,020	-
FUND BALANCE, June 30	\$ 94,170	\$ 197,150	\$ 197,150	\$ -

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2010

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the Board of Aldermen in late May or early June to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to July 1, ordinances are passed by the Board of Aldermen which provide for legally adopted budgets for all funds of the City.
4. Formal budgetary integration is employed as a management control device for all funds of the City.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by the Board of Aldermen on approved budget adjustment forms.

OTHER FINANCIAL INFORMATION



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

Honorable Mayor and Board of Aldermen
City of Mt. Vernon, Missouri
Mt. Vernon, Missouri

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended June 30, 2010, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements and have issued our report thereon dated December 2, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Mt. Vernon, Missouri's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Honorable Mayor and Board of Aldermen
City of Mt. Vernon, Missouri
Mt. Vernon, Missouri

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. They are identified as items 10-1, 10-2 and 10-3.

Compliance and Other Matters

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

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn; Moots, PC

DAVIS, LYNN & MOOTS, P.C.
December 2, 2010



DAVIS, LYNN &
MOOTS, P.C.
Certified Public
Accountants

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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and Board of Aldermen
City of Mt. Vernon, Missouri
Mt. Vernon, Missouri

We have audited the compliance of the City of Mt. Vernon, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Mt. Vernon, Missouri's major federal program for the year ended June 30, 2010. The City of Mt. Vernon, Missouri's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Mt. Vernon, Missouri's management. Our responsibility is to express an opinion on the City of Mt. Vernon, Missouri's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Mt. Vernon, Missouri's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Mt. Vernon, Missouri's compliance with those requirements.

In our opinion, the City of Mt. Vernon, Missouri, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Honorable Mayor and Board of Aldermen
City of Mt. Vernon, Missouri
Mt. Vernon, Missouri

Internal Control over Compliance

The management of the City of Mt. Vernon, Missouri, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Mt. Vernon, Missouri's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Davis, Lynn & Moots, PC

DAVIS, LYNN & MOOTS, P.C.
December 2, 2010

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2010

Federal Grantor Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Federal Expenditures
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Passed Through Missouri Department of Natural Resources Capitalization Grant for Clean Water State Revolving Funds	66.458	N/A	\$ 2,458,801
TOTAL ENVIRONMENTAL PROTECTION AGENCY			2,458,801
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed Through Missouri Department of Public Safety Bulletproof Vest Partnership Program	16.607	N/A	526
Juvenile Mentoring Program	16.726	2007-EUDL-0047	2,582
Juvenile Mentoring Program	16.726	2008-EUDL-0029	1,210
TOTAL U.S. DEPARTMENT OF JUSTICE			4,318
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed Through Missouri Department of Transportation Federal Transit Formula Grants	20.507	N/A	41,836
Airport Improvement Grant	20.106	AIRE 045-51A	49,988
Passed Through University of Central Missouri Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	LLK073-NHTSA	1,200
Child Safety and Child Booster Seats Incentive Grants	20.613	LKK063-NHTSA	1,500
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			94,524
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,557,643

N/A - Not applicable

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A to the City's financial statements.

CITY OF MT. VERNON, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements.
2. Deficiencies disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. These deficiencies are reported as material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award program.
5. The auditors' report on compliance for the major federal award program expresses an unqualified opinion.
6. There were no findings required to be reported in accordance with Section 510(a) of Circular A-133.
7. The program tested as a major program was:

Capitalization Grant for Clean Water State Revolving Loan Funds	66.458
-----------------------------------------------------------------	--------
8. The threshold to determine Type A programs was \$300,000.
9. The City of Mt. Vernon, Missouri was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

10-1 Segregation of duties

Condition: Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

CITY OF MT. VERNON, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

Criteria: Duties should be segregated so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction.

Effect: Risk is present that errors or irregularities in amounts that would be material to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: We realize that because of limited resources and personnel, management may not be able to achieve a proper segregation of duties; however, our professional standards require that we bring this lack of segregation of duties to your attention in this report.

Response: The limited number of available personnel prohibits segregation of incompatible duties.

10-2 Application of accounting principles generally accepted in the United States of America

Condition: The City has an accounting system and personnel in place to perform all basic accounting functions necessary to maintain a general ledger and prepare internal use statements for management and the Board of Aldermen for the day-to-day operation of the City. However, the City does not have accounting professionals with the knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America. This condition is found in the majority of smaller entities.

Criteria: The City should have an accounting system that will ensure that accounting principles generally accepted in the United States of America are properly applied.

Effect: Audit adjustments were proposed to management to correct misstatements in order to ensure that the accounting principles generally accepted in the United States of America were properly applied.

Recommendation: We realize due to limited resources, the City may not be able to employ or contract accounting professionals with the combination of knowledge, experience, and training necessary to properly apply accounting principles generally accepted in the United States of America. However, our professional standards require that we bring this to your attention in this report.

Response: Due to limited resources, the City does not have the ability to employ accounting professionals with the combination of knowledge, experience, and training needed to properly apply accounting principles generally accepted in the United States of America.

CITY OF MT. VERNON, MISSOURI
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2010

B. FINDINGS - FINANCIAL STATEMENTS AUDIT (continued)

10-3 Design of internal control system for preparation of basic financial statements

Condition: The City has personnel in place to perform all bookkeeping functions necessary to maintain a general ledger and prepare internal use statements for management. However the City does not have accounting professionals with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards as part of their internal control system.

Criteria: A properly designed system of internal control, which includes preparation of financial statements in conformity with Governmental Accounting Standards, includes having accounting professionals as part of the system to perform that function.

Effect: The City employs the auditors that perform the annual audit of the financial statements to prepare the annual financial statements.

Recommendation: We recognize that the City may not have the resources to have an accounting professional with the knowledge, experience and training to prepare governmental financial statements in conformity with Governmental Accounting Standards. However, we recommend that management continue to increase their knowledge of financial reporting.

Response: The City does not have the resources to hire additional accounting personnel with the knowledge, experience and training solely to prepare governmental financial statements in conformity with Governmental Accounting Standards. The City does have personnel with sufficient knowledge to understand and take responsibility for the basic financial statements.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings or questioned costs for the major federal award program.

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2010

There were no prior year audit findings.