

CITY OF MT. VERNON, MISSOURI
BASIC FINANCIAL STATEMENTS
Period Ended December 31, 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 six-month period ended December 31, 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 December 31, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the six-month period 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 March 18, 2011, 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.

A handwritten signature in black ink that reads "Davis, Lynn; Moots, PC". The signature is written in a cursive, slightly slanted style.

DAVIS, LYNN & MOOTS, P.C.
March 18, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 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 period ended December 31, 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 \$255,462 as a result of current period activities. The net assets of the City's business activities increased by \$219,692 for the period.
- The assets of the City exceeded its liabilities as of December 31, 2010, by \$25,045,156. Of this amount \$5,726,945 was unrestricted and may be used to meet future obligations of the City.
- During the period the City paid principal on long-term debt in the amount \$265,118.

Using This Report

This 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 period'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
December 31, 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 period-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
December 31, 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 December 31, 2010, and June 30, 2010:

	Governmental Activities	Business-Type Activities	Total December 31, 2010	Total June 30, 2010
Current and other assets	\$ 2,696,672	\$ 8,904,113	\$ 11,600,785	\$ 12,325,493
Capital assets	12,016,920	17,252,059	29,268,979	29,369,598
TOTAL ASSETS	14,713,592	26,156,172	40,869,764	41,695,091
Other liabilities	208,120	1,199,188	1,407,308	1,964,680
Long-term liabilities	1,022,793	13,394,507	14,417,300	14,649,485
TOTAL LIABILITIES	1,230,913	14,593,695	15,824,608	16,614,165
Net assets:				
Invested in capital assets				
net of related debt	10,885,132	5,533,678	16,418,810	16,398,748
Restricted	1,268,564	1,630,837	2,899,401	2,891,791
Unrestricted	1,328,983	4,397,962	5,726,945	5,790,387
TOTAL NET ASSETS	<u>\$ 13,482,679</u>	<u>\$ 11,562,477</u>	<u>\$ 25,045,156</u>	<u>\$ 25,080,926</u>

Total net assets of the City decreased by \$35,770 for the period due to current period activity. Total liabilities for the City have decreased by \$789,557. Restricted net assets of the City totaled \$2,889,401 as of December 31, 2010. This amount represents assets that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2010

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Period Ended December 31, 2010	Total Year Ended June 30, 2010
REVENUES				
Program Revenues				
Charges for services	\$ 103,323	\$ 4,012,726	\$ 4,116,049	\$ 7,500,104
Operating grants and contributions	20,853	-	20,853	50,754
Capital grants and contributions	12,391	-	12,391	49,988
General Revenues				
Sales taxes	501,137	-	501,137	969,363
Motor vehicle and gas taxes	78,841	-	78,841	151,345
Other taxes	26,337	-	26,337	25,356
Franchise fees	40,621	-	40,621	100,809
Interest	35,955	151,112	187,067	439,414
Other revenue	11,448	-	11,448	37,273
Transfers	180,819	(180,819)	-	-
TOTAL REVENUES AND TRANSFERS	1,011,725	3,983,019	4,994,744	9,324,406
EXPENSES				
Administrative	78,059	-	78,059	128,755
Police	305,642	-	305,642	547,759
Municipal court	14,644	-	14,644	32,067
Fire	59,935	-	59,935	115,905
Animal control	4,792	-	4,792	11,057
Parks	153,830	-	153,830	214,678
Street	443,115	-	443,115	938,440
Planning and zoning	25,106	-	25,106	65,669
Transportation	38,134	-	38,134	69,451
Airport	15,180	-	15,180	73,162
Golf	88,897	-	88,897	182,637
Economic development	8,014	-	8,014	15,945
Debt service	31,839	-	31,839	76,539
Electric	-	2,870,010	2,870,010	4,947,380
Water	-	437,484	437,484	903,846
Sewer	-	455,833	455,833	1,126,670
TOTAL EXPENSES	1,267,187	3,763,327	5,030,514	9,449,960
INCREASE (DECREASE) IN NET ASSETS	\$ (255,462)	\$ 219,692	\$ (35,770)	\$ (125,554)

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2010

Governmental Activities

Governmental activities decreased the net assets of the City by \$255,462. Tax revenues for the City were \$646,936, which represents 64% of the funding of these activities. Program and other revenues for the functions totaled \$364,789, or 36% 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	\$ 78,059	\$ 71,370
Police	305,642	281,286
Municipal court	14,644	14,644
Fire	59,935	59,935
Animal control	4,792	4,792
Parks	153,830	140,938
Street	443,115	443,115
Planning and zoning	25,106	25,106
Transportation	38,134	17,275
Airport	15,180	2,789
Golf	88,897	29,517
Economic development	8,014	8,014
Principal and Interest	31,839	31,839
	\$ 1,267,187	\$ 1,130,620

Business-Type Activities

Business-type activities increased the City's net assets by \$219,692. Last year the business-type activities increased net assets by \$340,265.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2010

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2010, were \$2,682,810. The General Fund increased by \$34,723. The Special Sales Tax Fund increased by \$1,213. The Industrial Development Fund increased by \$1,824. The Debt Service Fund increased by \$36,256.

General Fund Budgetary Highlights

The City of Mt. Vernon amended the budget in the General Fund for revenues and expenses to reflect the actual ending numbers. In their original budget, the City budgeted revenues of \$600,315 and budgeted expenses of \$959,124.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$12,016,920 (net of accumulated depreciation) as of December 31, 2010. This represents a \$367,094 decrease from the prior year. Capital assets for business-type activities were \$17,252,059 as of December 31, 2010. This represents an increase of \$266,475.

Debt

Total debt of the governmental activities as of December 31, 2010, was \$1,217,793. Governmental activities debt consists of \$135,000 in 1992 General Obligation Bonds, \$955,000 in 1995 General Obligation Industrial Bonds, \$41,788 in capital lease obligations, and \$86,005 in compensated absences.

Total debt of the business-type activities as of December 31, 2010, was \$13,829,508. This consists of \$1,540,000 in 2008 Certificates of Participation, \$3,560,000 in 2005 Certificates of Participation, \$2,330,000 in 2003 Certificates of Participation, \$720,000 in Series 1998 Revenue Bonds, \$5,668,191 in Series 2008 Revenue Bonds, and \$11,317 in compensated absences.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2010

Economic Factors and Next Year's Budget

New 2010 U.S. census data has been received that shows Mount Vernon grew 13.89% in the previous decade, which is almost double the rate for the state. This will be a positive influence as we continue our efforts to foster growth and prosperity for the citizens of Mt. Vernon. Other positive information obtained from the census data, is the increasing diversity of our citizens in Mt. Vernon and Southwest Missouri. The national and state economic outlook is improving incrementally and this will reflect upon the economic outlook for Mt. Vernon. Future year's budgets will be conservative until the realities of the new economy can be analyzed and the impact of higher energy cost on the City and its citizens can be ascertained.

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
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 676,763	\$ 2,443,349	\$ 3,120,112
Investments	611,347	2,314,121	2,925,468
Interest receivable	-	5,588	5,588
Taxes receivable	198,374	-	198,374
Utilities receivable	-	857,081	857,081
Other receivable	42,195	-	42,195
Note receivable	1,057,663	-	1,057,663
Interfund balances	(118,008)	118,008	-
Inventory	-	334,154	334,154
Noncurrent			
Restricted cash and cash equivalents	159,747	710,672	870,419
Restricted investments	68,591	1,749,364	1,817,955
Deferred bond issuance costs	-	371,776	371,776
Capital Assets:			
Non-depreciable	713,965	199,425	913,390
Depreciable, net	11,302,955	17,052,634	28,355,589
TOTAL ASSETS	\$ 14,713,592	\$ 26,156,172	\$ 40,869,764
LIABILITIES			
Current			
Accounts payable	\$ -	\$ 397,027	\$ 397,027
Accrued expenses	2,655	39	2,694
Deposits payable	-	91,725	91,725
Court bonds payable	1,325	-	1,325
Accrued interest payable	9,140	275,397	284,537
Current portion of long-term debt	195,000	435,000	630,000
	208,120	1,199,188	1,407,308
Noncurrent			
Compensated absences payable	86,005	11,316	97,321
Capital leases payable	41,788	-	41,788
General obligation bonds	895,000	-	895,000
Revenue bonds payable	-	6,153,191	6,153,191
Certificates of participation payable	-	7,230,000	7,230,000
	1,022,793	13,394,507	14,417,300
TOTAL LIABILITIES	1,230,913	14,593,695	15,824,608
NET ASSETS			
Invested in capital assets, net of related debt	10,885,132	5,533,678	16,418,810
Restricted	1,268,564	1,630,837	2,899,401
Unrestricted	1,328,983	4,397,962	5,726,945
TOTAL NET ASSETS	13,482,679	11,562,477	25,045,156
TOTAL LIABILITIES AND NET ASSETS	\$ 14,713,592	\$ 26,156,172	\$ 40,869,764

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Six-Month Period ended December 31, 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	\$ (78,059)	\$ 6,689	\$ -	\$ -	\$ (71,370)	\$ -	\$ (71,370)	
Police	(305,642)	20,836	3,520	-	(281,286)	-	(281,286)	
Municipal court	(14,644)	-	-	-	(14,644)	-	(14,644)	
Fire	(59,935)	-	-	-	(59,935)	-	(59,935)	
Animal control	(4,792)	-	-	-	(4,792)	-	(4,792)	
Parks	(153,830)	12,892	-	-	(140,938)	-	(140,938)	
Street	(443,115)	-	-	-	(443,115)	-	(443,115)	
Planning and zoning	(25,106)	-	-	-	(25,106)	-	(25,106)	
Transportation	(38,134)	3,526	17,333	-	(17,275)	-	(17,275)	
Airport	(15,180)	-	-	12,391	(2,789)	-	(2,789)	
Golf	(88,897)	59,380	-	-	(29,517)	-	(29,517)	
Economic development	(8,014)	-	-	-	(8,014)	-	(8,014)	
Debt service	(31,839)	-	-	-	(31,839)	-	(31,839)	
TOTAL GOVERNMENTAL ACTIVITIES	(1,267,187)	103,323	20,853	12,391	(1,130,620)	-	(1,130,620)	
Business-type activities:								
Electric	(2,870,010)	3,372,370	-	-	-	502,360	502,360	
Water	(437,484)	274,574	-	-	-	(162,910)	(162,910)	
Sewer	(455,833)	365,782	-	-	-	(90,051)	(90,051)	
TOTAL BUSINESS-TYPE ACTIVITIES	(3,763,327)	4,012,726	-	-	-	249,399	249,399	
TOTAL GOVERNMENT	\$ (5,030,514)	\$ 4,116,049	\$ 20,853	\$ 12,391	(1,130,620)	249,399	(881,221)	
General Revenues:								
					501,137	-	501,137	
					78,841	-	78,841	
					26,337	-	26,337	
					40,621	-	40,621	
					35,955	151,112	187,067	
					11,448	-	11,448	
Transfers					180,819	(180,819)	-	
					875,158	(29,707)	845,451	
					Changes in Net Assets	(255,462)	219,692	(35,770)
					Net Assets, Beginning of period	13,738,141	11,342,785	25,080,926
					Net Assets, End of period	\$ 13,482,679	\$ 11,562,477	\$ 25,045,156

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2010

	General Fund	Special Sales Tax Fund	Industrial Development Fund	Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents - unrestricted	\$ 351,508	\$ 126,281	\$ 198,974	\$ -	\$ 676,763
Investments - unrestricted	-	611,347	-	-	611,347
Taxes receivable	159,963	38,411	-	-	198,374
Other receivable	42,195	-	-	-	42,195
Notes receivable	-	-	-	1,057,663	1,057,663
Due from other funds	75	53,000	-	-	53,075
Restricted cash and cash equivalents	1,325	-	-	158,422	159,747
Restricted investments	-	-	-	68,591	68,591
TOTAL ASSETS	\$ 555,066	\$ 829,039	\$ 198,974	\$ 1,284,676	\$ 2,867,755
LIABILITIES AND FUND BALANCES					
Liabilities					
Accrued expenses	\$ 2,655	\$ -	\$ -	\$ -	\$ 2,655
Court bonds payable	1,325	-	-	-	1,325
Due to other funds	-	164,853	-	6,230	171,083
Deferred revenue	-	-	-	9,882	9,882
TOTAL LIABILITIES	3,980	164,853	-	16,112	184,945
Fund Balances					
Reported in Debt Service Fund					
Nonspendable:					
Notes receivable	-	-	-	927,663	927,663
Restricted for:					
Debt service	-	-	-	340,901	340,901
Reported in Special Revenue Funds					
Assigned to:					
Special sales tax	-	664,186	-	-	664,186
Industrial development	-	-	198,974	-	198,974
Reported in General Fund					
Unassigned	551,086	-	-	-	551,086
TOTAL FUND BALANCES	551,086	664,186	198,974	1,268,564	2,682,810
TOTAL LIABILITIES AND FUND BALANCES	\$ 555,066	\$ 829,039	\$ 198,974	\$ 1,284,676	\$ 2,867,755

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 December 31, 2010

Fund balance - total governmental funds	\$ 2,682,810
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	36,038,505
Less accumulated depreciation	<u>(24,021,585)</u>
	12,016,920
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when paid	(86,005)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(9,140)
Adjustment of deferred revenue	9,882
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,131,788)</u>
Net Assets of Governmental Activities	<u><u>\$ 13,482,679</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Six-Month Period ended December 31, 2010

	General Fund	Special Sales Tax	Industrial Development Fund	Debt Service Fund	Total Governmental Funds
REVENUES					
Taxes	\$ 521,436	\$ 125,500	\$ -	\$ -	\$ 646,936
Licenses and permits	6,564	-	-	-	6,564
Intergovernmental revenues	33,244	-	-	-	33,244
Charges for services	75,923	-	-	-	75,923
Fines and forfeitures	20,836	-	-	-	20,836
Miscellaneous	10,137	1,549	1,824	33,893	47,403
TOTAL REVENUES	668,140	127,049	1,824	33,893	830,906
EXPENDITURES					
Current					
Administrative	74,183	-	-	-	74,183
Police	332,946	-	-	-	332,946
Municipal Court	14,644	-	-	-	14,644
Fire	35,219	-	-	-	35,219
Animal control	4,792	-	-	-	4,792
Parks	147,667	-	-	-	147,667
Street	133,997	-	-	-	133,997
Planning and zoning	25,314	-	-	-	25,314
Transportation	33,204	-	-	-	33,204
Airport	10,865	-	-	-	10,865
Golf	83,164	-	-	-	83,164
Economic development	8,014	-	-	-	8,014
Debt Service					
Principal and interest	-	-	-	33,700	33,700
TOTAL EXPENDITURES	904,009	-	-	33,700	937,709
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(235,869)	127,049	1,824	193	(106,803)
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	270,592	(125,836)	-	36,063	180,819
TOTAL OTHER FINANCING SOURCES (USES)	270,592	(125,836)	-	36,063	180,819
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	34,723	1,213	1,824	36,256	74,016
FUND BALANCE, July 1	516,363	662,973	197,150	1,232,308	2,608,794
FUND BALANCE, December 31	\$ 551,086	\$ 664,186	\$ 198,974	\$ 1,268,564	\$ 2,682,810

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
 Six-Month Period ended December 31, 2010

Net change in fund balances - total governmental funds \$ 74,016

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	23,004
Depreciation	(390,098)
	<u>(367,094)</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. (5,701)

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.

Repayment of principal on bonds and leases	41,456
Interest	1,861
	<u>43,317</u>

Change in net assets of governmental activities \$ (255,462)

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
December 31, 2010

ASSETS	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
Current Assets				
Cash and cash equivalents	\$ 1,562,259	\$ 482,821	\$ 398,269	\$ 2,443,349
Investments	2,110,509	203,612	-	2,314,121
Interest receivable	5,588	-	-	5,588
Utilities receivable, net	710,128	60,992	85,961	857,081
Interfund balances	-	(228,314)	346,322	118,008
Inventory	292,619	41,535	-	334,154
TOTAL CURRENT ASSETS	4,681,103	560,646	830,552	6,072,301
Restricted Assets				
Cash and cash equivalents	79,610	57,838	573,224	710,672
Investments	-	688,450	1,060,914	1,749,364
TOTAL RESTRICTED ASSETS	79,610	746,288	1,634,138	2,460,036
Deferred Bond Issuance Costs	39,375	211,460	120,941	371,776
Property, Plant and Equipment,				
Non-depreciable	145,617	-	53,808	199,425
Depreciable	7,138,357	5,143,825	14,298,070	26,580,252
Accumulated Depreciation	(2,145,663)	(1,306,864)	(6,075,091)	(9,527,618)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	5,138,311	3,836,961	8,276,787	17,252,059
TOTAL ASSETS	\$ 9,938,399	\$ 5,355,355	\$ 10,862,418	\$ 26,156,172
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 356,205	\$ -	\$ 40,822	\$ 397,027
Accrued expenses	-	39	-	39
Accrued interest payable	11,884	110,350	153,163	275,397
Utility deposits	91,725	-	-	91,725
Current maturities of long-term debt	55,000	145,000	235,000	435,000
TOTAL CURRENT LIABILITIES	514,814	255,389	428,985	1,199,188
Long-Term Liabilities				
Compensated absences payable	2,368	7,854	1,094	11,316
Revenue bonds payable	-	-	6,153,191	6,153,191
Certificates of participation payable	1,485,000	5,745,000	-	7,230,000
TOTAL LONG-TERM LIABILITIES	1,487,368	5,752,854	6,154,285	13,394,507
TOTAL LIABILITIES	2,002,182	6,008,243	6,583,270	14,593,695
NET ASSETS				
Invested in capital assets, net of related debt	3,598,311	(1,364,589)	3,299,956	5,533,678
Restricted	-	746,288	884,549	1,630,837
Unrestricted	4,337,906	(34,587)	94,643	4,397,962
TOTAL NET ASSETS	7,936,217	(652,888)	4,279,148	11,562,477
TOTAL LIABILITIES AND NET ASSETS	\$ 9,938,399	\$ 5,355,355	\$ 10,862,418	\$ 26,156,172

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Six-Month Period ended December 31, 2010

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
OPERATING REVENUES				
Charges for services	\$ 3,371,717	\$ 273,160	\$ 364,007	\$ 4,008,884
Miscellaneous	653	1,414	1,775	3,842
TOTAL OPERATING REVENUES	3,372,370	274,574	365,782	4,012,726
OPERATING EXPENSES				
Salaries and wages	77,955	64,973	13,688	156,616
Employee benefits	22,904	23,293	1,965	48,162
Gas and oil	3,823	6,389	473	10,685
Materials and supplies	3,622	25,518	4,046	33,186
Insurance and taxes	13,583	-	11,981	25,564
Power purchased	2,489,633	-	24,895	2,514,528
Telephone and utilities	3,562	2,104	1,599	7,265
Repairs and maintenance	47,211	31,350	19,011	97,572
Professional fees	293	3,149	63,591	67,033
Other expenses	37,221	15,263	2,416	54,900
Depreciation	83,427	84,302	80,385	248,114
Administrative	50,000	40,000	49,257	139,257
TOTAL OPERATING EXPENSES	2,833,234	296,341	273,307	3,402,882
OPERATING INCOME (LOSS)	539,136	(21,767)	92,475	609,844
NONOPERATING REVENUES (EXPENSES)				
Interest income	34,338	1,780	114,994	151,112
Interest expense	(36,776)	(141,143)	(182,526)	(360,445)
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,438)	(139,363)	(67,532)	(209,333)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	536,698	(161,130)	24,943	400,511
OPERATING TRANSFERS IN (OUT)	(416,836)	158,721	77,296	(180,819)
NET INCOME (LOSS)	119,862	(2,409)	102,239	219,692
NET ASSETS, July 1	7,816,355	(650,479)	4,176,909	11,342,785
NET ASSETS, December 31	\$ 7,936,217	\$ (652,888)	\$ 4,279,148	\$ 11,562,477

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Six-Month Period ended December 31, 2010

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 3,464,946	\$ 284,217	\$ 379,264	\$ 4,128,427
Cash paid to suppliers	(2,683,866)	(149,430)	(646,548)	(3,479,844)
Cash paid to employees	(104,945)	(70,183)	(14,950)	(190,078)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	676,135	64,604	(282,234)	458,505
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfer in (out)	(416,836)	158,721	77,296	(180,819)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(416,836)	158,721	77,296	(180,819)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(291,493)	(32,912)	(190,185)	(514,590)
Payment of bond principal	-	-	(138,662)	(138,662)
Payment of certificates of participation	-	(85,000)	-	(85,000)
Payment of interest expense	(35,651)	(134,012)	(177,118)	(346,781)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(327,144)	(251,924)	(505,965)	(1,085,033)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	34,338	1,780	114,994	151,112
Purchase of investments	-	-	(1,060,914)	(1,060,914)
Proceeds from maturity of investments	442,835	143,966	-	586,801
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	477,173	145,746	(945,920)	(323,001)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	409,328	117,147	(1,656,823)	(1,130,348)
CASH AND CASH EQUIVALENTS, Beginning of period	1,232,541	423,512	2,628,316	4,284,369
CASH AND CASH EQUIVALENTS, End of period	1,641,869	540,659	971,493	3,154,021
LESS RESTRICTED CASH AND CASH EQUIVALENTS	79,610	57,838	573,224	710,672
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,562,259	\$ 482,821	\$ 398,269	\$ 2,443,349
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 539,136	\$ (21,767)	\$ 92,475	\$ 609,844
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	83,427	84,302	80,385	248,114
(Increase) decrease in:				
Utilities receivable	93,890	9,643	13,482	117,015
Inventory	(96)	(2,364)	-	(2,460)
Increase (decrease) in:				
Accounts payable	(34,822)	-	(469,279)	(504,101)
Accrued expenses	(1,815)	39	-	(1,776)
Meter deposits payable	(1,314)	-	-	(1,314)
Compensated absences payable	(2,271)	(5,249)	703	(6,817)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 676,135	\$ 64,604	\$ (282,234)	\$ 458,505

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.

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.

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Assigned and Unassigned Fund Equity

The assigned and unassigned fund balances for governmental funds represent the amounts available for budgeting future operations.

Compensated Absences

Employees earn vacation time based on the number of year's service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Assets.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due To and Due From Other Funds

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 December 31, 2010, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

Inventories

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

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 period.

Fund Balances

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

Nonspendable – This consists of fund balance amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

Restricted – This consists of fund balance amounts with constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's Board of Aldermen.

Assigned – This consists of fund balance amounts that are constrained by the City's *intent* to be used for specific purposes, but are neither restricted nor committed.

Unassigned – This consists of fund balance amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 December 31, 2010, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2010, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	1/13/2011 - 10/27/2011	\$ 3,131,655
Money Market	N/A	200,000
Guaranteed Investment Contracts	1/1/2019	38,405
Federated Trust for U.S. Treasury Obligations	N/A	1,373,363
		<u>\$ 4,743,423</u>

NOTE C – INVESTMENTS (continued)

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2010, all certificates of deposit are entirely insured or collateralized with securities.

Federated Trust for U.S. Treasury Obligations

The City has Federated Trust for U.S. Treasury Obligation funds on deposit with United Missouri Bank, which are rated AAAM by Standard and Poor's. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 2008 State of Missouri Revolving Fund Combined Waterworks and Sewerage System Revenue Bonds, 2003 Certificates of Participation, and 2005 Refunding Certificates of Participation.

Guaranteed Investment Contracts

The City has Guaranteed Investment Contracts through Trinity Plus Funding on deposit with United Missouri Bank. Fair market value approximates cost as the City has a pro-rata share of the fund. These deposits are held in a trust account for the 1992A State of Missouri Revolving Fund General Obligation Bonds reserve accounts.

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.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash has been restricted in the amount of \$1,325 for the outstanding court bonds. In the Debt Service Fund, cash has been restricted in the amount of \$158,422 and investments have been restricted in the amount of \$68,591 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 December 31, 2010, the required deposits for the 1998 Combined Waterworks and Sewerage System revenue bond fund have been made. As of December 31, 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	270,742	270,742
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	134,801	134,801
Debt Service Reserve Fund	176,524	176,524
Project Fund	749,589	-
	<u>1,634,138</u>	<u>884,549</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 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	58,269	58,269
2005 Certificates of Participation		
COP Project Fund	44,816	44,816
Debt Service Reserve Fund	<u>363,203</u>	<u>363,203</u>
	746,288	746,288
ELECTRIC FUND		
Customer Deposits	<u>79,610</u>	<u>-</u>
	<u>\$ 2,460,036</u>	<u>\$ 1,630,837</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	\$ 770,037	\$ (59,909)	\$ 710,128
Water Fund	66,697	(5,705)	60,992
Sewer Fund	<u>91,666</u>	<u>(5,705)</u>	<u>85,961</u>
	<u>\$ 928,400</u>	<u>\$ (71,319)</u>	<u>\$ 857,081</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2010, consists of the 1992 General Obligation Bonds, the 1995 General Obligation Industrial Bonds, and a Capital Lease obligation 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 December 31, 2010, are listed in the table below:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 65,000	\$ 6,714	\$ 71,714
2012	70,000	2,292	72,292
	<u>\$ 135,000</u>	<u>\$ 9,006</u>	<u>\$ 144,006</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 December 31, 2010, are listed in the table below:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 130,000	\$ 56,640	\$ 186,640
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>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 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 lease (assuming noncancellation):

Year Ended December 31,	International Truck
2011	\$ -
2012	22,362
2013	22,362
TOTAL MINIMUM LEASE PAYMENTS	44,724
LESS AMOUNT REPRESENTING INTEREST	(2,936)
NET LEASE PAYMENTS	<u>\$ 41,788</u>

The following is a summary of the changes in Governmental Activities Long-Term Debt for the six-month period ended December 31, 2010:

	Balance June 30, 2010	Additions	Retirements	Balance December 31, 2010
1992 General Obligation Bonds	\$ 135,000	\$ -	\$ -	\$ 135,000
1995 General Obligation Industrial Bonds	955,000	-	-	955,000
Capital Leases Payable -three police cars	21,944	-	21,944	-
Capital Leases Payable -International truck	61,300	-	19,512	41,788
Compensated Absences	81,714	4,291	-	86,005
	<u>\$ 1,254,958</u>	<u>\$ 4,291</u>	<u>\$ 41,456</u>	<u>\$ 1,217,793</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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

The business-type activities long-term debt at December 31, 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 December 31, 2010, are listed in the table below:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 55,000	\$ 148,012	\$ 203,012
2012	55,000	145,707	200,707
2013	130,000	141,831	271,831
2014	130,000	136,384	266,384
2015	230,000	128,843	358,843
2016	340,000	116,901	456,901
2017	360,000	102,236	462,236
2018	375,000	86,838	461,838
2019	395,000	70,706	465,706
2020	415,000	53,736	468,736
2021	430,000	36,035	466,035
2022	645,000	13,513	658,513
	<u>\$ 3,560,000</u>	<u>\$ 1,180,742</u>	<u>\$ 4,740,742</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 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 December 31, 2010, are listed in the table below:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 55,000	\$ 70,029	\$ 125,029
2012	60,000	67,367	127,367
2013	60,000	64,588	124,588
2014	65,000	61,695	126,695
2015	70,000	58,569	128,569
2016	70,000	55,329	125,329
2017	75,000	51,972	126,972
2018	80,000	48,383	128,383
2019	80,000	44,680	124,680
2020	85,000	40,861	125,861
2021	90,000	36,808	126,808
2022	95,000	32,525	127,525
2023	100,000	28,011	128,011
2024	100,000	23,381	123,381
2025	105,000	18,636	123,636
2026	110,000	13,658	123,658
2027	115,000	8,450	123,450
2028	125,000	2,894	127,894
	<u>\$ 1,540,000</u>	<u>\$ 727,836</u>	<u>\$ 2,267,836</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 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 December 31, 2010, are listed in the table below:

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 90,000	\$ 115,675	\$ 205,675
2012	90,000	112,075	202,075
2013	100,000	108,295	208,295
2014	10,000	103,995	113,995
2015	-	103,495	103,495
2016	85,000	103,495	188,495
2017	85,000	99,245	184,245
2018	90,000	94,995	184,995
2019	90,000	90,495	180,495
2020	100,000	85,995	185,995
2021	95,000	80,995	175,995
2022	590,000	76,245	666,245
2023	905,000	46,155	951,155
	<u>\$ 2,330,000</u>	<u>\$ 1,221,155</u>	<u>\$ 3,551,155</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.

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 December 31, 2010, are listed in the table below:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 90,000	\$ 302,125	\$ 392,125
2012	90,000	298,525	388,525
2013	95,000	294,706	389,706
2014	95,000	290,669	385,669
2015	185,000	284,488	469,488
2016	325,000	272,606	597,606
2017	325,000	256,763	581,763
2018	335,000	240,263	575,263
2019	350,000	222,700	572,700
2020	345,000	204,672	549,672
2021	350,000	186,469	536,469
2022	360,000	167,206	527,206
2023	370,000	147,131	517,131
2024	375,000	126,456	501,456
2025	385,000	105,128	490,128
2026	395,000	82,944	477,944
2027	405,000	59,944	464,944
2028	415,000	36,369	451,369
2029	425,000	12,219	437,219
	<u>\$ 5,715,000</u>	<u>\$ 3,591,383</u>	<u>\$ 9,306,383</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 December 31, 2010, are listed in the table below:

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

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

Year Ended December 31,	Amount Due		
	Principal	Interest	Total
2011	\$ 145,000	\$ 36,000	\$ 181,000
2012	155,000	28,750	183,750
2013	160,000	21,000	181,000
2014	170,000	13,000	183,000
2015	90,000	4,500	94,500
	<u>\$ 720,000</u>	<u>\$ 103,250</u>	<u>\$ 823,250</u>

The following table is a summary of the changes in the long-term debt – business-type activities for the six-month period ended December 31, 2010:

	Balance June 30, 2010	Additions	Retirements	Balance December 31, 2010
ELECTRIC FUND				
Compensated Absences	\$ 4,639	\$ -	\$ 2,271	\$ 2,368
COP Payable				
2008 COP Issue	1,540,000	-	-	1,540,000
	1,544,639	-	2,271	1,542,368
SEWER FUND				
Compensated Absences	391	703	-	1,094
Revenue Bonds Payable				
1998 Revenue Bonds	860,000	-	140,000	720,000
2008 Revenue Bonds	5,715,000	-	-	5,715,000
	6,575,391	703	140,000	6,436,094
Unamortized bond discount on 2008 issue	(48,147)	-	(1,338)	(46,809)
	6,527,244	703	138,662	6,389,285
WATER FUND				
Compensated Absences	13,104	-	5,250	7,854
COP Payable				
2003 COP Issue	2,415,000	-	85,000	2,330,000
2005 COP Issue	3,560,000	-	-	3,560,000
	5,988,104	-	90,250	5,897,854
TOTAL	<u>\$ 14,059,987</u>	<u>\$ 703</u>	<u>\$ 231,183</u>	<u>\$ 13,829,507</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE H – CAPITAL ASSETS

Capital asset activity for the six-month period ended December 31, 2010, was as follows:

	Balance June 30, 2010	Additions	Deletions	Balance December 31, 2010
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 713,965	\$ -	\$ -	\$ 713,965
Depreciable Capital Assets				
Land improvements	231,081	\$ -	\$ -	231,081
Building and improvements	739,105	-	-	739,105
Major moveable equipment	1,000,512	23,004	-	1,023,516
Infrastructure	33,330,838	-	-	33,330,838
Total Depreciable Capital Assets	35,301,536	\$ 23,004	\$ -	35,324,540
Less Accumulated Depreciation				
Land improvements	96,088	\$ 5,777	\$ -	101,865
Building and improvements	259,404	6,739	-	266,143
Major moveable equipment	793,589	44,274	-	837,863
Infrastructure	22,482,406	333,308	-	22,815,714
Total Accumulated Depreciation	23,631,487	\$ 390,098	\$ -	24,021,585
Total Depreciable Capital Assets, net	11,670,049			11,302,955
Total Governmental Activities Capital Assets, net	\$ 12,384,014			\$ 12,016,920

Depreciation expense was charged to functions as follows:

Administrative	\$ 3,683
Police	9,707
Fire	24,716
Parks	8,095
Street	330,290
Transportation	4,728
Airport	4,315
Golf	4,564
	<u>\$ 390,098</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE H – CAPITAL ASSETS (continued)

	Balance June 30, 2010	Additions	Deletions	Balance December 31, 2010
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	4,429,317	183,184	4,612,501	-
	4,483,125	<u>\$ 183,184</u>	<u>\$ 4,612,501</u>	53,808
Depreciable Capital Assets				
Sewer plant	9,678,569	<u>\$ 4,619,501</u>	<u>\$ -</u>	14,298,070
Less Accumulated Depreciation				
Sewer plant	5,994,706	<u>\$ 80,385</u>	<u>\$ -</u>	6,075,091
Depreciable Capital Assets, net	3,683,863			8,222,979
Electric Fund				
Non-Depreciable Capital Assets				
Land	145,617	\$ -	\$ -	145,617
Construction in Progress	1,458,381	32,759	1,491,140	-
	1,603,998	<u>\$ 32,759</u>	<u>\$ 1,491,140</u>	145,617
Depreciable Capital Assets:				
Electric plant	5,388,483	<u>\$ 1,749,874</u>	<u>\$ -</u>	7,138,357
Less Accumulated Depreciation				
Electric plant	2,062,236	<u>\$ 83,427</u>	<u>\$ -</u>	2,145,663
Depreciable Capital Assets, net	3,326,247			4,992,694
Water Fund				
Depreciable Capital Assets:				
Water plant	5,110,913	<u>\$ 32,912</u>	<u>\$ -</u>	5,143,825
Less Accumulated Depreciation				
Water plant	1,222,562	<u>\$ 84,302</u>	<u>\$ -</u>	1,306,864
Depreciable Capital Assets, net	3,888,351			3,836,961
Total Capital Assets - Business-Type Activities, net	<u>\$ 16,985,584</u>			<u>\$ 17,252,059</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010

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 30st 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 period 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 period	-
NPO end of period	<u><u>\$ -</u></u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 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 December 31, 2010, the unamortized portion was \$9,882.

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 December 31, 2010, \$97,663 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
 December 31, 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, 2010	Additions	Current Amortization	Unamortized Debt Issue Costs December 31, 2010
Electric Fund	\$ 40,500	\$ -	\$ 1,125	\$ 39,375
Sewer Fund	128,732	-	7,791	120,941
Water Fund	219,919	-	8,459	211,460
	<u>\$ 389,151</u>	<u>\$ -</u>	<u>\$ 17,375</u>	<u>\$ 371,776</u>

NOTE M – INTERNAL BALANCES

Internal balances as of December 31, 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>\$ (6,230)</u>	<u>\$ (228,314)</u>	<u>\$ 346,322</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 December 31, 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 December 31, 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 \$2,267,836. Principal and interest paid for the current period and total customer net revenues were \$32,739 and \$622,563, 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 2023. 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 \$8,291,897. Principal and interest paid for the current period and total customer net revenues were \$219,013 and \$62,535, 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 \$10,129,633. Principal and interest paid for the current period and total customer net revenues were \$313,463 and \$287,854, respectively.

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2010

NOTE P – INTERFUND TRANSFERS

Transfers between funds of the City for the six-month period ended December 31, 2010, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 270,592	\$ -
Special Sales Tax Fund	-	125,836
Debt Service Fund	36,063	-
Electric Fund	-	416,836
Water Fund	158,721	-
Sewer Fund	77,296	-
	<u>\$ 542,672</u>	<u>\$ 542,672</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 engineering services related to a wastewater conveyance rehabilitation project with HDR/Archer in the amount of \$32,742 as of December 31, 2010.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Six-Month Period ended December 31, 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
 Six-Month Period ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 340,900	\$ 375,637	\$ 375,637	\$ -
Motor vehicle tax	65,000	78,841	78,841	-
Utility franchise tax	73,000	40,621	40,621	-
Other taxes	2,445	26,337	26,337	-
	<u>481,345</u>	<u>521,436</u>	<u>521,436</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	-	452	452	-
Building permits	1,500	6,112	6,112	-
	<u>1,500</u>	<u>6,564</u>	<u>6,564</u>	<u>-</u>
Intergovernmental Revenues				
Grants	18,500	33,244	33,244	-
Charges for Services				
Taxi	3,200	3,526	3,526	-
Animal control	400	-	-	-
Pool	7,400	9,016	9,016	-
Park	5,200	3,876	3,876	-
Golf fees	55,000	59,380	59,380	-
Cemetery	500	125	125	-
	<u>71,700</u>	<u>75,923</u>	<u>75,923</u>	<u>-</u>
Fines and forfeitures				
City court fines	20,000	20,836	20,836	-
Miscellaneous				
Rent income	5,740	2,820	2,820	-
Interest	250	321	321	-
Donations	-	4,900	4,900	-
Other	1,280	2,096	2,096	-
	<u>7,270</u>	<u>10,137</u>	<u>10,137</u>	<u>-</u>
TOTAL REVENUES	<u>600,315</u>	<u>668,140</u>	<u>668,140</u>	<u>-</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Six-Month Period ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	73,055	74,183	74,183	-
Police	347,110	332,946	332,946	-
Municipal Court	18,697	14,644	14,644	-
Fire	46,461	35,219	35,219	-
Animal control	6,399	4,792	4,792	-
Parks	162,186	147,667	147,667	-
Street	138,480	133,997	133,997	-
Planning and zoning	29,766	25,314	25,314	-
Transportation	33,444	33,204	33,204	-
Airport	4,378	10,865	10,865	-
Golf	90,690	83,164	83,164	-
Economic development	8,458	8,014	8,014	-
TOTAL EXPENDITURES	<u>959,124</u>	<u>904,009</u>	<u>904,009</u>	<u>-</u>
(DEFICIT) OF REVENUES				
OVER EXPENDITURES	(358,809)	(235,869)	(235,869)	-
OTHER FINANCING SOURCES				
Operating transfers in	<u>353,809</u>	<u>270,592</u>	<u>270,592</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>353,809</u>	<u>270,592</u>	<u>270,592</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES				
AND OTHER SOURCES				
OVER EXPENDITURES	(5,000)	34,723	34,723	-
FUND BALANCE, July 1	<u>516,363</u>	<u>516,363</u>	<u>516,363</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 511,363</u>	<u>\$ 551,086</u>	<u>\$ 551,086</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL SALES TAX FUND
 Six-Month Period ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes				
City sales tax	\$ 130,000	\$ 125,500	\$ 125,500	\$ -
Miscellaneous				
Interest	1,800	1,549	1,549	-
TOTAL REVENUES	<u>131,800</u>	<u>127,049</u>	<u>127,049</u>	<u>-</u>
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(131,800)</u>	<u>(125,836)</u>	<u>(125,836)</u>	<u>-</u>
EXCESS OF REVENUES OVER OTHER FINANCING (USES)	-	1,213	1,213	-
FUND BALANCE, July 1	<u>662,973</u>	<u>662,973</u>	<u>662,973</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 662,973</u>	<u>\$ 664,186</u>	<u>\$ 664,186</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Six-Month Period ended December 31, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Rents	\$ 1,650	\$ 1,632	\$ 1,632	\$ -
Interest	75	192	192	-
TOTAL REVENUES	1,725	1,824	1,824	-
FUND BALANCE, July 1	197,150	197,150	197,150	-
FUND BALANCE, December 31	\$ 198,875	\$ 198,974	\$ 198,974	\$ -

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
December 31, 2010

Budgets and Budgetary Accounting

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

1. Prior to January, Administration submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following January 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 November or early December to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to January 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 six-month period ended December 31, 2010, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements and have issued our report thereon dated March 18, 2011. 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 responses, 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 responses 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 responses. We did not audit the City's response and, accordingly, express no opinion on it.

We noted certain other matters that we have reported to management of the City in a separate letter dated March 18, 2011.

This report is intended solely for the information and use of the Honorable Mayor and Board of Aldermen, and management, 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.
March 18, 2011

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Period ended December 31, 2010

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.

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
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Period ended December 31, 2010

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.