

**CITY OF MT. VERNON, MISSOURI**

**BASIC FINANCIAL STATEMENTS**

**Year ended December 31, 2015**

## TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT .....	4
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position .....	15
Statement of Activities.....	17
Balance Sheet - Governmental Funds.....	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position .....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	22
Statement of Net Position – Proprietary Funds.....	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	25
Statement of Cash Flows – Proprietary Funds.....	26
Notes to Financial Statements.....	28
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Position Asset and Related Ratios.....	58
Schedule of Contributions.....	59
Notes to Schedule of Contributions .....	60

## TABLE OF CONTENTS

### REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	61
Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund.....	63
Budgetary Comparison Schedule – Industrial Development Fund.....	64
Budgetary Comparison Schedule – 600 N. Main Fund.....	65
Note to Budgetary Comparison Schedules .....	66

### OTHER FINANCIAL INFORMATION

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 <i>Government Auditing Standards</i> .....	68
Schedule of Findings and Responses .....	70



## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

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 December 31, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principles**

As discussed in Note A to the basic financial statements, the City adopted the provisions of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, pension information and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2016, on our consideration of the City of Mt. Vernon, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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* in considering City of Mt. Vernon, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
March 9, 2016

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

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 December 31, 2015. Please read it in conjunction with the City's financial statements, which begin on page 15.

***Financial Highlights***

- The net position of the City's governmental activities increased by \$1,341,643 as a result of current year activities. The net position of the City's business-type activities increased by \$1,232,585 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2015, by \$28,658,057 (net position). Of this amount \$10,367,942 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$999,135.

***Using This Report***

This report consists of a series of financial statements. The Statement of Net Position 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 Position 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 position and changes in them. The City's net position – the difference between assets and deferred outflows and liabilities and deferred inflows – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

***Government-Wide Financial Statements (continued)***

In the Statement of Net Position 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 Position 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 Position and the Statement of Activities.

***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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

*Government-Wide Financial Analysis*

**NET POSITION**

The following table presents the condensed Statement of Net Position for the City as of December 31, 2015, and December 31, 2014, as restated:

	Governmental Activities	Business-Type Activities	Total December 31, 2015	Total December 31, 2014, as restated
<b>Assets</b>				
Current and other assets	\$ 2,962,856	\$ 9,873,932	\$ 12,836,788	\$ 11,576,539
Net pension asset	329,008	133,131	462,139	664,988
Capital assets	13,253,742	15,620,124	28,873,866	28,857,974
	<u>16,545,606</u>	<u>25,627,187</u>	<u>42,172,793</u>	<u>41,099,501</u>
<b>Deferred Outflow of Resources</b>				
Deferred pension outflows	220,734	66,212	286,946	62,555
<b>Liabilities</b>				
Other liabilities	174,465	1,043,551	1,218,016	1,498,910
Long-term liabilities	1,040,871	11,539,311	12,580,182	13,579,317
	<u>1,215,336</u>	<u>12,582,862</u>	<u>13,798,198</u>	<u>15,078,227</u>
<b>Deferred Inflow of Resources</b>				
Deferred pension inflows	2,195	1,289	3,484	-
<b>Net Position</b>				
Net investment in capital assets	12,312,896	3,522,692	15,835,588	15,892,114
Restricted	1,106,082	1,348,445	2,454,527	2,548,448
Unrestricted	2,129,831	8,238,111	10,367,942	7,643,267
	<u>\$ 15,548,809</u>	<u>\$ 13,109,248</u>	<u>\$ 28,658,057</u>	<u>\$ 26,083,829</u>

Total net position of the City increased by \$2,574,228 for the year due to current year activity. Total liabilities for the City have decreased by \$1,280,029. Restricted net position of the City totaled \$2,454,527 as of December 31, 2015.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

**CHANGES IN NET POSITION**

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2015	Total Year Ended December 31, 2014
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 2,022,234	\$ 9,638,301	\$ 11,660,535	\$ 9,296,502
Operating grants and contributions	89,924	-	89,924	30,414
Capital grants and contributions	48,973	-	48,973	231,226
General Revenues				
Sales taxes	1,544,402	-	1,544,402	1,245,426
Motor vehicle and gas taxes	178,966	-	178,966	173,294
Other taxes	32,817	-	32,817	31,808
Franchise fees	230,794	-	230,794	93,807
Interest	17,953	211,513	229,466	252,668
Other revenue	30,210	-	30,210	40,287
Transfers	580,648	(580,648)	-	-
Special Items				
Capital contributions	1,125,000	-	1,125,000	-
Gain on sale of property	94,686	-	94,686	-
<b>TOTAL REVENUES</b>	<b>5,996,607</b>	<b>9,269,166</b>	<b>15,265,773</b>	<b>11,395,432</b>
<b>EXPENSES</b>				
Administrative	87,109	-	87,109	82,879
Police	595,612	-	595,612	647,920
Municipal court	36,052	-	36,052	36,880
Fire	81,661	-	81,661	69,966
Animal control	10,981	-	10,981	8,240
Parks	253,737	-	253,737	244,029
Community center	131,023	-	131,023	94,514
Street	955,672	-	955,672	876,323
Planning and zoning	176,206	-	176,206	60,165
Transportation	93,484	-	93,484	87,026
Airport	21,666	-	21,666	21,364
Golf	222,003	-	222,003	245,124
Economic development	1,944,489	-	1,944,489	28,598
Industrial development	4,099	-	4,099	23,118
Debt service	41,170	-	41,170	73,324
Electric	-	5,959,631	5,959,631	6,218,584
Water	-	901,804	901,804	891,910
Sewer	-	1,175,146	1,175,146	1,206,009
<b>TOTAL EXPENSES</b>	<b>4,654,964</b>	<b>8,036,581</b>	<b>12,691,545</b>	<b>10,915,973</b>
<b>INCREASE IN NET POSITION</b>	<b>\$ 1,341,643</b>	<b>\$ 1,232,585</b>	<b>\$ 2,574,228</b>	<b>\$ 479,459</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
CITY OF MT. VERNON, MISSOURI  
December 31, 2015**

***Governmental Activities***

Governmental activities increased the net position of the City by \$1,341,643. Tax revenues for the City were \$1,986,979, which represents 42% of the funding of these activities. Program and other revenues for the functions totaled \$2,209,294, or 46% of the funding. Transfers from the City business-type activities totaled \$580,648, which represents 12% of the funding of these activities. 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
Administrative	\$ 87,109	\$ 79,954
Police	595,612	543,250
Municipal court	36,052	36,052
Fire	81,661	81,661
Animal control	10,981	10,355
Parks	253,737	226,764
Community center	131,023	106,391
Street	955,672	945,765
Planning and zoning	176,206	168,450
Transportation	93,484	(18,299)
Airport	21,666	9,436
Golf	222,003	136,145
Economic development	1,944,489	125,117
Industrial development	4,099	1,622
Debt service	41,170	41,170
	<u>\$ 4,654,964</u>	<u>\$ 2,493,833</u>

***Business-Type Activities***

Business-type activities increased the City's net position by \$1,232,585. Last year the business-type activities increased net position by \$460,469.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

***Financial Analysis of the City's Funds***

The combined fund balances of the City's governmental funds as of December 31, 2015, were \$2,801,576. The General Fund increased by \$747,478. The Capital Improvement Sales Tax Fund decreased by \$159,870. The Industrial Development Fund increased by \$483. The 600 N. Main Fund decreased by \$5,092. The Debt Service Fund decreased by \$388,446.

***General Fund Budgetary Highlights***

Differences between the original and the final amended budget can be summarized as follows:

- The original revenue budget of \$1,811,146 was increased to \$1,952,895.
- The original expenditures budget of \$2,664,413 was decreased to \$2,333,230.

***Capital Assets and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$13,253,742 (net of accumulated depreciation) as of December 31, 2015. This represents a \$571,090 increase from the prior year. Capital assets for business-type activities were \$15,620,124 as of December 31, 2015. This represents a decrease of \$555,198.

**Debt**

Total debt of the governmental activities as of December 31, 2015, was \$1,044,168. Governmental activities debt consists of \$927,000 in 2014 Certificates of Participation, \$13,846 in capital lease payable, and \$103,322 in compensated absences payable.

Total debt of the business-type activities as of December 31, 2015, was \$12,118,719. This consists of \$1,230,000 in 2008 Certificates of Participation, \$2,960,000 in 2005 Certificates of Participation, \$2,085,000 in 2011 Certificates of Participation, \$5,126,564 in Series 2008 Revenue Bonds, \$618,000 in 2014 Certificates of Participation, \$55,384 capital lease payable, \$22,484 loan payable, and \$21,287 in compensated absences payable.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**December 31, 2015**

***Economic Factors and Next Year's Budget***

The past twelve (12) months Mt. Vernon's economy has grown, in part, due to the opening of the Walmart Super Center, the opening of Orschlens and the expansion of several other businesses. The increase in the number of shoppers coming into Mt. Vernon has had a positive effect on most businesses. As we look at 2016, the economy should be fairly stable due to the current economic trends with the price for a barrel of oil reaching new lows, and a presidential election. Several of our industries are planning expansions over the next twelve months, expanding their markets and creating more job opportunities.

The City is working with Infrastructure Financial Inc. a non-profit corporation (desiring to expand the services currently offered to veterans) on a potential private-public partnership to develop the former Missouri Rehabilitation Center property into a Veterans' facility offering expanded care for PTSD, women's care, housing and vocational skills training.

The City will be participating in several grant programs including a Transportation Grant, which supplies funding for the City's demand response transportation service; a Transportation Alternative Grant, which will complete phase 2 of the Hickory Street sidewalk project; an Airport Maintenance Grant, seal coating, crack filling and restriping the runway; and an engineering grant through the Missouri Department of Natural Resources studying the waste water collection system to address inflow and infiltration into the system. The City is not anticipating an increase in utility cost this year in part due to the lower fuel prices. The Developers agreement with Walmart will pay off in 2016 and the City will be refinancing the 2008 and 2011 Certificates of Participation, reducing the interest cost and flattening out the repayment schedule for the coming years.

***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  
Max Springer, City Administrator  
Shannon Neely, City Clerk  
Shari Weldy, Treasurer

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET POSITION  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents - unrestricted	\$ 1,832,998	\$ 5,141,342	\$ 6,974,340
Investments	412,300	1,732,650	2,144,950
Interest receivable	-	53	53
Taxes receivable	290,119	-	290,119
Utilities receivable, net	-	1,020,372	1,020,372
Other receivable	28,887	-	28,887
Interfund balances	(120,869)	120,869	-
Prepaid expenses	10,860	3,755	14,615
Inventory	-	409,356	409,356
<b>Noncurrent</b>			
Restricted cash and cash equivalents	470,715	1,445,535	1,916,250
Restricted investments	37,846	-	37,846
Net pension asset	329,008	133,131	462,139
Capital Assets:			
Non-depreciable	1,684,763	199,425	1,884,188
Depreciable, net	11,568,979	15,420,699	26,989,678
<b>TOTAL ASSETS</b>	<u>16,545,606</u>	<u>25,627,187</u>	<u>42,172,793</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred pension outflows	220,734	66,212	286,946

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET POSITION (continued)  
December 31, 2015

	Governmental Activities	Business-Type Activities	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable	-	129,276	129,276
Accrued expenses	2,416	6,221	8,637
Deposits payable	-	97,090	97,090
Court bonds payable	254	-	254
Unearned revenue	158,610	-	158,610
Accrued interest payable	9,888	231,556	241,444
Current portion of long-term debt	3,297	579,408	582,705
	<u>174,465</u>	<u>1,043,551</u>	<u>1,218,016</u>
<b>Noncurrent</b>			
Compensated absences payable	103,322	21,287	124,609
Capital leases payable	10,549	42,196	52,745
Revenue bonds payable, net	-	4,801,564	4,801,564
Certificates of participation payable	927,000	6,674,264	7,601,264
	<u>1,040,871</u>	<u>11,539,311</u>	<u>12,580,182</u>
<b>TOTAL LIABILITIES</b>	<u>1,215,336</u>	<u>12,582,862</u>	<u>13,798,198</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred pension inflows	2,195	1,289	3,484
	<u>2,195</u>	<u>1,289</u>	<u>3,484</u>
<b>NET POSITION</b>			
Net investment in capital assets	12,312,896	3,522,692	15,835,588
Restricted	1,106,082	1,348,445	2,454,527
Unrestricted	2,129,831	8,238,111	10,367,942
	<u>2,129,831</u>	<u>8,238,111</u>	<u>10,367,942</u>
<b>TOTAL NET POSITION</b>	<u>\$ 15,548,809</u>	<u>\$ 13,109,248</u>	<u>\$ 28,658,057</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ (87,109)	\$ 7,155	\$ -	\$ -	\$ (79,954)	\$ -	\$ (79,954)
Police	(595,612)	31,001	21,361	-	(543,250)	-	(543,250)
Municipal court	(36,052)	-	-	-	(36,052)	-	(36,052)
Fire	(81,661)	-	-	-	(81,661)	-	(81,661)
Animal control	(10,981)	626	-	-	(10,355)	-	(10,355)
Parks	(253,737)	19,973	7,000	-	(226,764)	-	(226,764)
Community center	(131,023)	24,632	-	-	(106,391)	-	(106,391)
Street	(955,672)	-	-	9,907	(945,765)	-	(945,765)
Planning and zoning	(176,206)	7,756	-	-	(168,450)	-	(168,450)
Transportation	(93,484)	11,154	61,563	39,066	18,299	-	18,299
Airport	(21,666)	12,230	-	-	(9,436)	-	(9,436)
Golf	(222,003)	85,858	-	-	(136,145)	-	(136,145)
Economic development	(1,944,489)	1,819,372	-	-	(125,117)	-	(125,117)
Industrial development	(4,099)	2,477	-	-	(1,622)	-	(1,622)
Debt service	(41,170)	-	-	-	(41,170)	-	(41,170)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>(4,654,964)</b>	<b>2,022,234</b>	<b>89,924</b>	<b>48,973</b>	<b>(2,493,833)</b>	<b>-</b>	<b>(2,493,833)</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF ACTIVITIES (continued)  
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Business-type activities:							
Electric	(5,959,631)	7,875,842	-	-	-	1,916,211	1,916,211
Water	(901,804)	820,707	-	-	-	(81,097)	(81,097)
Sewer	(1,175,146)	941,752	-	-	-	(233,394)	(233,394)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>(8,036,581)</b>	<b>9,638,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,601,720</b>	<b>1,601,720</b>
<b>TOTAL GOVERNMENT</b>	<b>\$ (12,691,545)</b>	<b>\$ 11,660,535</b>	<b>\$ 89,924</b>	<b>\$ 48,973</b>	<b>(2,493,833)</b>	<b>1,601,720</b>	<b>(892,113)</b>
		General Revenues:					
					1,544,402	-	1,544,402
					178,966	-	178,966
					32,817	-	32,817
					230,794	-	230,794
					17,953	211,513	229,466
					30,210	-	30,210
					580,648	(580,648)	-
					<b>2,615,790</b>	<b>(369,135)</b>	<b>2,246,655</b>
					Special Items:		
					1,125,000	-	1,125,000
					94,686	-	94,686
					<b>1,219,686</b>	<b>-</b>	<b>1,219,686</b>
					Changes in Net Position		
					1,341,643	1,232,585	2,574,228
					<b>14,207,166</b>	<b>11,876,663</b>	<b>26,083,829</b>
					<b>\$ 15,548,809</b>	<b>\$ 13,109,248</b>	<b>\$ 28,658,057</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
December 31, 2015

	Special Revenue Funds					Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	600 N. Main Fund	Debt Service Fund	
<b>ASSETS</b>						
Cash and cash equivalents - unrestricted	\$ 1,292,279	\$ 205,184	\$ 182,017	\$ 153,518	\$ -	\$ 1,832,998
Investments - unrestricted	-	412,300	-	-	-	412,300
Taxes receivable	227,023	63,096	-	-	-	290,119
Other receivable	28,887	-	-	-	-	28,887
Prepaid expenses	10,860	-	-	-	-	10,860
Restricted cash and cash equivalents	244,910	-	-	-	225,805	470,715
Restricted investments	-	-	-	-	37,846	37,846
<b>TOTAL ASSETS</b>	<b>\$ 1,803,959</b>	<b>\$ 680,580</b>	<b>\$ 182,017</b>	<b>\$ 153,518</b>	<b>\$ 263,651</b>	<b>\$ 3,083,725</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accrued expenses	\$ 2,416	\$ -	\$ -	\$ -	\$ -	\$ 2,416
Court bonds payable	254	-	-	-	-	254
Unearned revenue	-	-	-	158,610	-	158,610
Due to other funds	38,064	82,805	-	-	-	120,869
<b>TOTAL LIABILITIES</b>	<b>40,734</b>	<b>82,805</b>	<b>-</b>	<b>158,610</b>	<b>-</b>	<b>282,149</b>
<b>Fund Balances</b>						
<b>Nonspendable:</b>						
Prepaid expenses	10,860	-	-	-	-	10,860
<b>Restricted for:</b>						
Debt service	244,656	-	-	-	263,651	508,307
Capital improvements	-	597,775	-	-	-	597,775
<b>Assigned to:</b>						
Industrial development	-	-	182,017	-	-	182,017
Economic development	269,487	-	-	-	-	269,487
Unassigned	1,238,222	-	-	(5,092)	-	1,233,130
<b>TOTAL FUND BALANCES</b>	<b>1,763,225</b>	<b>597,775</b>	<b>182,017</b>	<b>(5,092)</b>	<b>263,651</b>	<b>2,801,576</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,803,959</b>	<b>\$ 680,580</b>	<b>\$ 182,017</b>	<b>\$ 153,518</b>	<b>\$ 263,651</b>	<b>\$ 3,083,725</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
NET POSITION  
December 31, 2015

Fund balance - total governmental funds	\$ 2,801,576
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	41,311,687
Less accumulated depreciation	<u>(28,057,945)</u>
	13,253,742
The net pension asset is and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	329,008
Deferred outflows due to pensions	220,734
Deferred inflows due to pensions	<u>(2,195)</u>
	547,547
Compensated absences are not accrued in the governmental funds, but rather is recognized as an expenditure when paid	(103,322)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(9,888)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(940,846)</u>
Net Position of Governmental Activities	<u><u>\$ 15,548,809</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2015

	Special Revenue Funds					Total Governmental Funds
	General Fund	Capital	Industrial	600	Debt	
		Improvement Sales Tax Fund	Development Fund	N. Main Fund	Service Fund	
REVENUES						
Taxes	\$ 1,600,685	\$ 386,294	\$ -	\$ -	\$ -	\$ 1,986,979
Licenses and permits	14,036	-	-	-	-	14,036
Intergovernmental revenues	131,896	-	-	-	-	131,896
Charges for services	155,348	-	2,477	1,819,372	-	1,977,197
Fines and forfeitures	29,534	-	-	-	-	29,534
Miscellaneous	21,396	1,001	2,105	18,214	13,915	56,631
<b>TOTAL REVENUES</b>	<b>1,952,895</b>	<b>387,295</b>	<b>4,582</b>	<b>1,837,586</b>	<b>13,915</b>	<b>4,196,273</b>
EXPENDITURES						
Current						
Administrative	85,128	-	-	-	-	85,128
Police	606,615	-	-	-	-	606,615
Municipal court	36,360	-	-	-	-	36,360
Fire	114,352	-	-	-	-	114,352
Animal control	10,981	-	-	-	-	10,981
Parks	241,083	-	-	-	-	241,083
Community center	102,391	-	-	-	-	102,391
Street	331,330	-	-	-	-	331,330
Planning and zoning	177,640	-	-	-	-	177,640
Transportation	131,575	-	-	-	-	131,575
Airport	12,193	-	-	-	-	12,193
Golf	240,893	-	-	-	-	240,893
Economic development	32,803	-	-	3,062,364	-	3,095,167
Industrial development	-	-	4,099	-	-	4,099
Debt Service						
Principal, interest and fees	209,886	-	-	-	402,361	612,247
<b>TOTAL EXPENDITURES</b>	<b>2,333,230</b>	<b>-</b>	<b>4,099</b>	<b>3,062,364</b>	<b>402,361</b>	<b>5,802,054</b>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(380,335)	387,295	483	(1,224,778)	(388,446)	(1,605,781)
OTHER FINANCING SOURCES (USES)						
Capital contributions	-	-	-	1,125,000	-	1,125,000
Sale of property	-	-	-	94,686	-	94,686
Operating transfers in (out)	1,127,813	(547,165)	-	-	-	580,648
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,127,813</b>	<b>(547,165)</b>	<b>-</b>	<b>1,219,686</b>	<b>-</b>	<b>1,800,334</b>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	747,478	(159,870)	483	(5,092)	(388,446)	194,553
FUND BALANCE, January 1	1,015,747	757,645	181,534	-	652,097	2,607,023
FUND BALANCE, December 31	\$ 1,763,225	\$ 597,775	\$ 182,017	\$ (5,092)	\$ 263,651	\$ 2,801,576

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 December 31, 2015

Net change in fund balances - total governmental funds \$ 194,553

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 capital outlay  
 exceeded depreciation for the year.

Capital outlay	1,460,750
Depreciation	<u>(889,660)</u>
	571,090

Some expenditures reported in the governmental funds represent the use  
 of current financial resources and were recognized in the Statement of  
 Activities when incurred.

Change in pension related costs	9,001
Change in compensated absences	<u>(4,078)</u>
	4,923

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, leases, and loans	571,441
Change in accrued interest payable	<u>(364)</u>
	571,077

Change in net position of governmental activities	<u><u>\$ 1,341,643</u></u>
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See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS  
December 31, 2015

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 3,412,926	\$ 1,140,471	\$ 587,945	\$ 5,141,342
Investments	1,526,470	206,180	-	1,732,650
Interest receivable	53	-	-	53
Utilities receivable, net	799,520	102,513	118,339	1,020,372
Due from other funds	-	120,869	-	120,869
Prepaid expenses	1,749	2,006	-	3,755
Inventory	317,625	91,731	-	409,356
<b>TOTAL CURRENT ASSETS</b>	<b>6,058,343</b>	<b>1,663,770</b>	<b>706,284</b>	<b>8,428,397</b>
Restricted Assets				
Cash and cash equivalents	127,675	698,050	619,810	1,445,535
<b>TOTAL RESTRICTED ASSETS</b>	<b>127,675</b>	<b>698,050</b>	<b>619,810</b>	<b>1,445,535</b>
Property, Plant and Equipment,				
Non-depreciable	145,617	-	53,808	199,425
Depreciable	6,995,562	6,417,849	15,246,860	28,660,271
Accumulated depreciation	(3,058,528)	(2,469,807)	(7,711,237)	(13,239,572)
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>4,082,651</b>	<b>3,948,042</b>	<b>7,589,431</b>	<b>15,620,124</b>
Net Pension Asset	79,878	53,253	-	133,131
<b>TOTAL ASSETS</b>	<b>10,348,547</b>	<b>6,363,115</b>	<b>8,915,525</b>	<b>25,627,187</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Deferred pension outflows	39,727	26,485	-	66,212

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)  
December 31, 2015

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	8,407	120,869	-	129,276
Accrued expenses	5,790	431	-	6,221
Accrued interest payable	10,727	77,617	143,212	231,556
Utility deposits	97,090	-	-	97,090
Current maturities of long-term debt	73,297	174,517	331,594	579,408
<b>TOTAL CURRENT LIABILITIES</b>	<b>195,311</b>	<b>373,434</b>	<b>474,806</b>	<b>1,043,551</b>
Long-Term Liabilities				
Compensated absences payable	10,594	10,693	-	21,287
Capital leases payable	10,549	10,549	21,098	42,196
Revenue bonds payable, net	-	-	4,801,564	4,801,564
Certificates of participation payable	1,275,875	5,112,564	285,825	6,674,264
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,297,018</b>	<b>5,133,806</b>	<b>5,108,487</b>	<b>11,539,311</b>
<b>TOTAL LIABILITIES</b>	<b>1,492,329</b>	<b>5,507,240</b>	<b>5,583,293</b>	<b>12,582,862</b>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Deferred pension inflows	773	516	-	1,289
<b>NET POSITION</b>				
Net investment in capital assets	2,722,930	(1,349,588)	2,149,350	3,522,692
Restricted	30,585	698,050	619,810	1,348,445
Unrestricted	6,141,657	1,533,382	563,072	8,238,111
<b>TOTAL NET POSITION</b>	<b>\$ 8,895,172</b>	<b>\$ 881,844</b>	<b>\$ 3,332,232</b>	<b>\$ 13,109,248</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY  
FUNDS  
Year Ended December 31, 2015

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
<b>OPERATING REVENUES</b>				
Charges for services	\$ 7,869,615	\$ 820,707	\$ 941,752	\$ 9,632,074
Miscellaneous	6,227	-	-	6,227
<b>TOTAL OPERATING REVENUES</b>	<b>7,875,842</b>	<b>820,707</b>	<b>941,752</b>	<b>9,638,301</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	223,146	119,937	-	343,083
Employee benefits	54,460	39,462	-	93,922
Gas and oil	4,484	6,542	240	11,266
Materials and supplies	249	25,920	12,120	38,289
Insurance	28,245	18,793	14,959	61,997
Power purchased	5,003,144	-	-	5,003,144
Telephone and utilities	4,449	4,683	2,533	11,665
Repairs and maintenance	203,245	134,493	120,386	458,124
Professional fees	7,838	4,314	219,867	232,019
Other expenses	11,097	13,988	-	25,085
Depreciation	232,253	211,264	350,411	793,928
Administrative	124,806	107,902	133,054	365,762
<b>TOTAL OPERATING EXPENSES</b>	<b>5,897,416</b>	<b>687,298</b>	<b>853,570</b>	<b>7,438,284</b>
<b>OPERATING INCOME</b>	<b>1,978,426</b>	<b>133,409</b>	<b>88,182</b>	<b>2,200,017</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	10,046	2,685	198,782	211,513
Interest expense	(62,215)	(214,506)	(321,576)	(598,297)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(52,169)</b>	<b>(211,821)</b>	<b>(122,794)</b>	<b>(386,784)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>1,926,257</b>	<b>(78,412)</b>	<b>(34,612)</b>	<b>1,813,233</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>(1,081,114)</b>	<b>515,304</b>	<b>(14,838)</b>	<b>(580,648)</b>
<b>NET INCOME (LOSS)</b>	<b>845,143</b>	<b>436,892</b>	<b>(49,450)</b>	<b>1,232,585</b>
NET POSITION, January 1, as restated	8,050,029	444,952	3,381,682	11,876,663
NET POSITION, December 31	<u>\$ 8,895,172</u>	<u>\$ 881,844</u>	<u>\$ 3,332,232</u>	<u>\$ 13,109,248</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended December 31, 2015

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 8,044,573	\$ 810,653	\$ 942,410	\$ 9,797,636
Cash paid to suppliers	(5,103,738)	(452,512)	(503,159)	(6,059,409)
Cash paid to employees	(280,434)	(164,312)	-	(444,746)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>2,660,401</b>	<b>193,829</b>	<b>439,251</b>	<b>3,293,481</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Loans (to) other funds	-	(71,617)	-	(71,617)
Operating transfer in (out)	(1,081,114)	515,304	(14,838)	(580,648)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,081,114)</b>	<b>443,687</b>	<b>(14,838)</b>	<b>(652,265)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(132,839)	(42,493)	(63,398)	(238,730)
Payment of bond principal	-	-	(182,326)	(182,326)
Payment of certificates of participation principal	(70,000)	(240,000)	-	(310,000)
Payment of capital lease principal	(3,193)	(3,193)	(6,387)	(12,773)
Payment of loan principal	-	(131,519)	-	(131,519)
Payment of interest expense	(62,454)	(217,267)	(324,993)	(604,714)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(268,486)</b>	<b>(634,472)</b>	<b>(577,104)</b>	<b>(1,480,062)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	11,332	2,899	198,782	213,013
Purchase of investments	-	(262)	-	(262)
Proceeds from maturity of investments	457	-	-	457
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>11,789</b>	<b>2,637</b>	<b>198,782</b>	<b>213,208</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,322,590</b>	<b>5,681</b>	<b>46,091</b>	<b>1,374,362</b>
CASH AND CASH EQUIVALENTS, Beginning of year	2,218,011	1,832,840	1,161,664	5,212,515
CASH AND CASH EQUIVALENTS, End of year	3,540,601	1,838,521	1,207,755	6,586,877
LESS RESTRICTED CASH AND CASH EQUIVALENTS	127,675	698,050	619,810	1,445,535
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>\$ 3,412,926</b>	<b>\$ 1,140,471</b>	<b>\$ 587,945</b>	<b>\$ 5,141,342</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)  
Year Ended December 31, 2015

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,978,426	\$ 133,409	\$ 88,182	\$ 2,200,017
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	232,253	211,264	350,411	793,928
(Increase) decrease in:				
Utilities receivable	169,226	(10,054)	658	159,830
Rebate receivable	311,072	-	-	311,072
Prepaid expenses	225	165	-	390
Inventory	15,498	(8,840)	-	6,658
Net pension asset	23,660	15,773	-	39,433
Deferred pension outflow	(29,867)	(19,912)	-	(49,779)
Increase (decrease) in:				
Accounts payable	(42,976)	(127,202)	-	(170,178)
Accrued expenses	1,571	65	-	1,636
Meter deposits payable	(495)	-	-	(495)
Deferred pension inflow	773	516	-	1,289
Compensated absences payable	1,035	(1,355)	-	(320)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 2,660,401</u>	<u>\$ 193,829</u>	<u>\$ 439,251</u>	<u>\$ 3,293,481</u>

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. The following is a summary of the more significant policies.

### Financial Reporting Entity

The City is organized under the laws of the State of Missouri and 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 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 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.

### Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position 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 Position, 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 not accounted for in other funds.

Capital Improvement Sales Tax Fund: The Capital Improvement Sales Tax Fund is used to account for the proceeds of specific revenue sources restricted, committed, or assigned for expenditures for specified purposes.

Industrial Development Fund: The Industrial Development Fund is used to account for resources restricted, committed, or assigned for industrial development.

600 N. Main Fund: The 600 N. Main Fund is used to account for resources restricted, committed, or assigned for economic development.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of the 1995 General Obligation Industrial Bonds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. For purposes of the statement of cash flows, cash equivalents are deposits available on demand or with an original maturity of less than three months at the time of purchase.

Compensated Absences

Employees earn vacation time based on their years of 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 Position.

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.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing capital 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 Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal period.

Unearned Revenue

This is future revenue received for rent paid in advance. This revenue will be recognized as income when earned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

*Nonspendable fund balance* – This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

*Assigned fund balance* – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan on the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncement

The Government Accounting Standards Board (GASB) issued Statement No. 68 – Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date, for reporting periods beginning after June 15, 2014. The statement establishes standards for measuring and recognizing assets and liabilities, deferred inflow and outflow of resources, and expenses relating to pensions, note disclosures, and required supplementary information. The City adopted GASB Statement Nos. 68 and 71 for the year ended December 31, 2015.

Certain January 1, 2015, amounts have been reclassified to the December 31, 2015, presentation.

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, 2015, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2015, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	8/11/2016 - 3/14/2017	<u>\$ 2,182,796</u>

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, 2015, all certificates of deposit are entirely insured or collateralized with securities.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE C – INVESTMENTS (continued)

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.

Interest Rate Risk

The City has no formal policy on interest rate risk.

NOTE D – RESTRICTED ASSETS

Cash, investments and net position have been restricted in the following funds and activities as follows:

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
<b>GENERAL FUND</b>		
Court bonds	\$ 254	\$ -
2014 Certificates of Participation		
Debt Service Reserve Fund	92,723	92,723
Lease Revenue Fund	151,933	151,933
	<u>\$ 244,910</u>	<u>\$ 244,656</u>
<b>CAPITAL IMPROVEMENT SALES TAX FUND</b>		
Capital improvement sales tax	<u>\$ -</u>	<u>\$ 597,775</u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE D – RESTRICTED ASSETS (continued)

	Restricted Cash and Investments	Restricted Net Position
<b>DEBT SERVICE FUND</b>		
Debt service	\$ 263,651	\$ 263,651
<b>ELECTRIC FUND</b>		
2014 Certificates of Participation		
Lease Revenue Fund	\$ 18,992	\$ 18,992
Debt Service Reserve Fund	11,593	11,593
Customer deposits	97,090	-
	<u>\$ 127,675</u>	<u>\$ 30,585</u>
<b>WATER FUND</b>		
2011 Certificates of Participation		
Debt Service Reserve Fund	\$ 237,059	\$ 237,059
Lease Reserve Fund	40,763	40,763
2005 Certificates of Participation		
Debt Service Reserve Fund	363,140	363,140
2014 Certificates of Participation		
Lease Revenue Fund	35,451	35,451
Debt Service Reserve Fund	21,637	21,637
	<u>\$ 698,050</u>	<u>\$ 698,050</u>
<b>SEWER FUND</b>		
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 368,349	\$ 368,349
Debt Service Reserve Fund	176,030	176,030
2014 Certificates of Participation		
Lease Revenue Fund	46,846	46,846
Debt Service Reserve Fund	28,585	28,585
	<u>\$ 619,810</u>	<u>\$ 619,810</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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	\$ 859,429	\$ (59,909)	\$ 799,520
Water Fund	108,219	(5,706)	102,513
Sewer Fund	124,045	(5,706)	118,339
	<u>\$ 1,091,693</u>	<u>\$ (71,321)</u>	<u>\$ 1,020,372</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2015, consists of the 2014 Certificates of Participation, a capital lease payable, and compensated absences.

2014 Certificates of Participation

On October 15, 2014, the City issued \$1,545,000 in Certificates of Participation for water, sewer, electric and street improvements. \$927,000 of the certificates was recorded as long-term debt within the governmental activities and \$618,000 was recorded as long-term debt within the business-type activities. The Certificates of Participation bear interest at 3.20% with interest payments due March 1 and September 1 each year and principal payments due September 1, 2024 and 2025. The annual debt service requirements to amortize the principal on the certificates outstanding at December 31, 2015, are as follows:

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

Year Ended December 31,	Principal	Interest	Total
2016	\$ -	\$ 49,440	\$ 49,440
2017	-	49,440	49,440
2018	-	49,440	49,440
2019	-	49,440	49,440
2020	-	49,440	49,440
2021	-	49,440	49,440
2022	-	49,440	49,440
2023	-	49,440	49,440
2024	655,000	49,440	704,440
2025	890,000	28,480	918,480
	<u>\$ 1,545,000</u>	<u>\$ 473,440</u>	<u>\$ 2,018,440</u>
Governmental Activities			
General Fund	\$ 927,000		
Business-Type Activities			
Electric Fund	115,875		
Sewer Fund	285,825		
Water Fund	216,300		
	<u>\$ 1,545,000</u>		

Capital Lease Payable

On September 9, 2014, the City entered into a lease purchase agreement to finance the purchase of a utility tractor in the amount of \$85,196. \$17,039 of the lease was recorded as long-term debt within the governmental activities and \$68,157 was recorded as long-term debt in the business-type activities. The lease requires annual payments with interest at 3.25%.

The City's lease/purchase agreement provides for the cancellation of the lease at the City's option on the renewal dates each year per State statute, however the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable capital lease in accordance with Governmental Accounting Standards Board (GASB) Section L20, "Leases".

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

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

Year Ended December 31,	Principal	Interest	Total
2016	\$ 16,486	\$ 2,250	\$ 18,736
2017	17,022	1,714	18,736
2018	17,575	1,161	18,736
2019	18,147	589	18,736
	<u>\$ 69,230</u>	<u>\$ 5,714</u>	<u>\$ 74,944</u>

Governmental Activities

General Fund \$ 13,846

Business-Type Activities

Electric Fund 13,846

Sewer Fund 27,692

Water Fund 13,846

\$ 69,230

Loan Payable

During 2014, the City entered into a Sales Tax Rebate Agreement with Wal-mart Real Estate Business Trust (“Developer”). During the year ended December 31, 2014, the project was completed and the City began repayment. The purpose of the agreement is to have the Developer construct extensive public infrastructure improvements to allow construction and operation of a Wal-Mart retail store. The City has determined that the infrastructure improvements will substantially benefit the City by promoting and protecting the general health, safety and welfare of the City and will enhance overall economic activity, create job opportunities and increase the local tax base of the City. Per the agreement, the City is to reimburse the Developer \$540,207 for the improvements. \$216,083 was recorded as long-term-debt within the governmental activities and \$324,124 was recorded as long-term debt within the business-type activities. Quarterly payments consist of all sales tax revenue generated from Wal-Mart. Once the reimbursement is fully paid, the agreement shall terminate. Five year maturities for principal and interest are not presented since the future revenue from taxes and principal payments will vary from year to year. As of December 31, 2015, the outstanding balance on the loan in the governmental activities is \$0 and the balance in the business-type activities is \$22,484.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

The following table is a summary of the changes in Long-Term Liabilities – Governmental Activities:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015	Amounts Due Within One Year
1995 General Obligation Industrial Bonds	\$ 385,000	\$ -	\$ 385,000	\$ -	\$ -
2014 Certificates of Participation	927,000	-	-	927,000	-
Capital Lease Payable	17,039	-	3,193	13,846	3,297
Loan Payable	183,248	-	183,248	-	-
Compensated Absences	99,244	4,078	-	103,322	-
	<u>\$ 1,611,531</u>	<u>\$ 4,078</u>	<u>\$ 571,441</u>	<u>\$ 1,044,168</u>	<u>\$ 3,297</u>

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

The business-type activities long-term debt at December 31, 2015, consists of the 2008 Combined Waterworks and Sewerage System revenue bonds, the 2005, 2008, 2011, and 2014 Certificates of Participation, capital lease payable, loan payable, and compensated absences.

**Water Fund**

2005 Refunding Certificates of Participation

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, 2015, are as follows:

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

Year Ended December 31,	Principal	Interest	Total
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>\$ 2,960,000</u>	<u>\$ 479,965</u>	<u>\$ 3,439,965</u>

2011 Refunding Certificates of Participation

During 2011, the City issued \$2,370,000 in Refunding Certificates of Participation to advance refund the Series 2003 Certificates of Participation. The 2011 certificates bear interest at 1.25% to 4.25%. Interest payments are due in semi-annual installments on February 1 and August 1 of each year with annual principal payments due August 1 of each year. The annual debt service requirements to amortize the principal on the 2011 Certificates of Participation outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
2016	\$ 95,000	\$ 81,525	\$ 176,525
2017	95,000	78,960	173,960
2018	100,000	76,110	176,110
2019	95,000	72,910	167,910
2020	105,000	69,680	174,680
2021	100,000	65,900	165,900
2022	595,000	62,050	657,050
2023	900,000	38,250	938,250
	<u>\$ 2,085,000</u>	<u>\$ 545,385</u>	<u>\$ 2,630,385</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

**Electric Fund**

2008 Certificates of Participation

During 2008, the City issued \$1,645,000 in Certificates of Participation. The certificates bear interest at 4.63%. Interest payments are due in semi-annual installments on May 1 and November 1 of each year with annual principal payments due May 1 of each year. The annual debt service requirements to amortize the principal on the 2008 Certificates of Participation outstanding at December 31, 2015, are as follows:

Year Ended December 31,	Principal	Interest	Total
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>\$ 1,230,000</u>	<u>\$ 405,588</u>	<u>\$ 1,635,588</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

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

**Sewer Fund**

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 with principal payments due January 1 of each year. Annual debt service requirements to amortize the principal on the 2008 revenue bonds outstanding at December 31, 2015, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 5,160,000</u>	<u>\$ 2,120,870</u>	<u>\$ 7,280,870</u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

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

The following table is a summary of the changes in the Long-Term Debt – Business-Type Activities:

	Balance December 31, 2014	Additions	Retirements	Balance December 31, 2015	Amounts Due Within One Year
<b>ELECTRIC FUND</b>					
Compensated Absences	\$ 9,559	\$ 1,035	\$ -	\$ 10,594	\$ -
Capital Lease Payable	17,039	-	3,193	13,846	3,297
Certificates of Participation					
Series 2008	1,300,000	-	70,000	1,230,000	70,000
Series 2014	115,875	-	-	115,875	-
	<u>1,442,473</u>	<u>1,035</u>	<u>73,193</u>	<u>1,370,315</u>	<u>73,297</u>
<b>SEWER FUND</b>					
Capital Lease Payable	34,079	-	6,387	27,692	6,594
Certificates of Participation					
Series 2014	285,825	-	-	285,825	-
Revenue Bonds					
Series 2008	5,345,000	-	185,000	5,160,000	325,000
	<u>5,664,904</u>	<u>-</u>	<u>191,387</u>	<u>5,473,517</u>	<u>331,594</u>
Unamortized bond discount on 2008 bonds	(36,110)	-	(2,674)	(33,436)	-
	<u>5,628,794</u>	<u>-</u>	<u>188,713</u>	<u>5,440,081</u>	<u>331,594</u>
<b>WATER FUND</b>					
Compensated Absences	12,048	-	1,355	10,693	-
Capital Lease Payable	17,039	-	3,193	13,846	3,297
Certificates of Participation					
Series 2005	3,190,000	-	230,000	2,960,000	53,736
Series 2011	2,095,000	-	10,000	2,085,000	95,000
Series 2014	216,300	-	-	216,300	-
Loan Payable	274,872	-	252,388	22,484	22,484
	<u>5,805,259</u>	<u>-</u>	<u>496,936</u>	<u>5,308,323</u>	<u>174,517</u>
<b>TOTAL</b>	<u><u>\$12,876,526</u></u>	<u><u>\$ 1,035</u></u>	<u><u>\$ 758,842</u></u>	<u><u>\$12,118,719</u></u>	<u><u>\$ 579,408</u></u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
<b>GOVERNMENTAL ACTIVITIES</b>				
Non-depreciable Capital Assets				
Land	\$ 1,221,961	\$ 434,000	\$ -	\$ 1,655,961
Construction in progress	630,628	28,802	630,628	28,802
Total Non-depreciable Capital Assets	1,852,589	<u>\$ 462,802</u>	<u>\$ 630,628</u>	1,684,763
Depreciable Capital Assets				
Land improvements	231,081	\$ -	\$ -	231,081
Building and improvements	1,813,003	691,000	-	2,504,003
Major moveable equipment	1,484,569	202,206	-	1,686,775
Infrastructure	34,469,695	735,370	-	35,205,065
Total Depreciable Capital Assets	37,998,348	<u>\$ 1,628,576</u>	<u>\$ -</u>	39,626,924
Less Accumulated Depreciation				
Land improvements	148,111	\$ 11,554	\$ -	159,665
Building and improvements	388,213	48,425	-	436,638
Major moveable equipment	1,087,287	108,419	-	1,195,706
Infrastructure	25,544,674	721,262	-	26,265,936
Total Accumulated Depreciation	27,168,285	<u>\$ 889,660</u>	<u>\$ -</u>	28,057,945
Total Depreciable Capital Assets, net	10,830,063			11,568,979
Total Governmental Activities Capital Assets, net	<u>\$ 12,682,652</u>			<u>\$ 13,253,742</u>

Depreciation expense was charged to functions as follows:

Administrative	\$ 5,531
Police	21,979
Fire	27,309
Parks	22,577
Street	738,904
Transportation	11,527
Airport	9,473
Golf	7,305
Community center	30,372
Economic development	14,683
	<u>\$ 889,660</u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2015

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Sewer Fund</b>				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	138,383	63,398	201,781	-
Total Non-Depreciable Capital Assets	192,191	<u>\$ 63,398</u>	<u>\$ 201,781</u>	53,808
Depreciable Capital Assets				
Sewer plant	15,045,079	<u>\$ 201,781</u>	<u>\$ -</u>	15,246,860
Less Accumulated Depreciation				
Sewer plant	7,360,826	<u>\$ 350,411</u>	<u>\$ -</u>	7,711,237
Total Depreciable Capital Assets, net	7,684,253			7,535,623
<b>Electric Fund</b>				
Non-Depreciable Capital Assets				
Land	145,617	\$ -	\$ -	145,617
Construction in Progress	71,861	12,324	84,185	-
Total Non-Depreciable Capital Assets	217,478	<u>\$ 12,324</u>	<u>\$ 84,185</u>	145,617
Depreciable Capital Assets:				
Electric plant	6,790,862	<u>\$ 204,700</u>	<u>\$ -</u>	6,995,562
Less Accumulated Depreciation				
Electric plant	2,826,275	<u>\$ 232,253</u>	<u>\$ -</u>	3,058,528
Total Depreciable Capital Assets, net	3,964,587			3,937,034
<b>Water Fund</b>				
Non-Depreciable Capital Assets				
Construction in Progress	128,241	<u>\$ -</u>	<u>\$ 128,241</u>	-
Depreciable Capital Assets:				
Water plant	6,247,115	<u>\$ 170,734</u>	<u>\$ -</u>	6,417,849
Less Accumulated Depreciation				
Water plant	2,258,543	<u>\$ 211,264</u>	<u>\$ -</u>	2,469,807
Total Depreciable Capital Assets, net	3,988,572			3,948,042
Total Capital Assets - Business-Type Activities, net	<u>\$ 16,175,322</u>			<u>\$ 15,620,124</u>

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

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

	<u>2015 Valuation</u>
Benefit Multiplier	1.50% for life
Final Average Salary	5 Years
Member Contributions	0%

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

*Employees Covered by Benefit Terms.* At June 30, 2015, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	16	6	22
Inactive employees entitled to but not yet receiving benefits	8	5	13
Active employees	22	10	32
	<u>46</u>	<u>21</u>	<u>67</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

*Contributions.* The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 9.6% (General) and 8.8% (Police) of annual covered payroll.

*Net Pension Asset.* The employer’s net pension asset was measured as of June 30, 2015, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2015.

*Actuarial Assumptions.* The total pension liability in the February 28, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% to 6.8% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 3 years for both males and females.

The actuarial assumptions used in the February 28, 2015, valuation were based on the results of an actuarial experience study for the period March 1, 2005, through February 28, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	48.50%	5.50%
Fixed Income	25.00%	2.25%
Real Assets	20.00%	4.50%
Strategic Assets	6.50%	7.50%

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

*Discount Rate.* The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>General Division</i>			
Balance at June 30, 2014	\$ 2,834,031	\$ 3,300,420	\$ (466,389)
Changes for the year:			
Service Cost	73,901	-	73,901
Interest	203,227	-	203,227
Difference between expected and actual experiences	(4,464)	-	(4,464)
Contributions - employer	-	83,153	(83,153)
Net investment income	-	62,723	(62,723)
Benefits paid, including refunds	(136,809)	(136,809)	-
Administrative expenses	-	(3,915)	3,915
Other changes	-	24,127	(24,127)
Net Changes	135,855	29,279	106,576
Balances at June 30, 2015	2,969,886	3,329,699	(359,813)

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) (a) - (b)
<i>Police Division</i>			
Balance at June 30, 2014	\$ 1,212,138	\$ 1,410,737	\$ (198,599)
Changes for the year:			
Service Cost	29,094	-	29,094
Interest	87,204	-	87,204
Difference between expected and actual experiences	43,713	-	43,713
Contributions - employer	-	34,143	(34,143)
Net investment income	-	32,404	(32,404)
Benefits paid, including refunds	(48,065)	(48,065)	-
Administrative expenses	-	(1,678)	1,678
Other changes	-	(1,131)	1,131
Net Changes	111,946	15,673	96,273
Balance at June 30, 2015	1,324,084	1,426,410	(102,326)
Total Plan Balances at June 30, 2015	\$ 4,293,970	\$ 4,756,109	\$ (462,139)
Governmental Activities			\$ (329,008)
Business-Type Activities			
Electric Fund			(79,878)
Water Fund			(53,253)
			(133,131)
			\$ (462,139)

*Sensitivity of the Net Pension Asset to Changes in the Discount Rate.* The following present the Net Pension Asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 3,344,995	\$ 2,969,886	\$ 2,655,813
Fiduciary Net Position	3,329,699	3,329,699	3,329,699
Net Pension Liability (Asset)	15,296	(359,813)	(673,886)
<i>Police Division</i>			
Total Pension Liability	1,539,990	1,324,084	1,150,306
Fiduciary Net Position	1,426,410	1,426,410	1,426,410
Net Pension Liability (Asset)	113,580	(102,326)	(276,104)
Total Net Pension Liability (Asset)	\$ 128,876	\$ (462,139)	\$ (949,990)

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

For the year ended 2015, the employer recognized pension expense of \$58,675 in the general division and \$40,563 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ -	\$ (3,484)	\$ (3,484)
Excess investment returns	140,293	-	140,293
Contributions subsequent to the measurement date*	38,659	-	38,659
	178,952	(3,484)	175,468
<i>Police Division</i>			
Differences in experiences	36,781	-	36,781
Excess investment returns	55,423	-	55,423
Contributions subsequent to the measurement date*	15,790	-	15,790
	107,994	-	107,994
	\$ 286,946	\$ (3,484)	\$ 283,462

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE I – EMPLOYEE PENSION PLAN (continued)

Governmental Activities	\$ 220,734	\$ (2,195)	\$ 218,539
Business-Type Activities			
Electric Fund	39,727	(773)	38,954
Water Fund	26,485	(516)	25,969
	<u>66,212</u>	<u>(1,289)</u>	<u>64,923</u>
	<u>\$ 286,946</u>	<u>\$ (3,484)</u>	<u>\$ 283,462</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset for the year ending December 31, 2016.

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

Year Ending December 31,	General	Police	Total
	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources	Net Deferred Outflows of Resources
2016	\$ 34,093	\$ 20,788	\$ 54,881
2017	34,093	20,788	54,881
2018	34,093	20,788	54,881
2019	34,530	20,787	55,317
2020	-	6,932	6,932
Thereafter	-	2,121	2,121
	<u>\$ 136,809</u>	<u>\$ 92,204</u>	<u>\$ 229,013</u>

Payable to the Pension Plan

At December 31, 2015, the City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2015, therefore no payable was reported.

#### 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 – 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, 2015, 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 L – PLEDGED REVENUES

##### Sewer Fund

The City has pledged future sewer customer revenues to repay the 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 \$7,280,870. Principal and interest paid for the current year and total customer net revenues were \$469,488 and \$438,593, respectively. In addition, interest subsidies paid \$191,932 of the total interest expense.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2015, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,127,813	\$ -
Capital Improvement Sales Tax Fund	-	547,165
Electric Fund	-	1,081,114
Water Fund	515,304	-
Sewer Fund	-	14,838
	<u>\$ 1,643,117</u>	<u>\$ 1,643,117</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 N – COMMITMENTS

At December 31, 2015, the City had the following commitments:

- Crews Construction, Inc. in the amount of \$45,980 for lift installation at the Community Center building.
- Anderson Engineering in the amount of \$47,613 for engineering services related to sidewalk improvements.
- TREKK Design Group, LLC the amount of \$41,477 for the Mt. Vernon Facility plan.

The City is on a month-to-month agreement with the Department of Veteran Affairs for property rental in the amount of \$191,514. The City is also on a month-to-month agreement with BB Management LLC to maintain the property in the amount of \$126,514.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE O – INTERNAL BALANCES

Internal balances as of December 31, 2015, consisted of the following:

	General Fund	Capital Improvement Sales Tax Fund	Water Fund
Internal balances	\$ (38,064)	\$ (82,805)	\$ 120,869

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, 2015, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE P – RESTATEMENT

Net position as of December 31, 2015, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

Governmental Activities

NET POSITION, as previously stated, December 31, 2014	\$ 13,660,584
Deferred pension outflows	46,122
Net pension asset	492,424
Post employment pension liability	8,036
NET POSITION, as restated, January 1, 2015	<u>\$ 14,207,166</u>

Electric Fund

NET POSITION, as previously stated, December 31, 2014	\$ 7,936,631
Deferred pension outflows	9,860
Net pension asset	103,538
NET POSITION, as restated, January 1, 2015	<u>\$ 8,050,029</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2015

NOTE P – RESTATEMENT (continued)

Water Fund

NET POSITION, as previously stated, December 31, 2014	\$ 369,353
Deferred pension outflows	6,573
Net pension asset	<u>69,026</u>
NET POSITION, as restated, January 1, 2015	<u><u>\$ 444,952</u></u>

Business-Type Activities

NET POSITION, as previously stated, December 31, 2014	\$ 11,687,666
Deferred pension outflows	16,433
Net pension asset	<u>172,564</u>
NET POSITION, as restated, January 1, 2015	<u><u>\$ 11,876,663</u></u>

NOTE Q – UNEARNED REVENUE

Revenue received but not considered earned is deferred until the appropriate expenses have been incurred. At December 31, 2015, unearned revenue in the 600 N. Main Fund in the amount of \$158,610 is related to rental revenue received in advance for January 2016.

NOTE R – DEFICIT FUND BALANCE

As of December 31, 2015, the City had a deficit fund balance in the amount of \$5,092 in the 600 N. Main Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MT. VERNON, MISSOURI  
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS  
Year Ended December 31, 2015

**Missouri Local Government Employees Retirement System (LAGERS)**

	June 30, 2015
<b>TOTAL PENSION LIABILITY</b>	
Service Cost	\$ 102,995
Interest on the Total Pension Liability	290,431
Difference between expected and actual experience	39,249
Benefit Payments	(184,874)
	<hr/>
NET CHANGE IN TOTAL PENSION LIABILITY	247,801
TOTAL PENSION LIABILITY, BEGINNING	4,046,169
	<hr/>
TOTAL PENSION LIABILITY, ENDING	4,293,970
<b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	117,296
Pension Plan Net Investment Income	95,127
Benefit Payments	(184,874)
Pension Plan Administrative Expense	(5,593)
Other	22,996
	<hr/>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	44,952
PLAN FIDUCIARY NET POSITION, BEGINNING	4,711,157
	<hr/>
PLAN FIDUCIARY NET POSITION, ENDING	4,756,109
	<hr/>
EMPLOYER NET PENSION (ASSET)	\$ (462,139)
	<hr/> <hr/>
Plan fiduciary net position as a percentage of the total pension liability	110.76%
Covered employee payroll	\$ 1,136,396
Employer's net pension asset as a percentage of covered employee payroll	(40.67)%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

CITY OF MT. VERNON, MISSOURI  
 SCHEDULE OF CONTRIBUTIONS  
 Year Ended December 31, 2015

**Missouri Local Government Employees Retirement System (LAGERS)  
 Schedule of Contributions  
 Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 109,190	\$ 124,258	\$ 127,611	\$ 122,838	\$ 128,401	\$ 135,466	\$ 105,975	\$ 108,262	\$ 110,944	\$ 93,216
Contributions in relation to the actuarially determined contribution	<u>109,190</u>	<u>124,258</u>	<u>127,611</u>	<u>119,448</u>	<u>116,375</u>	<u>110,283</u>	<u>107,031</u>	<u>106,938</u>	<u>105,801</u>	<u>95,217</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,390</u>	<u>\$ 12,026</u>	<u>\$ 25,183</u>	<u>\$ (1,056)</u>	<u>\$ 1,324</u>	<u>\$ 5,143</u>	<u>\$ (2,001)</u>
Covered-employee payroll	\$1,166,326	\$1,149,142	\$1,105,715	\$1,037,944	\$1,052,045	\$1,083,968	\$1,068,837	\$1,035,864	\$1,076,903	\$ 974,894
Contributions as a percentage of covered-employee payroll	9.36%	10.81%	11.54%	11.51%	11.06%	10.17%	10.01%	10.32%	9.82%	9.77%

CITY OF MT. VERNON, MISSOURI  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
Year Ended December 31, 2015

**Valuation Date:** February 28, 2015.

**Notes:** The roll-forward of total pension liability from February 28, 2015, to June 30, 2015, reflects expected service cost and interest reduced by actual benefit payments and administrative expenses.

**Methods and Assumptions Used to Determine Contribution Rates**

*Actuarial Cost Method* – Entry Age Normal

*Amortization Method* – Level Percentage of Payroll, Closed

*Remaining Amortization Period* – Multiple bases from 14 to 15 years

*Asset Valuation Method* – 5-Year smoothed market; 20% corridor

*Inflation* – 3.5% wage inflation; 3.0% price inflation

*Salary Increases* – 3.5% to 6.8% including wage inflation

*Investment Rate of Return* – 7.25%, net of investment and administrative expenses

*Retirement Age* – Experience-based table of rates that are specific to the type of eligibility condition

*Mortality* – 105% of the 1994 Group Annuity Mortality Table set back 0 years for men and 0 years for women. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

*Other Information* – None

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
City sales tax	\$ 1,092,000	\$ 1,158,108	\$ 1,158,108	\$ -
Motor vehicle tax	166,000	178,966	178,966	-
Utility franchise tax	87,000	230,794	230,794	-
Other taxes	29,000	32,817	32,817	-
	<u>1,374,000</u>	<u>1,600,685</u>	<u>1,600,685</u>	-
Licenses and Permits				
Occupational licenses	6,000	6,280	6,280	-
Building permits	10,000	7,756	7,756	-
	<u>16,000</u>	<u>14,036</u>	<u>14,036</u>	-
Intergovernmental Revenues				
Grants	215,546	131,896	131,896	-
Charges for Services				
Taxi	9,000	11,154	11,154	-
Animal control	500	626	626	-
Pool	18,000	16,138	16,138	-
Park	5,500	3,835	3,835	-
Golf fees	94,000	85,858	85,858	-
Airport hanger rent	16,500	12,230	12,230	-
Community center	17,000	24,632	24,632	-
Cemetery	1,000	875	875	-
	<u>161,500</u>	<u>155,348</u>	<u>155,348</u>	-
Fines and forfeitures				
City court fines	35,000	29,534	29,534	-
Miscellaneous				
Interest	500	2,307	2,307	-
Donations	7,000	7,000	7,000	-
Other	1,600	12,089	12,089	-
	<u>9,100</u>	<u>21,396</u>	<u>21,396</u>	-
<b>TOTAL REVENUES</b>	<u>1,811,146</u>	<u>1,952,895</u>	<u>1,952,895</u>	-

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	392,102	85,128	85,128	-
Police	641,553	606,615	606,615	-
Municipal court	48,044	36,360	36,360	-
Fire	75,385	114,352	114,352	-
Animal control	12,658	10,981	10,981	-
Parks	283,874	241,083	241,083	-
Community center	114,779	102,391	102,391	-
Street	440,031	331,330	331,330	-
Planning and zoning	73,344	177,640	177,640	-
Transportation	153,794	131,575	131,575	-
Airport	99,685	12,193	12,193	-
Golf	274,790	240,893	240,893	-
Economic development	37,049	32,803	32,803	-
Debt service				
Principal, interest and fees	17,325	209,886	209,886	-
TOTAL EXPENDITURES	<u>2,664,413</u>	<u>2,333,230</u>	<u>2,333,230</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(853,267)	(380,335)	(380,335)	-
OTHER FINANCING SOURCES				
Operating transfers in	<u>895,630</u>	<u>1,127,813</u>	<u>1,127,813</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	42,363	747,478	747,478	-
FUND BALANCE, January 1	<u>1,015,747</u>	<u>1,015,747</u>	<u>1,015,747</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 1,058,110</u>	<u>\$ 1,763,225</u>	<u>\$ 1,763,225</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 362,000	\$ 386,294	\$ 386,294	\$ -
Miscellaneous				
Interest	1,200	1,001	1,001	-
TOTAL REVENUES	363,200	387,295	387,295	-
EXPENDITURES				
Current				
Capital improvement	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	363,200	387,295	387,295	-
OTHER FINANCING (USES)				
Operating transfers (out)	(413,200)	(547,165)	(547,165)	-
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING (USES)	(50,000)	(159,870)	(159,870)	-
FUND BALANCE, January 1	757,645	757,645	757,645	-
FUND BALANCE, December 31	\$ 707,645	\$ 597,775	\$ 597,775	\$ -

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Charges for services				
Rents	\$ 400	\$ 2,477	\$ 2,477	\$ -
Miscellaneous				
Interest	-	452	452	-
Other	-	1,653	1,653	-
TOTAL REVENUES	400	4,582	4,582	-
<b>EXPENDITURES</b>				
Current				
Industrial development	-	4,099	4,099	-
TOTAL EXPENDITURES	-	4,099	4,099	-
EXCESS OF REVENUES OVER EXPENDITURES	400	483	483	-
FUND BALANCE, January 1	181,534	181,534	181,534	-
FUND BALANCE, December 31	\$ 181,934	\$ 182,017	\$ 182,017	\$ -

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – 600 N. MAIN FUND  
 Year Ended December 31, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Charges for services				
Rents	\$ -	\$ 1,819,372	\$ 1,819,372	\$ -
Miscellaneous				
Interest income	-	278	278	-
Other	-	17,936	17,936	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>1,837,586</b>	<b>1,837,586</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
Economic development	-	3,062,364	3,062,364	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>3,062,364</b>	<b>3,062,364</b>	<b>-</b>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(1,224,778)</b>	<b>(1,224,778)</b>	<b>-</b>
<b>OTHER FINANCING SOURCES</b>				
Capital contributions	-	1,125,000	1,125,000	-
Sale of property	-	94,686	94,686	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>1,219,686</b>	<b>1,219,686</b>	<b>-</b>
<b>(DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>	<b>-</b>	<b>(5,092)</b>	<b>(5,092)</b>	<b>-</b>
<b>FUND BALANCE, January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE, December 31</b>	<b>\$ -</b>	<b>\$ (5,092)</b>	<b>\$ (5,092)</b>	<b>\$ -</b>

CITY OF MT. VERNON, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
Year Ended December 31, 2015

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**



**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, 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, the 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 December 31, 2015, and the related notes to the financial statements, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements, and have issued our report thereon, dated March 9, 2016.

**Internal Control over Financial Reporting**

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

Our consideration of internal control 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness. It is identified as item 2015-001.

### **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*.

### **City of Mt. Vernon, Missouri's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Mt. Vernon, Missouri's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Mt. Vernon, Missouri's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC  
Springfield, Missouri  
March 9, 2016

CITY OF MT. VERNON, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended December 31, 2015

2015-001 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.