

**CITY OF MT. VERNON, MISSOURI**  
**BASIC FINANCIAL STATEMENTS**  
**Year Ended June 30, 2007**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Vernon, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the City of Mt. Vernon, Missouri, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
November 9, 2007

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

The management's discussion and analysis of the City of Mt. Vernon's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements, which begin on page 14.

***Financial Highlights***

- The net assets of the City's governmental activities decreased by \$11,449 as a result of current year activities. The net assets of the City's business activities increased by \$378,117 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2007 by \$23,801,493. Of this amount \$6,424,943 was unrestricted and may be used to meet future obligations of the City.
- During FY 07 the City reduced long-term liabilities by \$396,476.

***Using This Annual Report***

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

***Government-Wide Financial Statements***

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

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

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

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

***Fund Financial Statements***

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

*Notes to the Basic Financial Statements*

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

*Government-Wide Financial Analysis*

**NET ASSETS**

The following table presents the condensed Statement of Net Assets for the City as of June 30, 2007 and 2006:

	Governmental Activities	Business-Type Activities	Total June 30, 2007	Total June 30, 2006
Current and other assets	\$ 3,174,426	\$ 6,690,624	\$ 9,865,050	\$ 9,298,922
Capital assets	13,364,215	10,624,280	23,988,495	24,678,245
TOTAL ASSETS	16,538,641	17,314,904	33,853,545	33,977,167
Other liabilities	220,168	874,807	1,094,975	1,188,789
Long-term liabilities	1,555,323	7,401,754	8,957,077	9,353,553
TOTAL LIABILITIES	1,775,491	8,276,561	10,052,052	10,542,342
Net assets:				
Invested in capital assets				
net of related debt	11,721,558	4,284,593	16,006,151	14,937,131
Restricted	1,521,378	1,114,334	2,635,712	2,668,518
Unrestricted	1,520,214	3,639,416	5,159,630	5,829,176
TOTAL NET ASSETS	\$ 14,763,150	\$ 9,038,343	\$ 23,801,493	\$ 23,434,825

Total net assets of the City increased by \$366,668 for the year due to current year activity. Total liabilities for the City have decreased by \$490,290. Restricted net assets of the City totaled \$2,635,712 as of June 30, 2007. This amount represents assets that are restricted for debt service.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

**CHANGES IN NET ASSETS**

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2007	Total Year Ended June 30, 2006
<b>REVENUES</b>				
Program Revenues				
Charges for services	\$ 191,428	\$ 7,022,067	\$ 7,213,495	\$ 7,009,122
Operating grants and contributions	56,011	-	56,011	55,898
Capital grants and contributions	410,280	-	410,280	24,095
General Revenues				
Sales taxes	1,094,857	-	1,094,857	1,101,520
Motor vehicle and gas taxes	172,963	-	172,963	164,877
Other taxes	25,285	-	25,285	24,494
Franchise fees	98,461	-	98,461	95,953
Interest	164,082	240,885	404,967	324,865
Other revenue	57,853	-	57,853	32,332
Transfers	522,664	(522,664)	-	-
(Loss) on sale of capital asset	-	-	-	(34,396)
<b>TOTAL REVENUES AND TRANSFERS</b>	<b>2,793,884</b>	<b>6,740,288</b>	<b>9,534,172</b>	<b>8,798,760</b>
<b>EXPENSES</b>				
Administrative	143,498	-	143,498	169,458
Police	466,616	-	466,616	459,916
Municipal court	30,409	-	30,409	24,222
Fire	139,858	-	139,858	123,470
Animal control	7,246	-	7,246	7,828
Parks	224,158	-	224,158	224,213
Street	821,971	-	821,971	782,630
Planning and zoning	57,393	-	57,393	56,667
Transportation	64,472	-	64,472	36,317
Airport	27,134	-	27,134	20,223
Golf	222,133	-	222,133	180,360
Industrial development	-	-	-	4,125
Ice storm recovery	553,667	-	553,667	-
Debt service	46,778	-	46,778	120,482
Electric	-	4,588,462	4,588,462	4,570,180
Water	-	1,134,935	1,134,935	1,126,521
Sewer	-	638,774	638,774	641,585
<b>TOTAL EXPENSES</b>	<b>2,805,333</b>	<b>6,362,171</b>	<b>9,167,504</b>	<b>8,548,197</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (11,449)</b>	<b>\$ 378,117</b>	<b>\$ 366,668</b>	<b>\$ 250,563</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

***Governmental Activities***

Governmental activities decreased the net assets of the City by \$11,449. Tax revenues for the City were \$1,391,566, which represents 61% of the funding of these activities. Program and other revenues for the functions totaled \$879,654, or 39% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
Administration	\$ 143,498	\$ 129,591
Police	466,616	424,033
Municipal court	30,409	30,409
Fire	139,858	139,858
Animal control	7,246	6,916
Parks	224,158	203,012
Street	821,971	821,971
Planning and zoning	57,393	57,393
Transportation	64,472	(248)
Airport	27,134	27,134
Golf	222,133	117,380
Ice storm recovery	553,667	143,387
Principal and Interest	46,778	46,778
	\$ 2,805,333	\$ 2,147,614

***Business-Type Activities***

Business-type activities increased the City's net assets by \$378,117. Last year the business-type activities increased net assets by \$549,336.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

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

The combined fund balances of the City's governmental funds as of June 30, 2007, was \$3,119,929. The General Fund increased by \$112,960. The Special Sales Tax Fund increased by \$71,927. The Industrial Development Fund increased by \$3,163. The Debt Service Fund decreased by \$72,421.

***General Fund Budgetary Highlights***

The City of Mt. Vernon did not amend the original budget in the General Fund for revenues or expenses. The City budgeted revenues of \$1,036,880 and budgeted expenses of \$1,634,804.

***Capital Assets and Debt Administration***

**Capital Assets**

Capital assets of the governmental activities were \$13,364,215 (net of accumulated depreciation) as of June 30, 2007. This represents a \$733,960 decrease from the prior year due primarily to the current year provision for depreciation expense. Capital assets for business-type activities was \$10,624,280 as of June 30, 2007. This represents an increase of \$44,210.

**Debt**

Total debt of the governmental activities as of June 30, 2007, was \$1,642,657. Governmental activities debt consists of \$310,000 in 1992 General Obligation Bonds, \$1,295,000 in 1995 General Obligation Industrial Bonds, and \$37,657 in capital lease obligations.

Total debt of the business-type activities as of June 30, 2007, was \$7,605,000. This consists of \$3,715,000 in 2005 Certificates of Participation, \$2,650,000 in 2003 Certificates of Participation, and \$1,240,000 in Series 1998 Revenue Bonds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**CITY OF MT. VERNON, MISSOURI**  
**June 30, 2007**

*Economic Factors and Next Years Budget*

The city plans to invest in a new substation in the north part of the city, and upgrades to the east substation with an estimated cost of \$1.5 million; this will take pressure off the two existing substations that are nearing capacity. Funding for this will be with Certificates of Participation. The \$5.7 million upgrade to the city's sewer treatment facility will allow growth to continue and will be funded through the State Revolving Fund. The new exit 46 interchange that MODOT will begin construction late in 2008 will have a positive economic impact on the city in the next 2-5 years because of increased commercial interest. The two present industrial parks are full and more land will be needed to allow for increased commercial and industrial development. The city will begin a street project that will upgrade and improve existing streets with an estimated \$300,000 devoted to this purpose on an annual basis. Planning will continue so that a new Capital Improvement Program can be instituted.

*Contacting the City's Financial Management*

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

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

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

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET ASSETS  
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents - unrestricted	\$ 1,475,225	\$ 1,651,480	\$ 3,126,705
Investments	-	1,663,318	1,663,318
Interest receivable	-	5,588	5,588
Taxes receivable	241,530	-	241,530
Utilities receivable	-	640,865	640,865
Other receivable	27,507	-	27,507
Note receivable	1,420,851	-	1,420,851
Interfund balances	(118,007)	118,007	-
Inventory	-	446,133	446,133
Restricted cash and cash equivalents	67,522	527,759	595,281
Restricted investments	59,798	1,265,313	1,325,111
Deferred bond issuance costs	-	372,161	372,161
Capital Assets:			
Non-depreciable	247,200	64,433	311,633
Depreciable, net	13,117,015	10,559,847	23,676,862
<b>TOTAL ASSETS</b>	<b>\$ 16,538,641</b>	<b>\$ 17,314,904</b>	<b>\$ 33,853,545</b>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable	\$ -	\$ 398,488	\$ 398,488
Accrued expenses	33,934	18,471	52,405
Deposits payable	-	90,192	90,192
Court bonds payable	801	-	801
Accrued interest payable	18,568	122,656	141,224
Current maturities of long-term debt	166,865	245,000	411,865
	220,168	874,807	1,094,975
<b>Noncurrent</b>			
Compensated absences payable	79,531	41,754	121,285
Capital leases payable	25,792	-	25,792
General obligation bonds	1,450,000	-	1,450,000
Revenue bonds payable	-	1,120,000	1,120,000
Certificates of participation	-	6,240,000	6,240,000
	1,555,323	7,401,754	8,957,077
<b>TOTAL LIABILITIES</b>	<b>1,775,491</b>	<b>8,276,561</b>	<b>10,052,052</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,721,558	4,284,593	16,006,151
Restricted	1,521,378	1,114,334	2,635,712
Unrestricted	1,520,214	3,639,416	5,159,630
<b>TOTAL NET ASSETS</b>	<b>14,763,150</b>	<b>9,038,343</b>	<b>23,801,493</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 16,538,641</b>	<b>\$ 17,314,904</b>	<b>\$ 33,853,545</b>

See accompanying notes.



CITY OF MT. VERNON, MISSOURI  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2007

	General Fund	Special Sales Tax Fund	Industrial Development Fund	Ice Storm Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents - unrestricted	\$ 261,133	\$ 732,682	\$ 71,130	\$ 410,280	\$ -	\$ 1,475,225
Taxes receivable	161,291	80,239	-	-	-	241,530
Other receivable	27,507	-	-	-	-	27,507
Notes receivable	-	-	-	-	1,420,851	1,420,851
Due from other funds	76	53,000	-	-	-	53,076
Restricted cash and cash equivalents	801	-	-	-	66,721	67,522
Restricted investments	-	-	-	-	59,798	59,798
<b>TOTAL ASSETS</b>	<b>\$ 450,808</b>	<b>\$ 865,921</b>	<b>\$ 71,130</b>	<b>\$ 410,280</b>	<b>\$ 1,547,370</b>	<b>\$ 3,345,509</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accrued expenses	\$ 33,934	\$ -	\$ -	\$ -	\$ -	\$ 33,934
Court bonds payable	801	-	-	-	-	801
Due to other funds	-	164,853	-	-	6,230	171,083
Deferred revenue	-	-	-	-	19,762	19,762
<b>TOTAL LIABILITIES</b>	<b>34,735</b>	<b>164,853</b>	<b>-</b>	<b>-</b>	<b>25,992</b>	<b>225,580</b>
<b>Fund Balances</b>						
<b>Reserved for:</b>						
Debt service	-	-	-	-	1,521,378	1,521,378
<b>Unreserved, reported in:</b>						
General Fund	416,073	-	-	-	-	416,073
Special Revenue Fund	-	701,068	71,130	410,280	-	1,182,478
<b>TOTAL FUND BALANCES</b>	<b>416,073</b>	<b>701,068</b>	<b>71,130</b>	<b>410,280</b>	<b>1,521,378</b>	<b>3,119,929</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 450,808</b>	<b>\$ 865,921</b>	<b>\$ 71,130</b>	<b>\$ 410,280</b>	<b>\$ 1,547,370</b>	<b>\$ 3,345,509</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF  
 NET ASSETS  
 June 30, 2007

Fund balance - total governmental funds	\$ 3,119,929
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	34,638,545
Less accumulated depreciation	<u>(21,274,330)</u>
	13,364,215
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when paid	(79,531)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(18,568)
Adjustment of deferred revenue	19,762
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,642,657)</u>
Net Assets of Governmental Activities	<u><u>\$ 14,763,150</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2007

	General Fund	Special Sales Tax	Industrial Development Fund	Ice Storm Fund	Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 844,229	\$ 547,337	\$ -	\$ -	\$ -	\$ 1,391,566
Licenses and permits	12,232	-	-	-	-	12,232
Intergovernmental revenues	56,011	-	-	410,280	-	466,291
Charges for services	136,613	-	-	-	-	136,613
Fines and forfeitures	42,583	-	-	-	-	42,583
Miscellaneous	61,038	30,090	3,163	-	127,644	221,935
<b>TOTAL REVENUES</b>	<b>1,152,706</b>	<b>577,427</b>	<b>3,163</b>	<b>410,280</b>	<b>127,644</b>	<b>2,271,220</b>
<b>EXPENDITURES</b>						
Current						
Administrative	130,569	-	-	-	-	130,569
Police	473,188	-	-	-	-	473,188
Municipal Court	30,409	-	-	-	-	30,409
Fire	80,902	-	-	-	-	80,902
Animal control	7,246	-	-	-	-	7,246
Parks	216,247	-	-	-	-	216,247
Street	165,369	-	-	-	-	165,369
Planning and zoning	56,250	-	-	-	-	56,250
Transportation	54,612	-	-	-	-	54,612
Airport	18,505	-	-	-	-	18,505
Golf	221,824	-	-	-	-	221,824
Ice storm recovery	-	-	-	553,667	-	553,667
Debt Service						
Principal and interest	-	-	-	-	259,187	259,187
<b>TOTAL EXPENDITURES</b>	<b>1,455,121</b>	<b>-</b>	<b>-</b>	<b>553,667</b>	<b>259,187</b>	<b>2,267,975</b>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	<b>(302,415)</b>	<b>577,427</b>	<b>3,163</b>	<b>(143,387)</b>	<b>(131,543)</b>	<b>3,245</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating transfers in (out)	415,375	(505,500)	-	553,667	59,122	522,664
<b>EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)</b>	<b>112,960</b>	<b>71,927</b>	<b>3,163</b>	<b>410,280</b>	<b>(72,421)</b>	<b>525,909</b>
FUND BALANCE, July 1	303,113	629,141	67,967	-	1,593,799	2,594,020
FUND BALANCE, June 30	\$ 416,073	\$ 701,068	\$ 71,130	\$ 410,280	\$ 1,521,378	\$ 3,119,929

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 525,909

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

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

Capital outlay	59,295
Depreciation	<u>(793,255)</u>
	(733,960)

Some expenditures reported in the governmental funds represent the use  
 of current financial resources and were recognized in the statement of  
 activities when incurred. (15,807)

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

Repayment of principal on bonds and leases	209,836
Interest	<u>2,573</u>
	<u>212,409</u>

Change in net assets of governmental activities \$ (11,449)

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS  
June 30, 2007

ASSETS	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,201,989	\$ 173,584	\$ 275,907	\$ 1,651,480
Investments	1,663,318	-	-	1,663,318
Interest receivable	5,588	-	-	5,588
Utilities receivable, net	531,205	51,269	58,391	640,865
Interfund balances	-	(228,314)	346,321	118,007
Inventory	418,163	27,970	-	446,133
<b>TOTAL CURRENT ASSETS</b>	<b>3,820,263</b>	<b>24,509</b>	<b>680,619</b>	<b>4,525,391</b>
<b>Restricted Assets</b>				
Cash and cash equivalents	90,192	-	437,567	527,759
Investments	-	1,265,313	-	1,265,313
Deferred Bond Issuance Costs	-	270,669	101,492	372,161
<b>Property, Plant and Equipment,</b>				
Non-depreciable	-	-	64,433	64,433
Depreciable	3,908,698	4,809,582	9,667,944	18,386,224
Accumulated Depreciation	(1,623,762)	(734,216)	(5,468,399)	(7,826,377)
<b>TOTAL PROPERTY, PLANT, AND EQUIPMENT</b>	<b>2,284,936</b>	<b>4,075,366</b>	<b>4,263,978</b>	<b>10,624,280</b>
<b>TOTAL ASSETS</b>	<b>\$ 6,195,391</b>	<b>\$ 5,635,857</b>	<b>\$ 5,483,656</b>	<b>\$ 17,314,904</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 394,701	\$ -	\$ 3,787	\$ 398,488
Accrued expenses	6,573	8,615	3,283	18,471
Accrued interest payable	-	117,571	5,085	122,656
Utility deposits	90,192	-	-	90,192
Current maturities of long-term debt	-	125,000	120,000	245,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>491,466</b>	<b>251,186</b>	<b>132,155</b>	<b>874,807</b>
<b>Long-Term Liabilities</b>				
Compensated absences payable	12,267	17,482	12,005	41,754
Revenue bonds payable	-	-	1,120,000	1,120,000
Certificates of participation payable	-	6,240,000	-	6,240,000
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>12,267</b>	<b>6,257,482</b>	<b>1,132,005</b>	<b>7,401,754</b>
<b>TOTAL LIABILITIES</b>	<b>503,733</b>	<b>6,508,668</b>	<b>1,264,160</b>	<b>8,276,561</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,284,936	(1,024,321)	3,023,978	4,284,593
Restricted	-	676,767	437,567	1,114,334
Unrestricted	3,406,722	(525,257)	757,951	3,639,416
<b>TOTAL NET ASSETS</b>	<b>5,691,658</b>	<b>(872,811)</b>	<b>4,219,496</b>	<b>9,038,343</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,195,391</b>	<b>\$ 5,635,857</b>	<b>\$ 5,483,656</b>	<b>\$ 17,314,904</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 5,864,966	\$ 562,296	\$ 590,159	\$ 7,017,421
Miscellaneous	-	3,312	1,334	4,646
<b>TOTAL OPERATING REVENUES</b>	<b>5,864,966</b>	<b>565,608</b>	<b>591,493</b>	<b>7,022,067</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	162,670	241,640	68,536	472,846
Employee benefits	15,716	36,629	11,760	64,105
Gas and oil	9,956	16,326	2,173	28,455
Materials and supplies	77,474	24,275	27,024	128,773
Insurance and taxes	41,843	66,144	16,235	124,222
Power purchased	4,021,154	-	38,864	4,060,018
Telephone and utilities	4,448	2,555	2,805	9,808
Repairs and maintenance	40,435	175,303	65,495	281,233
Professional fees	18,822	9,030	24,191	52,043
Other expenses	14,736	12,531	13,446	40,713
Depreciation	100,760	154,103	208,034	462,897
Administrative	80,448	65,220	78,624	224,292
<b>TOTAL OPERATING EXPENSES</b>	<b>4,588,462</b>	<b>803,756</b>	<b>557,187</b>	<b>5,949,405</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,276,504</b>	<b>(238,148)</b>	<b>34,306</b>	<b>1,072,662</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest income	135,860	81,227	23,798	240,885
Interest expense	-	(331,179)	(81,587)	(412,766)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>135,860</b>	<b>(249,952)</b>	<b>(57,789)</b>	<b>(171,881)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS</b>	<b>1,412,364</b>	<b>(488,100)</b>	<b>(23,483)</b>	<b>900,781</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>(1,040,320)</b>	<b>386,619</b>	<b>131,037</b>	<b>(522,664)</b>
<b>NET INCOME (LOSS)</b>	<b>372,044</b>	<b>(101,481)</b>	<b>107,554</b>	<b>378,117</b>
<b>NET ASSETS, July 1</b>	<b>5,319,614</b>	<b>(771,330)</b>	<b>4,111,942</b>	<b>8,660,226</b>
<b>NET ASSETS, June 30</b>	<b>\$ 5,691,658</b>	<b>\$ (872,811)</b>	<b>\$ 4,219,496</b>	<b>\$ 9,038,343</b>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI  
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
Year Ended June 30, 2007

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 5,874,857	\$ 565,689	\$ 584,452	\$ 7,024,998
Cash paid to suppliers	(4,235,538)	(449,338)	(268,406)	(4,953,282)
Cash paid to employees	(172,767)	(234,345)	(80,470)	(487,582)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>1,466,552</b>	<b>(117,994)</b>	<b>235,576</b>	<b>1,584,134</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Repayment of loans from other funds	-	(270)	-	(270)
Operating transfer in (out)	(1,040,320)	386,619	131,037	(522,664)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,040,320)</b>	<b>386,349</b>	<b>131,037</b>	<b>(522,934)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of fixed assets	(231,055)	(255,541)	(20,511)	(507,107)
Payment of bond principal	-	-	(110,000)	(110,000)
Payment of certificates of participation	-	(125,000)	-	(125,000)
Payment of interest expense	-	(337,935)	(66,759)	(404,694)
Payment of principal on capital leases	-	(48,621)	-	(48,621)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(231,055)</b>	<b>(767,097)</b>	<b>(197,270)</b>	<b>(1,195,422)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	130,272	81,227	23,798	235,297
Purchase of investments	(376,394)	-	-	(376,394)
Proceeds from maturity of investments	-	558,768	-	558,768
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(246,122)</b>	<b>639,995</b>	<b>23,798</b>	<b>417,671</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(50,945)</b>	<b>141,253</b>	<b>193,141</b>	<b>283,449</b>
CASH AND CASH EQUIVALENTS, Beginning of year	1,343,126	32,331	520,333	1,895,790
CASH AND CASH EQUIVALENTS, End of year	1,292,181	173,584	713,474	2,179,239
LESS RESTRICTED CASH AND CASH EQUIVALENTS	90,192	-	437,567	527,759
<b>UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>\$ 1,201,989</b>	<b>\$ 173,584</b>	<b>\$ 275,907</b>	<b>\$ 1,651,480</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 1,276,504	\$ (238,148)	\$ 34,306	\$ 1,072,662
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	100,760	154,103	208,034	462,897
(Increase) decrease in:				
Utilities receivable	7,972	81	(7,041)	1,012
Inventory	20,287	3,422	-	23,709
Increase (decrease) in:				
Accounts payable	53,491	(44,747)	451	9,195
Accrued expenses	4,136	461	733	5,330
Meter deposits payable	1,919	-	-	1,919
Compensated absences payable	1,483	6,834	(907)	7,410
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 1,466,552</b>	<b>\$ (117,994)</b>	<b>\$ 235,576</b>	<b>\$ 1,584,134</b>

See accompanying notes.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. In accordance with GASB-20 (Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting), the proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, Accounting Principles Board (APB) opinions and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, except those pronouncements that conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

### Financial Reporting Entity

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

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

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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

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

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

*FUND FINANCIAL STATEMENTS*

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 except those required to be accounted for in another fund.

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

Ice Storm Fund: The Ice Storm Fund of the City is used to account for the proceeds of grants from federal and state emergency management agencies that are restricted to expenditures related to cleanup and recovery from the ice storm that occurred in January of 2007.

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

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

The City reports the following major proprietary funds:

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Pooled Cash and Cash Equivalents

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

Unreserved Fund Equity

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62 - *Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants*. There was no interest capitalized during the current fiscal year.

Net Assets

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

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

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

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

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

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City’s deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2007, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2007, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	10/6/06 - 3/18/2010	\$ 1,647,540
Edward Jones Money Market Funds	N/A	40,779
Guaranteed Investment Contracts	N/A	34,797
Federated Treasury Obligation Fund	N/A	1,065,313
First Bank of Missouri Money Market Account	N/A	200,000
		<u>\$ 2,988,429</u>

Custodial Risk

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

Interest Rate Risk

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

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE C – INVESTMENTS (continued)

Credit Risk

As of June 30, 2007, the City's investments in the Fidelity Treasury Fund were rated AAAM by Standard and Poor's. The City's investments in Federal Home Loan Mortgage Notes were rated AAA by Standard and Poor's. The Edward Jones Money Market Funds, Federated Treasury Obligation Fund, and First Bank of Missouri Money Market Account are not rated.

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash has been restricted in the amount of \$801 for the outstanding court bonds. In the Debt Service Fund, cash has been restricted in the amount of \$66,721 and investments have been restricted in the amount of \$59,798 for future debt service obligations.

Business-Type Activities

The 1998 Combined Waterworks and Sewerage System revenue bond ordinances and the 2005 and 2003 Certificates of Participation ordinances established amounts required to be deposited in certain sinking and reserve funds. As of June 30, 2007, the required deposits for the 1998 Combined Waterworks and Sewerage System revenue bond fund have been made. As of June 30, 2007, the City has made the required deposits for the 2005 and 2003 Certificates of Participation accounts. These special reserves consist of cash and cash equivalents and are reported in the accompanying balance sheet as restricted cash and cash equivalents and restricted net assets. Restricted cash and cash equivalents also include cash and cash equivalents restricted for customer meter deposits. These restrictions are as follows:

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
<b>SEWER FUND</b>		
1998 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 136,807	\$ 136,807
Debt Service Reserve Fund	117,000	117,000
Depreciation and Replacement Fund	183,760	183,760
	<u>437,567</u>	<u>437,567</u>
<b>WATER FUND</b>		
2003 Certificates of Participation		
COP Project Fund	588,407	-
Debt Service Reserve Fund	280,000	280,000
Principal and Interest Fund	7,111	7,111
2005 Certificates of Participation		
COP Project Fund	139	-
Debt Service Reserve Fund	389,656	389,656
	<u>1,265,313</u>	<u>676,767</u>
<b>ELECTRIC FUND</b>		
Customer Deposits	90,192	-
	<u>\$ 1,793,072</u>	<u>\$ 1,114,334</u>

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
<b>UTILITIES RECEIVABLE</b>			
Enterprise Funds			
Electric Fund	\$ 591,114	\$ (59,909)	\$ 531,205
Water Fund	56,975	(5,706)	51,269
Sewer Fund	64,097	(5,706)	58,391
	<u>\$ 712,185</u>	<u>\$ (71,320)</u>	<u>\$ 640,866</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2007, consists of the 1992 General Obligation Bonds, the 1995 General Obligation Industrial Bonds, and two Capital Lease obligations payable.

In 1992, the City issued \$790,000 in general obligation bonds. The bonds bear interest at 4.50% to 6.55%. Interest payments are due semi-annually on July 1 and January 1 of each year. The annual debt service requirements to amortize the principal on the 1992 General Obligation Bonds outstanding at June 30, 2007, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2008	\$ 55,000	\$ 20,250	\$ 75,250
2009	60,000	16,703	76,703
2010	60,000	12,772	72,772
2011	65,000	8,843	73,843
2012	70,000	4,585	74,585
	<u>\$ 310,000</u>	<u>\$ 63,153</u>	<u>\$ 373,153</u>

In 1995, the City issued \$2,200,000 in General Obligation Industrial Bonds. The bonds bear interest at 4.60% to 6.40%. Interest payments are due semi-annually on June 1 and December 1 of each year. The annual debt service requirements to amortize the principal on the 1995 General Obligation Industrial Bonds outstanding at June 30, 2007, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2008	\$ 105,000	\$ 78,625	\$ 183,625
2009	115,000	71,805	186,805
2010	120,000	64,520	184,520
2011	130,000	56,640	186,640
2012	135,000	48,160	183,160
2013	145,000	39,200	184,200
2014	155,000	29,600	184,600
2015	390,000	12,320	402,320
	<u>\$ 1,295,000</u>	<u>\$ 400,870</u>	<u>\$ 1,695,870</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

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

Capital Lease Payable- Fire Truck: During the year ended June 30, 2007, the City entered into a lease purchase obligation to finance the purchase of a 1992 Ford L-9000 Rescue Vehicle in the amount of \$64,000. The lease requires annual payments of \$13,927 plus interest at 5.62%.

Although the lease agreement provides for cancellation of the lease at the City's option on the renewal date each year, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable lease in accordance with Statement of Financial Accounting Standards 13, "Accounting for Leases."

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

<u>June 30,</u>		
2008		\$ 13,927
2009		13,927
2010		<u>13,927</u>
	TOTAL MINIMUM LEASE PAYMENTS	41,781
	LESS AMOUNT REPRESENTING INTEREST	<u>(5,415)</u>
	NET LEASE PAYMENTS	<u><u>\$ 37,657</u></u>

The following is a summary of the changes in Governmental Activities Long-Term Debt for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
1992 General Obligation Bonds	\$ 360,000	\$ -	\$ 50,000	\$ 310,000
1995 General Obligation Industrial Bonds	1,395,000	-	100,000	1,295,000
Capital Leases Payable - golf course	47,200	-	47,200	-
Capital Leases Payable - fire truck	50,293	-	12,636	37,657
	<u>\$ 1,852,493</u>	<u>\$ -</u>	<u>\$ 209,836</u>	<u>\$ 1,642,657</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

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

The business-type activities long-term debt at June 30, 2007, consists of 1998 Combined Waterworks and Sewerage System revenue bonds, and the 2003 and 2005 Certificates of Participation.

Water Fund

During 2005, the City issued \$3,835,000 in Refunding Certificates of Participation to advance refund the Series 2002 Certificates of Participation. The Series 2005 certificates bear interest at 4.19%. Interest payments are due in semi-annual installments on March 1 and September 1 of each year. The annual debt service requirements to amortize the principal on the 2005 Certificates of Participation outstanding at June 30, 2007, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2008	\$ 50,000	\$ 155,659	\$ 205,659
2009	50,000	153,563	203,563
2010	55,000	151,469	206,469
2011	55,000	149,164	204,164
2012	55,000	146,860	201,860
2013	130,000	144,555	274,555
2014	130,000	139,108	269,108
2015	230,000	133,661	363,661
2016	340,000	124,024	464,024
2017	360,000	109,778	469,778
2018	375,000	94,694	469,694
2019	395,000	78,981	473,981
2020	415,000	62,431	477,431
2021	430,000	45,042	475,042
2022	645,000	27,025	672,025
	<u>\$ 3,715,000</u>	<u>\$ 1,716,014</u>	<u>\$ 5,431,014</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

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

During 2003, the City issued \$2,800,000 in Certificates of Participation (COPS). The certificates bear interest at 2.00% to 5.10%. Interest payments are due in semi-annual installments on February 1 and August 1 of each year. The annual debt service requirements to amortize the principal on the 2003 Certificates of Participation outstanding at June 30, 2007, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2008	\$ 75,000	\$ 125,387	\$ 200,387
2009	80,000	122,963	202,963
2010	80,000	120,263	200,263
2011	85,000	117,269	202,269
2012	90,000	113,875	203,875
2013	90,000	110,185	200,185
2014	100,000	106,145	206,145
2015	10,000	103,745	113,745
2016	-	103,495	103,495
2017	85,000	101,370	186,370
2018	85,000	97,120	182,120
2019	90,000	92,745	182,745
2020	90,000	88,245	178,245
2021	100,000	83,495	183,495
2022	95,000	78,620	173,620
2023	590,000	61,200	651,200
2024	905,000	23,078	928,078
	<u>\$ 2,650,000</u>	<u>\$ 1,649,200</u>	<u>\$ 4,299,200</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

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

Sewer Fund

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

In 1998, the City issued \$1,380,000 in Combined Waterworks and Sewerage System Refunding Bonds. The bonds bear interest at 4.25% to 5.00%. Interest payments are due semi-annually on June 1 and December 1 of each year. Annual debt service requirements to amortize the principal on the 1998 revenue bonds outstanding at June 30, 2007, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2008	\$ 120,000	\$ 58,260	\$ 178,260
2009	125,000	52,625	177,625
2010	135,000	46,375	181,375
2011	140,000	39,500	179,500
2012	145,000	32,375	177,375
2013	155,000	24,875	179,875
2014	160,000	17,000	177,000
2015	170,000	8,750	178,750
2016	90,000	2,250	92,250
	<u>\$ 1,240,000</u>	<u>\$ 282,010</u>	<u>\$ 1,522,010</u>

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

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 for the year ended June 30, 2007:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
<b>SEWER FUND</b>				
Revenue Bonds Payable				
1995 Revenue Bonds	\$ 90,000	\$ -	\$ 90,000	\$ -
1998 Revenue Bonds	1,260,000	-	20,000	1,240,000
	<u>1,350,000</u>	-	110,000	1,240,000
<b>WATER FUND</b>				
COP Payable				
2003 COP Issue	2,730,000	-	80,000	2,650,000
2005 COP Issue	3,765,000	-	50,000	3,715,000
Leases Payable	43,621	-	43,621	-
	<u>6,538,621</u>	-	173,621	6,365,000
<b>TOTAL</b>	<u><u>\$ 7,888,621</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 283,621</u></u>	<u><u>\$ 7,605,000</u></u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>GOVERNMENTAL ACTIVITIES</b>				
Non-depreciable Capital Assets				
Land	\$ 247,200	\$ -	\$ -	\$ 247,200
Depreciable Capital Assets				
Land improvements	214,797	\$ -	\$ -	214,797
Building and improvements	739,105	-	-	739,105
Major moveable equipment	834,372	38,044	-	872,416
Infrastructure	32,543,776	21,251	-	32,565,027
Total Depreciable Capital Assets	34,332,050	\$ 59,295	\$ -	34,391,345
Less Accumulated Depreciation				
Land improvements	51,658	\$ 10,740	\$ -	62,398
Building and improvements	205,495	13,477	-	218,972
Major moveable equipment	370,468	117,737	-	488,205
Infrastructure	19,853,454	651,301	-	20,504,755
Total Accumulated Depreciation	20,481,075	\$ 793,255	\$ -	21,274,330
Total Depreciable Capital Assets, net	13,850,975			13,117,015
Total Governmental Activities Capital Assets, net	\$ 14,098,175			\$ 13,364,215

Depreciation expense was charged to functions as follows:

Administrative	\$ 2,561
Police	14,466
Fire	58,956
Parks	22,078
Street	666,916
Planning and zoning	1,143
Transportation	9,756
Airport	8,629
Golf	8,750
	<u>\$ 793,255</u>

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE H – CAPITAL ASSETS (continued)

BUSINESS-TYPE ACTIVITIES	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<b>Sewer Fund</b>				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	47,171	10,625	47,171	10,625
	<u>100,979</u>	<u>\$ 10,625</u>	<u>\$ 47,171</u>	64,433
Depreciable Capital Assets				
Sewer plant	9,610,887	<u>\$ 57,057</u>	<u>\$ -</u>	9,667,944
Less Accumulated Depreciation				
Sewer plant	<u>5,260,365</u>	<u>\$ 208,034</u>	<u>\$ -</u>	<u>5,468,399</u>
Depreciable Capital Assets, net	4,350,522			4,199,545
<b>Electric Fund</b>				
Depreciable Capital Assets:				
Electric plant	3,677,643	<u>\$ 231,055</u>	<u>\$ -</u>	3,908,698
Less Accumulated Depreciation				
Electric plant	<u>1,523,002</u>	<u>\$ 100,760</u>	<u>\$ -</u>	<u>1,623,762</u>
Depreciable Capital Assets, net	2,154,641			2,284,936
<b>Water Fund</b>				
Depreciable Capital Assets:				
Water plant	4,554,041	<u>\$ 255,541</u>	<u>\$ -</u>	4,809,582
Less Accumulated Depreciation				
Water plant	<u>580,113</u>	<u>\$ 154,103</u>	<u>\$ -</u>	<u>734,216</u>
Depreciable Capital Assets, net	<u>3,973,928</u>			<u>4,075,366</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 10,580,070</u>			<u>\$ 10,624,280</u>

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

The City of Mt. Vernon participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax exempt.

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

Funding Status

The City of Mt. Vernon's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 10.0% (general) and 8.4% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2007, the political subdivision's annual pension cost of \$97,160 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2007, included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2007, was 15 years.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information				
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation	
06/30/05	\$ 108,655	100%	\$	-
06/30/06	91,601	100%		-
06/30/07	97,160	100%		-

NOTE J – RISK MANAGEMENT

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

NOTE K – NOTE RECEIVABLE ON INDUSTRIAL BONDS AND PROPERTY SALE

In 1995, the City issued general obligation industrial bonds in the amount of \$2,200,000. The proceeds were loaned to Reyco Industries, Inc. for industrial development in exchange for a note receivable being held in a trust administered by the Bank of New York. The trust receives payments on the note from Reyco Industries, Inc. and then disburses the bond payments. \$1,300,000 has been recorded in the Debt Service Fund for the balance remaining on the note receivable. Deferred revenue was recorded for the difference between the amount loaned to Reyco Industries, Inc. and the amount of the note receivable. This amount is to be amortized over the life of the bonds on the straight-line basis. As of June 30, 2007, the unamortized portion was \$19,762.

In 2006, the City sold an industrial property and owner-financed the purchase price of \$128,000. The City will earn 5.75% on this note receivable. At June 30, 2007, \$120,851 has been recorded in the Debt Service Fund for the balance remaining on the note receivable.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE L – DEFERRED DEBT ISSUE COSTS

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

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

	Unamortized Debt Issue Costs		Current Amortization	Unamortized Debt Issue Costs
	June 30, 2006	Additions		June 30, 2007
Sewer Fund	\$ 116,809	\$ -	\$ 15,317	\$ 101,492
Water Fund	287,586	-	16,917	270,669
	<u>\$ 404,395</u>	<u>\$ -</u>	<u>\$ 32,234</u>	<u>\$ 372,161</u>

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2007, consisted of the following:

	General Fund	Special Sales Tax Fund	Debt Service Fund	Water Fund	Sewer Fund
Internal balances	<u>\$ 76</u>	<u>\$ (111,853)</u>	<u>\$ (6,230)</u>	<u>\$ (228,314)</u>	<u>\$ 346,321</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

CITY OF MT. VERNON, MISSOURI  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2007

NOTE N – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2007, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE O – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended June 30, 2007, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 415,375	\$ -
Special Sales Tax Fund	-	505,500
Ice Storm Fund	553,667	
Debt Service Fund	59,122	-
Electric Fund	-	1,040,320
Water Fund	386,619	-
Sewer Fund	131,037	-
	<u>\$ 1,545,820</u>	<u>\$ 1,545,820</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.

CITY OF MT. VERNON, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007

NOTE P – COMMITMENTS

The City is committed to a contract for wastewater treatment plant engineering services to Archer Engineering in the amount of \$744,668 as of June 30, 2007.

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MT. VERNON, MISSOURI  
 SCHEDULE OF FUNDING PROGRESS  
 Year Ended June 30, 2007

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/05	\$ 1,781,484	\$ 1,906,542	\$ 125,058	93%	\$ 1,018,889	12%
02/28/06	1,365,801	1,575,070	209,269	87%	912,997	23%
02/28/07	1,612,904	1,817,510	204,606	89%	957,491	21%

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

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>				
Taxes				
City sales tax	\$ 530,000	\$ 530,000	\$ 547,520	\$ 17,520
Motor vehicle tax	138,100	138,100	172,963	34,863
Utility franchise tax	99,900	99,900	98,461	(1,439)
Other taxes	12,200	12,200	25,285	13,085
	<u>780,200</u>	<u>780,200</u>	<u>844,229</u>	<u>64,029</u>
Licenses and Permits				
Occupational licenses	4,390	4,390	4,876	486
Building permits	10,100	10,100	7,356	(2,744)
	<u>14,490</u>	<u>14,490</u>	<u>12,232</u>	<u>(2,258)</u>
Intergovernmental Revenues				
Grants	41,000	41,000	56,011	15,011
Charges for Services				
Taxi	8,340	8,340	8,709	369
Animal control	210	210	330	120
Pool	7,100	7,100	15,205	8,105
Park	6,500	6,500	5,941	(559)
Golf fees	120,500	120,500	104,753	(15,747)
Cemetery	1,000	1,000	1,675	675
	<u>143,650</u>	<u>143,650</u>	<u>136,613</u>	<u>(7,037)</u>
Fines and forfeitures				
City court fines	36,400	36,400	42,583	6,183
Miscellaneous				
Rent income	8,900	8,900	8,015	(885)
Interest	4,890	4,890	16,008	11,118
Donations	5,600	5,600	11,846	6,246
Other	1,750	1,750	25,169	23,419
	<u>21,140</u>	<u>21,140</u>	<u>61,038</u>	<u>39,898</u>
<b>TOTAL REVENUES</b>	<b>1,036,880</b>	<b>1,036,880</b>	<b>1,152,706</b>	<b>115,826</b>

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EXPENDITURES</b>				
Current				
Administrative	161,870	161,870	130,569	31,301
Police	499,281	499,281	473,188	26,093
Municipal Court	34,116	34,116	30,409	3,707
Fire	74,939	74,939	80,902	(5,963)
Animal control	8,673	8,673	7,246	1,427
Parks	222,867	222,867	216,247	6,620
Street	265,204	265,204	165,369	99,835
Planning and zoning	57,434	57,434	56,250	1,184
Transportation	52,231	52,231	54,612	(2,381)
Airport	18,030	18,030	18,505	(475)
Golf	240,159	240,159	221,824	18,335
<b>TOTAL EXPENDITURES</b>	<b>1,634,804</b>	<b>1,634,804</b>	<b>1,455,121</b>	<b>179,683</b>
<b>(DEFICIT) OF REVENUES OVER EXPENDITURES</b>				
	(597,924)	(597,924)	(302,415)	295,509
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	600,000	600,000	415,375	(184,625)
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>600,000</b>	<b>600,000</b>	<b>415,375</b>	<b>(184,625)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES</b>				
	2,076	2,076	112,960	110,884
FUND BALANCE, July 1	303,113	303,113	303,113	-
FUND BALANCE, June 30	<u>\$ 305,189</u>	<u>\$ 305,189</u>	<u>\$ 416,073</u>	<u>\$ 110,884</u>

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – SPECIAL SALES TAX FUND  
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes				
City sales tax	\$ 505,500	\$ 505,500	\$ 547,337	\$ 41,837
Miscellaneous				
Interest	<u>13,500</u>	<u>13,500</u>	<u>30,090</u>	<u>16,590</u>
TOTAL REVENUES	519,000	519,000	577,427	58,427
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(505,500)</u>	<u>(505,500)</u>	<u>(505,500)</u>	<u>-</u>
EXCESS OF REVENUES OVER OTHER USES	13,500	13,500	71,927	58,427
FUND BALANCE, July 1	<u>629,141</u>	<u>629,141</u>	<u>629,141</u>	<u>-</u>
FUND BALANCE, June 30	<u><u>\$ 642,641</u></u>	<u><u>\$ 642,641</u></u>	<u><u>\$ 701,068</u></u>	<u><u>\$ 58,427</u></u>

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND  
 Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Miscellaneous				
Interest	\$ 1,600	\$ 1,600	\$ 3,163	\$ 1,563
TOTAL REVENUES	1,600	1,600	3,163	1,563
FUND BALANCE, July 1	<u>67,967</u>	<u>67,967</u>	<u>67,967</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 69,567</u>	<u>\$ 69,567</u>	<u>\$ 71,130</u>	<u>\$ 1,563</u>

CITY OF MT. VERNON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE – ICE STORM FUND  
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ -	\$ 410,280	\$ 410,280	\$ -
TOTAL REVENUES	-	410,280	410,280	-
EXPENSES				
Ice storm recovery	-	553,667	553,667	-
TOTAL EXPENSES	-	553,667	553,667	-
(DEFICIT) OF REVENUES OVER EXPENSES	-	(143,387)	(143,387)	-
OTHER FINANCING SOURCES				
Operating transfers in	-	553,667	553,667	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENSES	-	410,280	410,280	-
FUND BALANCE, July 1	-	-	-	-
FUND BALANCE, June 30	\$ -	\$ 410,280	\$ 410,280	\$ -

CITY OF MT. VERNON, MISSOURI  
NOTE TO BUDGETARY COMPARISON SCHEDULES  
June 30, 2007

Budgets and Budgetary Accounting

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

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

## **OTHER FINANCIAL INFORMATION**



DAVIS, LYNN &  
MOOTS, P.C.  
Certified Public  
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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended June 30, 2007, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements and have issued our report thereon dated November 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as items 07-1, 07-2 and 07-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

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

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

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

*Davis, Lynn & Moots, PC*

DAVIS, LYNN & MOOTS, P.C.  
November 9, 2007

CITY OF MT. VERNON, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2007

07-1. Segregation of duties

*Condition:* Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. The City currently has a City Clerk, City Treasurer, and a City Collector to handle the accounting needs of the City. There are some mitigating controls in place but it is not possible to have segregation in all areas.

*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 and the City does not have the resources to hire additional accounting personnel.

07-2. Design of internal control system for preparation of financial statements

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

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

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

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

CITY OF MT. VERNON, MISSOURI  
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)  
Year Ended June 30, 2007

07-2. Design of internal control system for preparation of financial statements (continued)

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

07-3 Application of accounting principles generally accepted in the United States of America

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

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

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

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

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