

CITY OF MT. VERNON, MISSOURI
BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2008

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

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343
www.dlmcpa.com
e-mail: cpa@dlmcpa.com

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, 2008, 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, 2008, 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 January 21, 2009, 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.
January 21, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2008

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, 2008. 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 \$114,690 as a result of current year activities. The net assets of the City's business activities increased by \$1,126,358 for the year.
- The assets of the City exceeded its liabilities as of June 30, 2008 by \$24,813,161. Of this amount \$7,007,058 was unrestricted and may be used to meet future obligations of the City.
- During FY 08 the City paid principal on long-term debt in the amount \$416,817. The City issued \$1,645,000 in Series 2008 Certificates of Participation to finance construction on the electric system.

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, 2008

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, 2008

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, 2008 and 2007:

	Governmental Activities	Business-Type Activities	Total June 30, 2008	Total June 30, 2007
Current and other assets	\$ 2,685,705	\$ 8,776,954	\$ 11,462,659	\$ 9,865,050
Capital assets	13,555,174	11,067,397	24,622,571	23,988,495
TOTAL ASSETS	16,240,879	19,844,351	36,085,230	33,853,545
Other liabilities	215,048	941,590	1,156,638	1,094,975
Long-term liabilities	1,377,371	8,738,060	10,115,431	8,957,077
TOTAL LIABILITIES	1,592,419	9,679,650	11,272,069	10,052,052
Net assets:				
Invested in capital assets				
net of related debt	12,084,334	3,098,804	15,183,138	16,006,151
Restricted	1,445,866	1,177,099	2,622,965	2,635,712
Unrestricted	1,118,260	5,888,798	7,007,058	5,159,630
TOTAL NET ASSETS	\$ 14,648,460	\$ 10,164,701	\$ 24,813,161	\$ 23,801,493

Total net assets of the City increased by \$1,011,668 for the year due to current year activity. Total liabilities for the City have increased by \$1,220,017. Restricted net assets of the City totaled \$2,622,965 as of June 30, 2008. This amount represents assets that are restricted for debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2008

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended June 30, 2008	Total Year Ended June 30, 2007
REVENUES				
Program Revenues				
Charges for services	\$ 176,224	\$ 8,418,081	\$ 8,594,305	\$ 7,213,495
Operating grants and contributions	42,862	-	42,862	56,011
Capital grants and contributions	171,699	-	171,699	410,280
General Revenues				
Sales taxes	1,090,891	-	1,090,891	1,094,857
Motor vehicle and gas taxes	159,900	-	159,900	172,963
Other taxes	26,320	-	26,320	25,285
Franchise fees	102,996	-	102,996	98,461
Interest	176,533	187,412	363,945	404,967
Other revenue	24,207	-	24,207	57,853
Transfers	260,428	(260,428)	-	-
TOTAL REVENUES AND TRANSFERS	2,232,060	8,345,065	10,577,125	9,534,172
EXPENSES				
Administrative	157,929	-	157,929	143,498
Police	490,567	-	490,567	466,616
Municipal court	28,065	-	28,065	30,409
Fire	120,569	-	120,569	139,858
Animal control	9,298	-	9,298	7,246
Parks	231,318	-	231,318	224,158
Street	796,919	-	796,919	821,971
Planning and zoning	56,028	-	56,028	57,393
Transportation	73,069	-	73,069	64,472
Airport	14,863	-	14,863	27,134
Golf	174,363	-	174,363	222,133
Economic development	13,883	-	13,883	-
Ice storm recovery	83,500	-	83,500	553,667
Debt service	96,379	-	96,379	46,778
Electric	-	5,170,796	5,170,796	4,588,462
Water	-	1,049,893	1,049,893	1,134,935
Sewer	-	998,018	998,018	638,774
TOTAL EXPENSES	2,346,750	7,218,707	9,565,457	9,167,504
INCREASE (DECREASE) IN NET ASSETS	\$ (114,690)	\$ 1,126,358	\$ 1,011,668	\$ 366,668

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2008

Governmental Activities

Governmental activities decreased the net assets of the City by \$114,690. Tax revenues for the City were \$1,380,107, which represents 62% of the funding of these activities. Program and other revenues for the functions totaled \$851,953, or 38% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
Administration	\$ 157,929	\$ 143,368
Police	490,567	459,549
Municipal court	28,065	28,065
Fire	120,569	120,569
Animal control	9,298	9,298
Parks	231,318	202,899
Street	796,919	796,919
Planning and zoning	56,028	56,028
Transportation	73,069	23,419
Airport	14,863	14,863
Golf	174,363	78,925
Economic development	13,883	13,883
Ice storm recovery	83,500	(88,199)
Principal and Interest	96,379	96,379
	<u>\$ 2,346,750</u>	<u>\$ 1,955,965</u>

Business-Type Activities

Business-type activities increased the City's net assets by \$1,126,358. Last year the business-type activities increased net assets by \$378,117.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2008

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2008, was \$2,642,385. The General Fund increased by \$8,145. The Special Sales Tax Fund decreased by \$1,161. The Industrial Development Fund increased by \$1,264. The Debt Service Fund decreased by \$75,512.

General Fund Budgetary Highlights

The City of Mt. Vernon amended the budget in the General Fund for revenues or expenses to reflect the actual ending numbers. In their original budget, the City budgeted revenues of \$1,055,395 and budgeted expenses of \$1,704,840.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$13,555,174 (net of accumulated depreciation) as of June 30, 2008. This represents a \$190,959 increase from the prior year. Capital assets for business-type activities were \$11,067,397 as of June 30, 2008. This represents an increase of \$443,117.

Debt

Total debt of the governmental activities as of June 30, 2008, was \$1,470,840. Governmental activities debt consists of \$255,000 in 1992 General Obligation Bonds, \$1,190,000 in 1995 General Obligation Industrial Bonds, and \$25,840 in capital lease obligations.

Total debt of the business-type activities as of June 30, 2008, was \$9,005,000. This consists of \$1,645,000 in 2008 Certificates of Participation, \$3,665,000 in 2005 Certificates of Participation, \$2,575,000 in 2003 Certificates of Participation, and \$1,120,000 in Series 1998 Revenue Bonds.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
June 30, 2008

Economic Factors and Next Year's Budget

Work has begun on the third electrical substation in the North part of the City; the need for this new substation was outlined in last year's budget. Work will also commence on the upgrade to the sewer plant as well as the new interchange at exit 46 on Interstate 44. Land for a new industrial park was purchased, comprised of approximately 150 acres, which will allow for increased commercial and industrial development. These investments as well as others will position Mount Vernon for future growth and development. The City will face numerous challenges in the next budget year, including decreases in revenue from sales tax and the deteriorating local, state, national and world economic condition. The City will take a very conservative approach to revenue projections for next year's budget. This will mean some projects will necessarily be delayed including infrastructure in the new industrial park and continued upgrades to our electrical distribution system, however, the City will continue to develop plans for future growth as economic conditions improve.

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, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents - unrestricted	\$ 1,068,990	\$ 2,162,965	\$ 3,231,955
Investments	-	1,427,759	1,427,759
Interest receivable	-	5,588	5,588
Taxes receivable	244,291	-	244,291
Utilities receivable	-	1,037,116	1,037,116
Other receivable	20,733	-	20,733
Note receivable	1,310,619	-	1,310,619
Interfund balances	(118,007)	118,007	-
Inventory	-	420,179	420,179
Restricted cash and cash equivalents	94,390	578,091	672,481
Restricted investments	64,689	2,639,063	2,703,752
Deferred bond issuance costs	-	388,186	388,186
Capital Assets:			
Non-depreciable	807,948	199,425	1,007,373
Depreciable, net	12,747,226	10,867,972	23,615,198
TOTAL ASSETS	\$ 16,240,879	\$ 19,844,351	\$ 36,085,230
LIABILITIES			
Current			
Accounts payable	\$ -	\$ 398,143	\$ 398,143
Accrued expenses	25,717	15,086	40,803
Deposits payable	-	100,281	100,281
Court bonds payable	664	-	664
Accrued interest payable	15,667	133,080	148,747
Current maturities of long-term debt	173,000	295,000	468,000
	215,048	941,590	1,156,638
Noncurrent			
Compensated absences payable	79,531	28,060	107,591
Capital leases payable	12,840	-	12,840
General obligation bonds	1,285,000	-	1,285,000
Revenue bonds payable	-	1,000,000	1,000,000
Certificates of participation	-	7,710,000	7,710,000
	1,377,371	8,738,060	10,115,431
TOTAL LIABILITIES	1,592,419	9,679,650	11,272,069
NET ASSETS			
Invested in capital assets, net of related debt	12,084,334	3,098,804	15,183,138
Restricted	1,445,866	1,177,099	2,622,965
Unrestricted	1,118,260	5,888,798	7,007,058
TOTAL NET ASSETS	14,648,460	10,164,701	24,813,161
TOTAL LIABILITIES AND NET ASSETS	\$ 16,240,879	\$ 19,844,351	\$ 36,085,230

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expenses), Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administrative	\$ (157,929)	\$ 14,561	\$ -	\$ -	\$ (143,368)	\$ -	\$ (143,368)
Police	(490,567)	31,018	-	-	(459,549)	-	(459,549)
Municipal court	(28,065)	-	-	-	(28,065)	-	(28,065)
Fire	(120,569)	-	-	-	(120,569)	-	(120,569)
Animal control	(9,298)	-	-	-	(9,298)	-	(9,298)
Parks	(231,318)	28,419	-	-	(202,899)	-	(202,899)
Street	(796,919)	-	-	-	(796,919)	-	(796,919)
Planning and zoning	(56,028)	-	-	-	(56,028)	-	(56,028)
Transportation	(73,069)	6,788	42,862	-	(23,419)	-	(23,419)
Airport	(14,863)	-	-	-	(14,863)	-	(14,863)
Golf	(174,363)	95,438	-	-	(78,925)	-	(78,925)
Economic development	(13,883)	-	-	-	(13,883)	-	(13,883)
Ice storm recovery	(83,500)	-	-	171,699	88,199	-	88,199
Debt service	(96,379)	-	-	-	(96,379)	-	(96,379)
TOTAL GOVERNMENTAL ACTIVITIES	(2,346,750)	176,224	42,862	171,699	(1,955,965)	-	(1,955,965)
Business-type activities:							
Electric	(5,170,796)	6,867,613	-	-	-	1,696,817	1,696,817
Water	(1,049,893)	590,555	-	-	-	(459,338)	(459,338)
Sewer	(998,018)	959,913	-	-	-	(38,105)	(38,105)
TOTAL BUSINESS-TYPE ACTIVITIES	(7,218,707)	8,418,081	-	-	-	1,199,374	1,199,374
TOTAL GOVERNMENT	\$ (9,565,457)	\$ 8,594,305	\$ 42,862	\$ 171,699	(1,955,965)	1,199,374	(756,591)
General Revenues:							
Sales Taxes					1,090,891	-	1,090,891
Motor vehicle taxes					159,900	-	159,900
Other taxes					26,320	-	26,320
Franchise fees					102,996	-	102,996
Interest					176,533	187,412	363,945
Other revenue					24,207	-	24,207
Transfers					260,428	(260,428)	-
Total General Revenues and Transfers					1,841,275	(73,016)	1,768,259
Changes in Net Assets					(114,690)	1,126,358	1,011,668
Net Assets, Beginning of year,					14,763,150	9,038,343	23,801,493
Net Assets, End of year					<u>\$ 14,648,460</u>	<u>\$ 10,164,701</u>	<u>\$ 24,813,161</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2008

	General Fund	Special Sales Tax Fund	Industrial Development Fund	Ice Storm Fund	Debt Service Fund	Total Governmental Funds
ASSETS						
Cash and cash equivalents - unrestricted	\$ 263,915	\$ 732,681	\$ 72,394	\$ -	\$ -	\$ 1,068,990
Taxes receivable	165,212	79,079	-	-	-	244,291
Other receivable	20,733	-	-	-	-	20,733
Notes receivable	-	-	-	-	1,310,619	1,310,619
Due from other funds	75	53,000	-	-	-	53,075
Restricted cash and cash equivalents	664	-	-	-	93,726	94,390
Restricted investments	-	-	-	-	64,689	64,689
TOTAL ASSETS	\$ 450,599	\$ 864,760	\$ 72,394	\$ -	\$ 1,469,034	\$ 2,856,787
LIABILITIES AND FUND BALANCES						
Liabilities						
Accrued expenses	\$ 25,717	\$ -	\$ -	\$ -	\$ -	\$ 25,717
Court bonds payable	664	-	-	-	-	664
Due to other funds	-	164,853	-	-	6,229	171,082
Deferred revenue	-	-	-	-	16,939	16,939
TOTAL LIABILITIES	26,381	164,853	-	-	23,168	214,402
Fund Balances						
Reserved for:						
Debt service	-	-	-	-	1,445,866	1,445,866
Unreserved, reported in:						
General Fund	424,218	-	-	-	-	424,218
Special Revenue Fund	-	699,907	72,394	-	-	772,301
TOTAL FUND BALANCES	424,218	699,907	72,394	-	1,445,866	2,642,385
TOTAL LIABILITIES AND FUND BALANCES	\$ 450,599	\$ 864,760	\$ 72,394	\$ -	\$ 1,469,034	\$ 2,856,787

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 June 30, 2008

Fund balance - total governmental funds	\$ 2,642,385
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	35,620,318
Less accumulated depreciation	<u>(22,065,144)</u>
	13,555,174
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.	(15,667)
Adjustment of deferred revenue	16,939
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,470,840)</u>
Net Assets of Governmental Activities	<u><u>\$ 14,648,460</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, 2008

	General Fund	Special Sales Tax	Industrial Development Fund	Ice Storm Fund	Debt Service Fund	Total Governmental Funds
REVENUES						
Taxes	\$ 834,830	\$ 545,277	\$ -	\$ -	\$ -	\$ 1,380,107
Licenses and permits	12,136	-	-	-	-	12,136
Intergovernmental revenues	42,862	-	-	171,699	-	214,561
Charges for services	133,070	-	-	-	-	133,070
Fines and forfeitures	31,018	-	-	-	-	31,018
Miscellaneous	40,077	29,918	9,348	-	121,397	200,740
TOTAL REVENUES	1,093,993	575,195	9,348	171,699	121,397	1,971,632
EXPENDITURES						
Current						
Administrative	176,395	-	-	-	-	176,395
Police	477,506	-	-	-	-	477,506
Municipal Court	28,065	-	-	-	-	28,065
Fire	79,763	-	-	-	-	79,763
Animal control	9,298	-	-	-	-	9,298
Parks	215,833	-	-	-	-	215,833
Street	504,055	-	-	-	-	504,055
Planning and zoning	54,980	-	-	-	-	54,980
Transportation	63,313	-	-	-	-	63,313
Airport	6,234	-	-	-	-	6,234
Golf	176,751	-	-	-	-	176,751
Economic development	13,883	-	-	-	-	13,883
Ice storm recovery	-	-	-	83,500	-	83,500
Capital expenditures	-	-	560,748	-	-	560,748
Debt Service						
Principal and interest	-	-	-	-	259,280	259,280
TOTAL EXPENDITURES	1,806,076	-	560,748	83,500	259,280	2,709,604
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(712,083)	575,195	(551,400)	88,199	(137,883)	(737,972)
OTHER FINANCING SOURCES (USES)						
Operating transfers in (out)	720,228	(576,356)	552,664	(498,479)	62,371	260,428
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	8,145	(1,161)	1,264	(410,280)	(75,512)	(477,544)
FUND BALANCE, July 1	416,073	701,068	71,130	410,280	1,521,378	3,119,929
FUND BALANCE, June 30	\$ 424,218	\$ 699,907	\$ 72,394	\$ -	\$ 1,445,866	\$ 2,642,385

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, 2008

Net change in fund balances - total governmental funds \$ (477,544)

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	981,773
Depreciation	(790,814)
	<u>190,959</u>

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the statement of
 activities when incurred. (2,823)

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	171,817
Interest	2,901
	<u>174,718</u>

Change in net assets of governmental activities \$ (114,690)

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
June 30, 2008

ASSETS	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Current Assets				
Cash and cash equivalents	\$ 1,523,003	\$ 386,639	\$ 253,323	\$ 2,162,965
Investments	1,427,759	-	-	1,427,759
Interest receivable	5,588	-	-	5,588
Utilities receivable, net	860,094	86,932	90,090	1,037,116
Interfund balances	-	(228,314)	346,321	118,007
Inventory	381,109	39,070	-	420,179
TOTAL CURRENT ASSETS	4,197,553	284,327	689,734	5,171,614
Restricted Assets				
Cash and cash equivalents	88,209	-	489,882	578,091
Investments	1,602,656	1,036,407	-	2,639,063
Deferred Bond Issuance Costs	45,000	253,752	89,434	388,186
Property, Plant and Equipment,				
Non-depreciable	145,617	-	53,808	199,425
Depreciable	4,570,412	4,936,915	9,678,569	19,185,896
Accumulated Depreciation	(1,754,457)	(893,538)	(5,669,929)	(8,317,924)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	2,961,572	4,043,377	4,062,448	11,067,397
TOTAL ASSETS	\$ 8,894,990	\$ 5,617,863	\$ 5,331,498	\$ 19,844,351
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 378,429	\$ 5,421	\$ 14,293	\$ 398,143
Accrued expenses	14,003	-	1,083	15,086
Accrued interest payable	12,694	115,761	4,625	133,080
Utility deposits	100,281	-	-	100,281
Current maturities of long-term debt	50,000	125,000	120,000	295,000
TOTAL CURRENT LIABILITIES	555,407	246,182	140,001	941,590
Long-Term Liabilities				
Compensated absences payable	12,001	15,551	508	28,060
Revenue bonds payable	-	-	1,000,000	1,000,000
Certificates of participation payable	1,595,000	6,115,000	-	7,710,000
TOTAL LONG-TERM LIABILITIES	1,607,001	6,130,551	1,000,508	8,738,060
TOTAL LIABILITIES	2,162,408	6,376,733	1,140,509	9,679,650
NET ASSETS				
Invested in capital assets, net of related debt	1,316,572	(1,160,216)	2,942,448	3,098,804
Restricted	-	687,217	489,882	1,177,099
Unrestricted	5,416,010	(285,871)	758,659	5,888,798
TOTAL NET ASSETS	6,732,582	(758,870)	4,190,989	10,164,701
TOTAL LIABILITIES AND NET ASSETS	\$ 8,894,990	\$ 5,617,863	\$ 5,331,498	\$ 19,844,351

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
 Year Ended June 30, 2008

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
OPERATING REVENUES				
Charges for services	\$ 6,861,909	\$ 590,182	\$ 934,957	\$ 8,387,048
Miscellaneous	5,704	373	24,956	31,033
TOTAL OPERATING REVENUES	6,867,613	590,555	959,913	8,418,081
OPERATING EXPENSES				
Salaries and wages	180,090	214,203	77,198	471,491
Employee benefits	42,140	72,973	13,931	129,044
Gas and oil	10,029	19,197	2,290	31,516
Materials and supplies	10,653	35,662	24,244	70,559
Insurance and taxes	26,652	-	19,603	46,255
Power purchased	4,398,434	-	50,622	4,449,056
Telephone and utilities	4,552	4,715	3,129	12,396
Repairs and maintenance	158,295	95,054	92,197	345,546
Professional fees	38,134	26,892	315,951	380,977
Other expenses	69,932	53,974	38,802	162,708
Depreciation	130,695	159,322	201,530	491,547
Administrative	88,496	71,749	86,491	246,736
TOTAL OPERATING EXPENSES	5,158,102	753,741	925,988	6,837,831
OPERATING INCOME (LOSS)	1,709,511	(163,186)	33,925	1,580,250
NONOPERATING REVENUES (EXPENSES)				
Interest income	117,566	48,051	21,795	187,412
Interest expense	(12,694)	(296,152)	(72,030)	(380,876)
TOTAL NONOPERATING REVENUES (EXPENSES)	104,872	(248,101)	(50,235)	(193,464)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,814,383	(411,287)	(16,310)	1,386,786
OPERATING TRANSFERS IN (OUT)	(773,459)	525,228	(12,197)	(260,428)
NET INCOME (LOSS)	1,040,924	113,941	(28,507)	1,126,358
NET ASSETS, July 1	5,691,658	(872,811)	4,219,496	9,038,343
NET ASSETS, June 30	\$ 6,732,582	\$ (758,870)	\$ 4,190,989	\$ 10,164,701

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended June 30, 2008

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,548,813	\$ 554,892	\$ 928,214	\$ 8,031,919
Cash paid to suppliers	(4,784,395)	(385,895)	(622,823)	(5,793,113)
Cash paid to employees	(215,066)	(224,749)	(104,826)	(544,641)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,549,352	(55,752)	200,565	1,694,165
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfer in (out)	(773,459)	525,228	(12,197)	(260,428)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(773,459)	525,228	(12,197)	(260,428)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Certificates of participation proceeds	1,600,000	-	-	1,600,000
Purchase of fixed assets	(807,331)	(127,333)	-	(934,664)
Payment of bond principal	-	-	(120,000)	(120,000)
Payment of certificates of participation	-	(125,000)	-	(125,000)
Payment of interest expense	-	(281,045)	(60,432)	(341,477)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	792,669	(533,378)	(180,432)	78,859
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	117,566	48,051	21,795	187,412
Purchase of investments	(1,367,097)	-	-	(1,367,097)
Proceeds from maturity of investments	-	228,906	-	228,906
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,249,531)	276,957	21,795	(950,779)
NET INCREASE IN CASH AND CASH EQUIVALENTS				
	319,031	213,055	29,731	561,817
CASH AND CASH EQUIVALENTS, Beginning of year	1,292,181	173,584	713,474	2,179,239
CASH AND CASH EQUIVALENTS, End of year	1,611,212	386,639	743,205	2,741,056
LESS RESTRICTED CASH AND CASH EQUIVALENTS	88,209	-	489,882	578,091
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,523,003	\$ 386,639	\$ 253,323	\$ 2,162,965
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,709,511	\$ (163,186)	\$ 33,925	\$ 1,580,250
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	130,695	159,322	201,530	491,547
(Increase) decrease in:				
Utilities receivable	(328,889)	(35,663)	(31,699)	(396,251)
Inventory	37,054	(11,100)	-	25,954
Increase (decrease) in:				
Accounts payable	(16,272)	5,421	10,506	(345)
Accrued expenses	7,430	(8,615)	(2,200)	(3,385)
Meter deposits payable	10,089	-	-	10,089
Compensated absences payable	(266)	(1,931)	(11,497)	(13,694)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 1,549,352	\$ (55,752)	\$ 200,565	\$ 1,694,165

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.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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.

Capital Assets

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Pooled Cash and Cash Equivalents

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

Unreserved Fund Equity

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

Use of Estimates

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

Inventories

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) 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.

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, 2008, all bank balances on deposit are entirely insured or collateralized.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE C – INVESTMENTS

Investments of the City as of June 30, 2008, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	10/6/06 - 3/18/2010	\$ 635,838
Edward Jones Money Market Funds	N/A	74,458
Federal Home Loan Mortgage Notes	5/15/14 - 2/22/2033	746,000
Guaranteed Investment Contracts	N/A	36,247
Federated Treasury Obligation Fund	N/A	2,438,968
First Bank of Missouri Money Market Account	N/A	200,000
		<u>\$ 4,131,511</u>

Custodial Risk

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

Interest Rate Risk

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

Credit Risk

As of June 30, 2008, 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.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE D – RESTRICTED ASSETS

Governmental Activities

Cash has been restricted in the amount of \$664 for the outstanding court bonds. In the Debt Service Fund, cash has been restricted in the amount of \$93,726 and investments have been restricted in the amount of \$64,689 for future debt service obligations.

Business-Type Activities

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
SEWER FUND		
1998 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 164,270	\$ 164,270
Debt Service Reserve Fund	117,000	117,000
Depreciation and Replacement Fund	<u>208,612</u>	<u>208,612</u>
	489,882	489,882

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Assets</u>
WATER FUND		
2003 Certificates of Participation		
COP Project Fund	349,095	-
Debt Service Reserve Fund	280,000	280,000
Principal and Interest Fund	3,749	3,749
2005 Certificates of Participation		
COP Project Fund	95	-
Debt Service Reserve Fund	403,468	403,468
	<u>1,036,407</u>	<u>687,217</u>
ELECTRIC FUND		
2008 Project fund	1,602,656	-
Customer Deposits	88,209	-
	<u>\$ 1,614,498</u>	<u>\$ 1,177,099</u>

NOTE E – ACCOUNTS RECEIVABLE

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

	<u>Accounts Receivable</u>	<u>Allowance</u>	<u>Net Accounts Receivable</u>
UTILITIES RECEIVABLE			
Enterprise Funds			
Electric Fund	\$ 920,003	\$ (59,909)	\$ 860,094
Water Fund	92,637	(5,705)	86,932
Sewer Fund	95,797	(5,707)	90,090
	<u>\$ 1,108,437</u>	<u>\$ (71,321)</u>	<u>\$ 1,037,116</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at June 30, 2008, 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, 2008, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
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>\$ 255,000</u>	<u>\$ 42,903</u>	<u>\$ 297,903</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, 2008, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
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>\$ 1,190,000</u>	<u>\$ 322,245</u>	<u>\$ 1,512,245</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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):

Year Ended June 30,		
2009		\$ 13,927
2010		13,927
	TOTAL MINIMUM LEASE PAYMENTS	27,854
	LESS AMOUNT REPRESENTING INTEREST	(2,014)
	NET LEASE PAYMENTS	<u>\$ 25,840</u>

The following is a summary of the changes in Governmental Activities Long-Term Debt for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
1992 General Obligation Bonds	\$ 310,000	\$ -	\$ 55,000	\$ 255,000
1995 General Obligation Industrial Bonds	1,295,000	-	105,000	1,190,000
Capital Leases Payable - fire truck	37,657	-	11,817	25,840
	<u>\$ 1,642,657</u>	<u>\$ -</u>	<u>\$ 171,817</u>	<u>\$ 1,470,840</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

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

Water Fund

During 2005, the City issued \$3,835,000 in Refunding Certificates of Participation to advance refund the Series 2002 Certificates of Participation. The Series 2005 certificates bear interest at 4.19%. Interest payments are due in semi-annual installments on March 1 and September 1 of each year. The annual debt service requirements to amortize the principal on the 2005 Certificates of Participation outstanding at June 30, 2008, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
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>\$ 3,665,000</u>	<u>\$ 1,560,355</u>	<u>\$ 5,225,355</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

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

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
2009	\$ 50,000	\$ 76,164	\$ 126,164
2010	55,000	73,849	128,849
2011	55,000	71,302	126,302
2012	60,000	68,756	128,756
2013	60,000	65,978	125,978
2014	65,000	63,200	128,200
2015	70,000	60,190	130,190
2016	70,000	56,949	126,949
2017	75,000	53,708	128,708
2018	80,000	50,236	130,236
2019	80,000	46,532	126,532
2020	85,000	42,828	127,828
2021	90,000	38,892	128,892
2022	95,000	34,725	129,725
2023	100,000	30,327	130,327
2024	100,000	25,697	125,697
2025	105,000	21,067	126,067
2026	110,000	16,205	126,205
2027	115,000	11,112	126,112
2028	125,000	5,782	130,782
	<u>\$ 1,645,000</u>	<u>\$ 913,499</u>	<u>\$ 2,558,499</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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, 2008, are listed in the table below:

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
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>\$ 2,575,000</u>	<u>\$ 1,523,813</u>	<u>\$ 4,098,813</u>

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, 2008, are listed in the table below:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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

Year Ended June 30,	Amount Due		
	Principal	Interest	Total
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>\$ 1,120,000</u>	<u>\$ 223,750</u>	<u>\$ 1,343,750</u>

The following table is a summary of the changes in the long-term debt – business-type activities for the year ended June 30, 2008:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Electric Fund				
COP Payable				
2008 COP Issue	\$ -	\$ 1,645,000	\$ -	\$ 1,645,000
SEWER FUND				
Revenue Bonds Payable				
1998 Revenue Bonds	1,240,000	-	120,000	1,120,000
WATER FUND				
COP Payable				
2003 COP Issue	2,650,000	-	75,000	2,575,000
2005 COP Issue	3,715,000	-	50,000	3,665,000
	<u>6,365,000</u>	<u>-</u>	<u>125,000</u>	<u>6,240,000</u>
TOTAL	<u>\$ 7,605,000</u>	<u>\$ 1,645,000</u>	<u>\$ 245,000</u>	<u>\$ 9,005,000</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 247,200	<u>\$ 560,748</u>	<u>\$ -</u>	\$ 807,948
Depreciable Capital Assets				
Land improvements	214,797	\$ 6,677	\$ -	221,474
Building and improvements	739,105	-	-	739,105
Major moveable equipment	872,416	36,518	-	908,934
Infrastructure	<u>32,565,027</u>	<u>377,830</u>	-	<u>32,942,857</u>
Total Depreciable Capital Assets	34,391,345	<u>\$ 421,025</u>	<u>\$ -</u>	34,812,370
Less Accumulated Depreciation				
Land improvements	62,398	\$ 10,823	\$ -	73,221
Building and improvements	218,972	13,477	-	232,449
Major moveable equipment	488,205	111,435	-	599,640
Infrastructure	<u>20,504,755</u>	<u>655,079</u>	-	<u>21,159,834</u>
Total Accumulated Depreciation	<u>21,274,330</u>	<u>\$ 790,814</u>	<u>\$ -</u>	<u>22,065,144</u>
Total Depreciable Capital Assets, net	<u>13,117,015</u>			<u>12,747,226</u>
Total Governmental Activities Capital Assets, net	<u>\$ 13,364,215</u>			<u>\$ 13,555,174</u>

Depreciation expense was charged to functions as follows:

Administrative	\$ 4,395
Police	13,061
Fire	52,623
Parks	22,162
Street	670,694
Planning and zoning	1,048
Transportation	9,756
Airport	8,629
Golf	8,446
	<u>\$ 790,814</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE H – CAPITAL ASSETS (continued)

	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	10,625	-	10,625	-
	64,433	\$ -	\$ 10,625	53,808
Depreciable Capital Assets				
Sewer plant	9,667,944	\$ 10,625	\$ -	9,678,569
Less Accumulated Depreciation				
Sewer plant	5,468,399	\$ 201,530	\$ -	5,669,929
Depreciable Capital Assets, net	4,199,545			4,008,640
Electric Fund				
Non-Depreciable Capital Assets				
Land	-	\$ 145,617	\$ -	145,617
Depreciable Capital Assets:				
Electric plant	3,908,698	\$ 661,714	\$ -	4,570,412
Less Accumulated Depreciation				
Electric plant	1,623,762	\$ 130,695	\$ -	1,754,457
Depreciable Capital Assets, net	2,284,936			2,815,955
Water Fund				
Depreciable Capital Assets:				
Water plant	4,809,582	\$ 127,333	\$ -	4,936,915
Less Accumulated Depreciation				
Water plant	734,216	\$ 159,322	\$ -	893,538
Depreciable Capital Assets, net	4,075,366			4,043,377
Total Capital Assets - Business-Type Activities, net	\$ 10,624,280			\$ 11,067,397

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 11.0% (general) and 7.5% (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 2008, the political subdivision's annual pension cost of \$108,051 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2006 and/or February 28, 2007 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2008, 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 29, 2008, was 15 years.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE I – EMPLOYEE PENSION PLAN (continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	\$ 91,601	100%	\$ -
06/30/07	97,160	100%	-
06/30/08	108,051	100%	-

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

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/29/08	\$ 1,619,072	\$ 1,753,671	\$ 134,599	92%	\$ 1,007,620	13%

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

NOTE J – RISK MANAGEMENT

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

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

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. \$1,195,000 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, 2008, the unamortized portion was \$16,939.

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, 2008, \$115,619 has been recorded in the Debt Service Fund for the balance remaining on the note receivable.

NOTE L – DEFERRED DEBT ISSUE COSTS

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

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

	Unamortized Debt Issue Costs June 30, 2007	Additions	Current Amortization	Unamortized Debt Issue Costs June 30, 2008
Electric Fund	\$ -	\$ 45,000	\$ -	\$ 45,000
Sewer Fund	101,492	-	12,058	89,434
Water Fund	270,669	-	16,917	253,752
	<u>\$ 372,161</u>	<u>\$ 45,000</u>	<u>\$ 28,975</u>	<u>\$ 388,186</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE M – INTERNAL BALANCES

Internal balances as of June 30, 2008, consisted of the following:

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

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2008, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE N – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2008, 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, 2008, were as follows:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2008

NOTE O – INTERFUND TRANSFERS (continued)

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 720,228	\$ -
Special Sales Tax Fund	-	576,356
Industrial Development Fund	552,664	-
Ice Storm Fund	-	498,479
Debt Service Fund	62,371	-
Electric Fund	-	773,459
Water Fund	525,228	-
Sewer Fund	-	12,197
	<u>\$ 1,860,491</u>	<u>\$ 1,860,491</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 P – COMMITMENTS

The City is committed to a contract for wastewater treatment plant engineering services to Archer Engineering in the amount of \$434,096 as of June 30, 2008. In addition, the City was committed to a contract to purchase transformers from Fletcher-Reinhardt Co. in the amount of \$237,293 as of June 30, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended June 30, 2008

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
02/28/06	\$ 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%
02/29/08	1,619,072	1,753,671	134,599	92%	1,007,620	13%

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, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 550,000	\$ 545,614	\$ 545,614	\$ -
Motor vehicle tax	140,000	159,900	159,900	-
Utility franchise tax	100,200	102,996	102,996	-
Other taxes	24,000	26,320	26,320	-
	<u>814,200</u>	<u>834,830</u>	<u>834,830</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	4,000	4,164	4,164	-
Building permits	9,000	7,972	7,972	-
	<u>13,000</u>	<u>12,136</u>	<u>12,136</u>	<u>-</u>
Intergovernmental Revenues				
Grants	32,000	42,862	42,862	-
Charges for Services				
Taxi	8,300	6,788	6,788	-
Animal control	125	-	-	-
Pool	11,200	18,045	18,045	-
Park	4,800	10,374	10,374	-
Golf fees	102,000	95,438	95,438	-
Cemetery	1,000	2,425	2,425	-
	<u>127,425</u>	<u>133,070</u>	<u>133,070</u>	<u>-</u>
Fines and forfeitures				
City court fines	40,000	31,018	31,018	-
Miscellaneous				
Rent income	7,000	12,113	12,113	-
Interest	16,100	20,634	20,634	-
Donations	4,200	3,400	3,400	-
Other	1,470	3,930	3,930	-
	<u>28,770</u>	<u>40,077</u>	<u>40,077</u>	<u>-</u>
TOTAL REVENUES	<u>1,055,395</u>	<u>1,093,993</u>	<u>1,093,993</u>	<u>-</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	220,362	176,395	176,395	-
Police	477,191	477,506	477,506	-
Municipal Court	35,935	28,065	28,065	-
Fire	96,175	79,763	79,763	-
Animal control	10,865	9,298	9,298	-
Parks	223,784	215,833	215,833	-
Street	326,272	504,055	504,055	-
Planning and zoning	59,187	54,980	54,980	-
Transportation	68,387	63,313	63,313	-
Airport	10,782	6,234	6,234	-
Golf	175,900	176,751	176,751	-
Economic development	-	13,883	13,883	-
TOTAL EXPENDITURES	<u>1,704,840</u>	<u>1,806,076</u>	<u>1,806,076</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(649,445)	(712,083)	(712,083)	-
OTHER FINANCING SOURCES				
Operating transfers in	<u>600,000</u>	<u>720,228</u>	<u>720,228</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>600,000</u>	<u>720,228</u>	<u>720,228</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(49,445)	8,145	8,145	-
FUND BALANCE, July 1	<u>416,073</u>	<u>416,073</u>	<u>416,073</u>	<u>-</u>
FUND BALANCE, June 30	<u>\$ 366,628</u>	<u>\$ 424,218</u>	<u>\$ 424,218</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL SALES TAX FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 523,000	\$ 545,277	\$ 545,277	\$ -
Miscellaneous				
Interest	15,000	29,918	29,918	-
TOTAL REVENUES	538,000	575,195	575,195	-
OTHER FINANCING (USES)				
Operating transfers (out)	(523,000)	(576,356)	(576,356)	-
EXCESS (DEFICIT) OF REVENUES OVER OTHER USES	15,000	(1,161)	(1,161)	-
FUND BALANCE, July 1	701,068	701,068	701,068	-
FUND BALANCE, June 30	\$ 716,068	\$ 699,907	\$ 699,907	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Rents	\$ -	\$ 4,764	4,764	\$ -
Interest	2,800	4,584	4,584	-
TOTAL REVENUES	2,800	9,348	9,348	-
EXPENDITURES				
Capital outlay	-	560,748	560,748	-
TOTAL EXPENDITURES	-	560,748	560,748	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	2,800	(551,400)	(551,400)	-
OTHER FINANCING SOURCES				
Operating transfers in	-	552,664	552,664	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	2,800	1,264	1,264	-
FUND BALANCE, July 1	71,130	71,130	71,130	-
FUND BALANCE, June 30	\$ 73,930	\$ 72,394	\$ 72,394	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – ICE STORM FUND
 Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Intergovernmental revenues	\$ 110,442	\$ 171,699	\$ 171,699	\$ -
TOTAL REVENUES	110,442	171,699	171,699	-
EXPENDITURES				
Ice storm recovery	110,442	83,500	83,500	-
TOTAL EXPENDITURES	110,442	83,500	83,500	-
EXCESS OF REVENUES OVER EXPENDITURES	-	88,199	88,199	-
OTHER FINANCING (USES)				
Operating transfers (out)	-	(498,479)	(498,479)	-
(DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	(410,280)	(410,280)	-
FUND BALANCE, July 1	410,280	410,280	410,280	-
FUND BALANCE, June 30	\$ 410,280	\$ -	\$ -	\$ -

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
June 30, 2008

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
Accountants

LARRY M. BROWN, CPA
LAWRENCE W. DAVIS, CPA
ANTHONY D. LYNN, CPA
RANDALL G. MOOTS, CPA
ANGELA M. PATRICK, CPA
ANDREW A. MARMOUGET, CPA

3828 SOUTH AVENUE
SPRINGFIELD, MO 65807
(417) 882-0904
FAX (417) 882-4343

www.dlmcpa.com
e-mail: cpa@dlmcpa.com

**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, 2008, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements and have issued our report thereon dated January 21, 2009. 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 08-1, 08-2 and 08-3 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.
January 21, 2009

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2008

08-1. 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.

08-2. 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, 2008

08-2. 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.

08-3 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.