

CITY OF MT. VERNON, MISSOURI
BASIC FINANCIAL STATEMENTS
Year ended December 31, 2011

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT 4

MANAGEMENT’S DISCUSSION AND ANALYSIS 7

BASIC FINANCIAL STATEMENTS

 Statement of Net Assets 14

 Statement of Activities..... 15

 Balance Sheet - Governmental Funds..... 16

 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Assets 17

 Statement of Revenues, Expenditures and Changes in
 Fund Balances – Governmental Funds 18

 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 19

 Statement of Net Assets – Proprietary Funds 20

 Statement of Revenues, Expenses and Changes in
 Net Assets – Proprietary Funds..... 21

 Statement of Cash Flows – Proprietary Funds..... 22

 Notes to Basic Financial Statements..... 23

REQUIRED SUPPLEMENTARY INFORMATION

 Schedule of Funding Progress 47

 Budgetary Comparison Schedule – General Fund..... 48

 Budgetary Comparison Schedule – Special Sales Tax Fund..... 50

 Budgetary Comparison Schedule – Industrial Development Fund..... 51

 Note to Budgetary Comparison Schedules 52

TABLE OF CONTENTS

OTHER FINANCIAL INFORMATION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54
Schedule of Findings and Responses	56



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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 December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Mt. Vernon, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of the City of Mt. Vernon, Missouri, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mt. Vernon, Missouri's basic financial statements as a whole. The data contained under Other Financial Information is presented for purposes of additional analysis and is not a required part of the financial statements. The Other Financial Data is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

The management's discussion and analysis of the City of Mt. Vernon's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011. 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 increased by \$409,871 as a result of current year activities. The net assets of the City's business activities decreased by \$334,702 for the year.
- The assets of the City exceeded its liabilities as of December 31, 2011, by \$25,120,325 (net assets). Of this amount \$6,900,242 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$1,028,379.

Using This Report

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

Government-Wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

Notes to the Basic Financial Statements

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

Government-Wide Financial Analysis

NET ASSETS

The following table presents the condensed Statement of Net Assets for the City as of December 31, 2011, and December 31, 2010:

	Governmental Activities	Business-Type Activities	Total December 31, 2011	Total December 31, 2010
Current and other assets	\$ 2,356,591	\$ 8,126,891	\$ 10,483,482	\$ 11,600,785
Capital assets	12,558,864	16,747,966	29,306,830	29,268,979
TOTAL ASSETS	14,915,455	24,874,857	39,790,312	40,869,764
Other liabilities	242,515	1,038,551	1,281,066	1,407,308
Long-term liabilities	780,390	12,608,531	13,388,921	14,417,300
TOTAL LIABILITIES	1,022,905	13,647,082	14,669,987	15,824,608
Net assets:				
Invested in capital assets				
net of related debt	11,647,495	4,503,544	16,151,039	16,418,810
Restricted	1,149,183	919,861	2,069,044	2,899,401
Unrestricted	1,095,872	5,804,370	6,900,242	5,726,945
TOTAL NET ASSETS	<u>\$ 13,892,550</u>	<u>\$ 11,227,775</u>	<u>\$ 25,120,325</u>	<u>\$ 25,045,156</u>

Total net assets of the City increased by \$75,169 for the year due to current year activity. Total liabilities for the City have decreased by \$1,154,621. Restricted net assets of the City totaled \$2,069,044 as of December 31, 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

CHANGES IN NET ASSETS

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2011	Total Six-Month Period Ended December 31, 2010
REVENUES				
Program Revenues				
Charges for services	\$ 218,238	\$ 7,994,395	\$ 8,212,633	\$ 4,116,049
Operating grants and contributions	9,950	-	9,950	20,853
Capital grants and contributions	75,735	-	75,735	12,391
General Revenues				
Sales taxes	1,085,861	-	1,085,861	501,137
Motor vehicle and gas taxes	152,858	-	152,858	78,841
Other taxes	27,415	-	27,415	26,337
Franchise fees	106,680	-	106,680	40,621
Interest	62,053	239,136	301,189	187,067
Other revenue	26,657	-	26,657	11,448
Transfers	1,209,356	(1,209,356)	-	-
TOTAL REVENUES AND TRANSFERS	2,974,803	7,024,175	9,998,978	4,994,744
EXPENSES				
Administrative	151,179	-	151,179	78,059
Police	612,447	-	612,447	305,642
Municipal court	34,260	-	34,260	14,644
Fire	97,087	-	97,087	59,935
Animal control	11,904	-	11,904	4,792
Parks	242,274	-	242,274	153,830
Community center	45,057	-	45,057	-
Street	918,854	-	918,854	443,115
Planning and zoning	56,431	-	56,431	25,106
Transportation	75,790	-	75,790	38,134
Airport	14,250	-	14,250	15,180
Golf	227,654	-	227,654	88,897
Economic development	22,131	-	22,131	8,014
Debt service	55,614	-	55,614	31,839
Electric	-	5,337,019	5,337,019	2,870,010
Water	-	901,269	901,269	437,484
Sewer	-	1,120,589	1,120,589	455,833
TOTAL EXPENSES	2,564,932	7,358,877	9,923,809	5,030,514
INCREASE (DECREASE) IN NET ASSETS	\$ 409,871	\$ (334,702)	\$ 75,169	\$ (35,770)

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

Governmental Activities

Governmental activities increased the net assets of the City by \$409,871. Tax revenues for the City were \$1,372,814, which represents 46% of the funding of these activities. Program and other revenues for the functions totaled \$392,633, or 13% of the funding. Transfers from the City business-type activities totaled \$1,209,356, which represents 41% of the funding of these activities. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
Administration	\$ 151,179	\$ 144,277
Police	612,447	567,306
Municipal court	34,260	34,260
Fire	97,087	97,087
Animal control	11,904	10,704
Parks	242,274	209,781
Community center	45,057	41,987
Street	918,854	872,551
Planning and zoning	56,431	43,503
Transportation	75,790	39,062
Airport	14,250	14,250
Golf	227,654	108,496
Economic development	22,131	22,131
Debt service	55,614	55,614
	\$ 2,564,932	\$ 2,261,009

Business-Type Activities

Business-type activities decreased the City's net assets by \$334,702. During the six-month period ending December 31, 2010, the business-type activities increased net assets by \$219,692.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2011, were \$2,340,053. The General Fund decreased by \$341,063. The Special Sales Tax Fund increased by \$114,071. The Industrial Development Fund increased by \$2,415. The Debt Service Fund decreased by \$118,180.

General Fund Budgetary Highlights

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

- The original revenue budget of \$1,274,231 was increased to \$1,387,173.
- The original expenditures budget of \$1,956,560 was increased to \$2,990,759.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$12,558,864 (net of accumulated depreciation) as of December 31, 2011. This represents a \$541,944 increase from the prior year. Capital assets for business-type activities were \$16,747,966 as of December 31, 2011. This represents a decrease of \$504,093.

Debt

Total debt of the governmental activities as of December 31, 2011, was \$1,006,759. Governmental activities debt consists of \$70,000 in 1992 General Obligation Bonds, \$820,000 in 1995 General Obligation Industrial Bonds, \$21,369 in capital lease obligations, \$87,341 in compensated absences, and \$8,049 in post-employment benefit liability.

Total debt of the business-type activities as of December 31, 2011, was \$12,953,531. This consists of \$1,485,000 in 2008 Certificates of Participation, \$3,505,000 in 2005 Certificates of Participation, \$2,370,000 in 2011 Certificates of Participation, \$5,580,866 in Series 2008 Revenue Bonds, and \$12,665 in compensated absences.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2011

Economic Factors and Next Year's Budget

Mount Vernon's economy has been slowly trending upward over the course of the last year seeing conservative increase in sales tax revenue of approximately 10% and unemployment rate of 5.6% both being strong indicators of an improving economy. The National and State economic climate will continue to play a major role in Mount Vernon's economic future as oil prices, interest rates, real estate and housing markets increase or decrease the effects will be felt locally. State and national approval of funding for the Missouri Rehabilitation Center, Veteran's Clinic and the Veteran Home have a critical impact on the City's economic health. Based on these factors the City's Budget will remain conservative in nature watching these trends very closely, at the same time will be somewhat more aggressive towards Economic Development through the expansion of the City's utilities and infrastructure encouraging the development of the Interstate 44 corridor and the new industrial park, which should play a major role in the economic growth of Mount Vernon over the course of the next few years. The City purchased a community center during 2011 which should help attract business and residents to the area by adding to the amenities offered to residents and visitors of Mount Vernon. Overall the economic outlook should be positive and continue to see incremental gains throughout the fiscal year ending December 31, 2012.

Contacting the City's Financial Management

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

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

Dave Eden, Mayor
Max Springer, City Administrator
Shannon Neely, City Clerk

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 345,332	\$ 2,766,433	\$ 3,111,765
Investments	613,245	2,051,475	2,664,720
Interest receivable	-	5,588	5,588
Taxes receivable	203,262	-	203,262
Utilities receivable, net	-	874,546	874,546
Other receivable	36,785	-	36,785
Note receivable	914,458	-	914,458
Inventory	-	369,617	369,617
Noncurrent			
Restricted cash and cash equivalents	211,173	1,708,524	1,919,697
Restricted investments	32,336	-	32,336
Deferred bond issuance costs	-	350,708	350,708
Capital Assets:			
Non-depreciable	713,965	415,912	1,129,877
Depreciable, net	11,844,899	16,332,054	28,176,953
TOTAL ASSETS	\$ 14,915,455	\$ 24,874,857	\$ 39,790,312
LIABILITIES			
Current			
Accounts payable	\$ 6,565	\$ 377,126	\$ 383,691
Accrued expenses	2,390	1,394	3,784
Deposits payable	-	92,219	92,219
Court bonds payable	525	-	525
Accrued interest payable	6,666	222,812	229,478
Current portion of long-term debt	226,369	345,000	571,369
	242,515	1,038,551	1,281,066
Noncurrent			
Compensated absences payable	87,341	12,665	100,006
Post employment benefit liability	8,049	-	8,049
General obligation bonds	685,000	-	685,000
Revenue bonds payable	-	5,490,866	5,490,866
Certificates of participation payable	-	7,105,000	7,105,000
	780,390	12,608,531	13,388,921
TOTAL LIABILITIES	1,022,905	13,647,082	14,669,987
NET ASSETS			
Invested in capital assets, net of related debt	11,647,495	4,503,544	16,151,039
Restricted	1,149,183	919,861	2,069,044
Unrestricted	1,095,872	5,804,370	6,900,242
TOTAL NET ASSETS	13,892,550	11,227,775	25,120,325
TOTAL LIABILITIES AND NET ASSETS	\$ 14,915,455	\$ 24,874,857	\$ 39,790,312

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2011

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	\$ (151,179)	\$ 6,902	\$ -	\$ -	\$ (144,277)	\$ -	\$ (144,277)
Police	(612,447)	39,847	3,950	1,344	(567,306)	-	(567,306)
Municipal court	(34,260)	-	-	-	(34,260)	-	(34,260)
Fire	(97,087)	-	-	-	(97,087)	-	(97,087)
Animal control	(11,904)	1,200	-	-	(10,704)	-	(10,704)
Parks	(242,274)	26,493	6,000	-	(209,781)	-	(209,781)
Community center	(45,057)	3,070	-	-	(41,987)	-	(41,987)
Street	(918,854)	-	-	46,303	(872,551)	-	(872,551)
Planning and zoning	(56,431)	12,928	-	-	(43,503)	-	(43,503)
Transportation	(75,790)	8,640	-	28,088	(39,062)	-	(39,062)
Airport	(14,250)	-	-	-	(14,250)	-	(14,250)
Golf	(227,654)	119,158	-	-	(108,496)	-	(108,496)
Economic development	(22,131)	-	-	-	(22,131)	-	(22,131)
Debt service	(55,614)	-	-	-	(55,614)	-	(55,614)
TOTAL GOVERNMENTAL ACTIVITIES	(2,564,932)	218,238	9,950	75,735	(2,261,009)	-	(2,261,009)
Business-type activities:							
Electric	(5,337,019)	6,720,136	-	-	-	1,383,117	1,383,117
Water	(901,269)	535,980	-	-	-	(365,289)	(365,289)
Sewer	(1,120,589)	738,279	-	-	-	(382,310)	(382,310)
TOTAL BUSINESS-TYPE ACTIVITIES	(7,358,877)	7,994,395	-	-	-	635,518	635,518
TOTAL GOVERNMENT	\$ (9,923,809)	\$ 8,212,633	\$ 9,950	\$ 75,735	(2,261,009)	635,518	(1,625,491)
		General Revenues:					
					1,085,861	-	1,085,861
					152,858	-	152,858
					27,415	-	27,415
					106,680	-	106,680
					62,053	239,136	301,189
					26,657	-	26,657
					1,209,356	(1,209,356)	-
				Total General Revenues and Transfers	2,670,880	(970,220)	1,700,660
				Changes in Net Assets	409,871	(334,702)	75,169
				Net Assets, Beginning of year	13,482,679	11,562,477	25,045,156
				Net Assets, End of year	\$ 13,892,550	\$ 11,227,775	\$ 25,120,325

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2011

	General Fund	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
		Special Sales Tax Fund	Industrial Development Fund		
ASSETS					
Cash and cash equivalents - unrestricted	\$ 19,560	\$ 124,383	\$ 201,389	\$ -	\$ 345,332
Investments - unrestricted	-	613,245	-	-	613,245
Taxes receivable	162,633	40,629	-	-	203,262
Other receivable	36,785	-	-	-	36,785
Notes receivable	-	-	-	914,458	914,458
Restricted cash and cash equivalents	525	-	-	210,648	211,173
Restricted investments	-	-	-	32,336	32,336
TOTAL ASSETS	\$ 219,503	\$ 778,257	\$ 201,389	\$ 1,157,442	\$ 2,356,591
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 6,565	\$ -	\$ -	\$ -	\$ 6,565
Accrued expenses	2,390	-	-	-	2,390
Court bonds payable	525	-	-	-	525
Deferred revenue	-	-	-	7,058	7,058
TOTAL LIABILITIES	9,480	-	-	7,058	16,538
Fund Balances					
Nonspendable:					
Notes receivable	-	-	-	779,458	779,458
Restricted for:					
Debt service	-	-	-	370,926	370,926
Special sales tax	-	778,257	-	-	778,257
Assigned to:					
Industrial development	-	-	201,389	-	201,389
Unassigned	210,023	-	-	-	210,023
TOTAL FUND BALANCES	210,023	778,257	201,389	1,150,384	2,340,053
TOTAL LIABILITIES AND FUND BALANCES	\$ 219,503	\$ 778,257	\$ 201,389	\$ 1,157,442	\$ 2,356,591

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET ASSETS
 December 31, 2011

Fund balance - total governmental funds	\$ 2,340,053
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	37,353,684
Less accumulated depreciation	<u>(24,794,820)</u>
	12,558,864
Compensated absences are not accrued in the governmental funds but rather is recognized as an expenditure when paid	(87,341)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(6,666)
Adjustment of deferred revenue	7,058
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(919,418)</u>
Net Assets of Governmental Activities	<u><u>\$ 13,892,550</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended December 31, 2011

	General Fund	Special Revenue Funds		Debt Service Fund	Total Governmental Funds
		Special Sales Tax	Industrial Development Fund		
REVENUES					
Taxes	\$ 1,099,935	\$ 272,880	\$ -	\$ -	\$ 1,372,815
Licenses and permits	19,455	-	-	-	19,455
Intergovernmental revenues	79,685	-	-	-	79,685
Charges for services	158,935	-	-	-	158,935
Fines and forfeitures	37,633	-	-	-	37,633
Miscellaneous	32,461	1,899	2,415	62,973	99,748
TOTAL REVENUES	1,428,104	274,779	2,415	62,973	1,768,271
EXPENDITURES					
Current					
Administrative	141,307	-	-	-	141,307
Police	592,501	-	-	-	592,501
Municipal Court	34,260	-	-	-	34,260
Fire	89,318	-	-	-	89,318
Animal control	11,904	-	-	-	11,904
Parks	246,678	-	-	-	246,678
Community center	1,011,805	-	-	-	1,011,805
Street	526,621	-	-	-	526,621
Planning and zoning	55,957	-	-	-	55,957
Transportation	98,699	-	-	-	98,699
Airport	5,621	-	-	-	5,621
Golf	225,494	-	-	-	225,494
Economic development	22,131	-	-	-	22,131
Debt Service					
Principal and interest	-	-	-	258,088	258,088
TOTAL EXPENDITURES	3,062,296	-	-	258,088	3,320,384
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(1,634,192)	274,779	2,415	(195,115)	(1,552,113)
OTHER FINANCING SOURCES (USES)					
Operating transfers in (out)	1,293,129	(160,708)	-	76,935	1,209,356
TOTAL OTHER FINANCING SOURCES (USES)	1,293,129	(160,708)	-	76,935	1,209,356
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	(341,063)	114,071	2,415	(118,180)	(342,757)
FUND BALANCE, January 1	551,086	664,186	198,974	1,268,564	2,682,810
FUND BALANCE, December 31	\$ 210,023	\$ 778,257	\$ 201,389	\$ 1,150,384	\$ 2,340,053

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2011

Net change in fund balances - total governmental funds \$ (342,757)

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

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

Capital outlay	1,315,179
Depreciation	(773,235)
	<u>541,944</u>

Some revenues reported in the governmental funds represent current financial
 resources and were recognized in the statement of activities when earned (2,824)

Some expenditures reported in the governmental funds represent the use
 of current financial resources and were recognized in the statement of
 activities when incurred. (9,385)

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	220,419
Interest	2,474
	<u>222,893</u>

Change in net assets of governmental activities \$ 409,871

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
December 31, 2011

ASSETS	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
Current Assets				
Cash and cash equivalents	\$ 1,319,123	\$ 1,116,318	\$ 330,992	\$ 2,766,433
Investments	1,847,232	204,243	-	2,051,475
Interest receivable	5,588	-	-	5,588
Utilities receivable, net	730,869	59,058	84,619	874,546
Inventory	318,111	51,506	-	369,617
TOTAL CURRENT ASSETS	4,220,923	1,431,125	415,611	6,067,659
Restricted Assets				
Cash and cash equivalents	92,219	652,761	963,544	1,708,524
TOTAL RESTRICTED ASSETS	92,219	652,761	963,544	1,708,524
Deferred Bond Issuance Costs	37,125	255,452	58,131	350,708
Property, Plant and Equipment,				
Non-depreciable	311,434	-	104,478	415,912
Depreciable	7,138,357	5,143,825	14,298,070	26,580,252
Accumulated Depreciation	(2,380,876)	(1,476,575)	(6,390,747)	(10,248,198)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	5,068,915	3,667,250	8,011,801	16,747,966
TOTAL ASSETS	\$ 9,419,182	\$ 6,006,588	\$ 9,449,087	\$ 24,874,857
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 365,198	\$ 7,055	\$ 4,873	\$ 377,126
Accrued expenses	1,295	99	-	1,394
Accrued interest payable	11,459	61,191	150,162	222,812
Utility deposits	92,219	-	-	92,219
Current maturities of long-term debt	60,000	195,000	90,000	345,000
TOTAL CURRENT LIABILITIES	530,171	263,345	245,035	1,038,551
Long-Term Liabilities				
Compensated absences payable	4,355	8,310	-	12,665
Revenue bonds payable	-	-	5,490,866	5,490,866
Certificates of participation payable	1,425,000	5,680,000	-	7,105,000
TOTAL LONG-TERM LIABILITIES	1,429,355	5,688,310	5,490,866	12,608,531
TOTAL LIABILITIES	1,959,526	5,951,655	5,735,901	13,647,082
NET ASSETS				
Invested in capital assets, net of related debt	3,583,915	(2,163,783)	3,083,412	4,503,544
Restricted	-	608,794	311,067	919,861
Unrestricted	3,875,741	1,609,922	318,707	5,804,370
TOTAL NET ASSETS	7,459,656	54,933	3,713,186	11,227,775
TOTAL LIABILITIES AND NET ASSETS	\$ 9,419,182	\$ 6,006,588	\$ 9,449,087	\$ 24,874,857

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS – PROPRIETARY FUNDS
Year Ended December 31, 2011

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
OPERATING REVENUES				
Charges for services	\$ 6,712,910	\$ 519,373	\$ 717,428	\$ 7,949,711
Miscellaneous	7,226	16,607	20,851	44,684
TOTAL OPERATING REVENUES	6,720,136	535,980	738,279	7,994,395
OPERATING EXPENSES				
Salaries and wages	136,383	130,015	1,472	267,870
Employee benefits	38,371	43,804	345	82,520
Gas and oil	7,069	11,559	2,100	20,728
Materials and supplies	9,484	22,712	12,328	44,524
Insurance and taxes	25,584	-	22,773	48,357
Power purchased	4,478,945	-	61,804	4,540,749
Telephone and utilities	6,889	5,569	7,008	19,466
Repairs and maintenance	93,027	73,849	37,837	204,713
Professional fees	4,990	3,718	108,539	117,247
Other expenses	126,210	59,116	20,087	205,413
Depreciation	235,213	169,711	315,656	720,580
Administrative	103,000	81,295	101,470	285,765
TOTAL OPERATING EXPENSES	5,265,165	601,348	691,419	6,557,932
OPERATING INCOME (LOSS)	1,454,971	(65,368)	46,860	1,436,463
NONOPERATING REVENUES (EXPENSES)				
Interest income	23,081	2,556	213,499	239,136
Interest expense	(71,854)	(299,921)	(429,170)	(800,945)
TOTAL NONOPERATING REVENUES (EXPENSES)	(48,773)	(297,365)	(215,671)	(561,809)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,406,198	(362,733)	(168,811)	874,654
OPERATING TRANSFERS IN (OUT)	(1,882,759)	1,070,554	(397,151)	(1,209,356)
NET INCOME (LOSS)	(476,561)	707,821	(565,962)	(334,702)
NET ASSETS, January 1	7,936,217	(652,888)	4,279,148	11,562,477
NET ASSETS, December 31	\$ 7,459,656	\$ 54,933	\$ 3,713,186	\$ 11,227,775

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended December 31, 2011

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 6,699,889	\$ 537,914	\$ 739,621	\$ 7,977,424
Cash paid to suppliers	(4,871,697)	(304,538)	(409,895)	(5,586,130)
Cash paid to employees	(171,472)	(129,499)	(2,911)	(303,882)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,656,720	103,877	326,815	2,087,412
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Repayment of loans from other funds	-	(228,314)	346,322	118,008
Operating transfer in (out)	(1,882,759)	1,070,554	(397,151)	(1,209,356)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,882,759)	842,240	(50,829)	(1,091,348)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Certificates of participation proceeds	-	2,370,000	-	2,370,000
Acquisition and construction of capital assets	(165,817)	-	(50,670)	(216,487)
Payment of bond principal	-	-	(807,325)	(807,325)
Payment of certificates of participation	(55,000)	(2,385,000)	-	(2,440,000)
Payment of interest expense	(70,029)	(393,072)	(369,361)	(832,462)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(290,846)	(408,072)	(1,227,356)	(1,926,274)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	23,081	2,556	213,499	239,136
Proceeds from maturity of investments	263,277	687,819	1,060,914	2,012,010
NET CASH PROVIDED BY INVESTING ACTIVITIES	286,358	690,375	1,274,413	2,251,146
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(230,527)	1,228,420	323,043	1,320,936
CASH AND CASH EQUIVALENTS, Beginning of period	1,641,869	540,659	971,493	3,154,021
CASH AND CASH EQUIVALENTS, End of period	1,411,342	1,769,079	1,294,536	4,474,957
LESS RESTRICTED CASH AND CASH EQUIVALENTS	92,219	652,761	963,544	1,708,524
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 1,319,123	\$ 1,116,318	\$ 330,992	\$ 2,766,433
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 1,454,971	\$ (65,368)	\$ 46,860	\$ 1,436,463
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	235,213	169,711	315,656	720,580
(Increase) decrease in:				
Utilities receivable	(20,741)	1,934	1,342	(17,465)
Inventory	(25,492)	(9,971)	-	(35,463)
Increase (decrease) in:				
Accounts payable	8,993	7,055	(35,949)	(19,901)
Accrued expenses	1,295	60	-	1,355
Meter deposits payable	494	-	-	494
Compensated absences payable	1,987	456	(1,094)	1,349
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,656,720	\$ 103,877	\$ 326,815	\$ 2,087,412

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Financial Reporting Entity

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

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

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

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

Compensated Absences

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

Use of Estimates

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at cost using first in, first out method. Inventory usage is recognized on the consumption method.

Interest Capitalization

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

Fund Balance Classification

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Net Assets

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

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

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

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

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

NOTE B – CASH AND CASH EQUIVALENTS

State statutes require that the City's deposits be insured or collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2011, all bank balances on deposit are entirely insured or collateralized.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2011, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	2/2/2012 - 10/28/2012	\$ 2,695,006
Guaranteed Investment Contracts	1/1/2019	2,050
		<u>\$ 2,697,056</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the City’s deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of December 31, 2011, all certificates of deposit are entirely insured or collateralized with securities.

Guaranteed Investment Contracts

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

Custodial Risk

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

Interest Rate Risk

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

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE D – RESTRICTED ASSETS

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

	<u>Restricted Cash and Investments</u>	<u>Restricted Fund Balance/ Net Assets</u>
GENERAL FUND		
Court bonds	<u>\$ 525</u>	<u>\$ -</u>
SPECIAL SALES TAX FUND		
Special sales tax	<u>\$ -</u>	<u>\$ 778,257</u>
DEBT SERVICE FUND		
Debt service	<u>\$ 242,984</u>	<u>\$ 370,926</u>
ELECTRIC FUND		
Customer Deposits	<u>\$ 92,219</u>	<u>\$ -</u>
WATER FUND		
2011 Certificates of Participation		
Debt Service Reserve Fund	\$ 237,000	\$ 237,000
Lease Reserve Fund	8,503	8,503
Project Fund	43,967	-
2005 Certificates of Participation		
Debt Service Reserve Fund	<u>363,291</u>	<u>363,291</u>
	<u>\$ 652,761</u>	<u>\$ 608,794</u>
SEWER FUND		
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 134,674	\$ 134,674
Debt Service Reserve Fund	176,393	176,393
Project Fund	<u>652,477</u>	<u>-</u>
	<u>\$ 963,544</u>	<u>\$ 311,067</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE E – ACCOUNTS RECEIVABLE

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

UTILITIES RECEIVABLE	Accounts Receivable	Allowance	Net Accounts Receivable
Enterprise Funds			
Electric Fund	\$ 790,777	\$ (59,908)	\$ 730,869
Water Fund	64,764	(5,706)	59,058
Sewer Fund	90,325	(5,706)	84,619
	<u>\$ 945,866</u>	<u>\$ (71,320)</u>	<u>\$ 874,546</u>

NOTE F – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

Long-term debt for governmental activities at December 31, 2011, consists of the 1992 General Obligation Bonds, the 1995 General Obligation Industrial Bonds, a Capital Lease payable, and post-employment pension payable.

1992 General Obligation Bonds

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 with annual principal payments due January 1 of each year. The annual debt service requirements to amortize the principal on the 1992 General Obligation Bonds outstanding at December 31, 2011, are as follows:

Year Ended December 31,	Principal	Interest	Total
2012	<u>\$ 70,000</u>	<u>\$ 2,292</u>	<u>\$ 72,292</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

1995 General Obligation Industrial Bonds

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 with annual principal payments due June 1 of each year. The annual debt service requirements to amortize the principal on the 1995 General Obligation Industrial Bonds outstanding at December 31, 2011, are as follows:

Year Ended December 31,	Principal	Interest	Total
2012	\$ 135,000	\$ 48,160	\$ 183,160
2013	145,000	39,200	184,200
2014	155,000	29,600	184,600
2015	385,000	12,320	397,320
	<u>\$ 820,000</u>	<u>\$ 129,280</u>	<u>\$ 949,280</u>

Capital Lease

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

Although the lease agreement provides for cancellation of the lease at the City's option on the renewal date each year, the City does not foresee exercising its option to cancel. Therefore, this lease is accounted for as a noncancellable lease in accordance with FASB ASC Topic No. 840-30-30, *Accounting for Capital Leases*.

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

Year Ended December 31,	International Truck
2012	<u>\$ 22,362</u>
TOTAL MINIMUM LEASE PAYMENTS	22,362
LESS AMOUNT REPRESENTING INTEREST	<u>(993)</u>
PRINCIPAL BALANCE DECEMBER 31, 2011	<u>\$ 21,369</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

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

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
1992 General Obligation Bonds	\$ 135,000	\$ -	\$ 65,000	\$ 70,000
1995 General Obligation Industrial Bonds	955,000	-	135,000	820,000
Capital Leases Payable - International truck	41,788	-	20,419	21,369
Compensated Absences	86,005	1,336	-	87,341
Post-employment Pension Liability	-	8,049	-	8,049
	<u>\$ 1,217,793</u>	<u>\$ 9,385</u>	<u>\$ 220,419</u>	<u>\$ 1,006,759</u>

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

The business-type activities long-term debt at December 31, 2011, consists of the 2008 Combined Waterworks and Sewerage System revenue bonds, and the 2005, 2008, and 2011 Certificates of Participation.

Water Fund

2005 Refunding Certificates of Participation

During 2005, the City issued \$3,835,000 in Refunding Certificates of Participation to advance refund the Series 2002 Certificates of Participation. The Series 2005 certificates bear interest at 4.19%. Interest payments are due in semi-annual installments on March 1 and September 1 of each year with annual principal payments due March 1 of each year. The annual debt service requirements to amortize the principal on the 2005 Certificates of Participation outstanding at December 31, 2011, are as follows:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

Year Ended December 31,	Principal	Interest	Total
2012	\$ 55,000	\$ 145,707	\$ 200,707
2013	130,000	141,831	271,831
2014	130,000	136,384	266,384
2015	230,000	128,843	358,843
2016	340,000	116,901	456,901
2017	360,000	102,236	462,236
2018	375,000	86,838	461,838
2019	395,000	70,706	465,706
2020	415,000	53,736	468,736
2021	430,000	36,035	466,035
2022	645,000	13,513	658,513
	<u>\$ 3,505,000</u>	<u>\$ 1,032,730</u>	<u>\$ 4,537,730</u>

2011 Refunding Certificates of Participation

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

Year Ended December 31,	Principal	Interest	Total
2012	\$ 140,000	\$ 50,533	\$ 190,533
2013	115,000	84,060	199,060
2014	20,000	82,335	102,335
2015	10,000	81,795	91,795
2016	95,000	81,525	176,525
2017	95,000	78,960	173,960
2018	100,000	76,110	176,110
2019	95,000	72,910	167,910
2020	105,000	69,680	174,680
2021	100,000	65,900	165,900
2022	595,000	62,050	657,050
2023	900,000	38,250	938,250
	<u>\$ 2,370,000</u>	<u>\$ 844,108</u>	<u>\$ 3,214,108</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

Electric Fund

2008 Certificates of Participation

During 2008, the City issued \$1,645,000 in Certificates of Participation. The certificates bear interest at 4.63%. Interest payments are due in semi-annual installments on May 1 and November 1 of each year with annual principal payments due May 1 of each year. The annual debt service requirements to amortize the principal on the 2008 Certificates of Participation outstanding at December 31, 2011, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,000	\$ 67,367	\$ 127,367
2013	60,000	64,588	124,588
2014	65,000	61,695	126,695
2015	70,000	58,569	128,569
2016	70,000	55,329	125,329
2017	75,000	51,972	126,972
2018	80,000	48,383	128,383
2019	80,000	44,680	124,680
2020	85,000	40,861	125,861
2021	90,000	36,808	126,808
2022	95,000	32,525	127,525
2023	100,000	28,011	128,011
2024	100,000	23,381	123,381
2025	105,000	18,636	123,636
2026	110,000	13,658	123,658
2027	115,000	8,450	123,450
2028	125,000	2,894	127,894
	<u>\$ 1,485,000</u>	<u>\$ 657,807</u>	<u>\$ 2,142,807</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

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

Sewer Fund

2008 Combined Waterworks and Sewerage System Revenue Bonds

During 2008, the City issued \$5,715,000 in Combined Waterworks and Sewerage System Revenue Bonds. The bonds bear interest at 4.00% to 5.75%. Interest payments are due semi-annually on July 1 and January 1 of each year with annual principal payments due January 1 of each year. Annual debt service requirements to amortize the principal on the 2008 revenue bonds outstanding at December 31, 2011, are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 90,000	\$ 298,525	\$ 388,525
2013	95,000	294,706	389,706
2014	95,000	290,669	385,669
2015	185,000	284,488	469,488
2016	325,000	272,606	597,606
2017	325,000	256,763	581,763
2018	335,000	240,263	575,263
2019	350,000	222,700	572,700
2020	345,000	204,672	549,672
2021	350,000	186,469	536,469
2022	360,000	167,206	527,206
2023	370,000	147,131	517,131
2024	375,000	126,456	501,456
2025	385,000	105,128	490,128
2026	395,000	82,944	477,944
2027	405,000	59,944	464,944
2028	415,000	36,369	451,369
2029	425,000	12,219	437,219
	<u>\$ 5,625,000</u>	<u>\$ 3,289,258</u>	<u>\$ 8,914,258</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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

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

	Balance December 31, 2010	Additions	Retirements	Balance December 31, 2011
ELECTRIC FUND				
Compensated Absences	\$ 2,368	\$ 1,987	\$ -	\$ 4,355
COP Payable				
2008 COP Issue	<u>1,540,000</u>	<u>-</u>	<u>55,000</u>	<u>1,485,000</u>
	1,542,368	1,987	55,000	1,489,355
SEWER FUND				
Compensated Absences	1,094	-	1,094	-
Revenue Bonds Payable				
1998 Revenue Bonds	720,000	-	720,000	-
2008 Revenue Bonds	<u>5,715,000</u>	<u>-</u>	<u>90,000</u>	<u>5,625,000</u>
	6,436,094	-	811,094	5,625,000
Unamortized bond discount on 2008 issue	<u>(46,809)</u>	<u>-</u>	<u>(2,675)</u>	<u>(44,134)</u>
	6,389,285	-	808,419	5,580,866
WATER FUND				
Compensated Absences	7,854	456	-	8,310
COP Payable				
2003 COP Issue	2,330,000	-	2,330,000	-
2005 COP Issue	3,560,000	-	55,000	3,505,000
2011 COP Issue	<u>-</u>	<u>2,370,000</u>	<u>-</u>	<u>2,370,000</u>
	<u>5,897,854</u>	<u>2,370,456</u>	<u>2,385,000</u>	<u>5,883,310</u>
TOTAL	<u><u>\$ 13,829,507</u></u>	<u><u>\$ 2,372,443</u></u>	<u><u>\$ 3,248,419</u></u>	<u><u>\$ 12,953,531</u></u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 713,965	\$ -	\$ -	\$ 713,965
Depreciable Capital Assets				
Land improvements	231,081	\$ -	\$ -	231,081
Building and improvements	739,105	952,233	-	1,691,338
Major moveable equipment	1,023,516	107,760	9,095	1,122,181
Infrastructure	33,330,838	264,281	-	33,595,119
Total Depreciable Capital Assets	35,324,540	\$ 1,324,274	\$ 9,095	36,639,719
Less Accumulated Depreciation				
Land improvements	101,865	\$ 11,584	\$ -	113,449
Building and improvements	266,143	19,825	-	285,968
Major moveable equipment	837,863	76,788	6,063	908,588
Infrastructure	22,815,714	671,101	-	23,486,815
Total Accumulated Depreciation	24,021,585	\$ 779,298	\$ 6,063	24,794,820
Total Depreciable Capital Assets, net	11,302,955			11,844,899
Total Governmental Activities Capital Assets, net	\$ 12,016,920			\$ 12,558,864

Depreciation expense was charged to functions as follows:

Administrative	\$ 7,366
Police	22,897
Fire	30,469
Parks	16,831
Street	664,858
Transportation	11,974
Airport	8,629
Golf	9,926
Community center	6,348
	<u>\$ 779,298</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2010	Additions	Deletions	Balance December 31, 2011
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Construction in Progress	-	50,670	-	50,670
	<u>53,808</u>	<u>\$ 50,670</u>	<u>\$ -</u>	<u>104,478</u>
Depreciable Capital Assets				
Sewer plant	14,298,070	\$ -	\$ -	14,298,070
Less Accumulated Depreciation				
Sewer plant	<u>6,075,091</u>	<u>\$ 315,656</u>	<u>\$ -</u>	<u>6,390,747</u>
Depreciable Capital Assets, net	8,222,979			7,907,323
Electric Fund				
Non-Depreciable Capital Assets				
Land	145,617	\$ -	\$ -	145,617
Construction in Progress	-	165,817	-	165,817
	<u>145,617</u>	<u>\$ 165,817</u>	<u>\$ -</u>	<u>311,434</u>
Depreciable Capital Assets:				
Electric plant	7,138,357	\$ -	\$ -	7,138,357
Less Accumulated Depreciation				
Electric plant	<u>2,145,663</u>	<u>\$ 235,213</u>	<u>\$ -</u>	<u>2,380,876</u>
Depreciable Capital Assets, net	4,992,694			4,757,481
Water Fund				
Depreciable Capital Assets:				
Water plant	5,143,825	\$ -	\$ -	5,143,825
Less Accumulated Depreciation				
Water plant	<u>1,306,864</u>	<u>\$ 169,711</u>	<u>\$ -</u>	<u>1,476,575</u>
Depreciable Capital Assets, net	<u>3,836,961</u>			<u>3,667,250</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 17,252,059</u>			<u>\$ 16,747,966</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE I – EMPLOYEE PENSION PLAN

Plan Description

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

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

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

Funding Status

Full-time employees of the City of Mt. Vernon do not contribute to the pension plan. The June 30st statutorily required contribution rates are 11.5% (General) and 8.7% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

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

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

Annual required contribution	\$ 121,951
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>121,951</u>
Actual contributions	<u>113,902</u>
Increase (decrease) in NPO	8,049
NPO beginning of period	-
NPO end of period	<u><u>\$ 8,049</u></u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE I – EMPLOYEE PENSION PLAN (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% 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 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 as of February 28, 2009, was 30 years for the General division and 30 years for the Police division.

Three-Year Trend Information

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 110,808	100%	\$ -
2010	105,019	100%	-
2011	121,951	93.4%	8,049

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
2/28/2011	\$ 1,313,161	\$ 1,647,982	\$ 334,821	80%	\$ 1,039,397	32%

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

NOTE J – RISK MANAGEMENT

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

NOTE K – NOTE RECEIVABLE ON INDUSTRIAL BONDS AND PROPERTY SALE

In 1995, the City issued general obligation industrial bonds in the amount of \$2,200,000. The proceeds were loaned to Reyco Industries, Inc. for industrial development in exchange for a note receivable being held in a trust administered by the Bank of New York. The trust receives payments on the note from Reyco Industries, Inc. and then disburses the bond payments. \$825,000 has been recorded in the Debt Service Fund for the balance remaining on the note receivable. Deferred revenue was recorded for the difference between the amount loaned to Reyco Industries, Inc. and the amount of the note receivable. This amount is to be amortized over the life of the bonds on the straight-line basis. As of December 31, 2011, the unamortized portion was \$7,058.

In 2006, the City sold an industrial property and owner-financed the purchase price of \$128,000. The City will earn 5.75% on this note receivable. At December 31, 2011, \$89,458 has been recorded in the Debt Service Fund for the balance remaining on the note receivable.

NOTE L – DEFERRED DEBT ISSUE COSTS

During 2005, 2008, and 2011, the City issued Waterworks Certificates of Participation and during 2008, the City issued Combined Waterworks and Sewerage System Refunding Revenue Bonds. The issue costs will be amortized as an adjustment to interest expense using straight line amortization over the life of the bonds and certificates.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE L – DEFERRED DEBT ISSUE COSTS (continued)

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

	Unamortized Debt Issue Costs December 31, 2010	Additions	Current Amortization	Unamortized Debt Issue Costs December 31, 2011
Electric Fund	\$ 39,375	\$ -	\$ 2,250	\$ 37,125
Sewer Fund	120,941	-	62,810	58,131
Water Fund	211,460	60,909	16,917	255,452
	<u>\$ 371,776</u>	<u>\$ 60,909</u>	<u>\$ 81,977</u>	<u>\$ 350,708</u>

NOTE M – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2011, 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 N – PLEDGED REVENUES

Sewer Fund

The City has pledged future sewer customer revenues to repay the 2008 Combined Waterworks and Sewerage Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customer net revenues and are payable through 2029. Net revenues are revenues of the system less expenses of the system with the exception of depreciation plus sales taxes available for allocation to the Sewer Fund. The total principal and interest remaining to be paid on the bonds is \$8,914,258. Principal and interest paid for the current year and total net revenues were \$392,125 and \$439,451, respectively.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2011

NOTE O – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2011, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,293,129	\$ -
Special Sales Tax Fund	-	160,708
Debt Service Fund	76,935	-
Electric Fund	-	1,882,759
Water Fund	1,070,554	-
Sewer Fund	-	397,151
	<u>\$ 2,440,618</u>	<u>\$ 2,440,618</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 – SUBSEQUENT EVENTS

1. In February 2012, the City awarded a bid to Insituform Technologies in the amount of \$598,835 for the Wastewater Conveyance System Rehabilitation project.
2. In 2012, the City entered into an agreement with HDR Engineering, Inc. in the amount of \$55,700 for engineering services on various projects.
3. In February 2012, the City approved a lease purchase agreement with PNC Equipment Finance, LLC to finance the purchase of a mower for the golf course in the amount of \$31,407.

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE Q – DEBT REFUNDING

On December 29, 2011, the City issued \$2,370,000 in Series 2011 refunding Certificates of Participation with interest rates ranging from 1.25% to 4.25%. The City issued and used the net certificate of participation proceeds to pay off on December 29, 2011, \$2,240,000 of outstanding Series 2003 Certificates of Participation with interest rates ranging from 2.00% to 5.10% and \$68,475 in interest on the Series 2003 Certificates of Participation.

As a result of the refunding, the City reduced its debt service requirements by \$105,155, which resulted in an economic gain (difference between the present value of debt service payments on old and new debt) of \$250,487.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF FUNDING PROGRESS
 Year Ended December 31, 2011

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
2/28/2009	\$ 1,015,413	\$ 1,471,119	\$ 455,706	69%	\$ 1,095,739	42%
2/28/2010	1,129,262	1,552,658	423,396	73%	1,114,662	38%
2/28/2011	1,313,161	1,647,982	334,821	80%	1,039,397	32%

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, 2011, 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 December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 750,000	\$ 831,532	\$ 812,982	\$ (18,550)
Motor vehicle tax	129,000	128,293	152,858	24,565
Utility franchise tax	107,000	110,024	106,680	(3,344)
Other taxes	25,000	27,294	27,415	121
	<u>1,011,000</u>	<u>1,097,143</u>	<u>1,099,935</u>	<u>2,792</u>
Licenses and Permits				
Occupational licenses	4,900	6,527	6,527	-
Building permits	4,400	12,928	12,928	-
	<u>9,300</u>	<u>19,455</u>	<u>19,455</u>	<u>-</u>
Intergovernmental Revenues				
Grants	53,241	41,546	79,685	38,139
Charges for Services				
Taxi	6,900	8,640	8,640	-
Animal control	800	1,200	1,200	-
Pool	20,000	22,113	22,113	-
Park	9,000	4,379	4,379	-
Golf fees	104,500	119,158	119,158	-
Community center	-	3,070	3,070	-
Cemetery	2,000	375	375	-
	<u>143,200</u>	<u>158,935</u>	<u>158,935</u>	<u>-</u>
Fines and forfeitures				
City court fines	41,000	37,633	37,633	-
Miscellaneous				
Rent income	9,780	12,740	12,740	-
Interest	600	3	3	-
Donations	4,410	6,000	6,000	-
Other	1,700	13,718	13,718	-
	<u>16,490</u>	<u>32,461</u>	<u>32,461</u>	<u>-</u>
TOTAL REVENUES	<u>1,274,231</u>	<u>1,387,173</u>	<u>1,428,104</u>	<u>40,931</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (CONTINUED)
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	135,692	141,307	141,307	-
Police	594,123	592,501	592,501	-
Municipal Court	40,617	34,260	34,260	-
Fire	72,083	89,318	89,318	-
Animal control	11,947	11,904	11,904	-
Parks	265,396	246,678	246,678	-
Community center	-	1,011,805	1,011,805	-
Street	467,464	520,121	526,621	(6,500)
Planning and zoning	59,067	55,957	55,957	-
Transportation	65,250	70,611	98,699	(28,088)
Airport	7,200	5,621	5,621	-
Golf	215,366	188,545	225,494	(36,949)
Economic development	22,355	22,131	22,131	-
TOTAL EXPENDITURES	<u>1,956,560</u>	<u>2,990,759</u>	<u>3,062,296</u>	<u>(71,537)</u>
(DEFICIT) OF REVENUES				
OVER EXPENDITURES	(682,329)	(1,603,586)	(1,634,192)	(30,606)
OTHER FINANCING SOURCES				
Operating transfers in	720,000	1,293,204	1,293,129	(75)
TOTAL OTHER FINANCING SOURCES	<u>720,000</u>	<u>1,293,204</u>	<u>1,293,129</u>	<u>(75)</u>
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES				
OVER EXPENDITURES	37,671	(310,382)	(341,063)	(30,681)
FUND BALANCE, January 1	551,086	551,086	551,086	-
FUND BALANCE, December 31	<u>\$ 588,757</u>	<u>\$ 240,704</u>	<u>\$ 210,023</u>	<u>\$ (30,681)</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – SPECIAL SALES TAX FUND
 Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes				
City sales tax	\$ 260,000	\$ 270,661	\$ 272,880	\$ 2,219
Miscellaneous				
Interest	3,000	1,899	1,899	-
TOTAL REVENUES	<u>263,000</u>	<u>272,560</u>	<u>274,779</u>	<u>2,219</u>
OTHER FINANCING (USES)				
Operating transfers (out)	<u>(263,000)</u>	<u>(272,560)</u>	<u>(160,708)</u>	<u>111,852</u>
EXCESS OF REVENUES OVER OTHER FINANCING (USES)	-	-	114,071	114,071
FUND BALANCE, January 1	<u>664,186</u>	<u>664,186</u>	<u>664,186</u>	<u>-</u>
FUND BALANCE, December 31	<u>\$ 664,186</u>	<u>\$ 664,186</u>	<u>\$ 778,257</u>	<u>\$ 114,071</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended December 31, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Miscellaneous				
Rents	\$ 4,914	\$ 2,413	\$ 2,413	\$ -
Interest	350	2	2	-
TOTAL REVENUES	5,264	2,415	2,415	-
FUND BALANCE, January 1	198,974	198,974	198,974	-
FUND BALANCE, December 31	\$ 204,238	\$ 201,389	\$ 201,389	\$ -

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
December 31, 2011

Budgets and Budgetary Accounting

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

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

OTHER FINANCIAL INFORMATION



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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended December 31, 2011, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements and have issued our report thereon dated March 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. They are identified as items 11-1, 11-2 and 11-3.

Compliance and Other Matters

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

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

We noted certain other matters that we have reported to management of the City in a separate letter dated March 29, 2012.

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

Davis, Lynn & Moots, P.C.

DAVIS, LYNN & MOOTS, P.C.
March 29, 2012

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2011

11-1 Segregation of duties

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

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

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

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

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

11-2 Application of accounting principles generally accepted in the United States of America

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

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

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

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

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

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
Year Ended December 31, 2011

11-3 Design of internal control system for preparation of basic financial statements

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

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

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

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

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