

CITY OF MT. VERNON, MISSOURI

BASIC FINANCIAL STATEMENTS

Year ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the City of Mt. Vernon, Missouri, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of the City of Mt. Vernon, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Mt. Vernon, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 29, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016

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, 2016. Please read it in conjunction with the City's financial statements, which begin on page 15.

Financial Highlights

- The net position of the City's governmental activities increased by \$178,710 as a result of current year activities. The net position of the City's business-type activities increased by \$1,009,159 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2016, by \$29,845,926 (net position). Of this amount \$11,341,138 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$1,464,287.

Using This Report

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

Government-Wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016

Government-Wide Financial Statements (continued)

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

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

Fund Financial Statements

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

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

Notes to the Basic Financial Statements

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016**

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2016, and December 31, 2015:

	Governmental Activities	Business-Type Activities	Total December 31, 2016	Total December 31, 2015
Assets				
Current and other assets	\$ 3,280,398	\$ 10,203,786	\$ 13,484,184	\$ 12,836,788
Net pension asset	46,914	30,649	77,563	462,139
Capital assets	13,050,173	15,039,818	28,089,991	28,873,866
	<u>16,377,485</u>	<u>25,274,253</u>	<u>41,651,738</u>	<u>42,172,793</u>
Deferred Outflow of Resources				
Deferred pension outflows	497,078	150,129	647,207	286,946
Liabilities				
Other liabilities	57,058	1,218,060	1,275,118	1,218,016
Long-term liabilities	1,047,510	10,068,385	11,115,895	12,580,182
	<u>1,104,568</u>	<u>11,286,445</u>	<u>12,391,013</u>	<u>13,798,198</u>
Deferred Inflow of Resources				
Deferred pension inflows	42,476	19,530	62,006	3,484
Net Position				
Net investment in capital assets	12,112,624	4,065,383	16,178,007	15,835,588
Restricted	1,123,190	1,203,591	2,326,781	2,454,527
Unrestricted	2,491,705	8,849,433	11,341,138	10,367,942
	<u>\$ 15,727,519</u>	<u>\$ 14,118,407</u>	<u>\$ 29,845,926</u>	<u>\$ 28,658,057</u>

Total net position of the City increased by \$1,187,869 for the year due to current year activity. Total liabilities for the City have decreased by \$1,407,185. Restricted net position of the City totaled \$2,326,781 as of December 31, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2016	Total Year Ended December 31, 2015
REVENUES				
Program Revenues				
Charges for services	\$ 2,082,021	\$ 9,588,832	\$ 11,670,853	\$ 11,660,535
Operating grants and contributions	92,874	48,272	141,146	89,924
Capital grants and contributions	229,773	-	229,773	48,973
General Revenues				
Sales taxes	1,700,621	-	1,700,621	1,544,402
Motor vehicle and gas taxes	181,559	-	181,559	178,966
Other taxes	34,135	-	34,135	32,817
Franchise fees	106,026	-	106,026	230,794
Interest	9,186	215,770	224,956	229,466
Other revenue	13,648	-	13,648	30,210
Transfers	577,400	(577,400)	-	-
Special Items				
Capital contributions	-	-	-	1,125,000
Gain on sale of property	24,687	-	24,687	94,686
TOTAL REVENUES	5,051,930	9,275,474	14,327,404	15,265,773
EXPENSES				
Administrative	23,462	-	23,462	87,109
Police	740,422	-	740,422	595,612
Municipal court	38,564	-	38,564	36,052
Fire	120,156	-	120,156	81,661
Animal control	12,887	-	12,887	10,981
Parks	264,250	-	264,250	253,737
Community center	114,013	-	114,013	131,023
Street	943,077	-	943,077	955,672
Planning and zoning	70,623	-	70,623	176,206
Transportation	99,636	-	99,636	93,484
Airport	25,684	-	25,684	21,666
Golf	261,658	-	261,658	222,003
Economic development	2,074,672	-	2,074,672	1,944,489
Industrial development	57,012	-	57,012	4,099
Debt service	27,104	-	27,104	41,170
Electric	-	6,194,423	6,194,423	5,959,631
Water	-	996,692	996,692	901,804
Sewer	-	1,075,200	1,075,200	1,175,146
TOTAL EXPENSES	4,873,220	8,266,315	13,139,535	12,691,545
INCREASE IN NET POSITION	\$ 178,710	\$ 1,009,159	\$ 1,187,869	\$ 2,574,228

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016**

Governmental Activities

Governmental activities increased the net position of the City by \$178,710. Tax revenues for the City were \$2,022,341, which represents 40% of the funding of these activities. Program and other revenues for the functions totaled \$2,427,502, or 48% of the funding. Transfers from the City business-type activities totaled \$577,400, which represents 12% of the funding of these activities. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
Administrative	\$ 23,462	\$ 15,697
Police	740,422	691,322
Municipal court	38,564	38,564
Fire	120,156	120,156
Animal control	12,887	12,157
Parks	264,250	229,000
Community center	114,013	89,310
Street	943,077	713,304
Planning and zoning	70,623	63,673
Transportation	99,636	24,450
Airport	25,684	14,018
Golf	261,658	179,221
Economic development	2,074,672	198,159
Industrial development	57,012	52,417
Debt service	27,104	27,104
	<u>\$ 4,873,220</u>	<u>\$ 2,468,552</u>

Business-Type Activities

Business-type activities increased the City's net position by \$1,009,159. Last year the business-type activities increased net position by \$1,232,585.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016**

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2016, were \$3,236,632. The General Fund increased by \$430,261. The Capital Improvement Sales Tax Fund increased by \$41,330. The Industrial Development Fund increased by \$23,567. The 600 N. Main Fund decreased by \$60,547. The Debt Service Fund increased by \$445.

General Fund Budgetary Highlights

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

- The original revenue budget of \$2,209,879 was decreased to \$2,145,506 to reflect actual revenues.
- The original expenditures budget of \$3,135,133 was decreased to \$2,665,245 to reflect actual expenditures.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$13,050,173 (net of accumulated depreciation) as of December 31, 2016. This represents a \$203,569 decrease from the prior year. Capital assets for business-type activities were \$15,039,818 as of December 31, 2016. This represents a decrease of \$580,306.

Debt

Total debt of the governmental activities as of December 31, 2016, was \$1,050,914. Governmental activities debt consists of \$927,000 in 2014 Certificates of Participation, \$10,549 in capital lease payable, and \$113,365 in compensated absences payable.

Total debt of the business-type activities as of December 31, 2016, was \$10,992,003. This consists of \$2,620,000 in 2005 Certificates of Participation, \$4,804,239 in Series 2008 Revenue Bonds, \$618,000 in 2014 Certificates of Participation, \$2,890,000 in 2016 Certificates of Participation, \$42,196 capital lease payable, and \$17,568 in compensated absences payable.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2016**

Economic Factors and Next Year's Budget

2016 was a presidential and gubernatorial election year with both administrations being term-limited could present changes in national and state policies and or mandates which could have several economic impacts on our local government. Uncertainty among consumers about the Affordable Care Act and the possibility of it being repealed or drastic changes and what those changes will mean to the local family. Cuts to the State's budget and the effects that will have on municipalities and families is uncertain, but could cause consumers to change their spending habits. The possibility of unfunded mandates being handed down to state and local governments and increasing the prime interest rate and inflation all could have dramatic impact on the City's Budget for 2017 and beyond.

There are several local economic factors that influence the City's General Fund the largest being consumers' confidence in our national economy: Consumer spending, Health Care cost, jobs and affordable housing. Based on these and other factors the budget for the City has an overall conservative increase of 1.98% in the General Fund. Proprietary Funds are projected to increase approximately 3.4%. No increases in utility rates are planned for 2017.

Contacting the City's Financial Management

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

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

Dave Eden, Mayor
Max Springer, City Administrator
Shannon Neely, City Clerk
Shari Weldy, Treasurer

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 1,902,098	\$ 5,744,282	\$ 7,646,380
Investments	416,410	1,748,175	2,164,585
Interest receivable	-	53	53
Taxes receivable	345,004	-	345,004
Utilities receivable, net	-	987,150	987,150
Other receivable	122,964	4,828	127,792
Prepaid expenses	9,584	3,235	12,819
Inventory	-	412,677	412,677
Noncurrent			
Restricted cash and cash equivalents	446,394	1,303,386	1,749,780
Restricted investments	37,944	-	37,944
Net pension asset	46,914	30,649	77,563
Capital Assets:			
Non-depreciable	1,605,161	199,425	1,804,586
Depreciable, net	11,445,012	14,840,393	26,285,405
TOTAL ASSETS	<u>16,377,485</u>	<u>25,274,253</u>	<u>41,651,738</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	497,078	150,129	647,207

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2016

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Current			
Accounts payable	41,284	71	41,355
Accrued expenses	2,229	7,381	9,610
Deposits payable	-	99,795	99,795
Court bonds payable	253	-	253
Accrued interest payable	9,888	187,195	197,083
Current portion of long-term debt	3,404	923,618	927,022
	<u>57,058</u>	<u>1,218,060</u>	<u>1,275,118</u>
Noncurrent			
Compensated absences payable	113,365	17,568	130,933
Capital leases payable	7,145	28,578	35,723
Revenue bonds payable, net	-	4,479,239	4,479,239
Certificates of participation payable	927,000	5,543,000	6,470,000
	<u>1,047,510</u>	<u>10,068,385</u>	<u>11,115,895</u>
TOTAL LIABILITIES	<u>1,104,568</u>	<u>11,286,445</u>	<u>12,391,013</u>
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>42,476</u>	<u>19,530</u>	<u>62,006</u>
NET POSITION			
Net investment in capital assets	12,112,624	4,065,383	16,178,007
Restricted	1,123,190	1,203,591	2,326,781
Unrestricted	2,491,705	8,849,433	11,341,138
TOTAL NET POSITION	<u><u>\$ 15,727,519</u></u>	<u><u>\$ 14,118,407</u></u>	<u><u>\$ 29,845,926</u></u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
Administrative	\$ (23,462)	\$ 7,765	\$ -	\$ -	\$ (15,697)	\$ -	\$ (15,697)
Police	(740,422)	26,745	22,355	-	(691,322)	-	(691,322)
Municipal court	(38,564)	-	-	-	(38,564)	-	(38,564)
Fire	(120,156)	-	-	-	(120,156)	-	(120,156)
Animal control	(12,887)	730	-	-	(12,157)	-	(12,157)
Parks	(264,250)	27,250	8,000	-	(229,000)	-	(229,000)
Community center	(114,013)	24,703	-	-	(89,310)	-	(89,310)
Street	(943,077)	-	-	229,773	(713,304)	-	(713,304)
Planning and zoning	(70,623)	6,950	-	-	(63,673)	-	(63,673)
Transportation	(99,636)	12,667	62,519	-	(24,450)	-	(24,450)
Airport	(25,684)	11,666	-	-	(14,018)	-	(14,018)
Golf	(261,658)	82,437	-	-	(179,221)	-	(179,221)
Economic development	(2,074,672)	1,876,513	-	-	(198,159)	-	(198,159)
Industrial development	(57,012)	4,595	-	-	(52,417)	-	(52,417)
Debt service	(27,104)	-	-	-	(27,104)	-	(27,104)
TOTAL GOVERNMENTAL ACTIVITIES	(4,873,220)	2,082,021	92,874	229,773	(2,468,552)	-	(2,468,552)

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES (continued)
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses), Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Business-type activities:							
Electric	(6,194,423)	7,547,514	-	-	-	1,353,091	1,353,091
Water	(996,692)	955,500	-	-	-	(41,192)	(41,192)
Sewer	(1,075,200)	1,085,818	48,272	-	-	58,890	58,890
TOTAL BUSINESS-TYPE ACTIVITIES	(8,266,315)	9,588,832	48,272	-	-	1,370,789	1,370,789
TOTAL GOVERNMENT	\$ (13,139,535)	\$ 11,670,853	\$ 141,146	\$ 229,773	(2,468,552)	1,370,789	(1,097,763)
		General Revenues:					
					1,700,621	-	1,700,621
					181,559	-	181,559
					34,135	-	34,135
					106,026	-	106,026
					9,186	215,770	224,956
					13,648	-	13,648
					577,400	(577,400)	-
				Total General Revenues and Transfers	2,622,575	(361,630)	2,260,945
				Special Item:			
				Gain on sale of property	24,687	-	24,687
				Changes in Net Position	178,710	1,009,159	1,187,869
				Net Position, Beginning of year	15,548,809	13,109,248	28,658,057
				Net Position, End of year	\$ 15,727,519	\$ 14,118,407	\$ 29,845,926

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2016

	Special Revenue Funds					Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	600 N. Main Fund	Debt Service Fund	
ASSETS						
Cash and cash equivalents - unrestricted	\$ 1,538,056	\$ 154,570	\$ 205,584	\$ 3,888	\$ -	\$ 1,902,098
Investments - unrestricted	-	416,410	-	-	-	416,410
Taxes receivable	276,879	68,125	-	-	-	345,004
Other receivable	44,687	-	-	78,277	-	122,964
Due from other funds	106,520	-	-	-	-	106,520
Prepaid expenses	9,584	-	-	-	-	9,584
Restricted cash and cash equivalents	220,242	-	-	-	226,152	446,394
Restricted investments	-	-	-	-	37,944	37,944
TOTAL ASSETS	<u>\$ 2,195,968</u>	<u>\$ 639,105</u>	<u>\$ 205,584</u>	<u>\$ 82,165</u>	<u>\$ 264,096</u>	<u>\$ 3,386,918</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 41,284	\$ -	\$ 41,284
Accrued expenses	2,229	-	-	-	-	2,229
Court bonds payable	253	-	-	-	-	253
Due to other funds	-	-	-	106,520	-	106,520
TOTAL LIABILITIES	<u>2,482</u>	<u>-</u>	<u>-</u>	<u>147,804</u>	<u>-</u>	<u>150,286</u>
Fund Balances						
Nonspendable:						
Prepaid expenses	9,584	-	-	-	-	9,584
Restricted for:						
Debt service	214,992	-	-	-	264,096	479,088
Playground equipment	4,997	-	-	-	-	4,997
Capital improvements	-	639,105	-	-	-	639,105
Committed to:						
Debt service	29,964	-	-	-	-	29,964
Assigned to:						
Industrial development	-	-	205,584	-	-	205,584
Economic development	270,162	-	-	-	-	270,162
Unassigned	1,663,787	-	-	(65,639)	-	1,598,148
TOTAL FUND BALANCES	<u>2,193,486</u>	<u>639,105</u>	<u>205,584</u>	<u>(65,639)</u>	<u>264,096</u>	<u>3,236,632</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,195,968</u>	<u>\$ 639,105</u>	<u>\$ 205,584</u>	<u>\$ 82,165</u>	<u>\$ 264,096</u>	<u>\$ 3,386,918</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
 NET POSITION
 December 31, 2016

Fund balance - total governmental funds	\$ 3,236,632
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	42,003,340
Less accumulated depreciation	<u>(28,953,167)</u>
	13,050,173
The net pension asset is and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	46,914
Deferred outflows due to pensions	497,078
Deferred inflows due to pensions	<u>(42,476)</u>
	501,516
Compensated absences are not accrued in the governmental funds, but rather is recognized as an expenditure when paid	(113,365)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(9,888)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(937,549)</u>
Net Position of Governmental Activities	<u><u>\$ 15,727,519</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, 2016

	Special Revenue Funds					Total Governmental Funds
	General Fund	Capital Improvement	Industrial	600	Debt	
		Sales Tax Fund	Development Fund	N. Main Fund	Service Fund	
REVENUES						
Taxes	\$ 1,612,518	\$ 409,823	\$ -	\$ -	\$ -	\$ 2,022,341
Licenses and permits	13,840	-	-	-	-	13,840
Intergovernmental revenues	314,648	-	-	-	-	314,648
Charges for services	160,328	-	4,595	1,876,513	-	2,041,436
Fines and forfeitures	25,280	-	-	-	-	25,280
Miscellaneous	18,892	4,107	497	7,920	882	32,298
TOTAL REVENUES	2,145,506	413,930	5,092	1,884,433	882	4,449,843
EXPENDITURES						
Current						
Administrative	29,748	-	-	-	-	29,748
Police	694,703	-	-	-	-	694,703
Municipal court	39,051	-	-	-	-	39,051
Fire	91,847	-	-	-	-	91,847
Animal control	12,887	-	-	-	-	12,887
Parks	256,203	-	-	-	-	256,203
Community center	135,075	-	-	-	-	135,075
Street	817,095	-	-	-	-	817,095
Planning and zoning	72,436	-	-	-	-	72,436
Transportation	85,773	-	-	-	-	85,773
Airport	16,211	-	-	-	-	16,211
Golf	269,500	-	-	-	-	269,500
Economic development	114,752	-	-	1,944,980	-	2,059,732
Industrial development	-	-	6,212	-	-	6,212
Debt Service						
Principal, interest and fees	29,964	-	-	-	437	30,401
TOTAL EXPENDITURES	2,665,245	-	6,212	1,944,980	437	4,616,874
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(519,739)	413,930	(1,120)	(60,547)	445	(167,031)
OTHER FINANCING SOURCES (USES)						
Sale of property	-	-	24,687	-	-	24,687
Operating transfers in (out)	950,000	(372,600)	-	-	-	577,400
TOTAL OTHER FINANCING SOURCES (USES)	950,000	(372,600)	24,687	-	-	602,087
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	430,261	41,330	23,567	(60,547)	445	435,056
FUND BALANCE, January 1	1,763,225	597,775	182,017	(5,092)	263,651	2,801,576
FUND BALANCE, December 31	\$ 2,193,486	\$ 639,105	\$ 205,584	\$ (65,639)	\$ 264,096	\$ 3,236,632

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, 2016

Net change in fund balances - total governmental funds \$ 435,056

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

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

Capital outlay	691,653
Depreciation	(895,222)
	<u>(203,569)</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.

Change in pension related costs	(46,031)
Change in compensated absences	(10,043)
	<u>(56,074)</u>

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

Repayment of principal on bonds, leases, and loans	<u>3,297</u>
Change in net position of governmental activities	<u>\$ 178,710</u>

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
December 31, 2016

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 3,468,462	\$ 1,439,459	\$ 836,361	\$ 5,744,282
Investments	1,540,483	207,692	-	1,748,175
Interest receivable	53	-	-	53
Utilities receivable, net	748,331	112,036	126,783	987,150
Other receivable	-	-	4,828	4,828
Prepaid expenses	1,480	1,755	-	3,235
Inventory	320,374	92,303	-	412,677
TOTAL CURRENT ASSETS	6,079,183	1,853,245	967,972	8,900,400
Restricted Assets				
Cash and cash equivalents	169,903	524,482	609,001	1,303,386
TOTAL RESTRICTED ASSETS	169,903	524,482	609,001	1,303,386
Property, Plant and Equipment,				
Non-depreciable	145,617	-	53,808	199,425
Depreciable	7,189,527	6,440,436	15,258,110	28,888,073
Accumulated depreciation	(3,298,352)	(2,687,960)	(8,061,368)	(14,047,680)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	4,036,792	3,752,476	7,250,550	15,039,818
Net Pension Asset	23,513	7,136	-	30,649
TOTAL ASSETS	10,309,391	6,137,339	8,827,523	25,274,253
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflows	85,881	64,248	-	150,129

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)
December 31, 2016

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
LIABILITIES				
Current Liabilities				
Accounts payable	71	-	-	71
Accrued expenses	7,115	266	-	7,381
Accrued interest payable	4,475	47,227	135,493	187,195
Utility deposits	99,795	-	-	99,795
Current maturities of long-term debt	66,404	525,404	331,810	923,618
TOTAL CURRENT LIABILITIES	177,860	572,897	467,303	1,218,060
Long-Term Liabilities				
Compensated absences payable	9,340	8,228	-	17,568
Capital leases payable	7,145	7,145	14,288	28,578
Revenue bonds payable, net	-	-	4,479,239	4,479,239
Certificates of participation payable, net	870,125	4,387,050	285,825	5,543,000
TOTAL LONG-TERM LIABILITIES	886,610	4,402,423	4,779,352	10,068,385
TOTAL LIABILITIES	1,064,470	4,975,320	5,246,655	11,286,445
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflows	10,806	8,724	-	19,530
NET POSITION				
Net investment in capital assets	3,093,118	(1,167,123)	2,139,388	4,065,383
Restricted	70,108	524,482	609,001	1,203,591
Unrestricted	6,156,770	1,860,184	832,479	8,849,433
TOTAL NET POSITION	\$ 9,319,996	\$ 1,217,543	\$ 3,580,868	\$ 14,118,407

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended December 31, 2016

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
OPERATING REVENUES				
Charges for services	\$ 7,544,964	\$ 952,975	\$ 1,081,072	\$ 9,579,011
Miscellaneous	2,550	2,525	4,746	9,821
TOTAL OPERATING REVENUES	7,547,514	955,500	1,085,818	9,588,832
OPERATING EXPENSES				
Salaries and wages	210,275	119,827	-	330,102
Employee benefits	76,054	60,205	-	136,259
Gas and oil	4,255	5,662	1,133	11,050
Materials and supplies	259	31,425	10,929	42,613
Insurance	31,574	21,109	13,994	66,677
Power purchased	5,143,120	-	-	5,143,120
Telephone and utilities	4,121	3,737	2,346	10,204
Repairs and maintenance	169,571	129,335	80,648	379,554
Professional fees	4,464	4,298	161,672	170,434
Other expenses	12,571	7,286	-	19,857
Depreciation	250,974	218,153	350,131	819,258
Administrative	136,970	119,300	149,126	405,396
TOTAL OPERATING EXPENSES	6,044,208	720,337	769,979	7,534,524
OPERATING INCOME	1,503,306	235,163	315,839	2,054,308
NONOPERATING REVENUES (EXPENSES)				
Interest income	20,719	5,305	189,746	215,770
Interest expense	(121,893)	(203,527)	(305,221)	(630,641)
Intergovernmental revenue	-	-	48,272	48,272
Debt issuance costs	(28,322)	(72,828)	-	(101,150)
TOTAL NONOPERATING REVENUES (EXPENSES)	(129,496)	(271,050)	(67,203)	(467,749)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	1,373,810	(35,887)	248,636	1,586,559
OPERATING TRANSFERS IN (OUT)	(948,986)	371,586	-	(577,400)
NET INCOME	424,824	335,699	248,636	1,009,159
NET POSITION, January 1	8,895,172	881,844	3,332,232	13,109,248
NET POSITION, December 31	\$ 9,319,996	\$ 1,217,543	\$ 3,580,868	\$ 14,118,407

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended December 31, 2016

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,601,408	\$ 945,977	\$ 1,072,546	\$ 9,619,931
Cash paid to suppliers	(5,517,721)	(443,342)	(419,848)	(6,380,911)
Cash paid to employees	(266,014)	(166,100)	-	(432,114)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,817,673	336,535	652,698	2,806,906
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Loans from other funds	-	120,869	-	120,869
Operating transfer in (out)	(948,986)	371,586	-	(577,400)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(948,986)	492,455	-	(456,531)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Grant proceeds	-	-	48,272	48,272
Certificates of participation proceeds	817,250	2,072,750	-	2,890,000
Acquisition and construction of capital assets	(205,115)	(22,587)	(11,250)	(238,952)
Payment of debt issue costs	(28,322)	(72,828)	-	(101,150)
Payment of bond principal	-	-	(322,325)	(322,325)
Payment of certificates of participation principal	(1,230,000)	(2,425,000)	-	(3,655,000)
Payment of capital lease principal	(3,297)	(3,297)	(6,594)	(13,188)
Payment of loan principal	-	(22,484)	-	(22,484)
Payment of interest expense	(128,145)	(233,917)	(312,940)	(675,002)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(777,629)	(707,363)	(604,837)	(2,089,829)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	20,719	5,305	189,746	215,770
Purchase of investments	(14,013)	(1,512)	-	(15,525)
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,706	3,793	189,746	200,245
NET INCREASE IN CASH AND CASH EQUIVALENTS	97,764	125,420	237,607	460,791
CASH AND CASH EQUIVALENTS, Beginning of year	3,540,601	1,838,521	1,207,755	6,586,877
CASH AND CASH EQUIVALENTS, End of year	3,638,365	1,963,941	1,445,362	7,047,668
LESS RESTRICTED CASH AND CASH EQUIVALENTS	169,903	524,482	609,001	1,303,386
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 3,468,462	\$ 1,439,459	\$ 836,361	\$ 5,744,282

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)
Year Ended December 31, 2016

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 1,503,306	\$ 235,163	\$ 315,839	\$ 2,054,308
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	250,974	218,153	350,131	819,258
(Increase) decrease in:				
Utilities receivable	51,189	(9,523)	(8,444)	33,222
Other receivable	-	-	(4,828)	(4,828)
Prepaid expenses	269	251	-	520
Inventory	(2,749)	(572)	-	(3,321)
Net pension asset	56,365	46,117	-	102,482
Deferred pension outflow	(46,154)	(37,763)	-	(83,917)
Increase (decrease) in:				
Accounts payable	(8,336)	(120,869)	-	(129,205)
Accrued expenses	1,325	(165)	-	1,160
Meter deposits payable	2,705	-	-	2,705
Deferred pension inflow	10,033	8,208	-	18,241
Compensated absences payable	(1,254)	(2,465)	-	(3,719)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 1,817,673</u>	<u>\$ 336,535</u>	<u>\$ 652,698</u>	<u>\$ 2,806,906</u>

See accompanying notes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

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

Government-Wide and Fund Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

FUND FINANCIAL STATEMENTS

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

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

The City reports the following major governmental funds:

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

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The City reports the following major proprietary funds:

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

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

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

Capital Assets

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

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

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the statement of cash flows, cash equivalents are deposits available on demand or with an original maturity of less than three months at the time of purchase.

Compensated Absences

Employees earn vacation time based on their years of service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

Use of Estimates

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

Inventories

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

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing capital assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Cost*. There was no interest capitalized during the current fiscal period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification

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

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

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

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

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

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

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

Net Position

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

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Deferred Outflows/Inflows of Resources

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

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

Pensions

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

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2016, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	3/14/2017 - 6/29/2018	<u>\$ 2,202,529</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, 2016, all certificates of deposit are entirely insured or collateralized with securities.

Custodial Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investment. The City’s Certificates of Deposit are entirely insured or collateralized by a trust department of a bank that does not hold the collateralized deposits.

Interest Rate Risk

The City has no formal policy on interest rate risk.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE D – RESTRICTED ASSETS

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

	Restricted Cash and Investments	Restricted Net Position
GENERAL FUND		
Court bonds	\$ 253	\$ -
Handicap playground equipment	4,997	4,997
2014 Certificates of Participation		
Debt Service Reserve Fund	92,723	92,723
Lease Revenue Fund	122,269	122,269
	<u>\$ 220,242</u>	<u>\$ 219,989</u>
CAPITAL IMPROVEMENT SALES TAX FUND		
Capital improvement sales tax	<u>\$ -</u>	<u>\$ 639,105</u>
DEBT SERVICE FUND		
Debt service	<u>\$ 264,096</u>	<u>\$ 264,096</u>
ELECTRIC FUND		
2014 Certificates of Participation		
Lease Revenue Fund	\$ 15,284	\$ 15,284
Debt Service Reserve Fund	11,593	11,593
2016 Certificates of Participation		
Debt Service Reserve Fund	43,231	43,231
Customer deposits	99,795	-
	<u>\$ 169,903</u>	<u>\$ 70,108</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE D – RESTRICTED ASSETS (continued)

	<u>Restricted Cash and Investments</u>	<u>Restricted Net Position</u>
WATER FUND		
2005 Certificates of Participation		
Debt Service Reserve Fund	\$ 363,141	\$ 363,141
2014 Certificates of Participation		
Lease Revenue Fund	28,529	28,529
Debt Service Reserve Fund	21,637	21,637
2016 Certificates of Participation		
Lease Revenue Fund	10	10
Debt Service Reserve Fund	111,165	111,165
	<u>\$ 524,482</u>	<u>\$ 524,482</u>
SEWER FUND		
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 366,691	\$ 366,691
Debt Service Reserve Fund	176,026	176,026
2014 Certificates of Participation		
Lease Revenue Fund	37,699	37,699
Debt Service Reserve Fund	28,585	28,585
	<u>\$ 609,001</u>	<u>\$ 609,001</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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	\$ 808,240	\$ (59,909)	\$ 748,331
Water Fund	117,742	(5,706)	112,036
Sewer Fund	132,489	(5,706)	126,783
	<u>\$ 1,058,471</u>	<u>\$ (71,321)</u>	<u>\$ 987,150</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2016, consists of the 2014 Certificates of Participation, a capital lease payable, and compensated absences.

2014 Certificates of Participation

On October 15, 2014, the City issued \$1,545,000 in Certificates of Participation for water, sewer, electric and street improvements. \$927,000 of the certificates was recorded as long-term debt within the governmental activities and \$618,000 was recorded as long-term debt within the business-type activities. The Certificates of Participation bear interest at 3.20% with interest payments due March 1 and September 1 each year and principal payments due September 1, 2024 and 2025. The annual debt service requirements to amortize the principal on the certificates outstanding at December 31, 2016, are as follows:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

Year Ended December 31,	Principal	Interest	Total
2017	\$ -	\$ 49,440	\$ 49,440
2018	-	49,440	49,440
2019	-	49,440	49,440
2020	-	49,440	49,440
2021	-	49,440	49,440
2022	-	49,440	49,440
2023	-	49,440	49,440
2024	655,000	49,440	704,440
2025	890,000	28,480	918,480
	<u>\$ 1,545,000</u>	<u>\$ 424,000</u>	<u>\$ 1,969,000</u>
Governmental Activities			
General Fund	\$ 927,000		
Business-Type Activities			
Electric Fund	115,875		
Sewer Fund	285,825		
Water Fund	216,300		
	<u>\$ 1,545,000</u>		

Capital Lease Payable

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

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

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

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

Year Ended December 31,	Principal	Interest	Total
2017	\$ 17,022	\$ 1,714	\$ 18,736
2018	17,575	1,161	18,736
2019	18,148	589	18,737
	<u>\$ 52,745</u>	<u>\$ 3,464</u>	<u>\$ 56,209</u>
Governmental Activities			
General Fund	\$ 10,549		
Business-Type Activities			
Electric Fund	10,549		
Sewer Fund	21,098		
Water Fund	10,549		
	<u>\$ 52,745</u>		

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

	Balance December 31, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
2014 Certificates of Participation	\$ 927,000	\$ -	\$ -	\$ 927,000	\$ -
Capital Lease Payable	13,846	-	3,297	10,549	3,404
Compensated Absences	103,322	10,043	-	113,365	-
	<u>\$ 1,044,168</u>	<u>\$ 10,043</u>	<u>\$ 3,297</u>	<u>\$ 1,050,914</u>	<u>\$ 3,404</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

The business-type activities long-term debt at December 31, 2016, consists of the 2008 Combined Waterworks and Sewerage System revenue bonds, the 2005, 2014, and 2016 Certificates of Participation, capital lease payable, and compensated absences.

Water Fund

2005 Refunding Certificates of Participation

During 2005, the City issued \$3,835,000 in Refunding Certificates of Participation to advance refund the Series 2002 Certificates of Participation. The Series 2005 certificates bear interest at 4.19%. Interest payments are due in semi-annual installments on March 1 and September 1 of each year. The annual debt service requirements to amortize the principal on the 2005 Certificates of Participation outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 360,000	\$ 102,236	\$ 462,236
2018	375,000	86,838	461,838
2019	395,000	70,706	465,706
2020	415,000	53,736	468,736
2021	430,000	36,035	466,035
2022	645,000	13,513	658,513
	<u>\$ 2,620,000</u>	<u>\$ 363,064</u>	<u>\$ 2,983,064</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

2016 Refunding Certificates of Participation

During 2016, the City issued \$2,890,000 in Refunding Certificates of Participation to advance refund the Series 2008 and Series 2011 Certificates of Participation. \$2,072,750 was recorded as long-term debt in the Water Fund and \$817,250 was recorded as long-term debt in the Electric Fund. The 2016 certificates bear interest at 1.50% to 3.00%. 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 2016 Certificates of Participation outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
2017	\$ 225,000	\$ 67,713	\$ 292,713
2018	230,000	63,955	293,955
2019	230,000	59,585	289,585
2020	230,000	54,870	284,870
2021	240,000	49,755	289,755
2022	415,000	41,867	456,867
2023	730,000	27,190	757,190
2024	85,000	16,425	101,425
2025	30,000	14,700	44,700
2026	475,000	7,125	482,125
	<u>\$ 2,890,000</u>	<u>\$ 403,185</u>	<u>\$ 3,293,185</u>
Business-Type Activities			
Electric Fund	\$ 817,250		
Water Fund	<u>2,072,750</u>		
	<u>\$ 2,890,000</u>		

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

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

Sewer Fund

2008 Combined Waterworks and Sewerage System Revenue Bonds

During 2008, the City issued \$5,715,000 in Combined Waterworks and Sewerage System Revenue Bonds. The bonds bear interest at 4.00% to 5.75%. Interest payments are due semi-annually on July 1 and January 1 of each year with principal payments due January 1 of each year. Annual debt service requirements to amortize the principal on the 2008 revenue bonds outstanding at December 31, 2016, are as follows:

Year Ended December 31,	Principal	Interest	Total
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>\$ 4,835,000</u>	<u>\$ 1,848,264</u>	<u>\$ 6,683,264</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2015	Additions	Retirements	Balance December 31, 2016	Amounts Due Within One Year
ELECTRIC FUND					
Compensated Absences	\$ 10,594	\$ -	\$ 1,254	\$ 9,340	\$ -
Capital Lease Payable	13,846	-	3,297	10,549	3,404
Certificates of Participation					
Series 2008	1,230,000	-	1,230,000	-	-
Series 2014	115,875	-	-	115,875	-
Series 2016	-	817,250	-	817,250	63,000
	<u>1,370,315</u>	<u>817,250</u>	<u>1,234,551</u>	<u>953,014</u>	<u>66,404</u>
SEWER FUND					
Capital Lease Payable	27,692	-	6,594	21,098	6,810
Certificates of Participation					
Series 2014	285,825	-	-	285,825	-
Revenue Bonds					
Series 2008	5,160,000	-	325,000	4,835,000	325,000
	<u>5,473,517</u>	<u>-</u>	<u>331,594</u>	<u>5,141,923</u>	<u>331,810</u>
Unamortized bond discount on 2008 bonds	(33,436)	-	(2,675)	(30,761)	-
	<u>5,440,081</u>	<u>-</u>	<u>328,919</u>	<u>5,111,162</u>	<u>331,810</u>
WATER FUND					
Compensated Absences	10,693	-	2,465	8,228	-
Capital Lease Payable	13,846	-	3,297	10,549	3,404
Certificates of Participation					
Series 2005	2,960,000	-	340,000	2,620,000	360,000
Series 2011	2,085,000	-	2,085,000	-	-
Series 2014	216,300	-	-	216,300	-
Series 2016	-	2,072,750	-	2,072,750	162,000
	<u>5,285,839</u>	<u>2,072,750</u>	<u>2,430,762</u>	<u>4,927,827</u>	<u>525,404</u>
Loan Payable	22,484	-	22,484	-	-
	<u>5,308,323</u>	<u>2,072,750</u>	<u>2,453,246</u>	<u>4,927,827</u>	<u>525,404</u>
TOTAL	<u><u>\$ 12,118,719</u></u>	<u><u>\$ 2,890,000</u></u>	<u><u>\$ 4,016,716</u></u>	<u><u>\$ 10,992,003</u></u>	<u><u>\$ 923,618</u></u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, was as follows:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 1,655,961	\$ -	\$ 50,800	\$ 1,605,161
Construction in progress	28,802	-	28,802	-
Total Non-depreciable Capital Assets	1,684,763	-	\$ 79,602	1,605,161
Depreciable Capital Assets				
Land improvements	231,081	\$ 5,600	\$ -	236,681
Building and improvements	2,504,003	-	-	2,504,003
Major moveable equipment	1,686,775	199,166	21,964	1,863,977
Infrastructure	35,205,065	588,453	-	35,793,518
Total Depreciable Capital Assets	39,626,924	\$ 793,219	\$ 21,964	40,398,179
Less Accumulated Depreciation				
Land improvements	159,665	\$ 11,811	\$ -	171,476
Building and improvements	436,638	48,425	-	485,063
Major moveable equipment	1,195,706	124,136	21,964	1,297,878
Infrastructure	26,265,936	732,814	-	26,998,750
Total Accumulated Depreciation	28,057,945	\$ 917,186	\$ 21,964	28,953,167
Total Depreciable Capital Assets, net	11,568,979			11,445,012
Total Governmental Activities Capital Assets, net	\$ 13,253,742			\$ 13,050,173

Depreciation expense was charged to functions as follows:

Administrative	\$ 4,444
Police	24,098
Fire	28,309
Parks	24,198
Street	751,837
Transportation	14,783
Airport	9,473
Golf	8,430
Community center	36,187
Economic development	15,427
	<u>\$ 917,186</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Total Non-Depreciable Capital Assets	53,808	<u>\$ -</u>	<u>\$ -</u>	53,808
Depreciable Capital Assets				
Sewer plant	15,246,860	<u>\$ 11,250</u>	<u>\$ -</u>	15,258,110
Less Accumulated Depreciation				
Sewer plant	<u>7,711,237</u>	<u>\$ 350,131</u>	<u>\$ -</u>	<u>8,061,368</u>
Total Depreciable Capital Assets, net	7,535,623			7,196,742
Electric Fund				
Non-Depreciable Capital Assets				
Land	145,617	\$ -	\$ -	145,617
Total Non-Depreciable Capital Assets	145,617	<u>\$ -</u>	<u>\$ -</u>	145,617
Depreciable Capital Assets:				
Electric plant	6,995,562	<u>\$ 205,115</u>	<u>\$ 11,150</u>	7,189,527
Less Accumulated Depreciation				
Electric plant	<u>3,058,528</u>	<u>\$ 250,974</u>	<u>\$ 11,150</u>	<u>3,298,352</u>
Total Depreciable Capital Assets, net	3,937,034			3,891,175
Water Fund				
Depreciable Capital Assets:				
Water plant	6,417,849	<u>\$ 22,587</u>	<u>\$ -</u>	6,440,436
Less Accumulated Depreciation				
Water plant	<u>2,469,807</u>	<u>\$ 218,153</u>	<u>\$ -</u>	<u>2,687,960</u>
Total Depreciable Capital Assets, net	<u>3,948,042</u>			<u>3,752,476</u>
Total Capital Assets - Business-Type Activities, net	<u>\$ 15,620,124</u>			<u>\$ 15,039,818</u>

NOTE I – EMPLOYEE PENSION PLAN

General Information about the Pension Plan

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

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

	<u>2016 Valuation</u>
Benefit Multiplier	1.50% for life
Final Average Salary	5 Years
Member Contributions	0%

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

Employees Covered by Benefit Terms. At June 30, 2016, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>	<u>Total</u>
Inactive employees or beneficiaries currently receiving benefits	15	6	21
Inactive employees entitled to but not yet receiving benefits	8	7	15
Active employees	22	10	32
	<u>45</u>	<u>23</u>	<u>68</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year. With an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 8.5% (General) and 9.8% (Police) of annual covered payroll.

Net Pension Asset. The employer's net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions. The total pension liability in the February 29, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment rate of return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 29, 2016, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

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

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

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

Changes in the Net Pension Asset

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension (Asset)</u> (a) - (b)
<i>General Division</i>			
Balance at June 30, 2015	\$ 2,969,886	\$ 3,329,699	\$ (359,813)
Changes for the year:			
Service Cost	75,476	-	75,476
Interest	213,693	-	213,693
Difference between expected and actual experiences	(70,684)	-	(70,684)
Changes of assumptions	130,881	-	130,881
Contributions - employer	-	73,881	(73,881)
Net investment income	-	(8,786)	8,786
Benefits paid, including refunds	(121,053)	(121,053)	-
Administrative expenses	-	(3,533)	3,533
Other changes	-	18,136	(18,136)
Net Changes	<u>228,313</u>	<u>(41,355)</u>	<u>269,668</u>
Balances at June 30, 2016	<u>3,198,199</u>	<u>3,288,344</u>	<u>(90,145)</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset)/Liability (a) - (b)
<i>Police Division</i>			
Balance at June 30, 2015	\$ 1,324,084	\$ 1,426,410	\$ (102,326)
Changes for the year:			
Service Cost	29,857	-	29,857
Interest	95,007	-	95,007
Difference between expected and actual experiences	(5,490)	-	(5,490)
Changes of assumptions	42,429	-	42,429
Contributions - employer	-	31,930	(31,930)
Net investment income	-	(1,652)	1,652
Benefits paid, including refunds	(57,628)	(57,628)	-
Administrative expenses	-	(1,514)	1,514
Other changes	-	18,131	(18,131)
Net Changes	104,175	(10,733)	114,908
Balance at June 30, 2016	1,428,259	1,415,677	12,582
Total Plan Balances at June 30, 2016	<u>\$ 4,626,458</u>	<u>\$ 4,704,021</u>	<u>\$ (77,563)</u>
Governmental Activities			\$ (46,914)
Business-Type Activities			
Electric Fund			(23,513)
Water Fund			(7,136)
			<u>(30,649)</u>
			<u>\$ (77,563)</u>

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

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	1% Decrease 6.25%	Current Single Discount Rate Assumption 7.25%	1% Increase 8.25%
<i>General Division</i>			
Total Pension Liability	\$ 3,625,487	\$ 3,198,199	\$ 2,844,448
Fiduciary Net Position	3,288,344	3,288,344	3,288,344
Net Pension Liability (Asset)	337,143	(90,145)	(443,896)
<i>Police Division</i>			
Total Pension Liability	1,672,813	1,428,259	1,233,631
Fiduciary Net Position	1,415,677	1,415,677	1,415,677
Net Pension Liability (Asset)	257,136	12,582	(182,046)
Total Net Pension Liability (Asset)	<u>\$ 594,279</u>	<u>\$ (77,563)</u>	<u>\$ (625,942)</u>

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

For the year ended 2016, the employer recognized pension expense of \$134,902 in the general division and \$53,746 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
<i>General Division</i>			
Differences in experiences	\$ -	\$ (57,442)	\$ (57,442)
Differences in assumptions	101,725	-	101,725
Excess investment returns	304,443	-	304,443
Contributions subsequent to the measurement date*	35,389	-	35,389
	441,557	(57,442)	384,115
<i>Police Division</i>			
Differences in experiences	29,849	(4,564)	25,285
Differences in assumptions	35,273	-	35,273
Excess investment returns	125,361	-	125,361
Contributions subsequent to the measurement date*	15,167	-	15,167
	205,650	(4,564)	201,086
	<u>\$ 647,207</u>	<u>\$ (62,006)</u>	<u>\$ 585,201</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE I – EMPLOYEE PENSION PLAN (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred Outflows of Resources</u>
Governmental Activities	\$ 497,078	\$ (42,476)	\$ 454,602
Business-Type Activities			
Electric Fund	85,881	(10,806)	75,075
Water Fund	64,248	(8,724)	55,524
	<u>150,129</u>	<u>(19,530)</u>	<u>130,599</u>
	<u>\$ 647,207</u>	<u>\$ (62,006)</u>	<u>\$ 585,201</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as an addition to the Net Pension Asset for the year ending December 31, 2017.

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

<u>Year Ending December 31,</u>	<u>General Net Deferred Outflows of Resources</u>	<u>Police Net Deferred Outflows of Resources</u>	<u>Total Net Deferred Outflows of Resources</u>
2017	\$ 132,698	\$ 63,134	\$ 195,832
2018	97,309	47,967	145,276
2019	97,746	47,966	145,712
2020	56,362	34,109	90,471
2021	-	7,910	7,910
	<u>\$ 384,115</u>	<u>\$ 201,086</u>	<u>\$ 585,201</u>

Payable to the Pension Plan

At December 31, 2016, the City had no outstanding amounts of contributions to the pension plan required for the year ended December 31, 2016, therefore no payable was reported.

NOTE J – RISK MANAGEMENT

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

NOTE K – CLAIMS AND ADJUSTMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of December 31, 2016, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

NOTE L – PLEDGED REVENUES

Sewer Fund

The City has pledged future sewer customer revenues to repay the 2008 Combined Waterworks and Sewerage Bonds issued to improve and expand the sewer system. The bonds are payable solely from sewer customer net revenues and are payable through 2029. Net revenues are revenues of the system less expenses of the system with the exception of depreciation. The total principal and interest remaining to be paid on the bonds is \$6,683,264. Principal and interest paid for the current year and total customer net revenues were \$597,606 and \$665,970, respectively. In addition, interest subsidies paid \$187,674 of the total interest expense.

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2016, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 950,000	\$ -
Capital Improvement Sales Tax Fund	-	372,600
Electric Fund	-	948,986
Water Fund	371,586	-
	<u>\$ 1,321,586</u>	<u>\$ 1,321,586</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the Enterprise Funds and General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE N – COMMITMENTS

At December 31, 2016, the City had the following commitments:

- K&B Equipment, LLC in the amount of \$96,660 for the land clearing project.

The City has a 30 month agreement with the Department of Veteran Affairs for property rental in the amount of \$217,606 per month. The City also has a 30 month agreement with BB Management LLC to maintain the property in the amount of \$133,134 per month.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2016

NOTE O – INTERNAL BALANCES

Internal balances as of December 31, 2016, consisted of the following:

	General Fund	600 N. Main Fund
Internal balances	<u>\$ 106,520</u>	<u>\$ (106,520)</u>

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of December 31, 2016, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE P – DEFICIT FUND BALANCE

As of December 31, 2016, the City had a deficit fund balance in the amount of \$65,639 in the 600 N. Main Fund.

NOTE Q – SUBSEQUENT EVENT

In January 2017, the City paid a down payment of \$50,000 to Mid-Missouri Bank for the purchase of the bank building; the balance of the purchase price of \$625,000 is to be completed at closing within 22 months.

NOTE R – CURRENT YEAR DEBT REFUNDING

On May 3, 2016, the City issued \$2,890,000 in Series 2016 Refunding Certificates of Participation with interest of 1.50% to 3.00%. The City issued and used the net proceeds along with debt service reserve funds to pay off on August 1, 2016, \$2,125,763 of outstanding principal and interest on the Series 2011 Refunding Certificates of Participation with interest of 1.25% to 4.25%. The City deposited proceeds and debt service reserve funds totaling \$1,163,088 to pay principal of \$75,000 on May 1, 2017, and \$1,085,000 on May 1, 2018, along with semi-annual interest payments totaling \$103,944 through May 1, 2018, on the Series 2008 Certificates of Participation with interest of 4.63%.

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE R – CURRENT YEAR DEBT REFUNDING (continued)

As a result of the refunding, the City reduced its total debt service requirements by \$216,625, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$100,764.

NOTE S – DEBT DEFEASANCE

On May 3, 2016, the City issued Series 2016 Refunding Certificates of Participation in the amount of \$2,890,000. The proceeds of this issue were for the purpose of creating advance refunding of the Series 2011 Certificates of Participation in the amount of \$2,085,000, which was paid off on August 1, 2016. The remaining proceeds and debt service reserve funds were deposited into an irrevocable escrow account at Security Bank of Kansas City in the amount of \$1,163,088 to earn interest and pay principal of \$75,000 on May 1, 2017, and \$1,085,000 on May 1, 2018, along with semi-annual accrued interest due totaling \$103,944 through May 1, 2018. At December 31, 2016, the refunding escrow account for the 2008 Certificates of Participation had a balance of \$1,224,042 and had outstanding principal due of \$1,160,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended December 31, 2016

Missouri Local Government Employees Retirement System (LAGERS)

	June 30, 2016	June 30, 2015
TOTAL PENSION LIABILITY		
Service Cost	\$ 105,333	\$ 102,995
Interest on the Total Pension Liability	308,700	290,431
Difference between expected and actual experience	(76,174)	39,249
Change of assumptions	173,310	-
Benefit Payments	(178,681)	(184,874)
NET CHANGE IN TOTAL PENSION LIABILITY	332,488	247,801
TOTAL PENSION LIABILITY, BEGINNING	4,293,970	4,046,169
TOTAL PENSION LIABILITY, ENDING	4,626,458	4,293,970
PLAN FIDUCIARY NET POSITION		
Contributions - employer	105,811	117,296
Pension Plan Net Investment Income	(10,438)	95,127
Benefit Payments	(178,681)	(184,874)
Pension Plan Administrative Expense	(5,047)	(5,593)
Other	36,267	22,996
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(52,088)	44,952
PLAN FIDUCIARY NET POSITION, BEGINNING	4,756,109	4,711,157
PLAN FIDUCIARY NET POSITION, ENDING	4,704,021	4,756,109
EMPLOYER NET PENSION (ASSET)	\$ (77,563)	\$ (462,139)
Plan fiduciary net position as a percentage of the total pension liability	101.68%	110.76%
Covered employee payroll	\$ 1,157,245	\$ 1,136,396
Employer's net pension asset as a percentage of covered employee payroll	6.70%	40.67%

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

CITY OF MT. VERNON, MISSOURI
 SCHEDULE OF CONTRIBUTIONS
 Year Ended December 31, 2016

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011*</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 106,407	\$ 109,190	\$ 124,258	\$ 127,611	\$ 122,837	\$ 196,293	\$ 106,771	\$ 110,418	\$ 107,921	\$ 99,447
Contributions in relation to the actuarially determined contribution	<u>101,918</u>	<u>109,190</u>	<u>124,258</u>	<u>127,611</u>	<u>119,448</u>	<u>173,499</u>	<u>105,019</u>	<u>110,418</u>	<u>105,587</u>	<u>99,447</u>
Contribution deficiency (excess)	<u>\$ 4,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,389</u>	<u>\$ 22,794</u>	<u>\$ 1,752</u>	<u>\$ -</u>	<u>\$ 2,334</u>	<u>\$ -</u>
Covered-employee payroll	\$1,146,220	\$ 1,166,326	\$ 1,149,142	\$ 1,105,715	\$ 1,037,944	\$ 1,587,357	\$ 1,078,058	\$ 1,066,012	\$ 1,044,809	\$ 1,038,938
Contributions as a percentage of covered-employee payroll	8.89%	9.36%	10.81%	11.54%	11.51%	10.93%	9.74%	10.36%	10.11%	9.57%

* The City's fiscal year was July through June for years 2007 through 2011. The City changed its fiscal year to January through December during 2011, therefore 2011 above includes the dates of July 1, 2010, through December 31, 2011, and subsequent years include January through December.

CITY OF MT. VERNON, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2016

Valuation Date: February 29, 2016

Notes: The roll-forward of total pension liability from February 29, 2016, to June 30, 2016, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method – Entry Age Normal and Modified Terminal Funding

Amortization Method – Level Percentage of Payroll, Closed

Remaining Amortization Period – Multiple bases from 13 to 15 years

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

Inflation – 3.25% wage inflation; 2.50% price inflation

Salary Increases – 3.25% to 6.55% including wage inflation

Investment Rate of Return – 7.25%, net of investment expenses

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

Mortality – The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information – New assumptions adopted based on the 5-year experience study for the period March 1, 2010, through February 28, 2015.

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 1,239,879	\$ 1,290,798	\$ 1,290,798	\$ -
Motor vehicle tax	175,000	181,559	181,559	-
Utility franchise tax	93,500	106,026	106,026	-
Other taxes	30,000	34,135	34,135	-
	<u>1,538,379</u>	<u>1,612,518</u>	<u>1,612,518</u>	-
Licenses and Permits				
Occupational licenses	6,100	6,890	6,890	-
Building permits	8,000	6,950	6,950	-
	<u>14,100</u>	<u>13,840</u>	<u>13,840</u>	-
Intergovernmental Revenues				
Grants	466,000	314,648	314,648	-
Charges for Services				
Taxi	9,500	12,667	12,667	-
Animal control	500	730	730	-
Pool	16,000	17,353	17,353	-
Park	3,800	9,897	9,897	-
Golf fees	86,000	82,437	82,437	-
Airport hanger rent	16,000	11,666	11,666	-
Community center	18,000	24,703	24,703	-
Cemetery	1,000	875	875	-
	<u>150,800</u>	<u>160,328</u>	<u>160,328</u>	-
Fines and forfeitures				
City court fines	31,000	25,280	25,280	-
Miscellaneous				
Interest	1,000	3,590	3,590	-
Donations	7,000	8,000	8,000	-
Other	1,600	7,302	7,302	-
	<u>9,600</u>	<u>18,892</u>	<u>18,892</u>	-
TOTAL REVENUES	<u>2,209,879</u>	<u>2,145,506</u>	<u>2,145,506</u>	-

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	211,859	29,748	29,748	-
Police	685,445	694,703	694,703	-
Municipal court	49,771	39,051	39,051	-
Fire	123,260	91,847	91,847	-
Animal control	14,603	12,887	12,887	-
Parks	273,816	256,203	256,203	-
Community center	150,976	135,075	135,075	-
Street	800,151	817,095	817,095	-
Planning and zoning	93,550	72,436	72,436	-
Transportation	106,163	85,773	85,773	-
Airport	169,864	16,211	16,211	-
Golf	267,424	269,500	269,500	-
Economic development	37,987	114,752	114,752	-
Debt service				
Principal, interest and fees	150,264	29,964	29,964	-
TOTAL EXPENDITURES	<u>3,135,133</u>	<u>2,665,245</u>	<u>2,665,245</u>	<u>-</u>
(DEFICIT) OF REVENUES				
OVER EXPENDITURES				
	(925,254)	(519,739)	(519,739)	-
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	(80,000)	-	-	-
Operating transfers in	1,070,000	950,000	950,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>990,000</u>	<u>950,000</u>	<u>950,000</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)				
	64,746	430,261	430,261	-
FUND BALANCE, January 1	<u>1,763,225</u>	<u>1,763,225</u>	<u>1,763,225</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 1,827,971</u></u>	<u><u>\$ 2,193,486</u></u>	<u><u>\$ 2,193,486</u></u>	<u><u>\$ -</u></u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 385,000	\$ 409,823	\$ 409,823	\$ -
Miscellaneous				
Interest	1,900	4,107	4,107	-
TOTAL REVENUES	386,900	413,930	413,930	-
EXPENDITURES				
Current				
Capital improvement	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	386,900	413,930	413,930	-
OTHER FINANCING (USES)				
Operating transfers (out)	(386,900)	(372,600)	(372,600)	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	41,330	41,330	-
FUND BALANCE, January 1	597,775	597,775	597,775	-
FUND BALANCE, December 31	\$ 597,775	\$ 639,105	\$ 639,105	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services				
Rents	\$ 4,594	\$ 4,595	\$ 4,595	\$ -
Miscellaneous				
Interest	400	497	497	-
Other	-	-	-	-
TOTAL REVENUES	4,994	5,092	5,092	-
EXPENDITURES				
Current				
Industrial development	-	6,212	6,212	-
TOTAL EXPENDITURES	-	6,212	6,212	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	4,994	(1,120)	(1,120)	-
OTHER FINANCING SOURCES				
Sale of property	-	24,687	24,687	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	4,994	23,567	23,567	-
FUND BALANCE, January 1	182,017	182,017	182,017	-
FUND BALANCE, December 31	\$ 187,011	\$ 205,584	\$ 205,584	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – 600 N. MAIN FUND
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services				
Rent	\$ 1,775,824	\$ 1,876,513	\$ 1,876,513	\$ -
Miscellaneous				
Interest	300	109	109	-
Other	-	7,811	7,811	-
TOTAL REVENUES	<u>1,776,124</u>	<u>1,884,433</u>	<u>1,884,433</u>	<u>-</u>
EXPENDITURES				
Current				
Economic development	<u>1,948,327</u>	<u>1,944,980</u>	<u>1,944,980</u>	<u>-</u>
TOTAL EXPENDITURES	<u>1,948,327</u>	<u>1,944,980</u>	<u>1,944,980</u>	<u>-</u>
(DEFICIT) OF REVENUES OVER EXPENDITURES	(172,203)	(60,547)	(60,547)	-
FUND BALANCE, January 1	<u>(5,092)</u>	<u>(5,092)</u>	<u>(5,092)</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ (177,295)</u></u>	<u><u>\$ (65,639)</u></u>	<u><u>\$ (65,639)</u></u>	<u><u>\$ -</u></u>

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2016

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 REPORTING REQUIREMENTS



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the City of Mt. Vernon, Missouri, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Mt. Vernon, Missouri's basic financial statements, and have issued our report thereon, dated March 29, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, that we consider to be a material weakness. It is identified as item 2016-001.

Compliance and Other Matters

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

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

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

Purpose of This Report

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

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 29, 2017

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2016

2016-001 Segregation of duties

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

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

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

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

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