

CITY OF MT. VERNON, MISSOURI

BASIC FINANCIAL STATEMENTS

Year ended December 31, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

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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, 2017, 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, 2018, 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, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2017

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, 2017. 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 \$251,557 as a result of current year activities. The net position of the City’s business-type activities increased by \$1,240,972 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2017, by \$31,338,455 (net position). Of this amount \$13,423,751 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$976,078.

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, 2017

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, 2017

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2017 and 2016:

| | Governmental Activities | Business-Type Activities | Total December 31, 2017 | Total December 31, 2016 |
|--------------------------------------|----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Assets | | | | |
| Current and other assets | \$ 4,180,100 | \$ 11,207,982 | \$ 15,388,082 | \$ 13,484,184 |
| Net pension asset | 268,119 | 114,113 | 382,232 | 77,563 |
| Capital assets | 12,450,500 | 14,383,770 | 26,834,270 | 28,089,991 |
| | <u>16,898,719</u> | <u>25,705,865</u> | <u>42,604,584</u> | <u>41,651,738</u> |
| Deferred Outflow of Resources | | | | |
| Deferred pension outflows | 251,309 | 73,814 | 325,123 | 647,207 |
| Liabilities | | | | |
| Other liabilities | 61,882 | 1,279,176 | 1,341,058 | 1,275,118 |
| Long-term liabilities | 1,036,052 | 9,103,765 | 10,139,817 | 11,115,895 |
| | <u>1,097,934</u> | <u>10,382,941</u> | <u>11,480,875</u> | <u>12,391,013</u> |
| Deferred Inflow of Resources | | | | |
| Deferred pension inflows | 73,018 | 37,359 | 110,377 | 62,006 |
| Net Position | | | | |
| Net investment in capital assets | 11,523,500 | 4,358,856 | 15,882,356 | 16,178,007 |
| Restricted | 837,723 | 1,194,625 | 2,032,348 | 2,326,781 |
| Unrestricted | 3,617,853 | 9,805,898 | 13,423,751 | 11,341,138 |
| | <u>\$ 15,979,076</u> | <u>\$ 15,359,379</u> | <u>\$ 31,338,455</u> | <u>\$ 29,845,926</u> |

Total net position of the City increased by \$1,492,529 for the year due to current year activity. Total liabilities for the City have decreased by \$910,138. Restricted net position of the City totaled \$2,032,348 as of December 31, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2017

CHANGES IN NET POSITION

| | Governmental Activities | Business-Type Activities | Total Year Ended December 31, 2017 | Total Year Ended December 31, 2016 |
|------------------------------------|----------------------------|-----------------------------|---|---|
| REVENUES | | | | |
| Program Revenues | | | | |
| Charges for services | \$ 2,300,288 | \$ 9,591,586 | \$ 11,891,874 | \$ 11,670,853 |
| Operating grants and contributions | 102,389 | - | 102,389 | 141,146 |
| Capital grants and contributions | 128,094 | - | 128,094 | 229,773 |
| General Revenues | | | | |
| Sales taxes | 1,744,208 | - | 1,744,208 | 1,700,621 |
| Motor vehicle and gas taxes | 185,009 | - | 185,009 | 181,559 |
| Other taxes | 34,440 | - | 34,440 | 34,135 |
| Franchise fees | 141,388 | - | 141,388 | 106,026 |
| Interest | 18,788 | 225,371 | 244,159 | 224,956 |
| Other revenue | 215,994 | - | 215,994 | 13,648 |
| Transfers | 583,411 | (583,411) | - | - |
| Special Item | | | | |
| Gain on sale of property | - | - | - | 24,687 |
| TOTAL REVENUES | 5,454,009 | 9,233,546 | 14,687,555 | 14,327,404 |
| EXPENSES | | | | |
| Administrative | 60,637 | - | 60,637 | 23,462 |
| Police | 762,447 | - | 762,447 | 740,422 |
| Municipal court | 44,028 | - | 44,028 | 38,564 |
| Fire | 107,655 | - | 107,655 | 120,156 |
| Animal control | 8,481 | - | 8,481 | 12,887 |
| Parks | 289,022 | - | 289,022 | 264,250 |
| Community center | 115,432 | - | 115,432 | 114,013 |
| Street | 979,495 | - | 979,495 | 943,077 |
| Planning and zoning | 68,915 | - | 68,915 | 70,623 |
| Transportation | 109,696 | - | 109,696 | 99,636 |
| Airport | 24,942 | - | 24,942 | 25,684 |
| Golf | 258,172 | - | 258,172 | 261,658 |
| Economic development | 2,349,269 | - | 2,349,269 | 2,074,672 |
| Industrial development | 5,146 | - | 5,146 | 57,012 |
| Debt service | 19,115 | - | 19,115 | 27,104 |
| Electric | - | 5,944,025 | 5,944,025 | 6,194,423 |
| Water | - | 907,505 | 907,505 | 996,692 |
| Sewer | - | 1,141,044 | 1,141,044 | 1,075,200 |
| TOTAL EXPENSES | 5,202,452 | 7,992,574 | 13,195,026 | 13,139,535 |
| INCREASE IN NET POSITION | \$ 251,557 | \$ 1,240,972 | \$ 1,492,529 | \$ 1,187,869 |

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2017

Governmental Activities

Governmental activities increased the net position of the City by \$251,557. Tax revenues for the City were \$2,105,045, which represents 38% of the funding of these activities. Program and other revenues for the functions totaled \$2,765,553, or 51% of the funding. Transfers from the City business-type activities totaled \$583,411, which represents 11% 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 | \$ 60,637 | \$ 52,786 |
| Police | 762,447 | 707,368 |
| Municipal court | 44,028 | 44,028 |
| Fire | 107,655 | 107,655 |
| Animal control | 8,481 | 7,224 |
| Parks | 289,022 | 257,275 |
| Community center | 115,432 | 95,827 |
| Street | 979,495 | 979,495 |
| Planning and zoning | 68,915 | 62,533 |
| Transportation | 109,696 | (12,517) |
| Airport | 24,942 | (67,886) |
| Golf | 258,172 | 165,014 |
| Economic development | 2,349,269 | 253,213 |
| Industrial development | 5,146 | 551 |
| Debt service | 19,115 | 19,115 |
| | \$ 5,202,452 | \$ 2,671,681 |

Business-Type Activities

Business-type activities increased the City's net position by \$1,240,972. Last year the business-type activities increased net position by \$1,009,159.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2017

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2017, were \$4,128,106. The General Fund increased by \$975,313. The Capital Improvement Sales Tax Fund increased by \$7,328. The Industrial Development Fund increased by \$134,025. The 600 N. Main Fund increased by \$38,904. The Debt Service Fund decreased by \$264,096.

General Fund Budgetary Highlights

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

- The original revenue budget of \$2,283,556 was decreased to \$2,151,365 to reflect actual revenues.
- The original expenditures budget of \$3,258,241 was decreased to \$2,176,052 to reflect actual expenditures.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$12,450,500 (net of accumulated depreciation) as of December 31, 2017. This represents a \$599,673 decrease from the prior year. Capital assets for business-type activities were \$14,383,770 as of December 31, 2017. This represents a decrease of \$656,048.

Debt

Total debt of the governmental activities as of December 31, 2017, was \$1,036,052. Governmental activities debt consists of \$927,000 in 2014 Certificates of Participation and \$109,052 in compensated absences payable.

Total debt of the business-type activities as of December 31, 2017, was \$10,043,765. This consists of \$2,260,000 in 2005 Certificates of Participation, \$4,481,914 in Series 2008 Revenue Bonds, \$618,000 in 2014 Certificates of Participation, \$2,665,000 in 2016 Certificates of Participation and \$18,851 in compensated absences payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2017

Economic Factors and Next Year's Budget

The Federal Tax Cuts and Jobs Act (TCJA) and possible tax cuts by the State of Missouri could have a positive impact on the 2018 Budget by reducing the Corporate Business Tax and Individual Personal Income Tax, prompting corporations to re-invest those tax savings in wage increases, benefit increases and job creation. Individuals and families receiving more money in their pay checks will provide them with more disposable income which could increase sales and use tax revenue for the City. Other legislative actions by both the Federal Government and the State Government could have positive or negative impacts on our local budget depending on the nature of the legislation.

Local factors that could impact the 2018 Budget include sales and use tax revenues, loss of utility revenue due to closure of King Cash Saver grocery store and the loss of jobs and consolidation of Positronic plant with their Springfield plants. The 2018 Budget reflects a decrease of 2.03% of Revenue based on the tax revenue over last quarter of 2017 and the possible drop in utility revenue. The budget does include a slight increase in water and sewer rates. Based on the completion of a Cost of Service and Rate Study of the City's Electrical System there is anticipated to be a slight reduction in the electric rate for commercial customers.

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, 2017

| | Governmental Activities | Business-Type Activities | Total |
|--|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Current | | | |
| Cash and cash equivalents - unrestricted | \$ 3,085,117 | \$ 6,382,495 | \$ 9,467,612 |
| Investments | 462,250 | 1,768,848 | 2,231,098 |
| Interest receivable | - | 54 | 54 |
| Taxes receivable | 350,520 | - | 350,520 |
| Utilities receivable, net | - | 1,254,892 | 1,254,892 |
| Intergovernmental receivable | 55,418 | - | 55,418 |
| Prepaid expenses | 7,965 | 52,540 | 60,505 |
| Inventory | - | 456,023 | 456,023 |
| Noncurrent | | | |
| Restricted cash and cash equivalents | 218,830 | 1,293,130 | 1,511,960 |
| Net pension asset | 268,119 | 114,113 | 382,232 |
| Capital Assets: | | | |
| Non-depreciable | 1,605,161 | 199,425 | 1,804,586 |
| Depreciable, net | 10,845,339 | 14,184,345 | 25,029,684 |
| TOTAL ASSETS | <u>16,898,719</u> | <u>25,705,865</u> | <u>42,604,584</u> |
| DEFERRED OUTFLOW OF RESOURCES | | | |
| Deferred pension outflows | 251,309 | 73,814 | 325,123 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2017

| | Governmental Activities | Business-Type Activities | Total |
|---------------------------------------|----------------------------|-----------------------------|----------------------|
| LIABILITIES | | | |
| Current | | | |
| Accounts payable | 49,560 | 57,353 | 106,913 |
| Accrued expenses | 2,031 | 9,838 | 11,869 |
| Deposits payable | - | 98,505 | 98,505 |
| Court bonds payable | 403 | - | 403 |
| Accrued interest payable | 9,888 | 173,480 | 183,368 |
| Current portion of long-term debt | - | 940,000 | 940,000 |
| | <u>61,882</u> | <u>1,279,176</u> | <u>1,341,058</u> |
| Noncurrent | | | |
| Compensated absences payable | 109,052 | 18,851 | 127,903 |
| Revenue bonds payable, net | - | 4,146,914 | 4,146,914 |
| Certificates of participation payable | 927,000 | 4,938,000 | 5,865,000 |
| | <u>1,036,052</u> | <u>9,103,765</u> | <u>10,139,817</u> |
| TOTAL LIABILITIES | 1,097,934 | 10,382,941 | 11,480,875 |
| DEFERRED INFLOW OF RESOURCES | | | |
| Deferred pension inflows | 73,018 | 37,359 | 110,377 |
| NET POSITION | | | |
| Net investment in capital assets | 11,523,500 | 4,358,856 | 15,882,356 |
| Restricted | 837,723 | 1,194,625 | 2,032,348 |
| Unrestricted | 3,617,853 | 9,805,898 | 13,423,751 |
| TOTAL NET POSITION | <u>\$ 15,979,076</u> | <u>\$ 15,359,379</u> | <u>\$ 31,338,455</u> |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses), Revenues and Changes in Net Position | | | |
|---|------------------------|----------------------|------------------------------------|----------------------------------|--|--------------------------|----------------------|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total | |
| Governmental activities: | | | | | | | | |
| Administrative | \$ (60,637) | \$ 7,851 | \$ - | \$ - | \$ (52,786) | \$ - | \$ (52,786) | |
| Police | (762,447) | 25,430 | 29,649 | - | (707,368) | - | (707,368) | |
| Municipal court | (44,028) | - | - | - | (44,028) | - | (44,028) | |
| Fire | (107,655) | - | - | - | (107,655) | - | (107,655) | |
| Animal control | (8,481) | 1,257 | - | - | (7,224) | - | (7,224) | |
| Parks | (289,022) | 23,747 | 8,000 | - | (257,275) | - | (257,275) | |
| Community center | (115,432) | 19,605 | - | - | (95,827) | - | (95,827) | |
| Street | (979,495) | - | - | - | (979,495) | - | (979,495) | |
| Planning and zoning | (68,915) | 6,382 | - | - | (62,533) | - | (62,533) | |
| Transportation | (109,696) | 11,607 | 64,740 | 45,866 | 12,517 | - | 12,517 | |
| Airport | (24,942) | 10,600 | - | 82,228 | 67,886 | - | 67,886 | |
| Golf | (258,172) | 93,158 | - | - | (165,014) | - | (165,014) | |
| Economic development | (2,349,269) | 2,096,056 | - | - | (253,213) | - | (253,213) | |
| Industrial development | (5,146) | 4,595 | - | - | (551) | - | (551) | |
| Debt service | (19,115) | - | - | - | (19,115) | - | (19,115) | |
| TOTAL GOVERNMENTAL ACTIVITIES | (5,202,452) | 2,300,288 | 102,389 | 128,094 | (2,671,681) | - | (2,671,681) | |
| Business-type activities: | | | | | | | | |
| Electric | (5,944,025) | 7,459,015 | - | - | - | 1,514,990 | 1,514,990 | |
| Water | (907,505) | 992,082 | - | - | - | 84,577 | 84,577 | |
| Sewer | (1,141,044) | 1,140,489 | - | - | - | (555) | (555) | |
| TOTAL BUSINESS-TYPE ACTIVITIES | (7,992,574) | 9,591,586 | - | - | - | 1,599,012 | 1,599,012 | |
| TOTAL GOVERNMENT | \$ (13,195,026) | \$ 11,891,874 | \$ 102,389 | \$ 128,094 | (2,671,681) | 1,599,012 | (1,072,669) | |
| General Revenues: | | | | | | | | |
| Sales taxes | | | | | 1,744,208 | - | 1,744,208 | |
| Motor vehicle taxes | | | | | 185,009 | - | 185,009 | |
| Other taxes | | | | | 34,440 | - | 34,440 | |
| Franchise fees | | | | | 141,388 | - | 141,388 | |
| Interest | | | | | 18,788 | 225,371 | 244,159 | |
| Other revenue | | | | | 215,994 | - | 215,994 | |
| Transfers | | | | | 583,411 | (583,411) | - | |
| Total General Revenues and Transfers | | | | | 2,923,238 | (358,040) | 2,565,198 | |
| | | | | | Changes in Net Position | 251,557 | 1,240,972 | 1,492,529 |
| | | | | | Net Position, Beginning of year | 15,727,519 | 14,118,407 | 29,845,926 |
| | | | | | Net Position, End of year | \$ 15,979,076 | \$ 15,359,379 | \$ 31,338,455 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2017

| | 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 | \$ 2,537,229 | \$ 151,198 | \$ 300,743 | \$ 95,947 | \$ - | \$ 3,085,117 |
| Investments - unrestricted | - | 423,384 | 38,866 | - | - | 462,250 |
| Taxes receivable | 278,669 | 71,851 | - | - | - | 350,520 |
| Intergovernmental receivable | 55,418 | - | - | - | - | 55,418 |
| Due from other funds | 106,520 | - | - | - | - | 106,520 |
| Prepaid expenses | 7,965 | - | - | - | - | 7,965 |
| Restricted cash and cash equivalents | 218,830 | - | - | - | - | 218,830 |
| TOTAL ASSETS | \$ 3,204,631 | \$ 646,433 | \$ 339,609 | \$ 95,947 | \$ - | \$ 4,286,620 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 33,398 | \$ - | \$ - | \$ 16,162 | \$ - | \$ 49,560 |
| Accrued expenses | 2,031 | - | - | - | - | 2,031 |
| Court bonds payable | 403 | - | - | - | - | 403 |
| Due to other funds | - | - | - | 106,520 | - | 106,520 |
| TOTAL LIABILITIES | 35,832 | - | - | 122,682 | - | 158,514 |
| Fund Balances | | | | | | |
| Nonspendable: | | | | | | |
| Prepaid expenses | 7,965 | - | - | - | - | 7,965 |
| Restricted for: | | | | | | |
| Debt service | 186,293 | - | - | - | - | 186,293 |
| Playground equipment | 4,997 | - | - | - | - | 4,997 |
| Capital improvements | - | 646,433 | - | - | - | 646,433 |
| Committed to: | | | | | | |
| Debt service | 60,228 | - | - | - | - | 60,228 |
| Assigned to: | | | | | | |
| Building | 855,000 | - | - | - | - | 855,000 |
| Capital improvements | 20,473 | - | - | - | - | 20,473 |
| Industrial development | - | - | 339,609 | - | - | 339,609 |
| Economic development | 271,273 | - | - | - | - | 271,273 |
| Unassigned | 1,762,570 | - | - | (26,735) | - | 1,735,835 |
| TOTAL FUND BALANCES | 3,168,799 | 646,433 | 339,609 | (26,735) | - | 4,128,106 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,204,631 | \$ 646,433 | \$ 339,609 | \$ 95,947 | \$ - | \$ 4,286,620 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2017

| | |
|---|-----------------------------|
| Fund balance - total governmental funds | \$ 4,128,106 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds: | |
| Governmental capital assets | 42,340,072 |
| Less accumulated depreciation | <u>(29,889,572)</u> |
| | 12,450,500 |
| The net pension asset and deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds: | |
| Net pension asset | 268,119 |
| Deferred outflows due to pension | 251,309 |
| Deferred inflows due to pension | <u>(73,018)</u> |
| | 446,410 |
| Compensated absences are not accrued in the governmental funds, but rather is recognized as an expenditure when paid | (109,052) |
| 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>(927,000)</u> |
| Net Position of Governmental Activities | <u><u>\$ 15,979,076</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, 2017

| | Special Revenue Funds | | | | | Total Governmental Funds |
|--|-----------------------|---|-----------------------------------|------------------------|-------------------------|--------------------------------|
| | General Fund | Capital Improvement Sales Tax Fund | Industrial Development Fund | 600 N. Main Fund | Debt Service Fund | |
| REVENUES | | | | | | |
| Taxes | \$ 1,691,481 | \$ 413,564 | \$ - | \$ - | \$ - | \$ 2,105,045 |
| Licenses and permits | 12,733 | - | - | - | - | 12,733 |
| Intergovernmental revenues | 222,483 | - | - | - | - | 222,483 |
| Charges for services | 161,474 | - | 4,595 | 2,096,056 | - | 2,262,125 |
| Fines and forfeitures | 24,526 | - | - | - | - | 24,526 |
| Miscellaneous | 38,668 | 7,125 | 371 | 196,036 | 1,486 | 243,686 |
| TOTAL REVENUES | 2,151,365 | 420,689 | 4,966 | 2,292,092 | 1,486 | 4,870,598 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Administrative | 41,210 | - | - | - | - | 41,210 |
| Police | 712,977 | - | - | - | - | 712,977 |
| Municipal court | 43,360 | - | - | - | - | 43,360 |
| Fire | 89,821 | - | - | - | - | 89,821 |
| Animal control | 8,481 | - | - | - | - | 8,481 |
| Parks | 272,721 | - | - | - | - | 272,721 |
| Community center | 74,127 | - | - | - | - | 74,127 |
| Street | 221,423 | - | - | - | - | 221,423 |
| Planning and zoning | 67,537 | - | - | - | - | 67,537 |
| Transportation | 150,244 | - | - | - | - | 150,244 |
| Airport | 96,744 | - | - | - | - | 96,744 |
| Golf | 287,757 | - | - | - | - | 287,757 |
| Economic development | 79,986 | - | - | 2,253,188 | - | 2,333,174 |
| Industrial development | - | - | 133,295 | - | - | 133,295 |
| Debt Service | | | | | | |
| Principal, interest and fees | 29,664 | - | - | - | - | 29,664 |
| TOTAL EXPENDITURES | 2,176,052 | - | 133,295 | 2,253,188 | - | 4,562,535 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | (24,687) | 420,689 | (128,329) | 38,904 | 1,486 | 308,063 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Operating transfers in (out) | 1,000,000 | (413,361) | 262,354 | - | (265,582) | 583,411 |
| EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES) | 975,313 | 7,328 | 134,025 | 38,904 | (264,096) | 891,474 |
| FUND BALANCE (DEFICIT), January 1 | 2,193,486 | 639,105 | 205,584 | (65,639) | 264,096 | 3,236,632 |
| FUND BALANCE (DEFICIT), December 31 | <u>\$ 3,168,799</u> | <u>\$ 646,433</u> | <u>\$ 339,609</u> | <u>\$ (26,735)</u> | <u>\$ -</u> | <u>\$ 4,128,106</u> |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended December 31, 2017

Net change in fund balances - total governmental funds \$ 891,474

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 | 358,249 |
| Depreciation | (945,370) |
| Disposal of capital assets, net | <u>(12,552)</u> |
| | (599,673) |

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 | (55,106) |
| Change in compensated absences | <u>4,313</u> |
| | (50,793) |

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 debt, 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 leases | <u>10,549</u> |
| Change in net position of governmental activities | <u>\$ 251,557</u> |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
December 31, 2017

| | Enterprise Funds | | | Total |
|---|-------------------|------------------|------------------|-------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 3,865,256 | \$ 1,556,878 | \$ 960,361 | \$ 6,382,495 |
| Investments | 1,557,143 | 211,705 | - | 1,768,848 |
| Interest receivable | 54 | - | - | 54 |
| Utilities receivable, net | 963,272 | 135,731 | 155,889 | 1,254,892 |
| Prepaid expenses | 51,086 | 1,454 | - | 52,540 |
| Inventory | 388,876 | 67,147 | - | 456,023 |
| TOTAL CURRENT ASSETS | 6,825,687 | 1,972,915 | 1,116,250 | 9,914,852 |
| Restricted Assets | | | | |
| Cash and cash equivalents | 165,103 | 519,300 | 608,727 | 1,293,130 |
| TOTAL RESTRICTED ASSETS | 165,103 | 519,300 | 608,727 | 1,293,130 |
| Property, Plant and Equipment, | | | | |
| Non-depreciable | 145,617 | - | 53,808 | 199,425 |
| Depreciable | 7,258,562 | 6,481,221 | 15,323,901 | 29,063,684 |
| Accumulated depreciation | (3,569,545) | (2,907,053) | (8,402,741) | (14,879,339) |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | 3,834,634 | 3,574,168 | 6,974,968 | 14,383,770 |
| Net Pension Asset | 71,922 | 42,191 | - | 114,113 |
| TOTAL ASSETS | 10,897,346 | 6,108,574 | 8,699,945 | 25,705,865 |
| DEFERRED OUTFLOW OF RESOURCES | | | | |
| Deferred pension outflows | 41,618 | 32,196 | - | 73,814 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)
December 31, 2017

| | Enterprise Funds | | | Total |
|---------------------------------------|---------------------|---------------------|---------------------|----------------------|
| | Electric Fund | Water Fund | Sewer Fund | |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 57,353 | - | - | 57,353 |
| Accrued expenses | 9,314 | 524 | - | 9,838 |
| Utility deposits | 98,505 | - | - | 98,505 |
| Accrued interest payable | 4,317 | 41,795 | 127,368 | 173,480 |
| Current maturities of long-term debt | 64,400 | 540,600 | 335,000 | 940,000 |
| TOTAL CURRENT LIABILITIES | 233,889 | 582,919 | 462,368 | 1,279,176 |
| Long-Term Liabilities | | | | |
| Compensated absences payable | 10,327 | 8,524 | - | 18,851 |
| Revenue bonds payable, net | - | - | 4,146,914 | 4,146,914 |
| Certificates of participation payable | 805,725 | 3,846,450 | 285,825 | 4,938,000 |
| TOTAL LONG-TERM LIABILITIES | 816,052 | 3,854,974 | 4,432,739 | 9,103,765 |
| TOTAL LIABILITIES | 1,049,941 | 4,437,893 | 4,895,107 | 10,382,941 |
| DEFERRED INFLOW OF RESOURCES | | | | |
| Deferred pension inflows | 21,147 | 16,212 | - | 37,359 |
| NET POSITION | | | | |
| Net investment in capital assets | 2,964,509 | (812,882) | 2,207,229 | 4,358,856 |
| Restricted | 66,598 | 519,300 | 608,727 | 1,194,625 |
| Unrestricted | 6,836,769 | 1,980,247 | 988,882 | 9,805,898 |
| TOTAL NET POSITION | \$ 9,867,876 | \$ 1,686,665 | \$ 3,804,838 | \$ 15,359,379 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended December 31, 2017

| | Enterprise Funds | | | |
|---|---------------------|---------------------|---------------------|----------------------|
| | Electric Fund | Water Fund | Sewer Fund | Total |
| OPERATING REVENUES | | | | |
| Charges for services | \$ 7,455,838 | \$ 985,244 | \$ 1,140,309 | \$ 9,581,391 |
| Miscellaneous | 3,177 | 6,838 | 180 | 10,195 |
| TOTAL OPERATING REVENUES | 7,459,015 | 992,082 | 1,140,489 | 9,591,586 |
| OPERATING EXPENSES | | | | |
| Salaries and wages | 229,247 | 127,354 | - | 356,601 |
| Employee benefits | 67,971 | 51,068 | - | 119,039 |
| Gas and oil | 6,271 | 5,808 | 69 | 12,148 |
| Materials and supplies | 339 | 22,023 | 12,309 | 34,671 |
| Insurance | 28,422 | 20,124 | 14,255 | 62,801 |
| Power purchased | 5,039,762 | - | - | 5,039,762 |
| Telephone and utilities | 4,226 | 3,921 | 2,442 | 10,589 |
| Repairs and maintenance | 76,576 | 121,814 | 122,187 | 320,577 |
| Professional fees | 26,109 | 4,454 | 164,329 | 194,892 |
| Other expenses | 10,918 | 32,670 | 24,741 | 68,329 |
| Depreciation | 271,193 | 219,093 | 341,373 | 831,659 |
| Administrative | 159,430 | 143,582 | 172,590 | 475,602 |
| TOTAL OPERATING EXPENSES | 5,920,464 | 751,911 | 854,295 | 7,526,670 |
| OPERATING INCOME | 1,538,551 | 240,171 | 286,194 | 2,064,916 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | 32,890 | 12,092 | 180,389 | 225,371 |
| Interest expense | (23,561) | (155,594) | (286,749) | (465,904) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | 9,329 | (143,502) | (106,360) | (240,533) |
| INCOME BEFORE OPERATING TRANSFERS | 1,547,880 | 96,669 | 179,834 | 1,824,383 |
| OPERATING TRANSFERS IN (OUT) | (1,000,000) | 372,453 | 44,136 | (583,411) |
| NET INCOME | 547,880 | 469,122 | 223,970 | 1,240,972 |
| NET POSITION, January 1 | 9,319,996 | 1,217,543 | 3,580,868 | 14,118,407 |
| NET POSITION, December 31 | \$ 9,867,876 | \$ 1,686,665 | \$ 3,804,838 | \$ 15,359,379 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended December 31, 2017

| | Enterprise Funds | | | |
|---|------------------|---------------|---------------|--------------|
| | Electric Fund | Water Fund | Sewer Fund | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Cash received from customers | \$ 7,242,784 | \$ 968,387 | \$ 1,116,211 | \$ 9,327,382 |
| Cash paid to suppliers | (5,412,879) | (328,939) | (512,922) | (6,254,740) |
| Cash paid to employees | (287,837) | (173,383) | - | (461,220) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 1,542,068 | 466,065 | 603,289 | 2,611,422 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Operating transfer in (out) | (1,000,000) | 372,453 | 44,136 | (583,411) |
| NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES | (1,000,000) | 372,453 | 44,136 | (583,411) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Acquisition and construction of capital assets | (69,035) | (40,785) | (65,791) | (175,611) |
| Payment of bond principal | - | - | (322,325) | (322,325) |
| Payment of certificates of participation principal | (63,000) | (522,000) | - | (585,000) |
| Payment of capital lease principal | (10,549) | (10,549) | (21,098) | (42,196) |
| Payment of interest expense | (23,719) | (161,026) | (294,874) | (479,619) |
| NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (166,303) | (734,360) | (704,088) | (1,604,751) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | 32,889 | 12,092 | 180,389 | 225,370 |
| Purchase of investments | (16,660) | (4,013) | - | (20,673) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 16,229 | 8,079 | 180,389 | 204,697 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 391,994 | 112,237 | 123,726 | 627,957 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 3,638,365 | 1,963,941 | 1,445,362 | 7,047,668 |
| CASH AND CASH EQUIVALENTS, End of year | 4,030,359 | 2,076,178 | 1,569,088 | 7,675,625 |
| LESS RESTRICTED CASH AND CASH EQUIVALENTS | 165,103 | 519,300 | 608,727 | 1,293,130 |
| UNRESTRICTED CASH AND CASH EQUIVALENTS | \$ 3,865,256 | \$ 1,556,878 | \$ 960,361 | \$ 6,382,495 |

See accompanying notes.

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)
Year Ended December 31, 2017

| | Enterprise Funds | | | |
|--|---------------------|-------------------|-------------------|---------------------|
| | Electric Fund | Water Fund | Sewer Fund | Total |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | | | |
| Operating income | \$ 1,538,551 | \$ 240,171 | \$ 286,194 | \$ 2,064,916 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 271,193 | 219,093 | 341,373 | 831,659 |
| (Increase) decrease in: | | | | |
| Utilities receivable | (214,941) | (23,695) | (29,106) | (267,742) |
| Other receivable | - | - | 4,828 | 4,828 |
| Prepaid expenses | (49,606) | 301 | - | (49,305) |
| Inventory | (68,502) | 25,156 | - | (43,346) |
| Net pension asset | (48,409) | (35,055) | - | (83,464) |
| Deferred pension outflow | 44,263 | 32,052 | - | 76,315 |
| Increase (decrease) in: | | | | |
| Accounts payable | 57,282 | - | - | 57,282 |
| Accrued expenses | 2,199 | 258 | - | 2,457 |
| Meter deposits payable | (1,290) | - | - | (1,290) |
| Deferred pension inflow | 10,341 | 7,488 | - | 17,829 |
| Compensated absences payable | 987 | 296 | - | 1,283 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 1,542,068</u> | <u>\$ 466,065</u> | <u>\$ 603,289</u> | <u>\$ 2,611,422</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 debt.

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.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenues and expenses are considered nonoperating.

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.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for city court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

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, 2017, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2017, consist of the following:

| <u>Investment Type</u> | <u>Maturity</u> | <u>Total</u> |
|-------------------------|----------------------|---------------------|
| Certificates of Deposit | 2/28/2018 - 6/7/2019 | <u>\$ 2,231,098</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, 2017, 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, 2017

NOTE D – RESTRICTED ASSETS

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

| | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Net Position</u> |
|---|---|------------------------------------|
| GENERAL FUND | | |
| Court bonds | \$ 403 | \$ - |
| Handicap playground equipment | 4,997 | 4,997 |
| Dangerous homes | 27,137 | - |
| 2014 Certificates of Participation | | |
| Debt Service Reserve Fund | 92,760 | 92,760 |
| Lease Revenue Fund | 93,533 | 93,533 |
| | <u>\$ 218,830</u> | <u>\$ 191,290</u> |
| CAPITAL IMPROVEMENT SALES TAX FUND | | |
| Capital improvement sales tax | <u>\$ -</u> | <u>\$ 646,433</u> |
| ELECTRIC FUND | | |
| 2014 Certificates of Participation | | |
| Lease Revenue Fund | \$ 11,692 | \$ 11,692 |
| Debt Service Reserve Fund | 11,595 | 11,595 |
| 2016 Certificates of Participation | | |
| Debt Service Reserve Fund | 43,311 | 43,311 |
| Customer deposits | 98,505 | - |
| | <u>\$ 165,103</u> | <u>\$ 66,598</u> |

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE D – RESTRICTED ASSETS (continued)

| | <u>Restricted Cash and Cash Equivalents</u> | <u>Restricted Net Position</u> |
|---|---|------------------------------------|
| WATER FUND | | |
| 2005 Certificates of Participation | | |
| Debt Service Reserve Fund | \$ 364,082 | \$ 364,082 |
| 2014 Certificates of Participation | | |
| Lease Revenue Fund | 21,824 | 21,824 |
| Debt Service Reserve Fund | 21,644 | 21,644 |
| 2016 Certificates of Participation | | |
| Lease Revenue Fund | 380 | 380 |
| Debt Service Reserve Fund | 111,370 | 111,370 |
| | <u>\$ 519,300</u> | <u>\$ 519,300</u> |
| SEWER FUND | | |
| 2008 Waterworks and Sewerage System Bonds | | |
| Principal and Interest Fund | \$ 374,986 | \$ 374,986 |
| Debt Service Reserve Fund | 176,301 | 176,301 |
| 2014 Certificates of Participation | | |
| Lease Revenue Fund | 28,839 | 28,839 |
| Debt Service Reserve Fund | 28,601 | 28,601 |
| | <u>\$ 608,727</u> | <u>\$ 608,727</u> |

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

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 | \$ 1,023,180 | \$ (59,908) | \$ 963,272 |
| Water Fund | 141,436 | (5,705) | 135,731 |
| Sewer Fund | 161,595 | (5,706) | 155,889 |
| | <u>\$ 1,326,211</u> | <u>\$ (71,319)</u> | <u>\$ 1,254,892</u> |

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2017, consists of the 2014 Certificates of Participation 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, 2017, are as follows:

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|---------------------|-------------------|---------------------|
| 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>\$ 374,560</u> | <u>\$ 1,919,560</u> |
| Governmental Activities | \$ 927,000 | | |
| Business-Type Activities | | | |
| Electric Fund | 115,875 | | |
| Sewer Fund | 285,825 | | |
| Water Fund | 216,300 | | |
| | <u>\$ 1,545,000</u> | | |

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

| | Balance December 31, 2016 | Additions | Retirements | Balance December 31, 2017 | Amounts Due Within One Year |
|------------------------------------|---------------------------------|-------------|------------------|---------------------------------|-----------------------------------|
| 2014 Certificates of Participation | \$ 927,000 | \$ - | \$ - | \$ 927,000 | \$ - |
| Capital Lease Payable | 10,549 | - | 10,549 | - | - |
| Compensated Absences | 113,365 | - | 4,313 | 109,052 | - |
| | <u>\$ 1,050,914</u> | <u>\$ -</u> | <u>\$ 14,862</u> | <u>\$ 1,036,052</u> | <u>\$ -</u> |

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

The business-type activities long-term debt at December 31, 2017, consists of the 2008 Combined Waterworks and Sewerage System revenue bonds, the 2005, 2014, and 2016 Certificates of Participation 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, 2017, are as follows:

| <u>Year Ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------------------------------------|---------------------|-------------------|---------------------|
| 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>\$ 2,260,000</u> | <u>\$ 260,828</u> | <u>\$ 2,520,828</u> |

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

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, 2017, are as follows:

| Year Ended December 31, | Principal | Interest | Total |
|----------------------------|---------------------|-------------------|---------------------|
| 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>\$ 2,665,000</u> | <u>\$ 335,472</u> | <u>\$ 3,000,472</u> |
| Business-Type Activities | | | |
| Electric Fund | \$ 754,250 | | |
| Water Fund | 1,910,750 | | |
| | <u>\$ 2,665,000</u> | | |

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

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. The bonds also require an administrative fee payable annually on January 1 of each year at .714% of the outstanding principle amount of the revolving fund loan balances. The bonds outstanding at December 31, 2017, are due as follows:

| Year Ended December 31, | Principal | Interest | Administrative Fee | Total |
|----------------------------|---------------------|---------------------|-----------------------|---------------------|
| 2018 | \$ 335,000 | \$ 240,263 | \$ 32,201 | \$ 607,464 |
| 2019 | 350,000 | 222,700 | 29,810 | 602,510 |
| 2020 | 345,000 | 204,672 | 27,311 | 576,983 |
| 2021 | 350,000 | 186,469 | 24,847 | 561,316 |
| 2022 | 360,000 | 167,206 | 22,348 | 549,554 |
| 2023 | 370,000 | 147,131 | 19,778 | 536,909 |
| 2024 | 375,000 | 126,456 | 17,136 | 518,592 |
| 2025 | 385,000 | 105,128 | 14,459 | 504,587 |
| 2026 | 395,000 | 82,944 | 11,710 | 489,654 |
| 2027 | 405,000 | 59,944 | 8,889 | 473,833 |
| 2028 | 415,000 | 36,369 | 5,998 | 457,367 |
| 2029 | 425,000 | 12,219 | 3,035 | 440,254 |
| | <u>\$ 4,510,000</u> | <u>\$ 1,591,501</u> | <u>\$ 217,522</u> | <u>\$ 6,319,023</u> |

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2016 | Additions | Retirements | Balance December 31, 2017 | Amounts Due Within One Year |
|---|---------------------------------|------------------------|--------------------------|---------------------------------|-----------------------------------|
| ELECTRIC FUND | | | | | |
| Compensated Absences | \$ 9,340 | \$ 987 | \$ - | \$ 10,327 | \$ - |
| Capital Lease Payable | 10,549 | - | 10,549 | - | - |
| Certificates of Participation | | | | | |
| Series 2014 | 115,875 | - | - | 115,875 | - |
| Series 2016 | 817,250 | - | 63,000 | 754,250 | 64,400 |
| | <u>953,014</u> | <u>987</u> | <u>73,549</u> | <u>880,452</u> | <u>64,400</u> |
| SEWER FUND | | | | | |
| Capital Lease Payable | 21,098 | - | 21,098 | - | - |
| Certificates of Participation | | | | | |
| Series 2014 | 285,825 | - | - | 285,825 | - |
| Revenue Bonds | | | | | |
| Series 2008 | 4,835,000 | - | 325,000 | 4,510,000 | 335,000 |
| | <u>5,141,923</u> | <u>-</u> | <u>346,098</u> | <u>4,795,825</u> | <u>335,000</u> |
| Unamortized bond discount on 2008 bonds | (30,761) | - | (2,675) | (28,086) | - |
| | <u>5,111,162</u> | <u>-</u> | <u>343,423</u> | <u>4,767,739</u> | <u>335,000</u> |
| WATER FUND | | | | | |
| Compensated Absences | 8,228 | 296 | - | 8,524 | - |
| Capital Lease Payable | 10,549 | - | 10,549 | - | - |
| Certificates of Participation | | | | | |
| Series 2005 | 2,620,000 | - | 360,000 | 2,260,000 | 375,000 |
| Series 2014 | 216,300 | - | - | 216,300 | - |
| Series 2016 | 2,072,750 | - | 162,000 | 1,910,750 | 165,600 |
| | <u>4,927,827</u> | <u>296</u> | <u>532,549</u> | <u>4,395,574</u> | <u>540,600</u> |
| TOTAL | <u><u>\$ 10,992,003</u></u> | <u><u>\$ 1,283</u></u> | <u><u>\$ 949,521</u></u> | <u><u>\$ 10,043,765</u></u> | <u><u>\$ 940,000</u></u> |

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

| | Balance December 31, 2016 | Additions | Deletions | Balance December 31, 2017 |
|--|---------------------------------|------------|-----------|---------------------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Non-depreciable Capital Assets | | | | |
| Land | \$ 1,605,161 | \$ - | \$ - | \$ 1,605,161 |
| Depreciable Capital Assets | | | | |
| Land improvements | 236,681 | \$ 130,875 | \$ - | 367,556 |
| Building and improvements | 2,504,003 | 10,730 | - | 2,514,733 |
| Major moveable equipment | 1,863,977 | 134,687 | 21,517 | 1,977,147 |
| Infrastructure | 35,793,518 | 81,957 | - | 35,875,475 |
| Total Depreciable Capital Assets | 40,398,179 | \$ 358,249 | \$ 21,517 | 40,734,911 |
| Less Accumulated Depreciation | | | | |
| Land improvements | 171,476 | \$ 14,561 | \$ - | 186,037 |
| Building and improvements | 485,063 | 48,681 | - | 533,744 |
| Major moveable equipment | 1,297,878 | 137,283 | 8,965 | 1,426,196 |
| Infrastructure | 26,998,750 | 744,845 | - | 27,743,595 |
| Total Accumulated Depreciation | 28,953,167 | \$ 945,370 | \$ 8,965 | 29,889,572 |
| Total Depreciable Capital Assets, net | 11,445,012 | | | 10,845,339 |
| Total Governmental Activities Capital Assets, net | \$ 13,050,173 | | | \$ 12,450,500 |

Depreciation expense was charged to functions as follows:

| | |
|------------------------|-------------------|
| Administrative | \$ 3,403 |
| Police | 31,215 |
| Fire | 28,564 |
| Parks | 23,891 |
| Street | 766,721 |
| Industrial development | 2,726 |
| Transportation | 14,782 |
| Airport | 10,156 |
| Golf | 9,497 |
| Community center | 38,988 |
| Economic development | 15,427 |
| | <u>\$ 945,370</u> |

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE H – CAPITAL ASSETS (continued)

| | Balance December 31, 2016 | Additions | Deletions | Balance December 31, 2017 |
|---|---------------------------------|------------|-----------|---------------------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Sewer Fund | | | | |
| Non-Depreciable Capital Assets | | | | |
| Land | \$ 53,808 | \$ - | \$ - | \$ 53,808 |
| Depreciable Capital Assets | | | | |
| Sewer plant | 15,258,110 | \$ 65,791 | \$ - | 15,323,901 |
| Less Accumulated Depreciation | | | | |
| Sewer plant | 8,061,368 | \$ 341,373 | \$ - | 8,402,741 |
| Total Depreciable Capital Assets, net | 7,196,742 | | | 6,921,160 |
| Electric Fund | | | | |
| Non-Depreciable Capital Assets | | | | |
| Land | 145,617 | \$ - | \$ - | 145,617 |
| Depreciable Capital Assets: | | | | |
| Electric plant | 7,189,527 | \$ 69,035 | \$ - | 7,258,562 |
| Less Accumulated Depreciation | | | | |
| Electric plant | 3,298,352 | \$ 271,193 | \$ - | 3,569,545 |
| Total Depreciable Capital Assets, net | 3,891,175 | | | 3,689,017 |
| Water Fund | | | | |
| Depreciable Capital Assets: | | | | |
| Water plant | 6,440,436 | \$ 40,785 | \$ - | 6,481,221 |
| Less Accumulated Depreciation | | | | |
| Water plant | 2,687,960 | \$ 219,093 | \$ - | 2,907,053 |
| Total Depreciable Capital Assets, net | 3,752,476 | | | 3,574,168 |
| Total Capital Assets - Business-Type Activities, net | \$ 15,039,818 | | | \$ 14,383,770 |

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>2017 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, 2017, the following employees were covered by the benefit terms:

| | <u>General</u> | <u>Police</u> |
|--|----------------|---------------|
| Inactive employees or beneficiaries currently receiving benefits | 15 | 6 |
| Inactive employees entitled to but not yet receiving benefits | 8 | 8 |
| Active employees | <u>22</u> | <u>11</u> |
| | <u>45</u> | <u>25</u> |

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 8.6% (General) and 10.2% (Police) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions. The total pension liability in the February 28, 2017, 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 28, 2017, 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, 2017

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% | 2.93% |
| 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> | <u>Plan Fiduciary Net Position</u> | <u>Net Pension (Asset)</u> |
| | <u>(a)</u> | <u>(b)</u> | <u>(a) - (b)</u> |
| <i>General Division</i> | | | |
| Balance at beginning of year | \$ 3,198,199 | \$ 3,288,344 | \$ (90,145) |
| Changes for the year: | | | |
| Service Cost | 76,748 | - | 76,748 |
| Interest | 230,062 | - | 230,062 |
| Difference between expected and actual experiences | (84,866) | - | (84,866) |
| Contributions - employer | - | 71,406 | (71,406) |
| Net investment income | - | 384,731 | (384,731) |
| Benefits paid, including refunds | (127,494) | (127,494) | - |
| Administrative expenses | - | (3,540) | 3,540 |
| Other changes | - | 5,238 | (5,238) |
| Net Changes | 94,450 | 330,341 | (235,891) |
| Balances at end of year | 3,292,649 | 3,618,685 | (326,036) |

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 beginning of year | \$ 1,428,259 | \$ 1,415,677 | \$ 12,582 |
| Changes for the year: | | | |
| Service Cost | 33,001 | - | 33,001 |
| Interest | 102,653 | - | 102,653 |
| Difference between expected and actual experiences | 4,174 | - | 4,174 |
| Changes of assumptions | - | - | - |
| Contributions - employer | - | 37,029 | (37,029) |
| Net investment income | - | 164,656 | (164,656) |
| Benefits paid, including refunds | (58,162) | (58,162) | - |
| Administrative expenses | - | (1,602) | 1,602 |
| Other changes | - | 8,523 | (8,523) |
| Net Changes | 81,666 | 150,444 | (68,778) |
| Balances at end of year | 1,509,925 | 1,566,121 | (56,196) |
| Total Plan Balances at End of Year | \$ 4,802,574 | \$ 5,184,806 | \$ (382,232) |

The net pension (asset) has been allocated as follows:

| | |
|--------------------------|--------------|
| Governmental Activities | \$ (268,119) |
| Business-Type Activities | |
| Electric Fund | (71,922) |
| Water Fund | (42,191) |
| | (114,113) |
| | \$ (382,232) |

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, 2017

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 | \$ 3,731,142 | \$ 3,292,649 | \$ 2,929,599 |
| Fiduciary Net Position | 3,618,685 | 3,618,685 | 3,618,685 |
| Net Pension Liability (Asset) | 112,457 | (326,036) | (689,086) |
| <i>Police Division</i> | | | |
| Total Pension Liability | 1,768,474 | 1,509,925 | 1,303,705 |
| Fiduciary Net Position | 1,566,121 | 1,566,121 | 1,566,121 |
| Net Pension Liability (Asset) | 202,353 | (56,196) | (262,416) |
| Total Net Pension Liability (Asset) | <u>\$ 314,810</u> | <u>\$ (382,232)</u> | <u>\$ (951,502)</u> |

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

For the year ended December 31, 2017, the employer recognized pension expense of \$117,457 in the general division and \$62,834 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 (Inflows) of Resources |
|---|--------------------------------------|---------------------------------------|--|
| <i>General Division</i> | | | |
| Differences in experiences | \$ - | \$ (106,739) | \$ (106,739) |
| Differences in assumptions | 72,569 | - | 72,569 |
| Excess investment returns | 100,954 | - | 100,954 |
| Contributions subsequent to the measurement date* | 37,373 | - | 37,373 |
| | 210,896 | (106,739) | 104,157 |
| <i>Police Division</i> | | | |
| Differences in experiences | 26,322 | (3,638) | 22,684 |
| Differences in assumptions | 28,117 | - | 28,117 |
| Excess investment returns | 40,535 | - | 40,535 |
| Contributions subsequent to the measurement date* | 19,253 | - | 19,253 |
| | 114,227 | (3,638) | 110,589 |
| | <u>\$ 325,123</u> | <u>\$ (110,377)</u> | <u>\$ 214,746</u> |

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE I – EMPLOYEE PENSION PLAN (continued)

Deferred outflows and (inflows) have been allocated as follows:

| | Deferred Outflows of Resources | Deferred (Inflows) of Resources | Net Deferred Outflows of Resources |
|--------------------------|--------------------------------------|---------------------------------------|--|
| Governmental Activities | \$ 251,309 | \$ (73,018) | \$ 178,291 |
| Business-Type Activities | | | |
| Electric Fund | 41,618 | (21,147) | 20,471 |
| Water Fund | 32,196 | (16,212) | 15,984 |
| | <u>73,814</u> | <u>(37,359)</u> | <u>36,455</u> |
| | <u>\$ 325,123</u> | <u>\$ (110,377)</u> | <u>\$ 214,746</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:

| Year Ending December 31, | General Net Deferred Outflows (Inflows) of Resources | Police Net Deferred Outflows (Inflows) of Resources | Total Net Deferred Outflows (Inflows) of Resources |
|-----------------------------|---|--|---|
| 2018 | \$ 48,813 | \$ 36,231 | \$ 85,044 |
| 2019 | 49,250 | 36,230 | 85,480 |
| 2020 | 7,866 | 22,373 | 30,239 |
| 2021 | (39,145) | (3,827) | (42,972) |
| 2022 | - | 329 | 329 |
| | <u>\$ 66,784</u> | <u>\$ 91,336</u> | <u>\$ 158,120</u> |

Payable to the Pension Plan

At December 31, 2017, the City had no outstanding amounts of contributions to the pension plan required, 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, 2017, 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 \$6,101,501. Principal and interest paid for the current year and total customer net revenues were \$581,763 and \$627,567, respectively. In addition, interest subsidies paid \$175,567 of the total interest expense.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2017, were as follows:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------------|---------------------|----------------------|
| General Fund | \$ 1,000,000 | \$ - |
| Capital Improvement Sales Tax Fund | - | 413,361 |
| Industrial Development Fund | 262,354 | - |
| Debt Service Fund | - | 265,582 |
| Electric Fund | - | 1,000,000 |
| Water Fund | 372,453 | - |
| Sewer Fund | 44,136 | - |
| | <u>\$ 1,678,943</u> | <u>\$ 1,678,943</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, 2017, the City had the following commitments:

The City has a 30 month agreement through March 31, 2019, with the Department of Veteran Affairs for property rental in the amount of \$221,001 per month. The City also has a 30 month agreement through March 31, 2019, with BB Management LLC to maintain the property in the amount of \$133,134 per month.

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

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2017

NOTE O – INTERNAL BALANCES

Internal balances as of December 31, 2017, 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, 2017, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE P – DEFICIT FUND BALANCE

As of December 31, 2017, the City had a deficit fund balance in the amount of \$26,735 in the 600 N. Main Fund.

NOTE Q – 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, 2017, the refunding escrow account for the 2008 Certificates of Participation had a balance of \$1,105,970 and had outstanding principal due of \$1,085,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended December 31, 2017

Missouri Local Government Employees Retirement System (LAGERS)

| | Year Ended December 31, 2017 | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|------------------------------------|------------------------------------|------------------------------------|
| TOTAL PENSION LIABILITY | | | |
| Service Cost | \$ 109,749 | \$ 105,333 | \$ 102,995 |
| Interest on the Total Pension Liability | 332,715 | 308,700 | 290,431 |
| Difference between expected and actual experience | (80,692) | (76,174) | 39,249 |
| Change of assumptions | - | 173,310 | - |
| Benefit Payments | <u>(185,656)</u> | <u>(178,681)</u> | <u>(184,874)</u> |
| NET CHANGE IN TOTAL PENSION LIABILITY | 176,116 | 332,488 | 247,801 |
| TOTAL PENSION LIABILITY, BEGINNING | <u>4,626,458</u> | <u>4,293,970</u> | <u>4,046,169</u> |
| TOTAL PENSION LIABILITY, ENDING | 4,802,574 | 4,626,458 | 4,293,970 |
| PLAN FIDUCIARY NET POSITION | | | |
| Contributions - employer | 108,435 | 105,811 | 117,296 |
| Pension Plan Net Investment Income | 549,387 | (10,438) | 95,127 |
| Benefit Payments | (185,656) | (178,681) | (184,874) |
| Pension Plan Administrative Expense | (5,142) | (5,047) | (5,593) |
| Other | <u>13,761</u> | <u>36,267</u> | <u>22,996</u> |
| NET CHANGE IN PLAN FIDUCIARY NET POSITION | 480,785 | (52,088) | 44,952 |
| PLAN FIDUCIARY NET POSITION, BEGINNING | <u>4,704,021</u> | <u>4,756,109</u> | <u>4,711,157</u> |
| PLAN FIDUCIARY NET POSITION, ENDING | <u>5,184,806</u> | <u>4,704,021</u> | <u>4,756,109</u> |
| EMPLOYER NET PENSION (ASSET) | <u><u>\$ (382,232)</u></u> | <u><u>\$ (77,563)</u></u> | <u><u>\$ (462,139)</u></u> |
| Plan fiduciary net position as a percentage of the total pension liability | 107.96% | 101.68% | 110.76% |
| Covered employee payroll | \$ 1,211,152 | \$ 1,157,245 | \$ 1,136,396 |
| Employer's net pension asset as a percentage of covered employee payroll | 31.56% | 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, 2017

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

| <u>Year Ending December 31,</u> | <u>Actuarially Determined Contribution</u> | <u>Contribution in Relation to the Actuarially Determined Contribution</u> | <u>Contribution Excess (Deficiency)</u> | <u>Covered Employee Payroll</u> | <u>Contribution as a Percentage of Covered Employee Payroll</u> |
|-------------------------------------|--|--|---|---|---|
| 2008 | \$ 108,095 | \$ 106,938 | \$ (1,157) | \$ 1,035,864 | 10.32% |
| 2009 | 107,829 | 107,031 | (798) | 1,068,837 | 10.01% |
| 2010 | 120,970 | 110,283 | (10,687) | 1,083,968 | 10.17% |
| 2011* | 129,435 | 116,375 | (13,060) | 1,052,045 | 11.06% |
| 2012 | 122,837 | 119,448 | (3,389) | 1,037,944 | 11.51% |
| 2013 | 127,611 | 127,611 | - | 1,105,715 | 11.54% |
| 2014 | 124,258 | 124,258 | - | 1,149,142 | 10.81% |
| 2015 | 109,190 | 109,190 | - | 1,166,326 | 9.36% |
| 2016 | 106,407 | 101,918 | (4,489) | 1,146,220 | 8.89% |
| 2017 | 114,505 | 114,505 | - | 1,258,267 | 9.10% |

* 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.

See accompanying notes to the required schedules.

CITY OF MT. VERNON, MISSOURI
NOTES TO SCHEDULE OF CONTRIBUTIONS
Year Ended December 31, 2017

Valuation Date: February 28, 2017

Notes: The roll-forward of total pension liability from February 28, 2017, to June 30, 2017, 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 – A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of, (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period – Multiple bases from 13 to 15 years for general and police divisions

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 – None

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|----------------------------|--------------------|------------------|------------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| City sales tax | \$ 1,220,000 | \$ 1,330,644 | \$ 1,330,644 | \$ - |
| Motor vehicle tax | 177,000 | 185,009 | 185,009 | - |
| Utility franchise tax | 98,000 | 141,388 | 141,388 | - |
| Other taxes | 31,000 | 34,440 | 34,440 | - |
| | <u>1,526,000</u> | <u>1,691,481</u> | <u>1,691,481</u> | <u>-</u> |
| Licenses and Permits | | | | |
| Occupational licenses | 6,700 | 6,351 | 6,351 | - |
| Building permits | 7,500 | 6,382 | 6,382 | - |
| | <u>14,200</u> | <u>12,733</u> | <u>12,733</u> | <u>-</u> |
| Intergovernmental Revenues | | | | |
| Grants | 558,066 | 222,483 | 222,483 | - |
| Charges for Services | | | | |
| Taxi | 11,000 | 11,607 | 11,607 | - |
| Animal control | 500 | 1,257 | 1,257 | - |
| Pool | 16,500 | 18,030 | 18,030 | - |
| Park | 7,100 | 5,717 | 5,717 | - |
| Golf fees | 83,000 | 93,158 | 93,158 | - |
| Airport hanger rent | 9,240 | 10,600 | 10,600 | - |
| Community center | 20,000 | 19,605 | 19,605 | - |
| Cemetery | 750 | 1,500 | 1,500 | - |
| | <u>148,090</u> | <u>161,474</u> | <u>161,474</u> | <u>-</u> |
| Fines and forfeitures | | | | |
| City court fines | 25,000 | 24,526 | 24,526 | - |
| Miscellaneous | | | | |
| Interest | 2,900 | 9,806 | 9,806 | - |
| Donations | 8,000 | 8,000 | 8,000 | - |
| Other | 1,300 | 20,862 | 20,862 | - |
| | <u>12,200</u> | <u>38,668</u> | <u>38,668</u> | <u>-</u> |
| TOTAL REVENUES | <u>2,283,556</u> | <u>2,151,365</u> | <u>2,151,365</u> | <u>-</u> |

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|----------------------------|----------------------------|----------------------------|----------------------------------|
| EXPENDITURES | | | | |
| Current | | | | |
| Administrative | 166,646 | 41,210 | 41,210 | - |
| Police | 754,200 | 712,977 | 712,977 | - |
| Municipal court | 48,470 | 43,360 | 43,360 | - |
| Fire | 84,910 | 89,821 | 89,821 | - |
| Animal control | 15,282 | 8,481 | 8,481 | - |
| Parks | 303,907 | 272,721 | 272,721 | - |
| Community center | 111,806 | 74,127 | 74,127 | - |
| Street | 925,872 | 221,423 | 221,423 | - |
| Planning and zoning | 80,069 | 67,537 | 67,537 | - |
| Transportation | 185,881 | 150,244 | 150,244 | - |
| Airport | 162,705 | 96,744 | 96,744 | - |
| Golf | 290,090 | 287,757 | 287,757 | - |
| Economic development | 98,139 | 79,986 | 79,986 | - |
| Debt service | | | | |
| Principal, interest and fees | 30,264 | 29,664 | 29,664 | - |
| TOTAL EXPENDITURES | <u>3,258,241</u> | <u>2,176,052</u> | <u>2,176,052</u> | <u>-</u> |
| (DEFICIT) OF REVENUES OVER EXPENDITURES | (974,685) | (24,687) | (24,687) | - |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | <u>1,000,000</u> | <u>1,000,000</u> | <u>1,000,000</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | 25,315 | 975,313 | 975,313 | - |
| FUND BALANCE, January 1 | <u>2,193,486</u> | <u>2,193,486</u> | <u>2,193,486</u> | <u>-</u> |
| FUND BALANCE, December 31 | <u><u>\$ 2,218,801</u></u> | <u><u>\$ 3,168,799</u></u> | <u><u>\$ 3,168,799</u></u> | <u><u>\$ -</u></u> |

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|---|--------------------|-----------------|------------|----------------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| City sales tax | \$ 406,000 | \$ 413,564 | \$ 413,564 | \$ - |
| Miscellaneous | | | | |
| Interest | 4,200 | 7,125 | 7,125 | - |
| TOTAL REVENUES | 410,200 | 420,689 | 420,689 | - |
| EXPENDITURES | | | | |
| Current | | | | |
| Capital improvements | - | - | - | - |
| TOTAL EXPENDITURES | - | - | - | - |
| EXCESS OF REVENUES OVER EXPENDITURES | 410,200 | 420,689 | 420,689 | - |
| OTHER FINANCING (USES) | | | | |
| Operating transfers (out) | (451,020) | (413,361) | (413,361) | - |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES) | (40,820) | 7,328 | 7,328 | - |
| FUND BALANCE, January 1 | 639,105 | 639,105 | 639,105 | - |
| FUND BALANCE, December 31 | \$ 598,285 | \$ 646,433 | \$ 646,433 | \$ - |

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended December 31, 2017

| | Original Budget | Final Budget | Actual | Variance With Final Budget |
|--|--------------------|-----------------|------------|----------------------------------|
| REVENUES | | | | |
| Charges for services | | | | |
| Rents | \$ 4,595 | \$ 4,595 | \$ 4,595 | \$ - |
| Miscellaneous | | | | |
| Interest | 490 | 371 | 371 | - |
| TOTAL REVENUES | 5,085 | 4,966 | 4,966 | - |
| EXPENDITURES | | | | |
| Current | | | | |
| Industrial development | - | 133,295 | 133,295 | - |
| TOTAL EXPENDITURES | - | 133,295 | 133,295 | - |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES | 5,085 | (128,329) | (128,329) | - |
| OTHER FINANCING SOURCES | | | | |
| Operating transfers in | - | 262,354 | 262,354 | - |
| EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES | 5,085 | 134,025 | 134,025 | - |
| FUND BALANCE, January 1 | 205,584 | 205,584 | 205,584 | - |
| FUND BALANCE, December 31 | \$ 210,669 | \$ 339,609 | \$ 339,609 | \$ - |

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – 600 N. MAIN FUND
 Year Ended December 31, 2017

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|----------------------------|-------------------------|--------------------|---|
| REVENUES | | | | |
| Charges for services | | | | |
| Rent | \$ 2,029,091 | \$ 2,096,056 | \$ 2,096,056 | \$ - |
| Miscellaneous | | | | |
| Other | - | 196,036 | 196,036 | - |
| TOTAL REVENUES | <u>2,029,091</u> | <u>2,292,092</u> | <u>2,292,092</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Economic development | <u>2,029,091</u> | <u>2,253,188</u> | <u>2,253,188</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>2,029,091</u> | <u>2,253,188</u> | <u>2,253,188</u> | <u>-</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | - | 38,904 | 38,904 | - |
| FUND (DEFICIT), January 1 | <u>-</u> | <u>(65,639)</u> | <u>(65,639)</u> | <u>-</u> |
| FUND (DEFICIT), December 31 | <u>\$ -</u> | <u>\$ (26,735)</u> | <u>\$ (26,735)</u> | <u>\$ -</u> |

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2017

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, 2017, 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, 2018.

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 2017-001.

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, 2018

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2017

2017-001 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.