

City of Mt. Vernon, Missouri

BASIC FINANCIAL STATEMENTS
Year Ended December 31, 2018

KPM
CPAS & ADVISORS

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	4
MANAGEMENT'S DISCUSSION AND ANALYSIS	8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	15
Statement of Activities.....	17
Balance Sheet - Governmental Funds.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Position – Proprietary Funds.....	22
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	24
Statement of Cash Flows – Proprietary Funds.....	25
Notes to Financial Statements.....	27
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Asset and Related Ratios	54
Schedule of Contributions.....	55
Notes to Schedule of Contributions	56

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Budgetary Comparison Schedule – General Fund.....	57
Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund.....	59
Budgetary Comparison Schedule – Industrial Development Fund.....	60
Budgetary Comparison Schedule – 600 N. Main Fund.....	61
Note to Budgetary Comparison Schedules.....	62

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 <i>Government Auditing Standards</i>	64
Schedule of Findings and Responses.....	66



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, 2018, 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, 2018, 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 11, 2019, 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 the City of Mt. Vernon, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
March 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT’S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2018

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, 2018. 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 \$83,096 as a result of current year activities. The net position of the City’s business-type activities increased by \$765,242 for the year.
- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2018, by \$32,186,793 (net position). Of this amount \$13,710,102 was unrestricted and may be used to meet future obligations of the City.
- Total long-term liabilities of the City decreased by \$986,428.

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, 2018

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, 2018

Government-Wide Financial Analysis

NET POSITION

The following table presents the condensed Statement of Net Position for the City as of December 31, 2018 and 2017:

	Governmental Activities	Business-Type Activities	Total December 31, 2018	Total December 31, 2017
Assets				
Current and other assets	\$ 4,092,532	\$ 11,440,273	\$ 15,532,805	\$ 15,388,082
Net pension asset	449,111	203,394	652,505	382,232
Capital assets	12,600,565	13,886,537	26,487,102	26,834,270
	<u>17,142,208</u>	<u>25,530,204</u>	<u>42,672,412</u>	<u>42,604,584</u>
Deferred Outflow of Resources				
Deferred pension outflows	136,406	46,628	183,034	325,123
Liabilities				
Other liabilities	43,401	1,239,743	1,283,144	1,341,058
Long-term liabilities	1,014,377	8,139,012	9,153,389	10,139,817
	<u>1,057,778</u>	<u>9,378,755</u>	<u>10,436,533</u>	<u>11,480,875</u>
Deferred Inflow of Resources				
Deferred pension inflows	158,664	73,456	232,120	110,377
Net Position				
Net investment in capital assets	11,673,565	4,798,948	16,472,513	15,882,356
Restricted	811,226	1,192,952	2,004,178	2,032,348
Unrestricted	3,577,381	10,132,721	13,710,102	13,423,751
	<u>\$ 16,062,172</u>	<u>\$ 16,124,621</u>	<u>\$ 32,186,793</u>	<u>\$ 31,338,455</u>

Total net position of the City increased by \$848,338 for the year due to current year activity. Total liabilities for the City have decreased by \$1,044,342. Restricted net position of the City totaled \$2,004,178 as of December 31, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2018

CHANGES IN NET POSITION

	Governmental Activities	Business-Type Activities	Total Year Ended December 31, 2018	Total Year Ended December 31, 2017
REVENUES				
Program Revenues				
Charges for services	\$ 2,305,921	\$ 9,703,801	\$ 12,009,722	\$ 11,891,874
Operating grants and contributions	96,539	-	96,539	102,389
Capital grants and contributions	29,150	-	29,150	128,094
General Revenues				
Sales taxes	1,749,347	-	1,749,347	1,744,208
Motor vehicle and gas taxes	184,209	-	184,209	185,009
Other taxes	34,603	-	34,603	34,440
Franchise fees	138,956	-	138,956	141,388
Payment in lieu of tax	947,719	-	947,719	1,000,000
Interest	51,782	316,084	367,866	244,159
Other revenue	12,500	-	12,500	215,994
Transfers	(415,400)	415,400	-	-
TOTAL REVENUES	5,135,326	10,435,285	15,570,611	15,687,555
EXPENSES				
Administrative	58,088	-	58,088	60,637
Police	778,937	-	778,937	762,447
Municipal court	40,496	-	40,496	44,028
Fire	40,617	-	40,617	107,655
Animal control	10,466	-	10,466	8,481
Parks	284,149	-	284,149	289,022
Community center	129,850	-	129,850	115,432
Street	1,051,059	-	1,051,059	979,495
Planning and zoning	56,463	-	56,463	68,915
Transportation	103,847	-	103,847	109,696
Airport	19,830	-	19,830	24,942
Golf	245,282	-	245,282	258,172
Economic development	2,151,195	-	2,151,195	2,349,269
Industrial development	6,583	-	6,583	5,146
Debt service	30,264	-	30,264	19,115
Electric	-	7,349,498	7,349,498	6,944,025
Water	-	1,023,380	1,023,380	907,505
Sewer	-	1,297,165	1,297,165	1,141,044
TOTAL EXPENSES	5,007,126	9,670,043	14,677,169	14,195,026
SPECIAL ITEM				
(Loss) on disposal of property	(45,104)	-	(45,104)	-
INCREASE IN NET POSITION	\$ 83,096	\$ 765,242	\$ 848,338	\$ 1,492,529

**MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2018**

Governmental Activities

Governmental activities increased the net position of the City by \$83,096. Tax revenues for the City were \$3,054,834, which represents 55% of the funding of these activities. Program and other revenues for the functions totaled \$2,495,892, or 45% of the funding. The following table shows the cost of the City's programs as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

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

	Total Cost of Services	Net Cost of Services
Administrative	\$ 58,088	\$ 50,676
Police	778,937	726,506
Municipal court	40,496	40,496
Fire	40,617	40,617
Animal control	10,466	9,395
Parks	284,149	252,736
Community center	129,850	110,038
Street	1,051,059	1,051,059
Planning and zoning	56,463	49,378
Transportation	103,847	4,154
Airport	19,830	11,049
Golf	245,282	164,413
Economic development	2,151,195	34,864
Industrial development	6,583	(129)
Debt service	30,264	30,264
	<u>\$ 5,007,126</u>	<u>\$ 2,575,516</u>

Business-Type Activities

Business-type activities increased the City's net position by \$765,242. Last year the business-type activities increased net position by \$1,240,972.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2018

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2018, were \$4,059,019. The General Fund decreased by \$149,409. The Capital Improvement Sales Tax Fund increased by \$2,202. The Industrial Development Fund increased by \$12,106. The 600 N. Main Fund increased by \$66,014.

General Fund Budgetary Highlights

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

- The original revenue budget of \$2,917,811 was increased to \$3,011,204 to reflect actual revenues.
- The original expenditures budget of \$2,911,329 was increased to \$3,160,613 to reflect actual expenditures.

Capital Assets and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$12,600,565 (net of accumulated depreciation) as of December 31, 2018. This represents a \$150,065 increase from the prior year. Capital assets for business-type activities were \$13,886,537 as of December 31, 2018. This represents a decrease of \$497,233.

Debt

Total debt of the governmental activities as of December 31, 2018, was \$1,014,377. Governmental activities debt consists of \$927,000 in 2014 Certificates of Participation and \$87,377 in compensated absences payable.

Total debt of the business-type activities as of December 31, 2018, was \$9,114,012. This consists of \$1,885,000 in 2005 Certificates of Participation, \$4,149,589 in Series 2008 Revenue Bonds, \$618,000 in 2014 Certificates of Participation, \$2,435,000 in 2016 Certificates of Participation and \$26,423 in compensated absences payable.

MANAGEMENT'S DISCUSSION AND ANALYSIS
CITY OF MT. VERNON, MISSOURI
December 31, 2018

Economic Factors and Next Year's Budget

Local economic factors influencing the local economy and the City's 2019 budget include the relocation of the Veteran's Community Based Out-Patient Clinic and the continuing effects of businesses and industrial closings, consolidations and relocations. These factors have contributed to a decline in sales tax revenue and job losses. The City has created a Tax Increment Finance District at the request of a developer with plans for commercial development on the south side of town. There are a couple of other commercial projects in the planning stages that will also have a positive influence on the economy. There are two developers working on plans for the possible construction of two affordable housing complexes. The City does not anticipate any rate increases in the utility rates for 2019.

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, 2018

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Current			
Cash and cash equivalents - unrestricted	\$ 3,050,186	\$ 6,625,980	\$ 9,676,166
Investments	470,219	1,855,352	2,325,571
Interest receivable	2,339	10,798	13,137
Taxes receivable	316,920	-	316,920
Utilities receivable, net	-	1,252,612	1,252,612
Intergovernmental receivable	38,380	-	38,380
Note receivable	41,000	-	41,000
Prepaid expenses	9,669	3,097	12,766
Inventory	-	400,700	400,700
Noncurrent			
Restricted cash and cash equivalents	163,819	1,291,734	1,455,553
Net pension asset	449,111	203,394	652,505
Capital Assets:			
Non-depreciable	1,605,161	209,683	1,814,844
Depreciable, net	10,995,404	13,676,854	24,672,258
TOTAL ASSETS	<u>17,142,208</u>	<u>25,530,204</u>	<u>42,672,412</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred pension outflows	136,406	46,628	183,034

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION (continued)
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Current			
Accounts payable	27,699	-	27,699
Accrued expenses	4,586	6,784	11,370
Deposits payable	-	98,782	98,782
Court bonds payable	1,228	-	1,228
Accrued interest payable	9,888	159,177	169,065
Current portion of long-term debt	-	975,000	975,000
	<u>43,401</u>	<u>1,239,743</u>	<u>1,283,144</u>
Noncurrent			
Compensated absences payable	87,377	26,423	113,800
Revenue bonds payable, net	-	3,799,589	3,799,589
Certificates of participation payable	927,000	4,313,000	5,240,000
	<u>1,014,377</u>	<u>8,139,012</u>	<u>9,153,389</u>
TOTAL LIABILITIES	1,057,778	9,378,755	10,436,533
DEFERRED INFLOW OF RESOURCES			
Deferred pension inflows	<u>158,664</u>	<u>73,456</u>	<u>232,120</u>
NET POSITION			
Net investment in capital assets	11,673,565	4,798,948	16,472,513
Restricted	811,226	1,192,952	2,004,178
Unrestricted	3,577,381	10,132,721	13,710,102
TOTAL NET POSITION	<u>\$ 16,062,172</u>	<u>\$ 16,124,621</u>	<u>\$ 32,186,793</u>

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2018

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	\$ (58,088)	\$ 7,412	\$ -	\$ -	\$ (50,676)	\$ -	\$ (50,676)
Police	(778,937)	23,206	29,225	-	(726,506)	-	(726,506)
Municipal court	(40,496)	-	-	-	(40,496)	-	(40,496)
Fire	(40,617)	-	-	-	(40,617)	-	(40,617)
Animal control	(10,466)	1,071	-	-	(9,395)	-	(9,395)
Parks	(284,149)	23,413	8,000	-	(252,736)	-	(252,736)
Community center	(129,850)	19,812	-	-	(110,038)	-	(110,038)
Street	(1,051,059)	-	-	-	(1,051,059)	-	(1,051,059)
Planning and zoning	(56,463)	7,085	-	-	(49,378)	-	(49,378)
Transportation	(103,847)	11,229	59,314	29,150	(4,154)	-	(4,154)
Airport	(19,830)	8,781	-	-	(11,049)	-	(11,049)
Golf	(245,282)	80,869	-	-	(164,413)	-	(164,413)
Economic development	(2,151,195)	2,116,331	-	-	(34,864)	-	(34,864)
Industrial development	(6,583)	6,712	-	-	129	-	129
Debt service	(30,264)	-	-	-	(30,264)	-	(30,264)
TOTAL GOVERNMENTAL ACTIVITIES	(5,007,126)	2,305,921	96,539	29,150	(2,575,516)	-	(2,575,516)
Business-type activities:							
Electric	(7,349,498)	7,427,848	-	-	-	78,350	78,350
Water	(1,023,380)	1,090,265	-	-	-	66,885	66,885
Sewer	(1,297,165)	1,185,688	-	-	-	(111,477)	(111,477)
TOTAL BUSINESS-TYPE ACTIVITIES	(9,670,043)	9,703,801	-	-	-	33,758	33,758
TOTAL GOVERNMENT	\$ (14,677,169)	\$ 12,009,722	\$ 96,539	\$ 29,150	(2,575,516)	33,758	(2,541,758)
General Revenues:							
Sales taxes					1,749,347	-	1,749,347
Motor vehicle taxes					184,209	-	184,209
Other taxes					34,603	-	34,603
Franchise fees					138,956	-	138,956
Payment in lieu of tax					947,719	-	947,719
Interest					51,782	316,084	367,866
Other revenue					12,500	-	12,500
Transfers					(415,400)	415,400	-
Total General Revenues and Transfers					2,703,716	731,484	3,435,200
Special Item:							
(Loss) on disposal of property					(45,104)	-	(45,104)
Changes in Net Position					83,096	765,242	848,338
Net Position, Beginning of year					15,979,076	15,359,379	31,338,455
Net Position, End of year					\$ 16,062,172	\$ 16,124,621	\$ 32,186,793

See accompanying notes

CITY OF MT. VERNON, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2018

	Special Revenue Funds				Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	600 N. Main Fund	
ASSETS					
Cash and cash equivalents - unrestricted	\$ 2,413,337	\$ 152,139	\$ 311,212	\$ 173,498	\$ 3,050,186
Investments - unrestricted	-	429,716	40,503	-	470,219
Taxes receivable	252,479	64,441	-	-	316,920
Intergovernmental receivable	38,380	-	-	-	38,380
Interest receivable	-	2,339	-	-	2,339
Notes receivable	41,000	-	-	-	41,000
Due from other funds	106,520	-	-	-	106,520
Prepaid expenses	9,669	-	-	-	9,669
Restricted cash and cash equivalents	163,819	-	-	-	163,819
TOTAL ASSETS	\$ 3,025,204	\$ 648,635	\$ 351,715	\$ 173,498	\$ 4,199,052
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 27,699	\$ 27,699
Accrued expenses	4,586	-	-	-	4,586
Court bonds payable	1,228	-	-	-	1,228
Due to other funds	-	-	-	106,520	106,520
TOTAL LIABILITIES	5,814	-	-	134,219	140,033
Fund Balances					
Nonspendable:					
Prepaid expenses	9,669	-	-	-	9,669
Restricted for:					
Debt service	157,517	-	-	-	157,517
Playground equipment	5,074	-	-	-	5,074
Capital improvements	-	648,635	-	-	648,635
Committed to:					
Debt service	91,723	-	-	-	91,723
Assigned to:					
Capital improvements	20,789	-	-	-	20,789
Industrial development	-	-	351,715	-	351,715
Economic development	275,377	-	-	39,279	314,656
Unassigned	2,459,241	-	-	-	2,459,241
TOTAL FUND BALANCES	3,019,390	648,635	351,715	39,279	4,059,019
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,025,204	\$ 648,635	\$ 351,715	\$ 173,498	\$ 4,199,052

See accompanying notes

CITY OF MT. VERNON, MISSOURI
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
December 31, 2018

Fund balance - total governmental funds	\$ 4,059,019
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	42,955,626
Less accumulated depreciation	<u>(30,355,061)</u>
	12,600,565
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	449,111
Deferred outflows due to pension	136,406
Deferred inflows due to pension	<u>(158,664)</u>
	426,853
Compensated absences are not accrued in the governmental funds, but rather are recognized as an expenditure when paid	(87,377)
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>\$ 16,062,172</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, 2018

	Special Revenue Funds				Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	600 N. Main Fund	
REVENUES					
Taxes	\$ 2,647,966	\$ 406,868	\$ -	\$ -	\$ 3,054,834
Licenses and permits	12,247	-	-	-	12,247
Intergovernmental revenues	117,689	-	-	-	117,689
Charges for services	147,425	-	6,712	2,116,331	2,270,468
Fines and forfeitures	21,947	-	-	-	21,947
Miscellaneous	63,930	10,734	5,433	169	80,266
TOTAL REVENUES	3,011,204	417,602	12,145	2,116,500	5,557,451
EXPENDITURES					
Current					
Administrative	688,748	-	-	-	688,748
Police	730,537	-	-	-	730,537
Municipal court	41,232	-	-	-	41,232
Fire	24,553	-	-	-	24,553
Animal control	10,466	-	-	-	10,466
Parks	328,738	-	-	-	328,738
Community center	92,128	-	-	-	92,128
Street	692,017	-	-	-	692,017
Planning and zoning	62,329	-	-	-	62,329
Transportation	123,661	-	-	-	123,661
Airport	7,625	-	-	-	7,625
Golf	242,264	-	-	-	242,264
Economic development	86,051	-	-	2,050,486	2,136,537
Industrial development	-	-	39	-	39
Debt Service					
Principal, interest and fees	30,264	-	-	-	30,264
TOTAL EXPENDITURES	3,160,613	-	39	2,050,486	5,211,138
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(149,409)	417,602	12,106	66,014	346,313
OTHER FINANCING (USES)					
Operating transfers (out)	-	(415,400)	-	-	(415,400)
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER (USES)	(149,409)	2,202	12,106	66,014	(69,087)
FUND BALANCE (DEFICIT), January 1	3,168,799	646,433	339,609	(26,735)	4,128,106
FUND BALANCE, December 31	\$ 3,019,390	\$ 648,635	\$ 351,715	\$ 39,279	\$ 4,059,019

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, 2018

Net change in fund balances - total governmental funds \$ (69,087)

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.

Capital outlay	1,178,623
Depreciation	(971,603)
Disposal of capital assets, net	<u>(56,955)</u>
	150,065

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	(19,557)
Change in compensated absences	<u>21,675</u>
	<u>2,118</u>

Change in net position of governmental activities	<u><u>\$ 83,096</u></u>
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CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
December 31, 2018

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 4,008,578	\$ 1,652,842	\$ 964,560	\$ 6,625,980
Investments	1,641,352	214,000	-	1,855,352
Interest receivable	8,453	2,345	-	10,798
Utilities receivable, net	944,014	146,228	162,370	1,252,612
Prepaid expenses	1,349	1,694	54	3,097
Inventory	363,842	36,858	-	400,700
TOTAL CURRENT ASSETS	6,967,588	2,053,967	1,126,984	10,148,539
Restricted Assets				
Cash and cash equivalents	161,899	515,330	614,505	1,291,734
TOTAL RESTRICTED ASSETS	161,899	515,330	614,505	1,291,734
Property, Plant and Equipment,				
Non-depreciable	155,875	-	53,808	209,683
Depreciable	7,427,264	6,513,549	15,463,525	29,404,338
Accumulated depreciation	(3,843,834)	(3,139,152)	(8,744,498)	(15,727,484)
TOTAL PROPERTY, PLANT, AND EQUIPMENT	3,739,305	3,374,397	6,772,835	13,886,537
Net Pension Asset	124,598	78,796	-	203,394
TOTAL ASSETS	10,993,390	6,022,490	8,514,324	25,530,204
DEFERRED OUTFLOW OF RESOURCES				
Deferred pension outflows	25,578	21,050	-	46,628

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF NET POSITION – PROPRIETARY FUNDS (continued)
December 31, 2018

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
LIABILITIES				
Current Liabilities				
Accrued expenses	6,149	635	-	6,784
Utility deposits	98,782	-	-	98,782
Accrued interest payable	4,124	36,060	118,993	159,177
Current maturities of long-term debt	64,400	560,600	350,000	975,000
TOTAL CURRENT LIABILITIES	173,455	597,295	468,993	1,239,743
Long-Term Liabilities				
Compensated absences payable	16,871	9,552	-	26,423
Revenue bonds payable, net	-	-	3,799,589	3,799,589
Certificates of participation payable	741,325	3,285,850	285,825	4,313,000
TOTAL LONG-TERM LIABILITIES	758,196	3,295,402	4,085,414	8,139,012
TOTAL LIABILITIES	931,651	3,892,697	4,554,407	9,378,755
DEFERRED INFLOW OF RESOURCES				
Deferred pension inflows	42,444	31,012	-	73,456
NET POSITION				
Net investment in capital assets	2,933,580	(472,053)	2,337,421	4,798,948
Restricted	63,117	515,330	614,505	1,192,952
Unrestricted	7,048,176	2,076,554	1,007,991	10,132,721
TOTAL NET POSITION	\$ 10,044,873	\$ 2,119,831	\$ 3,959,917	\$ 16,124,621

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
Year Ended December 31, 2018

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
OPERATING REVENUES				
Charges for services	\$ 7,388,502	\$ 1,086,015	\$ 1,185,688	\$ 9,660,205
Miscellaneous	39,346	4,250	-	43,596
TOTAL OPERATING REVENUES	7,427,848	1,090,265	1,185,688	9,703,801
OPERATING EXPENSES				
Salaries and wages	268,511	141,355	-	409,866
Employee benefits	56,366	39,168	-	95,534
Gas and oil	5,447	8,910	1,175	15,532
Materials and supplies	105	24,512	7,290	31,907
Insurance	27,093	18,887	14,722	60,702
Power purchased	5,656,802	-	-	5,656,802
Payment in lieu of tax	726,240	109,744	111,735	947,719
Telephone and utilities	4,226	4,272	2,480	10,978
Repairs and maintenance	89,819	139,482	190,465	419,766
Professional fees	10,450	4,282	176,329	191,061
Other expenses	44,324	16,895	6,089	67,308
Depreciation	274,289	232,099	341,757	848,145
Administrative	163,979	146,736	177,015	487,730
TOTAL OPERATING EXPENSES	7,327,651	886,342	1,029,057	9,243,050
OPERATING INCOME	100,197	203,923	156,631	460,751
NONOPERATING REVENUES (EXPENSES)				
Interest income	98,647	33,961	183,476	316,084
Interest expense	(21,847)	(137,038)	(268,108)	(426,993)
TOTAL NONOPERATING REVENUES (EXPENSES)	76,800	(103,077)	(84,632)	(110,909)
INCOME BEFORE OPERATING TRANSFERS	176,997	100,846	71,999	349,842
OPERATING TRANSFERS IN	-	332,320	83,080	415,400
NET INCOME	176,997	433,166	155,079	765,242
NET POSITION, January 1	9,867,876	1,686,665	3,804,838	15,359,379
NET POSITION, December 31	\$ 10,044,873	\$ 2,119,831	\$ 3,959,917	\$ 16,124,621

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
Year Ended December 31, 2018

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,447,383	\$ 1,079,768	\$ 1,179,207	\$ 9,706,358
Cash paid to suppliers	(6,711,067)	(443,671)	(687,354)	(7,842,092)
Cash paid to employees	(336,837)	(190,043)	-	(526,880)
NET CASH PROVIDED BY OPERATING ACTIVITIES	399,479	446,054	491,853	1,337,386
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating transfers in	-	332,320	83,080	415,400
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	332,320	83,080	415,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(178,960)	(32,328)	(139,624)	(350,912)
Payment of bond principal	-	-	(332,325)	(332,325)
Payment of certificates of participation principal	(64,400)	(540,600)	-	(605,000)
Payment of interest expense	(22,040)	(142,773)	(276,483)	(441,296)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(265,400)	(715,701)	(748,432)	(1,729,533)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	90,248	31,616	183,476	305,340
Purchase of investments	(84,209)	(2,295)	-	(86,504)
NET CASH PROVIDED BY INVESTING ACTIVITIES	6,039	29,321	183,476	218,836
NET INCREASE IN CASH AND CASH EQUIVALENTS	140,118	91,994	9,977	242,089
CASH AND CASH EQUIVALENTS, Beginning of year	4,030,359	2,076,178	1,569,088	7,675,625
CASH AND CASH EQUIVALENTS, End of year	4,170,477	2,168,172	1,579,065	7,917,714
LESS RESTRICTED CASH AND CASH EQUIVALENTS	161,899	515,330	614,505	1,291,734
UNRESTRICTED CASH AND CASH EQUIVALENTS	\$ 4,008,578	\$ 1,652,842	\$ 964,560	\$ 6,625,980

See accompanying notes

CITY OF MT. VERNON, MISSOURI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (continued)
Year Ended December 31, 2018

	Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 100,197	\$ 203,923	\$ 156,631	\$ 460,751
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	274,289	232,099	341,757	848,145
(Increase) decrease in:				
Utilities receivable	19,258	(10,497)	(6,481)	2,280
Prepaid expenses	49,737	(240)	(54)	49,443
Inventory	25,034	30,289	-	55,323
Net pension asset	(52,676)	(36,605)	-	(89,281)
Deferred pension outflow	16,040	11,146	-	27,186
Increase (decrease) in:				
Accounts payable	(57,353)	-	-	(57,353)
Accrued expenses	(3,165)	111	-	(3,054)
Meter deposits payable	277	-	-	277
Deferred pension inflow	21,297	14,800	-	36,097
Compensated absences payable	6,544	1,028	-	7,572
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 399,479</u>	<u>\$ 446,054</u>	<u>\$ 491,853</u>	<u>\$ 1,337,386</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.

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.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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, 2018, all bank balances on deposit are entirely insured or collateralized.

NOTE C – INVESTMENTS

Investments of the City as of December 31, 2018, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	3/25/2019 - 4/24/2020	<u>\$ 2,325,571</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, 2018, 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, 2018

NOTE D – RESTRICTED ASSETS

Cash and cash equivalents and net position have been restricted in the following funds and activities as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
GENERAL FUND		
Court bonds	\$ 1,228	\$ -
Handicap playground equipment	5,074	5,074
2014 Certificates of Participation		
Debt Service Reserve Fund	92,846	92,846
Lease Revenue Fund	64,671	64,671
	<u>\$ 163,819</u>	<u>\$ 162,591</u>
CAPITAL IMPROVEMENT SALES TAX FUND		
Capital improvement sales tax	<u>\$ -</u>	<u>\$ 648,635</u>
ELECTRIC FUND		
2014 Certificates of Participation		
Lease Revenue Fund	\$ 8,084	\$ 8,084
Debt Service Reserve Fund	11,606	11,606
2016 Certificates of Participation		
Debt Service Reserve Fund	43,427	43,427
Customer deposits	98,782	-
	<u>\$ 161,899</u>	<u>\$ 63,117</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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	\$ 365,691	\$ 365,691
2014 Certificates of Participation		
Lease Revenue Fund	15,090	15,090
Debt Service Reserve Fund	21,664	21,664
2016 Certificates of Participation		
Lease Revenue Fund	1,216	1,216
Debt Service Reserve Fund	111,669	111,669
	<u>\$ 515,330</u>	<u>\$ 515,330</u>
SEWER FUND		
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Fund	\$ 389,079	\$ 389,079
Debt Service Reserve Fund	176,858	176,858
2014 Certificates of Participation		
Lease Revenue Fund	19,940	19,940
Debt Service Reserve Fund	28,628	28,628
	<u>\$ 614,505</u>	<u>\$ 614,505</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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	\$ 1,003,922	\$ (59,908)	\$ 944,014
Water Fund	151,933	(5,705)	146,228
Sewer Fund	168,076	(5,706)	162,370
	<u>\$ 1,323,931</u>	<u>\$ (71,319)</u>	<u>\$ 1,252,612</u>

NOTE F – LONG-TERM LIABILITIES – GOVERNMENTAL ACTIVITIES

Long-term liabilities for governmental activities at December 31, 2018, 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, 2018, are as follows:

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

Year Ending December 31,	Principal	Interest	Total
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>\$ 325,120</u>	<u>\$ 1,870,120</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, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
2014 Certificates of Participation	\$ 927,000	\$ -	\$ -	\$ 927,000	\$ -
Compensated Absences	109,052	-	21,675	87,377	-
	<u>\$ 1,036,052</u>	<u>\$ -</u>	<u>\$ 21,675</u>	<u>\$ 1,014,377</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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

The business-type activities long-term debt at December 31, 2018, 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, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
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>\$ 1,885,000</u>	<u>\$ 173,990</u>	<u>\$ 2,058,990</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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, 2018, are as follows:

Year Ending December 31,	Principal	Interest	Total
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>\$ 2,435,000</u>	<u>\$ 271,517</u>	<u>\$ 2,706,517</u>
Business-Type Activities			
Electric Fund	\$ 689,850		
Water Fund	1,745,150		
	<u>\$ 2,435,000</u>		

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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 principal amount of the revolving fund loan balances. The bonds outstanding at December 31, 2018, are due as follows:

Year Ending December 31,	Principal	Interest	Administrative Fee	Total
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>\$ 4,175,000</u>	<u>\$ 1,351,238</u>	<u>\$ 185,321</u>	<u>\$ 5,711,559</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2017	Additions	Retirements	Balance December 31, 2018	Amounts Due Within One Year
ELECTRIC FUND					
Compensated Absences	\$ 10,327	\$ 6,544	\$ -	\$ 16,871	\$ -
Certificates of Participation					
Series 2014	115,875	-	-	115,875	-
Series 2016	754,250	-	64,400	689,850	64,400
	880,452	6,544	64,400	822,596	64,400
SEWER FUND					
Certificates of Participation					
Series 2014	285,825	-	-	285,825	-
Revenue Bonds					
Series 2008	4,510,000	-	335,000	4,175,000	350,000
	4,795,825	-	335,000	4,460,825	350,000
Unamortized bond discount on 2008 bonds	(28,086)	-	(2,675)	(25,411)	-
	4,767,739	-	332,325	4,435,414	350,000
WATER FUND					
Compensated Absences	8,524	1,028	-	9,552	-
Certificates of Participation					
Series 2005	2,260,000	-	375,000	1,885,000	395,000
Series 2014	216,300	-	-	216,300	-
Series 2016	1,910,750	-	165,600	1,745,150	165,600
	4,395,574	1,028	540,600	3,856,002	560,600
TOTAL	<u>\$ 10,043,765</u>	<u>\$ 7,572</u>	<u>\$ 937,325</u>	<u>\$ 9,114,012</u>	<u>\$ 975,000</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
GOVERNMENTAL ACTIVITIES				
Non-depreciable Capital Assets				
Land	\$ 1,605,161	\$ -	\$ -	\$ 1,605,161
Depreciable Capital Assets				
Land improvements	367,556	\$ -	\$ -	367,556
Building and improvements	2,514,733	623,351	17,441	3,120,643
Major moveable equipment	1,977,147	109,805	545,628	1,541,324
Infrastructure	35,875,475	445,467	-	36,320,942
Total Depreciable Capital Assets	40,734,911	\$ 1,178,623	\$ 563,069	41,350,465
Less Accumulated Depreciation				
Land improvements	186,037	\$ 18,378	\$ -	204,415
Building and improvements	533,744	58,023	4,138	587,629
Major moveable equipment	1,426,196	143,791	501,976	1,068,011
Infrastructure	27,743,595	751,411	-	28,495,006
Total Accumulated Depreciation	29,889,572	\$ 971,603	\$ 506,114	30,355,061
Total Depreciable Capital Assets, net	10,845,339			10,995,404
Total Governmental Activities Capital Assets, net	\$ 12,450,500			\$ 12,600,565

Depreciation expense was charged to functions as follows:

Administrative	\$ 12,658
Police	30,990
Fire	16,065
Parks	28,023
Street	772,131
Industrial development	6,544
Transportation	23,702
Airport	12,205
Golf	14,870
Community center	38,988
Economic development	15,427
	<u>\$ 971,603</u>

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE H – CAPITAL ASSETS (continued)

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
BUSINESS-TYPE ACTIVITIES				
Sewer Fund				
Non-Depreciable Capital Assets				
Land	\$ 53,808	\$ -	\$ -	\$ 53,808
Depreciable Capital Assets				
Sewer plant	15,323,901	\$ 139,624	\$ -	15,463,525
Less Accumulated Depreciation				
Sewer plant	8,402,741	\$ 341,757	\$ -	8,744,498
Total Depreciable Capital Assets, net	6,921,160			6,719,027
Electric Fund				
Non-Depreciable Capital Assets				
Land	145,617	\$ 10,258	\$ -	155,875
Depreciable Capital Assets:				
Electric plant	7,258,562	\$ 168,702	\$ -	7,427,264
Less Accumulated Depreciation				
Electric plant	3,569,545	\$ 274,289	\$ -	3,843,834
Total Depreciable Capital Assets, net	3,689,017			3,583,430
Water Fund				
Depreciable Capital Assets:				
Water plant	6,481,221	\$ 32,328	\$ -	6,513,549
Less Accumulated Depreciation				
Water plant	2,907,053	\$ 232,099	\$ -	3,139,152
Total Depreciable Capital Assets, net	3,574,168			3,374,397
Total Capital Assets - Business-Type Activities, net	\$ 14,383,770			\$ 13,886,537

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>2018 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, 2018, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	16	6
Inactive employees entitled to but not yet receiving benefits	8	8
Active employees	21	10
	<u>45</u>	<u>24</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 8.1% (General) and 10.1% (Police) of annual covered payroll.

Net Pension Asset. The employer’s net pension asset was measured as of June 30, 2018, 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, 2018, 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, 2018, 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, 2018

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%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

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

Changes in the Net Pension Asset

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Plan Fiduciary Net Position</u> (b)	<u>Net Pension (Asset)</u> (a) - (b)
<i>General Division</i>			
Balance at beginning of year	<u>\$ 3,292,649</u>	<u>\$ 3,618,685</u>	<u>\$ (326,036)</u>
Changes for the year:			
Service Cost	77,408	-	77,408
Interest	235,984	-	235,984
Difference between expected and actual experiences	56,067	-	56,067
Contributions - employer	-	72,850	(72,850)
Net investment income	-	463,963	(463,963)
Benefits paid, including refunds	(154,153)	(154,153)	-
Administrative expenses	-	(3,671)	3,671
Other changes	-	31,536	(31,536)
Net Changes	<u>215,306</u>	<u>410,525</u>	<u>(195,219)</u>
Balances at end of year	3,507,955	4,029,210	(521,255)

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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	1,509,925	1,566,121	(56,196)
Changes for the year:			
Service Cost	35,208	-	35,208
Interest	108,452	-	108,452
Difference between expected and actual experiences	7,436	-	7,436
Changes of assumptions	-	-	-
Contributions - employer	-	38,485	(38,485)
Net investment income	-	186,909	(186,909)
Benefits paid, including refunds	(63,776)	(63,776)	-
Administrative expenses	-	(1,537)	1,537
Other changes	-	2,293	(2,293)
Net Changes	87,320	162,374	(75,054)
Balances at end of year	1,597,245	1,728,495	(131,250)
Total Plan Balances at End of Year	<u>\$ 5,105,200</u>	<u>\$ 5,757,705</u>	<u>\$ (652,505)</u>

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

Governmental Activities	\$ (449,111)
Business-Type Activities	
Electric Fund	(124,598)
Water Fund	(78,796)
	<u>(203,394)</u>
	<u>\$ (652,505)</u>

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

CITY OF MT. VERNON, MISSOURI
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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	\$ 3,969,323	\$ 3,507,955	\$ 3,124,955
Fiduciary Net Position	4,029,210	4,029,210	4,029,210
Net Pension Liability (Asset)	(59,887)	(521,255)	(904,255)
<i>Police Division</i>			
Total Pension Liability	1,869,501	1,597,245	1,379,761
Fiduciary Net Position	1,728,495	1,728,495	1,728,495
Net Pension Liability (Asset)	141,006	(131,250)	(348,734)
Total Net Pension Liability (Asset)	<u>\$ 81,119</u>	<u>\$ (652,505)</u>	<u>\$ (1,252,989)</u>

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

For the year ended December 31, 2018, the employer recognized pension expense of \$46,409 in the general division and \$52,997 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	\$ 42,845	\$ (71,170)	\$ (28,325)
Differences in assumptions	43,413	-	43,413
Excess investment returns	-	(117,082)	(117,082)
Contributions subsequent to the measurement date*	33,240	-	33,240
	119,498	(188,252)	(68,754)
<i>Police Division</i>			
Differences in experiences	24,677	(2,712)	21,965
Differences in assumptions	20,961	-	20,961
Excess investment returns	-	(41,156)	(41,156)
Contributions subsequent to the measurement date*	17,898	-	17,898
	63,536	(43,868)	19,668
	<u>\$ 183,034</u>	<u>\$ (232,120)</u>	<u>\$ (49,086)</u>

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

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 (Inflows) of Resources
Governmental Activities	\$ 136,406	\$ (158,664)	\$ (22,258)
Business-Type Activities			
Electric Fund	25,578	(42,444)	(16,866)
Water Fund	21,050	(31,012)	(9,962)
	<u>46,628</u>	<u>(73,456)</u>	<u>(26,828)</u>
	<u>\$ 183,034</u>	<u>\$ (232,120)</u>	<u>\$ (49,086)</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, 2019.

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
2019	\$ 21,770	\$ 22,762	\$ 44,532
2020	(19,614)	8,905	(10,709)
2021	(66,625)	(17,295)	(83,920)
2022	(37,525)	(13,138)	(50,663)
2023	-	536	536
	<u>\$ (101,994)</u>	<u>\$ 1,770</u>	<u>\$ (100,224)</u>

Payable to the Pension Plan

At December 31, 2018, 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, 2018, 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 \$5,526,238. Principal and interest paid for the current year and total customer net revenues were \$575,263 and \$498,388, respectively. In addition, interest subsidies paid \$163,272 of the total interest expense.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE M – INTERFUND TRANSFERS

Transfers between funds of the City for the year ended December 31, 2018, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Improvement Sales Tax Fund	\$ -	\$ 415,400
Water Fund	332,320	-
Sewer Fund	83,080	-
	<u>\$ 415,400</u>	<u>\$ 415,400</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, 2018, the City had the following commitments:

- An agreement through April 2019, with the Department of Veteran Affairs for property rental in the amount of \$224,510 per month. On December 18, 2018, the City was notified that the Department of Veteran Affairs will vacate the leased premises before May 1, 2019. The City also has a 30 month agreement through April 2019, with BB Management LLC to maintain the property in the amount of \$133,134 per month.
- Contract with BASE Construction & Management, LLC, for new City Hall remodel in the amount of \$435,000.

CITY OF MT. VERNON, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018

NOTE O – INTERNAL BALANCES

Internal balances as of December 31, 2018, consisted of the following:

	General Fund	600 N. Main Fund
Internal balances	\$ 106,520	\$ (106,520)

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, 2018, balances of interfund amounts receivable or payable have been recorded within the fund financial statements.

NOTE P – NOTE RECEIVABLE

On May 18, 2018, the City issued a promissory note to the Mt. Vernon Fire Protection District in the amount of \$41,000 with no interest. The note is due in full on or before April 30, 2020. However, the City anticipates receiving the payment during the year ending December 31, 2019. The balance of the note at December 31, 2018, was \$41,000

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
Year Ended December 31, 2018

Missouri Local Government Employees Retirement System (LAGERS)

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
TOTAL PENSION LIABILITY				
Service Cost	\$ 112,616	\$ 109,749	\$ 105,333	\$ 102,995
Interest on the Total Pension Liability	344,436	332,715	308,700	290,431
Difference between expected and actual experience	63,503	(80,692)	(76,174)	39,249
Change of assumptions	-	-	173,310	-
Benefit Payments	(217,929)	(185,656)	(178,681)	(184,874)
NET CHANGE IN TOTAL PENSION LIABILITY	302,626	176,116	332,488	247,801
TOTAL PENSION LIABILITY, BEGINNING	4,802,574	4,626,458	4,293,970	4,046,169
TOTAL PENSION LIABILITY, ENDING	5,105,200	4,802,574	4,626,458	4,293,970
PLAN FIDUCIARY NET POSITION				
Contributions - employer	111,335	108,435	105,811	117,296
Pension Plan Net Investment Income	650,872	549,387	(10,438)	95,127
Benefit Payments	(217,929)	(185,656)	(178,681)	(184,874)
Pension Plan Administrative Expense	(5,208)	(5,142)	(5,047)	(5,593)
Other	33,829	13,761	36,267	22,996
NET CHANGE IN PLAN FIDUCIARY NET POSITION	572,899	480,785	(52,088)	44,952
PLAN FIDUCIARY NET POSITION, BEGINNING	5,184,806	4,704,021	4,756,109	4,711,157
PLAN FIDUCIARY NET POSITION, ENDING	5,757,705	5,184,806	4,704,021	4,756,109
EMPLOYER NET PENSION (ASSET)	\$ (652,505)	\$ (382,232)	\$ (77,563)	\$ (462,139)
Plan fiduciary net position as a percentage of the total pension liability	112.78%	107.96%	101.68%	110.76%
Covered employee payroll	\$ 1,204,918	\$ 1,211,152	\$ 1,157,245	\$ 1,136,396
Employer's net pension asset as a percentage of covered employee payroll	54.15%	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, 2018

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

Year Ending December 31,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
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%
2018	105,846	105,847	1	1,221,688	8.66%

* The City's fiscal year was July through June for years 2009 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, 2018

Valuation Date: February 28, 2018

Notes: The roll-forward of total pension liability from February 28, 2018, to June 30, 2018, 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 12 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, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 1,330,000	\$ 1,342,479	\$ 1,342,479	\$ -
Motor vehicle tax	177,000	184,209	184,209	-
Utility franchise tax	124,000	138,956	138,956	-
Payment in lieu of tax	962,561	947,719	947,719	-
Other taxes	33,000	34,603	34,603	-
	<u>2,626,561</u>	<u>2,647,966</u>	<u>2,647,966</u>	<u>-</u>
Licenses and Permits				
Occupational licenses	6,300	5,162	5,162	-
Building permits	6,500	7,085	7,085	-
	<u>12,800</u>	<u>12,247</u>	<u>12,247</u>	<u>-</u>
Intergovernmental Revenues				
Grants	94,000	117,689	117,689	-
Charges for Services				
Taxi	11,750	11,229	11,229	-
Animal control	750	1,071	1,071	-
Pool	17,000	17,468	17,468	-
Park	5,700	5,945	5,945	-
Golf fees	81,000	80,869	80,869	-
Airport hanger rent	11,000	8,781	8,781	-
Community center	21,000	19,812	19,812	-
Cemetery	750	2,250	2,250	-
	<u>148,950</u>	<u>147,425</u>	<u>147,425</u>	<u>-</u>
Fines and forfeitures				
City court fines	22,000	21,947	21,947	-
Miscellaneous				
Interest	4,200	35,446	35,446	-
Donations	8,000	8,000	8,000	-
Other	1,300	20,484	20,484	-
	<u>13,500</u>	<u>63,930</u>	<u>63,930</u>	<u>-</u>
TOTAL REVENUES	<u>2,917,811</u>	<u>3,011,204</u>	<u>3,011,204</u>	<u>-</u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND (continued)
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
EXPENDITURES				
Current				
Administrative	144,141	688,748	688,748	-
Police	794,470	730,537	730,537	-
Municipal court	54,336	41,232	41,232	-
Fire	74,626	24,553	24,553	-
Animal control	14,636	10,466	10,466	-
Parks	383,666	328,738	328,738	-
Community center	133,049	92,128	92,128	-
Street	656,476	692,017	692,017	-
Planning and zoning	74,886	62,329	62,329	-
Transportation	170,305	123,661	123,661	-
Airport	8,405	7,625	7,625	-
Golf	292,071	242,264	242,264	-
Economic development	80,598	86,051	86,051	-
Debt service				
Principal, interest and fees	29,664	30,264	30,264	-
TOTAL EXPENDITURES	<u>2,911,329</u>	<u>3,160,613</u>	<u>3,160,613</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	6,482	(149,409)	(149,409)	-
FUND BALANCE, January 1	<u>3,168,799</u>	<u>3,168,799</u>	<u>3,168,799</u>	<u>-</u>
FUND BALANCE, December 31	<u><u>\$ 3,175,281</u></u>	<u><u>\$ 3,019,390</u></u>	<u><u>\$ 3,019,390</u></u>	<u><u>\$ -</u></u>

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – CAPITAL IMPROVEMENT SALES TAX FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Taxes				
City sales tax	\$ 410,000	\$ 406,868	\$ 406,868	\$ -
Miscellaneous				
Interest	5,400	10,734	10,734	-
TOTAL REVENUES	415,400	417,602	417,602	-
EXPENDITURES				
Current				
Capital improvements	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	415,400	417,602	417,602	-
OTHER FINANCING (USES)				
Operating transfers (out)	(415,400)	(415,400)	(415,400)	-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER (USES)	-	2,202	2,202	-
FUND BALANCE, January 1	646,433	646,433	646,433	-
FUND BALANCE, December 31	\$ 646,433	\$ 648,635	\$ 648,635	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – INDUSTRIAL DEVELOPMENT FUND
 Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance With Final Budget
REVENUES				
Charges for services				
Rents	\$ 4,595	\$ 6,712	\$ 6,712	\$ -
Miscellaneous				
Interest	250	5,433	5,433	-
TOTAL REVENUES	4,845	12,145	12,145	-
EXPENDITURES				
Current				
Industrial development	-	39	39	-
TOTAL EXPENDITURES	-	39	39	-
EXCESS OF REVENUES OVER EXPENDITURES	4,845	12,106	12,106	-
FUND BALANCE, January 1	339,609	339,609	339,609	-
FUND BALANCE, December 31	\$ 344,454	\$ 351,715	\$ 351,715	\$ -

CITY OF MT. VERNON, MISSOURI
 BUDGETARY COMPARISON SCHEDULE – 600 N. MAIN FUND
 Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
REVENUES				
Charges for services				
Rent	\$ 2,060,000	\$ 2,116,331	\$ 2,116,331	\$ -
Miscellaneous				
Interest	-	169	169	-
TOTAL REVENUES	<u>2,060,000</u>	<u>2,116,500</u>	<u>2,116,500</u>	<u>-</u>
EXPENDITURES				
Current				
Economic development	<u>2,113,051</u>	<u>2,050,486</u>	<u>2,050,486</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,113,051</u>	<u>2,050,486</u>	<u>2,050,486</u>	<u>-</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	(53,051)	66,014	66,014	-
FUND (DEFICIT), January 1	<u>-</u>	<u>(26,735)</u>	<u>(26,735)</u>	<u>-</u>
FUND BALANCE (DEFICIT), December 31	<u>\$ (53,051)</u>	<u>\$ 39,279</u>	<u>\$ 39,279</u>	<u>\$ -</u>

CITY OF MT. VERNON, MISSOURI
NOTE TO BUDGETARY COMPARISON SCHEDULES
Year Ended December 31, 2018

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, 2018, 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 11, 2019.

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.

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Member of The Leading Edge Alliance

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 2018-001.

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 11, 2019

CITY OF MT. VERNON, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended December 31, 2018

2018-001 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.