

City of Mt. Vernon, Missouri

Basic Financial Statements  
Year Ended December 31, 2021

**KPM**  
CPAS & ADVISORS

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

## **Report on the Audit of the Financial Statements**

### ***Opinions***

We have audited the 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Mt. Vernon, Missouri and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***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 is the responsibility of management and, 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2022, 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 solely 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 effectiveness of the City's 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  
April 21, 2022

## **Management's Discussion and Analysis**

# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

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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, 2021. Please read it in conjunction with the City's financial statements.

### Financial Highlights

The net position of the City's governmental activities increased by \$685,014 as a result of current year activities. The net position of the City's business-type activities increased by \$853,226 for the year.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of December 31, 2021, by \$34,702,202 (net position). Of this amount \$16,844,517 was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City decreased by \$1,773,298 primarily due to principal payments on debt.

### 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.

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.

# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

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### **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.



# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

### Government-Wide Financial Analysis

#### Net Position

The following table presents the condensed Statement of Net Position for the City as of December 31, 2021 and 2020:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total December 31, 2021</b>	<b>Total December 31, 2020</b>
<b>Assets</b>				
Current and other assets	\$ 6,223,978	\$ 12,338,183	\$ 18,562,161	\$ 17,371,691
Net pension asset	1,078,599	403,334	1,481,933	154,233
Capital assets	10,806,594	12,135,050	22,941,644	23,772,222
	<u>18,109,171</u>	<u>24,876,567</u>	<u>42,985,738</u>	<u>41,298,146</u>
<b>Deferred Outflow of Resources</b>				
Deferred pension outflows	121,042	67,436	188,478	375,545
<b>Liabilities</b>				
Other liabilities	610,269	1,540,380	2,150,649	1,275,728
Long-term liabilities	777,138	4,624,726	5,401,864	7,175,162
	<u>1,387,407</u>	<u>6,165,106</u>	<u>7,552,513</u>	<u>8,450,890</u>
<b>Deferred Inflow of Resources</b>				
Deferred pension inflows	662,227	257,274	919,501	58,839
<b>Net Position</b>				
Net investment in capital assets	9,995,052	6,225,331	16,220,383	15,717,283
Restricted	706,106	931,196	1,637,302	1,936,775
Unrestricted	5,479,421	11,365,096	16,844,517	15,509,904
	<u>\$ 16,180,579</u>	<u>\$ 18,521,623</u>	<u>\$ 34,702,202</u>	<u>\$ 33,163,962</u>

Total net position of the City increased by \$1,538,240 for the year due to current year activity. Total liabilities for the City have decreased by \$898,377. Restricted net position of the City totaled \$1,637,302 as of December 31, 2021.

# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

### Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Year Ended December 31, 2021</u>	<u>Total Year Ended December 31, 2020</u>
<b>Revenues and Transfers</b>				
Program Revenues				
Charges for services	\$ 445,531	\$ 10,277,813	\$ 10,723,344	\$ 8,715,866
Operating grants and contributions	246,934	-	246,934	183,341
Capital grants and contributions	284,394	-	284,394	9,317
General Revenues				
Sales taxes	2,176,322	-	2,176,322	1,894,286
Motor vehicle and gas taxes	197,828	-	197,828	179,526
Other taxes	43,689	-	43,689	38,852
Franchise fees	109,903	-	109,903	110,687
Payment in lieu of tax	842,804	-	842,804	749,025
Interest	33,508	187,723	221,231	364,788
Other revenue	36,600	56,724	93,324	67,017
Transfers	(491,535)	491,535	-	-
<b>Total Revenues and Transfers</b>	<u>3,925,978</u>	<u>11,013,795</u>	<u>14,939,773</u>	<u>12,312,705</u>
<b>Expenses</b>				
Administrative	303,662	-	303,662	346,082
Police	672,669	-	672,669	758,307
Municipal court	50,234	-	50,234	51,864
Animal control	1,886	-	1,886	2,424
Parks	349,078	-	349,078	330,748
Community center	127,116	-	127,116	138,822
Street	1,057,116	-	1,057,116	997,981
Planning and zoning	56,288	-	56,288	63,961
Transportation	97,192	-	97,192	95,994
Airport	40,379	-	40,379	80,705
Golf	278,757	-	278,757	277,932
Economic development	39,190	-	39,190	667,331
Industrial development	133,388	-	133,388	6,544
Debt service	34,009	-	34,009	30,264
Electric	-	8,032,409	8,032,409	6,178,269
Water	-	1,000,603	1,000,603	980,201
Sewer	-	1,127,557	1,127,557	1,210,346
<b>Total Expenses</b>	<u>3,240,964</u>	<u>10,160,569</u>	<u>13,401,533</u>	<u>12,217,775</u>
<i>Increase in Net Position</i>	<u>\$ 685,014</u>	<u>\$ 853,226</u>	<u>\$ 1,538,240</u>	<u>\$ 94,930</u>

# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

### Governmental Activities

Governmental activities increased the net position of the City by \$685,014. Tax revenues for the City were \$3,370,546, which represents 76% of the funding of these activities. Program and other revenues for the functions totaled \$1,046,967, or 24% 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

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Administrative	\$ 303,662	\$ 80,408
Police	672,669	522,013
Municipal court	50,234	50,234
Animal control	1,886	1,365
Parks	349,078	319,980
Community center	127,116	110,753
Street	1,057,116	772,722
Planning and zoning	56,288	30,401
Transportation	97,192	(18,627)
Airport	40,379	18,307
Golf	278,757	169,962
Economic development	39,190	39,190
Industrial development	133,388	133,388
Debt service	34,009	34,009
	<u>\$ 3,240,964</u>	<u>\$ 2,264,105</u>

### Business-Type Activities

Business-type activities increased the City's net position by \$853,226. Last year the business-type activities increased net position by \$639,853.

### Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of December 31, 2021, were \$5,742,825. The General Fund increased by \$50,103. The Capital Improvement Sales Tax Fund increased by \$12,481. The Industrial Development Fund increased by \$293,591. The ARPA Fund increased by \$287.

# City of Mt. Vernon

## Management's Discussion and Analysis

December 31, 2021

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### General Fund Budgetary Highlights

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

- The original revenue budget of \$3,383,546 was increased to \$3,900,545 to reflect actual revenues.
- The original expenditures budget of \$3,817,492 was increased to \$4,648,138 to reflect actual expenditures.

### Capital Assets and Debt Administration

#### Capital Assets

Capital assets of the governmental activities were \$10,806,594 (net of accumulated depreciation) as of December 31, 2021. This represents a \$9,577 decrease from the prior year. Capital assets for business-type activities were \$12,135,050 as of December 31, 2021. This represents a decrease of \$821,001 primarily due to depreciation on assets.

#### Debt

Total debt of the governmental activities as of December 31, 2021, consists of \$797,696 in Series 2021 Certificates of Participation.

Total debt of the business-type activities as of December 31, 2021, was \$5,909,719. This consists of \$645,000 in 2005 Certificates of Participation, \$3,112,614 in Series 2008 Revenue Bonds, \$2,152,105 in Series 2021 Certificates of Participation.

### Economic Factors and Next Year's Budget

Economic factors that will influence the local economy and the City's 2022 budget include the long-term effects of the COVID-19 Virus on industries, businesses and families, such as supply chain and staffing shortages, and the increased pricing of consumer products. The anticipated opening of a new lumber yard and travel center will have a positive effect on employment availability and sale tax revenue. Several governmental facilities are in various stages of development and will have a positive influence on the economy.

### Contacting the City's Financial Management

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

City of Mt. Vernon  
109 N. Hickory, P.O. Box 70  
Mt. Vernon, MO 65712  
(417) 466-2122

Jason Haymes, Mayor  
Joe Kelley, City Administrator  
Melissa Aduddle, City Clerk  
Shari Weldy, Treasurer

# City of Mt. Vernon

## Statement of Net Position

December 31, 2021

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
Current			
Cash and cash equivalents - unrestricted	\$ 4,994,290	\$ 7,687,889	\$ 12,682,179
Investments	217,537	772,420	989,957
Interest receivable	544	735	1,279
Taxes receivable	434,581	-	434,581
Utilities receivable, net	-	1,674,559	1,674,559
Intergovernmental receivable	94,121	-	94,121
Prepaid expenses	21,915	3,089	25,004
Inventory	-	430,981	430,981
Noncurrent			
Restricted cash and cash equivalents	460,990	1,032,877	1,493,867
Utilities receivable, net	-	735,633	735,633
Net pension asset	1,078,599	403,334	1,481,933
Capital Assets			
Non-depreciable	307,136	209,683	516,819
Depreciable, net	10,499,458	11,925,367	22,424,825
<b>Total Assets</b>	<u>18,109,171</u>	<u>24,876,567</u>	<u>42,985,738</u>
<b>Deferred Outflow of Resources</b>			
Deferred pension outflows	121,042	67,436	188,478

See accompanying notes to the financial statements.

# City of Mt. Vernon

## Statement of Net Position

December 31, 2021

	Activities	Activities	Total
<b>Liabilities</b>			
Current			
Accounts payable	-	335	335
Accrued expenses	26,325	25,804	52,129
Deposits payable	-	101,681	101,681
Court bonds payable	3	-	3
Unearned revenue	454,825	-	454,825
Accrued interest payable	1,576	101,254	102,830
Current portion of long-term debt	127,540	1,311,306	1,438,846
	610,269	1,540,380	2,150,649
Noncurrent			
Compensated absences payable	93,136	26,313	119,449
Revenue bonds payable, net	-	2,752,614	2,752,614
Certificates of participation payable, net	684,002	1,845,799	2,529,801
	777,138	4,624,726	5,401,864
<b>Total Liabilities</b>	1,387,407	6,165,106	7,552,513
 <b>Deferred Inflow of Resources</b>			
Deferred pension inflows	662,227	257,274	919,501
 <b>Net Position</b>			
Net investment in capital assets	9,995,052	6,225,331	16,220,383
Restricted	706,106	931,196	1,637,302
Unrestricted	5,479,421	11,365,096	16,844,517
<b>Total Net Position</b>	\$ 16,180,579	\$ 18,521,623	\$ 34,702,202

See accompanying notes to the financial statements.

# City of Mt. Vernon

## Statement of Activities

Year Ended December 31, 2021

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	\$ (303,662)	\$ 223,254	\$ -	\$ -	\$ (80,408)	\$ -	\$ (80,408)
Police	(672,669)	29,701	120,955	-	(522,013)	-	(522,013)
Municipal court	(50,234)	-	-	-	(50,234)	-	(50,234)
Animal control	(1,886)	521	-	-	(1,365)	-	(1,365)
Parks	(349,078)	21,098	8,000	-	(319,980)	-	(319,980)
Community center	(127,116)	16,363	-	-	(110,753)	-	(110,753)
Street	(1,057,116)	-	-	284,394	(772,722)	-	(772,722)
Planning and zoning	(56,288)	25,887	-	-	(30,401)	-	(30,401)
Transportation	(97,192)	10,756	105,063	-	18,627	-	18,627
Airport	(40,379)	9,156	12,916	-	(18,307)	-	(18,307)
Golf	(278,757)	108,795	-	-	(169,962)	-	(169,962)
Economic development	(39,190)	-	-	-	(39,190)	-	(39,190)
Industrial development	(133,388)	-	-	-	(133,388)	-	(133,388)
Debt service	(34,009)	-	-	-	(34,009)	-	(34,009)
<b>Total Governmental Activities</b>	<b>(3,240,964)</b>	<b>445,531</b>	<b>246,934</b>	<b>284,394</b>	<b>(2,264,105)</b>	<b>-</b>	<b>(2,264,105)</b>
Business-type activities							
Electric	(8,032,409)	8,117,013	-	-	-	84,604	84,604
Water	(1,000,603)	1,049,682	-	-	-	49,079	49,079
Sewer	(1,127,557)	1,111,118	-	-	-	(16,439)	(16,439)
<b>Total Business-Type Activities</b>	<b>(10,160,569)</b>	<b>10,277,813</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117,244</b>	<b>117,244</b>
<b>Total Government</b>	<b>\$ (13,401,533)</b>	<b>\$ 10,723,344</b>	<b>\$ 246,934</b>	<b>\$ 284,394</b>	<b>(2,264,105)</b>	<b>117,244</b>	<b>(2,146,861)</b>
General Revenues							
Sales taxes					2,176,322	-	2,176,322
Motor vehicle taxes					197,828	-	197,828
Other taxes					43,689	-	43,689
Franchise fees					109,903	-	109,903
Payment in lieu of tax					842,804	-	842,804
Interest					33,508	187,723	221,231
Other revenue					36,600	56,724	93,324
Transfers					(491,535)	491,535	-
<b>Total General Revenues and Transfers</b>					<b>2,949,119</b>	<b>735,982</b>	<b>3,685,101</b>
<i>Changes in Net Position</i>					685,014	853,226	1,538,240
Net Position, Beginning of year					15,495,565	17,668,397	33,163,962
<b>Net Position, End of year</b>					<b>\$ 16,180,579</b>	<b>\$ 18,521,623</b>	<b>\$ 34,702,202</b>

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Balance Sheet – Governmental Funds

December 31, 2021

	Special Revenue Funds				Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	ARPA Fund	
<b>Assets</b>					
Cash and cash equivalents - unrestricted	\$ 3,374,922	\$ 397,477	\$ 1,221,604	\$ 287	\$ 4,994,290
Investments - unrestricted	-	217,537	-	-	217,537
Taxes receivable	350,195	84,386	-	-	434,581
Intergovernmental receivable	94,121	-	-	-	94,121
Interest receivable	-	544	-	-	544
Prepaid expenses	21,915	-	-	-	21,915
Restricted cash and cash equivalents	6,165	-	-	454,825	460,990
<b>Total Assets</b>	<b>\$ 3,847,318</b>	<b>\$ 699,944</b>	<b>\$ 1,221,604</b>	<b>\$ 455,112</b>	<b>\$ 6,223,978</b>
<b>Liabilities and Fund Balances</b>					
Liabilities					
Accrued expenses	\$ 26,325	\$ -	\$ -	\$ -	\$ 26,325
Court bonds payable	3	-	-	-	3
Unearned revenue	-	-	-	454,825	454,825
<b>Total Liabilities</b>	26,328	-	-	454,825	481,153
Fund Balances					
Nonspendable					
Prepaid expenses	21,915	-	-	-	21,915
Restricted for					
Debt service	886	-	-	-	886
Playground equipment	5,276	-	-	-	5,276
Capital improvements	-	699,944	-	-	699,944
Committed to					
Debt service	107,969	-	-	-	107,969
Assigned to					
Industrial development	-	-	1,221,604	-	1,221,604
Economic development	285,981	-	-	-	285,981
ARPA	-	-	-	287	287
Unassigned	3,398,963	-	-	-	3,398,963
<b>Total Fund Balances</b>	<b>3,820,990</b>	<b>699,944</b>	<b>1,221,604</b>	<b>287</b>	<b>5,742,825</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,847,318</b>	<b>\$ 699,944</b>	<b>\$ 1,221,604</b>	<b>\$ 455,112</b>	<b>\$ 6,223,978</b>

See accompanying notes to the financial statements.



## City of Mt. Vernon

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

December 31, 2021

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Fund balance - total governmental funds	\$ 5,742,825
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Governmental capital assets	43,937,275
Less accumulated depreciation	<u>(33,130,681)</u>
	10,806,594
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	1,078,599
Deferred outflows due to pension	121,042
Deferred inflows due to pension	<u>(662,227)</u>
	537,414
Compensated absences are not accrued in the governmental funds, but rather are recognized as an expenditure when paid	(106,982)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(1,576)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds	<u>(797,696)</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 16,180,579</u></u>

See accompanying notes to the financial statements.

## City of Mt. Vernon

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

Year Ended December 31, 2021

	Special Revenue Funds				Total Governmental Funds
	General Fund	Capital Improvement Sales Tax Fund	Industrial Development Fund	ARPA Fund	
<b>Revenues</b>					
Taxes	\$ 2,871,399	\$ 499,147	\$ -	\$ -	\$ 3,370,546
Licenses and permits	32,098	-	-	-	32,098
Intergovernmental revenues	523,328	-	-	-	523,328
Charges for services	383,732	-	-	-	383,732
Fines and forfeitures	28,305	-	-	-	28,305
Miscellaneous	61,683	4,869	12,665	287	79,504
<b>Total Revenues</b>	3,900,545	504,016	12,665	287	4,417,513
<b>Expenditures</b>					
Current					
Administrative	323,224	-	-	-	323,224
Police	783,781	-	-	-	783,781
Municipal court	53,327	-	-	-	53,327
Animal control	1,886	-	-	-	1,886
Parks	722,398	-	-	-	722,398
Community center	94,850	-	-	-	94,850
Street	1,209,161	-	-	-	1,209,161
Planning and zoning	63,362	-	-	-	63,362
Transportation	78,438	-	-	-	78,438
Airport	28,174	-	-	-	28,174
Golf	279,676	-	-	-	279,676
Economic development	40,540	-	-	-	40,540
Industrial development	-	-	11,000	-	11,000
Debt service					
Principal, interest and fees	969,321	-	-	-	969,321
<b>Total Expenditures</b>	4,648,138	-	11,000	-	4,659,138
<i>Excess (Deficit) of Revenues Over Expenditures</i>	(747,593)	504,016	1,665	287	(241,625)
<b>Other Financing Sources (Uses)</b>					
Sale of property	-	-	291,926	-	291,926
Lease proceeds	814,672	-	-	-	814,672
Discount on debt issuance	(16,976)	-	-	-	(16,976)
Operating transfers in (out)	-	(491,535)	-	-	(491,535)
<b>Total Other Financing Sources (Uses)</b>	797,696	(491,535)	291,926	-	598,087
<i>Excess of Revenues and Other Sources Over Expenditures and Other (Uses)</i>	50,103	12,481	293,591	287	356,462
Fund Balance, January 1	3,770,887	687,463	928,013	-	5,386,363
<b>Fund Balance, December 31</b>	\$ 3,820,990	\$ 699,944	\$ 1,221,604	\$ 287	\$ 5,742,825

See accompanying notes to the financial statements.

## City of Mt. Vernon

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

Year Ended December 31, 2021

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Net change in fund balances - total governmental funds	\$ 356,462
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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	1,387,287
Depreciation	(989,094)
Disposal of capital assets	(407,770)
	<u>(9,577)</u>

Some expenditures reported in the governmental funds represent the use of current financial resources and were recognized in the Statement of Activities when incurred.

Change in pension related costs	199,898
Change in compensated absences	615
	<u>200,513</u>

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

Repayment of principal on debt	927,000
Certificate of Participation proceeds	(814,672)
Discount on debt issuance	16,976
Change in accrued interest payable	8,312
	<u>137,616</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 685,014</u></u>

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Statement of Net Position – Proprietary Funds

December 31, 2021

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>Assets</b>				
Current Assets				
Cash and cash equivalents	\$ 4,757,500	\$ 1,893,475	\$ 1,036,914	\$ 7,687,889
Investments	551,790	220,630	-	772,420
Interest receivable	460	275	-	735
Utilities receivable, net	1,362,936	148,236	163,387	1,674,559
Prepaid expenses	1,368	1,721	-	3,089
Inventory	358,940	72,041	-	430,981
<b>Total Current Assets</b>	7,032,994	2,336,378	1,200,301	10,569,673
Noncurrent Assets				
Restricted Cash and cash equivalents	102,282	364,645	565,950	1,032,877
Utilities receivable, net	735,633	-	-	735,633
Net pension asset	242,497	160,837	-	403,334
Capital Assets				
Non-depreciable	155,875	-	53,808	209,683
Depreciable, net	3,092,626	2,683,642	6,149,099	11,925,367
<b>Total Capital Assets</b>	3,248,501	2,683,642	6,202,907	12,135,050
<b>Total Noncurrent Assets</b>	4,328,913	3,209,124	6,768,857	14,306,894
<b>Total Assets</b>	11,361,907	5,545,502	7,969,158	24,876,567
<b>Deferred Outflow of Resources</b>				
Deferred pension outflows	39,730	27,706	-	67,436

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Statement of Net Position – Proprietary Funds

December 31, 2021

	Fund	Fund	Fund	Total
<b>Liabilities</b>				
Current Liabilities				
Accounts payable	-	335	-	335
Accrued expenses	20,455	5,349	-	25,804
Utility deposits	101,681	-	-	101,681
Accrued interest payable	554	11,661	89,039	101,254
Current maturities of long-term debt	79,884	836,352	395,070	1,311,306
<b>Total Current Liabilities</b>	<b>202,574</b>	<b>853,697</b>	<b>484,109</b>	<b>1,540,380</b>
Long-Term Liabilities				
Compensated absences payable	15,374	10,939	-	26,313
Revenue bonds payable, net	-	-	2,752,614	2,752,614
Certificates of participation payable, net	481,564	1,153,349	210,886	1,845,799
<b>Total Long-Term Liabilities</b>	<b>496,938</b>	<b>1,164,288</b>	<b>2,963,500</b>	<b>4,624,726</b>
<b>Total Liabilities</b>	<b>699,512</b>	<b>2,017,985</b>	<b>3,447,609</b>	<b>6,165,106</b>
<b>Deferred Inflow of Resources</b>				
Deferred pension inflows	154,918	102,356	-	257,274
<b>Net Position</b>				
Net investment in capital assets	2,687,053	693,941	2,844,337	6,225,331
Restricted	601	364,645	565,950	931,196
Unrestricted	7,859,553	2,394,281	1,111,262	11,365,096
<b>Total Net Position</b>	<b>\$ 10,547,207</b>	<b>\$ 3,452,867</b>	<b>\$ 4,521,549</b>	<b>\$ 18,521,623</b>

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds

Year Ended December 31, 2021

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>Operating Revenues</b>				
Charges for services	\$ 8,114,485	\$ 1,048,120	\$ 1,111,118	\$ 10,273,723
Miscellaneous	2,528	1,562	-	4,090
<b>Total Operating Revenues</b>	8,117,013	1,049,682	1,111,118	10,277,813
<b>Operating Expenses</b>				
Salaries and wages	339,815	172,242	-	512,057
Employee benefits	38,968	23,622	-	62,590
Gas and oil	5,167	8,758	-	13,925
Materials and supplies	213	57,938	18,667	76,818
Insurance	38,738	23,018	16,674	78,430
Power purchased	6,319,866	-	-	6,319,866
Payment in lieu of tax	637,080	99,914	105,810	842,804
Telephone and utilities	4,542	4,120	3,215	11,877
Repairs and maintenance	144,091	128,376	91,414	363,881
Professional fees	7,531	15,889	150,051	173,471
Other expenses	52,624	11,486	4,128	68,238
Depreciation	267,957	229,711	365,388	863,056
Administrative	155,514	143,479	164,403	463,396
<b>Total Operating Expenses</b>	8,012,106	918,553	919,750	9,850,409
<i>Operating Income</i>	104,907	131,129	191,368	427,404
<b>Nonoperating Revenues (Expenses)</b>				
Interest income	43,903	13,441	130,379	187,723
Nonoperating revenue	11,406	45,318	-	56,724
Interest and fees expense	(20,303)	(82,050)	(207,807)	(310,160)
<b>Total Nonoperating Revenues (Expenses)</b>	35,006	(23,291)	(77,428)	(65,713)
<i>Income Before Operating Transfers</i>	139,913	107,838	113,940	361,691
Operating Transfers In	-	362,600	128,935	491,535
<i>Net Income</i>	139,913	470,438	242,875	853,226
Net Position, January 1	10,407,294	2,982,429	4,278,674	17,668,397
<b>Net Position, December 31</b>	\$ 10,547,207	\$ 3,452,867	\$ 4,521,549	\$ 18,521,623

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Statement of Cash Flows – Proprietary Funds

Year Ended December 31, 2021

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 6,896,841	\$ 1,038,761	\$ 1,096,970	\$ 9,032,572
Cash paid to suppliers	(7,366,333)	(503,166)	(554,362)	(8,423,861)
Cash paid to employees	(424,046)	(223,004)	-	(647,050)
<b>Net Cash Provided (Used) by Operating Activities</b>	(893,538)	312,591	542,608	(38,339)
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating transfers in	-	362,600	128,935	491,535
Nonoperating revenue	11,406	45,318	-	56,724
<b>Net Cash Provided by Noncapital Financing Activities</b>	11,406	407,918	128,935	548,259
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(21,324)	-	(20,731)	(42,055)
Certificates of participation proceeds	561,448	1,344,701	245,956	2,152,105
Payment of bond principal	-	-	(347,325)	(347,325)
Payment of certificates of participation principal	(676,925)	(2,060,250)	(285,825)	(3,023,000)
Payment of interest and fees expense	(23,433)	(94,005)	(219,732)	(337,170)
<b>Net Cash (Used) by Capital and Related Financing Activities</b>	(160,234)	(809,554)	(627,657)	(1,597,445)
<b>Cash Flows from Investing Activities</b>				
Interest received	45,753	14,738	130,379	190,870
Proceeds from maturity / (purchase) of investments	318,615	(3,805)	-	314,810
<b>Net Cash Provided by Investing Activities</b>	364,368	10,933	130,379	505,680
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(677,998)	(78,112)	174,265	(581,845)
Cash and Cash Equivalents, Beginning of year	5,537,780	2,336,232	1,428,599	9,302,611
<b>Cash and Cash Equivalents, End of year</b>	4,859,782	2,258,120	1,602,864	8,720,766
Less Restricted Cash and Cash Equivalents	102,282	364,645	565,950	1,032,877
<b>Unrestricted Cash and Cash Equivalents</b>	\$ 4,757,500	\$ 1,893,475	\$ 1,036,914	\$ 7,687,889

See accompanying notes to the financial statements.

## City of Mt. Vernon

### Statement of Cash Flows – Proprietary Funds

Year Ended December 31, 2021

	Enterprise Funds			Total
	Electric Fund	Water Fund	Sewer Fund	
<b>Reconciliation of Operating Income to Net Cash Provided (Used ) by Operating Activities</b>				
Operating income	\$ 104,907	\$ 131,129	\$ 191,368	\$ 427,404
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	267,957	229,711	365,388	863,056
(Increase) decrease in				
Utilities receivable	(1,219,448)	(10,921)	(14,148)	(1,244,517)
Prepaid expenses	364	292	-	656
Inventory	(1,331)	(10,815)	-	(12,146)
Net pension asset	(233,409)	(149,857)	-	(383,266)
Deferred pension outflow	30,329	19,472	-	49,801
Increase (decrease) in				
Accounts payable	-	335	-	335
Accrued expenses	9,607	4,376	-	13,983
Meter deposits payable	(724)	-	-	(724)
Deferred pension inflow	154,316	99,076	-	253,392
Compensated absences payable	(6,106)	(207)	-	(6,313)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ (893,538)</u>	<u>\$ 312,591</u>	<u>\$ 542,608</u>	<u>\$ (38,339)</u>

See accompanying notes to the financial statements.



# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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### 1. 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.

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.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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### 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.

*ARPA Fund:* The ARPA Fund is used to account for resources restricted, committed, or assigned for the American Rescue Plan Act funding.

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 one year. 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.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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

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

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

### **Pooled Cash and Cash Equivalents**

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

### **Investments**

Investments consist of certificates of deposit with maturities in excess of three months.

### **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.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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### 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:* is 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.

*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.

### Unearned Revenue

This is future revenue received for unspent grant proceeds and will be recognized as income when earned.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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### 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 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.

## 2. Cash & 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, 2021, all bank balances on deposit are entirely insured or collateralized.

## 3. Investments

Investments of the City as of December 31, 2021, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Total</u>
Certificates of Deposit	2/7/2022 - 10/31/2022	<u>\$ 989,957</u>

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### 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, 2021, 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.

## 4. Restricted Assets

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

	<b>Restricted Cash and Cash Equivalents</b>	<b>Restricted Net Position</b>
<b>General Fund</b>		
Handicap playground equipment	\$ 5,276	\$ 5,276
Court bonds	3	-
2021 Certificates of Participation		
Lease Revenue Fund	886	886
	<u>\$ 6,165</u>	<u>\$ 6,162</u>
<b>Capital Improvement Sales Tax Fund</b>		
Capital improvement sales tax	<u>\$ -</u>	<u>\$ 699,944</u>
<b>ARPA Fund</b>		
American Rescue Plan Act	<u>\$ 454,825</u>	<u>\$ -</u>

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

	<b>Restricted Cash and Cash Equivalents</b>	<b>Restricted Net Position</b>
<b>Electric Fund</b>		
2021 Certificates of Participation		
Lease Revenue Fund	\$ 601	\$ 601
Customer Deposits	101,681	-
	\$ 102,282	\$ 601
<b>Water Fund</b>		
2005 Certificates of Participation		
Debt Service Reserve Fund	\$ 363,222	\$ 363,222
2021 Certificates of Participation		
Lease Revenue Fund	1,423	1,423
	\$ 364,645	\$ 364,645
<b>Sewer Fund</b>		
2008 Waterworks and Sewerage System Bonds		
Principal and Interest Funds	\$ 389,677	\$ 389,677
Debt Service Reserve Fund	176,020	176,020
2021 Certificates of Participation		
Lease Revenue Fund	253	253
	\$ 565,950	\$ 565,950

## 5. Accounts Receivable

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

	<b>Accounts Receivable</b>	<b>Allowance</b>	<b>Net Accounts Receivable</b>	<b>Amounts Due Within One Year</b>
<b>Utilities Receivable</b>				
<i>Enterprise Funds</i>				
Electric Fund	\$ 2,128,569	\$ (30,000)	\$ 2,098,569	\$ 1,362,936
Water Fund	153,236	(5,000)	148,236	148,236
Sewer Fund	168,387	(5,000)	163,387	163,387
	\$ 2,450,192	\$ (40,000)	\$ 2,410,192	\$ 1,674,559

During February 2021, the City experienced a polar vortex which created additional electric charges in the amount of \$1,489,832. Instead of charging customers at that time, the City approved adding a fuel charge adjustment to current customer bills each month to recover the amount the City paid, not to exceed a period of five years. The long-term utilities receivable amount related to these charges is \$735,633 at December 31, 2021.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### 6. Long-Term Liabilities – Governmental Activities

Long-term liabilities for governmental activities at December 31, 2021, consists of the Series 2021 Certificates of Participation and compensated absences.

#### Series 2021 Certificates of Participation

On September 14, 2021, the City issued \$3,010,000 in Series 2021 Certificates of Participation to refund the Series 2014 and Series 2016 Certificates of Participation for water, sewer, electric and street improvements. \$814,672 of the certificates was recorded as long-term debt within the governmental activities and \$2,195,328 was recorded as long-term debt within the business-type activities. In the event of default, the Trustee may declare all rents payable to be due or may take possession of the property. The Certificates of Participation bear interest ranging from .50% to .80% with interest payments due March 1 and September 1 each year and principal payments due March 1, each year. The annual debt service requirements to amortize the principal on the certificates outstanding at December 31, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 420,000	\$ 17,097	\$ 437,097
2023	725,000	14,734	739,734
2024	725,000	10,565	735,565
2025	730,000	5,835	735,835
2026	410,000	1,640	411,640
	<u>\$ 3,010,000</u>	<u>\$ 49,871</u>	<u>\$ 3,059,871</u>
Governmental Activities	\$ 814,672		
Business-Type Activities			
Electric Fund	572,504		
Water Fund	1,371,634		
Sewer Fund	251,190		
	<u>\$ 3,010,000</u>		

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

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Amounts Due Within One Year
Certificates of Participation					
Series 2014	\$ 927,000	\$ -	\$ 927,000	\$ -	\$ -
Series 2021	-	814,672	-	814,672	113,694
	<u>927,000</u>	<u>814,672</u>	<u>927,000</u>	<u>814,672</u>	<u>113,694</u>
Unamortized Debt Discount	-	(16,976)	-	(16,976)	-
	<u>927,000</u>	<u>797,696</u>	<u>927,000</u>	<u>797,696</u>	<u>113,694</u>
Compensated Absences	107,597	-	615	106,982	13,846
	<u>\$ 1,034,597</u>	<u>\$ 797,696</u>	<u>\$ 927,615</u>	<u>\$ 904,678</u>	<u>\$ 127,540</u>



# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### 7. Long-Term Debt – Business-Type Activities

The business-type activities long-term debt at December 31, 2021, consists of the 2008 Combined Waterworks and Sewerage System revenue bonds, the Series 2005 and 2021 Certificates of Participation and compensated absences.

#### Water Fund

##### *Series 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. In the event of default, the Trustee may declare all rents payable to be due or may take possession of the property. 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, 2021, are as follows:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 645,000	\$ 13,513	\$ 658,513

#### Sewer Fund

##### *Series 2008 Combined Waterworks and Sewerage System Revenue Bonds*

During 2008, the City issued \$5,715,000 in Combined Waterworks and Sewerage System Revenue Bonds. In the event of default, DNR would pursue any available remedies at law or equity by suit, action, mandamus or other proceeding to enforce and compel the payment of principal and interest on the bonds and all other amounts due under the Ordinance and other loan documents, and/or the performance of the duties and obligations of the City under the loan documents, which may include, but is not limited to, the payment of damages, penalties, interest fees and expenses. 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, 2021, are due as follows:

Year Ending December 31,	Direct Placement			Total
	Principal	Interest	Administrative Fee	
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
	\$ 3,130,000	\$ 737,397	\$ 103,353	\$ 3,970,750

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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

	<b>Balance December 31, 2020</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance December 31, 2021</b>	<b>Amounts Due Within One Year</b>
<b>Electric Fund</b>					
Compensated Absences	\$ 21,480	\$ -	\$ 6,106	\$ 15,374	\$ -
Certificates of Participation					
Series 2014	115,875	-	115,875	-	-
Series 2016	561,050	-	561,050	-	-
Series 2021	-	572,504	-	572,504	79,884
	<u>676,925</u>	<u>572,504</u>	<u>676,925</u>	<u>572,504</u>	<u>79,884</u>
Unamortized Debt Discount	-	(11,056)	-	(11,056)	-
	<u>676,925</u>	<u>561,448</u>	<u>676,925</u>	<u>561,448</u>	<u>79,884</u>
<b>Total Electric Fund</b>	<b>698,405</b>	<b>561,448</b>	<b>683,031</b>	<b>576,822</b>	<b>79,884</b>
<b>Water Fund</b>					
Compensated Absences	11,146	-	207	10,939	-
Certificates of Participation					
Series 2005	1,075,000	-	430,000	645,000	645,000
Series 2014	216,300	-	216,300	-	-
Series 2016	1,413,950	-	1,413,950	-	-
Series 2021	-	1,371,634	-	1,371,634	191,352
	<u>2,705,250</u>	<u>1,371,634</u>	<u>2,060,250</u>	<u>2,016,634</u>	<u>836,352</u>
Unamortized Debt Discount	-	(26,933)	-	(26,933)	-
	<u>2,705,250</u>	<u>1,344,701</u>	<u>2,060,250</u>	<u>1,989,701</u>	<u>836,352</u>
<b>Total Water Fund</b>	<b>2,716,396</b>	<b>1,344,701</b>	<b>2,060,457</b>	<b>2,000,640</b>	<b>836,352</b>
<b>Sewer Fund</b>					
Certificates of Participation					
Series 2014	285,825	-	285,825	-	-
Series 2021	-	251,190	-	251,190	35,070
	<u>285,825</u>	<u>251,190</u>	<u>285,825</u>	<u>251,190</u>	<u>35,070</u>
Unamortized Debt Discount	-	(5,234)	-	(5,234)	-
	<u>285,825</u>	<u>245,956</u>	<u>285,825</u>	<u>245,956</u>	<u>35,070</u>
Direct Placement					
Revenue Bonds					
Series 2008	3,480,000	-	350,000	3,130,000	360,000
Unamortized Debt Discount	(20,061)	-	(2,675)	(17,386)	-
	<u>3,459,939</u>	<u>-</u>	<u>347,325</u>	<u>3,112,614</u>	<u>360,000</u>
<b>Total Sewer Fund</b>	<b>3,745,764</b>	<b>245,956</b>	<b>633,150</b>	<b>3,358,570</b>	<b>395,070</b>
	<u><u>\$ 7,160,565</u></u>	<u><u>\$ 2,152,105</u></u>	<u><u>\$ 3,376,638</u></u>	<u><u>\$ 5,936,032</u></u>	<u><u>\$ 1,311,306</u></u>

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### 8. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	<b>Balance December 31, 2020</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2021</b>
<b>Governmental Activities</b>				
Non-depreciable Capital Assets				
Land	\$ 714,906	\$ -	\$ 407,770	\$ 307,136
Construction in progress	24,740	393,280	418,020	-
<b>Total Non-depreciable Capital Assets</b>	<b>739,646</b>	<b>\$ 393,280</b>	<b>\$ 825,790</b>	<b>307,136</b>
<b>Depreciable Capital Assets</b>				
Land improvements	367,556	\$ -	\$ -	367,556
Building and improvements	2,907,944	-	-	2,907,944
Major moveable equipment	1,500,361	54,064	-	1,554,425
Infrastructure	37,442,251	1,357,963	-	38,800,214
<b>Total Depreciable Capital Assets</b>	<b>42,218,112</b>	<b>\$ 1,412,027</b>	<b>\$ -</b>	<b>43,630,139</b>
<b>Less Accumulated Depreciation</b>				
Land improvements	239,175	\$ 10,714	\$ -	249,889
Building and improvements	634,752	55,967	-	690,719
Major moveable equipment	1,218,332	97,861	-	1,316,193
Infrastructure	30,049,328	824,552	-	30,873,880
<b>Total Accumulated Depreciation</b>	<b>32,141,587</b>	<b>\$ 989,094</b>	<b>\$ -</b>	<b>33,130,681</b>
<b>Total Depreciable Capital Assets, net</b>	<b>10,076,525</b>			<b>10,499,458</b>
<b>Total Governmental Activities     Capital Assets, net</b>	<b>\$ 10,816,171</b>			<b>\$ 10,806,594</b>

Depreciation expense was charged to functions as follows:

Administrative	\$ 31,566
Police	17,442
Parks	31,807
Street	811,440
Industrial development	6,544
Transportation	18,754
Airport	12,205
Golf	18,741
Community center	38,988
Economic development	1,607
	<b>\$ 989,094</b>

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

	December 31, 2020	Additions	Deletions	December 31, 2021
<b>Business-Type Activities</b>				
<i>Electric Fund</i>				
Non-Depreciable Capital Assets				
Land	\$ 155,875	\$ -	\$ -	\$ 155,875
Depreciable Capital Assets				
Electric plant	7,761,092	\$ 21,324	\$ -	7,782,416
Less Accumulated Depreciation				
Electric plant	4,421,833	\$ 267,957	\$ -	4,689,790
<b>Total Depreciable Capital Assets,     net</b>	3,339,259			3,092,626
<i>Water Fund</i>				
Depreciable Capital Assets				
Water plant	6,513,549	\$ -	\$ -	6,513,549
Less Accumulated Depreciation				
Water plant	3,600,196	\$ 229,711	\$ -	3,829,907
<b>Total Depreciable Capital Assets,     net</b>	2,913,353			2,683,642
<i>Sewer Fund</i>				
Non-Depreciable Capital Assets				
Land	53,808	\$ -	\$ -	53,808
Depreciable Capital Assets				
Sewer plant	15,942,701	\$ 20,731	\$ -	15,963,432
Less Accumulated Depreciation				
Sewer plant	9,448,945	\$ 365,388	\$ -	9,814,333
<b>Total Depreciable Capital Assets,     net</b>	6,493,756			6,149,099
<b>Total Capital Assets - Business -     Type Activities, net</b>	\$ 12,956,051			\$ 12,135,050

## 9. 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.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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](http://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>2021 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, 2021, which is LAGERS fiscal year end and the latest information available, the following employees were covered by the benefit terms:

	<u>General</u>	<u>Police</u>
Inactive employees or beneficiaries currently receiving benefits	18	5
Inactive employees entitled to but not yet receiving benefits	8	13
Active employees	<u>22</u>	<u>9</u>
	<u>48</u>	<u>27</u>

*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 9.8% (General) and 9.2% (Police) of annual covered payroll.

*Net Pension Asset.* The employer's net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2021.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

*Actuarial Assumptions.* The total pension liability in the February 28, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% wage inflation, 2.25% price inflation
Salary increase	2.75% to 6.75% including wage inflation (General); 2.75% to 6.55% including wage inflation (Police)
Investment rate of return	7.00% net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2021, valuation were based on the results of an actuarial experience study for the period March 1, 2015, through February 29, 2020.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash/Leverage	-25.00%	-0.29%

*Discount Rate.* The discount rate used to measure the total pension liability is 7.00%. 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.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension (Asset)
	(a)	(b)	(a) - (b)
<b>General Division</b>			
Balance at beginning of year	\$ 3,972,538	\$ 4,021,616	\$ (49,078)
Changes for the year			
Service Cost	92,724	-	92,724
Interest on total pension liability	283,415	-	283,415
Difference between expected and actual experiences	36,213	-	36,213
Changes of assumptions	(92,712)		(92,712)
Benefits paid, including refunds	(221,704)	(221,704)	-
Contributions - employer	-	99,356	(99,356)
Net investment income	-	1,128,766	(1,128,766)
Administrative expenses	-	(4,519)	4,519
Other changes	-	29,502	(29,502)
<i>Net changes</i>	97,936	1,031,401	(933,465)
Balances at end of year	4,070,474	5,053,017	(982,543)
<b>Police Division</b>			
Balance at beginning of year	1,691,905	1,797,060	(105,155)
Changes for the year			
Service Cost	37,139	-	37,139
Interest on total pension liability	121,726	-	121,726
Difference between expected and actual experiences	(46,884)	-	(46,884)
Changes of assumptions	(8,226)		(8,226)
Contributions - employer	-	34,532	(34,532)
Benefits paid, including refunds	(63,439)	(63,439)	-
Net investment income	-	478,898	(478,898)
Administrative expenses	-	(2,159)	2,159
Other changes	-	(13,281)	13,281
<i>Net changes</i>	40,316	434,551	(394,235)
Balances at end of year	1,732,221	2,231,611	(499,390)
<b>Total Plan Balances at End of Year</b>	<b>\$ 5,802,695</b>	<b>\$ 7,284,628</b>	<b>\$ (1,481,933)</b>

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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

<b>Governmental Activities</b>	\$ (1,078,599)
<b>Business-Type Activities</b>	
Electric Fund	(242,497)
Water Fund	(160,837)
	(403,334)
	\$ (1,481,933)

*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 7.00%, as well as what the employer’s net pension asset would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	<b>1% Decrease 6.00%</b>	<b>Current Single Discount Rate Assumption 7.00%</b>	<b>1% Increase 8.00%</b>
<b>General Division</b>			
Total Pension Liability	\$ 4,604,652	\$ 4,070,474	\$ 3,624,681
Fiduciary Net Position	5,053,017	5,053,017	5,053,017
Net Pension Liability (Asset)	(448,365)	(982,543)	(1,428,336)
<b>Police Division</b>			
Total Pension Liability	2,002,561	1,732,221	1,513,170
Fiduciary Net Position	2,231,611	2,231,611	2,231,611
Net Pension Liability (Asset)	(229,050)	(499,390)	(718,441)
<b>Total Net Pension Liability (Asset)</b>	\$ (677,415)	\$ (1,481,933)	\$ (2,146,777)

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

For the year ended December 31, 2021, the employer recognized a pension credit of \$90,247 in the general division and \$50,179 in the police division. The employer reported deferred outflows and inflows of resources related to pensions from the following sources.



# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
<b>General Division</b>			
Differences between expected and actual experience	\$ 113,238	\$ -	\$ 113,238
Assumption changes	-	(71,116)	(71,116)
Net difference between projected and actual earnings on pension plan investments	-	(555,617)	(555,617)
Contributions subsequent to the measurement date*	51,039	-	51,039
	164,277	(626,733)	(462,456)
<b>Police Division</b>			
Differences between expected and actual experience	6,269	(62,560)	(56,291)
Assumption changes	-	(5,335)	(5,335)
Net difference between projected and actual earnings on pension plan investments	-	(224,873)	(224,873)
Contributions subsequent to the measurement date*	17,932	-	17,932
	24,201	(292,768)	(268,567)
	\$ 188,478	\$ (919,501)	\$ (731,023)

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred (Inflows) of Resources</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
<b>Governmental Activities</b>	\$ 121,042	\$ (662,227)	\$ (541,185)
<b>Business-Type Activities</b>			
Electric Fund	39,730	(154,918)	(115,188)
Water Fund	27,706	(102,356)	(74,650)
	67,436	(257,274)	(189,838)
	\$ 188,478	\$ (919,501)	\$ (731,023)

\*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, 2022.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

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

Year Ending December 31,	Net Deferred Outflows (Inflows) of Resources		
	General	Police	Total
2022	\$ (124,204)	\$ (91,620)	\$ (215,824)
2023	(91,842)	(76,260)	(168,102)
2024	(125,459)	(48,580)	(174,039)
2025	(171,990)	(70,039)	(242,029)
	<u>\$ (513,495)</u>	<u>\$ (286,499)</u>	<u>\$ (799,994)</u>

### Payable to the Pension Plan

At December 31, 2021, the City had no outstanding amounts of contributions to the pension plan required, therefore no payable was reported.

## 10. 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.

## 11. Claims & 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, 2021, 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.

## 12. 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 \$3,867,397. Principal and interest paid for the current year and total customer net revenues were \$536,469 and \$556,756, respectively. In addition, interest subsidies paid \$124,419 of the total interest expense.

# City of Mt. Vernon

## Notes to the Financial Statements

December 31, 2021

### 13. Interfund Transfers

Transfers between funds of the City for the year ended December 31, 2021, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Capital Improvement Sales Tax Fund	\$ -	\$ 491,535
Water Fund	362,600	-
Sewer Fund	128,935	-
	<u>\$ 491,535</u>	<u>\$ 491,535</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.

### 14. Commitments

At December 31, 2021, the City was committed to an agreement with Frantz Water Solutions, LLC to operate the wastewater treatment plant through November 2022. The agreement requires monthly payments of \$10,000 for the first three months of the agreement then \$8,500 per month thereafter. Future payments on the agreement are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2022	<u>\$ 93,500</u>

### 15. Debt Defeasance

On September 14, 2021, the City issued the Series 2021 Certificates of Participation in the amount of \$3,010,000 with interest rates of .50% to .80% to advance refunded \$1,545,000 of Series 2014 Certificates of Participation with interest rates at 3.20% and \$1,735,000 of Series 2016 Certificates of Participation with interest rates of 1.50% and 3.00%. The City also used debt service reserve funds on hand of \$309,067 and a city contribution of \$82,400.

As a result of the refunding, the City reduced its debt service requirements by \$136,297, which resulted in an economic gain (difference between the present value of debt service payments on old and new debt) of \$119,454.

### 16. Unearned Revenue

Unearned revenue consists of revenue received but not considered earned until the appropriate expenses have been incurred. At December 31, 2021, these unearned revenues include unspent grant proceeds in the ARPA Fund in the amount of \$454,825.

## Required Supplementary Information

# City of Mt. Vernon

## Schedule of Changes in Net Pension Asset and Related Ratios

Year Ended December 31, 2021

### Missouri Local Government Employees Retirement System (LAGERS)

	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Total Pension Liability</b>							
Service Cost	\$ 129,863	\$ 113,011	\$ 109,584	\$ 112,616	\$ 109,749	\$ 105,333	\$ 102,995
Interest on the Total Pension Liability	405,141	376,215	364,011	344,436	332,715	308,700	290,431
Difference between expected and actual experience	(10,671)	152,976	(56,236)	63,503	(80,692)	(76,174)	39,249
Change of assumptions	(100,938)	-	-	-	-	173,310	-
Benefit Payments	(285,143)	(219,009)	(281,309)	(217,929)	(185,656)	(178,681)	(184,874)
<i>Net Change in Total Pension Liability</i>	138,252	423,193	136,050	302,626	176,116	332,488	247,801
Total Pension Liability, Beginning	5,664,443	5,241,250	5,105,200	4,802,574	4,626,458	4,293,970	4,046,169
<b>Total Pension Liability, Ending</b>	<b>5,802,695</b>	<b>5,664,443</b>	<b>5,241,250</b>	<b>5,105,200</b>	<b>4,802,574</b>	<b>4,626,458</b>	<b>4,293,970</b>
<b>Plan Fiduciary Net Position</b>							
Contributions - employer	133,888	114,472	104,832	111,335	108,435	105,811	117,296
Pension Plan Net Investment Income	1,607,664	73,157	360,875	650,872	549,387	(10,438)	95,127
Benefit Payments	(285,143)	(219,009)	(281,309)	(217,929)	(185,656)	(178,681)	(184,874)
Pension Plan Administrative Expense	(6,678)	(9,010)	(7,729)	(5,208)	(5,142)	(5,047)	(5,593)
Other	16,221	(7,531)	(67,777)	33,829	13,761	36,267	22,996
<i>Net Change in Plan Fiduciary Net Position</i>	1,465,952	(47,921)	108,892	572,899	480,785	(52,088)	44,952
Plan Fiduciary Net Position, Beginning	5,818,676	5,866,597	5,757,705	5,184,806	4,704,021	4,756,109	4,711,157
<b>Plan Fiduciary Net Position, Ending</b>	<b>7,284,628</b>	<b>5,818,676</b>	<b>5,866,597</b>	<b>5,757,705</b>	<b>5,184,806</b>	<b>4,704,021</b>	<b>4,756,109</b>
<b>Employer Net Pension (Asset)</b>	<b>\$ (1,481,933)</b>	<b>\$ (154,233)</b>	<b>\$ (625,347)</b>	<b>\$ (652,505)</b>	<b>\$ (382,232)</b>	<b>\$ (77,563)</b>	<b>\$ (462,139)</b>
Plan fiduciary net position as a percentage of the total pension liability	125.54%	102.72%	111.93%	112.78%	107.96%	101.68%	110.76%
Covered payroll	\$ 1,403,602	\$ 1,362,812	\$ 1,122,128	\$ 1,204,918	\$ 1,211,152	\$ 1,157,245	\$ 1,136,396
Employer's net pension asset as a percentage of covered payroll	(105.58)%	(11.32)%	(55.73)%	(54.15)%	(31.56)%	(6.70)%	(40.67)%

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

# City of Mt. Vernon

## Schedule of Contributions

Year Ended December 31, 2021

### Missouri Local Government Employees Retirement System (LAGERS)

<b>Year Ending December 31,</b>	<b>Actuarially Determined Contribution</b>	<b>Contribution in Relation to the Actuarially Determined Contribution</b>	<b>Contribution Excess (Deficiency)</b>	<b>Covered Payroll</b>	<b>Contribution as a Percentage of Covered Payroll</b>
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%
2019	106,448	106,448	-	1,252,737	8.50%
2020	125,032	125,032	-	1,447,329	8.64%
2021	146,611	139,544	(7,067)	1,448,813	9.63%

See accompanying notes to the Schedule of Contributions.

# City of Mt. Vernon

## Notes to the Schedule of Contributions

Year Ended December 31, 2021

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**Valuation Date:** February 28, 2021

**Notes:** The roll-forward of total pension liability from February 28, 2021, to June 30, 2021, 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 9 to 15 years for general and police divisions

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

*Inflation:* 2.75% wage inflation; 2.25% price inflation

*Salary Increases:* 2.75% to 6.75% including wage inflation (General); 2.75% to 6.55% including wage inflation (Police)

*Investment Rate of Return:* 7.00%, 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, used in evaluating allowances to be paid were 115% of the PubG-2010 Retiree Mortality Table for males and females. The disabled retiree mortality tables, for post-retirement mortality, used in evaluating allowances to be paid were 115% of the PubNS-2010 Disabled Retiree Mortality Table for males and females. The pre-retirement mortality tables used were 75% of the PubG-2010 Employee Mortality Table for males and females of General groups and 75% of the PubS-2010 Employee Mortality Table for males and females of Police, Fire and Public Safety groups.

Mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scale to the above described tables.

*Other Information:* None

## City of Mt. Vernon

### Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
City sales tax	\$ 830,000	\$ 999,517	\$ 999,517	\$ -
Transportation sales tax	385,000	499,134	499,134	-
Use tax	145,000	178,524	178,524	-
Motor vehicle tax	179,000	197,828	197,828	-
Utility franchise tax	115,000	109,903	109,903	-
Payment in lieu of tax	848,130	842,804	842,804	-
Other taxes	37,500	43,689	43,689	-
	2,539,630	2,871,399	2,871,399	-
Licenses and Permits				
Occupational licenses	6,500	6,211	6,211	-
Building permits	13,000	25,887	25,887	-
	19,500	32,098	32,098	-
Intergovernmental Revenues				
Grants	412,996	523,328	523,328	-
Charges for Services				
Taxi	9,000	10,756	10,756	-
Animal control	400	521	521	-
Pool	13,000	15,128	15,128	-
Park	6,000	5,970	5,970	-
Golf fees	87,000	108,795	108,795	-
Airport hanger rent	6,100	9,156	9,156	-
Community center	11,000	16,363	16,363	-
Cemetery	1,000	1,375	1,375	-
Trash	203,000	215,668	215,668	-
	336,500	383,732	383,732	-
Fines and Forfeitures				
City court fines	26,000	28,305	28,305	-
Miscellaneous				
Interest	38,500	21,187	21,187	-
Donations	8,000	8,000	8,000	-
Other	2,420	32,496	32,496	-
	48,920	61,683	61,683	-
<b>Total Revenues</b>	3,383,546	3,900,545	3,900,545	-

See accompanying notes to the Budgetary Comparison Schedules.



## City of Mt. Vernon

### Budgetary Comparison Schedule – General Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Expenditures</b>				
Current				
Administrative	351,094	323,224	323,224	-
Police	843,649	783,781	783,781	-
Municipal court	68,115	53,327	53,327	-
Animal control	17,734	1,886	1,886	-
Parks	683,043	722,398	722,398	-
Community center	110,883	94,850	94,850	-
Street	1,062,746	1,209,161	1,209,161	-
Planning and zoning	90,761	63,362	63,362	-
Transportation	119,619	78,438	78,438	-
Airport	50,393	28,174	28,174	-
Golf	340,855	279,676	279,676	-
Economic development	48,936	40,540	40,540	-
Debt service				
Principal, interest and fees	29,664	969,321	969,321	-
<b>Total Expenditures</b>	3,817,492	4,648,138	4,648,138	-
<i>(Deficit) of Revenues Over Expenditures</i>	(433,946)	(747,593)	(747,593)	-
<b>Other Financing Sources (Uses)</b>				
Lease proceeds	-	814,672	814,672	-
Discount on debt issuance	-	(16,976)	(16,976)	-
<b>Total Other Financing Sources (Uses)</b>	-	797,696	797,696	-
<i>Excess (Deficit) of Revenues and Other Sources Over Expenditures and Other (Uses)</i>	(433,946)	50,103	50,103	-
Fund Balance, January 1	3,770,887	3,770,887	3,770,887	-
<b>Fund Balance, December 31</b>	\$ 3,336,941	\$ 3,820,990	\$ 3,820,990	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

## City of Mt. Vernon

### Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Taxes				
City sales tax	\$ 415,000	\$ 499,147	\$ 499,147	\$ -
Miscellaneous				
Interest	7,000	4,869	4,869	-
<b>Total Revenues</b>	422,000	504,016	504,016	-
<b>Expenditures</b>				
Current				
Capital improvements	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
<i>Excess of Revenues Over Expenditures</i>	422,000	504,016	504,016	-
<b>Other Financing (Uses)</b>				
Operating transfers (out)	(433,819)	(491,535)	(491,535)	-
<i>Excess (Deficit) of Revenues Over Expenditures and Other (Uses)</i>	(11,819)	12,481	12,481	-
Fund Balance, January 1	687,463	687,463	687,463	-
<b>Fund Balance, December 31</b>	\$ 675,644	\$ 699,944	\$ 699,944	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

## City of Mt. Vernon

### Budgetary Comparison Schedule – Industrial Development Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Miscellaneous				
Interest	\$ 13,000	\$ 7,165	\$ 7,165	\$ -
Other	-	5,500	5,500	-
<b>Total Revenues</b>	13,000	12,665	12,665	-
<b>Expenditures</b>				
Current				
Industrial development	-	11,000	11,000	-
<b>Total Expenditures</b>	-	11,000	11,000	-
<i>Excess of Revenues Over Expenditures</i>	13,000	1,665	1,665	-
<b>Other Financing Sources</b>				
Sale of property	-	291,926	291,926	-
<i>Excess of Revenues and Other Sources Over Expenditures</i>	13,000	293,591	293,591	-
Fund Balance, January 1	928,013	928,013	928,013	-
<b>Fund Balance, December 31</b>	\$ 941,013	\$ 1,221,604	\$ 1,221,604	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

## City of Mt. Vernon

### Budgetary Comparison Schedule – ARPA Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Miscellaneous				
Interest	\$ -	\$ 287	287	\$ -
<b>Total Revenues</b>	-	287	287	-
<b>Expenditures</b>				
Current				
ARPA	-	-	-	-
<b>Total Expenditures</b>	-	-	-	-
<i>Excess of Revenues Over Expenditures</i>	-	287	287	-
Fund Balance, January 1	-	-	-	-
<b>Fund Balance, December 31</b>	\$ -	\$ 287	\$ 287	\$ -

See accompanying notes to the Budgetary Comparison Schedules.

# City of Mt. Vernon

## Notes to the Budgetary Comparison Schedules

Year Ended December 31, 2021

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### **Budgets and Budgetary Accounting**

The City uses 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, 2021, 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 April 21, 2022.

**Report on 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) as a basis for designing 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.

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 identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses, as item 2021-001 that we consider to be a material weakness.

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### **Report on Compliance and other Matters**

As part of obtaining reasonable assurance about whether the City of Mt. Vernon, Missouri's financial statements are free from 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 financial statements. 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 Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
April 21, 2022



# City of Mt. Vernon

## Schedule of Findings and Responses

Year Ended December 31, 2021

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### Material Weakness

#### 2021-001 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.