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Independent Auditor's Report and Financial Statements 2005

City of Weldon Spring

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CLAIRE C. McCASKILL
Missouri State Auditor

November 9, 2006

City Clerk
City of Weldon Spring
St. Charles County
5401 Independence Road
Weldon Spring, MO 63304

Fiscal Period: One Year Ended September 30, 2005 ✓

Dear City Clerk:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

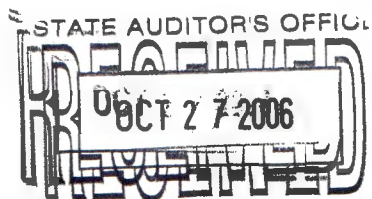
A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst

CITY OF WELDON SPRING, MISSOURI

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

SEPTEMBER 30, 2005



CITY OF WELDON SPRING, MISSOURI

SEPTEMBER 30, 2005

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Bates CPAs

A Professional Corporation
of
Accountants and Consultants

2031 Collier Corporate Parkway
St. Charles, MO 63303

Phone: 636-947-8400
Fax: 636-947-1191

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Weldon Spring, Missouri

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Weldon Spring, Missouri, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Weldon Spring, Missouri management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Weldon Spring, Missouri as of September 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2006, on our consideration of the City of Weldon Spring, Missouri internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and 20 through 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bates CPAs, P.C.

February 2, 2006

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

As management of the City of Weldon Spring, Missouri, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes that follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets of the City exceeded its liabilities for the most recent fiscal year by \$6,184,730. The City has unrestricted net assets of \$471,706.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund equity of \$2,041,142.
- At the end of the current fiscal year, unrestricted fund equity for the General Fund was \$471,706.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Note the government-wide financial statements exclude fiduciary fund activities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include general government, planning and zoning, board of adjustment, parks and recreation, building maintenance, emergency preparedness, and municipal court. The City does not have any business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are government funds. It should be noted that the City does not have any fiduciary or proprietary funds.

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Governmental Funds

Governmental funds are used to account for essentially the same functions, reported as governmental activities in the government-side financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements utilize a current financial resources measurement focus as applied to the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and government-wide governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Sewer Fund, Road and Bridges Fund, Municipal Hall and Park Fund, all of which are considered to be major funds.

The City adopts an annual appropriated budget for all its major funds. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

The governmental fund financial statements can be found on pages 11 and 12 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 -19 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information can be found on pages 20-23 of this report.

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the City has presented its financial statements under the new reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

A condensed version of the statement of net assets follows:

<u>ASSETS</u>	<u>Current Year</u>	<u>Prior Year</u>
Cash and other current assets	\$ 2,140,953	\$ 1,778,314
Capital assets	<u>5,374,410</u>	<u>3,941,417</u>
Total Assets	<u>7,515,363</u>	<u>5,719,731</u>
 <u>LIABILITIES</u>		
Long term liabilities	1,130,228	1,223,520
Other liabilities	<u>200,405</u>	<u>126,393</u>
Total Liabilities	<u>1,330,633</u>	<u>1,349,913</u>
 <u>NET ASSETS</u>		
Invested in capital assets, net of related debt	4,143,588	2,616,901
Restricted	1,569,436	1,303,577
Unrestricted	<u>471,706</u>	<u>449,340</u>
Total Net Assets	<u>\$ 6,184,730</u>	<u>\$ 4,369,818</u>

As noted earlier, net assets may serve over time as a useful indicator of a city's financial position. As illustrated above, in the case of the City of Weldon Spring, assets exceeded liabilities by \$6,184,730 at the close of September 30, 2005.

By far the largest portion of the City of Weldon Spring's net assets (67 percent) reflects its investment in capital assets (e.g., land, building, sewers, and infrastructure); less any related debt used to acquire those assets that is still outstanding.

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Governmental Activities

As illustrated below, government activities increased the City's net assets by \$1,814,912. This was largely attributable to private neighborhood streets being dedicated to the City. The City has no business activities.

	<u>FOR THE YEAR ENDED SEPTEMBER 30, 2005</u>	<u>FOR THE YEAR ENDED SEPTEMBER 30, 2004</u>
REVENUES		
Program revenues:		
Charges for services	\$ 161,022	\$ 145,670
Capital grants and contributions	1,591,078	2,379,418
Operating grants and contributions	259,799	237,984
General revenues:		
Taxes	250,427	221,727
Franchise fees	292,736	273,960
Investment income	7,642	3,423
Miscellaneous	780	5,070
Total revenues	<u>2,563,484</u>	<u>3,267,252</u>
EXPENSES		
General government	373,584	304,353
Law enforcement	5,270	5,270
Parks and recreation	131,365	97,324
Road	59,936	108,211
Sewer administration and maintenance	9,107	7,419
Unallocated depreciation	140,839	31,685
Interest on long-term debt	28,471	30,332
Total expenses	<u>748,572</u>	<u>584,594</u>
CHANGE IN NET ASSETS	1,814,912	2,682,658
NET ASSETS – BEGINNING	<u>4,369,818</u>	<u>1,687,160</u>
NET ASSETS – ENDING	<u>\$ 6,184,730</u>	<u>\$ 4,369,818</u>

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds

The focus of the City's governmental funds is to provide information on inflows, outflows, and balances of available expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund equity may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At September 30, 2005 the combined fund equity was \$2,041,142.

The General Fund is the chief operating fund of the City of Weldon Spring. As a measure of the General Fund's liquidity, it may be useful to compare general fund equity to general fund total expenditures. General fund equity represents 138 percent of general fund expenditures. The fund equity in the City's General Fund increased by \$22,365 or 5% from prior year fund equity. The change of the current year's fund equity is mainly due to increased revenues.

CAPITAL ASSETS

The City has invested \$5,374,410 at September 30, 2005 in a broad range of capital assets, including park land and improvements, city hall building, machinery and equipment, infrastructure, and construction in progress. This amount includes a net increase for the current fiscal year (including additions and deductions) of \$1,432,995. The City's capital assets, net of accumulated depreciation, consisted of:

Land and improvements	\$ 536,404
Building	295,128
Machinery and equipment	72,655
Infrastructure	4,295,051
Construction in progress	<u>175,172</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,374,410</u>

CITY OF WELDON SPRING, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

LONG-TERM LIABILITIES

At the end of the fiscal year, the City has total bonded debt outstanding of \$860,000. The entire amount is authorized by the issuance of General Obligation Neighborhood Improvement Bonds Series 2001 for the purpose of permanently financing the Weldon Spring Neighborhood Sewer District Project. The notes are payable from the proceeds of neighborhood improvement district general obligation bonds to be issued in due course from the City, from special assessments to be levied upon property benefited by the acquisition and construction of said project.

The other major component is \$363,520 supported by a promissory note bearing interest at 3.875%, secured by City Hall and park real estate. This promissory note was for the sole purpose of purchasing 12.41 acres with residence to serve as a City hall and park. The loan is payable with revenues generated by a one-half percent sales tax approved by voters of the City.

BUDGETARY HIGHLIGHTS

In the General Fund, the following significant variances occurred between 2005 budget and actual expenditures:

- Total collected revenues were \$44,386 greater than budgeted due to increase franchise fees and permits and licenses fees collected.
- Total administrative expenditures were \$25,827 more than budgeted due to increased professional fee usage for the City Engineer and City Planner.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the year ending September 30, 2006 the City projects General Fund revenue of \$396,090 and expenditures of \$375,190.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Weldon Spring
City Treasurer
5401 Independence Road
Weldon Spring, MO 63304

CITY OF WELDON SPRING
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Pooled cash and cash equivalents	\$ 1,973,032
Receivables	<u>167,921</u>
Total current assets	<u>2,140,953</u>
Capital assets (net of accumulated depreciation)	
Land and land improvements	536,404
Building	295,128
Machinery and equipment	72,655
Infrastructure	4,295,051
Construction in progress	<u>175,172</u>
Total capital assets, net	<u>5,374,410</u>
Total assets	<u>7,515,363</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	64,895
Accrued salaries and payroll taxes	13,916
Accrued interest	7,302
Escrow payable	21,000
Bonds and note payable current	<u>93,292</u>
Total current liabilities	<u>200,405</u>
Non-current liabilities	
Bonds payable	810,000
Note payable	<u>320,228</u>
Total non-current liabilities	<u>1,130,228</u>
Total liabilities	<u>1,330,633</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	4,143,588
Restricted for:	
City hall and park	168,163
Road improvements	1,275,705
Bond debt service	125,568
Unrestricted	<u>471,706</u>
Total net assets	<u>\$ 6,184,730</u>

See Notes to Financial Statements

CITY OF WELDON SPRING, MISSOURI
BALANCE SHEET – GOVERNMENTAL FUNDS

SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Roads and Bridges Fund</u>	<u>Municipal Hall and Park Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Pooled cash and cash equivalents	\$ 477,942	\$ 126,033	\$ 1,220,115	\$ 148,942	\$ 1,973,032
Receivables	<u>31,017</u>	<u>-</u>	<u>114,432</u>	<u>22,472</u>	<u>167,921</u>
Total assets and other debits	<u>\$ 508,959</u>	<u>\$ 126,033</u>	<u>\$ 1,334,547</u>	<u>\$ 171,414</u>	<u>\$ 2,140,953</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	\$ 5,497	\$ 465	\$ 58,312	\$ 621	\$ 64,895
Accrued salaries and payroll taxes	10,756	-	530	2,630	13,916
Escrow payable	<u>21,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,000</u>
Total liabilities	<u>37,253</u>	<u>465</u>	<u>58,842</u>	<u>3,251</u>	<u>99,811</u>
 Fund balances:					
Unreserved, reported in:					
General Fund	471,706	-	-	-	471,706
Special Revenue Funds	<u>-</u>	<u>125,568</u>	<u>1,275,705</u>	<u>168,163</u>	<u>1,569,436</u>
Total fund balances	<u>471,706</u>	<u>125,568</u>	<u>1,275,705</u>	<u>168,163</u>	<u>2,041,142</u>
Total liabilities and fund balances	<u>\$ 508,959</u>	<u>\$ 126,033</u>	<u>\$ 1,334,547</u>	<u>\$ 171,414</u>	

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

Capital assets of \$5,662,989, net of accumulated depreciation of \$288,579, are not financial resources and, therefore, are not reported in the funds.	5,374,410
Bonds payable and note payable are not reported in the funds.	(1,223,520)
Accrued interest is not reported in the funds.	(7,305)
	<u>\$ 6,184,727</u>

See Notes to Financial Statements

CITY OF WELDON SPRING, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

YEAR ENDED SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Roads and Bridges Fund</u>	<u>Municipal Hall and Park Fund</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	\$ -	\$ -	\$ 259,799	\$ 250,427	\$ 510,226
Franchise fees	292,736	-	-	-	292,736
Permits, licenses and applications	62,998	-	-	-	62,998
Grants	-	-	136,696	-	136,696
Fees	-	73,601	-	-	73,601
Rentals	-	-	-	991	991
Other	1,719	-	-	-	1,719
Interest	<u>7,642</u>	<u>2,189</u>	<u>18,264</u>	<u>2,040</u>	<u>30,135</u>
Total revenues	<u>365,095</u>	<u>75,790</u>	<u>414,759</u>	<u>253,458</u>	<u>1,109,102</u>
EXPENDITURES:					
Current:					
Administrative	339,054	5,152	11,657	-	355,863
Law enforcement	-	-	5,270	-	5,270
Parks and recreation	-	-	-	77,304	77,304
Occupancy	-	-	-	21,786	21,786
Road and bridge	-	-	184,976	-	184,976
Capital outlay	3,676	3,955	-	45,885	53,516
Debt service	-	-	-	43,292	43,292
Principal	-	50,000	-	-	50,000
Interest	<u>-</u>	<u>13,521</u>	<u>-</u>	<u>15,349</u>	<u>28,870</u>
Total expenditures	<u>342,730</u>	<u>72,628</u>	<u>201,903</u>	<u>203,616</u>	<u>820,877</u>
REVENUES OVER (UNDER) EXPENDITURES	22,365	3,162	212,856	49,842	288,225
FUND BALANCES, BEGINNING OF YEAR	<u>449,341</u>	<u>122,406</u>	<u>1,062,849</u>	<u>118,321</u>	<u>1,752,917</u>
FUND BALANCES, END OF YEAR	<u>\$ 471,706</u>	<u>\$ 125,568</u>	<u>\$ 1,275,705</u>	<u>\$ 168,163</u>	<u>\$ 2,041,142</u>

See Notes to Financial Statements

CITY OF WELDON SPRING, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

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

Net change in fund balance – total governmental funds	\$ 288,225
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$167,333 exceeded capital asset additions of \$145,746 in the current period	(21,387)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,454,382
Payments of bonds principal and note principal are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets. This is the amount of current year bond and note principal payments.	93,292
Interest is reported using the modified accrual method in the funds and full accrual method in the statement of activities.	<u>400</u>
Change in net assets of governmental activities	<u>\$ 1,814,912</u>

See Notes to Financial Statements

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Weldon Spring, Missouri, (the City) was incorporated on November 18, 1984 and established a Mayor-Board of Aldermen form of government. The City's major operations include general administrative services, planning and zoning activities, park development and management, and sewer construction.

The City defines its reporting entity in accordance with GASB 14. The guidelines set forth therein establish the exercise of oversight responsibility as the primary, but not the only, criteria for including a governmental unit as a component unit of the governmental reporting entity.

The financial statements present financial information on activities of the City for which the Board of Aldermen has oversight responsibility. Oversight responsibility is defined as control by or dependence on the City as determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the City, obligations of the City to finance any deficits that may occur, or receipt of significant subsidies from the City.

Based on the foregoing definition of oversight responsibility, the City's general purpose financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or dependent on the City.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish *governmental activities*, which normally are supported by taxes and City general revenues, from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The City has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The City reports the following major governmental funds:

General Fund – is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Sewer Special Revenue Fund – is used to account for certain fees restricted for sewer maintenance costs and certain bond debt service payments.

Roads and Bridges Special Revenue Fund – is used to account for certain tax revenues legally restricted to expenditures for the construction or servicing of roads and bridges.

Municipal Hall and Park Special Revenue Fund – is used to account for certain tax revenues restricted for maintenance of the municipal city hall and park and certain debt service payments.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current purpose. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgment, are recorded when payment is due.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Cash and Cash Equivalents

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from date of acquisition.

The surplus funds of the City may be legally invested in any of the securities identified as eligible in Section 30.270 of Missouri State Statutes.

E. Capital Assets, Depreciation and Amortization

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The City has elected not to report general infrastructure assets retroactively. Therefore, no general infrastructure assets purchased or placed in service prior to October 1, 2003 are included in the statement of net assets.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30
Park equipment	10
Heavy maintenance equipment	10
Vehicles	5
Office equipment	5
Computer equipment	5

F. Total (Memorandum Only) Data

The total columns in the combined general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data is not comparable to a consolidation since interfund eliminations have not been made.

NOTE 2: BUDGET POLICY AND PRACTICE

The Board of Aldermen currently adopts annual budgets for the General Fund and Special Revenue Funds in accordance with the cash basis of accounting. Accordingly, budgeted revenues do not reflect revenues earned but not received and budgeted expenditures do not include expenditures incurred but not paid. All budget appropriations lapse at year end.

Supplementary budgetary comparison schedules include adjustments to reconcile actual amounts using the budget cash basis to actual amounts using the modified accrual basis pursuant to accounting principles generally accepted in the United States of America.

NOTE 3: CASH AND CASH EQUIVALENTS

The City maintains a deposit and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the Balance Sheet.

Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of September 30, 2005, the City's demand deposits were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CASH AND CASH EQUIVALENTS, continued

Investment Policies

At September 30, 2005, the City had the following investments (considered cash and cash equivalents):

Repurchase agreements	\$ 916,576
Certificates of deposit	<u>511,549</u>
	<u>\$ 1,428,125</u>

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a written investment policy covering credit risk.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written investment policy covering interest rate risk.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City does not have a written investment policy covering concentration of credit risk.

NOTE 4: RESTRICTED ASSETS

Restricted assets are reported in various funds for cash deposited legally restricted for specific uses such as sewer maintenance costs, municipal hall and park costs, debt service payments and road improvements. See Note 1.c describing the priority for use of restricted and unrestricted assets.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 5:

CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance, Restated</u>	<u>2005 Increases</u>	<u>2005 Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 465,323	\$ -	\$ -	\$ 465,323
Construction in progress	<u>38,475</u>	<u>136,696</u>	<u>-</u>	<u>175,171</u>
Total capital assets, not being depreciated	<u>503,798</u>	<u>136,696</u>	<u>-</u>	<u>640,494</u>
Capital assets being depreciated:				
Land improvements	84,964	-	-	84,964
Buildings	357,678	-	-	357,678
Machinery and equipment	103,025	9,250	-	112,275
Infrastructure	<u>3,013,197</u>	<u>1,454,379</u>	<u>-</u>	<u>4,467,576</u>
Total capital assets being depreciated	<u>3,558,864</u>	<u>1,463,629</u>	<u>-</u>	<u>5,022,493</u>
Less accumulated depreciation for:				
Land improvements	(9,635)	(4,248)	-	(13,883)
Buildings	(51,639)	(10,911)	-	(62,550)
Machinery and equipment	(28,285)	(11,335)	-	(39,620)
Infrastructure	<u>(31,686)</u>	<u>(140,839)</u>	<u>-</u>	<u>(172,525)</u>
Total accumulated depreciation	<u>(121,245)</u>	<u>(167,333)</u>	<u>-</u>	<u>(288,578)</u>
Total capital assets being depreciated, net	<u>3,437,619</u>	<u>1,296,296</u>	<u>-</u>	<u>4,733,915</u>
Governmental activities capital assets, net	<u>\$3,941,417</u>	<u>\$1,432,992</u>	<u>\$ -</u>	<u>\$5,374,409</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 9,069
Parks	17,425
Infrastructure (unallocated)	<u>140,839</u>
Total depreciation expense governmental activities	<u>\$ 167,333</u>

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 6: LONG-TERM DEBT

General Obligation Neighborhood Improvement Bonds Series 2001

On November 11, 2001 the Board of Aldermen authorized the issuance of \$1,040,000 General Obligation Neighborhood Improvement Bonds (State Revolving Fund Program) Series 2001 for the purpose of permanently financing the Weldon Spring Neighborhood Sewer District Project and paying in full the Neighborhood Improvement District Notes (State Revolving Fund – Direct Loan Program) Series 1999.

Promissory Note, December 29, 1998

On December 8, 1998, the Board of Aldermen authorized the borrowing of \$575,000 for the sole purpose of purchasing 12.41 acres with residence to serve as a City hall and park. The loan is payable with revenues generated by a one-half percent sales tax approved by the voters of the City on February 3, 1998. This note was refinanced January 10, 2003.

The changes in general long-term debt during the year ended September 30, 2005 related to governmental activities are summarized as follows:

	<u>Balance Outstanding September 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance Outstanding September 30, 2005</u>	<u>Due Within One Year</u>
General Obligation Neighborhood Improvement Bonds, Series 2001, original amount of \$1,040,000; bearing interest at an annual rate ranging from 3.0% to 5.375%	\$ 910,000	\$ -	\$ 50,000	\$ 860,000	\$ 50,000
Promissory note bearing interest at 4.75% per annum through January 10, 2003; then 3.875%; secured by City hall and park real estate; interest only payable quarterly April 1, 1999 through October 1, 1999; then principal payments of \$7,375 plus accrued interest payable quarterly through April 10, 2003; then, principal payments of \$10,823 plus accrued interest payable quarterly until January 1, 2008 at which time all unpaid principal and accrued interest will be due and payable in full.	<u>406,812</u>	<u>-</u>	<u>43,292</u>	<u>363,520</u>	<u>43,292</u>
	<u>\$1,316,812</u>	<u>\$ -</u>	<u>\$ 93,292</u>	<u>\$1,223,520</u>	<u>\$ 93,292</u>

The following is a summary of maturities of long-term debt as of September 30, 2005:

<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 93,292	\$ 28,589	\$ 121,881
2007	98,292	26,112	124,404
2008	331,936	18,697	350,633
2009	55,000	12,544	67,544
2010	60,000	11,560	71,560
2011-2015	310,000	43,598	353,598
2016-2019	<u>275,000</u>	<u>13,196</u>	<u>288,196</u>
Total Payments	<u>\$ 1,223,520</u>	<u>\$ 154,296</u>	<u>\$ 1,377,816</u>

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 7: ROAD AND BRIDGE TAX REFUNDS

By authority of Article X, Section 12(b) of the Missouri Constitution, the County of St. Charles may rebate certain road and bridge tax to towns and cities.

Pursuant to Ordinance 7 of the City, the City has waived its rights to these rebates in return for St. Charles County's continued maintenance of public roads within the City's boundaries. These rebates totaled \$203,285 for the County's year ending December 31, 2005.

NOTE 8: OTHER FUND DISCLOSURES

For the year-ended December 31, 2005 expenditures exceeded appropriations in the General Fund and the Sewer Fund.

NOTE 9: RISK MANAGEMENT – CLAIMS AND JUDGMENTS

The City managed risks of loss related to employee life, health and disability, workers' compensation, property and liability by purchasing commercial insurance during 2005. There was no significant reductions in insurance coverage during 2005 and settlement amounts have not exceeded insurance coverage for the current or three prior years.

CITY OF WELDON SPRING

REQUIRED SUPPLEMENTARY SCHEDULE 1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)

YEAR ENDED SEPTEMBER 30, 2005

	<u>Actual</u> <u>(Budget Basis)</u>	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Variance</u>
REVENUE				
Taxes	\$ -	\$ -	\$ -	\$ -
Franchise fees	288,655	263,941	263,941	24,714
Permits, licenses and applications	62,998	46,541	46,541	16,457
Other	1,719	2,290	2,290	(571)
Interest	<u>7,642</u>	<u>3,072</u>	<u>3,072</u>	<u>4,570</u>
Total revenues	<u>361,014</u>	<u>315,844</u>	<u>315,844</u>	<u>45,170</u>
EXPENDITURES				
Administrative				
Payroll	129,103	138,290	138,290	9,187
Payroll taxes and benefits	31,809	31,912	31,912	103
City attorney	23,369	21,066	21,066	(2,303)
City engineer	46,255	34,069	34,069	(12,186)
City planner	21,602	7,200	7,200	(14,402)
Other professional fees	16,792	12,605	12,605	(4,187)
Insurance	6,036	5,610	5,610	(426)
Other administrative costs	<u>59,905</u>	<u>49,627</u>	<u>49,627</u>	<u>(10,278)</u>
Total administrative	334,871	300,379	300,379	(34,492)
Capital outlay	<u>3,676</u>	<u>15,465</u>	<u>15,465</u>	<u>11,789</u>
Total expenditures	<u>338,547</u>	<u>315,844</u>	<u>315,844</u>	<u>(22,703)</u>
REVENUES OVER (UNDER) EXPENDITURES	22,467	\$ -	\$ -	\$ 22,467
RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS				
Accounts receivable 9/30/04	(26,936)			
Accounts receivable 9/30/05	31,017			
Accounts payable 9/30/04	5,540			
Accounts payable 9/30/05	(5,497)			
Accrued wages 9/30/04	2,960			
Accrued wages 9/30/05	<u>(7,186)</u>			
	<u>(102)</u>			
REVENUES OVER EXPENDITURES - MODIFIED ACCRUAL BASIS	<u>\$ 22,365</u>			

See Independent Auditor's Report

CITY OF WELDON SPRING

REQUIRED SUPPLEMENTARY SCHEDULE 2

SEWER FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGET BASIS)

YEAR ENDED SEPTEMBER 30, 2005

	<u>Actual (Budget Basis)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>
REVENUE				
Fees	\$ 73,601	\$ 67,384	67,384	\$ 6,217
Interest	<u>2,189</u>	<u>991</u>	<u>991</u>	<u>1,198</u>
Total revenues	<u>75,790</u>	<u>68,375</u>	<u>68,375</u>	<u>7,415</u>
EXPENDITURES				
Administrative costs	4,687	5,425	5,425	738
Capital outlay	3,955	-	-	(3,955)
Debt service:				
Principal	50,000	50,000	50,000	-
Interest	<u>13,521</u>	<u>14,866</u>	<u>14,866</u>	<u>1,345</u>
Total expenditures	<u>72,163</u>	<u>70,291</u>	<u>70,291</u>	<u>(1,872)</u>
REVENUES OVER (UNDER) EXPENDITURES	3,627	<u><u>\$ (1,916)</u></u>	<u><u>\$ (1,916)</u></u>	<u><u>\$ 5,543</u></u>
RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS				
Accounts payable 9/30/05	<u>(465)</u>			
REVENUES OVER EXPENDITURES - MODIFIED ACCRUAL BASIS	<u><u>\$ 3,162</u></u>			

See Independent Auditor's Report

CITY OF WELDON SPRING

REQUIRED SUPPLEMENTARY SCHEDULE 3

ROADS AND BRIDGES FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (BUDGET BASIS)

YEAR ENDED SEPTEMBER 30, 2005

	<u>Actual</u> <u>(Budget Basis)</u>	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Variance</u>
REVENUE				
Taxes	\$ 259,570	\$ 234,230	\$ 234,230	\$ 25,340
Grants	80,207	80,100	80,100	107
Interest	<u>18,264</u>	<u>6,587</u>	<u>6,587</u>	<u>11,677</u>
Total revenues	<u>358,041</u>	<u>320,917</u>	<u>320,917</u>	<u>37,124</u>
EXPENDITURES				
Administrative				
Payroll	10,713	11,323	11,323	610
Payroll taxes and benefits	<u>898</u>	<u>939</u>	<u>939</u>	<u>41</u>
Total administrative	11,611	12,262	12,262	651
Mowing	-	7,500	7,500	7,500
Road and bridge	178,871	160,804	160,804	(18,067)
Law enforcement	<u>5,270</u>	<u>75,000</u>	<u>75,000</u>	<u>69,730</u>
Total expenditures	<u>195,752</u>	<u>255,566</u>	<u>255,566</u>	<u>59,814</u>
REVENUES OVER (UNDER) EXPENDITURES	162,289	<u>\$ 65,351</u>	<u>\$ 65,351</u>	<u>\$ 96,938</u>
RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS				
Accounts receivable 9/30/04	(57,715)			
Accounts receivable 9/30/05	114,433			
Accounts payable 9/30/04	3,080			
Accounts payable 9/30/05	(9,185)			
Accrued wages 9/30/04	265			
Accrued wages 9/30/05	<u>(311)</u>			
	<u>50,567</u>			
REVENUES OVER EXPENDITURES - MODIFIED ACCRUAL BASIS	<u>\$ 212,856</u>			

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CITY OF WELDON SPRING

REQUIRED SUPPLEMENTARY SCHEDULE 4

MUNICIPAL HALL AND PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL (BUDGET BASIS)

YEAR ENDED SEPTEMBER 30, 2005

	<u>Actual</u> <u>(Budget Basis)</u>	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Variance</u>
REVENUE				
Taxes	\$ 248,369	\$ 217,980	\$ 217,980	\$ 30,389
Rentals	991	800	800	191
Interest	<u>2,040</u>	<u>540</u>	<u>540</u>	<u>1,500</u>
Total revenues	<u>251,400</u>	<u>219,320</u>	<u>219,320</u>	<u>32,080</u>
EXPENDITURES				
Capital outlay	45,885	58,250	58,250	12,365
Occupancy	21,361	16,577	16,577	(4,784)
Park maintenance	77,019	84,457	84,457	7,438
Debt service:				
Principal	43,292	43,292	43,292	-
Interest	<u>15,349</u>	<u>16,308</u>	<u>16,308</u>	<u>959</u>
Total expenditures	<u>202,906</u>	<u>218,884</u>	<u>218,884</u>	<u>15,978</u>
REVENUES OVER (UNDER) EXPENDITURES	48,494	\$ <u>436</u>	\$ <u>436</u>	\$ <u>48,058</u>
RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS				
Accounts receivable 9/30/04	(20,414)			
Accounts receivable 9/30/05	22,472			
Accounts payable 9/30/04	260			
Accounts payable 9/30/05	(622)			
Accrued wages 9/30/04	1,266			
Accrued wages 9/30/05	<u>(1,614)</u>			
	<u>1,348</u>			
REVENUES OVER EXPENDITURES – MODIFIED ACCRUAL BASIS	\$ <u>49,842</u>			

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