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Annual Report, 2007

City of Lakeshire

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CITY OF LAKESHIRE, MISSOURI

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 2007

ROSS, SPINNER & KUMMER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

50 CRESTWOOD EXECUTIVE CENTER • SUITE 400

ST. LOUIS, MISSOURI 63126

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ROSS, SPINNER & KUMMER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

50 CRESTWOOD EXECUTIVE CENTER ~ SUITE 400

(WATSON & SAPPINGTON)

ST. LOUIS, MISSOURI 63126

FOUNDED 1928

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MISSOURI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Lakeshire
10000 Puttington Dr.
Lakeshire, Missouri 63123

We have audited the accompanying financial statements of the governmental activities and each major fund of

CITY OF LAKESHIRE, MISSOURI

as of and for the year ended December 31, 2007, 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 Lakeshire, Missouri's 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. 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.

As discussed in Note 1(C), City of Lakeshire, Missouri prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and each major fund of City of Lakeshire, Missouri as of December 31, 2007 and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Rass, Spitzer & Kummer, P.C.
Certified Public Accountants

May 30, 2008
GS/cp

MANAGEMENT'S DISCUSSION AND ANALYSIS

An objective and easily readable analysis of the City's financial activities. The Management's Discussion and Analysis presents an analytical overview of both short-term and long-term financial information.

CITY OF LAKESHIRE, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2007

The discussion and analysis of the City of Lakeshire's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2007, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The net assets for the Governmental Activities decreased by \$39,567.
- Governmental Activities revenue was \$409,992.
- Expenses for the Governmental Activities were \$449,559.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

This annual report consists of four parts as follows:

Government-wide Financial Statements: The Statement of Net Assets and the Statement of Activities provide information about the activities of the City government-wide (or "as a whole") and present a longer-term view of the City's finances.

Fund Financial Statements: Fund financial statements focus on the individual parts of the City government. 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 ("major") fund. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: This Management Discussion and Analysis and the General Fund Budgetary Comparison Schedule represent financial information required to be presented by the GASB. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Basis of Accounting

The City has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when the result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (*such as accounts receivable and revenue for billed or provided services not yet collected*) and certain liabilities and their related expenses (*such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities*) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the City as a Whole

The City's Reporting Entity Presentation

This annual report includes all activities for which the Lakeshire Board of Aldermen is fiscally responsible.

The primary government includes the following legal entity:

- The City of Lakeshire, Missouri

The Government-wide Statement of Net Assets and the Statement of Activities

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 Assets and the 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 of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the City's net assets and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health or financial position. Over time increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's sales tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we have one type of activity:

Governmental activities - All of the City's basic services are reported here, including the police, general administration, streets and parks. Sales taxes, property taxes, utility taxes, franchise fees and fines finance most of these activities.

Reporting the City's Most Significant Funds

The Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of Aldermen establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - All 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 year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. 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 you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or (differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The City considers the General Fund to be its significant or major governmental fund.

The City currently has no fiduciary funds. Fiduciary funds are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreement and similar arrangements.

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets - Modified Cash Basis

The City's combined net assets, resulting from modified cash basis transactions, decreased from approximately \$216,938 to \$177,371 between fiscal years 2007 and 2006.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
			<u>2007 - 2006</u>
Current and other assets	\$ 97,442.	\$ 129,533.	(25%)
Capital assets	<u>81,333.</u>	<u>87,695.</u>	(7%)
Total assets	\$ <u>178,775.</u>	\$ <u>217,228.</u>	(18%)
Other liabilities	\$ <u>1,404.</u>	\$ <u>290.</u>	384%
Total liabilities	\$ <u>1,404.</u>	\$ <u>290.</u>	384%
Net assets			
Invested in capital assets, net of related debt	\$ 81,333.	\$ 87,695.	(7%)
Restricted	5,000.	5,000.	—
Unrestricted	<u>91,038.</u>	<u>124,243.</u>	(27%)
Total net assets	\$ <u>177,371.</u>	\$ <u>216,938.</u>	(18%)

Net assets of the City's governmental activities decreased 18% to \$177,371. However, \$86,333 of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, vehicles and so on). Consequently, unrestricted net assets showed \$91,038 at the end of this year.

Changes in Net Assets - Modified Cash Basis

For the year ended December 31, 2007, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u> <u>2007 - 2006</u>
Revenues -			
Program revenues			
Licenses/permits	\$ 15,839.	\$ 16,779.	(6%)
Operating grants	1,000.	13,500.	(93%)
General revenues			
Taxes	356,040.	361,896.	(2%)
Fines and forfeitures	18,326.	11,039.	66%
Interest revenue	4,942.	3,831.	29%
Miscellaneous revenue	<u>13,845.</u>	<u>616.</u>	2148%
Total revenues	<u>\$ 409,992.</u>	<u>\$ 407,661.</u>	1%
Expenses -			
Administration Department	\$ 114,532.	\$ 89,175.	28%
Police Department	313,684.	284,822.	10%
Street Department	13,630.	40,605.	(66%)
Park Department	<u>7,713.</u>	<u>8,675.</u>	(11%)
Total expenses	<u>\$ 449,559.</u>	<u>\$ 423,277.</u>	6%
Change in net assets	<u>\$ (39,567.)</u>	<u>\$ (15,616.)</u>	(153%)

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed first with revenues from that particular program reported below it. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

For the year ended December 31, 2007, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$449,559. Of these total expenses, taxpayers and other general revenues funded \$414,607, while those directly benefiting from the program funded \$1,000 from grants and other contributions and \$33,952 from charges for services.

Net Cost of City of Lakeshire's Governmental Activities - Modified Cash Basis

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2007 - 2006</u>	<u>2007</u>	<u>2006</u>	<u>Change</u> <u>2007 - 2006</u>
Administration Dept.	\$ 114,532.	\$ 89,175.	28%	\$ 97,693.	\$ 72,396.	35%
Police Dept.	313,684.	284,822.	10%	295,571.	260,283.	14%
Street Dept.	13,630.	40,605.	(66%)	13,630.	40,605.	(66%)
Park Dept.	<u>7,713.</u>	<u>8,675.</u>	(11%)	<u>7,713.</u>	<u>8,675.</u>	(11%)
Total	<u>\$ 449,559.</u>	<u>\$ 423,277.</u>	6%	<u>\$ 414,607.</u>	<u>\$ 381,959.</u>	9%

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The General Fund reported revenues of \$409,992 and expenditures of \$443,197, resulting in a decrease in fund balance of \$33,205.

General Fund Budgetary Highlights

For the year ended December 31, 2007, General Fund expenditures were \$17,273 below final appropriations, while actual resources available for appropriation were \$1,415 below the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Modified Cash Basis

At December 31, 2007, the City had \$81,333 invested in capital assets, net of depreciation, including buildings, equipment and vehicles. This represents a net decrease of \$6,362 or 7% below last year.

PRIMARY GOVERNMENT CAPITAL ASSETS - MODIFIED CASH BASIS
(Net of accumulated depreciation)

	<u>Governmental Activities</u>	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Land	\$ 29,500.	\$ 29,500.
Building	43,770.	45,828.
Vehicles	3,319.	6,383.
Equipment	<u>4,744.</u>	<u>5,984.</u>
Totals	<u>\$ 81,333.</u>	<u>\$ 87,695.</u>

This year's more significant capital asset additions included:

No items were purchased.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending December 31, 2008, the budget is fairly consistent with the December 31, 2007 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions concerning this report or need additional financial information, contact Don Strohmeyer, City Treasurer at City Hall, 10000 Puttington Drive, Lakeshire, Missouri, 63123.

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government-wide financial statements
- Fund financial statements
 - Governmental fund

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2008

	<u>Governmental</u> <u>Activities</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 97,442.36
Capital assets:	
Land	29,500.00
Capital assets, net of accumulated depreciation	<u>51,832.75</u>
TOTAL ASSETS	<u>\$ 178,775.11</u>
<u>LIABILITIES</u>	
Court bonds payable	<u>\$ 1,404.00</u>
TOTAL LIABILITIES	<u>\$ 1,404.00</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 81,332.75
Restricted for:	
Cable service	5,000.00
Unrestricted	<u>91,038.36</u>
TOTAL NET ASSETS	<u>\$ 177,371.11</u>

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>REVENUES AND CHANGE IN NET ASSETS</u>
					<u>Governmental Activities</u>
Governmental Activities:					
Administration Department	\$ 114,531.98	\$ 15,838.72	\$ 1,000.00	\$	\$ (97,693.26)
Police Department	313,683.83	18,326.50			(295,357.33)
Street Department	13,629.84				(13,629.84)
Park Department	<u>7,713.60</u>				<u>(7,713.60)</u>
TOTAL GOVERNMENTAL ACTIVITIES	\$ 449,559.25	\$ 34,165.22	\$ 1,000.00	\$ 0.00	\$ (414,394.03)
General Revenues:					
Taxes, penalties and interest					\$ 356,040.52
Interest revenue					4,941.86
Miscellaneous					<u>13,845.04</u>
TOTAL GENERAL REVENUES					\$ 374,827.42
CHANGE IN NET ASSETS					\$ (39,566.61)
<u>NET ASSETS - Beginning</u>					<u>216,937.72</u>
<u>NET ASSETS - Ending</u>					\$ <u>177,371.11</u>

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2007**

**General
Fund**

ASSETS

Cash and cash equivalents

\$ 97,442.36

TOTAL ASSETS

\$ 97,442.36

LIABILITIES AND FUND BALANCE

Liabilities:

Court bonds payable

\$ 1,404.00

TOTAL LIABILITIES

\$ 1,404.00

Fund Balance:

Reserved for cable service

\$ 5,000.00

Unreserved

90,824.86

TOTAL FUND BALANCE

\$ 96,038.36

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$125,487.06 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$44,154.31.

\$ 81,332.75

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 177,371.11

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007**

REVENUES

Taxes, penalties and interest	\$ 356,040.52
Licenses and permits	15,838.72
Grant revenue	1,000.00
Interest revenue	4,941.86
Fines and forfeitures	18,326.50
Miscellaneous	<u>13,845.04</u>

TOTAL REVENUES \$ 409,992.64

EXPENDITURES

Current:

Administration Department	\$ 112,642.96
Police Department	310,055.05
Street Department	13,629.84
Park Department	<u>6,869.38</u>

TOTAL EXPENDITURES \$ 443,197.23

NET CHANGE IN FUND BALANCE \$ (33,204.59)

FUND BALANCE - Beginning of year 129,242.95

FUND BALANCE - End of year \$ 96,038.36

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2007**

	Total Governmental <u>Funds</u>
Reconciliation to the Statement of Activities	
Net change in fund balance - total governmental funds	\$ (33,204.59)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense as to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	0.00
Depreciation expense	<u>(6,362.02)</u>
Change in Net Assets of Governmental Activities	<u>\$ (39,566.61)</u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LAKESHIRE, MISSOURI

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1(C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

The City's financial reporting entity is comprised of the following:

Primary Government: City of Lakeshire, Missouri

Component Units: None

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

The funds of the financial report entity are described as follows:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item (b) following.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. 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.
- b. Governmental activities utilize an “economic resources” measurement focus in the Statement of Net Assets and in the Statement of Activities. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or non-current, financial or non-financial) associated with their activities are reported.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

“Cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit.

Capital Assets

The City’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets, which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

- | | |
|----------------------------|---------------|
| - Buildings & improvements | 20 - 30 years |
| - Equipment | 5 - 10 years |
| - Vehicles | 7 years |

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

Equity Classification

Government-Wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

E. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October and payable by December 31. Taxes paid after December 31 are subject to penalties. The St. Louis County Collector of Revenue bills, collects and remits the real estate taxes to the City monthly. City property taxes are recognized when received, as the City is on the modified cash basis of accounting.

F. Revenues, Expenditures and Expenses

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

Administration Department	Permits and inspections; operating grants
Police Department	Fines and court costs; operating grants
Park Department	Operating grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenue and expenses include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Accordingly, actual results could differ from those estimates.

H. Post-Employment Health Care Benefits

The City provides health care benefits to eligible former employees and eligible dependents as required by Missouri Statute. There is no associated cost to the City under this program, and there are no participants in the program as of December 31, 2007.

2. CASH AND CASH EQUIVALENTS

The City has determined through experience that interest-bearing checking accounts, certificates of deposit, repurchase agreements, United States Government Obligations, bonds, notes or other obligations of the State of Missouri, and any other securities or investments that are lawful for the investment of monies held in such funds or accounts under the law of the State of Missouri are appropriate types of deposits and investments for its needs.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 111,794.24
Collateralized:	
Collateral held by City's agent in the City's name	0.00
Collateral held by pledging bank's trust department in the City's name	0.00
Collateral held by pledging bank's trust department not in the City's name	0.00
Uninsured and Uncollateralized	<u>0.00</u>
Total	<u>\$ 111,794.24</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2007, \$0.00 of the City's bank balance of \$111,794.24 was exposed to credit risk as follows:

<u>Type of Deposit</u>	<u>Custody Credit Risk Amount</u>
Uninsured and Uncollateralized	\$ 0.00
Uninsured and collateralized by pledging bank's trust department not in the City's name	<u>0.00</u>
Total	<u>\$ 0.00</u>

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended December 31, 2007 was as follows:

<u>Governmental Activities:</u>	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 30, 2007</u>
Land	\$ 29,500.00	\$ 0.00	\$ 0.00	\$ 29,500.00
Buildings	53,305.00	0.00	0.00	53,305.00
Vehicles	21,448.49	0.00	0.00	21,448.49
Equipment	<u>21,233.57</u>	<u>0.00</u>	<u>0.00</u>	<u>21,233.57</u>
Totals at historical cost	<u>\$ 125,487.06</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 125,487.06</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 7,477.14	\$ 2,058.24	\$ 0.00	\$ 9,535.38
Vehicles	15,065.01	3,064.07	0.00	18,129.08
Equipment	<u>15,250.14</u>	<u>1,239.71</u>	<u>0.00</u>	<u>16,489.85</u>
Total accumulated depreciation	<u>\$ 37,792.29</u>	<u>\$ 6,362.02</u>	<u>\$ 0.00</u>	<u>\$ 44,154.31</u>
Governmental activities capital assets, net	<u>\$ 87,694.77</u>	<u>\$ (6,362.02)</u>	<u>\$ 0.00</u>	<u>\$ 81,332.75</u>

Governmental Activities:	
Administration	\$ 1,889.02
Police	3,628.78
Parks and recreation	<u>844.22</u>
Total depreciation expense for governmental activities	<u>\$ 6,362.02</u>

4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Missouri Public Entity Risk Management Fund (MoPERM), which provides liability insurance coverage under one comprehensive plan for all members. The City pays an annual premium to MoPERM for its general liability, law enforcement liability, public officials' errors and omissions, and automobile liability. MoPERM is self-sustaining through member premiums and reinsures with commercial companies for excess insurance. The City manages workers compensation, health, and life through purchased commercial insurance.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4. ASSESSED VALUATION AND TAX LEVY

	<u>2 0 0 7</u>	<u>2 0 0 6</u>
Aggregate Assessed Valuation	\$ <u>14,394,980.00</u>	\$ <u>11,964,480.00</u>
	Tax Levy Per \$100.00 of Assessed Valuation	Tax Levy Per \$100.00 of Assessed Valuation
General Fund	<u>.076</u>	\$ <u>.089</u>
Total taxes assessed	\$ <u>10,940.18</u>	\$ <u>10,648.39</u>
Tax collections (including delinquent taxes)	\$ <u>6,283.08</u>	\$ <u>3,687.10</u>

The receipts of current and delinquent property taxes during the year ended December 31, 2007 aggregated approximately 57% of the 2007 assessed taxes and 35% of the 2006 assessed taxes.

5. ORGANIZATION OF CITY OFFICIALS

Mayor	Maria Unger
Alderman	Michael Hearn
Alderman	Jan Lohmar
Alderman	Ted Rodis
Alderman	Steven Zumwalt
Alderman	Denise Lizenby
Alderman	Esther Rhodes
City Clerk	Jill Feltmann
City Treasurer	Don Strohmeyer

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule - Modified Cash Basis - General Fund
- Notes to RSI - Budgetary Comparison Schedule

CITY OF LAKESHIRE, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 129,242.95	\$ 129,242.95
<u>RESOURCES (inflows):</u>		
Sales tax	175,000.00	179,414.35
Utility franchise tax	82,000.00	87,749.11
Road tax	16,000.00	15,871.27
Interest earned	2,500.00	4,941.86
Cigarette tax	4,904.00	5,011.06
Real estate taxes	20,000.00	10,150.18
Fines and court costs	35,504.00	18,326.50
Motor vehicle taxes	57,000.00	58,050.25
Permits and inspections	18,000.00	15,838.72
Miscellaneous	1,000.00	13,845.04
Grant revenue	0.00	1,000.00
Less: Commission and fees	<u>(500.00)</u>	<u>(205.70)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>\$ 540,650.95</u>	<u>\$ 539,235.59</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>		
Administration Department:		
Salaries	\$ 27,744.00	\$ 27,744.00
Insurance	14,186.00	16,291.00
Professional fees	22,200.00	30,624.78
Maintenance	2,180.00	4,804.30
Payroll taxes	2,744.00	2,388.06
Office expense	2,950.00	3,910.11
Election expense	1,500.00	1,163.89
Miscellaneous	4,363.00	4,663.26
Dues	2,240.00	1,360.13
Advertising	300.00	160.30
Inspections	15,605.00	14,404.56
Internet fees	375.00	228.25
Newsletter	500.00	484.33
Utilities	<u>4,504.00</u>	<u>4,415.99</u>
	<u>\$ 101,391.00</u>	<u>\$ 112,642.96</u>
Capital Outlay:		
Equipment	<u>\$ 200.00</u>	<u>\$ 0.00</u>
TOTAL ADMINISTRATION	<u>\$ 101,591.00</u>	<u>\$ 112,642.96</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LAKESHIRE, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2007

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
Police Department:		
Salaries	\$ 227,559.00	\$ 229,359.33
Auto expense	10,000.00	9,738.40
Payroll taxes	6,848.00	19,751.38
Insurance	30,554.00	17,396.40
Repairs	1,000.00	2,715.94
Training	1,900.00	50.00
Miscellaneous	1,500.00	1,063.18
Uniforms	2,800.00	1,971.54
Office	800.00	599.91
Police annuity	8,000.00	0.00
Rejis commission	5,600.00	7,156.28
Telephone	0.00	558.09
Crime Scene Investigation & radio contract	5,364.00	5,364.00
Lease expense	12,500.00	13,030.60
Dues	0.00	1,300.00
	<u>0.00</u>	<u>1,300.00</u>
TOTAL POLICE DEPARTMENT	<u>\$ 314,425.00</u>	<u>\$ 310,055.05</u>
Street Department:		
Street maintenance	\$ 29,378.00	\$ 4,720.05
Utilities	3,600.00	3,634.69
Salaries	4,836.00	4,836.00
Payroll taxes	440.00	439.10
	<u>440.00</u>	<u>439.10</u>
TOTAL STREET DEPARTMENT	<u>\$ 38,254.00</u>	<u>\$ 13,629.84</u>
Park Department:		
Maintenance	\$ 6,200.00	\$ 6,869.38
	<u>6,200.00</u>	<u>6,869.38</u>
TOTAL PARK DEPARTMENT	<u>\$ 6,200.00</u>	<u>\$ 6,869.38</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 460,470.00</u>	<u>\$ 443,197.23</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	<u>\$ 80,180.95</u>	<u>\$ 96,038.36</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LAKESHIRE, MISSOURI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2007**

Budgets and Budgetary Practices

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to December 1, the Treasurer submits to the Board of Aldermen a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures/expenses and the means of financing them.
- b. Open meetings of the Board of Aldermen are held to obtain taxpayer comments.
- c. At the December board meeting, the budget is adopted by the Board of Aldermen.
- d. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- e. Any revisions that alter the total expenditures/expenses must be approved by the Board of Aldermen.
- f. Prior to year-end, the Board of Aldermen adopts an amended budget (if necessary) approving any additional expenditures/expenses.
- g. All annual unexpended appropriations lapse at fiscal year-end.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.