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Political Science Department

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1-1-2007

## Annual Report, 2006

City of Lakeshire

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### Recommended Citation

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09-096-0047

**SUSAN MONTEE, CPA**  
**Missouri State Auditor**

June 28, 2007

Gregory J. Spinner, C.P.A.  
Ross, Spinner & Kummer, P.C.  
50 Crestwood Executive Center, Suite 400  
St. Louis, MO 63126-1916

RE: **City of Lakeshire of St. Louis County**

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear Mr. Spinner:

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,

SUSAN MONTEE, CPA  
STATE AUDITOR

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

Judy Buerky  
Local Government Analyst

RECEIVED  
JUN 25 2007  
**ROSS, SPINNER & KUMMER, P. C.**

CERTIFIED PUBLIC ACCOUNTANTS

50 CRESTWOOD EXECUTIVE CENTER ~ SUITE 400

(WATSON & SAPPINGTON)

ST. LOUIS, MISSOURI 63126

FOUNDED 1928

BY

FELIX G. KRAFT, C.P.A.

DENNIS J. ROSS, C.P.A.

GREGORY J. SPINNER, C.P.A.

BRUCE D. KUMMER, C.P.A.

(314) 842-1120

FAX: (314) 842-0921

MEMBER

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

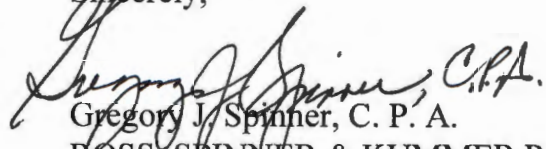
MISSOURI SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

State Auditor of Missouri  
P. O. Box 869  
Jefferson City, MO 65102

Dear State Official:

In accordance with Section 105.145, RSMo1978, we are submitting on behalf of our client, City of Lakeshire, Lakeshire, Missouri, their financial report for the year ended December 31, 2006. If you have any questions regarding the report, please feel free to contact us.

Sincerely,

  
Gregory J. Spinner, C. P. A.  
ROSS, SPINNER & KUMMER P. C.

GJS/cp

Enclosure (1)

**CITY OF LAKESHIRE, MISSOURI**

**ANNUAL REPORT**

**YEAR ENDED DECEMBER 31, 2006**

**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.**

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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, 2006, 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, 2006 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.

*Ross, Grinn & Kenner, P.C.*  
Certified Public Accountants

June 20, 2007  
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, 2006

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, 2006, 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 \$15,616.
- Governmental Activities revenue was \$407,661.
- Expenses for the Governmental Activities were \$423,277.

#### 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 are 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 \$232,554 to \$216,938 between fiscal years 2006 and 2005.

	<b><u>Governmental Activities</u></b>		<b><u>Total</u></b>
	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>Percentage Change</u></b>
			<b><u>2006 - 2005</u></b>
Current and other assets	\$ 129,533.	\$ 138,394.	(6%)
Capital assets	<u>87,695.</u>	<u>94,310.</u>	(7%)
Total assets	\$ <u>217,228.</u>	\$ <u>232,704.</u>	(7%)
Other liabilities	\$ <u>290.</u>	\$ <u>150.</u>	93%
Total liabilities	\$ <u>290.</u>	\$ <u>150.</u>	93%
Net assets			
Invested in capital assets, net of related debt	\$ 87,695.	\$ 94,310.	(7%)
Restricted	5,000.	5,000.	-
Unrestricted	<u>124,243.</u>	<u>133,244.</u>	(7%)
Total net assets	\$ <u>216,938.</u>	\$ <u>232,554.</u>	(7%)

Net assets of the City's governmental activities decreased 7% to \$216,938. However, \$92,695 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 \$124,243 at the end of this year.

### **Changes in Net Assets - Modified Cash Basis**

For the year ended December 31, 2006, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2006</u>	<u>2005</u>	<u>Percentage Change</u> <u>2006 - 2005</u>
Revenues -			
Program revenues			
Licenses/permits	\$ 16,779.	\$ 16,316.	3%
Operating grants	13,500.	26,258.	(49%)
General revenues			
Taxes	361,896.	343,734.	5%
Fines and forfeitures	11,039.	5,912.	87%
Interest revenue	3,831.	2,994.	28%
Miscellaneous revenue	616.	2,265.	(73%)
Total revenues	<u>\$ 407,661.</u>	<u>\$ 397,479.</u>	3%
Expenses -			
Administration Department	\$ 89,175.	\$ 80,326.	11%
Police Department	284,822.	272,123.	5%
Street Department	40,605.	37,951.	7%
Park Department	8,675.	15,768.	(45%)
Total expenses	<u>\$ 423,277.</u>	<u>\$ 406,168.</u>	4%
Change in net assets	<u>\$ (15,616.)</u>	<u>\$ (8,689.)</u>	80%

### 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, 2006, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$423,277. Of these total expenses, taxpayers and other general revenues funded \$381,959, while those directly benefiting from the program funded \$13,500 from grants and other contributions and \$27,818 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>2006</u>	<u>2005</u>	<u>Change</u> <u>2006 - 2005</u>	<u>2006</u>	<u>2005</u>	<u>Change</u> <u>2006 - 2005</u>
Administration Dept.	\$ 89,175.	\$ 80,326.	11%	\$ 72,396.	\$ 64,010.	13%
Police Dept.	284,822.	272,123.	5%	260,283.	251,211.	4%
Street Dept.	40,605.	37,951.	7%	40,605.	37,951.	7%
Park Dept.	8,675.	15,768.	(45%)	8,675.	4,510.	92%
Total	<u>\$ 423,277.</u>	<u>\$ 406,168.</u>		<u>\$ 381,959.</u>	<u>\$ 357,682.</u>	7%



**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 \$407,661 and expenditures of \$416,662, resulting in a decrease in fund balance of \$9,001.

**General Fund Budgetary Highlights**

For the year ended December 31, 2006, General Fund expenditures were \$38,976 above final appropriations, while actual resources available for appropriation were \$25,325 above the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets - Modified Cash Basis**

At December 31, 2006, the City had \$87,695 invested in capital assets, net of depreciation, including buildings, equipment and vehicles. This represents a net increase of \$6,615 or 7% above last year.

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

	<u>Governmental Activities</u>	
	<u>December 31, 2006</u>	<u>December 31, 2005</u>
Land	\$ 29,500.	\$ 29,500.
Building	45,828.	47,886.
Vehicles	6,383.	9,448.
Equipment	<u>5,984.</u>	<u>7,476.</u>
Totals	<u>\$ 87,695.</u>	<u>\$ 94,310.</u>

This year's more significant capital asset additions included:

Computer \$ 947.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

For the year ending December 31, 2007, the budget is fairly consistent with the December 31, 2006 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 Strohmeier, 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, 2006**

	<b><u>Governmental</u></b> <b><u>Activities</u></b>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 129,532.95
Capital assets:	
Land	29,500.00
Capital assets, net of accumulated depreciation	<u>58,194.77</u>
TOTAL ASSETS	<u>\$ 217,227.72</u>
<b><u>LIABILITIES</u></b>	
Court bonds payable	<u>\$ 290.00</u>
TOTAL LIABILITIES	<u>\$ 290.00</u>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	\$ 87,694.77
Restricted for:	
Cable service	5,000.00
Unrestricted	<u>124,242.95</u>
TOTAL NET ASSETS	<u>\$ 216,937.72</u>

See accompanying notes to the basic financial statements.

**CITY OF LAKESHIRE, MISSOURI**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2006**

<b><u>Functions/Programs</u></b>	<b><u>Expenses</u></b>	<b><u>PROGRAM REVENUES</u></b>			<b><u>NET (EXPENSE)</u></b>
		<b><u>Charges for Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>REVENUES AND CHANGE IN NET ASSETS</u></b>
					<b><u>Governmental Activities</u></b>
Governmental Activities:					
Administration Department	\$ 89,175.24	\$ 16,778.85	\$	\$	\$ (72,396.39)
Police Department	284,821.81	11,038.50	13,500.00		(260,283.31)
Street Department	40,604.54				(40,604.54)
Park Department	<u>8,675.12</u>				<u>(8,675.12)</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>423,276.71</u></b>	<b>\$ <u>27,817.35</u></b>	<b>\$ <u>13,500.00</u></b>		<b>\$ <u>(381,959.36)</u></b>
General Revenues:					
Taxes, penalties and interest					\$ 361,895.82
Interest revenue					3,831.44
Miscellaneous					<u>616.29</u>
<b>TOTAL GENERAL REVENUES</b>					<b>\$ <u>366,343.55</u></b>
<b>CHANGE IN NET ASSETS</b>					<b>\$ (15,615.81)</b>
<b><u>NET ASSETS - Beginning</u></b>					<u>232,553.53</u>
<b><u>NET ASSETS - Ending</u></b>					<b>\$ <u>216,937.72</u></b>

See accompanying notes to the basic financial statements.

**CITY OF LAKESHIRE, MISSOURI**

**BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUND  
DECEMBER 31, 2006**

**General  
Fund**

**ASSETS**

Cash and cash equivalents \$ 129,532.95

TOTAL ASSETS \$ 129,532.95

**LIABILITIES AND FUND BALANCE**

Liabilities:

Court bonds payable \$ 290.00

TOTAL LIABILITIES \$ 290.00

Fund Balance:

Reserved for cable service \$ 5,000.00

Unreserved 124,242.95

TOTAL FUND BALANCE \$ 129,242.95

TOTAL LIABILITIES AND FUND BALANCE \$ 129,532.95

**Reconciliation to Statement of Net Assets:**

Fund balance - unrestricted \$ 129,242.95

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 \$37,792.29. 87,694.77

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 216,937.72

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, 2006**

**REVENUES**

Taxes, penalties and interest	\$ 361,895.82
Licenses and permits	16,778.85
Grant revenue	13,500.00
Interest revenue	3,831.44
Fines and forfeitures	11,038.50
Miscellaneous	<u>616.29</u>

TOTAL REVENUES \$ 407,660.90

**EXPENDITURES**

Current:

Administration Department	\$ 86,086.46
Police Department	281,193.03
Street Department	40,604.54
Park Department	<u>7,830.90</u>

\$ 415,714.93

Capital Outlay \$ 947.00

TOTAL EXPENDITURES \$ 416,661.93

**NET CHANGE IN FUND BALANCE** \$ (9,001.03)

**FUND BALANCE - Beginning of year** 138,243.98

**FUND BALANCE - End of year** \$ 129,242.95

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, 2006**

	<b><u>Total Governmental Funds</u></b>
<b>Reconciliation to the Statement of Activities</b>	
Net change in fund balance - total governmental funds	\$ (9,001.03)
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	947.00
Depreciation expense	<u>(7,561.78)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (15,615.81)</u></b>

See accompanying notes to the basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

**CITY OF LAKESHIRE, MISSOURI**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**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, 2006.

### 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	\$ 155,513.60
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>\$ 155,513.60</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, 2006, \$0.00 of the City's bank balance of \$155,513.60 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, 2006 was as follows:

<u>Governmental Activities:</u>	<u>Balance</u> <u>Jan. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec. 30, 2006</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>21,317.87</u>	<u>947.00</u>	<u>1,031.30</u>	<u>21,233.57</u>
Totals at historical cost	<u>\$ 125,571.36</u>	<u>\$ 947.00</u>	<u>\$ 1,031.30</u>	<u>\$ 125,487.06</u>
Less accumulated depreciation:				
Buildings and improvements	\$ 5,418.90	\$ 2,058.24	\$ 0.00	\$ 7,477.14
Vehicles	12,000.94	3,064.07	0.00	15,065.01
Equipment	<u>13,841.97</u>	<u>2,439.47</u>	<u>1,031.30</u>	<u>15,250.14</u>
Total accumulated depreciation	<u>\$ 31,261.81</u>	<u>\$ 7,561.78</u>	<u>\$ 1,031.30</u>	<u>\$ 37,792.29</u>
Governmental activities capital assets, net	<u>\$ 94,309.55</u>	<u>\$ (6,614.78)</u>	<u>\$ 0.00</u>	<u>\$ 87,694.77</u>

Governmental Activities:

Administration	\$ 3,088.78
Police	3,628.78
Parks and recreation	<u>844.22</u>

Total depreciation expense for governmental activities \$ 7,561.78

### 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 6</u>	<u>2 0 0 5</u>
Aggregate Assessed Valuation	\$ <u>11,964,480.00</u>	\$ <u>11,952,460.00</u>
	Tax Levy Per \$100.00 of Assessed Valuation	Tax Levy Per \$100.00 of Assessed Valuation
General Fund	\$ <u>.089</u>	\$ <u>.089</u>
Total taxes assessed	\$ <u>10,648.39</u>	\$ <u>10,637.69</u>
Tax collections (including delinquent taxes)	\$ <u>6,694.31</u>	\$ <u>9,037.39</u>

The receipts of current and delinquent property taxes during the year ended December 31, 2006 aggregated approximately 63% of the 2006 assessed taxes and 85% of the 2005 assessed taxes.

**5. EXCESS EXPENDITURES OVER APPROPRIATIONS**

Excess expenditures over appropriations occurred as follows:

<u>Fund Type</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>
General Fund	\$ 377,686.00	\$ 416,661.93

**6. 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 Strohmeier

## **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, 2006**

	<b><u>Budgeted Amounts</u></b>	
	<b><u>Original and Final</u></b>	<b><u>Actual Amounts</u></b>
<b><u>BEGINNING BUDGETARY FUND BALANCE</u></b>	\$ 138,243.98	\$ 138,243.98
<b><u>RESOURCES (inflows):</u></b>		
Sales tax	176,306.00	175,222.72
Utility franchise tax	90,000.00	87,907.85
Road tax	16,000.00	21,923.64
Interest earned	1,000.00	3,831.44
Cigarette tax	5,150.00	4,797.40
Real estate taxes	10,000.00	15,731.70
Fines and court costs	5,660.00	11,038.50
Motor vehicle taxes	61,020.00	57,926.92
Permits and inspections	18,500.00	16,778.85
Miscellaneous	500.00	616.29
Grant revenue	0.00	13,500.00
Less: Commission and fees	<u>(1,800.00)</u>	<u>(1,614.41)</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>520,579.98</u>	\$ <u>545,904.88</u>
<b><u>CHARGES TO APPROPRIATIONS (outflows):</u></b>		
Administration Department:		
Salaries	\$ 30,499.00	\$ 30,254.00
Insurance	6,015.00	2,445.00
Professional fees	13,825.00	15,547.87
Maintenance	500.00	2,959.61
Payroll taxes	0.00	1,461.46
Office expense	3,250.00	4,101.95
Election expense	850.00	1,042.75
Miscellaneous	3,306.00	5,848.52
Dues	1,400.00	1,385.43
Advertising	250.00	177.22
Inspections	18,000.00	15,906.35
Internet fees	350.00	366.80
Newsletter	1,600.00	461.04
Utilities	<u>4,800.00</u>	<u>4,128.46</u>
	\$ <u>84,645.00</u>	\$ <u>86,086.46</u>
Capital Outlay:		
Equipment	\$ <u>0.00</u>	\$ <u>947.00</u>
TOTAL ADMINISTRATION	\$ <u>84,645.00</u>	\$ <u>87,033.46</u>

See accompanying notes to Budgetary Comparison Schedule.

**CITY OF LAKESHIRE, MISSOURI**

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS**

**GENERAL FUND**

**YEAR ENDED DECEMBER 31, 2006**

	<b><u>Budgeted Amounts</u></b>	
	<b><u>Original and Final</u></b>	<b><u>Actual Amounts</u></b>
Police Department:		
Salaries	\$ 181,528.00	\$ 193,513.67
Auto expense	7,500.00	8,780.51
Payroll taxes	13,160.00	8,535.66
Insurance	25,006.00	28,765.36
Repairs	2,650.00	1,473.47
Training	3,637.00	1,872.00
Miscellaneous	2,500.00	1,013.64
Uniforms	2,800.00	2,814.59
Office	0.00	760.92
Police annuity	0.00	7,999.68
Rejis commission	6,600.00	6,257.74
Telephone	0.00	583.59
Crime Scene Investigation & radio contract	4,484.00	4,483.80
Lease expense	10,410.00	14,338.40
	<u>\$ 260,275.00</u>	<u>\$ 281,193.03</u>
Capital outlay:		
Equipment	<u>\$ 0.00</u>	<u>\$ 0.00</u>
TOTAL POLICE DEPARTMENT	<u>\$ 260,275.00</u>	<u>\$ 281,193.03</u>
Street Department:		
Insurance	\$ 0.00	\$ 964.12
Street maintenance	20,630.00	30,817.43
Utilities	3,200.00	3,617.04
Salaries	4,836.00	4,836.00
Payroll taxes	0.00	369.95
TOTAL STREET DEPARTMENT	<u>\$ 28,666.00</u>	<u>\$ 40,604.54</u>
Park Department:		
Maintenance	<u>\$ 3,600.00</u>	<u>\$ 7,830.90</u>
	<u>\$ 3,600.00</u>	<u>\$ 7,830.90</u>
Capital outlay:		
Improvements	<u>\$ 500.00</u>	<u>\$ 0.00</u>
TOTAL PARK DEPARTMENT	<u>\$ 4,100.00</u>	<u>\$ 7,830.90</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 377,686.00</u>	<u>\$ 416,661.93</u>
<b><u>ENDING BUDGETARY FUND BALANCE</u></b>	<u>\$ 142,893.98</u>	<u>\$ 129,242.95</u>

See accompanying notes to Budgetary Comparison Schedule.

**CITY OF LAKESHIRE, MISSOURI**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
DECEMBER 31, 2006**

**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.