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Annual Report, 2004

City of Lakeshire

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CITY OF LAKESHIRE, MISSOURI
ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2004

ROSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
50 CRESTWOOD EXECUTIVE CENTER • SUITE 400
ST. LOUIS, MISSOURI 63126

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| <u>INDEPENDENT AUDITOR'S REPORT</u> | 3 - 4 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Management's Discussion and Analysis | 6 - 10 |
| <u>BASIC FINANCIAL STATEMENTS</u> | |
| Government-Wide Financial Statements | |
| Statement of Net Assets - Modified Cash Basis - Governmental Activities..... | 12 |
| Statement of Activities - Modified Cash Basis - Governmental Activities..... | 13 |
| Fund Financial Statements | |
| Balance Sheet - Modified Cash Basis - Governmental Fund..... | 14 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis - Governmental Fund..... | 15 - 16 |
| <u>NOTES TO BASIC FINANCIAL STATEMENTS</u> | 18 - 24 |
| <u>REQUIRED SUPPLEMENTARY INFORMATION</u> | |
| Budgetary Comparison Schedule - Modified Cash Basis - General Fund | 26 - 27 |
| Notes to RSI - Budgetary Comparison Schedule..... | 28 |

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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, 2004, 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, 2004 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 & Company, P.C.
Certified Public Accountants

June 5, 2005
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 YEAR ENDED DECEMBER 31, 2004

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, 2004. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The net assets for the Governmental Activities decreased by \$37 thousand.
- Governmental Activities revenue was \$358 thousand.
- Expenses for the Governmental Activities were \$395 thousand.

1. 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. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

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 is the City of Lakeshire.

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.

2. FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our analysis below focuses on the net assets and changes in net assets of the City's governmental-type activities.

| <u>Net Assets</u> | <u>Governmental Activities</u> | |
|------------------------|--------------------------------|--------------------------|
| | <u>December 31, 2004</u> | <u>December 31, 2003</u> |
| Beginning net assets | \$ 278,252. | \$ 346,396. |
| Decrease in net assets | <u>(37,010.)</u> | <u>(68,144.)</u> |
| Ending net assets | <u>\$ 241,242.</u> | <u>\$ 278,252.</u> |

| <u>Changes in Net Assets</u> | <u>Governmental Activities</u> | |
|-----------------------------------|--------------------------------|--------------------------|
| | <u>December 31, 2004</u> | <u>December 31, 2003</u> |
| Revenues | \$ 358,302. | \$ 337,519. |
| Program expenses | <u>395,311.</u> | <u>405,663.</u> |
| Increase (Decrease) in Net Assets | <u>\$ (37,009.)</u> | <u>\$ (68,144.)</u> |

3. ANALYSIS OF RESULTS OF OPERATIONS

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. You will notice that expenses are listed first with revenues from that particular program reported below it. The result is a Net, (Expense)/Revenue. The reason for this kind of format is to highlight 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.

The City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

| | <u>Year Ended December 31, 2004</u> | | <u>Year Ended December 31, 2003</u> | |
|-------------------------------------|-------------------------------------|----------------|-------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Sales, franchise and property taxes | \$ 352,710. | 98% | \$ 322,255. | 95% |
| Miscellaneous | 3,792. | 1% | 13,005. | 4% |
| Investment income | <u>1,799.</u> | <u>1%</u> | <u>2,259.</u> | <u>1%</u> |
| Total | <u>\$ 358,301.</u> | <u>100%</u> | <u>\$ 337,519.</u> | <u>100%</u> |

Use of Funds for Governmental Activities

| | | | | |
|----------------|--------------------|-------------|--------------------|-------------|
| Administration | \$ 88,954. | 23% | \$ 87,737. | 22% |
| Police | 241,967. | 61% | 217,059. | 54% |
| Streets | 41,514. | 10% | 86,007. | 20% |
| Parks | <u>22,875.</u> | <u>6%</u> | <u>14,861.</u> | <u>4%</u> |
| Total | <u>\$ 395,310.</u> | <u>100%</u> | <u>\$ 405,664.</u> | <u>100%</u> |

4. SIGNIFICANT TRANSACTIONS

There were no significant transactions during the year.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended December 31, 2004, General Fund expenditures were \$16,071 over final appropriations, while actual resources available for appropriation were \$8,556 below the final budgeted amount.

6. CAPITAL ASSETS

Government Capital Assets (Net of depreciation)

| | <u>Governmental Activities</u> | |
|-----------|--------------------------------|--------------------------|
| | <u>December 31, 2004</u> | <u>December 31, 2003</u> |
| Land | \$ 29,500. | \$ 29,500. |
| Building | 32,778. | 33,992. |
| Vehicles | 12,512. | 24,481. |
| Equipment | <u>7,418.</u> | <u>6,625.</u> |
| Totals | <u>\$ 82,208.</u> | <u>\$ 94,598.</u> |

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending December 31, 2005, the General Fund has been budgeted similar to the year ended December 31, 2004 budget.

8. CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers 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.

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, 2004

| | Governmental Activities |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 159,215.02 |
| Land | 29,500.00 |
| Capital assets, net of accumulated depreciation | <u>52,708.17</u> |
| TOTAL ASSETS | \$ <u>241,423.19</u> |
| <u>LIABILITIES</u> | |
| Court bonds payable | \$ 150.00 |
| Payroll withholding | <u>31.00</u> |
| TOTAL LIABILITIES | \$ <u>181.00</u> |
| <u>NET ASSETS</u> | |
| Invested in capital assets, net of related debt | \$ 82,208.17 |
| Restricted for: | |
| Cable service | 5,000.00 |
| Unrestricted | <u>154,034.02</u> |
| TOTAL NET ASSETS | \$ <u>241,242.19</u> |

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2004

| <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 CHANGES IN NET ASSETS</u> |
| | | | | | <u>Governmental Activities</u> |
| Governmental Activities: | | | | | |
| Administration Department | \$ 88,954.20 | \$ 18,774.70 | \$ | \$ | \$ (70,179.50) |
| Police Department | 241,967.36 | 2,313.44 | | | (239,653.92) |
| Street Department | 41,514.41 | | | | (41,514.41) |
| Park Department | <u>22,875.49</u> | | | | <u>(22,875.49)</u> |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ <u>395,311.46</u> | \$ <u>21,088.14</u> | \$ <u>0.00</u> | \$ <u>0.00</u> | \$ <u>(374,223.32)</u> |
| General Revenues: | | | | | |
| Taxes, penalties and interest | | | | | \$ 331,621.89 |
| Interest revenue | | | | | 1,799.29 |
| Miscellaneous | | | | | <u>3,792.42</u> |
| TOTAL GENERAL REVENUES | | | | | \$ <u>337,213.60</u> |
| CHANGES IN NET ASSETS | | | | | \$ (37,009.72) |
| <u>NET ASSETS - Beginning</u> | | | | | <u>278,251.91</u> |
| <u>NET ASSETS - Ending</u> | | | | | \$ <u>241,242.19</u> |

See accompanying notes to the basic financial statements.

CITY OF LAKESHIRE, MISSOURI

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
DECEMBER 31, 2004**

| | <u>General Fund</u> |
|---|--------------------------------|
| <u>ASSETS</u> | |
| Cash and investments | \$ <u>159,215.02</u> |
| TOTAL ASSETS | \$ <u>159,215.02</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | |
| Liabilities: | |
| Payroll withholdings | \$ 31.00 |
| Court bonds payable | <u>150.00</u> |
| TOTAL LIABILITIES | \$ <u>181.00</u> |
| Fund Balance: | |
| Reserved for cable service | \$ 5,000.00 |
| Unreserved | <u>154,034.02</u> |
| TOTAL FUND BALANCE | \$ <u>159,034.02</u> |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>159,215.02</u> |
| Reconciliation to Statement of Net Assets: | |
| Fund balance - unrestricted | \$ 159,034.02 |
| Amounts reported for governmental activities in the statement of the net assets are different because: | |
| Capital assets used in governmental activities of \$106,668.79 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$24,460.62. | <u>82,208.17</u> |
| NET ASSETS OF GOVERNMENTAL ACTIVITIES | \$ <u>241,242.19</u> |

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, 2004**

REVENUES

| | |
|-------------------------------|-----------------|
| Taxes, penalties and interest | \$ 331,621.89 |
| Licenses and permits | 18,774.70 |
| Interest revenue | 1,799.29 |
| Fines and forfeitures | 2,313.44 |
| Miscellaneous | <u>3,792.42</u> |

TOTAL REVENUES \$ 358,301.74

EXPENDITURES

Current:

| | |
|---------------------------|------------------|
| Administration Department | \$ 85,994.69 |
| Police Department | 229,998.11 |
| Street Department | 41,514.41 |
| Park Department | <u>22,875.49</u> |

\$ 380,382.70

Capital Outlay:

| | |
|-------------------|--------------------|
| Police Department | \$ <u>2,538.14</u> |
|-------------------|--------------------|

TOTAL EXPENDITURES \$ 382,920.84

NET CHANGE IN FUND BALANCE \$ (24,619.10)

FUND BALANCE - Beginning of year 183,653.12

FUND BALANCE - End of year \$ 159,034.02

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, 2004**

| | Total Governmental Funds |
|--|---|
| Reconciliation to the Statement of Activities | |
| Net change in fund balance - total governmental funds | \$ (24,619.10) |
| 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 | 2,538.14 |
| Depreciation expense | <u>(14,928.76)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (37,009.72)</u> |

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF LAKESHIRE, MISSOURI

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1(C), the City complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

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

| | |
|---------------------|-----------------------------|
| Primary Government: | City of Lakeshire, Missouri |
| Component Units: | None |

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. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statement

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.

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.

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

| <u>Major Funds</u> | <u>Nonmajor Funds</u> |
|--------------------|-----------------------|
| General Fund | None |

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” 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.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

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.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like 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.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, “cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit.

Capital Assets

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 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 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. The range of estimated useful lives by type of asset is as follows:

- Buildings 30 years
- Equipment 5 - 10 years
- Vehicles 7 years

Fund Financial Statements

In the fund financial statements, capital assets 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 by external groups such as creditors, grantors, contributors or laws and regulations of other governments.
- 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."

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. Program Revenues

In the Statement of Activities, revenues that are derived from fines and forfeitures and inspections and permits are reported as program revenues. All other revenues are reported as general.

G. Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for governmental-type activities.

In the fund financial statements, expenditures are classified as follows:

| | |
|------------------------------------|---------------------------|
| Governmental Funds - By Character: | Current Capital Outlay |
|------------------------------------|---------------------------|

In the fund financial statements, governmental funds report expenditures of financial resources.

H. 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 appropriations lapse at fiscal year-end.

I. Use of Estimates

The preparation of financial statements in conformity with the other comprehensive basis of accounting 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.

J. Differences From GAAP

As discussed in Note 1(C), the City reports both the government-wide financial statements and the fund financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

K. 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, 2004.

L. 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

2. CASH AND INVESTMENTS

The City has determined through experience that interest bearing checking accounts, certificates of deposit, and government securities are appropriate types of investments for its needs.

Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at December 31, 2004. The categories are described as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name; or properly collateralized with no written and approved collateral agreement.

| <u>Type of Deposit</u> | <u>Total Bank Balance</u> | <u>Custody Credit Risk Category</u> | | | <u>Total Carrying Value</u> |
|------------------------|---------------------------|-------------------------------------|----------------|----------------|-----------------------------|
| | | <u>1</u> | <u>2</u> | <u>3</u> | |
| Insured deposits | \$ 166,915.05 | \$ 166,915.05 | \$ 0.00 | \$ 0.00 | \$ 159,215.02 |
| Uninsured deposits: | | | | | |
| Collateralized | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Uncollateralized | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total deposits | \$ 166,915.05 | \$ 166,915.05 | \$ 0.00 | \$ 0.00 | \$ 159,215.02 |

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended December 31, 2004 was as follows:

| <u>Governmental Activities:</u> | <u>Balance</u> <u>Jan. 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>Dec. 30, 2004</u> |
|---|---------------------------------------|-----------------------|---------------------|--|
| Land - Park | \$ 29,500.00 | \$ 0.00 | \$ 0.00 | \$ 29,500.00 |
| Buildings | 36,420.53 | 0.00 | 0.00 | 36,420.53 |
| Vehicles | 41,133.49 | 0.00 | 19,685.00 | 21,448.49 |
| Equipment | <u>16,761.63</u> | <u>2,538.14</u> | <u>0.00</u> | <u>19,299.77</u> |
| Totals at historical cost | <u>\$ 123,815.65</u> | <u>\$ 2,538.14</u> | <u>\$ 19,685.00</u> | <u>\$ 106,668.79</u> |
| Less accumulated depreciation: | | | | |
| Buildings and improvements | \$ 2,428.04 | \$ 1,214.02 | \$ 0.00 | \$ 3,642.06 |
| Vehicles | 16,652.62 | 11,969.25 | 19,685.00 | 8,936.87 |
| Equipment | <u>10,136.20</u> | <u>1,745.49</u> | <u>0.00</u> | <u>11,881.69</u> |
| Total accumulated depreciation | <u>\$ 29,216.86</u> | <u>\$ 14,928.76</u> | <u>\$ 19,685.00</u> | <u>\$ 24,460.62</u> |
| Governmental activities capital assets, net | <u>\$ 94,598.79</u> | <u>\$ (12,390.62)</u> | <u>\$ 0.00</u> | <u>\$ 82,208.17</u> |

Depreciation expense was charged to the public safety function in the Statement of Activities.

Depreciation expense totaled \$14,928.76 for the year ended December 31, 2004.

4. ASSESSED VALUATION AND TAX LEVY

| | <u>2 0 0 4</u> | <u>2 0 0 3</u> |
|--|-------------------------|-------------------------|
| Aggregate Assessed Valuation | <u>\$ 11,251,850.00</u> | <u>\$ 11,422,061.00</u> |
| | Tax Levy Per | Tax Levy Per |
| | \$100.00 of Assessed | \$100.00 of Assessed |
| | <u>Valuation</u> | <u>Valuation</u> |
| General Fund | <u>\$.09</u> | <u>\$.09</u> |
| Total taxes assessed | <u>\$ 10,126.67</u> | <u>\$ 10,279.85</u> |
| Tax collections (including delinquent taxes) | <u>\$ 264.70</u> | <u>\$ 9,995.14</u> |

The receipts of current and delinquent property taxes during the year ended December 31, 2004 aggregated approximately .26% of the 2004 assessed taxes and 97.23% of the 2003 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 | \$ 366,850.00 | \$ 382,920.84 |

6. ORGANIZATION OF CITY OFFICIALS

| | |
|----------------|----------------|
| Mayor | Robert Bilzing |
| Alderman | Marlene Phelan |
| 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, 2004**

| | <u>Budgeted Amounts</u> | |
|---|--------------------------------------|----------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> |
| <u>BEGINNING BUDGETARY FUND BALANCE</u> | \$ 183,653.12 | \$ 183,653.12 |
| <u>RESOURCES (inflows):</u> | | |
| Sales tax | 170,000.00 | 166,371.77 |
| Utility franchise tax | 99,000.00 | 79,855.65 |
| Road tax | 13,000.00 | 14,658.14 |
| Interest earned | 3,750.00 | 1,799.29 |
| Cigarette tax | 5,508.00 | 4,978.15 |
| Real estate taxes | 8,500.00 | 10,259.84 |
| Fines and court costs | 3,100.00 | 2,313.44 |
| Motor vehicle taxes | 53,500.00 | 57,225.42 |
| Permits and inspections | 10,000.00 | 18,774.70 |
| Miscellaneous | 500.00 | 3,792.42 |
| Less: Commission and fees | 0.00 | <u>(1,727.08)</u> |
| AMOUNTS AVAILABLE FOR APPROPRIATION | \$ 550,511.12 | \$ 541,954.86 |
| <u>CHARGES TO APPROPRIATIONS (outflows):</u> | | |
| Administration Department: | | |
| Salaries | \$ 21,264.00 | \$ 21,301.00 |
| Insurance | 2,706.00 | 20,494.00 |
| Professional fees | 18,900.00 | 16,342.45 |
| Supplies | 0.00 | 359.16 |
| Payroll taxes | 2,060.00 | 1,629.53 |
| Office expense | 5,075.00 | 1,221.55 |
| Election expense | 1,200.00 | 933.94 |
| Miscellaneous | 775.00 | 3,145.70 |
| Dues | 1,400.00 | 1,377.63 |
| Advertising | 750.00 | 454.65 |
| Inspections | 0.00 | 13,996.81 |
| Internet fees | 400.00 | 339.20 |
| Code book | 0.00 | 3,157.50 |
| Permit fees | 0.00 | <u>1,241.57</u> |
| TOTAL ADMINISTRATION | \$ 54,530.00 | \$ 85,994.69 |

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LAKESHIRE, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2004**

| | <u>Budgeted Amounts</u> | |
|---|--------------------------------------|----------------------------------|
| | <u>Original and Final</u> | <u>Actual Amounts</u> |
| Police Department: | | |
| Salaries | \$ 161,406.00 | \$ 186,982.69 |
| Auto expense | 6,000.00 | 5,969.60 |
| Payroll taxes | 12,048.00 | 17,326.91 |
| Insurance | 37,081.00 | 2,592.48 |
| Repairs | 2,400.00 | 4,713.60 |
| Training | 1,350.00 | 1,022.00 |
| Miscellaneous | 4,230.00 | 4,348.43 |
| Uniforms | 1,500.00 | 2,480.40 |
| Crime Scene Investigation & radio contract | 3,570.00 | 3,570.00 |
| Lease expense | 0.00 | 992.00 |
| | <u>\$ 229,585.00</u> | <u>\$ 229,998.11</u> |
| Capital outlay: | | |
| Equipment | \$ 0.00 | \$ 2,538.14 |
| | | |
| TOTAL POLICE DEPARTMENT | <u>\$ 229,585.00</u> | <u>\$ 232,536.25</u> |
| | | |
| Street Department: | | |
| Insurance | \$ 2,707.00 | \$ 50.00 |
| Street maintenance | 59,157.00 | 35,379.94 |
| Utilities | 2,400.00 | 1,136.88 |
| Salaries | 4,596.00 | 4,596.00 |
| Payroll taxes | 0.00 | 351.59 |
| | <u>\$ 68,860.00</u> | <u>\$ 41,514.41</u> |
| | | |
| TOTAL STREET DEPARTMENT | <u>\$ 68,860.00</u> | <u>\$ 41,514.41</u> |
| | | |
| Park Department: | | |
| Maintenance | \$ 8,600.00 | \$ 15,500.60 |
| Utilities | 4,925.00 | 5,003.06 |
| Miscellaneous | 350.00 | 2,371.83 |
| | <u>\$ 13,875.00</u> | <u>\$ 22,875.49</u> |
| | | |
| TOTAL PARK DEPARTMENT | <u>\$ 13,875.00</u> | <u>\$ 22,875.49</u> |
| | | |
| TOTAL CHARGES TO APPROPRIATIONS | <u>\$ 366,850.00</u> | <u>\$ 382,920.84</u> |
| | | |
| <u>ENDING BUDGETARY FUND BALANCE</u> | <u>\$ 183,661.12</u> | <u>\$ 159,034.02</u> |

See accompanying notes to Budgetary Comparison Schedule.

CITY OF LAKESHIRE, MISSOURI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2004**

Budgetary Accounting

The City prepares its budget for the General Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the basic financial statements.