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Financial Report, 1998

City of Moline Acres

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CLAIRE C. McCASKILL
Missouri State Auditor

July 14, 1999

City Clerk
City of Moline Acres
St. Louis County
2449 Chambers Road
St. Louis, MO 63136

Fiscal Period: One Year Ended December 31, 1998 ✓

Dear City Clerk:

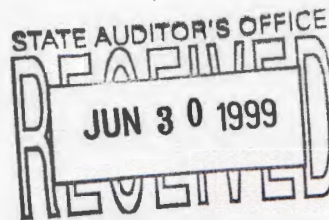
In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

Thank you for your cooperation in sending this information.

Sincerely,

CLAIRE C. McCASKILL
STATE AUDITOR

Judy Buerky
Local Government Analyst



**SCHMERSAHL
TRELOAR & CO., PC**
Certified Public Accountants

March 18, 1999

The Honorable Mayor and Board of Alderpersons
City of Moline Acres, Missouri
Moline Acres, Missouri

In planning and performing our audit of the financial statements of the City of Moline Acres, Missouri (the "City") for the year ended December 31, 1998, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. For reportable conditions which were noted in our audit of the December 31, 1997 financial statements, we have included the status of each reportable condition noted.

PRIOR AND CURRENT YEAR REPORTABLE CONDITIONS

CONTRACTUAL AGREEMENTS

Observation

During 1997, the Mayor signed a construction contract on behalf of the City which committed \$72,800 to be paid in installments to a Contractor. The contract was for services to be rendered in connection with remodeling and making capital improvements to the City jail and courthouse. Our review of the contract, various ordinances, and performance of other audit procedures resulted in the following which merit the Board's attention:

- The Board minutes contained approval by the Board for remodeling and capital improvements to the jail and courthouse. However, no approval of the contractor hired or the contract price was noted.

REPORTABLE CONDITIONS

(Continued)

CONTRACTUAL AGREEMENTS *(Continued)*

Observation *(Continued)*

- The contract was awarded absent a competitive bid process. A competitive bid process allows the Board to award contracts based on pre-established criteria, such as lowest bid, lowest and best bid, quality, experience, dependability, etc. Our review of ordinances did not, however, note that the City had ever formally established a competitive bid requirement.
- The contract was signed by the Mayor without the Board empowering the Mayor with the authority to sign, as required by ordinance.
- Payments made to Contractor, which were in excess of \$500, were not authorized by the Board, as required by ordinance.
- The contract made no references to certain items, such as obligation to pay prevailing wage, furnishing of lien wavers, and provisions regarding retainage payable. The absence of items such as these increases the risk that the City could incur future liability.

Recommendation

Consistently and emphatically require adherence to ordinances currently in effect. In addition, establish policies or ordinances requiring a defined competitive bid process for all contractual arrangements in excess of an established threshold, i.e., \$10,000. For all contracts reviewed, ensure that the contract is sufficient in detail and content, and thus limits the City's exposure to unforeseen and unnecessary future liabilities or obligations. Review the City's obligation (if any) to pay prevailing wages.

Status

Our 1998 procedure for expenditures noted unauthorized expenditures in excess of \$500, and a contract signed by the Mayor absent Board approval for either the contract or the empowering of the Mayor with authority to sign the contract. Additionally, our review of ordinances did not note approval of a competitive bid requirement. Therefore, we continue to recommend adherence to established ordinances and a requirement for a competitive bid process to be defined for all contractual arrangements.

REPORTABLE CONDITIONS

(Continued)

PAYROLL

Observation

Currently, one employee is responsible for calling the payroll service organization with any changes in that period's payroll. In addition, this same person is also responsible for initially receiving and distributing the payroll checks from the service organization. The performance of these two functions by one employee weakens the segregation of duties, as this person is empowered with both authorization and the initial custody of assets.

Recommendation

Assign the responsibility of initially receiving payroll checks for distribution to a person who is not responsible for any changes communicated to the payroll service.

Status

As this recommendation has not been implemented, we continue to recommend the segregation of these payroll responsibilities.

ACCOUNTING SYSTEM AND INTERNAL CONTROLS

Observation

Beginning in April 1997, the Mayor provided the City Clerk with a signature stamp to be used on all documentation and checks requiring a signature. Inadequate controls over signature stamps could result in improper or unauthorized distribution of funds.

Recommendation

Require the Mayor to maintain control over his signature stamp and further require the Mayor to keep the stamp in a secured storage area when not in use.

Status

Although the Mayor has control of the stamp, the stamp is relinquished without control to the City Clerk to stamp checks, licenses and permits. Therefore, our recommendation continues.

OTHER CURRENT YEAR COMMENTS

BANK ACCOUNTS

Observation

The City currently maintains eight separate banks accounts. These bank accounts are used to track various types of revenue streams and related expenditures and are a result of the City maintaining a manual accounting system in previous years. In 1998, the City implemented a computerized accounting system which is capable of tracking these different revenues and expenditures and therefore, no longer needs all of the bank accounts currently being used.

Recommendation

Consider consolidating bank accounts so that the City will only have three bank accounts: a general account; a payroll account; and a bond account. Consolidation of bank accounts will provide the City with easier accounting, reconciling, and reviewing of bank accounts. Consolidation will also decrease costs related to maintaining multiple accounts resulting from employee time savings as well as decreased bank charges.

* * * * *

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the items reported on above are not material weaknesses.

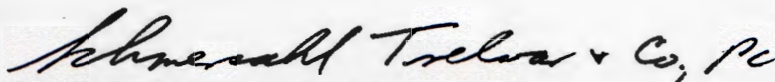
In addition, this letter includes the status of other prior year comments, observations, and recommendations regarding the City of Moline Acres, Missouri's controls and procedures. These additional items are not considered material weaknesses and are included within this document as "Appendix A, Status of Other Prior Year Comments."

This letter is not based upon a complete survey of all phases of operating and management controls. It does, however, direct attention to certain areas that we believe to be especially worthy of management consideration which came to our attention during our audit of your financial statements as of December 31, 1998.

After you have reviewed this letter, we would be pleased to discuss the contents with you, and to assist in the implementation or correction of items set forth herein, at your request.

We wish to thank you and your staff for your continued support and assistance.

Respectfully submitted,



SCHMERSAHL TRELOAR & CO., PC
Certified Public Accountants

APPENDIX A
STATUS OF OTHER PRIOR YEAR COMMENTS

EMPLOYEE VEHICLE USAGE

Observation

Our review of the ordinances passed in 1997 noted that one of the ordinances authorized the Mayor to operate a certain motor vehicle for the purpose of conducting business or other official functions on behalf of the City. The particular vehicle authorized is a specially equipped vehicle designed for police use. Empowering personnel other than police officials with the authority to operate the vehicle unnecessarily increases the risk to the City of being exposed to negative consequences if the personnel were to be involved in an accident or misused the equipment.

Additionally, we noted in the Board minutes that the specified car was taken home over the weekend, thus making it unavailable for official police business.

Recommendation

Repeal the aforementioned ordinance and consider other alternatives for providing City officials with adequate transportation for conducting business or performing official functions on behalf of the City. Some alternatives would be to establish a formal expense reimbursement system, which would include mileage reimbursement, purchase an additional vehicle for the use of City employees or officials, or convert an unmarked police vehicle into a motor vehicle appropriate for City use. Additionally, require vehicles to remain in the control of the City at all times.

Status

This recommendation has been implemented.

DOCUMENTATION OF NEW CHECKING ACCOUNTS

Observation

The City opened a new bank account for the Bond Account, but there was no indication that the opening of the account had been approved by the Board of Alderpersons.

Recommendation

Require documented Board approval for establishing or closing any bank account.

Status

During 1998, there were no bank accounts opened or closed.

APPENDIX A
STATUS OF OTHER PRIOR YEAR COMMENTS
(Continued)

PERSONNEL POLICIES

Observation

Although reference checks and evaluations are performed on applications received for positions in the police department, the City does not require employee reference checks or evaluations for all other City employees. In order to reduce the risk of hiring unqualified personnel, which could potentially impact the amount of employee turnover and other matters which could be costly to the City, it is important that reference checks are performed on all potential City employees. Also, performance of periodic evaluations on all City employees would result in timely identification and communication of any unsatisfactory job performance which could also affect employee turnover.

Recommendation

Establish and implement policies which require reference checks on all potential employees before hiring and evaluations on all City employees.

Status

As this recommendation has not been implemented, we continue to recommend that reference checks on all potential employees and periodic evaluations of current employees be implemented.

ACCOUNTING MANUAL

Observation

The City does not have an accounting policies and procedures manual. As the City has experienced much turnover in personnel in the past few years, the lack of an accounting manual has resulted in constant and time consuming training.

Recommendation

Develop a manual and document procedures to facilitate employee training and to assist during employee absences. We would be pleased to assist you with the development of this manual.

Status

As our recommendation was not implemented during 1998, we continue to recommend the development of an accounting manual.

APPENDIX A
STATUS OF OTHER PRIOR YEAR COMMENTS
(Continued)

BUSINESS LICENSE AND SALES TAXES

Observation

Business license and sales tax records tracked on index cards were not maintained and it was difficult to determine who had paid the fees.

Recommendation

Utilize an accounts receivable accounting package which is designed to track amounts owed to the City by the businesses in the City limits of Moline Acres on a monthly basis.

Status

The City is still maintaining business license and sales tax records using a manual system. However, accounts receivable software was purchased in 1998 with the accounting software package. The City plans to implement the accounts receivable software in 1999 and evaluate the feasibility of maintaining the business licenses and sales tax records on the computerized system.

FINANCIAL RECORDS

Observation

The City does not maintain its financial records on a computer. All financial records are maintained manually, leaving room for errors and requiring a significant amount of time to post transactions.

Recommendation

Purchase a computer and an accounting software package that includes accounts payable and accounts receivable packages which can be integrated with the general ledger software. This would save a great deal of time in the accounting functions, improve accountability, and prevent manual errors. In addition, such a package would make possible more meaningful oversight and effective control of City finances by the Board of Alderpersons. We would be pleased to assist you in the selection and implementation of such an accounting software package.

Status

During 1998, the City purchased accounting software and converted its manual books over to a computerized accounting system.

APPENDIX A
STATUS OF OTHER PRIOR YEAR COMMENTS
(Continued)

Observation

The expenses of the police department are not maintained on a detailed basis.

Recommendation

Maintain more detailed accounts on the police department expenses in the same manner that the administrative expenses are maintained. The use of an accounting software package will facilitate this process. The City would be able to run departmental statements of cash receipts and disbursements on a monthly basis by utilizing such an accounting package.

Status

The recommendation has been implemented.

PERSONNEL POLICIES

Observation

Personnel files are not maintained with the required documentation on each City employee (i.e. W-4's and I-9's). Also, there are no documents in the personnel files which state the employee's position and rate of pay.

Recommendation

Initiate a personnel policy that requires all new employees to complete the required forms before they are allowed to start work. Have all existing employees complete the required forms and file them in individual personnel files. When an employee is hired, the appropriate supervisor needs to complete a personnel form that states the position the employee was hired for and the rate of pay. This form should be signed by the supervisor.

Status

Our recommendation has been implemented.

**SCHMERSAHL
TRELOAR & CO., PC**

Certified Public Accountants

CITY OF MOLINE ACRES

**GENERAL PURPOSE
FINANCIAL STATEMENTS - CASH BASIS
AND
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 1998

City of Moline Acres

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Independent Auditors' Report

The Honorable Mayor and
Board of Alderpersons
City of Moline Acres, Missouri

We have audited the accompanying general purpose financial statements - cash basis of the CITY OF MOLINE ACRES, MISSOURI as of December 31, 1998 and for the year then ended. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note A, the City's policy is to prepare its general purpose financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In addition, the general purpose financial statements referred to above do not include fixed assets purchased prior to 1997 in the General Fixed Assets Account Group, which should be included to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, except for the effect on the general purpose financial statements of the omission described in the third paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the funds of the CITY OF MOLINE ACRES, MISSOURI as of December 31, 1998, and the revenues collected and expenditures paid for the year then ended on the basis of accounting described in Note A.

Schmersahl Treloar & Co., PC

March 16, 1999

**FINANCIAL
STATEMENTS**

City of Moline Acres
 COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND
 BALANCES ARISING FROM CASH TRANSACTIONS - ALL FUND TYPES
 December 31, 1998

ASSETS

	<u>Governmental</u> <u>Fund Types</u>		<u>Fiduciary</u> <u>Fund Types</u>	<u>Account</u> <u>Group</u>	<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Trust and</u> <u>Agency</u>	<u>General</u> <u>Fixed Assets</u>	<u>(Memorandum</u> <u>Only)</u>
ASSETS					
Cash, checking	\$265,081	\$6,800	\$20,989	\$ -	\$292,870
Due from trust and agency	1,190	-	-		1,190
Fixed assets	-	-	-	166,657	166,657
Accumulated depreciation	-	-	-	(15,035)	(15,035)
Total Assets	<u>\$266,271</u>	<u>\$6,800</u>	<u>\$20,989</u>	<u>\$151,622</u>	<u>\$445,682</u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Due to general fund	\$ -	\$ -	\$ 1,190	\$ -	\$ 1,190
Municipal court bail bonds held	-	-	19,799	-	19,799
Other liability	54,380	-	-	-	54,380
Total Liabilities	<u>54,380</u>	<u>-</u>	<u>20,989</u>	<u>-</u>	<u>75,369</u>

FUND BALANCES

Investment in general fixed assets	-	-	-	151,622	151,622
Restricted for roads and bridges	44,109	-	-	-	44,109
Undesignated	167,782	6,800	-	-	174,582
Total Fund Balances	<u>211,891</u>	<u>6,800</u>	<u>-</u>	<u>151,622</u>	<u>370,313</u>
Total Liabilities and Fund Balances	<u>\$266,271</u>	<u>\$6,800</u>	<u>\$20,989</u>	<u>\$151,622</u>	<u>\$445,682</u>

See accompanying notes to general purpose financial statements

City of Moline Acres
**COMBINED STATEMENT OF REVENUES COLLECTED,
EXPENDITURES PAID AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES**
For The Year Ended December 31, 1998

	General	Special Revenue	Total (Memorandum Only)
REVENUES COLLECTED			
Sales tax	\$ 402,159	\$ -	\$ 402,159
Utilities tax	150,995	-	150,995
Gasoline tax	76,616	-	76,616
State vehicle tax and fees	17,910	-	17,910
Road and bridge tax	12,544	-	12,544
Cigarette tax	12,314	-	12,314
Court fines and fees	319,250	13,893	333,143
Bond revenue	71,450	-	71,450
Licenses and permits	32,621	-	32,621
Motor vehicle fees	13,375	-	13,375
Government grant	62,052	-	62,052
Other income	15,089	-	15,089
Interest income	6,088	86	6,174
Miscellaneous	1,086	-	1,086
Total Revenues Collected	<u>1,193,549</u>	<u>13,979</u>	<u>1,207,528</u>
EXPENDITURES PAID			
Public safety	503,656	16,228	519,884
Street department	47,677	-	47,677
Administration	619,967	-	619,967
Total Expenditures Paid	<u>1,171,300</u>	<u>16,228</u>	<u>1,187,528</u>
EXCESS (DEFICIT) OF REVENUES COLLECTED OVER EXPENDITURES PAID	22,249	(2,249)	20,000
BEGINNING FUND BALANCES	<u>189,642</u>	<u>9,049</u>	<u>198,691</u>
ENDING FUND BALANCES	<u>\$ 211,891</u>	<u>\$ 6,800</u>	<u>\$ 218,691</u>

See accompanying notes to general purpose financial statements

City of Moline Acres
**COMBINED STATEMENT OF REVENUES COLLECTED
AND EXPENDITURES PAID - BUDGET AND ACTUAL**
(CASH BASIS) - GENERAL FUND
For The Year Ended December 31, 1998

	Amended Cash Basis Budget	Cash Basis Actual	Variance- Favorable (Unfavorable)
REVENUES COLLECTED			
Sales tax	\$ 350,000	\$ 402,159	\$ 52,159
Utilities tax	145,000	150,995	5,995
Other taxes	144,200	132,759	(11,441)
Court fines and fees	334,000	404,843	70,843
Licenses and permits	13,600	32,371	18,771
Interest	3,700	6,174	2,474
Other	35,300	16,175	(19,125)
Federal grant	57,736	62,052	4,316
	<u>1,083,536</u>	<u>1,207,528</u>	<u>123,992</u>
EXPENDITURES PAID			
Public Safety:			
Police salaries	303,000	402,126	(99,126)
Police expense	85,500	90,476	(4,976)
Capital expenditures	25,000	27,282	(2,282)
	<u>413,500</u>	<u>519,884</u>	<u>(106,384)</u>
Street Department:			
Street lighting	22,000	21,594	406
Street expense	11,000	5,514	5,486
Street salaries	28,500	20,569	7,931
	<u>61,500</u>	<u>47,677</u>	<u>13,823</u>
Administrative:			
Administrative salaries	209,600	127,524	82,076
Payroll taxes, all departments	37,000	41,562	(4,562)
Pension expense, all departments	14,000	18,414	(4,414)
Insurance, commercial and health	140,000	124,038	15,962
Capital expenditures	70,000	79,078	(9,078)
Municipal court expense	30,000	33,154	(3,154)
City Hall maintenance	7,500	17,065	(9,565)
Legal fees	17,000	39,036	(22,036)
Office expense	17,000	31,276	(14,276)
Dues and seminars	5,000	10,239	(5,239)
Utilities	21,000	25,794	(4,794)
Miscellaneous	41,500	72,787	(31,287)
	<u>609,600</u>	<u>619,967</u>	<u>(10,367)</u>
Total Expenditures Paid	<u>1,084,600</u>	<u>1,187,528</u>	<u>(102,928)</u>
REVENUES COLLECTED OVER (UNDER) EXPENDITURES PAID	<u>(\$ 1,064)</u>	<u>\$ 20,000</u>	<u>\$ 21,064</u>

See accompanying notes to general purpose financial statements

City of Moline Acres
STATEMENT OF CHANGES IN TRUST AND AGENCY FUND - CASH BASIS
For The Year Ended December 31, 1998

Trust and Agency Liability, January 1, 1998	\$ 9,921
Additions	101,685
Deductions	(<u>91,807</u>)
Ending Trust and Agency Liability, December 31, 1998	<u>\$19,799</u>

Trust and Agency Liability at December 31, 1998 consists of:

Municipal court bail bonds held	<u>\$19,799</u>
---------------------------------	-----------------

See accompanying notes to general purpose financial statements

City of Moline Acres
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 1998

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The City of Moline Acres (the "City") is a city of the fourth class in which citizens elect the mayor at large and council members. The accompanying general purpose financial statements present the City's primary government as the City has no component units over which the City exercises significant influence.

Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

• **GOVERNMENTAL FUND TYPES**

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the cash basis of accounting. Under the cash basis of accounting, revenues are recognized when received rather than when due. Expenditures are recorded when paid rather than when the obligation is incurred. Accordingly, the accompanying general purpose financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

Governmental funds include the following fund types:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

City of Moline Acres
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

• **FIDUCIARY FUND TYPES** (Continued)

Trust and Agency Funds are used to account for assets held by the City (primarily Municipal court bail bonds) in a trustee capacity or as an agent for individuals. These are custodial in nature and do not involve measurement of results of operations.

• **ACCOUNT GROUPS**

General Fixed Assets Account Group is established to account for all fixed assets of the City.

Budgets and Budgetary Accounting

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

1. The Budget Officer submits to the Board of Alderpersons a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City assesses no real estate or personal property taxes.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, or at the beginning of the new fiscal year, the budget is formally adopted by the Board of Alderpersons.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Alderpersons.
5. A budget for the General Fund is adopted on the cash basis of accounting.

Total (Memorandum Only) Column

The total column in the accompanying general purpose financial statements is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

City of Moline Acres
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

B. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure, as part of the combined statements, of certain information concerning individual funds, including:

- Summary disclosures of changes in general fixed assets by major asset class (see Note E).
- Deficit fund balances of individual funds. No funds reflected such balances at December 31, 1998.
- Excesses of expenditures over appropriations in individual funds. The General Fund expenditures exceeded appropriations in the amount of \$102,928 for the year ended December 31, 1998.

C. BUDGET AND ACTUAL COMPARISON

As stated in Note A, the City of Moline Acres prepares its financial statements on the cash basis of accounting, the same basis it uses for the preparation of the budget.

D. CASH

Deposits

At December 31, 1998, the carrying amount of the City's deposits held at financial institutions was \$292,870 and the bank balance was \$405,435. Deposits in excess of federally insured limits were collateralized.

E. GENERAL FIXED ASSETS ACCOUNT GROUP

Fixed assets used in governmental fund types of the City are recorded in the General Fixed Assets Account Group at cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the General Fixed Assets Account Group or capitalized in the proprietary funds.

The General Fixed Assets Account Group does not include fixed assets purchased prior to 1997, which should be included to conform with generally accepted accounting principles. The amount that should be recorded for these fixed assets is not known.

City of Moline Acres
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

E. **GENERAL FIXED ASSETS ACCOUNT GROUP** (Continued)

A summary of the General Fixed Assets Account Group at December 31, 1998 is as follows:

	Balance January 1, 1998	Additions	Deletions	Balance December 31, 1998
Construction in progress	\$44,980	\$ -	(\$44,980)	\$ -
Property improvement	-	77,196	-	77,196
Vehicles	14,500	20,635	-	35,135
Computers and equipment	9,567	24,752	-	34,319
Furniture	-	20,007	-	20,007
	<u>\$69,047</u>	<u>\$142,590</u>	<u>(\$44,980)</u>	<u>\$166,657</u>

F. **OTHER LIABILITY**

In 1992, the City began receiving distributions from the State of Missouri for its share of use tax collected. This tax was contested and in 1996, the Missouri Supreme Court declared Missouri's local use tax invalid. As repayment of some or all of the tax was expected, the City deferred revenue recognition of these tax proceeds, which amounted to \$201,771. In 1998, the Missouri Supreme Court ruled that the Missouri Director of Revenue must provide refunds only for amounts claimed. During 1998, the City paid back \$51,443 of its portion of the estimated share of local use tax refunds, which amounted to \$105,823. In January 1999, the City remitted the balance owed of \$54,380. The remaining balance of \$95,948 is recognized as sales tax revenue in the current year.

G. **RESTRICTED FUND BALANCE**

The City receives certain tax revenues which are required by law to be spent for the repair and improvement of existing roads and bridges. The restriction of the fund balance by the Board is to indicate the unexpended portion of these monies which will be spent for future street improvement projects.

City of Moline Acres
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
December 31, 1998
(Continued)

H. **PENSION PLAN**

Plan Description

The City of Moline Acres participates in the Missouri Local Government Employees Retirement System ("LAGERS"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to Plan members and beneficiaries. LAGERS was created and is governed by statute, Section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The Plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

Funding Status

The City of Moline Acres' full-time employees do not contribute to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 2.2% (general), and 6.2% (police) of annual covered payroll. The contribution requirements of Plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 1998, the political subdivision's annual pension cost of \$15,100 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 1996 and/or 1997 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 7.0% per year, compounded annually, before retirement and 4.0% per year, compounded annually, after retirement; (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0.0% to 4.0% per year, depending on age, attributable to seniority/merit; and (d) pre- and post-retirement mortality based on the 1984 Group Annuity Mortality table set back no years for men and 6 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 1998 was 16 years.

City of Moline Acres
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
 December 31, 1998
 (Continued)

H. PENSION PLAN (Continued)

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/96	\$11,563	100%	\$0
06/30/97	11,410	100%	\$0
06/30/98	15,100	100%	\$0

REQUIRED SUPPLEMENTAL INFORMATION
 Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[[b-a)/c] Amount Overfunded as a Percentage of Covered Payroll
02/28/96	\$208,200	\$157,979	(\$50,221)	132%	\$148,471	34%
02/28/97	248,451	210,346	(38,105)	118%	256,907	15%
02/28/98	293,477	280,839	(12,638)	105%	318,272	4%

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 29, 1996 annual actuarial valuations.

I. LITIGATION

In the normal course of its operations, certain lawsuits and legal actions are pending against the City. In the opinion of the City's management, these items are not expected to have a material effect, individually or in the aggregate, upon the financial position or the results of operations of the City.

**SUPPLEMENTAL
INFORMATION**

**Independent Auditors' Report
on Supplemental Information**

The Honorable Mayor and
Board of Alderpersons
City of Moline Acres, Missouri

Our report on our audit of the basic general purpose financial statements of The City of Moline Acres, Missouri for 1998 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 13 - 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Schmersahl Treloar & Co., PC

March 16, 1999

City of Moline Acres
 SCHEDULE OF EXPENDITURES PAID - ALL GOVERNMENTAL FUND TYPES
 For the Year Ended December 31, 1998

	General	Special Revenue	Total (Memorandum Only)
EXPENDITURES PAID			
Public Safety:			
Police salaries	\$ 402,126	\$ -	\$ 402,126
Police expenses	74,248	16,228	90,476
Capital expenditures	27,282	-	27,282
	<u>503,656</u>	<u>16,228</u>	<u>519,884</u>
Street Department:			
Street lighting	21,594	-	21,594
Street expense	5,514	-	5,514
Street salaries	20,569	-	20,569
	<u>47,677</u>	<u>-</u>	<u>47,677</u>
Administrative:			
Administrative salaries	127,524	-	127,524
Payroll taxes, all departments	41,562	-	41,562
Pension expense, all departments	18,414	-	18,414
Insurance, commercial and health	124,038	-	124,038
Capital expenditures	79,078	-	79,078
Municipal court expense	33,154	-	33,154
City Hall maintenance	17,065	-	17,065
Legal fees	39,036	-	39,036
Office expense	31,276	-	31,276
Dues and seminars	10,239	-	10,239
Utilities	25,794	-	25,794
Miscellaneous	72,787	-	72,787
	<u>619,967</u>	<u>-</u>	<u>619,967</u>
Total Expenditures Paid	<u>\$1,171,300</u>	<u>\$16,228</u>	<u>\$1,187,528</u>

See auditors' report on supplemental information

COMBINING STATEMENTS OF INDIVIDUAL FUNDS

City of Moline Acres
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND BALANCES ARISING FROM CASH TRANSACTIONS -
 SPECIAL REVENUE FUNDS
 December 31, 1998

	<u>Police Training</u>	<u>Police Equipment</u>	<u>Total</u>
ASSETS			
Cash, checking	<u>\$5,026</u>	<u>\$1,774</u>	<u>\$6,800</u>
 FUND BALANCE	 <u>\$5,026</u>	 <u>\$1,774</u>	 <u>\$6,800</u>

See auditors' report on supplemental information

City of Moline Acres
 COMBINING STATEMENT OF REVENUES COLLECTED,
 EXPENDITURES PAID AND CHANGES IN FUND BALANCES -
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 1998

	<u>Police Training</u>	<u>Police Equipment</u>	<u>Total (Memorandum Only)</u>
REVENUES COLLECTED			
Court fines and fees	\$13,893	\$ -	\$13,893
Interest income	<u>38</u>	<u>48</u>	<u>86</u>
	<u>13,931</u>	<u>48</u>	<u>13,979</u>
EXPENDITURES PAID			
Police expense	-	3,491	3,491
Dues and seminars	<u>12,737</u>	<u>-</u>	<u>12,737</u>
	<u>12,737</u>	<u>3,491</u>	<u>16,228</u>
EXCESS (DEFICIT) OF REVENUES COLLECTED OVER EXPENDITURES PAID	1,194	(3,443)	(2,249)
BEGINNING FUND BALANCE	<u>3,832</u>	<u>5,217</u>	<u>9,049</u>
ENDING FUND BALANCE	<u>\$ 5,026</u>	<u>\$1,774</u>	<u>\$ 6,800</u>

See auditors' report on supplemental information