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1-1-2005

## Financial Statements and Independent Auditors' Reports and Supplementary Information, 2004

City of De Soto

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CITY OF DE SOTO, MISSOURI

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORTS  
AND SUPPLEMENTARY INFORMATION**

**October 31, 2004**



**SCHOWALTER & JABOURI, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

CITY OF DE SOTO, MISSOURI

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CITY OF DE SOTO, MISSOURI

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## INDEPENDENT AUDITORS' REPORT

City Council and City Manager  
City of De Soto, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Desoto, Missouri (the "City") as of and for the year ended October 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 the City'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, and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements were prepared 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended October 31, 2004, and the respective changes in financial position and cash flows where applicable, thereof - modified cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

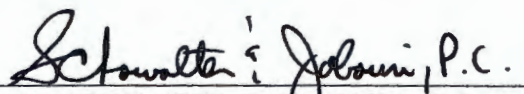


As described in Note 10 during fiscal year 2004, the City, adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosure*, and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The Management's Discussion and Analysis on pages 3 through 12, the Schedules of Revenues, Expenditures and Change in Fund Balance - Modified Cash Basis - Budget and Actual - General Fund, County Sales Tax Fund, and Capital Improvement Fund - Unaudited on pages 37 through 39, and the Schedule of Funding Progress on page 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 13, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements, the schedule of number of customers and the schedule of insurance coverage on pages 42 through 46 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
January 13, 2005

## CITY OF DESOTO, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR ENDED OCTOBER 31, 2004

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We offer those interested in the City of De Soto's financial statements this narrative overview and analysis of the financial activities of the City of De Soto for the fiscal year ended October 31 2004. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Professional standards require the inclusion of certain comparative information in the Management's Discussion and Analysis (MD&A). However, in the year of implementation, certain omissions are allowed. Subsequent MD&As will include all required comparative information.

#### **Financial Highlights**

- ◆ The assets of the City of De Soto exceeded its liabilities at the close of the most recent fiscal year by \$2,222,712 (net assets). Of this amount, \$671,531 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets increased by \$297,754.
- ◆ As of the close of this current fiscal year, the City of De Soto's governmental funds reported combined ending fund balances of \$1,430,771.
- ◆ Approximately 5 percent of this total amount, \$74,725, is available for spending at the government's discretion (unreserved fund balance).
- ◆ At the end of the current fiscal year, there was deficit of unreserved fund balance for the General Fund of (\$112,473).

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of De Soto's basic financial statements. The City of De Soto's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Required supplementary information and additional supplementary information is also included in addition to the basic financial statements.



CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

---

**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 they result from cash transactions.

As a result of the use of this modified cash basis of accounting, certain assets (such as accounts receivable and capital assets) certain revenue (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, general and leasehold revenue bonds and obligations under capital leases) and certain expenses (such as expenses for goods or services received but not yet paid) *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.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide a broad overview of the City of De Soto's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net assets and the statement of activities.

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported on a modified cash basis.

Both of the government-wide financial statements distinguish functions of the City of De Soto that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of De Soto include general government, judicial, public safety (inclusive of fire and police), cemetery maintenance and public works. The business-type activities of the City of De Soto include water, sewer and sanitation.



## CITY OF DESOTO, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR FISCAL YEAR ENDED OCTOBER 31, 2004

---

#### **Government-Wide Financial Statements (continued)**

The government-wide financial statements include the City of De Soto itself (*known as the primary government*). The financial statements also include the legally separate Public Library, the component unit of the City of De Soto for which the City is financially accountable. The City reports financial information for this component unit. The City of De Soto also had a component unit, the City of De Soto Public Facility Authority. This component unit had no activity for the year and no balances as of October 31, 2004. The government-wide financial statements can be found on pages 13 - 14 of this report.

#### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of De Soto, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of De Soto can be divided into two categories: governmental funds and proprietary funds.

#### **Governmental Funds**

Most 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. 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 to 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.

Because the fund financial statement and the government-wide financial statements are prepared on the same basis of accounting (modified cash basis), there is no difference in the reported fund balances/net assets on these statements.

The City of De Soto maintains 7 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, County Sales Tax Fund, and Capital Improvement Fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

## CITY OF DESOTO, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR FISCAL YEAR ENDED OCTOBER 31, 2004

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#### **Proprietary Funds**

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. The City of De Soto maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements.

The City of De Soto maintains one enterprise fund. Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the Water and Wastewater Fund as this is considered to be a major fund of the City of De Soto.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Required and Additional Supplementary Information**

The City's budgetary comparison schedules are presented as required supplementary information immediately following the notes to the basic financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

#### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of De Soto, assets exceeded liabilities by \$2,222,712 at the close of the fiscal year ended October 31, 2004. Because the City has elected to report on a modified cash basis, without capital assets, the only portion of the City of De Soto's net assets is cash and investments.



CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

**Government-Wide Financial Analysis (continued)**

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
OCTOBER 31, 2004

	Primary Government			Component
	Governmental Activities	Business-Type Activities	Total	Unit <u>Library</u>
-- ASSETS --				
Cash and investments.....	\$ 1,543,244	\$ 679,468	\$2,222,712	\$ 136,386
Internal balances .....	(112,473)	112,473	--	--
<b>TOTAL ASSETS.....</b>	<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$2,222,712</b>	<b>\$ 136,386</b>
-- NET ASSETS --				
Restricted for:				
Capital projects.....	\$ 1,356,046	\$ --	\$1,356,046	\$ --
Debt service.....	--	54,413	54,413	--
Cemetery care - expendable.....	17,135	--	17,135	--
Cemetery care - nonexpendable.....	123,587	--	123,587	--
Unrestricted .....	(65,997)	737,528	671,531	136,386
<b>TOTAL NET ASSETS .....</b>	<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$2,222,712</b>	<b>\$ 136,386</b>

A portion of the City of De Soto's net assets (70 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$671,531) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of De Soto is able to report positive balances in both categories of net assets for the government as a whole.



CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

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**Government-Wide Financial Analysis (continued)**

The changes in net assets are highlighted in the following table, which shows the City's revenues and expenses for the fiscal year. These two main components are subtracted to yield the change in net assets.

Revenue is further divided into two major components: program revenue and general revenue. Program revenue is defined as charges for sales and services, operating grants and contributions, and capital grants and contributions. General revenue includes taxes, investment income and other unrestricted revenue sources.

CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

A summary of the City's changes in net assets follows:

	<b>Changes in Net Assets</b>			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Revenues:</b>				
<b>Program Revenues:</b>				
Charges for Services	\$ 319,518	\$ 1,539,011	\$ 1,858,529	\$ 29,213
Operating Grants & Contributions	88,922	-	88,922	5,259
Capital Grants & Contributions	681,934	-	681,934	-
<b>General Revenues:</b>				
Property Taxes	324,134	-	324,134	97,794
Franchise Taxes	783,974	-	783,974	-
Sales Taxes	1,556,536	-	1,556,536	24,696
Other Revenue	124,419	4,937	129,356	1,040
<b>Total Revenue</b>	<b>3,879,437</b>	<b>1,543,948</b>	<b>5,423,385</b>	<b>158,002</b>
<b>Expenses:</b>				
General Government	739,751	-	739,751	-
Fire	126,996	-	126,996	-
Police/Comm./Animal Control	938,919	-	938,919	-
Street	449,609	-	449,609	-
Survey / Building Inspection	57,053	-	57,053	-
Parks	207,820	-	207,820	-
Cemetery	9,598	-	9,598	-
Capital Outlay	986,425	-	986,425	-
Debt Service	128,935	156,147	285,082	-
Water and Sewer	-	799,238	799,238	-
Wastewater treatment	-	137,146	137,146	-
Refuse	-	387,994	387,994	-
Library	-	-	-	155,135
<b>Total Expenses</b>	<b>3,645,106</b>	<b>1,480,525</b>	<b>5,125,631</b>	<b>155,135</b>
<b>Increase in Net Assets</b>	<b>234,331</b>	<b>63,423</b>	<b>297,754</b>	<b>2,867</b>
<b>Net Assets, beginning of year</b>	<b>1,196,440</b>	<b>728,518</b>	<b>1,924,958</b>	<b>133,519</b>
<b>Net Assets, end of year</b>	<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$ 2,222,712</b>	<b>\$ 136,386</b>

CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

---

**Governmental Activities**

Total governmental activities' revenue for the fiscal year was \$3,879,437. The largest single revenue source for the City was sales taxes of \$1,556,536. Certain revenues are generated that are specific to governmental program activities. These totaled \$2,629,385 in 2004.

Total business-type activities' revenue for the fiscal year was \$1,543,948. All but \$4,937 of this revenue was generated for specific business-type activity expenses in 2004.

**Business-Type Activities**

Business-type activities increased the City of De Soto's net assets by \$63,423, accounting for 21 percent of the growth in the government's net assets.

**Financial Analysis of the Government's Funds**

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

**Governmental Funds**

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

As of the end of the current fiscal year, the City of De Soto's governmental funds reported combined ending fund balances of \$1,430,771, an increase of \$234,331 in comparison with the prior year. Approximately 5 percent of this total amount, (\$74,725), constitute *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) for future capital road improvements (\$613,275), and 2) for future capital improvements (\$742,771).



CITY OF DESOTO, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
FOR FISCAL YEAR ENDED OCTOBER 31, 2004

---

**Governmental Funds (continued)**

The General Fund is the chief operating fund of the City of De Soto. At the end of the current fiscal year, unreserved fund balance of the General Fund was deficit \$112,473, while total fund balance was \$1,430,771.

The demand for city services within the General Fund continues to increase while the revenue has remained relatively constant. Taxes and franchise fees principally support revenue from the General Fund. Revenue from sales taxes was \$21,456 less than budgeted, while franchise fees were under budget an additional \$17,503.

The County Sales Tax Fund has a total fund balance of \$613,275. The net decrease in fund balance during the current year in this fund was \$56,151.

The Capital Improvement Fund has a total fund balance of \$742,771. The net increase in fund balance during the current year was \$352,778. This increase is primarily a result of some capital improvement projects that were not completed in 2004 as anticipated.

**Proprietary funds**

The City of De Soto's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Wastewater Fund at the end of the year were \$737,528. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of De Soto's business-type activities.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget for the General Fund can be summarized as follows:

- ◆ The total original revenue budget of \$2,298,644 was increased by \$15,053.
- ◆ The total original expenditure budget of \$2,246,913 was increased by \$28,977.

## CITY OF DESOTO, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED) FOR FISCAL YEAR ENDED OCTOBER 31, 2004

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#### **Capital Asset and Debt Administration**

The City of De Soto elected to present financial statements on a modified cash basis of accounting, thereby eliminating the reporting of capital assets and debt.

Additional information on the City of De Soto's debt can be found in Note 4 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- ◆ Real and personal property assessed values have continued to rise but the 2005 increase in property tax revenue is primarily due to new construction in the City of De Soto.
- ◆ Construction of the Wal-Mart store was completed in late October 2004. Sales tax revenue for this period has been factored into the 2005 budget including a slight growth in the local economy.
- ◆ Health care cost and personnel costs, which make up a significant portion of the City's operating expenditures, continue to rise.

All of these factors were considered in preparing the City of De Soto's budget for fiscal year 2005.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City of De Soto's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Amy Rhodes, Finance Director, City of De Soto, 17 Boyd St, De Soto, Missouri 63020.

CITY OF DE SOTO, MISSOURI

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
OCTOBER 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Library
-- ASSETS --				
Cash and investments.....	\$ 1,543,244	\$ 679,468	\$ 2,222,712	\$ 136,386
Internal balances.....	(112,473)	112,473	-	-
<b>TOTAL ASSETS.....</b>	<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$ 2,222,712</b>	<b>\$ 136,386</b>
-- NET ASSETS --				
Restricted for:				
Capital projects.....	\$ 1,356,046	\$ -	\$ 1,356,046	\$ -
Debt service.....	-	54,413	54,413	-
Cemetery care - expendable.....	17,135	-	17,135	-
Cemetery care - nonexpendable.....	123,587	-	123,587	-
Unrestricted.....	(65,997)	737,528	671,531	136,386
<b>TOTAL NET ASSETS.....</b>	<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$ 2,222,712</b>	<b>\$ 136,386</b>

See accompanying notes to the basic financial statements



**CITY OF DE SOTO, MISSOURI**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED OCTOBER 31, 2004**

Functions/Programs:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit Library
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
City Council.....	\$ 651	\$ -	\$ -	\$ -	\$ (651)	\$ -	\$ (651)	\$ -
Municipal Court.....	62,749	171,546	-	-	108,797	-	108,797	-
General Administration.....	635,190	123,312	86,586	-	(425,292)	-	(425,292)	-
Fire Department.....	126,996	-	-	-	(126,996)	-	(126,996)	-
Police Department.....	702,598	4,115	1,536	-	(696,947)	-	(696,947)	-
Communications Division.....	185,129	-	-	-	(185,129)	-	(185,129)	-
Animal/Control Code.....	51,192	668	-	-	(50,524)	-	(50,524)	-
Surveyor Department.....	20,144	-	-	-	(20,144)	-	(20,144)	-
Street Department.....	449,609	-	-	-	(449,609)	-	(449,609)	-
Custodial Department.....	41,161	-	-	-	(41,161)	-	(41,161)	-
Fire/Building Inspection.....	36,909	-	-	-	(36,909)	-	(36,909)	-
Parks.....	207,820	19,552	-	-	(188,268)	-	(188,268)	-
Cemetery Maintenance.....	9,598	325	800	-	(8,473)	-	(8,473)	-
Capital Outlay.....	986,425	-	-	681,934	(304,491)	-	(304,491)	-
<b>Debt Service:</b>								
Principal.....	93,526	-	-	-	(93,526)	-	(93,526)	-
Interest and other expenses.....	35,409	-	-	-	(35,409)	-	(35,409)	-
<b>Total Governmental Activities.....</b>	<b>3,645,106</b>	<b>319,518</b>	<b>88,922</b>	<b>681,934</b>	<b>(2,554,732)</b>	<b>-</b>	<b>(2,554,732)</b>	<b>-</b>
<b>Business-type Activities:</b>								
Water distribution and sewer collection.....	799,238	1,149,336	-	-	-	350,098	350,098	-
Wastewater treatment.....	137,146	-	-	-	-	(137,146)	(137,146)	-
Refuse service.....	387,994	389,675	-	-	-	1,681	1,681	-
<b>Debt Service:</b>								
Principal.....	90,000	-	-	-	-	(90,000)	(90,000)	-
Interest and other expenses.....	66,147	-	-	-	-	(66,147)	(66,147)	-
<b>Total Business-Type Activities.....</b>	<b>1,480,525</b>	<b>1,539,011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58,486</b>	<b>58,486</b>	<b>-</b>
<b>Total Primary Government.....</b>	<b>\$ 5,125,631</b>	<b>\$ 1,858,529</b>	<b>\$ 88,922</b>	<b>\$ 681,934</b>	<b>(2,554,732)</b>	<b>58,486</b>	<b>(2,496,246)</b>	<b>-</b>
<b>Component Unit:</b>								
Library.....	\$ 155,135	\$ 29,213	\$ 5,259	\$ -				(120,663)
<b>General Revenues:</b>								
Property taxes.....					324,134	-	324,134	97,794
Franchise taxes.....					783,974	-	783,974	-
Sales taxes.....					1,556,536	-	1,556,536	24,696
Investment income.....					14,976	3,454	18,430	1,040
Miscellaneous.....					109,443	1,483	110,926	-
<b>Total General Revenues.....</b>					<b>2,789,063</b>	<b>4,937</b>	<b>2,794,000</b>	<b>123,530</b>
<b>Change in Net Assets.....</b>					<b>234,331</b>	<b>63,423</b>	<b>297,754</b>	<b>2,867</b>
<b>Net Assets, Beginning of the Year.....</b>					<b>1,196,440</b>	<b>728,518</b>	<b>1,924,958</b>	<b>133,519</b>
<b>Net Assets, End of the Year.....</b>					<b>\$ 1,430,771</b>	<b>\$ 791,941</b>	<b>\$ 2,222,712</b>	<b>\$ 136,386</b>

See accompanying notes to the basic financial statements

**CITY OF DE SOTO, MISSOURI**

**BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
OCTOBER 31, 2004**

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	County Sales Tax Fund	Capital Improvement Fund	Other Governmental Funds	
-- ASSETS --					
Cash and investments.....	\$ -	\$ 613,275	\$ 742,771	\$ 187,198	\$ 1,543,244
<b>TOTAL ASSETS.....</b>	<b>\$ -</b>	<b>\$ 613,275</b>	<b>\$ 742,771</b>	<b>\$ 187,198</b>	<b>\$ 1,543,244</b>
-- LIABILITIES --					
Interfund payable.....	\$ 112,473	\$ -	\$ -	\$ -	\$ 112,473
-- FUND BALANCES --					
FUND BALANCES:					
Reserved for:					
Capital road improvements.....	-	613,275	-	-	613,275
Capital improvements.....	-	-	742,771	-	742,771
Unreserved.....	(112,473)	-	-	-	(112,473)
Unreserved, reported in nonmajor special revenue funds.....	-	-	-	187,198	187,198
<b>Total Fund Balances.....</b>	<b>(112,473)</b>	<b>613,275</b>	<b>742,771</b>	<b>187,198</b>	<b>1,430,771</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ -</b>	<b>\$ 613,275</b>	<b>\$ 742,771</b>	<b>\$ 187,198</b>	<b>\$ 1,543,244</b>

See accompanying notes to the basic financial statements



CITY OF DE SOTO, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Fund	County Sales Tax Fund	Capital Improvement Fund	Other Governmental Funds	
<b>REVENUES:</b>					
Property, utility, franchise taxes.....	\$ 1,049,636	\$ -	\$ -	\$ 58,470	\$ 1,108,106
Sales tax.....	716,184	364,473	393,559	82,320	1,556,536
Burial fees.....	-	-	-	325	325
Licenses, permits and fees.....	88,600	-	-	-	88,600
Fines and forfeitures.....	161,349	-	-	5,653	167,002
Donations.....	-	-	-	800	800
Intergovernmental revenue.....	1,536	-	315,000	-	316,536
Interest and miscellaneous.....	196,931	9,931	368,669	66,001	641,532
<b>Total Revenues.....</b>	<b>2,214,236</b>	<b>374,404</b>	<b>1,077,228</b>	<b>213,569</b>	<b>3,879,437</b>
<b>EXPENDITURES:</b>					
Current:					
City Council.....	651	-	-	-	651
Municipal Court.....	62,749	-	-	-	62,749
General Administration.....	635,190	-	-	-	635,190
Fire Department.....	126,996	-	-	-	126,996
Police Department.....	697,071	-	-	5,527	702,598
Communications Division.....	185,129	-	-	-	185,129
Animal/Control Code.....	51,192	-	-	-	51,192
Surveyor Department.....	20,144	-	-	-	20,144
Street Department.....	449,609	-	-	-	449,609
Custodial Department.....	41,161	-	-	-	41,161
Fire/Building Inspection.....	36,909	-	-	-	36,909
Parks.....	-	-	-	207,820	207,820
Cemetery Maintenance.....	-	-	-	9,598	9,598
Capital Outlay.....	-	390,910	595,515	-	986,425
Debt Service:					
Principal.....	-	-	93,526	-	93,526
Interest and other.....	-	-	35,409	-	35,409
<b>Total Expenditures.....</b>	<b>2,306,801</b>	<b>390,910</b>	<b>724,450</b>	<b>222,945</b>	<b>3,645,106</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(92,565)</b>	<b>(16,506)</b>	<b>352,778</b>	<b>(9,376)</b>	<b>234,331</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in.....	39,645	-	-	500	40,145
Operating transfers out.....	-	(39,645)	-	(500)	(40,145)
<b>Total Other Financing Sources (Uses).....</b>	<b>39,645</b>	<b>(39,645)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES.....</b>	<b>(52,920)</b>	<b>(56,151)</b>	<b>352,778</b>	<b>(9,376)</b>	<b>234,331</b>
<b>FUND BALANCES, BEGINNING OF YEAR, RESTATED.....</b>	<b>(59,553)</b>	<b>669,426</b>	<b>389,993</b>	<b>196,574</b>	<b>1,196,440</b>
<b>FUND BALANCES, END OF YEAR.....</b>	<b>\$ (112,473)</b>	<b>\$ 613,275</b>	<b>\$ 742,771</b>	<b>\$ 187,198</b>	<b>\$ 1,430,771</b>

See accompanying notes to the basic financial statements

CITY OF DE SOTO, MISSOURI

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND  
OCTOBER 31, 2004

	<u>Water and Wastewater Enterprise Fund</u>
-- ASSETS --	
CURRENT ASSETS:	
Cash and investments.....	\$ 625,055
Interfund receivable.....	112,473
Total Current Assets.....	<u>737,528</u>
NONCURRENT ASSETS:	
Restricted cash and investments.....	54,413
Total Noncurrent Assets.....	<u>54,413</u>
TOTAL ASSETS.....	<u>\$ 791,941</u>
-- NET ASSETS --	
Restricted for:	
Debt service.....	\$ 54,413
Unrestricted.....	<u>737,528</u>
TOTAL NET ASSETS.....	<u>\$ 791,941</u>

See accompanying notes to the basic financial statements

CITY OF DE SOTO, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGE IN  
FUND NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND  
FOR THE YEAR ENDED OCTOBER 31, 2004

	Water and Wastewater Enterprise Fund
<b>OPERATING REVENUES:</b>	
Water sales.....	\$ 648,245
Sewer charges.....	443,988
Refuse collection.....	389,675
Meter deposits.....	3,275
Other operating revenues.....	55,311
	<hr/>
Total Operating Revenues.....	1,540,494
<b>OPERATING EXPENSES:</b>	
Water distribution and sewer collection.....	799,238
Wastewater treatment.....	137,146
Refuse service.....	387,994
	<hr/>
Total Operating Expenses.....	1,324,378
<b>OPERATING INCOME.....</b>	<hr/> <b>216,116</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income.....	3,454
Principal expense.....	(90,000)
Interest expense.....	(63,579)
Paying agent fees.....	(2,568)
	<hr/>
Total Non-Operating Revenues (Expenses).....	(152,693)
<b>CHANGE IN NET ASSETS.....</b>	<b>63,423</b>
Net Assets, Beginning of Year.....	728,518
	<hr/>
Net assets, End of Year.....	\$ <u>791,941</u>

See accompanying notes to the basic financial statements



CITY OF DE SOTO, MISSOURI

STATEMENT OF CASH FLOWS -  
MODIFIED CASH BASIS - PROPRIETARY FUND  
FOR THE YEAR ENDED OCTOBER 31, 2004

	<u>Water and Wastewater Enterprise Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers.....	\$ 1,537,219
Payments to suppliers.....	(850,427)
Payments to employees.....	(473,951)
Receipts of customer utility deposits.....	19,350
Refunds of customer utility deposits.....	<u>(16,075)</u>
Net Cash Provided by Operating Activities.....	<u>216,116</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Principal paid on note and capital lease.....	(90,000)
Interest paid on note and capital lease.....	(63,579)
Fiscal agent fees paid on note and capital lease.....	<u>(2,568)</u>
Net Cash Used In Capital and Related Financing Activities.....	<u>(156,147)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and dividends.....	<u>3,454</u>
Net Cash Provided by Investing Activities.....	<u>3,454</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>63,423</b>
<b>CASH AND CASH EQUIVALENTS:</b>	
Beginning of year.....	728,518
End of year.....	<u>\$ 791,941</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income.....	<u>\$ 216,116</u>
Net Cash Provided By Operating Activities.....	<u>\$ 216,116</u>

See accompanying notes to the basic financial statements

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of De Soto, Missouri (the "City"), is a third-class city under Missouri Statutes and operates under a Council-Manager form of government. The City Council consists of five members elected at large for terms of three years. The City Council annually elects one of its members as Mayor to preside at Council meetings and to serve as the official head of the City. The City Manager serves as the administrative head of the City government.

As discussed further in Note 1, these financial statements are presented on the 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 Government Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principle 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 cash GASB prevails.

The Reporting Entity:

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

Primary Government:	City of De Soto, Missouri
Blended Component Unit:	City of De Soto Public Facilities Authority
Discretely Presented Component Unit:	City of De Soto Public Library

In determining the financial reporting entity, the City complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39.

Blended Component Unit

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the City Council, or the component unit provides services entirely to the City. The component unit's funds are blended into those of the City by appropriate fund type to constitute the primary government presentation. The City of De Soto Public Facilities Authority (the "Authority") is a blended component unit. The Authority had no activity for the year.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Discretely Presented Component Unit

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is the City of De Soto Public Library (the "Library").

The component units do not issue separately audited component unit financial statements.

Related Organization

The City Council appoints the governing members of the City of De Soto Industrial Development Authority, but the City's accountability for this organization does not extend beyond making such appointments. As such, this related organization is not included as a component unit within the City's financial reporting entity.

Basis of Presentation

*Government-Wide Financial Statements:*

The statement of net assets and the statement of activities present financial information about the primary government (the City) and its component units. These statements include the financial activities of the reporting entity, except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or part by fees charged to external parties for goods or services.

The statement of net assets presents the financial condition of the governmental activities and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for the business-type activity of the City and each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as *program revenues* include (a) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; and (b) grants and contributions that are restricted to meeting the operational or capital



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

*Government-Wide Financial Statements (continued):*

requirements of a particular program. Revenues not classified as *program revenues* are presented as general revenues and include all taxes. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

*Fund Financial Statements:*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. 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 that individual governmental or enterprise fund are at least 10 percent 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 or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of that fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings result from non-exchange transactions.

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

*Fund Financial Statements (continued):*

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General fund is the primary operating fund of the City and is 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.

Special Revenue Funds

Special Revenue funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds:

- \* County Sales Tax Fund - This fund accounts for taxes received from Jefferson County that are required to be used for capital improvements to publicly maintained roads.
- \* Capital Improvement Fund - This fund accounts for a city sales tax that is required to be used for funding of capital improvements (streets, recreation, equipment).

Parks Fund - This fund accounts for the portion of the tax levy set for the park and is used for the development and maintenance of the City's parks.

Special Police Training Fund - This fund accounts for a percentage of court receipts that are required to be used for POST training.

Cemetery Maintenance Fund - This fund accounts for receipts collected for lots sold, burial fees and contributions made and is used for the maintenance and upkeep of the City's cemetery.

- \* Reported as major funds.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanent Funds

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings and not principal, may be used for purposes that support the City's programs. The reporting entity includes the following permanent fund which is reported as nonmajor:

Cemetery Perpetual Care Fund

Proprietary Funds:

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

Water and Wastewater Enterprise Fund - This fund accounts for activities in providing water, wastewater and refuse services to the public.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and fund financial statements are prepared using a modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions except that the purchases of investments are recorded as assets and due to/due from other funds are recorded as assets and liabilities accordingly. 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 (such as accounts receivable and capital assets), certain revenues (such as revenue for billed or provided services not yet collected), certain liabilities (such as accounts payable, general and leasehold revenue bonds and obligations under capital leases) and certain expenses (such as expenses for goods or services received but not yet paid) are not recorded in these financial statements.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Cash and Cash Equivalents

The City considers cash and cash equivalents in proprietary funds to be cash on hand, demand deposits and all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied at the end of August and mailed to residents in November, at which time they are payable. All unpaid taxes levied become delinquent January 1 of the following year.

In prior years, the City had billed and collected its own property taxes. On August 1, 1996, the City entered into an agreement with Jefferson County, Missouri to prepare and collect tax bills for the City for agreed upon compensation.

The assessed valuation of tangible taxable property included within the City's boundaries for the calendar year 2003 was approximately \$48,800,000. The tax levy per \$100 of assessed value was \$.7750.

Fund Balance - Reserved

The City reserves those portions of fund equity legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods.

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets represents the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use by outside parties or by law through constitutional provisions or enabling legislation. All other net assets are reported unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Activity

Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. No extraordinary or special items occurred during the year.

2. CASH AND INVESTMENTS

Deposits

Missouri Statutes require that funds of the City on deposit in financial institutions must be collateralized by the depository institution with appropriate securities to the extent not provided by FDIC insurance. At October 31, 2004, the bank balances of the City's deposits were entirely insured or collateralized with securities held by the City's agent, in the name of the City, with the exception of the Library's deposits at one financial institution as shown below.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

2. CASH AND INVESTMENTS (continued)

Deposits (continued)

	Carrying Value	Bank Balance
Cash - Savings and interest-bearing NOW accounts .....	\$ 126,336	\$ 130,140
Total .....	\$ 126,336	\$ 130,140
	Credit Risk Category	
	A   B   C	Fair Value
FDIC protection .....	X	\$ 100,000
Total .....		\$ 100,000

The categories of credit risk for deposits are:

- A Insured or collateralized with securities held by the City or by its agent in the name of the City.
- B Collateralized with securities held by the pledging financial institution's trust department or agent in the name of the City.
- C Uncollateralized which includes any deposits collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the City's name.

Investments

The City may invest in bonds or treasury certificates of the United States and/or its agencies or other interest bearing obligations which are unconditionally guaranteed by the United States and/or its agencies.

Investments are stated at cost, which approximates fair value. Investments at October 31, 2004, consisted of a FNMA Discount note and two repurchase agreements.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

2. CASH AND INVESTMENTS (continued)

Investments (continued)

The City's investments are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured or unregistered investments, with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments, with the securities held by the counterparty, or by its trust department or agent but not in the City's name. Investments by risk category at October 31, 2004 are as follows:

<u>Description</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase Agreements .....	X			\$ 679,944	\$ 679,944
U.S. Treasury Bill .....	X			740,000	742,320
Total .....				<u>\$1,419,944</u>	<u>\$1,422,264</u>

The City has entered into repurchase agreements with two financial institutions. The repurchase agreements continue in effect until terminated by the City. Funds are invested in treasury and government securities at a rate that is adjusted daily. The balance of investments in this repurchase agreement as of October 31, 2004 was \$679,944.

3. INTERFUND BALANCES AND ACTIVITY

A. Balances Due To/From Other funds

As of October 31, 2004, the City has a balance in the general fund due to the water and wastewater enterprise fund of \$112,473. This amount is borrowed for cash flow purposes of the general fund as it is operating with a deficit fund balance.

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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3. INTERFUND BALANCES AND ACTIVITY (continued)

B. Transfers To/From Other Funds

Interfund transfers are reported as other financing sources/uses in governmental funds. The transfer from the County Sales Tax fund to the General fund in the amount of \$39,645 was to reimburse the General fund for capital outlay expenditures it incurred.

4. LONG-TERM DEBT

Long-term debt as of October 31, 2004, consists of the following:

A. Notes Payable

Note payable to National City Bank, collateralized by a fire truck; payable in monthly installments of \$2,407 including interest at 4.75% with the unpaid principal due in full March 28, 2005 .....	\$ 74,265
Note payable to Eagle Bank and Trust Company, collateralized by a sweeper; payable in one payment of interest of \$375.46 and principal of \$6,000 on April 9, 2005 and one payment of \$19,635.41 due on October 9, 2005 .....	25,347
Note payable to First State Community Bank, collateralized by land; payable in monthly installments in the amount of \$1,922 including interest at 6.150% with the unpaid principal due in full October, 2011 .....	<u>244,845</u>
	<u>\$ 344,457</u>



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

4. LONG-TERM DEBT (continued)

The annual requirements, to be paid out of the Capital Improvement Fund, to retire the notes payable above as of October 31, 2004, are as follows:

<u>Year Ending</u> <u>October 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005.....	\$107,911	\$ 16,916	\$124,827
2006.....	8,824	14,302	23,126
2007.....	9,383	13,743	23,126
2008.....	9,976	13,150	23,126
2009.....	10,607	12,519	23,126
2010-2011 .....	<u>197,756</u>	<u>20,355</u>	<u>218,111</u>
Total .....	<u>\$344,457</u>	<u>\$ 90,985</u>	<u>\$435,442</u>

B. Capital Lease

During the year ended October 31, 2000, the City entered into a lease for a fire truck that is classified as a capital lease. The total cost of all items under the capital lease was approximately \$490,000. In March of 2003, the City refinanced the lease.

The following is a schedule of future minimum lease payments, to be paid out of the Capital Improvement Fund, under the capital lease together with the present value of the net minimum lease payments as of October 31, 2004:

<u>Year Ending October 31,</u>	
2005.....	\$ 64,070
2006.....	64,070
2007.....	64,070
2008.....	64,070
2009.....	64,070
2010.....	<u>64,070</u>
Total future minimum lease payments...	384,420
Less amount representing interest.....	<u>(52,290)</u>
Present value of future minimum lease payments .....	<u>\$ 332,130</u>

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

4. LONG-TERM DEBT (continued)

B. Capital Lease (continued)

Changes in long-term debt during the year ended October 31, 2004, were as follows:

	Balance Outstanding November 1, <u>2003</u>	Additions	Retirements	Balance Outstanding October 31, <u>2004</u>	Amounts Due Within One Year
Notes payable.....	\$ 388,733	\$ --	\$ (44,276)	\$ 344,457	\$ 107,911
Capital lease obligations .....	<u>381,380</u>	<u>--</u>	<u>(49,250)</u>	<u>332,130</u>	<u>49,641</u>
	<u>\$ 770,113</u>	<u>\$ --</u>	<u>\$ (93,526)</u>	<u>\$ 676,587</u>	<u>\$ 157,552</u>

5. PROPRIETARY FUND LONG-TERM DEBT

Long-term debt of the Water and Wastewater Enterprise Fund as of October 31, 2004, consists of the following:

\$505,000 Combined Waterworks and Sewerage System Revenue Bonds, Series 1994, principal payable in various installments on July 1, plus interest at various rates from 5.25% - 6.25% payable in semiannual installments on January 1 and July 1 .....	<u>\$135,000</u>
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Changes in long-term debt during the year ended October 31, 2004, were as follows:

	Balance Outstanding November 1, <u>2003</u>	Additions	Retirements	Balance Outstanding October 31, <u>2004</u>	Amounts Due Within One Year
Revenue bonds ..	\$ <u>195,000</u>	\$ <u>--</u>	\$ <u>(60,000)</u>	\$ <u>135,000</u>	\$ <u>65,000</u>



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

5. PROPRIETARY FUND LONG-TERM DEBT (continued)

The annual requirements to retire the above long-term debt are as follows:

<u>Year Ending October 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005.....	\$ 65,000	\$ 8,483	\$ 73,483
2006.....	<u>70,000</u>	<u>4,375</u>	<u>74,375</u>
	<u>\$135,000</u>	<u>\$ 12,858</u>	<u>\$ 147,858</u>

Lease Purchase Agreement

The City of De Soto (the "City") entered into a lease purchase agreement with UMB Bank, N. A. (the "Bank") on March 1, 2002. The City leased City Hall (the "Site") and the project (costs of acquiring, constructing, furnishing and equipping improvements to the Site, to the City's combined waterworks and sewerage system and to the City's public works building) to the Bank until March 1, 2052. Consideration for the leasing of the project site is that the Bank will issue and sell the lease participation certificates. The City simultaneously executed a lease with the Bank for the site and project. The term of this lease is twenty consecutive one-year renewal terms ending October 31 of each year and terminating March 2, 2022. Upon making the last payment, the Bank will deed the site and project back to the City. Rental payments are principal and interest payments and fees connected with the lease participation certificates. The bonds are secured by the Bank's interest in the site lease.

Future minimum lease payments under the capital lease are as follows:

2005 .....	\$ 85,238
2006 .....	83,846
2007 .....	82,368
2008 .....	85,696
2009 .....	83,836
2010-2014 .....	416,249
2015-2019 .....	411,594
2020-2022 .....	<u>245,415</u>
Total future minimum lease payments.....	1,494,242
Less amount representing interest.....	<u>(554,242)</u>
Present value of future minimum lease payments .....	<u>\$ 940,000</u>

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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6. COMMITMENTS AND CONTINGENCIES

Contracts

In the normal course of operations, the City has contracted for various services such as refuse, law enforcement system data, animal pound, computer hardware and software maintenance, property tax billings and collections, etc. Each agreement contains clauses for continuation and/or termination.

The City has entered into a construction contract totaling \$355,000 relating to the construction of the public works building, of which \$-0- was paid as of October 31, 2004.

7. RETIREMENT PLAN

a. Plan Description

The City of De Soto 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 401a and it is tax exempt.

LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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7. RETIREMENT PLAN (continued)

b. Funding Status

The City of De Soto's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 2.5% (general) and 2.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

c. Annual Pension Cost

For 2004, the City's annual pension cost of \$33,140 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2002 and/or February 28, 2003 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 7.5% per year, compounded annually, (b) projected salary increases of 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table, and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back 1 year for men and 7 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 29, 2004 was 19 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/02	\$ 71,488	100%	\$0
06/30/03	\$ 46,758	100%	\$0
06/30/04	\$ 33,140	100%	\$0

CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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8. PUBLIC ENTITY RISK POOL

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), which provides protected self-insurance to member political subdivisions. MIRMA is enabled by Missouri statutes, RSMo 537.620 through 537.755. Participating members pool risks through annual assessments based upon the member's total annual payroll for the calendar year. Supplemental assessments to members are also provided for by MIRMA's by-laws.

The City reports its assessments as an insurance expenditure or expense, as appropriate for the fund type.

9. ECONOMIC DEPENDENCY

Approximately 39% of city sales tax revenues received are collected by three retail outlets located in the City.

10. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended October 31, 2004, the City has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments." The City's implementation was done on a modified cash basis of accounting. Therefore, significant assets (i.e. capital assets) and significant liabilities (i.e. general obligation bonds) are not presented in the financial statements of the District.

In addition, for the fiscal year ended October 31, 2004, the City has implemented GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures" and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

As a result of implementing GASB 34, there are some changes in the fund types and grouping of funds from what was previously reported. In addition, the City previously still reported debt and a few liabilities on its financial statements. The City, with the implementation of GASB 34, is now reporting on a complete cash basis of accounting, with the exception of reporting investments. The following summarizes the changes previously discussed:



CITY OF DE SOTO, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS  
OCTOBER 31, 2004

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10. CHANGES IN ACCOUNTING PRINCIPLES (continued)

- The Municipal Court Bond Fund was previously reported as an agency fund and is now included in the General fund.
- The Employee Withholding Fund was previously reported as an agency fund and is now included in the General fund.

	General Fund
Fund Balance, October 31, 2003, as previously reported .....	\$(79,166)
Effect of reversing court bond liability .....	16,000
Effect of including employee withholding fund .....	<u>3,613</u>
Fund Balance, October 31, 2003, restated.....	<u>\$ (59,553)</u>

Prior to GASB 34, the Cemetery Perpetual Care Fund was reported as a Nonexpendable Trust Fund. It is now reported as a Permanent Fund as discussed in Note 1 to the financial statements.

Prior to GASB 34, the Cemetery Maintenance Fund was reported as an Expendable Trust Fund. It is now reported as a Special Revenue Fund as discussed in Note 1 to the financial statements.

The following adjustments were made to reverse notes payable, property plant and equipment, and customer meter deposits in the proprietary fund to reflect the cash basis.

Fund Equity, October 31, 2003, as previously reported .....	\$ 4,086,688
Effect of reversing notes payable.....	195,000
Effect of reversing lease participation certificates payable.....	970,000
Effect of reversing customer meter deposits .....	51,350
Effect of reversing property, plant and equipment.....	<u>(4,574,520)</u>
Net Assets, October 31, 2003, restated.....	<u>\$ 728,518</u>

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF DE SOTO, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND - UNAUDITED  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property, utility, franchise taxes.....	\$ 1,041,979	\$ 1,041,979	\$ 1,049,636	\$ 7,657
Sales tax.....	737,640	737,640	716,184	(21,456)
Licenses, permits and fees.....	77,230	77,230	88,600	11,370
Fines and forfeitures.....	128,500	128,500	161,349	32,849
Intergovernmental revenue.....	5,700	5,700	1,536	(4,164)
Interest and miscellaneous.....	158,713	173,766	196,931	23,165
<b>Total Revenues.....</b>	<b>2,149,762</b>	<b>2,164,815</b>	<b>2,214,236</b>	<b>49,421</b>
<b>EXPENDITURES:</b>				
Current:				
City Council.....	1,363	1,363	651	712
Municipal Court.....	59,632	59,632	62,749	(3,117)
General Administration.....	532,995	609,898	635,190	(25,292)
Fire Department.....	126,516	126,516	126,996	(480)
Police Department.....	728,037	695,111	697,071	(1,960)
Communications Division.....	190,447	190,447	185,129	5,318
Animal/Control Code.....	54,588	54,588	51,192	3,396
Surveyor Department.....	19,990	19,990	20,144	(154)
Street Department.....	451,620	451,620	449,609	2,011
Custodial Department.....	42,431	42,431	41,161	1,270
Fire/Building Inspection.....	53,295	38,295	36,909	1,386
<b>Total Expenditures.....</b>	<b>2,260,914</b>	<b>2,289,891</b>	<b>2,306,801</b>	<b>(16,910)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(111,152)</b>	<b>(125,076)</b>	<b>(92,565)</b>	<b>32,511</b>
<b>OTHER FINANCING SOURCES:</b>				
Operating transfers in.....	100,000	100,000	39,645	(60,355)
<b>Total Other Financing Sources.....</b>	<b>100,000</b>	<b>100,000</b>	<b>39,645</b>	<b>(60,355)</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(11,152)</b>	<b>(25,076)</b>	<b>(52,920)</b>	<b>(27,844)</b>
<b>FUND BALANCE, BEGINNING OF YEAR, RESTATED.....</b>	<b>8,120</b>	<b>22,830</b>	<b>(59,553)</b>	<b>(82,383)</b>
<b>FUND BALANCE, END OF YEAR.....</b>	<b>\$ (3,032)</b>	<b>\$ (2,246)</b>	<b>\$ (112,473)</b>	<b>\$ (110,227)</b>

See accompanying independent auditors' report and  
notes to required supplementary information

**CITY OF DE SOTO, MISSOURI**

**SCHEDULE OF REVENUES, EXPENDITURE AND CHANGE IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL -  
COUNTY SALES TAX FUND - UNAUDITED  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales tax.....	\$ 369,100	\$ 369,100	\$ 364,473	\$ (4,627)
Interest and miscellaneous.....	6,000	6,000	9,931	3,931
<b>Total Revenues.....</b>	<b>375,100</b>	<b>375,100</b>	<b>374,404</b>	<b>(696)</b>
<b>EXPENDITURES:</b>				
Capital outlay.....	459,272	459,272	390,910	68,362
<b>Total Expenditures.....</b>	<b>459,272</b>	<b>459,272</b>	<b>390,910</b>	<b>68,362</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(84,172)</b>	<b>(84,172)</b>	<b>(16,506)</b>	<b>67,666</b>
<b>OTHER FINANCING USES:</b>				
Operating transfers out.....	(100,000)	(100,000)	(39,645)	60,355
<b>Total Other Financing Uses.....</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(39,645)</b>	<b>60,355</b>
<b>NET CHANGE IN FUND BALANCE.....</b>	<b>(184,172)</b>	<b>(184,172)</b>	<b>(56,151)</b>	<b>128,021</b>
<b>FUND BALANCE, BEGINNING OF YEAR.....</b>	<b>184,172</b>	<b>184,172</b>	<b>669,426</b>	<b>485,254</b>
<b>FUND BALANCE, END OF YEAR.....</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 613,275</b>	<b>\$ 613,275</b>

See accompanying independent auditors' report and  
notes to required supplementary information



CITY OF DE SOTO, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE -  
 MODIFIED CASH BASIS - BUDGET AND ACTUAL -  
 CAPITAL IMPROVEMENT FUND - UNAUDITED  
 FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sales tax.....	\$ 404,435	\$ 404,435	\$ 393,559	\$ (10,876)
Intergovernmental revenue.....	-	-	315,000	315,000
Interest and miscellaneous.....	311,000	311,000	368,669	57,669
<b>Total Revenues.....</b>	<b>715,435</b>	<b>715,435</b>	<b>1,077,228</b>	<b>361,793</b>
<b>EXPENDITURES:</b>				
Capital outlay.....	690,630	714,202	595,515	118,687
Debt service:				
Principal.....	-	-	93,526	(93,526)
Interest and other.....	-	-	35,409	(35,409)
<b>Total Expenditures.....</b>	<b>690,630</b>	<b>714,202</b>	<b>724,450</b>	<b>(10,248)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>24,805</b>	<b>1,233</b>	<b>352,778</b>	<b>351,545</b>
<b>FUND BALANCE, BEGINNING OF YEAR.....</b>	<b>-</b>	<b>-</b>	<b>389,993</b>	<b>389,993</b>
<b>FUND BALANCE, END OF YEAR.....</b>	<b>\$ 24,805</b>	<b>\$ 1,233</b>	<b>\$ 742,771</b>	<b>\$ 741,538</b>

See accompanying independent auditors' report and  
 notes to required supplementary information

CITY OF DE SOTO, MISSOURI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
OCTOBER 31, 2004

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Budgets and Budgetary Accounting

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

1. In accordance with Chapter 67 RSMo, the City adopts a budget for each governmental fund.
2. Prior to November, the Finance Director, who serves as the budget officer, submits to the City Council a proposed budget for the fiscal year beginning on the following November 1. The proposed budget includes estimated revenues and proposed expenditures for all budgeted funds. Budgeted expenditures cannot exceed beginning available monies plus estimated revenues for the year.
3. A public hearing is conducted to obtain taxpayer comments. Prior to its approval by the City Council, the budget document is available for public inspection.
4. Prior to November 1, the budget is legally enacted by a vote of the City Council.
5. Subsequent to its formal approval of the budget, the City Council has the authority to make necessary adjustments to the budget by formal vote of the Council. Adjustments made during the year are reflected in the budget information included in the financial statements.
6. Budgets are prepared and adopted on the modified cash basis of accounting, recognizing revenues when collected and expenditures when paid.

Actual expenditures exceeded budgeted expenditures in the General and Capital Improvement funds.



CITY OF DE SOTO, MISSOURI

**SCHEDULE OF FUNDING PROGRESS - EMPLOYEES RETIREMENT SYSTEM  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004**

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The following required supplementary information relates to the City of De Soto's participation in Missouri LAGERS, an agent multiple-employer public retirement system.

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
02/28/02	\$1,584,963	\$ 913,477	\$(671,486)	174%	\$1,403,649	--
02/28/03	1,682,777	1,065,813	(616,964)	158%	1,339,779	--
02/29/04	1,817,777	1,252,490	(565,287)	145%	1,333,144	--

Note: 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 28, 2001 annual actuarial valuations. For a complete description of the actuarial valuations, please contact the LAGERS office in Jefferson City.

ADDITIONAL SUPPLEMENTARY INFORMATION



CITY OF DE SOTO, MISSOURI

COMBINING BALANCE SHEET - MODIFIED CASH BASIS -  
NONMAJOR GOVERNMENTAL FUNDS  
OCTOBER 31, 2004

	Special Revenue Funds			Permanent Fund	Total Nonmajor Governmental Funds
	Parks Fund	Special Police Training Fund	Cemetery Maintenance Fund	Cemetery Perpetual Care Fund	
-- ASSETS --					
Cash and investments.....	\$ 40,148	\$ 6,328	\$ 17,135	\$ 123,587	\$ 187,198
TOTAL ASSETS.....	<u>\$ 40,148</u>	<u>\$ 6,328</u>	<u>\$ 17,135</u>	<u>\$ 123,587</u>	<u>\$ 187,198</u>
-- FUND BALANCES --					
FUND BALANCES:					
Unreserved.....	\$ 40,148	\$ 6,328	\$ 17,135	\$ 123,587	\$ 187,198
TOTAL FUND BALANCES.....	<u>\$ 40,148</u>	<u>\$ 6,328</u>	<u>\$ 17,135</u>	<u>\$ 123,587</u>	<u>\$ 187,198</u>

CITY OF DE SOTO, MISSOURI

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - MODIFIED CASH BASIS - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED OCTOBER 31, 2004**

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Parks Fund</u>	<u>Special Police Training Fund</u>	<u>Cemetery Maintenance Fund</u>	<u>Cemetery Perpetual Care Fund</u>	
<b>REVENUES:</b>					
Property, utility, franchise taxes.....	\$ 58,470	\$ -	\$ -	\$ -	\$ 58,470
Sales tax.....	82,320	-	-	-	82,320
Burial fees.....	-	-	325	-	325
Fines and forfeitures.....	-	5,653	-	-	5,653
Donations.....	-	-	800	-	800
Interest and miscellaneous.....	63,362	41	2,575	23	66,001
<b>Total Revenues.....</b>	<b>204,152</b>	<b>5,694</b>	<b>3,700</b>	<b>23</b>	<b>213,569</b>
<b>EXPENDITURES:</b>					
Current:					
Police Department.....	-	5,527	-	-	5,527
Parks.....	207,820	-	-	-	207,820
Cemetery Maintenance.....	-	-	9,598	-	9,598
<b>Total Expenditures.....</b>	<b>207,820</b>	<b>5,527</b>	<b>9,598</b>	<b>-</b>	<b>222,945</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(3,668)</b>	<b>167</b>	<b>(5,898)</b>	<b>23</b>	<b>(9,376)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in.....	-	-	-	500	500
Operating transfers out.....	-	-	(500)	-	(500)
<b>Total Other Financing Sources (Uses).....</b>	<b>-</b>	<b>-</b>	<b>(500)</b>	<b>500</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES.....</b>	<b>(3,668)</b>	<b>167</b>	<b>(6,398)</b>	<b>523</b>	<b>(9,376)</b>
<b>FUND BALANCES, BEGINNING OF YEAR.....</b>					
	43,816	6,161	23,533	123,064	196,574
<b>FUND BALANCES, END OF YEAR.....</b>	<b>\$ 40,148</b>	<b>\$ 6,328</b>	<b>\$ 17,135</b>	<b>\$ 123,587</b>	<b>\$ 187,198</b>

CITY OF DE SOTO, MISSOURI

WATER AND WASTEWATER ENTERPRISE FUND  
SCHEDULE OF INSURANCE COVERAGE  
OCTOBER 31, 2004

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The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), which provides protected self-insurance to member political subdivisions. The following coverages are in effect for the period July 1, 2004, through June 30, 2005:

- |    |  |   |
|----|--|---|
| A. | Fire and Extended Coverage:                            | Limits: 100% replacement cost including Earthquake all locations<br>Deductible: \$1,000 per occurrence                                  |
| B. | Money and Securities and Employee Fidelity             | Limits: \$100,000 per occurrence<br>Deductible: None  |
| C. | Contractors' Equipment                                 | Limits: \$838,992<br>Deductible: \$1,000  |
| D. | Automobile Bodily Injury and Property Damage Liability | Limits: \$2,000,000 per occurrence<br>Deductible: None  |
| E. | Automobile Physical Damage                             | Limits: Actual cash value<br>Deductible: \$1,000 on vehicles $\frac{3}{4}$ ton and under and \$2,500 on vehicles over $\frac{3}{4}$ ton |
| F. | Uninsured Motorist                                     | Limits: \$25,000 per person, \$50,000 per occurrence<br>Deductible: None  |
| G. | Comprehensive General Liability Including:             | Limits: \$2,000,000<br>Deductible: None   |
|    | 1.   | Manufacturers and contractors' liability  |
|    | 2.   | Owners, landlords and tenants liability   |
|    | 3.   | Contractual liability   |
|    | 4.   | Products liability  |
|    | 5.   | Completed operations liability  |
|    | 6.   | Fire damage legal liability   |
|    | 7.   | Liquor liability  |
|    | 8.   | Public officials liability  |
|    | 9.   | Police professional liability   |
|    | 10.  | Special events liability  |
|    | 11.  | Airport liability   |



CITY OF DE SOTO, MISSOURI

WATER AND WASTEWATER ENTERPRISE FUND  
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)  
OCTOBER 31, 2004

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H.	Workmens' Compensation	Limits: \$10,725,000 Deductible: None
I.	Employers' Liability	Limits: \$1,000,000 Deductible: None
J.	Employment Practices Liability	Limits: \$1,000,000 Deductible: \$50,000
K.	Boiler & Machinery	Limits: \$100% replacement cost all locations Deductibles: <ul style="list-style-type: none"><li>a) Other than otherwise herein specified: \$1,000</li><li>b) Business income and extra expense for electrical power generating locations: thirty (30) days</li><li>c) Hazardous substance clean up: \$50,000</li><li>d) Gas turbines, steam turbines and internal combustion engines/generators greater than 2,000 KW: \$175,000</li><li>e) Internal combustion engines/generators less than 2,000 KW: \$25,000</li><li>f) Electrical transformers under 10,000 KVA: \$5,000</li><li>g) Electrical transformers 10,000 to 29,000 KVA: \$25,000</li><li>h) Electrical transformers 30,000 KVA and greater: \$50,000</li></ul>

CITY OF DE SOTO, MISSOURI

WATER AND WASTEWATER ENTERPRISE FUND  
SCHEDULE OF INSURANCE COVERAGE (CONTINUED)  
OCTOBER 31, 2004

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L. Insurance Companies Participating :

<u>Company</u>	<u>Policy #</u>	<u>Coverage</u>
Safety National Casualty Corp.	AGC-8353-MO	Workers' Compensation
Lexington Insurance Co.	8753238	Property & Earthquake
Commonwealth Insurance Co.	US5244	Property & Earthquake
U.S. Fire Insurance Co.	2450048418	Property & Earthquake
Landmark American Insurance Co.	LHD336172	Property & Earthquake
Essex Insurance Co.	ESP2276	Property & Earthquake
The Travelers Indemnity Co.	M544D319-3	Boiler & Machinery
Genesis Insurance Co.	YXB300403H	Auto, General, Public Officials and Police Liability
Ace Property and Casualty Insurance Co.	AAPN00978772001	Airport Liability

# SCHOWALTER & JABOURI, P.C.

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council and City Manager  
City of De Soto, Missouri

We have audited the financial statements of the City of De Soto, Missouri (the "City"), as of and for the year ended October 31, 2004, and have issued our report thereon dated January 13, 2005. Our report on the financial statements disclosed that, as described in Note 1, the City prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

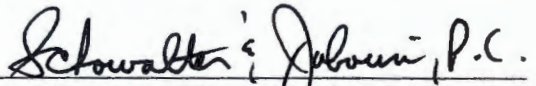
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of noncompliance that we have reported to the management of the City in a separate letter dated January 13, 2005.



## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting 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 over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated January 13, 2005.

This report is intended solely for the information of the City Council, management, others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

  
SCHOWALTER & JABOURI, P.C.

St. Louis, Missouri  
January 13, 2005