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Annual Report, 2003

City of Gerald

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CITY OF GERALD, MISSOURI
ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2003

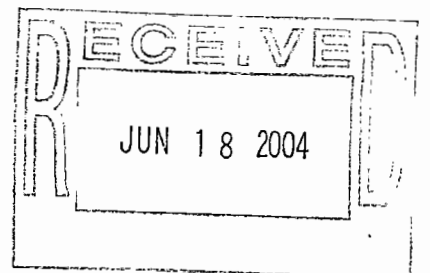


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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Gerald
P. O. Box 59
Gerald, Missouri 63037

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the major funds of

CITY OF GERALD, MISSOURI

as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gerald, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities and each major fund of City of Gerald, Missouri as of December 31, 2003 and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(c).

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003.

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

Ross & Company, P.C.

Certified Public Accountants

May 18, 2004

DR/cp

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

CITY OF GERALD, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2003

Our discussion and analysis of the City of Gerald's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2003. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- City began a retirement program for City employees with contributions by both the City and employees.
- City continued to see a growth in sales tax revenues for 2003 in both General and the Transportation Fund of 4%.
- Began a program to upgrade equipment in the Street and Water/Sewer Departments.

1. USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. While the City of Gerald was not required to implement the provisions of GASB Statement 34 until the year ending December 31, 2004, City management has elected to early implement the new model financial statement format and content using the City's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

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

Fund Financial Statements: Fund financial statements focus on the individual parts of the City government. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the City operates like businesses, such as the water and sewer services.

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

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

Other Supplementary Information: This part of the annual report includes optional financial information. This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

Basis of Accounting

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

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

Reporting the City as a Whole

The City's Reporting Entity Presentation

This annual report includes all activities for which the Gerald Board of Aldermen are fiscally responsible.

The primary government is the City of Gerald.

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

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all of the City's assets and liabilities resulting from the use of the modified cash basis of accounting.

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

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

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

Business-type activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer systems are reported here.

Reporting the City's Most Significant Funds

The Fund Financial Statements

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

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. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship or (differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The City considers the General Fund to be its significant or major governmental fund.

Proprietary funds - When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the City's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information. The City has two enterprise funds - the Water Fund and the Sewer System Fund.

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

2. FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

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

<u>Net Assets</u>	<u>Governmental Activities</u> <u>December 31, 2003</u>	<u>Business Type Activities</u> <u>December 31, 2003</u>	<u>Total</u>
Beginning net assets	\$ 533,622.70	\$ 547,778.87	\$ 1,081,401.57
Increase in net assets	<u>16,938.78</u>	<u>(6,919.08)</u>	<u>10,019.70</u>
Ending net assets	<u>\$ 550,561.48</u>	<u>\$ 540,859.79</u>	<u>\$ 1,091,421.27</u>

	<u>Governmental Activities December 31, 2003</u>	<u>Business Type Activities December 31, 2003</u>	<u>Total</u>
Revenues	\$ 549,574.81	\$ 284,132.85	\$ 833,707.66
Program expenses	<u>(532,636.03)</u>	<u>(291,051.93)</u>	<u>(823,687.96)</u>
Increase (Decrease) in Net Assets	<u>\$ 16,938.78</u>	<u>\$ (6,919.08)</u>	<u>\$ 10,019.70</u>

Since this is the first year to report all activities using this new approach, a comparison of assets, liabilities and net assets to the prior year is not possible (with the exception of the above comparison of net assets). However, in future years, this section will explain the differences between the components of current and prior year assets, liabilities, and changes in net assets.

3. ANALYSIS OF RESULTS OF OPERATIONS

Governmental Activities

Again, because this is the first year to report governmental activities using the new GASB 34 approach, a comparison to the prior year is not possible. However, in next year's discussion, this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

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

The City's governmental activities were funded as follows:

Sources of Funds for Governmental Activities

For Year Ended December 31, 2003

	<u>Amount</u>	<u>Percent</u>
Taxes, penalties and interest	\$ 432,512.27	79%
Fines and forfeitures	16,369.81	3%
Charges for services	29,930.00	5%
Licenses and permits	4,154.10	1%
Lease revenue	4,600.00	1%
Interest revenue	6,623.24	1%
Other	<u>55,385.39</u>	<u>10%</u>
Total	<u>\$ 549,574.81</u>	<u>100%</u>

<u>Use of Funds</u>	<u>Amount</u>	<u>Percent</u>
General Department	\$ 160,702.97	30%
Police Department	201,160.20	38%
Municipal Court	3,068.90	1%
Animal Control	2,861.64	1%
Street Department	128,860.24	24%
Park Department	<u>35,982.08</u>	<u>6%</u>
Total	<u>\$ 532,636.03</u>	<u>100%</u>

Business-type Activities

Revenues of the City's business-type activities (water and sewerage system) increased from \$267,952.08 for December 31, 2002 to \$273,976.38 for December 31, 2003. The operating expenses increased from \$233,251.62 for year December 31, 2002 to \$261,356.93 for year ended December 31, 2003.

4. SIGNIFICANT TRANSACTIONS

During the year, the City renovated the old medical clinic, which was donated to the City in 1986 to be used as the new City Hall and Police Station.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Aldermen revised the General Fund budget. The amended budget increased amounts available for appropriations by \$51,329.77 and increased charges to appropriations by \$4,143.41. For the year ended December 31, 2003, General Fund expenditures were equal to the final appropriations, while actual resources available for appropriation were \$34,110.91 below the final budgeted amount.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

Government Capital Assets (Net of depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 59,570.09	\$ 27,193.00	\$ 86,763.09
Buildings	172,125.16	62,989.50	235,114.66
Improvements	81,670.97	1,175,313.62	1,256,984.59
Machinery & equipment	26,310.95	82,233.14	108,544.09
Office equipment	0.00	1,844.00	1,844.00
Vehicles	<u>41,563.00</u>	<u>25,971.02</u>	<u>67,534.02</u>
	\$ 381,240.17	\$ 1,375,544.28	\$ 1,756,784.45
Less accumulated depreciation	<u>(170,782.51)</u>	<u>(660,223.14)</u>	<u>(831,005.65)</u>
Totals	<u>\$ 210,457.66</u>	<u>\$ 715,321.14</u>	<u>\$ 925,778.80</u>

This year's significant capital asset additions included:

Water and sewer line improvements	\$ 103,037.00
City Hall renovation	8,858.50
Storage Bins	18,556.16
4 th Street Project	28,832.38

Debt

At December 31, 2003, the City had \$545,000.00 in outstanding debt versus \$590,000.00 last year, a decrease of 8%.

<u>Business-type Activities</u>	<u>December 31, 2003</u>
Certificates of Participation	\$ <u>545,000.00</u>
Total Business-type Activities	\$ <u>545,000.00</u>
TOTALS	\$ <u>545,000.00</u>

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

The December 31, 2004 budget is similar to the December 31, 2003 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's financial condition and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at City Hall, 106 E. Fitzgerald, Gerald, Missouri.

BASIC FINANCIAL STATEMENTS

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

- Government-wide financial statements
- Fund financial statements
 - Governmental funds
 - Proprietary (enterprise) funds

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

CITY OF GERALD, MISSOURI

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2003

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and restricted cash	\$ 345,016.82	\$ 375,338.65	\$ 720,355.47
Capital assets, net of accumulated depreciation	<u>210,457.66</u>	<u>715,321.14</u>	<u>925,778.80</u>
TOTAL ASSETS	<u>\$ 555,474.48</u>	<u>\$ 1,090,659.79</u>	<u>\$ 1,646,134.27</u>
<u>LIABILITIES</u>			
Bail bonds payable	\$ 150.00	\$	\$ 150.00
Water meter deposits		4,800.00	4,800.00
Note payable	4,763.00		4,763.00
Long-term liabilities:			
Due within one year		45,000.00	45,000.00
Due in more than one year		<u>500,000.00</u>	<u>500,000.00</u>
TOTAL LIABILITIES	<u>\$ 4,913.00</u>	<u>\$ 549,800.00</u>	<u>\$ 554,713.00</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 210,457.66	\$ 170,321.14	\$ 380,778.80
Restricted for:			
Road improvements	135,890.13		135,890.13
Unrestricted	<u>204,213.69</u>	<u>370,538.65</u>	<u>574,752.34</u>
TOTAL NET ASSETS	<u>\$ 550,561.48</u>	<u>\$ 540,859.79</u>	<u>\$ 1,091,421.27</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Department	\$ 160,702.97	\$ 38,684.10	\$	\$	\$ (122,018.87)	\$	\$ (122,018.87)
Police Department	201,160.20	16,369.81			(184,790.39)		(184,790.39)
Municipal Court	3,068.90				(3,068.90)		(3,068.90)
Animal Control	2,861.64				(2,861.64)		(2,861.64)
Street Department	128,860.24				(128,860.24)		(128,860.24)
Park Department	35,982.08				(35,982.08)		(35,982.08)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 532,636.03	\$ 55,053.91	\$ 0.00	\$ 0.00	\$ (477,582.12)	\$ 0.00	\$ (477,582.12)
Business-type activities:							
Water and sewer	\$ 291,051.93	\$ 273,976.38	\$	\$	\$	\$ (17,075.55)	\$ (17,075.55)
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 291,051.93	\$ 273,976.38	\$ 0.00	\$ 0.00	\$ 0.00	\$ (17,075.55)	\$ (17,075.55)
TOTAL GOVERNMENT (forward)	\$ 823,687.96	\$ 329,030.29	\$ 0.00	\$ 0.00	\$ (477,582.12)	\$ (17,075.55)	\$ (494,657.67)

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2003

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
TOTAL GOVERNMENT (forward)	\$ <u>(477,582.12)</u>	\$ <u>(17,075.55)</u>	\$ <u>(494,657.67)</u>
General Revenues:			
Sales, franchise and property taxes	\$ 432,512.27	\$	\$ 432,512.27
Miscellaneous	55,385.39	3,623.66	59,009.05
Investment income	<u>6,623.24</u>	<u>6,532.81</u>	<u>13,156.05</u>
TOTAL GENERAL REVENUES	\$ <u>494,520.90</u>	\$ <u>10,156.47</u>	\$ <u>504,677.37</u>
CHANGES IN NET ASSETS	\$ 16,938.78	\$ (6,919.08)	\$ 10,019.70
<u>NET ASSETS - Beginning</u>	<u>533,622.70</u>	<u>547,778.87</u>	<u>1,081,401.57</u>
<u>NET ASSETS - Ending</u>	<u>\$ 550,561.48</u>	<u>\$ 540,859.79</u>	<u>\$ 1,091,421.27</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>General Fund</u>	<u>Special Revenue Fund (Park)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash	\$ 199,524.99	\$ 9,601.70	\$ 209,126.69
Restricted assets:			
Cash	<u>135,890.13</u>	<u> </u>	<u>135,890.13</u>
TOTAL ASSETS	<u>\$ 335,415.12</u>	<u>\$ 9,601.70</u>	<u>\$ 345,016.82</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bail bonds payable	\$ 150.00	\$	\$ 150.00
Note payable	<u>4,763.00</u>	<u> </u>	<u>4,763.00</u>
TOTAL LIABILITIES	<u>\$ 4,913.00</u>	<u>\$ 0.00</u>	<u>\$ 4,913.00</u>
Fund Balances:			
Reserved for road improvements	\$ 135,890.13	\$	\$ 135,890.13
Unreserved	<u>194,611.99</u>	<u>9,601.70</u>	<u>204,213.64</u>
TOTAL FUND BALANCES	<u>\$ 330,502.12</u>	<u>\$ 9,601.70</u>	<u>\$ 340,103.82</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 335,415.12</u>	<u>\$ 9,601.70</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$381,240.17
are not financial resources and, therefore, are not reported in the
funds, net of accumulated depreciation of \$170,782.51.

\$ 210,457.66

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 550,561.48

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Taxes, penalties and interest	\$ 398,964.36	\$ 33,547.91	\$ 432,512.27
Fines and forfeitures	16,369.81		16,369.81
Charges for services	29,930.00		29,930.00
Licenses and permits	4,154.10		4,154.10
Lease revenue	4,600.00		4,600.00
Interest revenue	6,425.20	198.04	6,623.24
Other	<u>54,875.39</u>	<u>510.00</u>	<u>55,385.39</u>
TOTAL REVENUES	<u>\$ 515,318.86</u>	<u>\$ 34,255.95</u>	<u>\$ 549,574.81</u>
<u>EXPENDITURES</u>			
General Department	\$ 157,600.94	\$	\$ 157,600.94
Police Department	194,507.75		194,507.75
Municipal Court	3,068.90		3,068.90
Animal Control	2,861.64		2,861.64
Street Department	124,376.37		124,376.37
Park Department		29,126.88	29,126.88
Capital Outlay:			
Current expenditures	<u>61,797.54</u>	<u>13,938.09</u>	<u>75,735.63</u>
TOTAL EXPENDITURES	<u>\$ 544,213.14</u>	<u>\$ 43,064.97</u>	<u>\$ 587,278.11</u>
<u>NET CHANGE IN FUND BALANCE</u>	\$ (28,894.28)	\$ (8,809.02)	\$ (37,703.30)
<u>FUND BALANCE - Beginning of year</u>	<u>359,396.40</u>	<u>18,410.72</u>	<u>377,807.12</u>
<u>FUND BALANCE - End of year</u>	<u>\$ 330,502.12</u>	<u>\$ 9,601.70</u>	<u>\$ 340,103.82</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2003**

	Total Governmental Funds
Reconciliation to the Statement of Activities	
Net change in fund balances - total governmental funds	\$ (37,703.30)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense as to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	75,735.63
Depreciation expense	<u>(21,093.55)</u>
Change in Net Assets of Governmental Activities	<u>\$ 16,938.78</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND (WATER AND SEWER)
YEAR ENDED DECEMBER 31, 2003**

**Enterprise
Fund**

ASSETS

Current Assets:

Cash

\$ 375,338.65

TOTAL CURRENT ASSETS

\$ 375,338.65

Noncurrent Assets:

Capital assets, net of accumulated depreciation

\$ 715,321.14

TOTAL NONCURRENT ASSETS

\$ 715,321.14

TOTAL ASSETS

\$ 1,090,659.79

LIABILITIES

Current Liabilities:

Certificates of participation

\$ 45,000.00

TOTAL CURRENT LIABILITIES

\$ 45,000.00

Noncurrent Liabilities:

Water meter deposits

\$ 4,800.00

Certificates of participation

500,000.00

TOTAL NONCURRENT LIABILITIES

\$ 504,800.00

TOTAL LIABILITIES

\$ 549,800.00

NET ASSETS

Invested in capital assets, net of related debt

\$ 170,321.14

Unrestricted

370,538.65

TOTAL NET ASSETS

\$ 540,859.79

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND (WATER AND SEWER)
YEAR ENDED DECEMBER 31, 2003**

	<u>Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services	\$ <u>273,976.38</u>
TOTAL OPERATING REVENUES	\$ <u>273,976.38</u>
<u>OPERATING EXPENSES</u>	
Salaries and payroll taxes	\$ 75,126.04
Insurance	19,143.83
Depreciation	56,100.46
Repairs and maintenance	50,738.00
Other operating expenses	<u>60,248.60</u>
TOTAL OPERATING EXPENSES	\$ <u>261,356.93</u>
OPERATING INCOME (LOSS)	\$ <u>12,619.45</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment income	\$ 6,532.81
Miscellaneous income	3,623.66
Interest expense	<u>(29,695.00)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ <u>(19,538.53)</u>
CHANGE IN NET ASSETS	\$ (6,919.08)
<u>TOTAL NET ASSETS</u> - Beginning of year	<u>547,778.87</u>
<u>TOTAL NET ASSETS</u> - End of year	\$ <u>540,859.79</u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GERALD, MISSOURI

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1(c), the City complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended December 31, 2003, the City implemented the new financial reporting requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* and early implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 37, *an Omnibus Amendment to GASB Statements 21 and 34*.

Implementation of GASB Statement 34

Although the City presents its annual financial statements on a comprehensive basis of accounting other than GAAP, the aspects of financial statements content and format, as prescribed by GASB Statement 34, have been implemented in the financial statements, effective for the year ended December 31, 2003. The City was not required to, but elected to, early implement this new pronouncement.

The primary changes from the prior years' financial presentations include:

- The addition of a Management Discussion and Analysis as required supplementary information.
- A new format for the City's basic financial statements including a government-wide Statement of Net Assets and Statement of Activities, in addition to fund financial statements, with emphasis on major funds, for governmental activities and proprietary activities.
- The reporting of budget and actual information for the General Fund in a new format as required supplementary information.
- Beginning net assets reported in government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation.

A. Financial Reporting Entity

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

Primary Government: City of Gerald, Missouri

Component Units: None

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The

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

Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statement

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. 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.

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

Governmental Funds

General Fund

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

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Park Fund comprises the Special Revenue Fund.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities that are primarily financed by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Enterprise Fund, which provides water and sewer services to the general public.

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

<u>Major Funds</u>	<u>Nonmajor Funds</u>
General Fund	None
Special Revenue Fund	
Enterprise Fund	

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus.

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

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

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

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.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

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

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

- Buildings	30-35 years
- Improvements other than buildings	20 years
- Machinery, furniture and equipment	10 years
- Utility property and improvements	30 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same in government-wide statements.

Long-Term Debt

All long-term debt arising from cash transaction to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid. Employees must use accrued vacation leave. If not used during the year, the vacation time will be lost. Employees are paid 100% of their accumulated vacation pay when they terminate their employment for any reason. Accumulated sick leave is not paid upon termination of employment.

Equity Classification

Government-Wide Statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations of other governments.

- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October and payable by December 31. Taxes paid after December 31 are subject to penalties. Franklin County bills, collects and distributes property taxes, railroad and utility taxes, and surtax.

F. Program Revenues

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

G. Expenditures/Expenses

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

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

Governmental Funds - By Character:	Current
	Capital Outlay

Proprietary Fund - By Operating and Non-Operating

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

H. Budgets and Budgetary Practices

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

- a. Prior to December 1, the City Clerk submits to the Board of Aldermen a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures/expenses and the means of financing them.
- b. Public hearings and open meetings of the Board of Aldermen are held to obtain taxpayer comments.
- c. At the December board meeting, the budget is adopted by the Board of Aldermen prior to authorizing any expenditure/expense.
- d. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- e. Any revisions that alter the total expenditures/expenses must be approved by the Board of Aldermen.

- f. Prior to year-end, the Board of Aldermen adopts an amended budget (if necessary), approving any additional expenditures/expenses.
- g. The amended budget for the General and Special Revenue Fund is presented in the Budgetary Comparison Schedules.
- h. All annual appropriations lapse at fiscal year end.

I. Use of Estimates

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

J. Differences From GAAP

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

K. Post-Employment Health Care Benefits

The City provides health care benefits to eligible former employees and eligible dependents as required by Missouri Statute. There is no associated cost to the City under this program, and there are no participants in the program as of December 31, 2003.

L. Risk Management

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

2. CASH AND INVESTMENTS

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

Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at December 31, 2003. The categories are described as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Category 3 - Uninsured and Uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name; or properly collateralized with no written and approved collateral agreement.

<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	\$ 319,953.10	\$ 319,953.10	\$ 0.00	\$ 0.00	\$
Uninsured deposits:					
Collateralized	404,521.49	0.00	404,521.49	0.00	
Uncollateralized	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	
Total deposits	<u>\$ 724,474.59</u>	<u>\$ 319,953.10</u>	<u>\$ 404,521.49</u>	<u>\$ 0.00</u>	\$ 720,230.47
Petty Cash					<u>125.00</u>
Total					<u>\$ 720,355.47</u>

3. RESTRICTED ASSETS

The amount of restricted assets in the governmental-type activities is comprised of the transportation sales tax for improvements to be made to the City's roads.

<u>Type of Restricted Assets</u>	<u>Governmental-Type Activities</u>
Cash and cash equivalents:	
Transportation sales tax	<u>\$ 135,890.13</u>

4. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended December 31, 2003 was as follows:

	<u>Balance at January 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Dec. 30, 2003</u>
<u>Governmental Activities:</u>				
Land	\$ 53,332.00	\$ 6,238.09	\$	\$ 59,570.09
Buildings	147,700.00	24,425.16		172,125.16
Improvements	52,838.59	28,832.38		81,670.97
Machinery and equipment	10,070.95	16,240.00		26,310.95
Vehicles	<u>41,563.00</u>	<u>0.00</u>		<u>41,563.00</u>
Totals at historical cost	<u>\$ 305,504.54</u>	<u>\$ 75,735.63</u>	<u>\$ 0.00</u>	<u>\$ 381,240.17</u>
Less accumulated depreciation:				
Buildings	\$ 100,843.42	\$ 4,226.28	\$	\$ 105,069.70
Improvements	35,758.78	5,764.40		41,523.18
Machinery and equipment	2,701.34	2,790.27		5,491.61
Vehicles	<u>10,385.42</u>	<u>8,312.60</u>		<u>18,698.02</u>
Total accumulated depreciation	<u>\$ 149,688.96</u>	<u>\$ 21,093.55</u>	<u>\$ 0.00</u>	<u>\$ 170,782.51</u>

Governmental activities capital assets, net	<u>\$ 155,815.50</u>	<u>\$ 54,642.08</u>	<u>\$ 0.00</u>	<u>\$ 210,457.66</u>
<u>Business-Type Activities</u>				
Land	\$ 27,193.00	\$	\$	\$ 27,193.00
Buildings	60,000.00	2,989.50		62,989.50
Machinery and equipment	82,233.14			82,233.14
Office equipment	0.00	1,844.00		1,844.00
Improvements	1,072,276.62	103,037.00		1,175,313.62
Vehicles	<u>25,971.02</u>			<u>25,971.02</u>
Total at historical cost	<u>\$1,267,673.78</u>	<u>\$ 107,870.50</u>	<u>\$ 0.00</u>	<u>\$1,375,544.28</u>
Less accumulated depreciation:				
Buildings	\$ 44,000.04	\$ 2,124.56	\$	\$ 46,124.60
Machinery and equipment	54,545.42	13,543.32		68,088.74
Improvements	486,533.73	37,998.68		524,532.41
Office equipment	0.00	92.20		92.20
Vehicles	<u>19,043.49</u>	<u>2,341.70</u>		<u>21,385.19</u>
Total accumulated depreciation	<u>\$ 604,122.68</u>	<u>\$ 56,100.46</u>	<u>\$ 0.00</u>	<u>\$ 660,223.14</u>
Business-type activities capital Assets, net	<u>\$ 663,551.10</u>	<u>\$ 51,770.04</u>	<u>\$ 0.00</u>	<u>\$ 715,321.14</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

General	\$ 3,102.03
Police	6,652.45
Streets	4,483.87
Park	<u>6,855.20</u>
Total depreciation expense for governmental activities	<u>\$ 21,093.55</u>
Business-Type Activities:	
Water and sewer	<u>\$ 56,100.46</u>
Total depreciation expense for business-type activities	<u>\$ 56,100.46</u>

5. LONG-TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

Business-Type Activities

As of December 31, 2003, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

• 2001 Certificates of Participation payable in semi-annual installments, with interest at 3.75% to 5.5%. Final payment due September 1, 2021.	\$ 545,000.00
Total	\$ 545,000.00

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2003:

<u>Type of Debt</u>	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2003</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
2001 Certificates of Participation	\$ 590,000.00	\$ 0.00	\$ 45,000.00	\$ 545,000.00	\$ 45,000.00
Total Business-Type Activities	\$ 590,000.00	\$ 0.00	\$ 45,000.00	\$ 545,000.00	\$ 45,000.00

A. The composition of bonds payable at December 31, 2003, including the principal and interest maturity schedule on outstanding bonds is as follows:

2001 Certificates of Participation

Dated - September 1, 2001

Interest payable - Semi-annually March 1 and September 1 of each year.

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
03/01/2004	\$	\$ 14,003.75	\$ 14,003.75
09/01/2004	45,000.00	14,003.75	59,003.75
03/01/2005		13,103.75	13,103.75
09/01/2005	20,000.00	13,103.75	33,103.75
03/01/2006		12,693.75	12,693.75
09/01/2006	25,000.00	12,693.75	37,693.75
03/01/2007		12,168.75	12,168.75
09/01/2007	25,000.00	12,168.75	37,168.75
03/01/2008		11,512.50	11,512.50
09/01/2008	20,000.00	11,512.50	31,512.50
03/01/2009		10,987.50	10,987.50
09/01/2009	25,000.00	10,987.50	35,987.50
03/01/2010		10,331.25	10,331.25
09/01/2010	25,000.00	10,331.25	35,331.25
03/01/2011		9,675.00	9,675.00
09/01/2011	30,000.00	9,675.00	39,675.00
03/01/2012		8,887.50	8,887.50
09/01/2012	30,000.00	8,887.50	38,887.50
03/01/2013		8,100.00	8,100.00
09/01/2013	30,000.00	8,100.00	38,100.00
03/01/2014		7,312.50	7,312.50
09/01/2014	30,000.00	7,312.50	37,312.50

03/01/2015		6,525.00	6,525.00
09/01/2015	30,000.00	6,525.00	36,525.00
03/01/2016		5,737.50	5,737.50
09/01/2016	30,000.00	5,737.50	35,737.50
03/01/2017		4,950.00	4,950.00
09/01/2017	30,000.00	4,950.00	34,950.00
03/01/2018		4,125.00	4,125.00
09/01/2018	35,000.00	4,125.00	39,125.00
03/01/2019		3,162.50	3,162.50
09/01/2019	35,000.00	3,162.50	38,162.50
03/01/2020		2,200.00	2,200.00
09/01/2020	40,000.00	2,200.00	42,200.00
03/01/2021		1,100.00	1,100.00
09/01/2021	<u>40,000.00</u>	<u>1,100.00</u>	<u>41,100.00</u>
	<u>\$ 545,000.00</u>	<u>\$ 293,152.50</u>	<u>\$ 838,152.50</u>

The maturity and interest rate schedule is as follows:

**SERIAL BONDS
MATURITY SCHEDULE**

<u>Period</u> <u>Ending</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
09/01/2004	\$ 45,000.00	4.00%
09/01/2005	20,000.00	4.10%
09/01/2006	25,000.00	4.20%
09/01/2007	25,000.00	5.25%
09/01/2008	<u>20,000.00</u>	5.25%
Total	<u>\$ 135,000.00</u>	

TERM BONDS

09/01/2016	\$ 230,000.00	5.25%
09/01/2021	<u>180,000.00</u>	5.50%
Total	<u>\$ 410,000.00</u>	

6. ASSESSED VALUATION AND TAX LEVY

<u>Assessed Valuation</u>	<u>Aggregate</u> <u>Assessed</u> <u>Valuation</u> <u>2 0 0 3</u>	<u>Aggregate</u> <u>Assessed</u> <u>Valuation</u> <u>2 0 0 2</u>
Real estate	\$ 9,381,938.00	\$ 8,665,452.00
Personal property	3,345,422.00	3,601,983.00
Railroad and utility	<u>825,167.00</u>	<u>901,346.00</u>
	<u>\$ 13,552,527.00</u>	<u>\$ 13,168,781.00</u>

Tax Levy per \$100 of Assessed Valuation:

General Fund	\$.80	\$.80
Park Fund	.22	.22
TOTAL	<u>\$ 1.02</u>	<u>\$ 1.02</u>
<u>TOTAL TAXES ASSESSED</u>	<u>\$ 138,235.78</u>	<u>\$ 134,321.57</u>
<u>TOTAL TAXES COLLECTED</u>	<u>\$ 136,140.75</u>	<u>\$ 131,946.82</u>

The receipts of current and delinquent taxes during the year ended December 31, 2003 aggregated approximately 98.48% of the current assessed taxes

7. LEASE

The City owns a building, which it leases to Bull Moose Tube Co., Inc. The annual fixed lease amount is \$4,600.00. The City does not have any option to terminate the lease prior to August 31, 2066.

8. LAGERS PENSION PLAN

A. Plan Description

The City of Gerald 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.

The Missouri Local Government Employees Retirement System 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.

B. Funding Status

The City of Gerald's full-time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 6.4% (general), 5.2% (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.

C. Annual Pension Cost

For 2003, the political subdivision's annual pension cost of \$16,402 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (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 one year for men and seven 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 an open basis. The remaining amortization period at February 28, 2003 was 15 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>
12/31/03	\$ 16,402.	100%	\$ 0.

**REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAI as a Percentage of Covered Payroll</u>
12/31/03	\$ 16,402.	\$ 90,377.	\$ 73,975.	18%	\$ 214,320.	34%

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.

9. CITY OFFICIALS

Mayor	Diane Ballard
President of the Board of Aldermen	Marie Wright
Alderman	Brad Landwehr
Alderman	Erick Charboneau
Alderman	Dan Maxwell
City Clerk	Beverly Maples
Deputy City Clerk	Carmen Angell

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF GERALD, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 359,396.40	\$ 359,396.40	\$ 359,396.40
<u>RESOURCES (inflows):</u>			
General Department:			
Sales tax	\$ 112,000.00	\$ 116,629.21	\$ 116,629.21
Motor vehicle sales tax, fee increase and motor fuel tax	40,000.00	47,455.32	47,455.32
County surtax	20,000.00	19,173.64	19,173.64
Railroad and utility tax	10,000.00	8,703.05	8,703.05
Financial institution tax	0.00	9.85	9.85
Property taxes	134,000.00	127,437.70	93,889.79
Merchants license	1,800.00	3,104.10	3,104.10
Franchise tax	57,000.00	57,735.74	57,735.74
Police collections	12,000.00	16,932.81	16,369.81
Lease - Bull Moose	4,600.00	4,600.00	4,600.00
Interest revenue	10,300.00	6,184.55	6,184.55
Park reimbursement	7,800.00	7,853.93	7,853.93
Zoning fees	1,300.00	1,050.00	1,050.00
Road and bridge tax	32,000.00	0.00	0.00
Trash collections	0.00	29,930.00	29,930.00
Post commission	500.00	500.00	500.00
Miscellaneous	3,000.00	43,531.33	43,531.33
Street Department:			
Transportation sales tax	51,500.00	55,367.76	55,367.76
Interest revenue	300.00	240.65	240.65
Miscellaneous	0.00	2,990.13	2,990.13
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 857,496.40	\$ 908,826.17	\$ 874,715.26
<u>CHARGES TO APPROPRIATIONS (outflows):</u>			
General Department:			
Current -			
Salaries and payroll taxes	\$ 40,898.00	\$ 40,517.74	\$ 40,517.74
Insurance	25,926.00	29,771.34	29,771.34
Administrative expense	8,000.00	11,733.04	10,038.04
Legal fees	12,000.00	16,525.00	16,525.00
City Hall maintenance	2,000.00	22,450.20	13,591.70
Supplies and expense	11,000.00	10,696.07	10,716.35
Planning and zoning administrator	400.00	125.00	125.00
Miscellaneous	500.00	580.00	580.00
Lagers - Retirement	1,152.00	1,109.77	1,109.77
Trash service	0.00	34,626.00	34,626.00
Capital Outlay -			
Equipment	0.00	0.00	1,695.00
Building improvements	0.00	0.00	8,858.50
TOTAL GENERAL DEPARTMENT	\$ 101,876.00	\$ 168,134.16	\$ 168,154.44

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (outflows) cont:</u>			
Police Department:			
Current-			
Salaries and payroll taxes	\$ 125,287.00	\$ 126,911.18	\$ 126,911.18
Insurance	34,482.00	44,691.71	44,691.71
Equipment repairs	3,000.00	2,250.70	2,250.70
Gas and oil	4,000.00	3,696.09	3,696.09
Operating expenses	5,000.00	9,290.50	9,290.50
Training expense	2,000.00	1,262.61	1,262.61
Upgrade equipment	7,500.00	6,242.46	242.46
Lagers - Retirement	5,528.00	3,762.50	3,762.50
Clothing allowance	<u>2,400.00</u>	<u>2,400.00</u>	<u>2,400.00</u>
TOTAL POLICE DEPARTMENT	<u>\$ 189,197.00</u>	<u>\$ 200,507.75</u>	<u>\$ 194,507.75</u>
Municipal Court:			
Current-			
Salaries and payroll taxes	\$ 1,750.00	\$ 1,721.62	\$ 1,721.62
Office supplies and expenses	<u>1,800.00</u>	<u>1,347.28</u>	<u>1,347.28</u>
TOTAL MUNICIPAL COURT	<u>\$ 3,550.00</u>	<u>\$ 3,068.90</u>	<u>\$ 3,068.90</u>
Animal Control:			
Current-			
Operating expenses	<u>\$ 3,000.00</u>	<u>\$ 2,861.64</u>	<u>\$ 2,861.64</u>
TOTAL ANIMAL CONTROL	<u>\$ 3,000.00</u>	<u>\$ 2,861.64</u>	<u>\$ 2,861.64</u>
Street Department:			
Current -			
Salaries and payroll taxes	\$ 47,111.00	\$ 44,705.97	\$ 44,705.97
Insurance	16,962.00	11,546.37	11,546.37
Street repair and maintenance	15,300.00	1,050.27	19,383.87
Operating expenses	5,000.00	28,155.25	28,155.25
Street lights	12,000.00	10,600.33	10,600.33
Engineering	5,000.00	3,590.64	3,590.64
Upgrade equipment	16,000.00	11,736.63	4,891.63
Lagers - Retirement	2,304.00	1,502.31	1,502.31
Capital Outlay -			
Building improvements	0.00	15,566.66	15,566.66
Street improvements	51,800.00	47,165.98	28,832.38
Equipment	<u>0.00</u>	<u>0.00</u>	<u>6,845.00</u>
TOTAL STREET DEPARTMENT	<u>\$ 171,477.00</u>	<u>\$ 175,620.41</u>	<u>\$ 175,620.41</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 469,100.00</u>	<u>\$ 550,192.86</u>	<u>\$ 544,213.14</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	<u>\$ 388,396.40</u>	<u>\$ 358,633.31</u>	<u>\$ 330,502.12</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
SPECIAL REVENUE FUND (PARK)
YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 18,410.72	\$ 18,410.72	\$ 18,410.72
<u>RESOURCES (inflows):</u>			
Taxes, penalties and interest	29,000.00	29,000.00	33,547.91
Interest revenue	0.00	0.00	198.04
Miscellaneous	<u>0.00</u>	<u>0.00</u>	<u>510.00</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>47,410.72</u>	\$ <u>47,410.72</u>	\$ <u>52,666.67</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>			
Current-			
Wages	\$ 7,800.00	\$ 7,800.00	\$ 7,853.93
Electric	1,300.00	1,300.00	1,232.78
Maintenance and repairs	4,200.00	4,200.00	2,731.72
Gas and oil	650.00	650.00	453.52
Supplies and fish	650.00	650.00	575.13
Road maintenance	15,000.00	15,000.00	16,198.00
Treasurer's bond	50.00	50.00	50.00
Advertisement	50.00	50.00	31.80
Capital outlay-			
Equipment	8,000.00	8,000.00	7,700.00
Land improvements	<u>6,670.00</u>	<u>6,670.00</u>	<u>6,238.09</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>44,370.00</u>	\$ <u>44,370.00</u>	\$ <u>43,064.97</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	\$ <u>3,040.72</u>	\$ <u>3,040.72</u>	\$ <u>9,601.70</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2003**

Budgetary Accounting

The City prepares its budget for the General Fund and the Special Revenue Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund and the Special Revenue Fund in the financial statements. All unexpended appropriations lapse at year-end.