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Financial Report, 2004

City of Foristell

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**CITY OF FORISTELE,
MISSOURI**

**FINANCIAL REPORT
(Audited)**

Year Ended December 31, 2004

CITY OF FORISTELL, MISSOURI
FINANCIAL REPORT

Page

INDEPENDENT AUDITORS' REPORT

1

MANAGEMENT'S DISCUSSION AND ANALYSIS

3

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Statement of Net Assets - Modified Cash Basis 9

Statement of Activities - Modified Cash Basis 10

Fund Financial Statements:

Balance Sheet - Modified Cash Basis - Governmental Funds 11

Reconciliation of the Balance Sheet - Modified Cash Basis - Governmental Funds to
the Statement of Net Assets - Modified Cash Basis 12

Statement of Revenues, Expenditures, and Change in Fund Balance - Modified Cash
Basis - Governmental Funds 13

Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund
Balance - Modified Cash Basis - Governmental Funds to the Statement of Activities -
Modified Cash Basis 14

Statement of Net Assets - Modified Cash Basis - Proprietary Fund 15

Statement of Revenues, Expenses, and Change in Net Assets - Modified Cash Basis -
Proprietary Fund 16

Statement of Cash Flows - Modified Cash Basis - Proprietary Fund 18

Notes to Financial Statements 20

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -
Modified Cash Basis - General Fund 37

Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget
and Actual - Modified Cash Basis 41

OTHER SUPPLEMENTAL INFORMATION

Proprietary Funds:

Schedule of Revenues, Expenses, and Changes in Net Assets - Budget and Actual -
Modified Cash Basis - Enterprise Fund 43



Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

May 11, 2005

Honorable Mayor and Board of Aldermen
CITY OF FORISTELL, MISSOURI

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **CITY OF FORISTELL, MISSOURI** (the City) as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements. 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 U.S. generally accepted auditing standards. 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 described in Note A-3, the City prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As further discussed in Note A-3 to the financial statements, while the City's cash basis of accounting has been modified to include capital assets and related accumulated depreciation and depreciation expense, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. U.S. generally accepted accounting principles, when applied to such a modified cash basis of accounting, require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the modified cash basis assets and expenses of the governmental activities is not reasonably determinable.

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Member: Independent Accountants International with Member Offices in Principal U.S. and International Cities.

In our opinion, except for the effects of matters discussed in the preceding paragraph, 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 the City as of December 31, 2004 and the respective changes in financial position - modified cash basis, and cash flows - modified cash basis, where applicable, thereof for the year then ended, in conformity with the basis of accounting described in Note A-3.

During 2004, the City has implemented a new financial reporting model, as required by 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 Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

The management's discussion and analysis and required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by GASB. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information as listed in the table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004

As management of the City of Foristell, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes that follow this Management's Discussion and Analysis (MD&A).

Financial Highlights

- On a government-wide basis the assets of the City exceeded its liabilities for the most recent fiscal year by \$1,425,903. The City has unrestricted net assets of \$171,706.
- As of the close of the current fiscal year, the City's governmental fund reported an ending fund balance of \$217,936.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$196,936.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Note the government-wide financial statements exclude fiduciary fund activities.

The statement of net assets presents information on all of the City's assets and liabilities, 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 is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City 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 include general government, public works, police department, and municipal court. The business-type activities include the water/sewer operations of the City.

The City has elected to utilize a modified cash basis of accounting as explained in Note A-3 of the notes to financial statements.

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

The government-wide financial statements can be found on pages 9 and 10 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, 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 can be divided into two categories: governmental funds and proprietary funds. It should be noted that the City does not have any fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements utilize a current financial resources measurement focus as applied to the modified cash basis of accounting. 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. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund, which is considered to be a major fund.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

Proprietary Fund

The City's proprietary fund type consists of the Enterprise Fund, which accounts for the City's water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The fund financial statements can be found on pages 11 through 19 of this report.

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Notes to the Basic 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. The notes to the basic financial statements can be found on pages 20 through 35 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information can be found on pages 37 through 41 of this report.

Other Supplementary Information

The Enterprise Fund budget and actual schedule is presented immediately following the required supplementary information. This schedule can be found on pages 43 and 44 of this report.

Government-wide Financial Analysis - Financial Analysis of the City as a Whole

This is the first year that the City has presented its financial statements under the new reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Because this reporting model significantly changes both the recording and presentation of financial data, the City has not restated prior fiscal years for the purpose of providing comparative information of the MD&A. In future years when prior year information is available, a comparative analysis of government-wide data will be included in this report.

A condensed version of the statement of net assets follows:

	<u>December 31, 2004</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
ASSETS			
Current and other assets	\$242,734	255,569	498,303
Capital assets	<u>90,113</u>	<u>1,539,911</u>	<u>1,630,024</u>
Total Assets	<u>332,847</u>	<u>1,795,480</u>	<u>2,128,327</u>
LIABILITIES			
Other liabilities	24,798	11,870	36,668
Long-term liabilities	<u>200,102</u>	<u>465,654</u>	<u>665,756</u>
Total Liabilities	<u>224,900</u>	<u>477,524</u>	<u>702,424</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,010	1,074,257	1,127,267
Restricted for debt service	21,000	105,930	126,930
Unrestricted	<u>33,937</u>	<u>137,769</u>	<u>171,706</u>
Total Net Assets	<u>\$107,947</u>	<u>1,317,956</u>	<u>1,425,903</u>

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Governmental and Business-type Activities

Governmental and business-type activities increased the City's net assets by \$43,418. Key elements of this are as follows:

	<u>For The Year Ended December 31, 2004</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Government</u>
REVENUES			
Program revenues:			
Charges for services	\$464,878	124,808	589,686
Operating grants and contributions	13,776	-	13,776
General revenues:			
Sales taxes	253,142	87,531	340,673
Utility taxes	17,566	-	17,566
Investment income	496	1,546	2,042
Miscellaneous	29,713	11,642	41,355
Gain on sale of capital assets	650	54,908	55,558
Total Revenues	<u>780,221</u>	<u>280,435</u>	<u>1,060,656</u>
EXPENSES			
General government	202,285	-	202,285
Police department	414,970	-	414,970
Public works	68,600	-	68,600
Municipal court	74,997	-	74,997
Interest expense	13,009	-	13,009
Water and sewer	-	243,377	243,377
Total Expenses	<u>773,861</u>	<u>243,377</u>	<u>1,017,238</u>
CHANGES IN NET ASSETS	6,360	37,058	43,418
NET ASSETS, JANUARY 1	<u>101,587</u>	<u>1,280,898</u>	<u>1,382,485</u>
NET ASSETS, DECEMBER 31	<u>\$107,947</u>	<u>1,317,956</u>	<u>1,425,903</u>

Changes in Net Assets

The increase in net assets of \$43,418 was largely attributable to the sale of investment property in the Enterprise Fund.

Financial Analysis of the City's Funds

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

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Governmental Funds

The focus of the City's governmental funds is to provide information on inflows and balances of available expendable resources. Such information is useful in assessing the City'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.

At December 31, 2004 the total fund balance was \$217,936.

The fund balance in the City's General Fund decreased by \$7,903 or 3.5% from the prior year fund balance.

Proprietary Funds

The fund statement for the proprietary fund looks much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statement to the government-wide statement.

Unrestricted net assets at the end of the year for the Enterprise Fund totaled \$137,769. The total growth in net assets was \$37,058.

Capital Assets

The City has invested \$1,630,024 at December 31, 2004 in a broad range of capital assets, net of depreciation, including buildings, equipment, and automobiles and trucks. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$82,767. The City's capital assets, net of accumulated depreciation, consisted of:

	December 31, 2004		
	Governmental Activities	Business-type Activities	Total Government
Land	\$ 5,000	4,021	9,021
Buildings	9,243	8,650	17,893
Equipment	75,870	708	76,578
Water system	-	1,526,532	1,526,532
Total Capital Assets, Net Of Accumulated Depreciation	\$90,113	1,539,911	1,630,024

Additional information on the City's capital assets can be found starting on page 26 in Note C in the notes to the financial statements.

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Long-term Debt

The City had government-wide debt outstanding for December 31, 2004 of \$665,756 compared to \$725,024 for December 31, 2003.

The following is a summary of long-term debt:

	December 31, 2004		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Government</u>
Special obligation capital improvement bonds	\$ 163,000	-	163,000
Sales tax refunding bonds	-	160,000	160,000
Note payable	-	52,863	52,863
Capital leases	<u>37,102</u>	<u>252,791</u>	<u>289,893</u>
Total	<u>\$200,102</u>	<u>465,654</u>	<u>665,756</u>

Additional information on the City's long-term debt can be found starting on page 28 in Note D in the notes to the financial statements.

Significant Variances between Budgets and Actual Expenditures

In the General Fund, the following significant variances occurred between budget, amended budget, and actual expenditures:

- Revenues were \$22,671 over budget mainly due to fines and court costs.
- The City's total expenditures were under budget by \$49,056.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

City of Foristell
10 Hwy. T
Foristell, MO 63348-1443

CITY OF FORISTELL, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 142,598	118,219	260,817
Investments	9,085	66,130	75,215
Due from other governments	-	1,522	1,522
Internal balance	48,102	(48,102)	-
Cash - restricted	21,949	102,800	124,749
Investments - restricted	21,000	15,000	36,000
Capital assets:			
Land	5,000	4,021	9,021
Other capital assets, net of accumulated depreciation	85,113	1,535,890	1,621,003
Total Assets	<u>332,847</u>	<u>1,795,480</u>	<u>2,128,327</u>
LIABILITIES			
Other liabilities	24,798	11,870	36,668
Noncurrent liabilities:			
Due within one year	29,432	43,776	73,208
Due in more than one year	170,670	421,878	592,548
Total Liabilities	<u>224,900</u>	<u>477,524</u>	<u>702,424</u>
NET ASSETS			
Invested in capital assets, net of related debt	53,010	1,074,257	1,127,267
Restricted for debt service	21,000	105,930	126,930
Unrestricted	33,937	137,769	171,706
Total Net Assets	<u>\$ 107,947</u>	<u>1,317,956</u>	<u>1,425,903</u>

See notes to financial statements

CITY OF FORISTELL, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenue (Expense) And Changes In Net Assets		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities							
General government	\$ 202,285	23,152	-	-	(179,133)	-	(179,133)
Police department	414,970	441,726	-	-	26,756	-	26,756
Public works	68,600	-	13,776	-	(54,824)	-	(54,824)
Municipal court	74,997	-	-	-	(74,997)	-	(74,997)
Interest expense	13,009	-	-	-	(13,009)	-	(13,009)
Total Governmental Activities	773,861	464,878	13,776	-	(295,207)	-	(295,207)
Business-type Activities							
Water and sewer	243,377	124,808	-	-	-	(118,569)	(118,569)
Total	\$ 1,017,238	589,686	13,776	-	(295,207)	(118,569)	(413,776)
General Revenues							
Taxes:							
Sales					253,142	87,531	340,673
Utility					17,566	-	17,566
Investment income					496	1,546	2,042
Miscellaneous					29,713	11,642	41,355
Gain on sale of capital assets					650	54,908	55,558
Total General Revenues					301,567	155,627	457,194
CHANGES IN NET ASSETS					6,360	37,058	43,418
NET ASSETS, JANUARY 1					101,587	1,280,898	1,382,485
NET ASSETS, DECEMBER 31					\$ 107,947	1,317,956	1,425,903

See notes to financial statements

CITY OF FORISTELL, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General
ASSETS	
Cash	\$ 142,598
Investments	9,085
Due from other funds	48,102
Cash - restricted	21,949
Investments - restricted	21,000
Total Assets	\$ 242,734
 LIABILITIES AND FUND BALANCES	
Liabilities	
Payroll taxes payable	\$ 2,849
Court bonds payable	15,349
Performance bonds payable	6,600
Total Liabilities	24,798
 Fund Balances	
Reserved for debt service	21,000
Unreserved	196,936
Total Fund Balances	217,936
Total Liabilities And Fund Balances	\$ 242,734

CITY OF FORISTELL, MISSOURI

**RECONCILIATION OF THE BALANCE SHEET - MODIFIED CASH BASIS -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004**

Total Fund Balances - Total Governmental Funds \$ 217,936

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

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds. The cost of the assets is \$318,866
and the accumulated depreciation is \$228,753. 90,113

Certain long-term liabilities are not due and payable in the current period and,
therefore, are not reported as liabilities in the governmental funds. Long-term
liabilities at year-end consist of :

Bonds payable (163,000)
Capital lease outstanding (37,102)

Total Net Assets Of Governmental Activities \$ 107,947

CITY OF FORISTELL, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General
REVENUES	
Taxes	\$ 284,484
Licenses and permits	23,152
Fines and court costs	441,726
Investment income	496
Miscellaneous	29,713
Total Revenues	779,571
EXPENDITURES	
Current:	
Administration	190,241
Court	72,883
Police	384,246
Public works	64,616
Capital outlay	41,897
Debt service:	
Principal retirement	41,138
Interest and fiscal charges	13,009
Total Expenditures	808,030
REVENUES UNDER EXPENDITURES	(28,459)
OTHER FINANCING SOURCES	
Sale of capital assets	650
Proceeds from capital lease	19,906
Total Other Financing Sources	20,556
NET CHANGE IN FUND BALANCE	(7,903)
FUND BALANCE, JANUARY 1	225,839
FUND BALANCE, DECEMBER 31	\$ 217,936

See notes to financial statements

CITY OF FORISTELL, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN FUND BALANCE - MODIFIED CASH BASIS - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Net Change In Fund Balance - Governmental Funds \$ (7,903)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$33,149) exceeded capital outlays over the capitalization threshold totaling \$26,180 in the current period. (6,969)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the net effect of these differences in the treatment of long-term debt.

Debt issued:			
Capital lease		(19,906)	
Repayments:			
Bonds payable		8,000	
Capital lease		33,138	21,232
		33,138	21,232

Change In Net Assets Of Governmental Activities \$ 6,360

CITY OF FORISTELL, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND
DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Fund</u>
ASSETS	
Current Assets	
Cash	\$ 118,219
Investments	66,130
Due from other governments	1,522
Total Current Assets	<u>185,871</u>
Noncurrent Assets	
Capital assets:	
Land	4,021
Other capital assets, net of accumulated depreciation	1,535,890
Total Capital Assets	<u>1,539,911</u>
Restricted assets:	
Cash	102,800
Investments	15,000
Total Restricted Assets	<u>117,800</u>
Total Noncurrent Assets	<u>1,657,711</u>
Total Assets	<u>1,843,582</u>
LIABILITIES	
Current Liabilities	
Deposits	11,870
Due to other funds	48,102
Bonds payable - current portion	30,000
Note payable - current portion	4,127
Capital leases payable - current portion	9,649
Total Current Liabilities	<u>103,748</u>
Long-Term Debt	
Bonds payable	130,000
Note payable	48,736
Capital leases payable	243,142
Total Long-Term Debt	<u>421,878</u>
Total Liabilities	<u>525,626</u>
NET ASSETS	
Invested in capital assets, net of related debt	1,074,257
Restricted for debt service	105,930
Unrestricted	137,769
Total Net Assets	<u>\$ 1,317,956</u>

See notes to financial statements

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

	<u>Business-type Activities - Enterprise Fund</u>
OPERATING REVENUES	
Water sales	\$ 55,822
Sewer fees	35,707
Penalties	2,615
Primacy fees	359
Tap-on fee	26,000
Connection fees	4,305
Total Operating Revenues	<u>124,808</u>
OPERATING EXPENSES	
Salaries	28,797
Payroll taxes	2,194
Retirement	2,982
Dental insurance	314
Health insurance	3,298
Life insurance	68
Insurance - workers' compensation	669
Chemicals	1,223
Contracted services	65,219
Depreciation	55,798
Insurance	1,463
Miscellaneous	2,870
Postage	722
Primacy fees	348
Repair and maintenance	6,305
Sales/use tax	2,132
Supplies	2,095
Telephone	1,734
Utilities	5,234
Total Operating Expenses	<u>183,465</u>
OPERATING LOSS	<u>(58,657)</u>

See notes to financial statements

(Continued)

CITY OF FORISTELL, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Fund</u>
NONOPERATING REVENUES (EXPENSES)	
Sales tax	87,531
Investment income	1,546
Miscellaneous	11,642
Gain on sale of capital assets	54,908
Interest expense and fees	(28,192)
Other expenses	(31,720)
Total Nonoperating Revenues (Expenses)	<u>95,715</u>
 CHANGE IN NET ASSETS	 37,058
 NET ASSETS, JANUARY 1	 <u>1,280,898</u>
 NET ASSETS, DECEMBER 31	 <u><u>\$ 1,317,956</u></u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Business-type Activities - Enterprise Fund</u>
INCREASE IN CASH	
Cash flows from operating activities:	
Receipts from customers and users	\$ 124,808
Payments to suppliers	(98,870)
Payments to employees	(29,109)
Net Cash Used In Operating Activities	<u>(3,171)</u>
Cash flows from noncapital financing activities:	
Receipts from taxes	87,531
Due to General Fund	1,102
Net Cash Provided By Noncapital Financing Activities	<u>88,633</u>
Cash flows from capital financing activities:	
Sale of assets	74,908
Principal paid on debt	(38,036)
Interest paid on debt	(28,192)
Net Cash Provided By Capital Financing Activities	<u>8,680</u>
Cash flows from investing activities:	
Investment income	1,546
Miscellaneous income (expense)	(20,078)
Purchase of investments	(9,461)
Net Cash Used In Investing Activities	<u>(27,993)</u>
NET INCREASE IN CASH	66,149
CASH, JANUARY 1	<u>154,870</u>
CASH, DECEMBER 31	<u><u>\$ 221,019</u></u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED IN OPERATING ACTIVITIES:**

Operating loss	\$ (58,657)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	55,798
Increase (decrease) in:	
Deposits and other receivables	(312)
Total Adjustments	<u>55,486</u>
Net Cash Used In Operating Activities	<u>\$ (3,171)</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF FORISTELL, MISSOURI** (the City) voted to become a fourth class city in 1980, under the provisions of the State of Missouri. The City operates under a Council-Manager form of government and provides for the following services: public safety, streets, sanitation, health and social services, public improvements, and general administrative services. Other services include utilities.

The more significant accounting policies consistently applied by the City in the preparation of the accompanying financial statements are summarized below:

1. Reporting Entity

In evaluating the City as a reporting entity, management has addressed all component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. In accordance with GASB Statement No. 14, the City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and 1) it is able to impose its will on the organization or 2) there is a potential for the organization to provide specific financial benefit to or impose specific burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. It has been determined that the City does not have a component unit.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets - modified cash basis and the statement of activities - modified cash basis) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities - modified cash basis demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Measurement Focus

In the government-wide statement of net assets - modified cash basis and the statement of activities - modified cash basis, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. 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 - modified cash basis, statement of activities - modified cash basis, and the fund financial statements, governmental and business-type 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 and proprietary fund statements. This basis is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 pay-

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

able and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements.

If the City utilized the basis of accounting recognized as U.S. generally accepted accounting principles, 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 accrued basis of accounting. All government-wide statements would be presented on the accrual basis of accounting.

The City reports the following major governmental fund:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

Enterprise Fund -- The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the costs (expenses) of providing water and sewer services to the general public on a continuing basis is financed through user charges.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The principal operating revenues of the Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Cash and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements.

The City invests all temporary cash surpluses in certificates of deposit with various banks as authorized by Missouri state statute.

For purposes of the statement of cash flows, the City considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Investments are reported at cost which approximates fair value.

5. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the financial statements where applicable. Capital assets are defined by the City as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The City has elected not to record the historical cost of infrastructure placed in service prior to January 1, 2004. There were no infrastructure expenditures in the current year. However, there were donated capital assets that were not recorded in the current year because the established fair value at the date of donation has not been determined.

Depreciation is being computed on the straight-line method using asset lives as follows:

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Capital Assets (Continued)

Assets	Years
Buildings	20
Equipment	3 - 10
Water system	15 - 40
Infrastructure	40

6. Compensated Absences

City employees earn vacation and accumulate personal days based on years of continuous service. Up to one half of an employees allotted vacation days may be carried to the succeeding service year. Unused personal days may be accumulated up to a maximum of 10 days.

Employees who are separated from service are compensated for vacation accrued up to the date of separation. Employees are not compensated upon separation for unused personal days.

Because of the accounting method used, the City does not record a liability for unused personal or vacation time.

7. Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets - modified cash basis.

In the fund financial statements, the face amount of debt issued is reported as other financing sources.

8. Property Taxes

Property taxes may be levied each year on the assessed value listed as of January 1 for all real and personal property located in the City. Property taxes attach as an enforceable lien on property as of January 1. Taxes levied in October are due and payable prior to December 31.

Currently the City does not assess a property tax.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. 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 a comprehensive plan for all members. The City pays an annual premium to MOPERM for its general liability, law enforcement liability, public officials errors and omissions, and automobile liability. MOPERM is self-sustaining through member premiums and reinsures with commercial companies for excess insurance.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Fund Equity Reserved

The City records a reserve to indicate that a portion of the fund equity is legally segregated for specific future use.

The reserved fund equity used by the City represents a reserve for debt service.

11. Use of Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

1. Deposits

The City's bank deposits are required by State law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation. As of December 31, 2004, the City's bank deposits were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments

The City's investments consist of savings accounts and certificates of deposits which are insured with securities held by the City or its agent in the City's name.

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended December 31, 2004			
	Balance December 31 2003	Additions	Retirements	Balance December 31 2004
	Governmental Activities			
Capital assets not being depreciated:				
Land	\$ <u>5,000</u>	-	-	<u>5,000</u>
Capital assets being depreciated:				
Buildings	70,010	-	-	70,010
Equipment	<u>217,676</u>	<u>26,180</u>	-	<u>243,856</u>
Total Capital Assets Being Depreciated	<u>287,686</u>	<u>26,180</u>	-	<u>313,866</u>
Less - Accumulated depreciation for:				
Buildings	57,016	3,751	-	60,767
Equipment	<u>138,588</u>	<u>29,398</u>	-	<u>167,986</u>
Total Accumulated Depreciation	<u>195,604</u>	<u>33,149</u>	-	<u>228,753</u>
Total Capital Assets Being Depreciated, Net	<u>92,082</u>	<u>(6,969)</u>	-	<u>85,113</u>
 Governmental Activities Capital Assets, Net	 \$ <u>97,082</u>	 <u>(6,969)</u>	 -	 <u>90,113</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended December 31, 2004			
	Balance			Balance
	December 31	Additions	Retirements	December 31
	2003			2004
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 24,021	-	20,000	4,021
Capital assets being depreciated:				
Buildings	37,010	-	-	37,010
Equipment	6,653	-	-	6,653
Water system	2,068,732	-	-	2,068,732
Total Capital Assets				
Being Depreciated	2,112,395	-	-	2,112,395
Less - Accumulated depreciation				
for:				
Buildings	26,509	1,851	-	28,360
Equipment	5,445	500	-	5,945
Water system	488,753	53,447	-	542,200
Total Accumulated				
Depreciation	520,707	55,798	-	576,505
Total Capital Assets Being				
Depreciated, Net	1,591,688	(55,798)	-	1,535,890
Business-type Activities				
Capital Assets, Net	\$1,615,709	(55,798)	20,000	1,539,911

Depreciation expense was charged to functions/programs of the primary government as follows:

	For The
	Year Ended
	December 31
	2004
Governmental activities:	
Administration	\$ 8,387
Court	1,171
Police	22,606
Public works	985
	\$33,149
Business-type Activities:	
Enterprise Fund	\$55,798

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT

A summary of changes in long-term liabilities is as follows:

	<u>For The Year Ended December 31, 2004</u>			Amounts Due Within One Year	
	Balance December 31	Additions	Deletions		Balance December 31
	2003				2004
Governmental Activities:					
Special obligation capital improvement bonds	\$171,000	-	8,000	163,000	9,000
Capital leases	<u>50,334</u>	<u>19,906</u>	<u>33,138</u>	<u>37,102</u>	<u>20,432</u>
Total Governmental Activities	<u>\$221,334</u>	<u>19,906</u>	<u>41,138</u>	<u>200,102</u>	<u>29,432</u>
Business-type Activities:					
Sales tax refunding bonds	\$185,000	-	25,000	160,000	30,000
Note payable	56,870	-	4,007	52,863	4,127
Capital lease	<u>261,820</u>	<u>-</u>	<u>9,029</u>	<u>252,791</u>	<u>9,649</u>
Total Business-type Activities	<u>\$503,690</u>	<u>-</u>	<u>38,036</u>	<u>465,654</u>	<u>43,776</u>

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Water system	\$ -	289,830
Equipment	72,095	-
Less - Accumulated depreciation	<u>(28,845)</u>	<u>(36,229)</u>
	<u>\$43,250</u>	<u>253,601</u>

Aggregate maturities required on long-term debt for governmental activities are as follows:

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Special Obligation Capital Improvement Bonds

<u>For The Years Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 9,000	9,257	18,257
2006	10,000	8,711	18,711
2007	12,000	8,107	20,107
2008	14,000	7,389	21,389
2009	15,000	6,585	21,585
2010 - 2013	<u>103,000</u>	<u>16,819</u>	<u>119,819</u>
	<u>\$163,000</u>	<u>56,868</u>	<u>219,868</u>

December 31
2004

Capital Leases

\$19,906 capital lease for police radios, due in annual installments through January 2008, interest payable at 6.9%.	\$15,802
\$19,940 capital lease for a vehicle, due in annual installments through January 2005, interest payable at 7.25%.	6,654
\$20,990 capital lease for a vehicle, due in annual installments through July 2005, interest payable at 6.25%.	6,577
\$11,259 capital lease for a copier, due in annual installments through August 2008, no interest payable.	<u>8,069</u>
	<u>\$37,102</u>

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments are as follows:

<u>For The Years Ended December 31</u>	
2005	\$22,500
2006	7,938
2007	7,938
2008	<u>1,975</u>
Total Minimum Lease Payments	40,351
Less - Amount representing interest	<u>3,249</u>
Present Value Of Net Minimum Lease Payments	<u>\$37,102</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Aggregate maturities required on long-term debt for business-type activities are as follows:

	December 31 2004
Sales Tax Refunding Bonds	
\$300,000 Sales Tax Refunding Bonds (Series 1998), due in semi-annual installments through May 2009, interest payable at 3.9% to 4.85%.	<u>\$160,000</u>

Debt service requirements for the bonds are as follows:

For The Years Ended December 31	Sales Tax Refunding Bonds		
	Principal	Interest	Total
2005	\$ 30,000	7,032	37,032
2006	30,000	5,578	35,578
2007	30,000	4,122	34,122
2008	35,000	2,546	37,546
2009	<u>35,000</u>	<u>849</u>	<u>35,849</u>
	<u>\$160,000</u>	<u>20,127</u>	<u>180,127</u>

Note Payable

\$85,000 note payable for portion of wastewater and collection system construction, due in annual payments through February 2015, interest payable at 3%.	<u>\$52,863</u>
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Debt service requirements for the note payable are as follows:

For The Years Ended December 31	Principal	Interest	Total
	Principal	Interest	Total
2005	\$ 4,127	1,586	5,713
2006	4,251	1,462	5,713
2007	4,379	1,335	5,714
2008	4,510	1,203	5,713
2009	4,645	1,068	5,713
2010 - 2014	25,404	3,163	28,567
2015	<u>5,547</u>	<u>167</u>	<u>5,714</u>
	<u>\$52,863</u>	<u>9,984</u>	<u>62,847</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

December 31
2004

Capital Lease

\$289,830 capital lease for waterline extensions and water tower improvements, due in semi-annual installments through February 2020, interest payable at 6.75%. \$252,791

A schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments are as follows:

For The Years		
<u>Ended December 31</u>		
2005		\$ 26,552
2006		26,552
2007		26,552
2008		26,552
2009		26,552
2010 - 2014		132,761
2015 - 2019		132,760
2020		<u>13,276</u>
Total Minimum Lease Payments		411,557
Less - Amount representing interest		<u>158,766</u>
Present Value Of Net Minimum Lease Payments		<u>\$252,791</u>

NOTE E - RESTRICTED ASSETS

The various restricted account balances for cash and investments are shown below:

	<u>December 31, 2004</u>	
	<u>Actual</u>	<u>Required</u>
Series 1998 Capital Improvement Bonds	\$ 21,000	21,000
Series 1998 Sales Tax Revenue Bonds	105,930	15,000
Court Bonds	15,349	N/A
Performance Bonds	6,600	N/A
Customer deposits	<u>11,870</u>	N/A
	<u>\$160,749</u>	

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - DUE TO/FROM FUNDS

Individual fund receivable/payable balances are as follows:

	<u>December 31, 2004</u>	
	<u>Due From Funds</u>	<u>Due To Funds</u>
General Fund	\$48,102	-
Enterprise Fund	<u>-</u>	<u>48,102</u>
	<u>\$48,102</u>	<u>48,102</u>

Interfund balances are due to timing differences and are expected to be repaid during the fiscal year ending December 31, 2005.

NOTE G - PENSION PLANS

Missouri Local Government Employees Retirement System (LAGERS)

1. Plan Description

The City began participating September 2003 in 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 state statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' 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.

2. Funding Policy

The City'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 13.9% (general) and 12% (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.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLAN (Continued)

3. Annual Pension Cost

For 2004, the City's annual pension cost of \$30,943 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2002 and/or 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% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 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 a closed basis. The amortization period at February 29, 2004 was 29 years.

4. Trend Information

Historical information about the City's participation in LAGERS is presented herewith as required supplementary information. This information is intended to help users assess the retirement plan's funding status on a going-concern basis, assess progress being made in accumulating assets to pay benefits when due and allow for comparisons with other public employee retirement systems.

Trend Information

<u>For The Fiscal Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$30,943	100%	-

Schedule of Funding Progress

<u>For The Actuarial Valuation Year Ended February 29</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>
2004	\$20,752	\$129,588	\$108,836

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLAN (Continued)

4. Trend Information (Continued)

<u>For The Actuarial Valuation Year Ended February 29</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability As A Percentage Of Covered Payroll</u>
2004	16%	\$209,566	52%

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. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS' office in Jefferson City.

Deferred Compensation

The employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service of State and Local Governments).

The deferred compensation plan is available to all qualified employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust by Aetna.

NOTE H - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE

During fiscal year December 31, 2004, the City adopted GASB Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37 (GASB 37), *Basic Financial Statement - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38 (GASB 38), *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB 34 (as amended by GASB 37) represents a very significant change in the financial reporting model used by state and local governments.

GASB 34 requires government-wide financial statements to be prepared using the accrual basis of accounting. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities on the statement of net assets - modified cash

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE H - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCE (Continued)

basis and statement of activities - modified cash basis. Additionally, the City's statement of net assets - modified cash basis includes capital assets and long-term liabilities of the City which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. In addition, the government-wide statement of activities - modified cash basis reflects depreciation expense on the City's capital assets.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified cash basis of accounting for the City's General Fund and Enterprise Fund, which is similar to that previously presented for these funds in the City's financial statements, although the format of financial statements has been modified by GASB 34.

GASB 34 also includes, as required supplementary information, management's discussion and analysis, which provides an analytical overview of the City's financial activities. In addition, budgetary comparison schedules are presented which compare the original and final revised budget with actual results for the General Fund.

GASB 38 requires certain disclosures to be made in the notes to the basic financial statements concurrent with the implementation of GASB 34. While this statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and amended including descriptions of activities of major funds, future debt obligations, and interfund balances and transactions.

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to January 1, 2004. Restatement of net assets within the government-wide financial statements is as follows:

General Fund, December 31, 2003	\$225,839
Required GASB 34 adjustments:	
Capital assets, net accumulated depreciation	97,082
Long-term liabilities	<u>(221,334)</u>
Total Net Assets, December 31, 2003	<u>\$101,587</u>

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Sales and use	\$ 192,000	192,000	204,192	12,192
Gross receipts	17,200	17,200	17,566	366
Motor fuel tax	9,300	9,300	9,625	325
Motor vehicle sales tax	2,500	2,500	2,418	(82)
Motor vehicle fee increase	1,500	1,500	1,733	233
Parks sales tax	1,500	1,500	1,187	(313)
Cigarette	60,000	60,000	47,763	(12,237)
Total Taxes	<u>284,000</u>	<u>284,000</u>	<u>284,484</u>	<u>484</u>
Licenses and permits:				
Merchant licenses	3,000	3,000	2,140	(860)
Permits and fees	19,700	19,550	21,012	1,462
Total Licenses And Permits	<u>22,700</u>	<u>22,550</u>	<u>23,152</u>	<u>602</u>
Fines and court costs:				
Court fines	357,300	386,300	400,066	13,766
Court costs	26,400	26,400	33,088	6,688
Police reports	800	800	895	95
Police training	7,500	7,500	6,611	(889)
Crime victims compensation fees	18,850	850	1,066	216
Total Fines And Court Costs	<u>410,850</u>	<u>421,850</u>	<u>441,726</u>	<u>19,876</u>
Investment income	<u>750</u>	<u>750</u>	<u>496</u>	<u>(254)</u>
Miscellaneous:				
AT&T	15,400	15,400	15,375	(25)
Recoupment	1,550	1,550	3,566	2,016
Judicial Education Fund	2,800	2,800	2,319	(481)
Other	16,000	8,000	8,453	453
Total Miscellaneous	<u>35,750</u>	<u>27,750</u>	<u>29,713</u>	<u>1,963</u>
Total Revenues	<u>754,050</u>	<u>756,900</u>	<u>779,571</u>	<u>22,671</u>
EXPENDITURES				
Administration:				
Salaries	102,800	106,120	98,995	(7,125)
Payroll taxes	8,100	7,600	7,709	109
Retirement	12,300	11,700	12,453	753
Dental insurance	950	940	810	(130)
Health insurance	16,100	15,800	12,685	(3,115)
Life insurance	350	350	288	(62)

(Continued)

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
EXPENDITURES (Continued)				
Insurance - workers' compensation	650	625	578	(47)
Conferences	5,000	4,800	4,154	(646)
Election fees	2,400	2,400	1,913	(487)
Insurance	2,500	2,600	614	(1,986)
Legal notices	2,500	2,700	2,414	(286)
Membership dues	1,500	700	730	30
Miscellaneous	2,800	12,200	13,763	1,563
Postage	950	930	787	(143)
Professional fees	17,000	16,300	19,556	3,256
Repairs and maintenance	2,500	1,200	751	(449)
Supplies	4,000	4,000	4,135	135
Telephone	2,500	1,700	1,653	(47)
Utilities	3,000	3,000	2,757	(243)
Vehicle mileage	2,700	3,600	3,496	(104)
Capital outlay	1,900	5,800	5,482	(318)
Debt service:				
Principal retirement	-	-	2,252	2,252
Total Administration	<u>192,500</u>	<u>205,065</u>	<u>197,975</u>	<u>(7,090)</u>
Court:				
Salaries	58,000	58,000	54,941	(3,059)
Payroll taxes	4,350	4,350	4,066	(284)
Retirement	4,250	4,500	4,602	102
Dental insurance	300	370	335	(35)
Life insurance	200	200	108	(92)
Insurance - workers' compensation	450	450	343	(107)
Conferences	2,000	2,000	1,781	(219)
Crime victims compensation and training	21,000	-	-	-
Insurance	350	350	524	174
Membership dues	600	600	130	(470)
Miscellaneous	200	200	16	(184)
Postage	700	700	743	43
Professional fees	-	1,200	250	(950)
Repairs and maintenance	600	1,000	570	(430)
Subscriptions	100	100	50	(50)
Supplies	2,000	2,500	2,233	(267)
Telephone and communications	1,800	2,000	1,929	(71)
Vehicle mileage	600	600	262	(338)
Capital outlay	-	1,100	943	(157)
Total Court	<u>97,500</u>	<u>80,220</u>	<u>73,826</u>	<u>(6,394)</u>

(Continued)

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
EXPENDITURES (Continued)				
Police:				
Salaries	225,400	248,985	232,534	(16,451)
Payroll taxes	17,300	19,289	16,972	(2,317)
Retirement	24,100	24,100	18,343	(5,757)
Dental insurance	4,300	4,412	3,330	(1,082)
Health insurance	27,400	34,541	29,713	(4,828)
Life insurance	600	627	610	(17)
Insurance - workers' compensation	22,900	34,230	15,822	(18,408)
Contracted services	7,000	8,500	10,136	1,636
Education	7,650	8,250	4,815	(3,435)
Insurance	7,100	7,100	753	(6,347)
Membership dues	-	300	150	(150)
Miscellaneous	3,000	4,000	3,754	(246)
Postage	350	350	346	(4)
Supplies	6,500	6,500	4,055	(2,445)
Telephone and communications	4,000	4,300	4,884	584
Uniform allowance	1,800	3,900	4,333	433
Vehicle and equipment maintenance	17,000	24,500	32,873	8,373
Vehicle mileage	300	900	823	(77)
Capital outlay	15,200	16,200	32,473	16,273
Debt service:				
Principal retirement	32,000	32,000	30,886	(1,114)
Interest and fiscal charges	4,500	4,500	3,292	(1,208)
Total Police	<u>428,400</u>	<u>487,484</u>	<u>450,897</u>	<u>(36,587)</u>
Public works:				
Salaries	10,000	10,000	5,272	(4,728)
Payroll taxes	800	800	393	(407)
Insurance - workers' compensation	1,200	1,200	317	(883)
Contract services	12,000	25,000	28,926	3,926
Equipment repair and maintenance	1,000	5,400	4,603	(797)
Insurance	1,500	1,500	649	(851)
Life insurance	-	-	20	20
Miscellaneous	800	800	481	(319)
Supplies	-	700	823	123
Street lights	3,800	3,800	3,288	(512)
Telephone	1,000	900	860	(40)
Trash removal	14,000	14,000	17,294	3,294
Utilities	2,200	2,500	1,690	(810)
Capital outlay	-	-	2,999	2,999

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Public works (Continued):				
Debt service:				
Principal retirement	10,000	8,000	8,000	-
Interest and fiscal charges	6,700	9,717	9,717	-
Total Public Works	<u>65,000</u>	<u>84,317</u>	<u>85,332</u>	<u>1,015</u>
Total Expenditures	<u>783,400</u>	<u>857,086</u>	<u>808,030</u>	<u>(49,056)</u>
REVENUES UNDER EXPENDITURES	<u>(29,350)</u>	<u>(100,186)</u>	<u>(28,459)</u>	<u>71,727</u>
OTHER FINANCING SOURCES				
Transfers in	18,200	-	-	-
Transfers out	(2,040)	-	-	-
Sale of capital assets	1,150	1,150	650	(500)
Proceeds from capital lease	-	-	19,906	19,906
Total Other Financing Sources	<u>17,310</u>	<u>1,150</u>	<u>20,556</u>	<u>19,406</u>
NET CHANGE IN FUND BALANCE	<u>\$ (12,040)</u>	<u>(99,036)</u>	<u>(7,903)</u>	<u>91,133</u>
FUND BALANCE, JANUARY 1			<u>225,839</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 217,936</u>	

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET TO ACTUAL - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004

Budgetary Data

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

- a. The proposed budget is submitted to the Board of Aldermen for the fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any unreserved balance at the end of such year.
- b. Public hearings are conducted in the City to obtain taxpayer input and comments.
- c. The budget must be adopted by the affirmative vote of a majority of the Board of Aldermen for each fiscal year.
- d. The City prepares its budget for all funds on the cash basis of accounting. Depreciation and capital lease proceeds are not budgeted.
- e. The Board of Aldermen authorizes revisions that alter the total expenditures of a fund. All appropriations not spent lapse at fiscal year-end.
- f. During the year the Board of Aldermen may authorize supplemental appropriations to the budget.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF FORISTELL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
OPERATING REVENUES				
Water sales	\$ 57,000	57,000	55,822	(1,178)
Sewer fees	40,000	40,000	35,707	(4,293)
Penalties	4,000	4,000	2,615	(1,385)
Primacy fees	350	350	359	9
Tap-on fee	15,000	15,000	26,000	11,000
Connection fees	3,450	3,450	4,305	855
Total Operating Revenues	<u>119,800</u>	<u>119,800</u>	<u>124,808</u>	<u>5,008</u>
OPERATING EXPENSES				
Water:				
Salaries	21,800	16,500	14,399	(2,101)
Payroll taxes	1,750	1,750	1,097	(653)
Retirement	2,500	2,500	1,491	(1,009)
Dental insurance	200	200	105	(95)
Health insurance	1,500	3,100	1,649	(1,451)
Life insurance	100	100	34	(66)
Insurance - workers' compensation	500	500	365	(135)
Chemicals	2,000	2,000	1,223	(777)
Contracted services	28,000	47,000	36,380	(10,620)
Insurance	900	900	1,162	262
Miscellaneous	2,000	1,350	1,734	384
Postage	600	1,000	722	(278)
Primacy fees	-	-	348	348
Sales/use tax	2,000	2,000	2,132	132
Supplies	1,000	2,000	1,819	(181)
Telephone	500	980	867	(113)
Utilities	3,800	3,000	3,153	153
Repairs and maintenance	20,550	4,100	1,209	(2,891)
Total Water	<u>89,700</u>	<u>88,980</u>	<u>69,889</u>	<u>(19,091)</u>
Sewer:				
Salaries	21,800	16,500	14,398	(2,102)
Payroll taxes	1,750	1,750	1,097	(653)
Retirement	2,500	2,300	1,491	(809)
Dental insurance	200	400	209	(191)
Health insurance	1,500	3,200	1,649	(1,551)
Life insurance	100	100	34	(66)
Insurance - workers' compensation	500	500	304	(196)
Chemicals	3,000	3,000	-	(3,000)
Contracted services	35,000	31,600	28,839	(2,761)
Insurance	250	250	301	51
Miscellaneous	1,850	1,850	1,136	(714)
Repair and maintenance	9,000	420	5,096	4,676
Supplies	-	350	276	(74)

(Continued)

CITY OF FORISTELL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS -
BUDGET AND ACTUAL - MODIFIED CASH BASIS - ENTERPRISE FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING EXPENSES (Continued)				
Sewer (Continued):				
Telephone	500	800	867	67
Utilities	2,800	2,500	2,081	(419)
Total Sewer	<u>80,750</u>	<u>65,520</u>	<u>57,778</u>	<u>(7,742)</u>
Total Operating Expenses	<u>170,450</u>	<u>154,500</u>	<u>127,667</u>	<u>(26,833)</u>
OPERATING LOSS	<u>(50,650)</u>	<u>(34,700)</u>	<u>(2,859)</u>	<u>31,841</u>
NONOPERATING REVENUES (EXPENSES)				
Sales tax	80,000	80,000	87,531	7,531
Investment income	1,700	800	1,546	746
Miscellaneous	21,502	21,500	11,642	(9,858)
Gain on sale of capital assets	-	-	54,908	54,908
Interest expense and fees	(28,239)	(28,189)	(28,192)	(3)
Other expenses	-	(22,000)	(31,720)	(9,720)
Total Nonoperating Revenues (Expenses)	<u>74,963</u>	<u>52,111</u>	<u>95,715</u>	<u>43,604</u>
INCOME BEFORE TRANSFERS	<u>24,313</u>	<u>17,411</u>	<u>92,856</u>	<u>75,445</u>
TRANSFERS				
Transfers in	2,040	-	-	-
Transfers out	(17,918)	-	-	-
Total Transfers	<u>(15,878)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>\$ 8,435</u>	<u>17,411</u>	<u>92,856</u>	<u>75,445</u>
UNBUDGETED				
Depreciation			(55,798)	
NET ASSETS, JANUARY 1			<u>1,280,898</u>	
NET ASSETS, DECEMBER 31			<u>\$ 1,317,956</u>	