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Financial Report, 2004

City of Frontenac

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

August 4, 2004

Honorable Mayor and Board of Aldermen
CITY OF FRONTENAC, MISSOURI

In planning and performing our audit of the financial statements of the **CITY OF FRONTENAC, MISSOURI** (the City) for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum that accompanies this letter entitled "Internal Control and Management Comments and Recommendations" summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated August 4, 2004 on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel.

We wish to express our appreciation for the cooperation and courtesy extended to us by all personnel. We will be pleased to discuss these recommendations with you in greater detail at your convenience. Should you desire assistance in the implementation of these recommendations, please do not hesitate to contact us.

Hochschild Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448



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**CITY OF FRONTENAC, MISSOURI
INTERNAL CONTROL AND MANAGEMENT
COMMENTS AND RECOMMENDATIONS**

Findings for the year ended June 30, 2004:

1. COMMENT

The American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99), is effective for audits of financial statements for periods beginning on or after December 15, 2002.

Although SAS 99 focuses on the auditor's consideration of fraud in an audit of financial statements, it is City management's responsibility to design and implement programs and internal controls to prevent, detect, and deter fraud. The City leadership sets the proper tone and creates and maintains a culture of honesty and high ethical standards.

RECOMMENDATION

In light of the issuance by the AICPA of SAS 99, we recommend City management consider developing a fraud detection program that provides for the procedures to be followed should anyone suspect that fraudulent activity is occurring at the City.

2. COMMENT

The City does not have a disaster recovery plan.

RECOMMENDATION

We recommend the City adopt a recovery plan to ensure the City's accounting and other records are recoverable.

3. COMMENT

We noted the City does not have a policy requiring general journal entries be reviewed and authorized before being posted to the City's general ledger.

RECOMMENDATION

We recommend the City develop a policy which includes the individuals authorized to prepare journal entries and the nature of documentation requirements. This policy should require independent review of general journal entries prior to being posted to the City's general ledger.

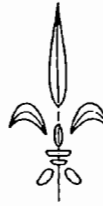
4. COMMENT

We noted several personnel files did not contain a record of authorized pay rate or salary amount.

RECOMMENDATION

We recommend pay rates and salary amounts be noted in personnel files with a standardized form to substantiate amounts as appropriate.

City of **Frontenac**



SAUNDRA SOBELMAN
Mayor

SUPPLIMENT TO 2003-2004 AUDIT

December 16, 2004

Board of Alderman,
Ways & Means Committee Members &
Hochschild, Bloom & Co.:

The City is issuing this letter as a supplement for the fiscal year 2003-2004 annual audit to provide further information to it readers regarding payments to the City's pension plan. In Note E in the Notes to Financials Statements section of the City of Frontenac's 2003-2004 audit (pages 23 – 25) insinuates that the City's annual pension cost was \$724,675, or an increase of 1350% over the prior year, when the City's traditional annual cost was only \$40,703. On June 15, 2004 the Board of Alderman approved Ordinance # 2004-1416, authorizing a \$683,971.67 payment to Missouri Local Government Employees Retirement Systems for a refund of City Employees' accumulated retirement contributions. This payment was the final step in converting the pension plan from a required employee contribution to a City funded plan.

Annual pension costs for the 2004-2005 and subsequent fiscal years are expected to return to normal payment levels.

Sandra Sobelman,
Mayor - City of Frontenac

Michael Hilburg,
Finance Officer - City of Frontenac

**CITY OF FRONTENAC,
MISSOURI**

**FINANCIAL REPORT
(Audited)**

Year Ended June 30, 2004

CITY OF FRONTENAC, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

August 4, 2004

Honorable Mayor and Board of Aldermen
CITY OF FRONTENAC, MISSOURI

We have audited the accompanying financial statements of the governmental activities; each major fund, and the aggregate remaining fund information of the **CITY OF FRONTENAC, MISSOURI** (the City) as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities; each major fund, and the aggregate remaining fund information of the City as of June 30, 2004, and the respective changes in financial position, where applicable thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

During the fiscal year ended June 30, 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*.

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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 the U.S. generally accepted accounting principles. 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This supplemental information has 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 FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

This section of the City of Frontenac, Missouri's (the City) annual financial report presents our discussion and analysis of the financial performance during the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements, which follows this section.

Financial Highlights

- ✦ Government-wide expenses totaled \$5,917,923 for the 2003-2004 Fiscal Year.
- ✦ Government-wide revenues totaled \$5,870,019 for the 2003-2004 Fiscal Year, which is \$47,904 less than expenses.
- ✦ Major expenditures include personnel related expenses, refuse collection, repairs to North Geyer Road, and City Hall renovation.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements, which consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplemental information.

Government-Wide Financial Statements

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.

Statement of Net Assets

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, changes in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. It is important to recognize that during this fiscal year the City raised its threshold for capitalizing capital assets to \$1,500 for reporting purposes.

Statement of Activities

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

The fund financial statements focus on individual parts of the City's revenues and expenditures, reporting the City's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities of objectives. The City uses fund accounting to ensure and demonstrate compliance with fi-

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

nance related legal requirements. All of the funds of the City can be divided into two categories of governmental and fiduciary funds.

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Revenue (Road and Bridge) Fund, and Capital Projects Fund since they are considered major funds. The general governmental fund statements tell how general services like fire protection and public safety were financed in the short-term as well as what remains for future spending. The Capital Projects Fund is used for the purchase of vehicles, payment of storm water projects, and other large scale improvements. The Road Fund is specifically used for the maintenance and custodial services of the City's roadways.

The City adopts an annual appropriated budget for each of its major funds. A budgetary comparison statement has been provided for these Funds to demonstrate compliance with their budget.

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support City programs.

Notes to the Financial Statements

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

Required Supplemental Information

Required supplemental information accompanies the notes and basic financial statements. This report also presents facts concerning the City's progress in funding its obligations.

Government-wide Financial Analysis

The government-wide statements report information as a whole, using accounting methods similar to those used by private-sector companies. As noted earlier, net assets over time may serve as a useful indicator of a government's financial position. This is the first year that the City has presented financial statements as required by the Governmental Accounting Standards Board (GASB) 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 for Management's Discussion and Analysis. In future years as prior year information is available, a comparative analysis of the government-wide data will be included in this report.

At the end of the 2003-2004 fiscal year, the City's assets exceeded liabilities by \$10,299,552.

CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Net Assets

The condensed statement of net assets for governmental activities was as follows:

	<u>June 30, 2004</u>
ASSETS	
Current and other assets	\$ 8,575,287
Capital assets, net	<u>2,416,238</u>
Total Assets	<u>10,991,525</u>
LIABILITIES	
Long-term liabilities	197,076
Other liabilities	<u>494,897</u>
Total Liabilities	<u>691,973</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,416,238
Restricted	3,156,622
Unrestricted	<u>4,726,692</u>
Total Net Assets	<u>\$10,299,552</u>

Net assets of the City's governmental activities decreased .0046%.

Changes in Net Assets

The City's total revenue on a government-wide basis was \$5,870,019. Taxes represented the largest source of income, totaling \$4,408,742 or 75.1%; investment income, licenses, charges for service, and miscellaneous revenues make up the remaining 24.9% of income, or \$1,461,277.

The condensed statement of activities for governmental activities was as follows:

CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

For The Year Ended
June 30, 2004

REVENUES

Program revenues:	
Charges for services	\$ 819,369
Operating grants and contributions	2,000
General revenues:	
Sales taxes	2,928,538
Property taxes	958,241
Other taxes	521,963
Licenses	337,656
Investment income	173,264
Miscellaneous	<u>128,988</u>
Total Revenues	<u>5,870,019</u>

EXPENSES

Administrative	585,446
Boards and commissions	112,844
Fire department	1,506,722
Legal department	138,456
Municipal building	165,100
Municipal court	76,644
Police department	2,497,664
Public works	<u>835,047</u>
Total Expenses	<u>5,917,923</u>

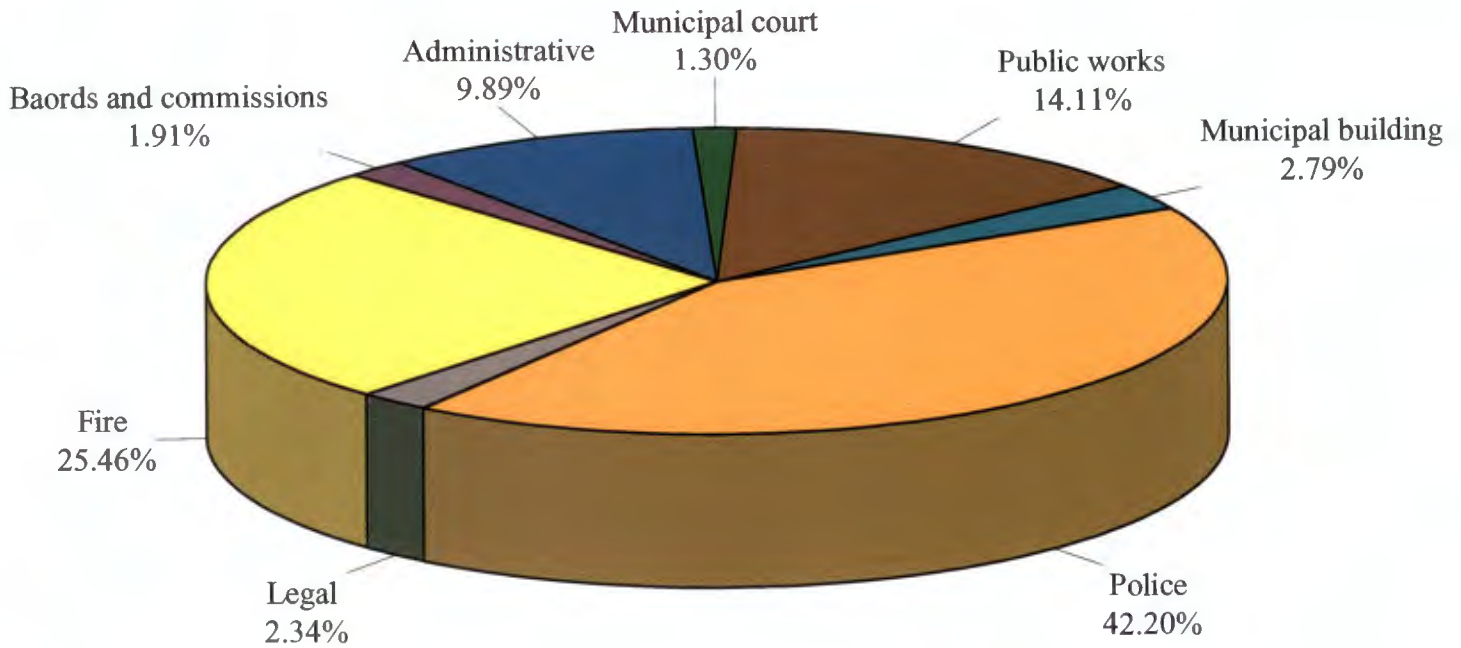
CHANGE IN NET ASSETS (47,904)

NET ASSETS, JULY 1 10,347,456

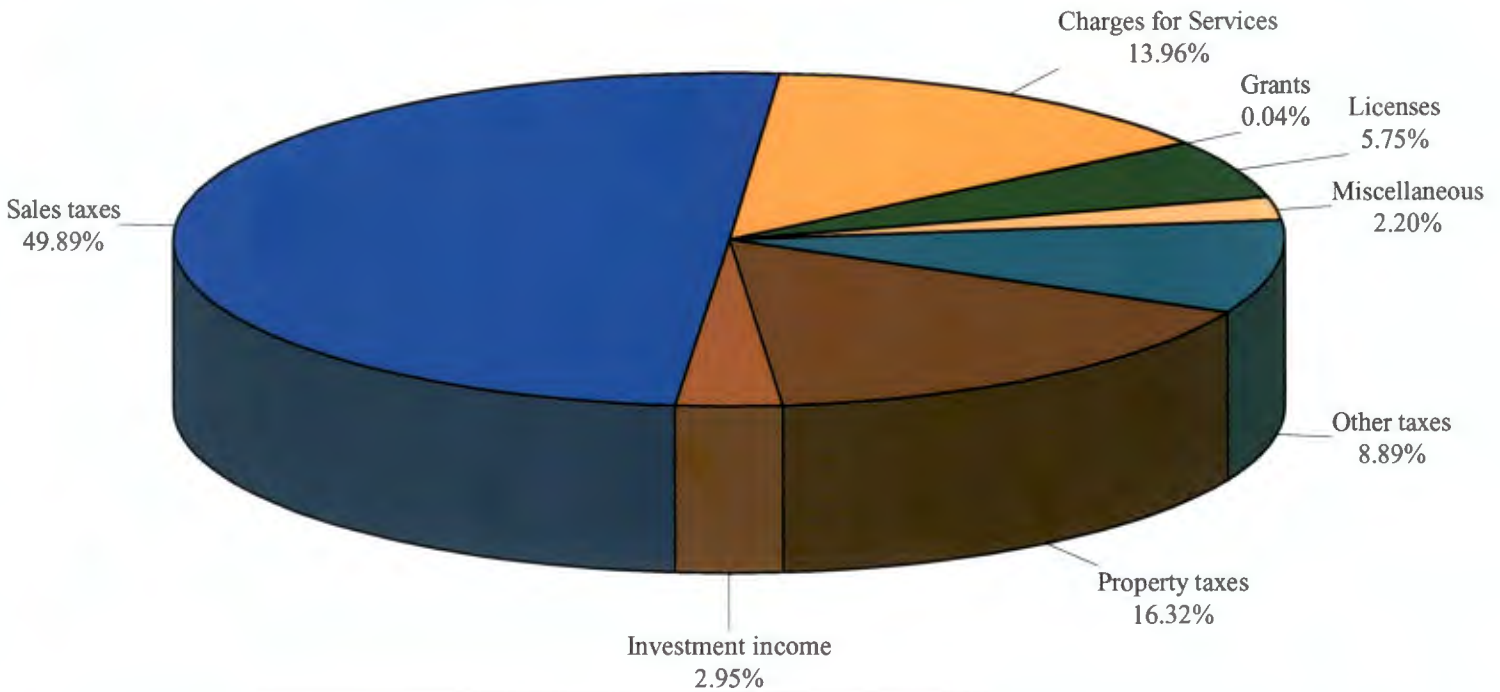
NET ASSETS, JUNE 30 \$10,299,552

**CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Fiscal Year 2003-2004 Functional Expenses By Department



Fiscal Year 2003-2004 Sources of Revenue



CITY OF FRONTENAC, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Capital Assets

On June 30, 2004 the City had invested \$3,258,477 in a variety of capital assets, including land, buildings, vehicles, operational equipment, and infrastructure. Accumulated depreciation at June 30, 2004 was \$842,239.

Capital assets net of accumulated depreciation for governmental activities was as follows:

	<u>June 30, 2004</u>
Land	\$ 26,900
Construction in progress	18,472
Buildings and other improvements	532,759
Office furniture and equipment	67,776
Machinery and equipment	597,677
Infrastructure	<u>1,172,654</u>
 Total Capital Assets, Net Of Depreciation	 <u>\$2,416,238</u>

This past fiscal year's major asset additions included:

- ✦ Road improvement work on N. Geyer
- ✦ Acquisition of new police department vehicles
- ✦ Renovation and improvement of city hall
- ✦ Miscellaneous police and fire department gear

Economic factors and next year's budgets and rates:

- ✦ The 2004-2005 budget was prepared with property tax rates remaining constant from fiscal year 2003-2004: \$0.534 and \$0.570 per \$100 assessed valuation for residential and commercial real estate, respectively.
- ✦ Sales tax is anticipating a very modest increase in sales tax collection with General Fund receipts expected to reach \$2,034,000.
- ✦ Salaries, insurance costs, and related benefits and expenses are expected to increase 4.99% for the next fiscal year.

Requests for Additional Financial Information

This financial report is designed to provide a general overview for everyone with a concerned 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 the Finance Officer, City of Frontenac, 10555 Clayton Road, Frontenac, Missouri 63131.

CITY OF FRONTENAC, MISSOURI
STATEMENT OF NET ASSETS
JUNE 30, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 8,004,003
Accounts receivable, net:	
Municipal taxes	404,596
Intergovernmental	22,785
Municipal court	18,010
Other	293
Other receivables - employees	2,591
Cash - restricted	123,009
Capital assets, net of accumulated depreciation	2,416,238
Total Assets	<u>10,991,525</u>
LIABILITIES	
Accounts payable	268,111
Wages payable	101,910
Payroll withholdings	1,867
Escrow funds payable	123,009
Noncurrent liabilities:	
Due within one year	118,200
Due in more than one year	78,876
Total Liabilities	<u>691,973</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,416,238
Restricted for:	
Capital projects	3,066,740
Sewer lateral repair projects	40,483
Road and bridge projects	33,877
Law enforcement training	15,522
Unrestricted	4,726,692
Total Net Assets	<u>\$ 10,299,552</u>

CITY OF FRONTENAC, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues</u>
		<u>Charges For</u>	<u>Operating</u>	<u>(Expenses) And</u>
		<u>Services</u>	<u>Grants And</u>	<u>Changes In Net</u>
			<u>Contributions</u>	<u>Assets Primary</u>
				<u>Government</u>
				<u>Governmental</u>
				<u>Activities</u>
FUNCTIONS/PROGRAMS				
Primary Government				
Governmental Activities				
Administration	\$ 585,446	-	-	(585,446)
Boards and commissions	112,844	-	-	(112,844)
Fire department	1,506,722	98,789	-	(1,407,933)
Legal department	138,456	-	-	(138,456)
Municipal building	165,100	111,690	-	(53,410)
Municipal court	76,644	-	-	(76,644)
Police department	2,497,664	572,715	2,000	(1,922,949)
Public works	835,047	36,175	-	(798,872)
Total Governmental Activities	<u>\$ 5,917,923</u>	<u>819,369</u>	<u>2,000</u>	<u>(5,096,554)</u>
General Revenues				
Municipal taxes				4,250,767
Intergovernmental				157,975
Licenses				337,656
Investment income				173,264
Miscellaneous				128,988
Total General Revenues				<u>5,048,650</u>
CHANGE IN NET ASSETS				(47,904)
NET ASSETS, JULY 1				<u>10,347,456</u>
NET ASSETS, JUNE 30				<u>\$ 10,299,552</u>

See notes to financial statements

CITY OF FRONTENAC, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 4,714,874	38,860	3,250,269	8,004,003
Accounts receivable:				
Municipal taxes	309,350	-	95,246	404,596
Intergovernmental	22,358	427	-	22,785
Municipal court	18,010	-	-	18,010
Other	118	175	-	293
Other receivables - employees	2,591	-	-	2,591
Cash - restricted	123,009	-	-	123,009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 5,190,310</u>	<u>39,462</u>	<u>3,345,515</u>	<u>8,575,287</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,737	1,082	238,292	268,111
Deferred revenues	18,534	-	-	18,534
Wages payable	97,407	4,503	-	101,910
Payroll withholdings	1,867	-	-	1,867
Escrow funds payable	123,009	-	-	123,009
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>269,554</u>	<u>5,585</u>	<u>238,292</u>	<u>513,431</u>
 Fund Balances				
Reserved for:				
Law enforcement training	15,522	-	-	15,522
Sewer lateral	-	-	40,483	40,483
Unreserved:				
Designated for subsequent year expenditures	193,904	-	-	193,904
General Fund	4,711,330	-	-	4,711,330
Special Revenue Fund	-	33,877	-	33,877
Capital Projects Fund	-	-	3,066,740	3,066,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>4,920,756</u>	<u>33,877</u>	<u>3,107,223</u>	<u>8,061,856</u>
Total Liabilities And Fund Balances	<u>\$ 5,190,310</u>	<u>39,462</u>	<u>3,345,515</u>	<u>8,575,287</u>

See notes to financial statements

CITY OF FRONTENAC, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances - Governmental Funds	\$ 8,061,856
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 \$3,258,477 and the accumulated depreciation is \$842,239.	2,416,238
Other long-term assets (deferred property tax revenues) are not available to pay for current period expenditures and, therefore, are deferred in the funds.	18,534
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:	
Accrued vacation	<u>(197,076)</u>
Net Assets Of Governmental Activities	<u>\$ 10,299,552</u>

CITY OF FRONTENAC, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Municipal taxes	\$ 3,324,016	182,044	726,173	4,232,233
Intergovernmental	157,975	-	-	157,975
Licenses	337,656	-	-	337,656
Police and fire protection	197,577	-	-	197,577
Grant revenue	-	-	2,000	2,000
Investment income	98,560	891	73,813	173,264
Miscellaneous	714,605	-	36,175	750,780
Total Revenues	<u>4,830,389</u>	<u>182,935</u>	<u>838,161</u>	<u>5,851,485</u>
EXPENDITURES				
Current:				
Administration	540,078	-	-	540,078
Boards and commissions	112,844	-	-	112,844
Fire department	1,398,970	-	-	1,398,970
Legal department	138,456	-	-	138,456
Municipal building	65,243	-	-	65,243
Municipal court	68,354	-	-	68,354
Police department	2,383,801	-	-	2,383,801
Public works	226,631	248,645	-	475,276
Capital outlay	57,134	11,274	2,063,868	2,132,276
Total Expenditures	<u>4,991,511</u>	<u>259,919</u>	<u>2,063,868</u>	<u>7,315,298</u>
REVENUES UNDER EXPENDITURES	<u>(161,122)</u>	<u>(76,984)</u>	<u>(1,225,707)</u>	<u>(1,463,813)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,514	35,000	-	36,514
Transfers out	(35,000)	(1,514)	-	(36,514)
Total Other Financing Sources (Uses)	<u>(33,486)</u>	<u>33,486</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(194,608)	(43,498)	(1,225,707)	(1,463,813)
FUND BALANCES, JULY 1	<u>5,115,364</u>	<u>77,375</u>	<u>4,332,930</u>	<u>9,525,669</u>
FUND BALANCES, JUNE 30	<u>\$ 4,920,756</u>	<u>33,877</u>	<u>3,107,223</u>	<u>8,061,856</u>

See notes to financial statements

**CITY OF FRONTENAC, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Net Change In Fund Balances - Governmental Funds \$ (1,463,813)

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 estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays above the capitalization threshold \$1,571,829 exceeded depreciation (\$144,703) and retirements (i.e. sales, trade-ins, and donations) (\$11,501) in the current period. 1,415,625

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:
Deferred property tax revenues 18,534

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available.
Increase in accrued vacation (18,250)

Change In Net Assets Of Governmental Activities \$ (47,904)

CITY OF FRONTENAC, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash - restricted	\$ 41,935
LIABILITIES	
Appearance bonds outstanding	<u>41,935</u>
NET ASSETS	<u><u>\$ -</u></u>

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The CITY OF FRONTENAC, MISSOURI (the City) was incorporated in 1947. The City operates under a Mayor-Board of Aldermen form of government and provides various services including public safety, public improvements, planning and zoning, and general administrative services.

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 and the statement of activities) 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 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 for services 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 fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, special assessments, intergovernmental revenues, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund -- The General Fund accounts for all activities except those required to be accounted for in another fund. Revenue in this fund are derived from taxes, fees, and other sources that usually are not designated for any specific purpose. The revenue are used for general ongoing City services such as administration, maintenance, and police protection.

Special Revenue Fund -- The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than special assessment, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. Revenue in this fund are derived for the state road and bridge tax imposed on real estate and personal property.

Capital Projects Fund -- The Capital Projects Fund is used to account for financial resources from the ½% capital improvements sales tax and sewer lateral assessments. The revenues are to be used for acquisition, construction, or maintenance of major capital facilities, public improvements, and operating equipment.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the City reports the following fiduciary fund type:

Agency Fund -- The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's Agency Fund includes the assets of the Municipal Court Appearance Bond Account.

In the government-wide financial statements, the City applies all applicable GASB pronouncements, as well as the following private-sector pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements including the following: FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedures.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

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

Cash is comprised of the City's cash deposits with banks, petty cash funds, and repurchase agreements.

5. Cash equivalents

Cash equivalents in the governmental fund types consist of bank repurchase agreements and are stated at cost which approximates fair value.

6. Allowance for Doubtful Accounts

Municipal court fines receivable are shown net of allowance for doubtful accounts of \$6,003.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,500 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.

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

Assets	Years
Buildings and other improvements	10 - 50
Office furniture and equipment	5 - 10
Machinery and equipment	3 - 20
Infrastructure	50

8. Compensated Absences

Employees' vacations vary from 10 to 25 days. Employees are expected to take an annual vacation; however, employees may carry over $\frac{1}{2}$ of the current year's vacation accrual. In the event that an employee dies, terminates, retires, is discharged, or otherwise separates employment with the City without utilizing accrued vacation leave, such employee shall be compensated for vacation leave accrued. The City allows one day sick leave for each month of service and employees may accumulate up to 120 days of sick leave. Sick leave may be converted to compensation upon full retirement of an employee up to a maximum of $\frac{1}{2}$ of actual accrued leave.

9. Interfund Transactions

In the fund financial statements, the City has the following types of transactions among funds:

Transfers -- Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

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

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims did not exceed this commercial coverage in any of the past three years.

11. Deferred Revenue

The City reports deferred revenues for property tax. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them. In subsequent periods, when both the revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

12. Fund Balance Reserved

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

One of the reserved fund balances used by the City represents a reserve for law enforcement training, an account used to segregate a portion of fund balance for training of police personnel. The other reserved fund balance represents sewer lateral revenue over expenditures which will be used for future sewer lateral repairs.

13. Long-term Liabilities

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

14. 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 in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND CASH EQUIVALENTS

State law requires that the City's deposits with financial institutions be collateralized in an amount at least equal to the uninsured deposits. As of June 30, 2004, the City's bank deposits were fully secured.

Statutes authorize the City to invest in obligations of U.S. Treasury agencies and instrumentalities, obligations of the State of Missouri, and repurchase agreements.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, its trust department, or agent, but not in the City's name.

The investment amounts are as follows:

	June 30, 2004			<u>Fair Value</u>
	Categories			
	<u>1</u>	<u>2</u>	<u>3</u>	
Bank repurchase agreements	\$ <u>-</u>	<u>8,673,241</u>	<u>-</u>	<u>8,673,241</u>

The following is a reconciliation of the City's deposit balances:

	June 30, 2004		
	<u>Government-wide Statement Of Net Assets</u>	<u>Fiduciary Funds Statement Of Fiduciary Net Assets</u>	<u>Total</u>
Bank repurchase agreements	\$8,673,241	-	8,673,241
Checking accounts	(556,084)	41,935	(514,149)
Cash funds	<u>9,855</u>	<u>-</u>	<u>9,855</u>
Total Cash And Cash Equivalents	<u>\$8,127,012</u>	<u>41,935</u>	<u>8,168,947</u>

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

The following is a summary of changes in capital assets:

	For The Year Ended June 30, 2004			
	Balance			Balance
	June 30	Additions	Retirements	June 30
	2003			2004
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 26,900	-	-	26,900
Construction in progress	<u>38,050</u>	<u>1,575</u>	<u>21,153</u>	<u>18,472</u>
Total Capital Assets Not Being Depreciated	<u>64,950</u>	<u>1,575</u>	<u>21,153</u>	<u>45,372</u>
Capital assets being depreciated:				
Buildings and other improvements	762,772	65,754	-	828,526
Office furniture and equipment	146,534	39,793	23,394	162,933
Machinery and equipment	768,771	301,361	32,985	1,037,147
Infrastructure	-	<u>1,184,499</u>	-	<u>1,184,499</u>
Total Capital Assets Being Depreciated	<u>1,678,077</u>	<u>1,591,407</u>	<u>56,379</u>	<u>3,213,105</u>
Less - Accumulated depreciation for:				
Buildings and other improvements	274,344	21,423	-	295,767
Office furniture and equipment	95,023	21,141	21,007	95,157
Machinery and equipment	373,047	90,294	23,871	439,470
Infrastructure	-	<u>11,845</u>	-	<u>11,845</u>
Total Accumulated Depreciation	<u>742,414</u>	<u>144,703</u>	<u>44,878</u>	<u>842,239</u>
Total Capital Assets Being Depreciated, Net	<u>935,663</u>	<u>1,446,704</u>	<u>11,501</u>	<u>2,370,866</u>
Governmental Activities Capital Assets, Net	<u>\$1,000,613</u>	<u>1,448,279</u>	<u>32,654</u>	<u>2,416,238</u>

Within the statement of activities, depreciation expense is charged to functions/programs of the primary government as follows:

	For The Year Ended June 30, 2004
Governmental activities:	
Administrative	\$ 16,189
Fire	41,991
Municipal building	9,066
Police	31,408
Public works	<u>46,049</u>
 Total Depreciation Expense - Governmental Activities	 <u>\$144,703</u>

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied in October of each year based on the assessed value as of the prior January 1 for all taxable real property located within the City. Payment is due upon receipt of billing and becomes delinquent after December 31. Property taxes are billed and collected by St. Louis County (the County) and remitted by the County to the City. The City receives 98.5% of property tax collections (½% is paid to the St. Louis County Assessor and 1% is paid to the St. Louis County Collector for their services). The City's tax rate is \$.534 per \$100 of assessed valuation for residential, \$.5700 per \$100 of assessed valuation for commercial, and \$.5530 per \$100 of assessed valuation for personal property.

The assessed valuation for property located in the City at January 1, 2003, upon which the 2003 levy was based for real property, was \$159,765,131.

The City imposed no tax on personal property with an assessed valuation at January 1, 2003 of \$18,924,521.

NOTE E - PENSION PLAN

1. Plan Description

The City contributes to 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 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 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 political subdivision is required to contribute at an actuarially determined rate; the current rate is 3.5% (general), 1.1% (police), and .7% (fire) 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.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - PENSION PLAN (Continued)

3. Annual Pension Cost

For 2004, the City's annual pension cost of \$724,675 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2002 and 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 an open basis. The amortization period at February 29, 2004 was 15 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 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.

Three-Year Trend Information

<u>For The Plan Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$724,675	100%	\$ -
2003	49,922	100	-
2002	67,754	100	-

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - PENSION PLAN (Continued)

4. Trend Information (Continued)

Schedule of Funding Progress

For The Actuarial Valuation Years Ended <u>February 28/29</u>	Actuarial Value Of Assets	Entry Age Actuarial Accrued <u>Liability</u>	Excess <u>Assets</u>
2004	\$7,824,425	\$5,544,192	\$2,280,233
2003	7,304,944	5,005,782	2,299,162
2002	6,946,220	4,266,345	2,679,875

For The Actuarial Valuation Years Ended <u>February 28/29</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Excess Assets As A Percentage Of <u>Covered Payroll</u>
2004	141%	\$2,664,480	86%
2003	146	2,368,637	97
2002	163	1,838,489	146

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2001 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS office in Jefferson City.

NOTE F - INTERFUND TRANSFERS

Individual fund transfers are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2004 Amount</u>
Special Revenue Fund	General Fund	\$35,000
General Fund	Special Revenue Fund	<u>1,514</u>
		<u>\$36,514</u>

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - LONG-TERM DEBT

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

	For The Year Ended June 30, 2004				Amount Due Within One Year
	Balance June 30 <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance June 30 <u>2004</u>	
Compensated absences	<u>\$178,826</u>	<u>18,250</u>	<u>-</u>	<u>197,076</u>	<u>118,200</u>

NOTE H - OPERATING LEASES

The City is a lessor of property used for mobile phone towers by three telephone service providers. The leases have various years remaining and may be subsequently canceled. The City collected \$53,643 during the fiscal year.

NOTE I - INSURANCE POOL

The City participates in two self-insurance pools, the Property and Casualty Trust of St. Louis, Inc. (PACT) and the St. Louis Area Insurance Trust (SLAIT). Membership includes other St. Louis County municipalities.

PACT provides general liability, auto liability, police professional liability, and paramedics malpractice coverages for the City. Premiums are calculated on an individual city basis by reviewing exposures according to insurance industry standards established by the reinsurance carrier. The rates are adjusted for each member using a three-year analysis of claims and losses for each member. Claims are paid from a self-insured retention established by the pool with stop-loss protection provided on both an individual and aggregate basis through the purchase of reinsurance contracts.

SLAIT provides workers' compensation coverage at levels required by state law. Each member of SLAIT is assessed an annual premium based upon rates established by the Division of Workers' Compensation for each class of employee. Claims are paid from a self-insured retention established by the pool with stop-loss protection on both an individual claim and aggregate basis provided by a reinsurance contract.

The City also purchases commercial insurance policies for auto physical damage, property coverage, and public official liability coverages.

Settled claims have not exceeded these commercial coverages in any of the past three years.

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE J - COMMITMENTS

The City is under contract at June 30, 2004 for equipment in the amount of \$193,904.

NOTE K - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCES

During fiscal year 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 Statements - 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 and statement of activities. Additionally, the City's statement of net assets 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 to the fixed assets previously recorded in the General Fixed Assets Account Group, the City retroactively capitalized infrastructure assets. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting for the City's governmental funds and agency funds, 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, Special Revenue Fund, and Capital Projects 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 service and lease obligations in five-year increments, and interfund balances and transactions.

These statements had a significant effect on the City's financial reporting model. All statements were retroactively applied to July 1, 2003. Restatement of net assets within the government-wide governmental activities financial statements is as follows:

CITY OF FRONTENAC, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE K - ACCOUNTING CHANGE AND RESTATEMENT OF FUND BALANCES
(Continued)

General Fund	\$ 5,115,364
Special Revenue Fund	77,375
Capital Projects Fund	<u>4,332,930</u>
Total Fund Equity, June 30, 2003, As Restated	9,525,669
Required GASB 34 adjustments:	
Capital assets, net accumulated depreciation	1,000,613
Long-term and other liabilities	<u>(178,826)</u>
Total Net Assets, June 30, 2003	<u>\$10,347,456</u>

The previously stated fund balances have been adjusted as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
Fund balances, June 30, 2003, as previously reported "cash basis"	\$4,869,618	82,138	4,285,820
Restatement for:			
Accounts receivable	338,769	1	106,723
Court receivable	9,012	-	-
Accounts payable	(26,364)	(1,261)	(59,613)
Payroll liabilities	<u>(75,671)</u>	<u>(3,503)</u>	<u>-</u>
Fund Balances, June 30, 2003, As Restated "Modified Accrual Basis"	<u>\$5,115,364</u>	<u>77,375</u>	<u>4,332,930</u>

NOTE L - SUBSEQUENT EVENT

In September 2004, the City approved that long-term City employees with at least 30 years of service who want to retire early will be eligible to maintain their health insurance coverage. The expected cost to the City is approximately \$10,500 per eligible retiree in 2005 and 10% trend of premium cost is expected. The expected cost to the City over the next ten years is estimated to be \$450,000 based on potential eligible employees.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Municipal taxes	\$ 3,217,815	3,402,850	3,324,016	(78,834)
Intergovernmental	153,800	153,800	157,975	4,175
Licenses	332,700	342,700	337,656	(5,044)
Police and fire protection	198,050	198,050	197,577	(473)
Investment income	95,000	95,000	98,560	3,560
Miscellaneous	458,500	663,500	714,605	51,105
Total Revenues	<u>4,455,865</u>	<u>4,855,900</u>	<u>4,830,389</u>	<u>(25,511)</u>
EXPENDITURES				
Current:				
Administration	484,069	557,914	540,078	(17,836)
Boards and commissions	116,061	116,061	112,844	(3,217)
Fire department	1,176,369	1,442,678	1,398,970	(43,708)
Legal department	119,600	132,350	138,456	6,106
Municipal building	100,000	100,000	65,243	(34,757)
Municipal court	82,623	79,923	68,354	(11,569)
Police department	2,132,974	2,498,242	2,383,801	(114,441)
Public works	215,000	210,500	226,631	16,131
Capital outlay	-	-	57,134	57,134
Total Expenditures	<u>4,426,696</u>	<u>5,137,668</u>	<u>4,991,511</u>	<u>(146,157)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>29,169</u>	<u>(281,768)</u>	<u>(161,122)</u>	<u>120,646</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,514	1,514
Transfers out	-	-	(35,000)	(35,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(33,486)</u>	<u>(33,486)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 29,169</u>	<u>(281,768)</u>	<u>(194,608)</u>	<u>87,160</u>
FUND BALANCE, JULY 1			<u>5,115,364</u>	
FUND BALANCE, JUNE 30			<u>\$ 4,920,756</u>	

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Municipal taxes:				
Sales	\$ 1,285,000	1,285,000	1,227,123	(57,877)
Real estate	820,000	935,000	939,707	4,707
Fire	360,000	430,000	427,155	(2,845)
Local option	390,000	390,000	366,043	(23,957)
Utilities	362,850	362,850	363,988	1,138
Total Municipal Taxes	<u>3,217,850</u>	<u>3,402,850</u>	<u>3,324,016</u>	<u>(78,834)</u>
Intergovernmental:				
Gasoline	140,000	140,000	144,864	4,864
Cigarette	13,800	13,800	13,111	(689)
Total Intergovernmental	<u>153,800</u>	<u>153,800</u>	<u>157,975</u>	<u>4,175</u>
Licenses:				
Merchants	320,000	330,000	332,541	2,541
Liquor	6,500	6,500	5,115	(1,385)
Miscellaneous	6,200	6,200	-	(6,200)
Total Licenses	<u>332,700</u>	<u>342,700</u>	<u>337,656</u>	<u>(5,044)</u>
Police and fire protection	<u>198,050</u>	<u>198,050</u>	<u>197,577</u>	<u>(473)</u>
Investment income	<u>95,000</u>	<u>95,000</u>	<u>98,560</u>	<u>3,560</u>
Miscellaneous:				
Police fines	240,000	435,000	473,927	38,927
Building permits	96,000	96,000	111,690	15,690
Lease income	52,000	52,000	53,643	1,643
Cable television	40,500	40,500	39,793	(707)
Miscellaneous	30,000	40,000	25,084	(14,916)
Sale of capital assets	-	-	10,468	10,468
Total Miscellaneous	<u>458,500</u>	<u>663,500</u>	<u>714,605</u>	<u>51,105</u>
Total Revenues	<u>\$ 4,455,900</u>	<u>4,855,900</u>	<u>4,830,389</u>	<u>(25,511)</u>

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
EXPENDITURES				
Administration:				
Accounting and payroll	\$ 14,500	13,000	11,043	(1,957)
Dental insurance	2,100	2,600	2,457	(143)
Dues and memberships	1,935	1,935	983	(952)
Employee benefits	30,155	106,700	105,202	(1,498)
Insurance - employee	24,200	28,200	26,214	(1,986)
Insurance	62,400	66,900	66,774	(126)
Legal and professional	10,000	7,500	7,060	(440)
Meetings and seminars	5,800	5,800	4,355	(1,445)
Mileage reimbursement	500	1,000	979	(21)
Miscellaneous	4,400	4,400	4,974	574
Office supplies	7,500	10,000	9,133	(867)
Payroll taxes	19,960	19,960	18,962	(998)
Postage	9,500	11,500	10,142	(1,358)
Printing and publishing	20,000	15,500	10,651	(4,849)
Rental and service contracts	5,100	5,100	4,096	(1,004)
Salaries	264,519	256,319	257,053	734
Training and education	1,500	1,500	-	(1,500)
Total Administration	484,069	557,914	540,078	(17,836)
Boards and commissions:				
Dues and memberships	4,810	4,810	7,465	2,655
Elections	1,000	1,000	1,047	47
Liability insurance	16,900	18,400	18,033	(367)
Meetings and seminars	5,000	5,000	4,191	(809)
Miscellaneous supplies	800	800	376	(424)
Payroll taxes	6,151	4,651	3,712	(939)
Printing and publishing	1,000	1,000	700	(300)
Salaries	80,400	80,400	77,320	(3,080)
Total Boards And Commissions	116,061	116,061	112,844	(3,217)

(Continued)

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

EXPENDITURES (Continued)	Original Budgeted Amount	Final Budgeted Amount	Actual	Over (Under) Budget
Fire department:				
Capital outlay	2,890	2,890	1,703	(1,187)
Dental insurance	6,700	8,200	7,716	(484)
Dues and memberships	4,183	4,183	3,441	(742)
Employee benefits	6,220	271,229	271,140	(89)
EMS	3,775	3,775	3,132	(643)
Gasoline and oil	7,150	7,150	4,620	(2,530)
Insurance - employee	121,000	127,000	117,170	(9,830)
Meetings and seminars	4,275	4,275	269	(4,006)
Mileage reimbursement	1,766	1,766	172	(1,594)
Miscellaneous	8,000	8,000	5,166	(2,834)
Payroll taxes	67,980	66,480	65,459	(1,021)
Physical examinations	6,260	6,260	4,010	(2,250)
Public relations	3,000	3,000	1,512	(1,488)
Salaries	885,222	880,522	877,521	(3,001)
Service contracts	5,465	5,465	3,956	(1,509)
Specialized training	13,628	13,628	11,682	(1,946)
Tires	2,905	2,905	2,309	(596)
Uniforms	10,425	10,425	6,917	(3,508)
Vehicle maintenance	15,525	15,525	12,778	(2,747)
Total Fire Department	<u>1,176,369</u>	<u>1,442,678</u>	<u>1,400,673</u>	<u>(42,005)</u>
Legal department:				
City attorney	66,000	66,000	73,262	7,262
City attorney retainer	30,000	30,000	30,000	-
Court reporter	1,500	1,500	90	(1,410)
Professional services	10,000	10,000	8,450	(1,550)
Prosecutor	5,500	15,500	17,854	2,354
Prosecutor retainer	6,600	9,350	8,800	(550)
Total Legal Department	<u>119,600</u>	<u>132,350</u>	<u>138,456</u>	<u>6,106</u>
Municipal building:				
Capital outlay	29,000	29,000	31,200	2,200
Cleaning service	16,000	16,000	16,157	157
Electric	21,000	19,000	16,868	(2,132)
Gas	7,000	7,000	5,849	(1,151)
Miscellaneous	500	500	113	(387)
Supplies	3,000	3,000	3,371	371
Telephone	21,000	23,000	20,223	(2,777)
Water and sewer	2,500	2,500	2,662	162
Total Municipal Building	<u>100,000</u>	<u>100,000</u>	<u>96,443</u>	<u>(3,557)</u>

(Continued)

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND (Continued)
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Original Budgeted Amount</u>	<u>Final Budgeted Amount</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
EXPENDITURES (Continued)				
Municipal court:				
Capital outlay	5,000	5,000	5,294	294
Dental insurance	605	605	359	(246)
Dues and memberships	170	170	100	(70)
Employee benefits	1,584	1,584	858	(726)
Insurance - employee	4,950	4,950	4,373	(577)
Judges retainer	6,000	8,500	9,000	500
Meetings and seminars	1,244	2,244	1,598	(646)
Mileage reimbursement	300	300	126	(174)
Office supplies	2,500	2,500	2,331	(169)
Payroll taxes	3,462	3,462	3,663	201
Printing	10,350	8,350	6,305	(2,045)
Salaries	45,258	41,058	39,641	(1,417)
Training and education	1,200	1,200	-	(1,200)
Total Municipal Court	<u>82,623</u>	<u>79,923</u>	<u>73,648</u>	<u>(6,275)</u>
Police department:				
Armory	4,552	4,552	4,365	(187)
Capital outlay	25,400	25,400	18,937	(6,463)
Communications	32,500	32,500	28,654	(3,846)
Dental insurance	12,500	14,500	14,392	(108)
Detective bureau	3,400	3,400	3,349	(51)
Dues and memberships	7,975	7,975	5,147	(2,828)
Employee benefits	23,427	373,345	371,255	(2,090)
Gasoline and oil	48,802	48,802	47,907	(895)
Insurance - employee	189,250	201,250	191,066	(10,184)
Meetings and seminars	1,800	1,800	794	(1,006)
Mileage reimbursement	500	500	-	(500)
Miscellaneous	3,926	3,926	3,856	(70)
Office supplies	8,000	8,000	7,771	(229)
Patrol	8,700	8,700	8,208	(492)
Payroll taxes	120,564	120,564	113,152	(7,412)
Physical examinations	11,975	11,975	6,959	(5,016)
Prisoner detention	2,675	2,675	749	(1,926)
Salaries	1,564,952	1,566,302	1,524,923	(41,379)
Service contracts	28,641	28,641	24,576	(4,065)
Specialized training	5,230	5,230	668	(4,562)
Tires	4,125	4,125	3,418	(707)
Traffic safety unit	1,000	1,000	763	(237)
Uniforms	22,200	22,200	20,931	(1,269)
Vehicle maintenance	880	880	898	18
Total Police Department	<u>2,132,974</u>	<u>2,498,242</u>	<u>2,402,738</u>	<u>(95,504)</u>
Public works:				
Trash collection	215,000	210,500	226,631	16,131
Total Expenditures	<u>\$ 4,426,696</u>	<u>5,137,668</u>	<u>4,991,511</u>	<u>(146,157)</u>

CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Over (Under) Budget
REVENUES				
Taxes	\$ 181,500	181,500	182,044	544
Investment income	4,200	4,200	891	(3,309)
Total Revenues	<u>185,700</u>	<u>185,700</u>	<u>182,935</u>	<u>(2,765)</u>
EXPENDITURES				
Current:				
Capital outlay	11,000	11,000	11,274	274
Dental insurance	1,950	2,450	1,982	(468)
Dues and memberships	600	600	397	(203)
Electric - street lights	3,200	3,200	2,687	(513)
Employee benefits	4,785	4,785	4,731	(54)
Equipment rental	5,200	5,200	2,360	(2,840)
Gasoline and oil	5,500	5,500	4,136	(1,364)
Insurance	6,500	7,000	5,053	(1,947)
Insurance - employee	28,000	28,000	26,652	(1,348)
Miscellaneous	3,000	11,000	9,284	(1,716)
Mosquito control	9,500	4,500	2,442	(2,058)
Paint and supplies	9,500	9,500	6,948	(2,552)
Payroll taxes	10,459	10,459	9,657	(802)
Professional services	10,000	6,000	690	(5,310)
Salaries	135,173	137,073	135,753	(1,320)
Service contracts	10,000	10,000	8,229	(1,771)
Small tools	1,500	1,500	1,408	(92)
Street maintenance	10,500	10,500	10,568	68
Street salt	8,000	8,000	7,917	(83)
Street signs and lights	9,800	9,800	2,384	(7,416)
Tires	2,000	2,000	1,500	(500)
Training and education	1,500	1,500	288	(1,212)
Uniforms	3,900	3,900	3,579	(321)
Total Expenditures	<u>291,567</u>	<u>293,467</u>	<u>259,919</u>	<u>(33,548)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(105,867)</u>	<u>(107,767)</u>	<u>(76,984)</u>	<u>30,783</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	35,000	35,000
Transfers out	-	-	(1,514)	(1,514)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>33,486</u>	<u>33,486</u>
NET CHANGE IN FUND BALANCE	<u>\$ (105,867)</u>	<u>(107,767)</u>	<u>(43,498)</u>	<u>64,269</u>
FUND BALANCE, JULY 1			<u>77,375</u>	
FUND BALANCE, JUNE 30			<u>\$ 33,877</u>	

**CITY OF FRONTENAC, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

Explanation of Budgetary Process

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 Board of Aldermen authorizes transfers of budgeted amounts between departments within the General Fund and alters the total expenditures of the budgeted funds. All appropriations not spent lapse at fiscal year-end.
- e. During the year the Board of Aldermen may amend or authorize supplemental appropriations to the budget.

OTHER SUPPLEMENTAL INFORMATION SECTION

**CITY OF FRONTENAC, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
REVENUES				
Taxes	\$ 785,000	785,000	726,173	(58,827)
Grant revenue	425,000	425,000	2,000	(423,000)
Investment income	88,000	88,000	73,813	(14,187)
Miscellaneous	36,000	36,000	36,175	175
Total Revenues	<u>1,334,000</u>	<u>1,334,000</u>	<u>838,161</u>	<u>(495,839)</u>
EXPENDITURES				
Capital outlay	<u>4,088,940</u>	<u>4,094,940</u>	<u>2,063,868</u>	<u>(2,031,072)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (2,754,940)</u>	<u>(2,760,940)</u>	<u>(1,225,707)</u>	<u>1,535,233</u>
FUND BALANCE, JULY 1			<u>4,332,930</u>	
FUND BALANCE, JUNE 30			<u>\$ 3,107,223</u>	

**CITY OF FRONTENAC, MISSOURI
 OTHER SUPPLEMENTAL INFORMATION -
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2004 AND 2003**

	2004	2003
Governmental Funds Capital Assets:		
Land	\$ 26,900	26,900
Construction in progress	18,472	38,050
Buildings and other improvements	828,526	762,772
Office furniture and equipment	162,933	146,534
Machinery and equipment	1,037,147	768,771
Infrastructure	1,184,499	-
Total Governmental Fund Capital Assets	\$ 3,258,477	1,743,027

CITY OF FRONTENAC, MISSOURI
 OTHER SUPPLEMENTAL INFORMATION -
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS -
 SCHEDULE BY FUNCTION AND ACTIVITY
 JUNE 30, 2004

	<u>Land</u>	<u>Construction In Progress</u>	<u>Buildings And Other Improvements</u>	<u>Office Furniture And Equipment</u>	<u>Machinery And Equipment</u>	<u>Infrastructure</u>	<u>Totals</u>
Governmental Funds Capital Assets:							
Administrative	\$ 26,900	-	-	92,857	2,052	-	121,809
Fire	-	8,449	136,000	23,220	580,310	-	747,979
Municipal building	-	1,575	196,342	-	8,244	-	206,161
Police	-	8,448	185,537	40,671	155,049	-	389,705
Public works	-	-	310,647	6,185	291,492	1,184,499	1,792,823
Total Governmental Funds Capital Assets	<u>\$ 26,900</u>	<u>18,472</u>	<u>828,526</u>	<u>162,933</u>	<u>1,037,147</u>	<u>1,184,499</u>	<u>3,258,477</u>

CITY OF FRONTENAC, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS -
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2004

	Governmental Funds Capital Assets July 30, 2003	Additions	Deductions	Governmental Funds Capital Assets June 30 2004
Governmental Funds Capital Assets:				
Administrative	\$ 139,544	26,829	44,564	121,809
Fire	526,796	232,998	11,815	747,979
Municipal building	130,588	75,573	-	206,161
Police	331,236	58,469	-	389,705
Public works	614,863	1,177,960	-	1,792,823
Total Governmental Funds Capital Assets	<u>\$ 1,743,027</u>	<u>1,571,829</u>	<u>56,379</u>	<u>3,258,477</u>