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Financial Report, 2005

City of Foristell

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

May 19, 2006

Honorable Mayor and Board of Aldermen
CITY OF FORISTELL, MISSOURI

Our audit of the financial statements of the **CITY OF FORISTELL, MISSOURI** (the City) for the year ended December 31, 2005, was performed in accordance with U.S. generally accepted auditing standards. We obtained an understanding of the internal control to determine our audit procedures. Per our independent auditors' report, we applied limited procedures to the supplemental information and did not audit the introductory and statistical sections.

There were no significant changes to the City's accounting policies or estimate policies, except that during the current year the City adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*. In addition, this policy was discussed with management and was not a condition of our retention.

There were no disagreements or difficulties encountered in performing the audit. There were no uncorrected misstatements aggregated by us during the audit that would be material individually or in the aggregate to the financial statements taken as a whole. Various adjusting entries had to be made adjusting balance sheet and revenue/expenditure accounts.

In planning and performing our audit, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an 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 comment and suggestion regarding this matter. This letter does not affect our report dated May 19, 2006 on the financial statements of the City. We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations 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

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

Findings for the year ended December 31, 2005:

1. COMMENT

We noted that the City does not have a documented policy for use of City credit cards.

RECOMMENDATION

We recommend that the City implement and document a credit card policy as a means to outline management's intentions and stipulations for the use of credit cards for purchases and payments.

2. COMMENT

We noted the City did not accurately track the receipt and use of restricted revenues specifically proceeds from the certificates of participation during the year, resulting in improper expense allocations between funds.

RECOMMENDATION

We recommend the City develop internal controls to insure restricted revenues are properly utilized.

3. COMMENT

We noted that certain reports generated by the accounting department were inaccurate and incomplete due to a lack of training and adequate internal controls.

RECOMMENDATION

We recommend the City evaluate its current accounting software system and the training it requires. We recommend the City consider additional review or an independent party review the reports and supporting documents on a monthly basis.

4. COMMENT

We noted that there were errors in the monthly billings for water and sewer services for August and September during the transition to a new billing system.

RECOMMENDATION

We recommend the City establish adequate internal controls to insure proper billing on a monthly basis for the services it provides.

CITY OF FORISTELL, MISSOURI
INTERNAL CONTROL AND MANAGEMENT
COMMENTS AND RECOMMENDATIONS

5. COMMENT

As noted in the prior year, the City has not taken a physical inventory of capital assets.

RECOMMENDATION

We recommend that the City complete an inventory of capital assets and adopt a policy to do so at least annually.

6. COMMENT

As noted in the prior year, the City does not have a written capitalization policy for capital assets.

RECOMMENDATION

We recommend the City adopt a written policy to ensure uniform capitalization throughout the City.

7. COMMENT

As noted in the prior year, the accounting department records journal entries into the general ledger. No subsequent approval of these entries was documented.

RECOMMENDATION

In order to improve internal controls, we recommend that all general journal entries have documented approval on at least a monthly basis by a member of management other than the person recording the entries.

8. COMMENT

As noted in the prior year, the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) No. 99, *Consideration of Fraud in a Financial Statement Audit*, 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.

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

9. COMMENT

As noted in the prior year, the City does not have documented finance policies. Documented finance policies will help ensure that all similar transactions are treated consistently and that records are produced in the form desired by management. Written procedures will help reduce misunderstandings, duplicated procedures, and potential fraud possibilities.

RECOMMENDATION

We recommend the City develop a complete finance policy and manual that will document approved procedures. It will take some time and effort for management to develop these policies; however, we believe this time will be more than offset by time saved later in training and supervising.

Comment: *As noted in previous years, the city has not taken a physical inventory of capital assets.*

Response: **We do in fact have an inventory of our capital assets. I will have a policy in place in September requiring a semi-annual inventory and a policy for the disposal of assets.**

Comment: *As noted in the prior year, the accounting department records journal entries into the general ledger. No subsequent approval of these entries was documented.*

Response: **The City has purchased new software that will resolve this issue. We will also implement a policy for authorization and approval.**

Comment: *As noted in the prior year, the American Institute of Certified Public Accountants Statement on Auditing Standards 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.*

Response: **The City intends to adopt a Fraud Detection Policy.**

Comment: *As documented in the prior year, the City does not have documented finance policies. Documented finance policies will help ensure that all similar transactions are treated consistently and that records are produced in the form desired by management. Written procedures will help reduce misunderstandings, duplicated procedures and potential fraud possibilities.*

Response: The cost of producing such a manual would outweigh the benefits. Given the size of the organization, this is not a priority. Many of our policies are incorporated in our Municipal Code i.e. Title I, Chapter 130 Procurement Policy, Chapter 135 Taxation and Finance, Chapter 117 Personnel, Chapter 135 Taxation. I will continue to implement policies and procedures in written form that can easily be applied to our daily operations.

To: Mayor and Board of Aldermen

From: Sandra L. Stokes
City Administrator

Date: August 16, 2006

Re: Audit - Internal Control and Management Letter

I would like the Board to consider the following responses to the attached Internal Control Findings from Hochschild, Bloom & Company. I believe that with the commitment of this Board and the direction you have given me, we will easily resolve all of the concerns listed.

Comment: *We noted that the City does not have a documented policy for use of City credit cards*

Response: **I will be submitting a policy for review and approval at the September 5th Board of Aldermen Meeting. At the present time, the cards are secured and must be logged in and out.**

Comment: *We noted the City did not accurately track the receipt and use of restricted revenues specifically proceeds from the certificates of participation during the year, resulting in improper expense allocations between funds.*

Response: **We have purchased new software that will allow us to track restricted revenues throughout the year. We cannot afford project managers to track restricted revenues.**

Comment: *We noted that certain reports generated by the accounting department were inaccurate and incomplete due to a lack of training and adequate internal control.*

Response: **New software should resolve this issue.**

Comment: *We noted that there were errors in the monthly billings for water and sewer services for August and September during the transition to a new billing system.*

Response: **Our current system is not user friendly nor does it allow us to produce reports in a concise format that allows for billing review and corrections in an easy way. The City has sold the water system and is considering contracting the sewer billing out.**

**CITY OF FORISTELL,
MISSOURI**

**FINANCIAL REPORT
(Audited)**

Year Ended December 31, 2005

CITY OF FORISTELL, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

May 19, 2006

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, 2005, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As 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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In our opinion, except for the effects of matters discussed in the preceding paragraphs, 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, 2005 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.

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 Governmental Accounting Standards Board (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.

Nochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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, 2005. 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 \$1,351,872. The City has unrestricted net assets of \$240,063.

As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$474,537.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$125,004.

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.

The statement of net assets - modified cash basis 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 - modified cash basis 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.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains two governmental funds. Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and the Neighborhood Improvement District Fund which are both considered major funds.

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, 2005

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 36 of this report.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, certain required supplemental information can be found on pages 38 through 42 of this report.

Other Supplemental Information

The Enterprise Fund budget and actual schedule is presented immediately following the required supplemental information. This schedule can be found on pages 44 and 45 of this report.

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

This is the second 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*. Therefore, a comparative analysis of government-wide data is also included in this report.

A condensed version of the statement of net assets - modified cash basis follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
ASSETS						
Current and other asset	\$512,999	242,734	266,345	255,569	779,344	498,303
Capital assets	<u>245,801</u>	<u>90,113</u>	<u>1,614,882</u>	<u>1,539,911</u>	<u>1,860,683</u>	<u>1,630,024</u>
Total Assets	<u>758,800</u>	<u>332,847</u>	<u>1,881,227</u>	<u>1,795,480</u>	<u>2,640,027</u>	<u>2,128,327</u>
LIABILITIES						
Other liabilities	22,020	24,798	13,959	11,870	35,979	36,668
Long-term liabilities	<u>693,299</u>	<u>200,102</u>	<u>558,877</u>	<u>465,654</u>	<u>1,252,176</u>	<u>665,756</u>
Total Liabilities	<u>715,319</u>	<u>224,900</u>	<u>572,836</u>	<u>477,524</u>	<u>1,288,155</u>	<u>702,424</u>
NET ASSETS						
Invested in capital assets, net of related debt	(99,569)	53,010	1,058,955	1,074,257	959,386	1,127,267
Restricted for debt service	21,000	21,000	131,423	105,930	152,423	126,930
Unrestricted	<u>122,050</u>	<u>33,937</u>	<u>118,013</u>	<u>137,769</u>	<u>240,063</u>	<u>171,706</u>
Total Net Assets	<u>\$ 43,481</u>	<u>107,947</u>	<u>1,308,391</u>	<u>1,317,956</u>	<u>1,351,872</u>	<u>1,425,903</u>

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental and Business-type Activities

Governmental and business-type activities decreased the City's net assets by \$74,031. Key elements of this are as follows:

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u> <u>Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
REVENUES						
Program revenues:						
Charges for services	\$439,223	464,878	137,626	124,808	576,849	589,686
Operating grants/contributions	13,689	13,776	-	-	13,689	13,776
General revenues:						
Sales taxes	274,673	253,142	93,688	87,531	368,361	340,673
Utility taxes	18,582	17,566	-	-	18,582	17,566
Investment income	1,461	496	2,897	1,546	4,358	2,042
Miscellaneous	37,652	29,713	4,877	11,642	42,529	41,355
Gain on sale of capital assets	-	650	-	54,908	-	55,558
Total Revenues	<u>785,280</u>	<u>780,221</u>	<u>239,088</u>	<u>280,435</u>	<u>1,024,368</u>	<u>1,060,656</u>
EXPENSES						
General government	162,774	202,285	-	-	162,774	202,285
Police department	522,527	414,970	-	-	522,527	414,970
Public works	67,730	68,600	-	-	67,730	68,600
Municipal court	82,469	74,997	-	-	82,469	74,997
Interest expense	14,246	13,009	-	-	14,246	13,009
Water and sewer	-	-	248,653	243,377	248,653	243,377
Total Expenses	<u>849,746</u>	<u>773,861</u>	<u>248,653</u>	<u>243,377</u>	<u>1,098,399</u>	<u>1,017,238</u>
CHANGES IN NET ASSETS	(64,466)	6,360	(9,565)	37,058	(74,031)	43,418
NET ASSETS, JANUARY 1	<u>107,947</u>	<u>101,587</u>	<u>1,317,956</u>	<u>1,280,898</u>	<u>1,425,903</u>	<u>1,382,485</u>
NET ASSETS, DECEMBER 31	<u>\$ 43,481</u>	<u>107,947</u>	<u>1,308,391</u>	<u>1,317,956</u>	<u>1,351,872</u>	<u>1,425,903</u>

Changes in Net Assets

The decrease in net assets of \$74,031 was largely attributable to an increase in the police department expenses.

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, 2005

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, 2005, the General Fund balance was \$146,004.

The fund balance in the City's General Fund decreased by \$71,932 or 33% 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 \$118,013. The total decrease in net assets was \$9,565.

Capital Assets

The City has invested \$1,860,683 at December 31, 2005 in a broad range of capital assets, net of depreciation, including buildings, equipment, and automobiles and trucks. This amount represents a net increase for the current fiscal year (including additions and deductions) of \$230,659. The City's capital assets, net of accumulated depreciation, consisted of:

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>		<u>Government</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land	\$ 5,000	5,000	4,021	4,021	9,021	9,021
Construction in progress	137,806	-	-	-	137,806	-
Buildings	24,611	9,243	6,800	8,650	31,411	17,893
Equipment	78,384	75,870	208	708	78,592	76,578
Water system	-	-	<u>1,603,853</u>	<u>1,526,532</u>	<u>1,603,853</u>	<u>1,526,532</u>
Total Capital Assets, Net Of Accumulated Depreciation	<u>\$245,801</u>	<u>90,113</u>	<u>1,614,882</u>	<u>1,539,911</u>	<u>1,860,683</u>	<u>1,630,024</u>

In June 2005, the Board of Aldermen approved the sale of the City's water and sewer system, however, as of June 30, 2006, the sale was not finalized.

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Additional information on the City's capital assets can be found starting on page 27 in Note C in the notes to the financial statements.

Long-term Debt

The City had government-wide debt outstanding for December 31, 2005 of \$1,252,176 compared to \$665,756 for December 31, 2004.

The following is a summary of long-term debt:

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Special obligation capital improvement bonds	\$154,000	163,000	-	-	154,000	163,000
Sales tax refunding bonds	-	-	130,000	160,000	130,000	160,000
Bond anticipation notes	485,000	-	-	-	485,000	-
Note payable	-	-	48,736	52,863	48,736	52,863
Capital leases	54,299	37,102	243,141	252,791	297,440	289,893
Certificates of participation	-	-	137,000	-	137,000	-
Total	<u>\$693,299</u>	<u>200,102</u>	<u>558,877</u>	<u>465,654</u>	<u>1,252,176</u>	<u>665,756</u>

Additional information on the City's long-term debt can be found starting on page 29 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 \$93,448 under budget mainly due to fines and court costs.
- The City's total expenditures were over budget by \$14,791.

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, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 422,962	75,681	498,643
Investments	9,608	67,248	76,856
Internal balance	24,916	(24,916)	-
Bond issuance costs	16,442	2,950	19,392
Cash - restricted	18,071	130,382	148,453
Investments - restricted	21,000	15,000	36,000
Capital assets:			
Land and construction in progress	142,806	4,021	146,827
Other capital assets, net of accumulated depreciation	102,995	1,610,861	1,713,856
Total Assets	<u>758,800</u>	<u>1,881,227</u>	<u>2,640,027</u>
LIABILITIES			
Other liabilities	22,020	13,959	35,979
Noncurrent liabilities:			
Due within one year	513,194	181,562	694,756
Due in more than one year	180,105	377,315	557,420
Total Liabilities	<u>715,319</u>	<u>572,836</u>	<u>1,288,155</u>
NET ASSETS			
Invested in capital assets, net of related debt	(99,569)	1,058,955	959,386
Restricted for debt service	21,000	131,423	152,423
Unrestricted	122,050	118,013	240,063
Total Net Assets	<u>\$ 43,481</u>	<u>1,308,391</u>	<u>1,351,872</u>

See notes to financial statements

CITY OF FORISTELL, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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	\$ 162,774	40,317	-	-	(122,457)	-	(122,457)
Police department	522,527	398,906	-	-	(123,621)	-	(123,621)
Public works	67,730	-	13,689	-	(54,041)	-	(54,041)
Municipal court	82,469	-	-	-	(82,469)	-	(82,469)
Interest expense	14,246	-	-	-	(14,246)	-	(14,246)
Total Governmental Activities	849,746	439,223	13,689	-	(396,834)	-	(396,834)
Business-type Activities							
Water and sewer	248,653	137,626	-	-	-	(111,027)	(111,027)
Total	\$ 1,098,399	576,849	13,689	-	(396,834)	(111,027)	(507,861)
General Revenues							
Taxes:							
Sales					274,673	93,688	368,361
Utility					18,582	-	18,582
Investment income					1,461	2,897	4,358
Miscellaneous					37,652	4,877	42,529
Total General Revenues					332,368	101,462	433,830
CHANGES IN NET ASSETS					(64,466)	(9,565)	(74,031)
NET ASSETS, JANUARY 1					107,947	1,317,956	1,425,903
NET ASSETS, DECEMBER 31					\$ 43,481	1,308,391	1,351,872

See notes to financial statements

CITY OF FORISTELL, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Neighborhood Improvement District</u>	<u>Total</u>
ASSETS			
Cash	\$ 91,475	331,487	422,962
Investments	9,608	-	9,608
Due from other funds	27,870	-	27,870
Cash - restricted	18,071	-	18,071
Investments - restricted	21,000	-	21,000
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 168,024</u>	<u>331,487</u>	<u>499,511</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll taxes payable	\$ 3,949	-	3,949
Court bonds payable	11,471	-	11,471
Performance bonds payable	6,600	-	6,600
Due to other funds	-	2,954	2,954
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>22,020</u>	<u>2,954</u>	<u>24,974</u>
 Fund Balances			
Reserved for debt service	21,000	-	21,000
Unreserved:			
General Fund	125,004	-	125,004
Special Revenue Fund	-	328,533	328,533
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>146,004</u>	<u>328,533</u>	<u>474,537</u>
Total Liabilities And Fund Balances	<u>\$ 168,024</u>	<u>331,487</u>	<u>499,511</u>

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, 2005

Total Fund Balances - Total Governmental Funds \$ 474,537

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 465,531 and the accumulated depreciation is \$219,730. 245,801

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Bond issuance costs are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the debt as an adjustment to interest expense on the government-wide financial statements. Long-term liabilities at year-end consist of:

Bonds payable	(154,000)
Bond anticipation notes payable	(485,000)
Capital lease outstanding	(54,299)
Unamortized bond issuance cost for debts issued in the current year	16,442
	16,442

Total Net Assets Of Governmental Activities \$ 43,481

CITY OF FORISTELL, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Neighborhood Improvement District</u>	<u>Total</u>
REVENUES			
Taxes	\$ 306,944	-	306,944
Licenses and permits	40,317	-	40,317
Fines and court costs	398,906	-	398,906
Investment income	940	521	1,461
Miscellaneous	37,652	-	37,652
Total Revenues	<u>784,759</u>	<u>521</u>	<u>785,280</u>
EXPENDITURES			
Current:			
Administration	154,183	-	154,183
Court	80,216	-	80,216
Police	468,172	-	468,172
Public works	65,613	-	65,613
Capital outlay	87,248	137,806	225,054
Debt service:			
Principal retirement	35,095	-	35,095
Interest and fiscal charges	11,506	-	11,506
Bond issuance costs	-	19,182	19,182
Total Expenditures	<u>902,033</u>	<u>156,988</u>	<u>1,059,021</u>
REVENUES UNDER EXPENDITURES	<u>(117,274)</u>	<u>(156,467)</u>	<u>(273,741)</u>
OTHER FINANCING SOURCES			
Issuance of long-term debt	-	485,000	485,000
Proceeds from capital lease	43,292	-	43,292
Sale of capital assets	2,050	-	2,050
Total Other Financing Sources	<u>45,342</u>	<u>485,000</u>	<u>530,342</u>
NET CHANGE IN FUND BALANCES	(71,932)	328,533	256,601
FUND BALANCES, JANUARY 1	<u>217,936</u>	<u>-</u>	<u>217,936</u>
FUND BALANCES, DECEMBER 31	<u>\$ 146,004</u>	<u>328,533</u>	<u>474,537</u>

See notes to financial statements

CITY OF FORISTELL, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

Net Change In Fund Balances - Governmental Funds \$ 256,601

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 capital outlays over the
capitalization threshold totaling \$206,013 exceeded depreciation
(\$38,455) in the current period. 167,558

The net effect of various miscellaneous transactions involving
capital assets (i.e., sales, donations) is to decrease net assets. (11,870)

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. Also, governmental funds report the effect of issuance costs,
premiums, discounts, and similar items when debt is first issued, whereas
these amounts are deferred and amortized in the statement of activities.
This is the net effect of these differences in the treatment of long-term debt.

Debt issued:		
Capital lease	(43,292)	
Bond anticipation notes	(485,000)	
Issuance costs, net of accumulated amortization	16,442	
Repayments:		
Bonds payable	9,000	
Capital leases	26,095	<u>(476,755)</u>

Change In Net Assets Of Governmental Activities \$ (64,466)

CITY OF FORISTELL, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND
DECEMBER 31, 2005

	<u>Business-type Activities - Enterprise Fund</u>
ASSETS	
Current Assets	
Cash	\$ 75,681
Investments	67,248
Total Current Assets	142,929
Noncurrent Assets	
Bond issuance costs, net of accumulated amortization	2,950
Capital assets:	
Land	4,021
Other capital assets, net of accumulated depreciation	1,610,861
Total Capital Assets	1,614,882
Restricted assets:	
Cash	130,382
Investments	15,000
Total Restricted Assets	145,382
Total Noncurrent Assets	1,763,214
Total Assets	1,906,143
LIABILITIES	
Current Liabilities	
Deposits	13,959
Due to other funds	24,916
Certificate of participation - current portion	137,000
Bonds payable - current portion	30,000
Note payable - current portion	4,251
Capital leases payable - current portion	10,311
Total Current Liabilities	220,437
Long-Term Debt, net of current portion	
Bonds payable	100,000
Note payable	44,485
Capital leases payable	232,830
Total Long-Term Debt	377,315
Total Liabilities	597,752
NET ASSETS	
Invested in capital assets, net of related debt	1,058,955
Restricted for debt service	131,423
Unrestricted	118,013
Total Net Assets	\$ 1,308,391

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, 2005

	Business-type Activities - Enterprise Fund
OPERATING REVENUES	
Water sales	\$ 59,743
Sewer fees	24,464
Penalties	1,372
Primacy fees	142
Tap-on fee	26,305
Connection fees	25,600
Total Operating Revenues	137,626
OPERATING EXPENSES	
Salaries	60,648
Payroll taxes	4,640
Insurance - workers' compensation	583
Chemicals	3,125
Contracted services	59,566
Depreciation	56,389
Miscellaneous	2,395
Postage	1,020
Primacy fees	115
Repair and maintenance	15,962
Sales/use tax	2,498
Supplies	1,161
Telephone	1,844
Utilities	5,729
Total Operating Expenses	215,675
OPERATING LOSS	(78,049)

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, 2005

	<u>Business-type Activities - Enterprise Fund</u>
NONOPERATING REVENUES (EXPENSES)	
Sales tax	93,688
Investment income	2,897
Miscellaneous	4,877
Interest expense and fees	(32,692)
Other expenses	(286)
Total Nonoperating Revenues (Expenses)	<u>68,484</u>
CHANGE IN NET ASSETS	(9,565)
NET ASSETS, JANUARY 1	<u>1,317,956</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 1,308,391</u></u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-type Activities - Enterprise Fund</u>
INCREASE IN CASH	
Cash flows from operating activities:	
Receipts from customers and users	\$ 139,715
Payments to suppliers	(97,116)
Payments to employees	(60,648)
Net Cash Used In Operating Activities	<u>(18,049)</u>
 Cash flows from noncapital financing activities:	
Receipts from taxes	93,688
Due to General Fund	(23,186)
Net Cash Provided By Noncapital Financing Activities	<u>70,502</u>
 Cash flows from capital financing activities:	
Purchase of capital assets	(131,360)
Bond issuance costs paid	(8,851)
Proceeds from debt	137,000
Principal paid on debt	(43,777)
Interest paid on debt	(26,791)
Net Cash Used In Capital Financing Activities	<u>(73,779)</u>
 Cash flows from investing activities:	
Investment income	2,897
Miscellaneous income (expense)	4,591
Purchase of investments	(1,118)
Net Cash Provided By Investing Activities	<u>6,370</u>
 NET DECREASE IN CASH	 (14,956)
 CASH, JANUARY 1	 <u>221,019</u>
 CASH, DECEMBER 31	 <u>\$ 206,063</u>

See notes to financial statements

(Continued)

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Business-type Activities - Enterprise Fund</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (78,049)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	56,389
Increase (decrease) in:	
Deposits and other receivables	3,611
Total Adjustments	<u>60,000</u>
Net Cash Used In Operating Activities	<u>\$ (18,049)</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.

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 funds:

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.

Neighborhood Improvement District (NID) Fund -- The NID is a Special Revenue Fund used to account for the special assessment tax on properties in the Neighborhood Improvement District.

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.

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)

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.

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. Due To/From Other Funds

Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered "available spendable resources" and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

6. 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

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Capital Assets (Continued)

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 last two years. However, there were donated capital assets that were not recorded in the prior 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:

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

7. 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.

8. Long-term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-term Liabilities (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance cost, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

9. 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.

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 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.

11. 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.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Use of Estimates

The preparation of basic financial statements on the modified cash basis of accounting 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

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. 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, 2005, 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.

2. Investments

As of December 31, 2005, the City had the following investments:

<u>Investments</u>	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>Credit Risk</u>
Certificates of deposit	\$112,856	112,856	N/A

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City will minimize its credit risk by investing in securities requiring collateralization in accordance with Missouri state statutes

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City does not have a written policy addressing interest rate risk.

Concentration of Credit Risk is the risk of loss attributable to the magnitude of the City's investment in a single issuer. The City does not have a written policy addressing concentration of credit risk.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended December 31, 2005			
	Balance			Balance
	December 31	Additions	Retirements	December 31
	2004			2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Construction in progress	<u>-</u>	<u>137,806</u>	<u>-</u>	<u>137,806</u>
Total Capital Assets				
Not Being Depreciated	<u>5,000</u>	<u>137,806</u>	<u>-</u>	<u>142,806</u>
Capital assets being depreciated:				
Buildings	70,010	17,546	-	87,556
Equipment	<u>243,856</u>	<u>50,661</u>	<u>59,348</u>	<u>235,169</u>
Total Capital Assets				
Being Depreciated	<u>313,866</u>	<u>68,207</u>	<u>59,348</u>	<u>322,725</u>
Less - Accumulated depreciation				
for:				
Buildings	60,767	2,178	-	62,945
Equipment	<u>167,986</u>	<u>36,277</u>	<u>47,478</u>	<u>156,785</u>
Total Accumulated				
Depreciation	<u>228,753</u>	<u>38,455</u>	<u>47,478</u>	<u>219,730</u>
Total Capital Assets Being				
Depreciated, Net	<u>85,113</u>	<u>29,752</u>	<u>11,870</u>	<u>102,995</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 90,113</u>	<u>167,558</u>	<u>11,870</u>	<u>245,801</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended December 31, 2005			
	Balance December 31 2004	Additions	Retirements	Balance December 31 2005
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 4,021	-	-	4,021
Capital assets being depreciated:				
Buildings	37,010	-	-	37,010
Equipment	6,653	-	-	6,653
Water system	<u>2,068,732</u>	<u>131,360</u>	-	<u>2,200,092</u>
Total Capital Assets Being Depreciated	<u>2,112,395</u>	<u>131,360</u>	-	<u>2,243,755</u>
Less - Accumulated depreciation for:				
Buildings	28,360	1,850	-	30,210
Equipment	5,945	500	-	6,445
Water system	<u>542,200</u>	<u>54,039</u>	-	<u>596,239</u>
Total Accumulated Depreciation	<u>576,505</u>	<u>56,389</u>	-	<u>632,894</u>
Total Capital Assets Being Depreciated, Net	<u>1,535,890</u>	<u>74,971</u>	-	<u>1,610,861</u>
Business-type Activities Capital Assets, Net	<u>\$1,539,911</u>	<u>74,971</u>	-	<u>1,614,882</u>

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

	For The Year Ended December 31 2005
Governmental activities:	
Administration	\$ 4,791
Court	253
Police	32,091
Public works	<u>1,320</u>
	<u>\$38,455</u>
Business-type activities:	
Enterprise Fund	<u>\$56,389</u>

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, 2005</u>			<u>Amounts Due Within One Year</u>	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>		<u>Balance</u>
	<u>December 31 2004</u>				<u>December 31 2005</u>
Governmental activities:					
Special obligation capital improvement bonds	\$163,000	-	9,000	154,000	10,000
Bond anticipation notes	-	485,000	-	485,000	485,000
Capital leases	<u>37,102</u>	<u>43,292</u>	<u>26,095</u>	<u>54,299</u>	<u>18,194</u>
Total Governmental Activities	<u>\$200,102</u>	<u>528,292</u>	<u>35,095</u>	<u>693,299</u>	<u>513,194</u>
Business-type activities:					
Sales tax refunding bonds	\$160,000	-	30,000	130,000	30,000
Note payable	52,863	-	4,127	48,736	4,251
Capital lease	252,791	-	9,650	243,141	10,311
Certificates of participation	<u>-</u>	<u>137,000</u>	<u>-</u>	<u>137,000</u>	<u>137,000</u>
Total Business-type Activities	<u>\$465,654</u>	<u>137,000</u>	<u>43,777</u>	<u>558,877</u>	<u>181,562</u>

The governmental activities special obligation bonds and capital leases are liquidated by the general fund. The bond anticipation notes are liquidated by special assessments collected by the special revenue fund. All business-type activities debt is liquidated by the enterprise fund.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Water system	\$ -	289,830
Equipment	74,457	-
Less - Accumulated depreciation	<u>(23,376)</u>	<u>(43,475)</u>
	<u>\$51,081</u>	<u>246,355</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

December 31
2005

\$210,000 special obligation capital improvement bonds (series 1998), due in semi-annual installments through July 2013, interest payable at 5.75%.

\$154,000

Debt service requirements for bonds are as follows:

For The Years Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,000	5,693	21,693
2011 - 2013	<u>87,000</u>	<u>11,126</u>	<u>98,126</u>
	<u>\$154,000</u>	<u>47,611</u>	<u>201,611</u>

December 31
2005

Capital Leases

\$19,906 capital lease for police radios, due in annual installments through January 2008, interest payable at 6.9%.

\$11,029

\$11,259 capital lease for a copier, due in annual installments through August 2008, no interest payable.

6,005

\$43,292 capital lease for two vehicles, due in semi-annual installments through May 2009, interest payable at 6.4%.

37,265

\$54,299

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

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

For The Years
Ended December 31

	2006	\$19,991
	2007	19,991
	2008	14,028
	2009	<u>6,026</u>
Total Minimum Lease Payments		60,036
Less - Amount representing interest		<u>5,737</u>
 Present Value Of Net Minimum Lease Payments		 <u>\$54,299</u>

Bond Anticipation Notes

In November 2005, the City issued \$485,000 of Neighborhood Improvement District Bond Anticipation Notes to provide funds for the improvement of subdivision streets. These notes will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. The notes bear interest at 3.75% and mature May 1, 2006. See Note H regarding subsequent events.

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

December 31
2005

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% \$130,000

Debt service requirements for the bonds are as follows:

For The Years Ended <u>December 31</u>	<u>Sales Tax Refunding Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$130,000</u>	<u>13,095</u>	<u>143,095</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

December 31
2005

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%. \$48,736

Debt service requirements for the note payable are as follows:

For The Years Ended <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,785	929	5,714
2011 - 2015	<u>26,166</u>	<u>2,401</u>	<u>28,567</u>
	<u>\$48,736</u>	<u>8,398</u>	<u>57,134</u>

December 31
2005

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%. \$243,141

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

<u>For The Years Ended December 31</u>	
2006	\$ 26,552
2007	26,552
2008	26,552
2009	26,552
2010	26,552
2011 - 2015	132,761
2016 - 2020	<u>119,484</u>
Total Minimum Lease Payments	385,005
Less - Amount representing interest	<u>141,864</u>
Present Value Of Net Minimum Lease Payments	<u>\$243,141</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Certificates of Participation

In July 2005, the City issued \$137,000 in Certificates of Participation (Series 2005) which represent the undivided, proportionate interests of the base rentals to be made by the City for the purpose of making improvements to the City's water system. The certificates require an interest payment of \$4,857 and mature March 1, 2006.

NOTE E - RESTRICTED ASSETS

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

	<u>December 31, 2005</u>	
	<u>Actual</u>	<u>Required</u>
Series 1998 Capital Improvement Bonds	\$ 21,000	21,000
Series 1998 Sales Tax Revenue Bonds	131,423	15,000
Court Bonds	11,471	N/A
Performance Bonds	6,600	N/A
Customer deposits	<u>13,959</u>	N/A
	<u>\$184,453</u>	

NOTE F - DUE TO/FROM FUNDS

Individual fund receivable/payable balances are as follows:

	<u>December 31, 2005</u>	
	<u>Due From Funds</u>	<u>Due To Funds</u>
General Fund	\$27,870	-
Enterprise Fund	-	24,916
Neighborhood Improvement District Fund	<u>-</u>	<u>2,954</u>
	<u>\$27,870</u>	<u>27,870</u>

Interfund balances are due to timing differences and are expected to be repaid during the fiscal year ending December 31, 2006.

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 14.1% (general) and 12.6% (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.

3. Annual Pension Cost

For 2005, the City's annual pension cost of \$38,372 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29, 2003 and/or 2004 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 28, 2005 was 28 years.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLANS (Continued)

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>
2005	\$38,372	100%	-
2004	30,943	100	-

Schedule of Funding Progress

<u>For The Actuarial Valuation Year Ended February 28/29</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Liability</u>
2005	\$65,044	\$293,385	\$228,341
2004	20,752	129,588	108,836

<u>For The Actuarial Valuation Year Ended February 28/29</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Liability As A Percentage Of Covered Payroll</u>
2005	22%	\$338,524	67%
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.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLANS (Continued)

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 - SUBSEQUENT EVENTS

The maturity date for the Neighborhood Improvement District (NID) Bond Anticipation Notes was extended to July 1, 2006. In June 2006, the City authorized issuance of General Obligation NID Bonds (Hickory Grove Acres Project) Series 2006 in the amount of \$539,000 for the purpose of providing funds to pay for the costs of the project including payment of the outstanding principal and interest on the NID notes issued by the City for the Project.

In February 2006, the City extended the term of maturity of the Certificates of Participation Series 2005 to September 1, 2006.

In June 2005, the Board of Aldermen approved the sale of the City's water and sewer system, however, as of June 30, 2006, the sale was not finalized.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
REVENUES				
Taxes:				
Sales and use	\$ 187,000	205,700	221,544	15,844
Gross receipts	18,500	18,900	18,582	(318)
Motor fuel tax	9,500	9,500	9,595	95
Motor vehicle sales tax	2,500	2,000	2,340	340
Motor vehicle fee increase	1,700	1,400	1,754	354
Parks sales tax	1,500	1,500	1,229	(271)
Cigarette	50,000	50,000	51,900	1,900
Total Taxes	<u>270,700</u>	<u>289,000</u>	<u>306,944</u>	<u>17,944</u>
Licenses and permits:				
Merchant licenses	2,950	6,650	2,500	(4,150)
Permits and fees	21,250	32,650	37,817	5,167
Total Licenses And Permits	<u>24,200</u>	<u>39,300</u>	<u>40,317</u>	<u>1,017</u>
Fines and court costs:				
Court fines	486,000	452,000	358,079	(93,921)
Court costs	39,600	32,100	33,033	933
Police reports	800	800	685	(115)
Police training	7,900	6,500	5,998	(502)
Crime victims compensation fees	1,332	630	1,111	481
Total Fines And Court Costs	<u>535,632</u>	<u>492,030</u>	<u>398,906</u>	<u>(93,124)</u>
Investment income	<u>500</u>	<u>300</u>	<u>940</u>	<u>640</u>
Miscellaneous:				
AT&T	20,500	36,600	22,555	(14,045)
Recoupment	2,800	6,088	4,361	(1,727)
Judicial Education Fund	3,600	3,589	4,706	1,117
Other	7,500	11,300	6,030	(5,270)
Total Miscellaneous	<u>34,400</u>	<u>57,577</u>	<u>37,652</u>	<u>(19,925)</u>
Total Revenues	<u>865,432</u>	<u>878,207</u>	<u>784,759</u>	<u>(93,448)</u>
EXPENDITURES				
Administration:				
Salaries	85,000	64,000	65,558	1,558
Payroll taxes	6,638	5,031	4,887	(144)
Retirement	10,575	7,614	8,912	1,298
Dental insurance	700	500	684	184
Health insurance	10,000	5,600	9,332	3,732
Life insurance	264	500	462	(38)

(Continued)

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
EXPENDITURES (Continued)				
Administration (Continued):				
Insurance - workers' compensation	526	600	591	(9)
Conferences	5,000	3,100	3,452	352
Election fees	2,100	2,500	1,862	(638)
Insurance	2,600	3,800	4,103	303
Legal notices	3,000	7,000	6,085	(915)
Membership dues	800	800	682	(118)
Miscellaneous	22,100	4,800	1,857	(2,943)
Postage	900	900	621	(279)
Professional fees	33,000	29,200	31,181	1,981
Repairs and maintenance	1,500	1,300	5,092	3,792
Supplies	4,100	2,600	3,931	1,331
Telephone	1,700	2,000	1,732	(268)
Utilities	3,000	3,000	2,968	(32)
Vehicle mileage	200	300	191	(109)
Capital outlay	5,800	4,500	9,446	4,946
Debt service:				
Principal retirement	-	-	2,064	2,064
Total Administration	<u>199,503</u>	<u>149,645</u>	<u>165,693</u>	<u>16,048</u>
Court:				
Salaries	66,910	66,910	61,445	(5,465)
Payroll taxes	4,885	4,885	4,700	(185)
Retirement	4,716	4,716	5,257	541
Dental insurance	370	300	294	(6)
Life insurance	200	200	211	11
Insurance - workers' compensation	311	600	617	17
Conferences	2,000	2,000	1,759	(241)
Insurance	350	200	-	(200)
Membership dues	600	200	130	(70)
Miscellaneous	200	100	59	(41)
Postage	850	600	576	(24)
Repairs and maintenance	1,500	1,400	163	(1,237)
Subscriptions	100	100	50	(50)
Supplies	3,000	2,200	2,911	711
Telephone and communications	2,500	2,300	2,044	(256)
Vehicle mileage	800	600	-	(600)
Capital outlay	2,000	2,000	7,063	5,063
Total Court	<u>91,292</u>	<u>89,311</u>	<u>87,279</u>	<u>(2,032)</u>

(Continued)

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Police:				
Salaries	260,000	260,000	244,309	(15,691)
Payroll taxes	19,458	19,458	18,690	(768)
Retirement	30,522	30,522	25,680	(4,842)
Dental insurance	4,500	3,400	2,987	(413)
Health insurance	37,540	35,600	29,552	(6,048)
Life insurance	800	1,900	1,499	(401)
Insurance - workers' compensation	18,000	24,200	23,333	(867)
Contracted services	45,400	39,700	32,714	(6,986)
Education	-	9,000	8,618	(382)
Insurance	7,100	20,500	21,251	751
Membership dues	-	300	425	125
Miscellaneous	1,600	1,500	3,361	1,861
Postage	325	350	291	(59)
Supplies	4,000	4,000	5,760	1,760
Telephone and communications	4,200	5,000	5,843	843
Uniform allowance	4,500	3,000	2,059	(941)
Utilities	-	-	431	431
Vehicle and equipment maintenance	26,500	33,400	41,369	7,969
Vehicle mileage	200	200	-	(200)
Capital outlay	3,500	5,500	23,300	17,800
Debt service:				
Principal retirement	25,700	25,700	24,031	(1,669)
Interest and fiscal charges	2,500	2,500	2,248	(252)
Total Police	496,345	525,730	517,751	(7,979)
Public works:				
Salaries	10,000	7,000	1,733	(5,267)
Payroll taxes	765	579	132	(447)
Retirement	4,716	-	-	-
Insurance - workers' compensation	517	517	329	(188)
Contract services	19,000	18,700	25,963	7,263
Equipment repair and maintenance	7,400	6,000	6,633	633
Insurance	1,600	2,100	2,446	346
Miscellaneous	800	1,800	1,902	102
Supplies	1,000	150	2,397	2,247
Street lights	8,000	6,500	3,517	(2,983)
Telephone	900	1,300	1,383	83
Trash removal	34,000	30,300	18,048	(12,252)
Utilities	2,500	1,500	1,130	(370)
Capital outlay	2,000	1,500	4,147	2,647

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<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	8,000	15,000	9,000	(6,000)
Interest and fiscal charges	9,718	15,900	9,258	(6,642)
Total Public Works	<u>110,916</u>	<u>108,846</u>	<u>88,018</u>	<u>(20,828)</u>
Total Expenditures	<u>898,056</u>	<u>873,532</u>	<u>858,741</u>	<u>(14,791)</u>
REVENUES OVER (UNDER)				
EXPENDITURES	(32,624)	4,675	(73,982)	(78,657)
OTHER FINANCING SOURCES				
Sale of capital assets	<u>1,000</u>	<u>400</u>	<u>2,050</u>	<u>1,650</u>
NET CHANGE IN FUND BALANCE	<u>\$ (31,624)</u>	<u>5,075</u>	<u>(71,932)</u>	<u>(77,007)</u>
FUND BALANCE, JANUARY 1			<u>217,936</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 146,004</u>	

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION -
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

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.
- g. The City prepares and legally adopts an annual budget for the General Fund.

For the year ended December 31, 2005, expenditures exceeded appropriations in General Fund. These General Fund expenditures were approved by the Board.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF FORISTELL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL - BUDGET BASIS - ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	<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	\$ 55,700	55,500	59,743	4,243
Sewer fees	37,000	37,000	24,464	(12,536)
Penalties	2,500	1,500	1,372	(128)
Primacy fees	400	400	142	(258)
Tap-on fee	25,000	20,000	26,305	6,305
Connection fees	15,405	10,405	25,600	15,195
Total Operating Revenues	<u>136,005</u>	<u>124,805</u>	<u>137,626</u>	<u>12,821</u>
OPERATING EXPENSES				
Water:				
Salaries	7,488	39,000	30,324	(8,676)
Payroll taxes	574	1,360	2,320	960
Retirement	2,112	-	-	-
Dental insurance	204	-	-	-
Health insurance	900	-	-	-
Life insurance	64	-	-	-
Insurance - workers' compensation	466	200	333	133
Chemicals	2,000	2,500	2,972	472
Contracted services	34,000	37,000	38,452	1,452
Insurance	900	-	-	-
Miscellaneous	950	400	1,849	1,449
Postage	800	700	1,020	320
Repairs and maintenance	1,800	1,268	7,217	5,949
Sales/use tax	2,000	2,800	2,498	(302)
Supplies	2,500	1,000	623	(377)
Telephone	980	1,000	842	(158)
Utilities	3,300	2,900	3,864	964
Total Water	<u>61,038</u>	<u>90,128</u>	<u>92,314</u>	<u>2,186</u>
Sewer:				
Salaries	7,488	8,200	30,324	22,124
Payroll taxes	574	675	2,320	1,645
Retirement	1,056	-	-	-
Dental insurance	204	-	-	-
Health insurance	450	-	-	-
Life insurance	32	-	-	-
Insurance - workers' compensation	384	100	250	150
Chemicals	2,000	500	153	(347)
Contracted services	26,500	20,800	21,114	314
Insurance	250	-	-	-
Miscellaneous	750	1,550	546	(1,004)
Primacy fees	-	-	115	115
Repair and maintenance	4,800	1,800	8,745	6,945

(Continued)

CITY OF FORISTELL, MISSOURI
OTHER SUPPLEMENTAL INFORMATION -
SCHEDULE OF REVENUES, EXPENSES, AND CHANGE IN NET ASSETS -
BUDGET AND ACTUAL - BUDGET BASIS - ENTERPRISE FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING EXPENSES (Continued)				
Sewer (Continued):				
Supplies	500	100	538	438
Telephone	900	1,000	1,002	2
Utilities	2,500	1,400	1,865	465
Total Sewer	<u>48,388</u>	<u>36,125</u>	<u>66,972</u>	<u>30,847</u>
Total Operating Expenses	<u>109,426</u>	<u>126,253</u>	<u>159,286</u>	<u>33,033</u>
OPERATING LOSS	<u>26,579</u>	<u>(1,448)</u>	<u>(21,660)</u>	<u>(20,212)</u>
NONOPERATING REVENUES (EXPENSES)				
Sales tax	85,000	85,000	93,688	8,688
Investment income	900	900	2,897	1,997
Miscellaneous	7,550	8,700	4,877	(3,823)
Interest expense and fees	(37,518)	(37,518)	(32,692)	4,826
Other expenses	(5,000)	(15,300)	(286)	15,014
Total Nonoperating Revenues (Expenses)	<u>50,932</u>	<u>41,782</u>	<u>68,484</u>	<u>26,702</u>
CHANGE IN NET ASSETS	<u>\$ 77,511</u>	<u>40,334</u>	46,824	<u>6,490</u>
UNBUDGETED				
Depreciation			(56,389)	
NET ASSETS, JANUARY 1			<u>1,317,956</u>	
NET ASSETS, DECEMBER 31			<u>\$ 1,308,391</u>	

INTERNAL CONTROL AND COMPLIANCE SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

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

May 19, 2006

Honorable Mayor and Board of Aldermen
CITY OF FORISTELL, MISSOURI

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **CITY OF FORISTELL, MISSOURI** (the City) as of and for the year ended December 31, 2005 and have issued our report thereon dated May 19, 2006. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Compliance And Other Matters

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

However, we noted certain matters involving the internal control over financial reporting that we have reported to the management of the City in a separate letter dated May 19, 2006.

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

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS