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Annual Report, 2005

City of Gerald

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CITY OF GERALD, MISSOURI
ANNUAL REPORT
YEAR ENDED DECEMBER 31, 2005

JUN 6 2006

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INDEPENDENT AUDITOR'S REPORT

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

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

CITY OF GERALD, MISSOURI

as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Gerald, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities and each major fund of City of Gerald, Missouri as of December 31, 2005 and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

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

Ross, Spinner & Kummer, P.C.
Certified Public Accountants

May 16, 2006

DR/dm

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

CITY OF GERALD, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2005

Our discussion and analysis of the City of Gerald's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2005, within the limitations of the City's modified cash basis of accounting. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- During the year, the City acquired new software for financial reporting and payroll.
- Year 2005 was successfully completed without any tax increase or increase in charges for City services.

USING THIS ANNUAL FINANCIAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the City's modified cash basis of accounting.

Report Components

This annual report consists of five parts as follows:

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

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

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

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

Basis of Accounting

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

assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

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

Reporting the City as a Whole

The City's Reporting Entity Presentation

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

The primary government includes the following legal entity:

- The City of Gerald, Missouri

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

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

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

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

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

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

Reporting the City's Most Significant Funds

The Fund Financial Statements

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

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

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

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

A FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets - Modified Cash Basis

The City's combined net assets, resulting from modified cash basis transactions, increased from approximately \$1.1 million to \$1.25 million between fiscal years 2005 and 2004.

	Governmental Activities		Business Type Activities		Total		Total Percentage Change 2005 - 2004
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	
Current and other assets	\$ 277,355.	\$ 313,899.	\$ 347,555.	\$ 325,310.	\$ 624,910.	\$ 639,209.	2%
Capital assets	380,105.	240,235.	740,953.	755,710.	1,121,058.	995,945.	13%
Total assets	\$ 657,460.	\$ 554,134.	\$ 1,088,508.	\$ 1,081,020.	\$ 1,745,968.	\$ 1,635,154.	7%
Long-term debt outstanding	\$	\$	\$ 455,000.	\$ 500,000.	\$ 455,000.	\$ 500,000.	(9%)
Other liabilities	10,490.	17,819.	30,370.	14,889.	40,860.	32,708.	25%
Total liabilities	\$ 10,490.	\$ 17,819.	\$ 485,370.	\$ 514,889.	\$ 495,860.	\$ 532,708.	(7%)
Net assets							
Invested in capital assets, net of related debt	\$ 380,105.	\$ 368,181.	\$ 260,953.	\$ 255,710.	\$ 641,058.	\$ 623,891.	3%
Restricted	140,531.	168,134.			140,531.	168,134.	(16%)
Unrestricted	126,334.		342,185.	310,422.	468,519.	310,422.	51%
Total net assets	\$ 646,970.	\$ 536,315.	\$ 603,138.	\$ 566,132.	\$ 1,250,108.	\$ 1,102,447.	13%

Net assets of the City's governmental activities increased 21% to approximately \$647 thousand. However, approximately \$521 thousand of those net assets either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, equipment, vehicles and so on). Consequently, unrestricted net assets showed only \$126 thousand at the end of this year. Changes between 2005 and 2004 reflect a favorable increase of 13% in total activities and an increase of 21% for governmental activities and 7% for business-type activities.

Changes in Net Assets - Modified Cash Basis

For the year ended December 31, 2005, net assets of the primary government (resulting from modified cash basis transactions) changed as follows:

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>		<u>Total Percentage Change 2005 - 2004</u>
	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	<u>Dec. 31, 2005</u>	<u>Dec. 31, 2004</u>	
	Revenues -						
Program revenues							
Charges for services	\$ 67,075.	\$ 63,435.	\$ 279,234.	\$ 274,948.	\$ 346,309.	\$ 338,383.	2%
Grant revenue	8,000.	8,139.			8,000.	8,139.	(2%)
General revenues							
Taxes	538,899.	448,882.			538,899.	448,882.	20%
Interest revenue	3,328.	2,954.	6,516.	3,906.	9,844.	6,860.	43%
Miscellaneous	13,643.	18,414.	2,545.	118.	16,188.	18,532.	(13%)
Total revenues	<u>\$ 630,945.</u>	<u>\$ 541,824.</u>	<u>\$ 288,295.</u>	<u>\$ 278,972.</u>	<u>\$ 919,240.</u>	<u>\$ 820,796.</u>	12%
Expenses -							
General Dept.	\$ 173,828.	\$ 183,526.	\$	\$	\$ 173,828.	\$ 183,526.	(5%)
Police Dept.	226,038.	242,676.			226,038.	242,676.	(7%)
Street Dept.	98,305.	137,184.			98,305.	137,184.	(28%)
Park Dept.	18,019.	17,651.			18,019.	17,651.	2%
Municipal Court Dept.	2,881.	3,649.			2,881.	3,649.	(21%)
Animal Control Dept.	1,219.	1,162.			1,219.	1,162.	5%
Water and sewer.			251,289.	253,699.	251,289.	253,699.	(1%)
Total expenses	<u>\$ 520,290.</u>	<u>\$ 585,848.</u>	<u>\$ 251,289.</u>	<u>\$ 253,699.</u>	<u>\$ 771,579.</u>	<u>\$ 839,547.</u>	(8%)
Increase (Decrease) in net assets	<u>\$ 110,655.</u>	<u>\$ (44,024.)</u>	<u>\$ 37,006.</u>	<u>\$ 25,273.</u>	<u>\$ 147,661.</u>	<u>\$ (18,751.)</u>	

Governmental Activities

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

For the year ended December 31, 2005, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$520,290.00. Of these total expenses, taxpayers and other general revenues funded \$555,870.00, while those directly benefiting from the program funded \$8,000.00 from grants and other contributions and \$67,075.00 from charges for services.

Net Cost of City of Gerald's Governmental Activities - Modified Cash Basis

	<u>Total Cost of Services</u>		<u>Percentage</u>	<u>Net Cost of Services</u>		<u>Percentage</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
			<u>2005 - 2004</u>			<u>2005 - 2004</u>
General Dept.	\$ 173,829.	\$ 179,329.	(3%)	\$ 116,893.	\$ 125,359.	(7%)
Municipal Court	2,881.	3,649.	(21%)	2,881.	3,649.	(21%)
Police Dept.	226,038.	232,760.	(3%)	215,898.	210,557.	3%
Street Dept.	98,305.	114,651.	(14%)	90,305.	114,651.	(21%)
Park Dept.	18,019.	24,518.	(27%)	18,019.	24,518.	(27%)
Animal Control	<u>1,219.</u>	<u>1,162.</u>	5%	<u>1,219.</u>	<u>1,162.</u>	5%
 Total	 <u>\$ 520,291.</u>	 <u>\$ 556,069.</u>	 (6%)	 <u>\$ 445,215.</u>	 <u>\$ 479,896.</u>	 (7%)

Business-type Activities

Revenues of the City's business-type activities (water and sewerage system) increased from \$278,972.00 for the year ended December 31, 2004 to \$288,295.00 for the year ended December 31, 2005. The operating expenses decreased from \$253,699.00 for the year ended December 31, 2004 to \$251,289.00 for the year ended December 31, 2005.

A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- The Special Revenue Fund reported revenues of \$38,519.00 and expenditures of \$26,602.00, resulting in an increase in fund balance of \$11,917.00.

General Fund Budgetary Highlights

Over the course of the year, the Board of Aldermen revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended December 31, 2005, General Fund expenditures were \$24,442.00 below final appropriations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - Modified Cash Basis

At December 31, 2005, the City had \$1,121,059.00 invested in capital assets, net of depreciation, including buildings, equipment and vehicles. This represents a net increase of \$125,114.00 or 13% above last year.

PRIMARY GOVERNMENT CAPITAL ASSETS - MODIFIED CASH BASIS
(Net of accumulated depreciation)

	Governmental Activities		Business-Type Activities		Total	
	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2004
Land	\$ 59,570.	\$ 59,570.	\$ 27,193.	\$ 27,193.	\$ 86,763.	\$ 86,763.
Buildings	59,851.	65,246.	12,267.	14,566.	72,118.	79,812.
Improvements	214,870.	58,221.	685,098.	689,320.	899,968.	747,541.
Machinery & equipment	20,955.	22,682.	7,798.	10,971.	28,753.	33,653.
Office equipment	0.	0.	1,014.	1,383.	1,014.	1,383.
Vehicles	24,860.	34,516.	7,583.	12,277.	32,443.	46,793.
Totals	\$ 380,106.	\$ 240,235.	\$ 740,953.	\$ 755,710.	\$ 1,121,059.	\$ 995,945.

This year's more significant capital asset additions included:

4 th and Pine Street improvements	\$ 160,039.
Park walkway	13,317.
Water and sewer improvements	38,211.

Long-Term Debt - Modified Cash Basis

At December 31, 2005, the City had \$480,000.00 in long-term debt arising from cash transactions, compared to \$500,000.00 at December 31, 2004. This represents a decrease of 4%. At December 31, 2005, \$0.00 of the debt is related to governmental activities and \$480,000.00 is related to business-type activities.

Primary Government Long-Term Debt - Modified Cash Basis

<u>Business-type Activities</u>	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Certificates of Participation	\$ 480,000.	\$ 500,000.
Total Business-type Activities	\$ 480,000.	\$ 500,000.
TOTALS	\$ 500,000.	\$ 500,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the year ending December 31, 2006, the budget is fairly consistent with the December 31, 2005 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's financial condition and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at City Hall, 106 E. Fitzgerald, Gerald, Missouri 63037.

BASIC FINANCIAL STATEMENTS

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

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

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

CITY OF GERALD, MISSOURI

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and restricted cash	\$ 277,354.82	\$ 346,383.60	\$ 623,738.42
Due from other funds		1,171.40	1,171.40
Capital assets:			
Land	59,570.09	27,193.00	86,763.09
Other capital assets, net of accumulated depreciation	<u>320,535.56</u>	<u>713,760.38</u>	<u>1,034,295.94</u>
TOTAL ASSETS	<u>\$ 657,460.47</u>	<u>\$ 1,088,508.38</u>	<u>\$ 1,745,968.85</u>
<u>LIABILITIES</u>			
Bail bonds payable	\$ 600.00	\$	\$ 600.00
Water meter deposits		5,370.00	5,370.00
Due to other funds	1,171.40		1,171.40
Note payable	8,719.00		8,719.00
Long-term liabilities:			
Due within one year		25,000.00	25,000.00
Due in more than one year		<u>455,000.00</u>	<u>455,000.00</u>
TOTAL LIABILITIES	<u>\$ 10,490.40</u>	<u>\$ 485,370.00</u>	<u>\$ 495,860.40</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 380,105.65	\$ 260,953.38	\$ 641,059.03
Restricted for:			
Road improvements	140,530.75		140,530.75
Unrestricted	<u>126,333.67</u>	<u>342,185.00</u>	<u>468,518.67</u>
TOTAL NET ASSETS	<u>\$ 646,970.07</u>	<u>\$ 603,138.38</u>	<u>\$ 1,250,108.45</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General Department	\$ 173,829.37	\$ 56,934.47	\$	\$	\$ (116,894.90)	\$	\$ (116,894.90)
Police Department	226,038.29	10,140.65			(215,897.64)		(215,897.64)
Municipal Court	2,880.72				(2,880.72)		(2,880.72)
Animal Control	1,218.77				(1,218.77)		(1,218.77)
Street Department	98,304.51		8,000.00		(90,304.51)		(90,304.51)
Park Department	18,018.82				(18,018.82)		(18,018.82)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 520,290.48	\$ 67,075.12	\$ 8,000.00	\$ 0.00	\$ (445,215.36)	\$ 0.00	\$ (445,215.36)
Business-type activities:							
Water and sewer	\$ 251,288.66	\$ 279,233.16	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,944.50	\$ 27,944.50
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 251,288.66	\$ 279,233.16	\$ 0.00	\$ 0.00	\$ 0.00	\$ 27,944.50	\$ 27,944.50
TOTAL GOVERNMENT (forward)	\$ 771,579.14	\$ 346,308.28	\$ 8,000.00	\$ 0.00	\$ (445,215.36)	\$ 27,994.50	\$ (417,270.86)

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2005

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
TOTAL GOVERNMENT (forward)	\$ (445,215.36)	\$ 27,944.50	\$ (417,270.86)
General Revenues:			
Sales, franchise and property taxes	\$ 538,899.37	\$	\$ 538,899.37
Miscellaneous	13,642.60	2,545.27	16,187.87
Investment income	<u>3,328.03</u>	<u>6,516.43</u>	<u>9,844.46</u>
TOTAL GENERAL REVENUES	\$ <u>555,870.00</u>	\$ <u>9,061.70</u>	\$ <u>564,931.70</u>
CHANGES IN NET ASSETS	\$ 110,654.64	\$ 37,006.20	\$ 147,660.84
<u>NET ASSETS - Beginning</u>	<u>536,315.43</u>	<u>566,132.18</u>	<u>1,102,447.61</u>
<u>NET ASSETS - Ending</u>	\$ <u>646,970.07</u>	\$ <u>603,138.38</u>	\$ <u>1,250,108.45</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund (Park)</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 96,901.11	\$ 39,922.96	\$ 136,824.07
Restricted assets:			
Cash	<u>140,530.75</u>	<u> </u>	<u>140,530.75</u>
TOTAL ASSETS	<u>\$ 237,431.86</u>	<u>\$ 39,922.96</u>	<u>\$ 277,354.82</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Bail bonds payable	\$ 600.00	\$	\$ 600.00
Note payable	8,719.00		8,719.00
Due to other funds	<u>1,171.40</u>	<u> </u>	<u>1,171.40</u>
TOTAL LIABILITIES	<u>\$ 10,490.40</u>	<u>\$ 0.00</u>	<u>\$ 10,490.40</u>
Fund Balances:			
Reserved for road improvements	\$ 140,530.75	\$	\$ 140,530.75
Unreserved	<u>86,410.71</u>	<u>39,922.96</u>	<u>126,333.67</u>
TOTAL FUND BALANCES	<u>\$ 226,941.46</u>	<u>\$ 39,922.96</u>	<u>\$ 266,864.42</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 237,431.86</u>	<u>\$ 39,922.96</u>	

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$601,017.41, net of
accumulated depreciation of \$220,911.76, are not financial resources, and
therefore, are not reported in the funds.

\$ 380,105.65

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 646,970.07

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005**

	General Fund	Special Revenue Fund (Park)	Total Governmental Funds
<u>REVENUES</u>			
Taxes, penalties and interest	\$ 501,931.52	\$ 36,967.85	\$ 538,899.37
Fines and forfeitures	9,640.65		9,640.65
Charges for services	48,629.40		48,629.40
Licenses and permits	2,545.85		2,545.85
Lease revenue	4,600.00		4,600.00
Interest revenue	3,074.35	253.68	3,328.03
Grant revenue	8,000.00		8,000.00
Other	<u>14,004.22</u>	<u>1,297.60</u>	<u>15,301.82</u>
TOTAL REVENUES	\$ <u>592,425.99</u>	\$ <u>38,519.13</u>	\$ <u>630,945.12</u>
<u>EXPENDITURES</u>			
General Department	\$ 169,158.80	\$	\$ 169,158.80
Police Department	218,673.29		218,673.29
Municipal Court	2,880.72		2,880.72
Animal Control	1,218.77		1,218.77
Street Department	78,505.66		78,505.66
Park Department		13,285.45	13,285.45
Capital Outlay:			
Current expenditures	<u>163,120.99</u>	<u>13,317.00</u>	<u>176,437.99</u>
TOTAL EXPENDITURES	\$ <u>633,558.23</u>	\$ <u>26,602.45</u>	\$ <u>660,160.68</u>
<u>NET CHANGE IN FUND BALANCES</u>	\$ (41,132.24)	\$ 11,916.68	\$ (29,215.56)
<u>FUND BALANCE - Beginning of year</u>	<u>268,073.70</u>	<u>28,006.28</u>	<u>296,079.98</u>
<u>FUND BALANCE - End of year</u>	\$ <u>226,941.46</u>	\$ <u>39,922.96</u>	\$ <u>266,864.42</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005**

	Total Governmental Funds
Reconciliation to the Statement of Activities	\$ (29,215.56)
Net change in fund balances - total governmental funds	
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense as to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	176,437.99
Depreciation expense	<u>(36,567.79)</u>
Change in Net Assets of Governmental Activities	<u>\$ 110,654.64</u>

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND (WATER AND SEWER)
DECEMBER 31, 2005**

**Enterprise
Fund**

ASSETS

Current Assets:

Cash and cash equivalents
Due from other funds

\$ 346,383.60
1,171.40

TOTAL CURRENT ASSETS

\$ 347,555.00

Noncurrent Assets:

Land
Capital assets, net of accumulated depreciation

\$ 27,193.00
713,760.38

TOTAL NONCURRENT ASSETS

\$ 740,953.38

TOTAL ASSETS

\$ 1,088,508.38

LIABILITIES

Current Liabilities:

Certificates of participation

\$ 25,000.00

TOTAL CURRENT LIABILITIES

\$ 25,000.00

Noncurrent Liabilities:

Water meter deposits
Certificates of participation

\$ 5,370.00
455,000.00

TOTAL NONCURRENT LIABILITIES

\$ 460,370.00

TOTAL LIABILITIES

\$ 485,370.00

NET ASSETS

Invested in capital assets, net of related debt
Unrestricted

\$ 260,953.38
342,185.00

TOTAL NET ASSETS

\$ 603,138.38

See accompanying notes to the basic financial statements.

CITY OF GERALD, MISSOURI

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUND (WATER AND SEWER)
YEAR ENDED DECEMBER 31, 2005**

	<u>Enterprise Fund</u>
<u>OPERATING REVENUES</u>	
Charges for services	\$ <u>279,233.16</u>
TOTAL OPERATING REVENUES	\$ <u>279,233.16</u>
<u>OPERATING EXPENSES</u>	
Salaries and payroll taxes	\$ 71,182.81
Insurance	22,782.03
Depreciation	52,968.17
Repairs and maintenance	25,917.41
Other operating expenses	<u>50,819.99</u>
TOTAL OPERATING EXPENSES	\$ <u>223,670.41</u>
OPERATING INCOME (LOSS)	\$ <u>55,562.75</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Investment income	\$ 6,516.43
Miscellaneous income	2,545.27
Interest expense	<u>(27,618.25)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$ <u>(18,556.55)</u>
CHANGE IN NET ASSETS	\$ 37,006.20
<u>TOTAL NET ASSETS</u> - Beginning of year	<u>566,132.18</u>
<u>TOTAL NET ASSETS</u> - End of year	\$ <u>603,138.38</u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF GERALD, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1(C), these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

A. Financial Reporting Entity

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

Primary Government: City of Gerald, Missouri

Component Units: None

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

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and

- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5% of the corresponding total for all governmental funds combined.

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

Governmental Funds

General Fund

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

Special Revenue Fund

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

Proprietary Funds

Enterprise Fund

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

C. Measurement Focus and Basis of Accounting

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

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

“Cash and cash equivalents” includes all demand and savings accounts, and certificates of deposit.

Capital Assets

The City’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

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

	<u>Dollars</u>
- Land	\$ 0
- Buildings	0
- Machinery, furniture and equipment	1,000
- Vehicles	5,000
- Office equipment	1,000
- Street improvements	25,000
- Water/Sewer improvements	5,000
- Park improvements	5,000

The range of estimated useful lives by type of asset is as follows:

- Buildings	10 - 30 years
- Improvements other than buildings	10 years
- Machinery, furniture and equipment	5 - 10 years
- Utility property and improvements	30 years
- Vehicles	5 years

Fund Financial Statements

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

Long-Term Debt

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

Long-term debt arising from cash transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest is reported as expenditures.

Compensated Absences

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

Equity Classification

Government-Wide Statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of

any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Financial Statements:

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

E. Property Tax

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

F. Revenues, Expenditures and Expenses

Program Revenues

In the Statement of Activities, modified cash basis revenues that are directly derived from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General Government	Licenses and permits; trash collections
Police Department	Fine revenue
Municipal Court	None
Animal Control	None
Street Department	Operating grants
Park Department	None

All other revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenue and expenses include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

G. Use of Estimates

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

H. Post-Employment Health Care Benefits

The City provides health care benefits to eligible former employees and eligible dependents as required by Missouri Statute. There is no associated cost to the City under this program, and there are no participants in the program as of December 31, 2005.

2. CASH AND CASH EQUIVALENTS

The City has determined through experience that interest-bearing checking accounts, certificates of deposit, repurchase agreements, United States Government Obligations, bonds, notes or other obligations of the State of Missouri, and any other securities or investments that are lawful for the investment of monies held in such funds or accounts under the law of the State of Missouri are appropriate types of deposits and investments for its needs.

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 354,057.73
Collateralized:	
Collateral held by City's agent in the City's name	0.00
Collateral held by pledging bank's trust department in the City's name	303,563.09
Collateral held by pledging bank's trust department not in the City's name	0.00
Uninsured and Uncollateralized	<u>0.00</u>
Total	<u>\$ 657,620.82</u>

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2005, \$0.00 of the City's bank balance of \$657,620.82 was exposed to credit risk as follows:

<u>Type of Deposit</u>	<u>Custody Credit Risk Amount</u>
Uninsured and Uncollateralized	\$ 0.00
Uninsured and collateralized by pledging bank's trust department not in the City's name	<u>0.00</u>
Total	<u>\$ 0.00</u>

3. RESTRICTED ASSETS

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

<u>Type of Restricted Assets</u>	<u>Governmental-Type Activities</u>
----------------------------------	---

Cash and cash equivalents:	
Transportation sales tax	\$ <u>140,530.75</u>

4. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended December 31, 2005 was as follows:

	<u>Balance at January 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at Dec. 31, 2005</u>
<u>Governmental Activities:</u>				
Land	\$ 59,570.09	\$ 0.00	\$ 0.00	\$ 59,570.09
Buildings	175,710.32	0.00	0.00	175,710.32
Improvements	108,395.90	173,355.99	0.00	281,751.89
Machinery and equipment	32,621.11	3,082.00	0.00	35,703.11
Vehicles	<u>48,282.00</u>	<u>0.00</u>	<u>0.00</u>	<u>48,282.00</u>
Totals at historical cost	<u>\$ 424,579.42</u>	<u>\$ 176,437.99</u>	<u>\$ 0.00</u>	<u>\$ 601,017.41</u>
Less accumulated depreciation:				
Buildings	\$ 110,464.50	\$ 5,394.80	\$ 0.00	\$ 115,859.30
Improvements	50,174.60	16,707.21	0.00	66,881.81
Machinery and equipment	9,939.00	4,809.38	0.00	14,748.38
Vehicles	<u>13,765.87</u>	<u>9,656.40</u>	<u>0.00</u>	<u>23,422.27</u>
Total accumulated depreciation	<u>\$ 184,343.97</u>	<u>\$ 36,567.79</u>	<u>\$ 0.00</u>	<u>\$ 220,911.76</u>
Governmental activities capital assets, net	<u>\$ 240,235.45</u>	<u>\$ 139,870.20</u>	<u>\$ 0.00</u>	<u>\$ 380,105.65</u>
<u>Business-Type Activities</u>				
Land	\$ 27,193.00	\$ 0.00	\$ 0.00	\$ 27,193.00
Buildings	62,989.50	0.00	0.00	62,989.50
Machinery and equipment	82,233.14	0.00	0.00	82,233.14
Office equipment	1,844.00	0.00	0.00	1,844.00
Improvements	1,254,570.63	38,211.10	0.00	1,292,781.73
Vehicles	<u>38,221.02</u>	<u>0.00</u>	<u>0.00</u>	<u>38,221.02</u>
Total at historical cost	<u>\$1,467,051.29</u>	<u>\$ 38,211.10</u>	<u>\$ 0.00</u>	<u>\$1,505,262.39</u>
Less accumulated depreciation:				
Buildings	\$ 48,423.55	\$ 2,298.95	\$ 0.00	\$ 50,722.50
Machinery and equipment	71,262.06	3,173.32	0.00	74,435.38
Improvements	565,250.67	42,432.97	0.00	607,683.64
Office equipment	461.00	368.80	0.00	829.80
Vehicles	<u>25,943.56</u>	<u>4,694.13</u>	<u>0.00</u>	<u>30,637.69</u>
Total accumulated depreciation	<u>\$ 711,340.84</u>	<u>\$ 52,968.17</u>	<u>\$ 0.00</u>	<u>\$ 764,309.01</u>
Business-type activities capital assets, net	<u>\$ 755,710.45</u>	<u>\$ (14,757.07)</u>	<u>\$ 0.00</u>	<u>\$ 740,953.38</u>

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

General	\$	4,670.57
Police		7,365.00
Streets		19,798.85
Park		<u>4,733.37</u>
Total depreciation expense for governmental activities	\$	<u>36,567.79</u>
Business-Type Activities:		
Water and sewer	\$	<u>52,968.17</u>
Total depreciation expense for business-type activities	\$	<u>52,968.17</u>

5. LONG-TERM DEBT

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

Governmental Activities

As of December 31, 2005, the long-term debt, arising from cash transactions, payable from the governmental fund resources consisted of the following:

Business-Type Activities

As of December 31, 2005, the long-term debt, arising from cash transactions, payable from proprietary fund resources consisted of the following:

• 2001 Certificates of Participation, payable in semi-annual installments, with interest varying from 3.75% to 5.5%. Final payment due September 1, 2021.	\$	<u>480,000.00</u>
Total	\$	<u>480,000.00</u>

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2005:

<u>Type of Debt</u>	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Dec. 31, 2005</u>	<u>Amount Due Within One Year</u>
Business-Type Activities:					
2001 Certificates of Participation	\$ <u>500,000.00</u>	\$ <u>0.00</u>	\$ <u>20,000.00</u>	\$ <u>480,000.00</u>	\$ <u>25,000.00</u>
Total Business-Type Activities	\$ <u>500,000.00</u>	\$ <u>0.00</u>	\$ <u>20,000.00</u>	\$ <u>480,000.00</u>	\$ <u>25,000.00</u>

- A. The composition of bonds payable at December 31, 2005, including the principal and interest maturity schedule on outstanding bonds is as follows:

2001 Certificates of Participation

Dated - September 1, 2001

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

<u>Payment Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Payment</u>
03/01/2006	\$	\$ 12,693.75	\$ 12,693.75
09/01/2006	25,000.00	12,693.75	37,693.75
03/01/2007		12,168.75	12,168.75
09/01/2007	25,000.00	12,168.75	37,168.75
03/01/2008		11,512.50	11,512.50
09/01/2008	20,000.00	11,512.50	31,512.50
03/01/2009		10,987.50	10,987.50
09/01/2009	25,000.00	10,987.50	35,987.50
03/01/2010		10,331.25	10,331.25
09/01/2010	25,000.00	10,331.25	35,331.25
03/01/2011		9,675.00	9,675.00
09/01/2011	30,000.00	9,675.00	39,675.00
03/01/2012		8,887.50	8,887.50
09/01/2012	30,000.00	8,887.50	38,887.50
03/01/2013		8,100.00	8,100.00
09/01/2013	30,000.00	8,100.00	38,100.00
03/01/2014		7,312.50	7,312.50
09/01/2014	30,000.00	7,312.50	37,312.50
03/01/2015		6,525.00	6,525.00
09/01/2015	30,000.00	6,525.00	36,525.00
03/01/2016		5,737.50	5,737.50
09/01/2016	30,000.00	5,737.50	35,737.50
03/01/2017		4,950.00	4,950.00
09/01/2017	30,000.00	4,950.00	34,950.00
03/01/2018		4,125.00	4,125.00
09/01/2018	35,000.00	4,125.00	39,125.00
03/01/2019		3,162.50	3,162.50
09/01/2019	35,000.00	3,162.50	38,162.50
03/01/2020		2,200.00	2,200.00
09/01/2020	40,000.00	2,200.00	42,200.00
03/01/2021		1,100.00	1,100.00
09/01/2021	40,000.00	1,100.00	41,100.00
	<u>\$ 480,000.00</u>	<u>\$ 238,937.50</u>	<u>\$ 718,937.50</u>

The maturity and interest rate schedule is as follows:

**SERIAL BONDS
MATURITY SCHEDULE**

<u>Period Ending</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
09/01/2006	\$ 25,000.00	4.20%
09/01/2007	25,000.00	5.25%
09/01/2008	20,000.00	5.25%
09/01/2009	25,000.00	5.25%
09/01/2010	<u>25,000.00</u>	5.25%
Total	<u>\$ 120,000.00</u>	

TERM BONDS

09/01/2016	\$ 180,000.00	5.25%
09/01/2021	<u>180,000.00</u>	5.50%
Total	<u>\$ 360,000.00</u>	

6. SHORT-TERM DEBT - INSTALLMENT LOAN

The City financed a new police car with an installment loan.

Short-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Installment loan	\$ <u>15,719.00</u>	\$ <u>0.00</u>	\$ <u>7,000.00</u>	\$ <u>8,719.00</u>

The loan matures on July 14, 2006.

7. RISK MANAGEMENT

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

Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

8. ASSESSED VALUATION AND TAX LEVY

<u>Assessed Valuation</u>	<u>Aggregate Assessed Valuation</u> <u>2 0 0 5</u>	<u>Aggregate Assessed Valuation</u> <u>2 0 0 4</u>
Real estate	\$ 11,157,403.00	\$ 9,790,494.00
Personal property	3,584,231.00	3,532,872.00
Railroad and utility	<u>1,018,363.00</u>	<u>964,248.00</u>
	<u>\$ 15,759,997.00</u>	<u>\$ 14,287,614.00</u>
 <u>Tax Levy per \$100 of Assessed Valuation:</u>		
General Fund	\$.80	\$.80
Park Fund	<u>.22</u>	<u>.22</u>
TOTAL	<u>\$ 1.02</u>	<u>\$ 1.02</u>
 <u>TOTAL TAXES ASSESSED</u>	 <u>\$ 160,751.97</u>	 <u>\$ 145,733.66</u>
 <u>TOTAL TAXES COLLECTED</u>	 <u>\$ 18,235.86</u>	 <u>\$ 152,911.57</u>

The receipts of current and delinquent taxes during the year ended December 31, 2005 aggregated approximately 11.3% of the 2005 assessed taxes and 104.9% of the 2004 assessed taxes.

9. LEASE

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

10. INTERFUND BALANCES

Interfund balances at December 31, 2005, consist of the following:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General	\$ 0.00	\$ 1,771.40
Enterprise	<u>1,771.40</u>	<u>0.00</u>
 TOTAL	 <u>\$ 1,771.40</u>	 <u>\$ 1,771.40</u>

During the year, the Enterprise fund expended monies for the General fund. The reimbursement was not made before the year-end.

11. LAGERS PENSION PLAN

A. Plan Description

The City of Gerald participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600 - 70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a and it is tax-exempt.

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

B. Funding Status

The City of Gerald's full-time employees contribute 4% of their gross pay to the pension plan. The political subdivision is required to contribute at an actuarially determined rate; the current rate is 6.1% (general), 5.4% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost

For 2005, the political subdivision's annual pension cost of \$21,259.00 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2003 and/or February 29, 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 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The amortization period at February 28, 2005 was 28 years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/03	\$ 5,408.	100%	\$ 0.
6/30/04	\$ 24,782.	100%	\$ 0.
6/30/05	\$ 21,259.	100%	\$ 0.

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percentage of Covered Payroll</u>
2/29/04	\$ 26,328.	\$ 130,114.	\$ 103,786.	20%	\$ 229,131.	45%
2/28/05	\$ 50,025.	\$ 155,535.	\$ 105,510.	32%	\$ 184,346.	57%

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, please contact the LAGERS office in Jefferson City.

12. CITY OFFICIALS

Mayor	Diane Ballard
President of the Board of Aldermen	Marie Wright
Alderman	Larry Long
Alderman	Richard Pierce
Alderman	Dan Maxwell
City Clerk	Beverly Maples
Deputy City Clerk	Carmen Angell

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF GERALD, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 268,073.70	\$ 268,073.70	\$ 268,073.70
<u>RESOURCES (inflows):</u>			
General Department:			
Sales tax	126,000.00	132,000.00	132,630.86
Motor vehicle sales tax, fee increase and motor fuel tax	49,000.00	49,000.00	48,427.83
County surtax	20,500.00	20,500.00	21,966.33
Railroad and utility tax	8,600.00	8,600.00	9,586.47
Financial institution tax	0.00	0.00	70.92
Property taxes	140,000.00	140,000.00	102,626.78
Merchants license	1,900.00	1,900.00	2,545.85
Franchise tax	60,000.00	60,000.00	64,243.38
Police collections	15,000.00	15,000.00	9,640.65
Lease - Bull Moose	4,600.00	4,600.00	4,600.00
Interest revenue	2,600.00	2,600.00	2,784.38
Reimbursements	3,000.00	3,000.00	479.22
Zoning fees	1,600.00	1,600.00	680.00
Road and bridge tax	40,000.00	0.00	0.00
Park payroll reimbursement	8,000.00	8,000.00	8,343.00
Trash collections	47,500.00	47,500.00	48,629.40
Post commission	500.00	500.00	500.00
Grant revenue	8,000.00	0.00	0.00
Miscellaneous	0.00	0.00	125.00
Street Department:			
Transportation sales tax	63,000.00	63,000.00	63,231.79
Interest revenue	200.00	200.00	289.97
Road and bridge tax	0.00	40,000.00	59,147.16
Grant revenue	0.00	8,000.00	8,000.00
Curbing reimbursement	0.00	13,000.00	3,877.00
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ 868,073.70	\$ 887,073.70	\$ 860,499.69
<u>CHARGES TO APPROPRIATIONS (outflows):</u>			
General Department:			
Current -			
Salaries and payroll taxes	\$ 42,850.00	\$ 42,850.00	\$ 36,527.31
Health insurance	17,605.00	17,605.00	17,389.11
Administrative expense	8,000.00	10,000.00	10,626.32
Legal fees	16,000.00	18,000.00	18,280.39
City Hall maintenance	1,000.00	1,000.00	443.67
Supplies and expense	9,000.00	12,000.00	13,962.41
Planning and zoning administrator	400.00	400.00	315.00
Miscellaneous	200.00	9,200.00	2,684.88
Insurance	17,300.00	17,300.00	17,191.00

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (outflows) cont:</u>			
Lagers - Retirement	\$ 1,730.00	\$ 1,730.00	\$ 1,733.11
Trash service	47,500.00	49,000.00	49,503.30
Workers compensation insurance	1,625.00	1,625.00	502.00
Capital Outlay - Equipment	<u>1,000.00</u>	<u>1,000.00</u>	<u>1,657.00</u>
TOTAL GENERAL DEPARTMENT	\$ <u>164,210.00</u>	\$ <u>181,710.00</u>	\$ <u>170,815.80</u>
 Police Department:			
Current-			
Salaries and payroll taxes	\$ 142,280.00	\$ 137,280.00	\$ 136,571.68
Health insurance	50,400.00	45,400.00	38,354.19
Equipment repairs	3,000.00	3,000.00	2,038.00
Gas and oil	5,000.00	5,000.00	6,376.72
Operating expenses	5,000.00	5,000.00	10,706.79
Training expense	1,000.00	1,000.00	628.69
Interest expense	0.00	0.00	382.20
Grant expense	1,000.00	0.00	0.00
Lagers - Retirement	6,715.00	6,715.00	6,048.02
Liability insurance	2,500.00	2,500.00	2,479.00
Clothing allowance	2,400.00	2,400.00	1,440.00
Worker's compensation insurance	13,000.00	13,000.00	13,648.00
Capital Outlay - Machinery and equipment	<u>7,835.00</u>	<u>7,835.00</u>	<u>1,425.00</u>
TOTAL POLICE DEPARTMENT	\$ <u>240,130.00</u>	\$ <u>229,130.00</u>	\$ <u>220,098.29</u>
 Municipal Court:			
Current-			
Salaries and payroll taxes	\$ 1,775.00	\$ 1,775.00	\$ 1,793.42
Office supplies and expenses	<u>1,775.00</u>	<u>1,775.00</u>	<u>1,087.30</u>
TOTAL MUNICIPAL COURT	\$ <u>3,550.00</u>	\$ <u>3,550.00</u>	\$ <u>2,880.72</u>
 Animal Control:			
Current-			
Salaries and payroll taxes	\$ 0.00	\$ 0.00	\$ 366.50
Operating expenses	<u>2,500.00</u>	<u>2,500.00</u>	<u>852.27</u>
TOTAL ANIMAL CONTROL	\$ <u>2,500.00</u>	\$ <u>2,500.00</u>	\$ <u>1,218.77</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>
	<u>Original</u>	<u>Final</u>	
<u>CHARGES TO APPROPRIATIONS (outflows) cont:</u>			
Street Department:			
Current -			
Salaries and payroll taxes	\$ 37,100.00	\$ 37,100.00	\$ 42,606.54
Health insurance	9,100.00	9,100.00	7,663.80
Street repair and maintenance	5,000.00	2,500.00	2,211.43
Operating expenses	0.00	0.00	12,094.20
Street lights	12,000.00	12,000.00	11,455.39
Upgrade equipment	5,000.00	0.00	0.00
Lagers - Retirement	1,410.00	1,410.00	416.76
Miscellaneous	8,000.00	8,000.00	256.14
Worker's compensation insurance	8,000.00	3,000.00	1,801.40
Capital Outlay -			
Street improvements	63,000.00	163,000.00	160,038.99
Engineering fees	10,000.00	5,000.00	0.00
TOTAL STREET DEPARTMENT	<u>\$ 158,610.00</u>	<u>\$ 241,110.00</u>	<u>\$ 238,544.65</u>
TOTAL CHARGES TO APPROPRIATIONS	<u>\$ 569,000.00</u>	<u>\$ 658,000.00</u>	<u>\$ 633,558.23</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	<u>\$ 299,073.70</u>	<u>\$ 229,073.70</u>	<u>\$ 226,941.46</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
SPECIAL REVENUE FUND (PARK)
YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 28,006.28	\$ 28,006.28
<u>RESOURCES (inflows):</u>		
Taxes, penalties and interest	30,482.95	36,967.85
Interest revenue	200.00	253.68
Miscellaneous	<u>750.00</u>	<u>1,297.60</u>
AMOUNTS AVAILABLE FOR APPROPRIATION	\$ <u>59,439.23</u>	\$ <u>66,525.41</u>
<u>CHARGES TO APPROPRIATIONS (outflows):</u>		
Current-		
Wages	\$ 8,200.00	\$ 8,343.00
Electric	1,300.00	1,394.30
Maintenance and repairs	3,000.00	1,668.10
Gas and oil	700.00	733.98
Supplies	700.00	1,046.07
Treasurer's bond	100.00	100.00
Capital outlay	<u>17,432.95</u>	<u>13,317.00</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>31,432.95</u>	\$ <u>26,602.45</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	\$ <u>28,006.28</u>	\$ <u>39,922.96</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF GERALD, MISSOURI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
DECEMBER 31, 2005**

Budgets and Budgetary Practices

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

- a. Prior to December 1, the City Clerk submits to the Board of Aldermen a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures/expenses and the means of financing them.
- b. Public hearings and open meetings of the Board of Aldermen are held to obtain taxpayer comments.
- c. At the December board meeting, the budget is adopted by the Board of Aldermen prior to authorizing any expenditure/expense.
- d. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- e. Any revisions that alter the total expenditures/expenses must be approved by the Board of Aldermen.
- f. Prior to year-end, the Board of Aldermen adopts an amended budget (if necessary), approving any additional expenditures/expenses.
- g. The amended budget for the General and Special Revenue Fund is presented in the Budgetary Comparison Schedules.
- h. All annual appropriations lapse at fiscal year end.

All transfers of appropriations between departments and supplemental appropriations require approval by the Board of Aldermen.

Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.