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Financial Report, 2006

City of Foristell

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SUSAN MONTEE, CPA

Missouri State Auditor

May 1, 2007

City Clerk
City of Foristell
St. Charles County
10 Highway T
Foristell, MO 63348

Fiscal Period: One Year Ended December 31, 2006 ✓

Dear City Clerk:

In accordance with Section 105.145, RSMo, we acknowledge receipt of the financial report of your political subdivision for the above-described fiscal period.

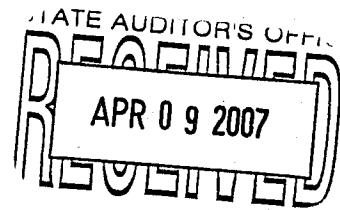
Thank you for your cooperation in sending this information.

Sincerely,

SUSAN MONTEE, CPA
STATE AUDITOR

A handwritten signature in cursive script that reads "Judy Buerky".

Judy Buerky
Local Government Analyst



**CITY OF FORISTELL,
MISSOURI**

**FINANCIAL REPORT
(Audited)**

Year Ended December 31, 2006

CITY OF FORISTELL, MISSOURI
FINANCIAL REPORT

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

INDEPENDENT AUDITORS' REPORT

March 19, 2007

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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 infra-

☐ 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055

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structure 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.

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, 2006 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.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated March 19, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standard* and should be read in conjunction with this report in considering the results of our audit.

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, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hochschild, Bloom & Company LLP
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. 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 \$1,134,417. The City has unrestricted net assets of \$229,736.

As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$281,139.

At the end of the current fiscal year, unreserved fund balance for the General Fund was \$146,114.

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 and sewer operations of the City.

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

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds. It should be noted that the City does not have any fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds 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 funds balance sheet - modified cash basis and the governmental funds 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 funds balance sheet - modified cash basis and in the governmental funds 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 12 through 20 of this report.

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

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 21 through 37 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 39 through 43 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 45 and 46 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS - FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City presents its financial statements under the 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*.

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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
ASSETS						
Current and other assets	\$308,422	512,999	377,704	266,345	686,126	779,344
Capital assets	<u>537,542</u>	<u>245,801</u>	<u>793,489</u>	<u>1,614,882</u>	<u>1,331,031</u>	<u>1,860,683</u>
Total Assets	<u>845,964</u>	<u>758,800</u>	<u>1,171,193</u>	<u>1,881,227</u>	<u>2,017,157</u>	<u>2,640,027</u>
LIABILITIES						
Other liabilities	14,790	22,020	3,156	13,959	17,946	35,979
Long-term liabilities	<u>720,309</u>	<u>693,299</u>	<u>144,485</u>	<u>558,877</u>	<u>864,794</u>	<u>1,252,176</u>
Total Liabilities	<u>735,099</u>	<u>715,319</u>	<u>147,641</u>	<u>572,836</u>	<u>882,740</u>	<u>1,288,155</u>
NET ASSETS						
Invested in capital assets, net of related debt	(93,713)	(99,569)	649,004	1,058,955	555,291	959,386
Restricted for debt service	61,418	21,000	287,972	131,423	349,390	152,423
Unrestricted	<u>143,160</u>	<u>122,050</u>	<u>86,576</u>	<u>118,013</u>	<u>229,736</u>	<u>240,063</u>
Total Net Assets	<u>\$110,865</u>	<u>43,481</u>	<u>1,023,552</u>	<u>1,308,391</u>	<u>1,134,417</u>	<u>1,351,872</u>

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

Governmental and Business-type Activities

Governmental and business-type activities decreased the City's net assets by \$217,455. Key elements of this are as follows:

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
REVENUES						
Program revenues:						
Charges for services	\$469,310	439,223	61,594	137,626	530,904	576,849
Operating grants/ contributions	22,885	13,689	-	-	22,885	13,689
Capital grants/contri- butions	81,001	-	-	-	81,001	-
General revenues:						
Sales taxes	296,097	274,673	103,588	93,688	399,685	368,361
Utility taxes	20,015	18,582	-	-	20,015	18,582
Investment income	2,800	1,461	4,612	2,897	7,412	4,358
Miscellaneous	86,060	37,652	3,582	4,877	89,642	42,529
Gain on sale of capital assets	1,174	-	-	-	1,174	-
Total Revenues	<u>979,342</u>	<u>785,280</u>	<u>173,376</u>	<u>239,088</u>	<u>1,152,718</u>	<u>1,024,368</u>
EXPENSES						
General government	180,107	162,774	-	-	180,107	162,774
Police department	514,595	522,527	-	-	514,595	522,527
Public works	88,120	67,730	-	-	88,120	67,730
Municipal court	88,027	82,469	-	-	88,027	82,469
Interest expense	39,109	14,246	-	-	39,109	14,246
Loss on sale of capital assets	-	-	273,086	-	273,086	-
Water and sewer	-	-	187,129	248,653	187,129	248,653
Total Expenses	<u>909,958</u>	<u>849,746</u>	<u>460,215</u>	<u>248,653</u>	<u>1,370,173</u>	<u>1,098,399</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE TRANSFERS	69,384	(64,466)	(286,839)	(9,565)	(217,455)	(74,031)
TRANSFERS	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGES IN NET ASSETS	67,384	(64,466)	(284,839)	(9,565)	(217,455)	(74,031)
NET ASSETS, JANU- ARY 1	<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>
NET ASSETS, DECEM- BER 31	<u>\$110,865</u>	<u>43,481</u>	<u>1,023,552</u>	<u>1,308,391</u>	<u>1,134,417</u>	<u>1,351,872</u>

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Changes in Net Assets

The decrease in net assets of \$217,455 was largely attributable to the loss on the sale of the water plant.

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.

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, 2006, the General Fund's fund balance was \$167,114.

The fund balance in the City's General Fund's fund increased by \$21,108 or 14% 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 \$86,576. The total decrease in net assets was \$284,839.

Capital Assets

The City has invested \$1,331,031 at December 31, 2006 in a broad range of capital assets, net of depreciation, including buildings, equipment, and automobiles and trucks. This amount represents a net decrease for the current fiscal year (including additions and deductions) of \$529,652. The City's capital assets, net of accumulated depreciation, consisted of:

CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 5,000	5,000	4,021	4,021	9,021	9,021
Construction in progress	-	137,806	-	-	-	137,806
Buildings	26,206	24,611	4,950	6,800	31,156	31,411
Equipment	91,786	78,384	-	208	91,786	78,592
Infrastructure	414,550	-	-	-	414,550	-
Water/Sewer system	-	-	784,518	1,603,853	784,518	1,603,853
Total Capital Assets, Net Of Accumulated Depreciation	\$537,542	245,801	793,489	1,614,882	1,331,031	1,860,683

During the year, the City sold the water system to Public Supply District No. 2 of St Charles County. The water system assets were sold for \$532,582 resulting in a net loss of \$273,086.

Additional information on the City's capital assets can be found starting on page 28 in Note C in the notes to the financial statements.

Long-term Debt

The City had government-wide debt outstanding for December 31, 2006 of \$864,794 compared to \$1,252,176 for December 31, 2005.

The following is a summary of long-term debt:

	Governmental Activities		Business-type Activities		Total Government	
	2006	2005	2006	2005	2006	2005
Special obligation capital improvement bonds	\$144,000	154,000	-	-	144,000	154,000
Sales tax refunding bonds	-	-	100,000	130,000	100,000	130,000
General obligation neighborhood improvement district bonds	539,000	-	-	-	539,000	-
Bond anticipation notes	-	485,000	-	-	-	485,000
Note payable	-	-	44,485	48,736	44,485	48,736
Capital leases	37,309	54,299	-	243,141	37,309	297,440
Certificates of participation	-	-	-	137,000	-	137,000
Total	\$720,309	693,299	144,485	558,877	864,794	1,252,176

**CITY OF FORISTELL, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Additional information on the City's long-term debt can be found starting on page 30 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 \$82,158 over budget mainly due to sales tax fines and court costs.
- Total expenditures were over budget by \$53,196 due to certain expenditures in the police and public works departments.

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, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 228,786	4,417	233,203
Investments	10,920	71,103	82,023
Internal balance	(14,212)	14,212	-
Bond issuance costs	12,493	-	12,493
Cash - restricted	49,435	272,972	322,407
Investments - restricted	21,000	15,000	36,000
Capital assets:			
Land and construction in progress	5,000	4,021	9,021
Other capital assets, net of accumulated depreciation	532,542	789,468	1,322,010
Total Assets	<u>845,964</u>	<u>1,171,193</u>	<u>2,017,157</u>
LIABILITIES			
Other liabilities	14,790	3,156	17,946
Noncurrent liabilities:			
Due within one year	39,167	34,379	73,546
Due in more than one year	681,142	110,106	791,248
Total Liabilities	<u>735,099</u>	<u>147,641</u>	<u>882,740</u>
NET ASSETS			
Invested in capital assets, net of related debt	(93,713)	649,004	555,291
Restricted for debt service	61,418	287,972	349,390
Unrestricted	143,160	86,576	229,736
Total Net Assets	<u>\$ 110,865</u>	<u>1,023,552</u>	<u>1,134,417</u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) 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	\$ 180,107	47,741	-	-	(132,366)	-	(132,366)
Police department	514,595	421,569	8,940	39,000	(45,086)	-	(45,086)
Public works	88,120	-	13,945	42,001	(32,174)	-	(32,174)
Municipal court	88,027	-	-	-	(88,027)	-	(88,027)
Interest expense	39,109	-	-	-	(39,109)	-	(39,109)
Total Governmental Activities	909,958	469,310	22,885	81,001	(336,762)	-	(336,762)
Business-type Activities							
Water and sewer	187,129	61,594	-	-	-	(125,535)	(125,535)
Total	<u>\$ 1,097,087</u>	<u>530,904</u>	<u>22,885</u>	<u>81,001</u>	<u>(336,762)</u>	<u>(125,535)</u>	<u>(462,297)</u>
General Revenues							
Taxes:							
Sales					296,097	103,588	399,685
Utility					20,015	-	20,015
Investment income					2,800	4,612	7,412
Gain (loss) on sale of capital assets					1,174	(273,086)	(271,912)
Miscellaneous					86,060	3,582	89,642
Transfers					(2,000)	2,000	-
Total General Revenues And Transfers					<u>404,146</u>	<u>(159,304)</u>	<u>244,842</u>
CHANGES IN NET ASSETS					67,384	(284,839)	(217,455)
NET ASSETS, JANUARY 1					<u>43,481</u>	<u>1,308,391</u>	<u>1,351,872</u>
NET ASSETS, DECEMBER 31					<u>\$ 110,865</u>	<u>1,023,552</u>	<u>1,134,417</u>

See notes to financial statements

CITY OF FORISTELL, MISSOURI
BALANCE SHEET - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Neighborhood Improvement District</u>	<u>Total</u>
ASSETS			
Cash	\$ 152,225	76,561	228,786
Investments	10,920	-	10,920
Cash - restricted	9,017	40,418	49,435
Investments - restricted	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Total Assets	<u><u>\$ 193,162</u></u>	<u><u>116,979</u></u>	<u><u>310,141</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Payroll taxes payable	\$ 1,791	-	1,791
Court bonds payable	9,017	-	9,017
Performance bonds payable	2,400	-	2,400
Other payables	1,582	-	1,582
Due to other funds	<u>11,258</u>	<u>2,954</u>	<u>14,212</u>
Total Liabilities	<u><u>26,048</u></u>	<u><u>2,954</u></u>	<u><u>29,002</u></u>
Fund Balances			
Reserved for debt service	21,000	40,418	61,418
Unreserved:			
General Fund	146,114	-	146,114
Special Revenue Fund	<u>-</u>	<u>73,607</u>	<u>73,607</u>
Total Fund Balances	<u><u>167,114</u></u>	<u><u>114,025</u></u>	<u><u>281,139</u></u>
Total Liabilities And Fund Balances	<u><u>\$ 193,162</u></u>	<u><u>116,979</u></u>	<u><u>310,141</u></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, 2006

Total Fund Balances - Total Governmental Funds \$ 281,139

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 \$801,962
and the accumulated depreciation is \$264,420. 537,542

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 funds 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 :

Special obligation capital improvement bonds payable	(144,000)
General obligation neighborhood improvement district bonds payable	(539,000)
Capital leases outstanding	(37,309)
Unamortized bond issuance cost for debts issued in the current year	<u>12,493</u>

Total Net Assets Of Governmental Activities \$ 110,865

CITY OF FORISTELL, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>General</u>	<u>Neighborhood Improvement District</u>	<u>Total</u>
REVENUES			
Taxes	\$ 330,057	-	330,057
Licenses and permits	46,070	-	46,070
Fines and court costs	420,569	-	420,569
Investment income	2,298	502	2,800
Special assessments	-	42,001	42,001
Miscellaneous	97,671	-	97,671
Total Revenues	<u>896,665</u>	<u>42,503</u>	<u>939,168</u>
EXPENDITURES			
Current:			
Administration	169,651	-	169,651
Court	84,511	-	84,511
Police	474,938	-	474,938
Public works	75,272	-	75,272
Capital outlay	32,335	287,373	319,708
Debt service:			
Principal retirement	26,990	-	26,990
Interest and fiscal charges	11,524	10,710	22,234
Bond issuance costs	-	12,928	12,928
Total Expenditures	<u>875,221</u>	<u>311,011</u>	<u>1,186,232</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>21,444</u>	<u>(268,508)</u>	<u>(247,064)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long-term debt	-	539,000	539,000
Refunding of notes	-	(485,000)	(485,000)
Transfer out	(2,000)	-	(2,000)
Sale of capital assets	1,664	-	1,664
Total Other Financing Sources (Uses)	<u>(336)</u>	<u>54,000</u>	<u>53,664</u>
NET CHANGE IN FUND BALANCES	21,108	(214,508)	(193,400)
FUND BALANCES, JANUARY 1	<u>146,006</u>	<u>328,533</u>	<u>474,539</u>
FUND BALANCES, DECEMBER 31	<u>\$ 167,114</u>	<u>114,025</u>	<u>281,139</u>

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, 2006

Net Change In Fund Balances - Governmental Funds \$ (193,400)

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 \$299,063 exceeded depreciation
(\$45,831) in the current period.

253,232

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

38,509

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:

General obligation neighborhood improvement district bonds (539,000)

Issuance costs, net of accumulated amortization 12,493

Repayments:

Bond anticipation notes 485,000

Bonds payable 10,000

Capital leases 16,990

Bond issuance costs (16,440) (30,957)

Change In Net Assets Of Governmental Activities \$ 67,384

CITY OF FORISTELL, MISSOURI
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND
DECEMBER 31, 2006

	Business-type Activities - Enterprise Fund
ASSETS	
Current Assets	
Cash	\$ 4,417
Investments	71,103
Due from other funds	14,212
Total Current Assets	<u>89,732</u>
Noncurrent Assets	
Capital assets:	
Land	4,021
Other capital assets, net of accumulated depreciation	789,468
Total Capital Assets	<u>793,489</u>
Restricted assets:	
Cash	272,972
Investments	15,000
Total Restricted Assets	<u>287,972</u>
Total Noncurrent Assets	<u>1,081,461</u>
Total Assets	<u>1,171,193</u>
LIABILITIES	
Current Liabilities	
Deposits	3,156
Bonds payable - current portion	30,000
Note payable - current portion	4,379
Total Current Liabilities	<u>37,535</u>
Long-Term Debt, net of current portion	
Bonds payable	70,000
Note payable	40,106
Total Long-Term Debt	<u>110,106</u>
Total Liabilities	<u>147,641</u>
NET ASSETS	
Invested in capital assets, net of related debt	649,004
Restricted for debt service	287,972
Unrestricted	86,576
Total Net Assets	<u>\$ 1,023,552</u>

See notes to financial statements

CITY OF FORISTELL, MISSOURI
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN
NET ASSETS - MODIFIED CASH BASIS - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Business-type Activities - Enterprise Fund</u>
OPERATING REVENUES	
Water sales	\$ 21,049
Sewer fees	29,576
Penalties	944
Primacy fees	2
Tap-on fee	7,166
Connection fees	2,857
Total Operating Revenues	<u>61,594</u>
OPERATING EXPENSES	
Salaries	30,883
Payroll taxes	2,362
Retirement	3,027
Unemployment	2,850
Dental insurance	486
Health insurance	6,382
Life insurance	79
Insurance - workers' compensation	497
Chemicals	20,084
Contracted services	28,179
Insurance	3,488
Depreciation	38,771
Miscellaneous	1,944
Postage	338
Repair and maintenance	11,526
Sales/use tax	3,053
Supplies	4,051
Telephone	1,474
Utilities	2,360
Total Operating Expenses	<u>161,834</u>
OPERATING LOSS	<u>(100,240)</u>

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, 2006

	<u>Business-type Activities - Enterprise Fund</u>
NONOPERATING REVENUES (EXPENSES)	
Sales tax	103,588
Investment income	4,612
Miscellaneous income	3,582
Loss on sale of capital assets	(273,086)
Interest expense and fees	(22,808)
Other expenses	(2,487)
Total Nonoperating Revenues (Expenses)	<u>(186,599)</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS	(286,839)
TRANSFERS	<u>2,000</u>
CHANGE IN NET ASSETS	(284,839)
NET ASSETS, JANUARY 1	<u>1,308,391</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 1,023,552</u></u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities - <u>Enterprise Fund</u>
INCREASE IN CASH	
Cash flows from operating activities:	
Receipts from customers and users	\$ 61,791
Payments to suppliers	(92,180)
Payments to employees	(30,883)
Net Cash Used In Operating Activities	<u>(61,272)</u>
Cash flows from noncapital financing activities:	
Receipts from taxes	103,588
Due from General Fund	(39,128)
Net Cash Provided By Noncapital Financing Activities	<u>64,460</u>
Cash flows from capital financing activities:	
Payments of deposits	(11,000)
Proceeds from sale of water system	133,152
Principal paid on debt	(34,251)
Interest paid on debt	(22,462)
Net Cash Provided By Capital Financing Activities	<u>65,439</u>
Cash flows from investing activities:	
Investment income	4,612
Miscellaneous income	(58)
Purchase of investments	(3,855)
Transfer of funds	2,000
Net Cash Provided By Investing Activities	<u>2,699</u>
NET INCREASE IN CASH	71,326
CASH, JANUARY 1	<u>206,063</u>
CASH, DECEMBER 31	<u><u>\$ 277,389</u></u>

CITY OF FORISTELL, MISSOURI
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS -
PROPRIETARY FUND (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2006

**Business-type
Activities -
Enterprise Fund**

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

Operating loss	\$ (100,240)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	38,771
Increase in:	
Deposits	197
Total Adjustments	38,968
Net Cash Used In Operating Activities	<u>\$ (61,272)</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Supplemental disclosure of noncash investing, capital, and financing activities:

Sale of water system:	
Proceeds	\$ 532,852
Amount placed in escrow for payment of capital lease	(255,637)
Payoff of certificates of participation	(138,313)
Costs of sale	(5,750)
Net Cash Provided	<u>\$ 133,152</u>

CITY OF FORISTELL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

2. Government-wide and Fund Financial Statements

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

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

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

CITY OF FORISTELL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement Focus

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

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

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

Basis of Accounting

In the government-wide statement of net assets - modified cash basis and 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 accrual 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 Fund is a Special Revenue Fund used to account for the special assessments on properties in the NID.

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

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-term Liabilities (Continued)

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.

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, 2006, 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, 2006, 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	\$118,023	118,023	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.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments (Continued)

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.

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

For The Year Ended December 31, 2006				
	Balance December 31 2005	Additions	Retirements	Balance December 31 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Construction in progress	<u>137,806</u>	<u>-</u>	<u>137,806</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>142,806</u>	<u>-</u>	<u>137,806</u>	<u>5,000</u>
Capital assets being depreciated:				
Buildings	87,556	3,971	-	91,527
Equipment	235,169	46,719	1,632	280,256
Infrastructure	<u>-</u>	<u>425,179</u>	<u>-</u>	<u>425,179</u>
Total Capital Assets Being Depreciated	<u>322,725</u>	<u>475,869</u>	<u>1,632</u>	<u>796,962</u>
Less - Accumulated depreciation for:				
Buildings	62,945	2,376	-	65,321
Equipment	156,785	32,826	1,141	188,470
Infrastructure	<u>-</u>	<u>10,629</u>	<u>-</u>	<u>10,629</u>
Total Accumulated Depreciation	<u>219,730</u>	<u>45,831</u>	<u>1,141</u>	<u>264,420</u>
Total Capital Assets Being Depreciated, Net	<u>102,995</u>	<u>430,038</u>	<u>491</u>	<u>532,542</u>
 Governmental Activities Capital Assets, Net	 <u>\$245,801</u>	 <u>430,038</u>	 <u>138,297</u>	 <u>537,542</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS (Continued)

	For The Year Ended December 31, 2006			
	Balance December 31 2005	Additions	Retirements	Balance December 31 2006
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/sewer system	2,200,092	-	1,147,980	1,052,112
Total Capital Assets Being Depreciated	2,243,755	-	1,147,980	1,095,775
Less - Accumulated depreciation for:				
Buildings	30,210	1,850	-	32,060
Equipment	6,445	208	-	6,653
Water/sewer system	596,239	36,713	365,358	267,594
Total Accumulated Depreciation	632,894	38,771	365,358	306,307
Total Capital Assets Being Depreciated, Net	1,610,861	(38,771)	782,622	789,468
Business-type Activities Capital Assets, Net	\$1,614,882	(38,771)	782,622	793,489

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

	For The Year Ended December 31 2006
Governmental activities:	
General government	\$ 4,872
Municipal court	253
Police department	27,986
Public works	12,720
	<u>\$45,831</u>
Business-type activities:	
Enterprise Fund	<u>\$38,771</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:

	For The Year Ended December 31, 2006			Amounts	
	Balance	Additions	Deletions	Balance	Due
	December 31			December 31	Within
	2005			2006	One Year
Governmental activities:					
Special obligation capital improvement bonds	\$154,000	-	10,000	144,000	12,000
Bond anticipation notes	485,000	-	485,000	-	-
General obligation neighborhood improvement district bonds	-	539,000	-	539,000	9,000
Capital leases	<u>54,299</u>	<u>-</u>	<u>16,990</u>	<u>37,309</u>	<u>18,167</u>
Total Governmental Activities	<u>\$693,299</u>	<u>539,000</u>	<u>511,990</u>	<u>720,309</u>	<u>39,167</u>
Business-type activities:					
Sales tax refunding bonds	\$130,000	-	30,000	100,000	30,000
Note payable	48,736	-	4,251	44,485	4,379
Capital lease	243,141	-	243,141	-	-
Certificates of participation	<u>137,000</u>	<u>-</u>	<u>137,000</u>	<u>-</u>	<u>-</u>
Total Business-type Activities	<u>\$558,877</u>	<u>-</u>	<u>414,392</u>	<u>144,485</u>	<u>34,379</u>

The governmental activities special obligation bonds and capital leases are liquidated by the General Fund. The bond anticipation notes and general obligation neighborhood improvement district bonds are liquidated by special assessments collected by the Special Revenue Fund. All business-type activities debt is liquidated by the Enterprise Fund.

In May 2006, the City deposited \$255,637 into an irrevocable defeasance escrow, consisting of cash and U.S. government obligations to provide for all future debt service payments on the capital lease. As a result, the old debt is considered to be defeased and the liability for this debt has been removed from the City's financial statements.

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Equipment	\$74,457	-
Less - Accumulated depreciation	<u>38,268</u>	<u>-</u>
	<u>\$36,189</u>	<u>-</u>

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

Special Obligation Capital Improvement Bonds

**December 31
2006**

\$210,000 special obligation capital improvement bonds (series 1998), due in semi-annual installments through July 2013, interest payable at 5.75%.	<u>\$144,000</u>
---	------------------

General Obligation Neighborhood Improvement District Bonds

\$539,000 general obligation neighborhood improvement district bonds (series 2006), due in semi-annual installments through March 2026, interest payable at 4.5% through March 2016; payable at 4.75% thereafter.	<u>\$539,000</u>
---	------------------

Debt service requirements for bonds are as follows:

For The Years Ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 21,000	37,362	58,362
2008	29,000	31,777	60,777
2009	30,000	30,297	60,297
2010	36,000	28,617	64,617
2011	38,000	26,769	64,769
2012 - 2016	179,000	102,558	281,558
2017 - 2021	135,000	67,806	202,806
2022 - 2026	<u>215,000</u>	<u>30,282</u>	<u>245,282</u>
	<u>\$683,000</u>	<u>355,468</u>	<u>1,038,468</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

	<u>December 31</u> <u>2006</u>
Capital Leases	
\$43,292 capital lease for two vehicles, due in semi-annual installments through May 2009, interest payable at 6.4%.	\$27,442
\$19,906 capital lease for police radios, due in annual installments through January 2008, interest payable at 6.9%.	5,926
\$11,259 capital lease for a copier, due in annual installments through August 2008, no interest payable.	<u>3,941</u>
	<u>\$37,309</u>

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

For The Years <u>Ended December 31</u>	
2007	\$19,991
2008	14,216
2009	<u>6,026</u>
Total Minimum Lease Payments	40,233
Less - Amount representing interest	<u>2,924</u>
Present Value of Net Minimum Lease Payments	<u>\$37,309</u>

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

	<u>December 31</u> <u>2006</u>
Sales Tax Refunding Bonds	
\$300,000 sales tax refunding bonds (series 1998), due in semi-annual installments through May 2009, interest payable at 3.9% to 4.85%.	<u>\$100,000</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - LONG-TERM DEBT (Continued)

Debt service requirements for the bonds are as follows:

For The Years Ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$100,000</u>	<u>7,517</u>	<u>107,517</u>

**December 31
2006**

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%.

\$44,485

Debt service requirements for the note payable are as follows:

For The Years Ended December 31	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4,928	785	5,713
2012 - 2015	<u>21,238</u>	<u>1,616</u>	<u>22,854</u>
	<u>\$44,485</u>	<u>6,936</u>	<u>51,421</u>

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - RESTRICTED ASSETS

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

	<u>December 31, 2006</u>	
	<u>Actual</u>	<u>Required</u>
Series 1998 Capital Improvement Bonds	\$ 21,000	21,000
Series 1998 Sales Tax Revenue Bonds	287,972	15,000
Series 2006 General Obligation Bonds	40,418	40,418
Court Bonds	<u>9,017</u>	N/A
	<u>\$358,407</u>	

NOTE F - DUE TO/FROM FUNDS

Individual fund receivable/payable balances are as follows:

	<u>December 31, 2006</u>	
	<u>Due From Funds</u>	<u>Due To Funds</u>
General Fund	\$ -	11,258
Enterprise Fund	14,212	-
Neighborhood Improvement District Fund	<u>-</u>	<u>2,954</u>
	<u>\$14,212</u>	<u>14,212</u>

Interfund balances are due to timing differences and are expected to be repaid during the fiscal year ending December 31, 2007.

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.

CITY OF FORISTELL, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLANS (Continued)

1. Plan Description (Continued)

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

2. Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 13.3% (general) and 11% (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 Missouri state statute.

3. Annual Pension Cost

For 2006, the City's annual pension cost of \$42,231 was equal to the required and actual contributions. The required contribution was determined as part of the February 28/29, 2004 and/or 2005 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2006 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 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; 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, 2006 was 27 years.

4. Trend Information

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

CITY OF FORISTELL, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - PENSION PLANS (Continued)

4. Trend Information (Continued)

Three-Year Trend Information

For The Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2006	\$42,231	100%	-
2005	38,372	100	-
2004	30,943	100	-

Schedule of Funding Progress

For The Actuarial Valuation Year Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Unfunded Liability
2006	\$116,003	\$298,995	\$182,992
2005	65,044	293,385	228,341
2004	20,752	129,588	108,836

For The Actuarial Valuation Year Ended February 28/29	Funded Ratio	Annual Covered Payroll	Unfunded Liability As A Percentage Of Covered Payroll
2006	39%	\$293,460	62%
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. The actuarial assumptions were changed in conjunction with the February 28, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please 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 - CONTINGENCIES AND COMMITMENTS

The City is subject to various lawsuits. Although the outcome of these lawsuits is not presently determinable, City management believes the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE I - RESTRICTED NET ASSETS

The City reports \$61,418 of restricted net assets in governmental funds, of which none is restricted by enabling legislation. The City also reports \$272,972 of restricted net assets in business-type activities, all of which is restricted by enabling legislation.

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION

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, 2006

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
REVENUES				
Taxes				
Sales and use	\$ 207,300	225,000	244,616	19,616
Gross receipts	18,900	22,600	20,015	(2,585)
Motor fuel tax	9,500	10,000	9,471	(529)
Motor vehicle sales tax	2,000	1,600	2,095	495
Motor vehicle fee increase	1,400	2,400	2,379	(21)
Parks sales tax	1,500	1,500	1,197	(303)
Cigarette	50,000	53,100	50,284	(2,816)
Total Taxes	290,600	316,200	330,057	13,857
Licenses and permits				
Merchant licenses	7,000	3,000	2,398	(602)
Permits and fees	34,450	45,400	43,672	(1,728)
Total Licenses And Permits	41,450	48,400	46,070	(2,330)
Fines and court costs				
Court fines	360,096	320,500	379,186	58,686
Court costs	32,736	32,234	33,694	1,460
Police reports	800	700	870	170
Police training	6,452	8,500	5,689	(2,811)
Crime victims compensation fees	1,101	1,014	1,130	116
Total Fines And Court Costs	401,185	362,948	420,569	57,621
Investment income				
	500	1,300	2,298	998
Miscellaneous				
AT&T	36,000	41,219	46,130	4,911
Recoupment	3,000	4,500	4,746	246
Judicial Education Fund	2,976	2,740	3,054	314
Grant income	1,500	5,000	8,940	3,940
Insurance proceeds	9,000	14,000	13,654	(346)
Other	10,600	18,200	21,147	2,947
Total Miscellaneous	63,076	85,659	97,671	12,012
Total Revenues	796,811	814,507	896,665	82,158
EXPENDITURES				
Administration				
Salaries	49,132	61,254	69,654	8,400
Payroll taxes	3,758	7,198	7,229	31
Retirement	5,673	3,777	3,784	7
Dental insurance	689	643	585	(58)
Health insurance	6,373	2,395	2,926	531
Life insurance	200	294	286	(8)

(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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Continued)				
Administration (Continued)				
Insurance - workers' compensation	241	383	729	346
Conferences	4,000	1,775	1,602	(173)
Election fees	2,200	2,700	1,823	(877)
Insurance	2,400	2,511	472	(2,039)
Legal notices	3,000	3,827	3,420	(407)
Membership dues	700	639	689	50
Miscellaneous	2,100	4,858	2,278	(2,580)
Postage	700	1,131	982	(149)
Professional fees	29,076	62,579	61,889	(690)
Repairs and maintenance	1,500	1,500	1,150	(350)
Supplies	2,700	5,500	5,477	(23)
Telephone	1,700	2,492	2,294	(198)
Utilities	3,000	2,461	2,382	(79)
Vehicle mileage	200	-	-	-
Capital outlay	2,500	5,588	7,199	1,611
Debt service:				
Principal retirement	-	-	2,064	2,064
Total Administration	<u>121,842</u>	<u>173,505</u>	<u>178,914</u>	<u>5,409</u>
Court				
Salaries	66,901	64,893	63,733	(1,160)
Payroll taxes	5,118	5,026	4,854	(172)
Retirement	4,975	5,923	5,911	(12)
Dental insurance	345	345	345	-
Life insurance	104	221	191	(30)
Insurance - workers' compensation	442	134	438	304
Conferences	2,576	1,731	1,879	148
Contract services	-	1,218	400	(818)
Insurance	200	105	105	-
Membership dues	200	134	100	(34)
Miscellaneous	100	-	3	3
Postage	600	964	751	(213)
Repairs and maintenance	1,500	-	-	-
Subscriptions	100	67	56	(11)
Supplies	2,500	3,462	3,411	(51)
Telephone and communications	2,000	2,497	2,310	(187)
Vehicle mileage	100	67	24	(43)
Capital outlay	2,100	2,176	3,263	1,087
Total Court	<u>89,861</u>	<u>88,963</u>	<u>87,774</u>	<u>(1,189)</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, 2006

EXPENDITURES (Continued)	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Police				
Salaries	282,984	251,987	267,498	15,511
Payroll taxes	21,648	19,277	20,558	1,281
Retirement	33,098	27,842	28,799	957
Dental insurance	5,153	4,132	4,043	(89)
Health insurance	36,360	30,800	31,732	932
Life insurance	825	1,711	1,535	(176)
Insurance - workers' compensation	17,488	18,273	18,488	215
Contracted services	32,500	29,078	40,882	11,804
Education	7,900	4,454	4,435	(19)
Insurance	10,500	11,725	62	(11,663)
Membership dues	200	400	400	-
Miscellaneous	1,700	10,402	11,168	766
Postage	300	340	339	(1)
Supplies	4,000	5,800	5,369	(431)
Telephone and communications	4,200	5,941	5,238	(703)
Uniform allowance	1,900	2,778	3,513	735
Utilities	-	2,554	2,547	(7)
Vehicle and equipment maintenance	28,500	24,401	28,332	3,931
Vehicle mileage	200	-	-	-
Capital outlay	5,900	10,016	14,027	4,011
Debt service:				
Principal retirement	15,239	15,401	14,926	(475)
Interest and fiscal charges	2,500	3,000	2,813	(187)
Total Police	513,095	480,312	506,704	26,392
Public works				
Salaries	6,240	9,522	9,522	-
Payroll taxes	477	728	728	-
Retirement	880	316	316	-
Dental insurance	86	80	80	-
Health insurance	975	1,021	1,021	-
Life insurance	20	88	88	-
Insurance - workers' compensation	388	419	419	-
Contract services	22,000	41,614	35,647	(5,967)
Equipment repair and maintenance	500	1,065	1,390	325
Insurance	-	2,555	1,273	(1,282)
Miscellaneous	550	178	-	(178)
Street lights	-	-	4,370	4,370
Telephone	-	1,731	1,936	205
Trash removal	19,203	19,802	18,482	(1,320)

(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, 2006

	<u>Budgeted Amounts</u>			<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES (Continued)				
Public works (Continued)				
Capital outlay	-	126	7,846	7,720
Debt service:				
Principal retirement	-	-	10,000	10,000
Interest and fiscal charges	-	-	8,711	8,711
Total Public Works	<u>51,319</u>	<u>79,245</u>	<u>101,829</u>	<u>22,584</u>
Total Expenditures	<u>776,117</u>	<u>822,025</u>	<u>875,221</u>	<u>53,196</u>
 REVENUES OVER (UNDER)				
EXPENDITURES	<u>20,694</u>	<u>(7,518)</u>	<u>21,444</u>	<u>28,962</u>
 OTHER FINANCING SOURCES (USES)				
Transfer out	-	-	(2,000)	(2,000)
Sale of capital assets	<u>300</u>	<u>2,000</u>	<u>1,664</u>	<u>(336)</u>
Total Other Financing Sources (Uses)	<u>300</u>	<u>2,000</u>	<u>(336)</u>	<u>(2,336)</u>
 NET CHANGE IN FUND BALANCE	<u>\$ 20,994</u>	<u>(5,518)</u>	<u>21,108</u>	<u>26,626</u>
 FUND BALANCE, JANUARY 1			<u>146,006</u>	
 FUND BALANCE, DECEMBER 31			<u><u>\$ 167,114</u></u>	

CITY OF FORISTELL, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS

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.

Expenditures

For the year ended December 31, 2006, expenditures exceeded appropriations in the administration department, police department, and public works department of the General Fund.

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, 2006

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
OPERATING REVENUES				
Water sales	\$ -	19,935	21,049	1,114
Sewer fees	25,000	30,000	29,576	(424)
Penalties	100	500	944	444
Primacy fees	140	2	2	-
Tap-on fee	-	7,500	7,166	(334)
Connection fees	27,725	27,725	2,857	(24,868)
Total Operating Revenues	52,965	85,662	61,594	(24,068)
OPERATING EXPENSES				
Water				
Salaries	-	5,316	3,087	(2,229)
Payroll taxes	-	236	236	-
Retirement	-	264	263	(1)
Unemployment	-	475	475	-
Dental insurance	-	195	68	(127)
Health insurance	-	405	405	-
Life insurance	-	17	11	(6)
Insurance - workers' compensation	-	70	68	(2)
Chemicals	-	1,200	731	(469)
Contracted services	-	5,039	3,701	(1,338)
Insurance	-	800	460	(340)
Miscellaneous	-	100	100	-
Postage	-	400	338	(62)
Repairs and maintenance	-	1,050	326	(724)
Sales/use tax	-	3,053	3,053	-
Supplies	-	821	721	(100)
Telephone	-	300	191	(109)
Utilities	-	1,500	67	(1,433)
Total Water	-	21,241	14,301	(6,940)
Sewer				
Salaries	41,636	27,796	27,796	-
Payroll taxes	3,004	2,126	2,126	-
Retirement	5,871	2,764	2,764	-
Unemployment	-	2,375	2,375	-
Dental insurance	258	418	418	-
Health insurance	2,925	5,977	5,977	-
Life insurance	61	68	68	-
Insurance - workers' compensation	1,277	913	429	(484)
Chemicals	17,000	22,763	19,353	(3,410)
Contracted services	27,000	24,320	24,478	158
Insurance	1,300	4,000	3,028	(972)
Miscellaneous	1,000	2,124	1,844	(280)

(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, 2006

	Budgeted Amounts			Over (Under) Budget
	Original	Final	Actual	
OPERATING EXPENSES (Continued)				
Sewer (Continued)				
Repair and maintenance	22,200	30,114	11,200	(18,914)
Supplies	1,000	2,969	3,330	361
Telephone	1,300	1,282	1,283	1
Utilities	1,300	1,915	2,293	378
Total Sewer	127,132	131,924	108,762	(23,162)
Total Operating Expenses	127,132	153,165	123,063	(30,102)
OPERATING LOSS	(74,167)	(67,503)	(61,469)	6,034
NONOPERATING REVENUES (EXPENSES)				
Sales tax	80,800	94,674	103,588	8,914
Investment income	950	1,069	4,612	3,543
Miscellaneous income	4,500	5,455	3,582	(1,873)
Interest expense and fees	(12,000)	(12,000)	(22,808)	(10,808)
Other expenses	-	(2,073)	(2,487)	(414)
Total Nonoperating Revenues (Expenses)	74,250	87,125	86,487	(638)
CHANGE IN NET ASSETS BEFORE TRANSFERS	83	19,622	25,018	5,396
TRANSFERS	-	-	2,000	2,000
CHANGE IN NET ASSETS	\$ 83	19,622	27,018	7,396
UNBUDGETED				
Depreciation			(38,771)	
Gain (loss) on sale of capital assets			(273,086)	
NET ASSETS, JANUARY 1			1,308,391	
NET ASSETS, DECEMBER 31			\$ 1,023,552	

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*

March 19, 2007

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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 19, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

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

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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 19, 2007.

This report is intended solely for the information and use of management, others within the City, 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