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Financial Statements with Independent Auditor's Report, 2002

Village of Bel-Nor

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INDEPENDENT AUDITORS REPORT

Board of Trustees
Village of Bel-Nor, Missouri

We have audited the accompanying financial statements of the Village of Bel-Nor, Missouri (the Village) as of **December 31, 2002**. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the Village prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above do not include the General Fixed Assets Account Group, which should be included to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and fund balances of the Village as of December 31, 2002 and its revenues received and expenditures paid during the year ended, on the basis of accounting described in Note 1.

William F. Tierney & Associates
WILLIAM F. TIERNEY & ASSOCIATES
Certified Public Accountants

August 6, 2004
St. Louis, Missouri

VILLAGE OF BEL-NOR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The VILLAGE OF BEL-NOR, MISSOURI, (the Village) is a political subdivision duly organized under the laws of the State of Missouri. The Village operates under the direction of a Board of Trustees and provides or contracts for the following services: public safety – police protection, highways and streets maintenance, sanitation collection and general administrative services..

REPORTING ENTITY

The Village defines its reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14. The guidelines set forth therein establish the criterion for including a government unit as a component unit of a governmental reporting entity.

BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the Village of Bel-Nor (the Village) are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The reporting entity of the Village includes all units of government for which the Village exercises oversight as determined by financial interdependency, governing authority and managerial influence. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. The various funds are summarized by type in the combined financial statements. The following fund types and account groups are used by the Village:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the Village are financed. The acquisition, use, and balances of the Village's expendable financial resources and the related liabilities are accounted for through governmental funds.

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

SPECIAL REVENUE FUNDS: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

DEBT SERVICE FUND: The Debt Service Fund is the fund from which payments on outstanding debt and related interest liabilities are financed.

ACCOUNT GROUPS

Account Groups are used to establish accounting control and accountability for the Village's general fixed assets and general long-term debt.

VILLAGE OF BEL-NOR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT.

ACCOUNT GROUPS (CONTINUED)

GENERAL LONG-TERM DEBT: The General Long-Term Debt account group is used to account for all long-term obligations of the Village.

BASIS OF ACCOUNTING

The Village uses the modified cash basis of accounting for revenues and expenditures of all its funds. Revenues are recognized when paid rather than when earned and expenditures are recognized when paid rather than when an obligation is incurred. However, the Village records its long-term debt and accrued interest in its financial statements, which are accepted modifications of the cash basis of accounting.

Actually "Cash Basis"

BUDGETARY DATA

The Village adopts an annual budget. The budget includes proposed expenditures and the means of financing them and is approved at the conclusion of numerous proceedings with input from citizens and Village personnel.

MEMORANDUM TOTAL

Memorandum totals in the combined financial statements are presented for summary purposes only and are not intended to represent consolidated financial information.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Village to concentrations of credit risk consist principally of cash and cash equivalents. The Village places its temporary cash investments with high credit quality financial institutions. These balances, as reflected in the bank records, are insured by the Federal Deposit Insurance Corporation up to \$100,000. At times, such investments may be in excess of FDIC insurance limits.

USE OF ESTIMATES

The preparation of financial statements required management and the Board of Trustees to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that management uses.

NOTE 2 - CASH AND INVESTMENTS

The Village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined statement of assets, liabilities and fund balances arising from cash transactions as "Cash and Investments" under each fund's caption.

DEPOSITS

Missouri statutes require that all deposits with financial institutions be collateralized in an amount at least equal to uninsured deposits. The Village's deposits are categorized to give an indication of the level of risk assumed by the Village at December 31, 2002. The categories are described as follows:

VILLAGE OF BEL-NOR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

DEPOSITS (CONTINUED)

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

Deposits, categorized by level of risk are:

	<u>Bank Balance</u>	<u>Category</u>			<u>Carrying Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
<u>POOLED DEPOSITS:</u>					
Pooled Cash	\$172,393	\$172,393	\$ -	\$ -	\$143,842
Total Deposits	<u>\$172,393</u>	<u>\$172,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$143,842</u>

INVESTMENTS

The Village may purchase any investments allowed by the State Treasurer and repurchase agreements. These include (1) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (2) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The Village's investments are categorized to give an indication of the level of risk assumed by the Village at December 31, 2002. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Uncollateralized.

VILLAGE OF BEL-NOR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

INVESTMENTS (CONTINUED)

Investments, categorized by level of risk, are:

<u>Type of Investments</u>	<u>Category</u>			<u>Carrying Amount</u>	<u>Fair Value</u>
	1	2	3		
<u>Pooled Investments</u>					
FNMA	<u>\$229,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$229,391</u>	<u>\$229,391</u>
Total Investments	<u>\$229,391</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$229,391</u>	<u>\$229,391</u>

NOTE 3 – RESTRICTED REVENUES

State Motor Vehicle Fuel Tax and County Road and Bridge Tax allocations to the Village are restricted for use of, repair, policing, signs, lighting, construction, etc., for roads, bridges and highways in accordance with Section 30(a) of the Missouri Constitution. Revenues from a \$2-per-violation court cost are restricted for police training expenditures.

NOTE 4 - LONG-TERM DEBT

GENERAL OBLIGATION BONDS

On June 1, 1995, \$600,000 of general obligation bonds were issued by the village. The bonds were approved by the voters and carry interest rates ranging from 5.2% to 7.0%. The proceeds from the sale of the bonds have been designated for project construction and bond issue costs.

The Bonds mature serially through March 2010 and are subject to optional redemption and payment prior to their stated maturities beginning in March 2003. Interest is payable semi-annually on March 1 and September 1 each year beginning March 1, 1996. Principal and interest payments are payable from ad valorem taxes to levied upon all the taxable, tangible property within the Village and without limitation as to rate or amount.

VILLAGE OF BEL-NOR, MISSOURI
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2002

NOTE 4 - LONG-TERM DEBT (CONTINUED)

GENERAL OBLIGATION BONDS (CONTINUED)

Future principal payments for these bonds are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2003	\$ 40,000	\$ 21,508	\$ 61,508
2004	40,000	19,428	59,428
2005	45,000	17,328	62,328
2006	45,000	14,920	59,920
Thereafter	<u>220,000</u>	<u>30,417</u>	<u>250,471</u>
Total	<u>\$390,000</u>	<u>\$ 103,655</u>	<u>\$493,655</u>

CAPITAL LEASES

During the year ended June 30, 1999, the Village entered into a three-year lease purchase agreement for three police-vehicles. This lease obligation is repaid from the General Fund in monthly installments of \$1,487, including interest at 5.78% per annum on the unpaid balance. During the year ended June 30, 2001, the Village entered into a three-year lease purchase agreement for a single police-vehicle. This lease obligation is repaid from the General Fund in monthly installments of \$583, including interest at 7.79% per annum on the unpaid balance.

Future minimum lease payments under these agreements as of December 31, 2002 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Amount</u>
2003	\$ 6,331	\$ 669	\$ 7,000
2004	6,757	242	6,999
Total	<u>\$ 13,088</u>	<u>\$ 911</u>	<u>\$ 13,999</u>

NOTE 5 - BUILDING LEASE AGREEMENT

The Village of Bel-Nor leases a portion of its building to a third party restaurant, The Breakaway Café, under a five-year lease agreement. The terms of the lease require the lessee to pay the Village \$1,200 per month for the duration of the lease which expires April 30, 2006. As of May 1, 1997, the lessee also pays the Village 1% of all restaurant revenues over \$300,000. The Lessee has the right to renew the lease for an additional five years under the same conditions.

VILLAGE OF BEL-NOR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 6 - OPERATING LEASES

The Village leases office equipment under operating lease agreements which will expire through 2003. The total lease expenses for these leases totaled approximately \$4,275 for 2002.

Future commitments under non-cancelable operating leases are as follows:

For the Year Ended December 31,	Amount
2003	\$ 1,706

NOTE 7 - BENEFIT PLANS

MONEY PURCHASE PENSION PLAN

The Village provides pension benefits for all of its full-time employees through a money purchase defined contribution pension plan. The plan was adopted effective January 1, 1987. Benefits under the plan depend solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits that may be allocated to such participant's account.

Employees are eligible to participate after one year of service. Annuity contracts, common stock and money market funds are purchased with the contributions through an insurance company.

The Village's contribution for each employee and interest allocated to the employee's account are fully invested after five years continuous service. The Village contributes an amount equal 5% of the employees base salary each month. The employees may contribute up to 10% of their base salary each month on a nondeductible basis. The Village has made the required 5% contributions, amounting to \$15,893 for the year ended December 31, 2002. Employee contributions were \$0 for the year ended December 31, 2002. Total payroll covered by the pension plan for fiscal year 2002 was \$323,744.

NOTE 8 - PROPERTY TAX

The Village's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the Village. Assessed values are established by the County Assessment Board at 32% of estimated market value for commercial property, 19% of estimated market value for residential property and 12% of estimated market value for agricultural property.

The assessed valuation of the tangible taxable property for the calendar year 2002 and for purposes of local taxation was \$16,218,833.

VILLAGE OF BEL-NOR, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 8 - PROPERTY TAX (CONTINUED)

The tax levy per \$100 of the assessed valuation of tangible taxable property for the calendar year 2002 for purposes of local taxation was:

General Fund	\$ 0.293
Debt Service Fund	<u>0.500</u>
Total	<u>\$ 0.793</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes levied in September or October are due and payable prior to December 31. All unpaid taxes become delinquent after December 31. Property tax revenues include current and delinquent taxes collected during the year. No provision for delinquent taxes had been provided as the Village uses the modified cash basis of accounting.

NOTE 9 - COMMITMENTS

The Village entered into a contract with St. Louis County in 2001 for dispatching services. Contract fees are \$11,976 for the first year with one-year options to renew this agreement. The Village paid \$12,869 under the terms of the contract for the year ended December 31, 2002. The Village renewed this contract for the fiscal year 2003 for similar services with St. Louis County for an annual fee of \$13,763.

NOTE 10- RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Village purchases commercial insurance for all risks of loss.

NOTE 11- SEWER LATERAL LIABILITY

The Village is liable to claims against their Sewer Lateral Program. There are approximately 700 customers and a maximum possible claim of \$3,000 per customer. As of December 31, 2002, there is not sufficient data available to project reasonable exposure.

NOTE 12 -SUBSEQUENT EVENTS

In July, 2003 the Village issued \$355,000 of General Obligation Refunding Bonds at 3.25%. On September 1, 2003 the Village redeemed the balance of the General Obligation Bonds issued in July 1995.