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1-1-2005

## Financial Statements, 2004

Central County Fire and Rescue

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### Recommended Citation

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CITY OF ADVANCE, MISSOURI

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2004

**GARNER & SCHWAB, PC**  
CERTIFIED PUBLIC ACCOUNTANTS  
1420 KURRE LANE  
CAPE GIRARDEAU, MISSOURI 63701-2284

AUDITOR'S  
DEC 13 2004

CITY OF ADVANCE, MISSOURI  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2004

City of Advance, Missouri  
Basic Financial Statements  
Year Ended September 30, 2004  
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Honorable Mayor  
and Members of the Board of Aldermen  
City of Advance  
Advance, Missouri

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the business-type activities, of the City of Advance, Missouri, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Advance, Missouri, management. Our responsibility is to express an opinion on these financial statements based on our audit.


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

In our opinion, the financial statements referred to in paragraph one above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities of the City of Advance, Missouri, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparisons for the General Fund and the Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2004, on our consideration of the City of Advance, Missouri internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in the footnotes, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as of September 30, 2004.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Advance, Missouri basic financial statements. The combining statements (page 22 to 25) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Garner & Schwab, P.C.

November 19, 2004

Our discussion and analysis of the City of Advance financial performance provides an overview of the City's activities for the fiscal year ending September 30, 2004. It should be read in conjunction with the City's financial statements which begin on page 5.

### **Financial Highlights**

The City's assets exceeded its liabilities by \$2,430,759 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,805,654.

Total net assets are comprised of the following:

- 1) Capital assets, net of related debt, of \$1,401,679 include property and equipment, utility systems, and street infrastructure, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
- 2) Net assets of \$542,252 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
- 3) Unrestricted net assets of \$486,828 represent the portion available to maintain the City's continuing obligations to citizen's and creditors.
- 4) Contributed federal, state and local capital provided in prior years for acquisition of Capital Assets.

The City's governmental funds reported total ending fund balances of \$598,486 this year. This compares to the prior year ending fund balances of \$544,849 showing an increase of \$53,637 during the current year

Total liabilities of the City decreased by \$64,853 to \$1,228,197 during the fiscal year.

During the year, the City's expenses were \$118,306 less than the \$533,034 generated in tax and other revenues for governmental programs (excluding transfers). Of these expenses, \$78,116 represents depreciation on capital assets. Actual capital outlay expenditures during the year were \$78,509.

### **Overview of the Financial Statements**

#### ***Government-Wide Financial Statements***

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference 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 as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and other revenues, from business-type activities that are intended to recover all or a significant portion of their

costs through user fees and charges. Governmental activities include general government, public safety, culture and recreation and public streets. Business-type activities include water utilities and solid waste management.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Individual fund data within these funds is provided in the form of combining statements in a later section of this report.

The City has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and special revenue fund. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the City charges customers a fee. These funds encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds..

### ***Notes to the financial statements***

The notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

## **Financial Analysis of the City as a Whole**

As governmental activity, business-type activity, and net asset information are accumulated on a consistent basis, year-to-year comparative analysis will be presented. Such comparisons are not available for the first year of GASB 34 reporting.

## **Financial Analysis of the City's Funds**

### ***Governmental funds***

As discussed, governmental funds are reported in the fund statements with a short-term inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$596,486. Of this year-end total, 100% is unreserved indicating availability for continuing City service requirements.

*Major Governmental Funds:*

The General Fund is the City's primary operating fund. The fund balance of the General Fund increased by \$40,419. Key factors contributing to this increase include the increased revenues from State Sales Taxes and a Grant for the Fire Department.

The Special Revenue Fund (street and capital improvement) balance increased by \$13,218. Key factor to this increase is increased revenues from State Sales Taxes and Fees

### ***Proprietary funds***

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

#### ***Major Proprietary Funds:***

City of Advance Water and Sewer Funds. The net asset balance of proprietary funds increased by \$29,908 from year ending September 30, 2003.

### **General Fund Budgetary Highlights**

The General Fund budget for fiscal year 2004 was approximately \$363,290. This was an increase of \$15,454 over the previous year amended budget.

The General Fund budget complied with financial policies approved by the City Aldermen.

The Special Revenue Funds budget for fiscal year 2004 was approximately \$131,470. This was an increase of \$5,305 over the previous year budget.

### **Capital Asset and Debt Administration**

#### ***Capital assets***

Since fiscal year ending September 30, 2004 is the first year for reporting Capital Assets under GASB 34, comparisons to prior year are not presented. A schedule of Capital Assets (as restated for GASB 34) is presented in the Notes to the Financial Statements.

#### ***Long-term debt***

At the end of the fiscal year, the City had total bonded debt outstanding of \$1,220,000.

### **Contacting the City's Financial Management**

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the City, Gabriel Street, Advance, Missouri 63730.



City of Advance, Missouri  
Statement of Net Assets  
September 30, 2004

	<u>Government Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 264,159	\$ 155,436	\$ 419,595
Cash and Cash Equivalents - Restricted	311,112	217,630	528,742
Receivables-Fines	8,095		8,095
Receivables-Sales Tax	19,728		19,728
Bond Escrow Funds		24,516	24,516
Unamortized Bond Costs		36,601	36,601
Capital Assets, Net	<u>728,716</u>	<u>1,892,963</u>	<u>2,621,679</u>
Total Assets	<u>1,331,810</u>	<u>2,327,146</u>	<u>3,658,956</u>
<u>Liabilities</u>			
Accounts Payable	4,406	8,398	12,804
Meter Deposits Payable		26,564	26,564
Court Bonds on Hand	202		202
Bonds Payable:			
Due in one year		70,000	70,000
Due in more than one year		1,150,000	1,150,000
Deferred Loss-1995 Issue		<u>(31,373)</u>	<u>(31,373)</u>
Total Liabilities	<u>4,608</u>	<u>1,223,589</u>	<u>1,228,197</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Debt	728,716	672,963	1,401,679
Restricted-Debt Service		542,252	542,252
Unrestricted	<u>598,486</u>	<u>(111,658)</u>	<u>486,828</u>
Total Net Assets	<u>\$ 1,327,202</u>	<u>\$ 1,103,557</u>	<u>\$ 2,430,759</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Statement of Activities  
For the year ended September 30, 2004

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>Charges For Services</u>	<u>Grants, Donations Other</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Functions/Programs</b>						
Governmental Activities:						
General Government	\$ 153,536	\$ 17,673	\$ 28,280	\$ (107,583)	\$	\$ (107,583)
Public Safety:						
Police	96,487	23,745		(72,742)		(72,742)
Fire	18,514	8,630		(9,884)		(9,884)
Culture and Recreation	17,905			(17,905)		(17,905)
Highways and Streets	50,170		8,019	(42,151)		(42,151)
Depreciation	78,116			(78,116)		(78,116)
Total Governmental Activities	<u>414,728</u>	<u>50,048</u>	<u>36,299</u>	<u>(328,381)</u>		<u>(328,381)</u>
Business-Type Activities:						
Water	149,115	151,952	4,029		6,866	6,866
Sewer	141,096	125,216			(15,880)	(15,880)
Sanitation	48,440	52,070			3,630	3,630
Interest on Debt	55,547				(55,547)	(55,547)
Total Business-Type Activities	<u>394,198</u>	<u>329,238</u>	<u>4,029</u>		<u>(60,931)</u>	<u>(60,931)</u>
	<u>\$ 808,926</u>	<u>\$ 379,286</u>	<u>\$ 40,328</u>			<u>(389,312)</u>
General Revenues:						
Taxes – Franchise				72,420		72,420
Taxes – Sales and Use				322,464		322,464
Taxes – Gas				45,195		45,195
Escrow Interest					21,389	21,389
Investment Interest				6,608	5,174	11,782
Transfers				(64,276)	64,276	
Total General Revenues and Transfers				<u>382,411</u>	<u>90,839</u>	<u>473,250</u>
Change in Net Assets				54,030	29,908	83,938
Net Assets – Beginning, as Restated				<u>1,273,172</u>	<u>1,073,649</u>	<u>2,346,821</u>
Net Assets – Ending				<u>\$1,327,202</u>	<u>\$1,103,557</u>	<u>\$2,430,759</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Balance Sheet  
Governmental Funds  
September 30, 2004

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 264,159	\$	\$ 264,159
Cash and Cash Equivalents - Restricted	92,837	218,285	311,112
Receivables	23,141	4,682	27,823
Total Assets	<u>\$ 380,127</u>	<u>\$ 222,967</u>	<u>\$ 603,094</u>
<u>Liabilities</u>			
Accounts Payable	\$ 2,938	\$ 1,468	\$ 4,406
Police Bonds on Hand	<u>202</u>	<u></u>	<u>202</u>
Total Liabilities	<u>3,140</u>	<u>1,468</u>	<u>4,608</u>
Fund Balances – Unreserved	<u>376,987</u>	<u>221,499</u>	<u>598,486</u>
Total Liabilities and Fund Balance	<u>\$ 380,127</u>	<u>\$ 222,967</u>	<u>\$ 603,094</u>

Reconciliation of Balance Sheet to Statement of Net Assets

Total Fund Balances – Governmental Funds, above	\$ 598,486
Amounts reported for governmental activities in Statement of Net Assets are different as follows:	
Capital assets used in governmental activities are not financial resources and not reported in fund statements.	<u>728,716</u>
Net Assets of Governmental Activities (page 5)	<u>\$ 1,327,202</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the year ended September 30, 2004

	General Fund	Special Revenue Funds	Total Governmental Funds
Revenues:			
Surcharge Tax	\$ 1,476	\$	\$ 1,476
Franchise Tax	70,944		70,944
Sales and Use Tax, Gas Tax	245,358	122,301	367,659
Fines and Forfeitures	23,745		23,745
Investment Earnings	3,840	2,768	6,608
Licenses, Permits and Fees	17,673	8,019	25,692
Donations and Grants	28,280		28,280
Fire Calls and Fees	<u>8,630</u>		<u>8,630</u>
 Total Revenues	 <u>399,946</u>	 <u>133,088</u>	 <u>533,034</u>
Expenditures:			
Current Operating:			
General Government	153,536		153,536
Highways and Streets		50,170	50,170
Public Safety	115,001		115,001
Culture and Recreation	17,905		17,905
Capital Outlay	<u>66,359</u>	<u>12,150</u>	<u>78,509</u>
 Total Expenditures	 <u>352,801</u>	 <u>62,320</u>	 <u>415,121</u>
Excess of Revenues Over Expenditures	47,145	70,768	117,913
Other Financing Sources (Uses):			
Transfers In	6,727	9,700	16,427
Transfers Out	<u>(13,453)</u>	<u>(67,250)</u>	<u>(80,703)</u>
Total Other Sources (Uses)	<u>(6,726)</u>	<u>(57,550)</u>	<u>(64,276)</u>
Net Change in Fund Balances	40,149	13,218	53,637
 Fund Balance, Beginning	 <u>336,568</u>	 <u>208,281</u>	 <u>544,849</u>
Fund Balance, Ending	<u>\$ 376,987</u>	<u>\$ 221,499</u>	<u>\$ 598,486</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Reconciliation of Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the year ended September 30, 2004

Amounts reported for governmental activities in the Statement of Activities and the Statement of Revenues are different as follows:

Net change in fund balances – total government funds (from page 8)	\$ 53,637
Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense. Capital outlay exceeds depreciation by	393
Change in Net Assets of Governmental Activities (page 6)	<u>\$ 54,030</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual – Non-GAAP Budgetary Basis  
For the year ended September 30, 2004

	General Fund			Special Revenue Funds		
	Final Budget	Actual	Favorable (Unfavorable) Variance	Budget	Actual	Favorable (Unfavorable)
<u>Variance</u>						
Revenues:						
Franchise Taxes	\$ 70,944	\$ 70,944	\$	\$	\$	\$
Sales Taxes, Other Taxes	248,647	248,647		123,451	123,451	
Fines and Forfeits	20,574	20,574				
Earnings on Investments		3,840	3,840		2,768	2,768
Licenses, Permits and Fees	12,719	25,692	12,973	8,019	8,019	
Donations and Grants		28,280	28,280			
Fire Calls, Fees and Other	10,406	10,106	(300)			
<b>Total Revenues</b>	<u>363,290</u>	<u>408,083</u>	<u>44,793</u>	<u>131,470</u>	<u>134,238</u>	<u>2,768</u>
Expenditures:						
General Government	141,539	155,414	(13,875)			
Highways and Streets				50,143	50,756	(613)
Public Safety	112,475	114,223	(1,748)			
Culture and Recreation	57,662	18,048	39,614			
Capital Outlay		66,359	(66,359)		12,150	(12,150)
<b>Total Expenditures</b>	<u>311,676</u>	<u>354,044</u>	<u>(42,368)</u>	<u>50,143</u>	<u>62,906</u>	<u>(12,763)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>51,614</u>	<u>54,039</u>	<u>2,425</u>	<u>81,327</u>	<u>71,332</u>	<u>(9,995)</u>
Other Financing Sources (Uses):						
Operating Transfers In		6,727			9,700	
Operating Transfers Out		(13,453)			(67,250)	
<b>Net Other Financing Sources (Uses)</b>		<u>(6,726)</u>	<u>(6,726)</u>	<u>0</u>	<u>(57,550)</u>	<u>(57,550)</u>
Excess (Deficiency) of Revenues And Other Sources Over Expenditures and Other Uses	<u>\$ 51,614</u>	<u>\$ 47,313</u>	<u>\$ (4,301)</u>	<u>\$ 81,327</u>	<u>\$ 13,782</u>	<u>\$ (67,545)</u>
Fund Balance, Beginning of Year		<u>302,055</u>			<u>207,550</u>	
Fund Balance, End of Year		349,368			221,332	
Adjustment to GAAP Basis		<u>27,619</u>			<u>167</u>	
<b>Fund Balance – GAAP Basis</b>		<u>\$ 376,987</u>			<u>\$ 221,499</u>	

See accompanying notes to the financial statements.

City of Advance, Missouri  
Statement of Fund Net Assets  
Proprietary Funds (Water & Sewer)  
For the year ended September 30, 2004

Assets

Current Assets:

Cash and Cash Equivalents	\$ 155,436
Cash and Cash Equivalents - Restricted	<u>217,630</u>
Total Current Assets	373,066

Non-Current Assets

Escrow Funds	24,516
Capital Assets	
Less Accumulated Depreciation	1,892,963
Unamortized Bond Costs	<u>36,601</u>
	<u>1,954,080</u>
Total Assets	<u>2,327,146</u>

Liabilities

Current Liabilities:

Accounts Payable	8,398
Meter Deposits	26,564
Revenue Bonds Payable	<u>70,000</u>
Total Current Liabilities	<u>104,962</u>

Non-Current Liabilities

Revenue Bonds Payables	1,150,000
Deferred Loss	<u>(31,373)</u>
	<u>1,118,627</u>
Total Liabilities	<u>1,223,589</u>

Net Assets

Invested in Capital Assets, Net of Debt	672,963
Restricted	542,252
Unrestricted	<u>(111,658)</u>
Total Net Assets	<u>\$ 1,103,557</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Statement of Revenues, Expenses and Changes in  
Fund Net Assets  
Proprietary Funds  
For the year ended September 30, 2004

	Business-Type Activities				
	Water Operations	Sewer Operations	Sanitation	Other	Total
Operating Revenues:					
Charges for Services	\$ 151,951	\$ 125,216	\$ 52,070	\$	\$ 329,237
Miscellaneous	4,029				4,029
Total Operating Revenues	<u>155,980</u>	<u>125,216</u>	<u>52,070</u>		<u>333,266</u>
Operating Expenses:					
Personnel	50,251	53,187			103,438
Contract Services	10,370	4,683	48,440		63,493
Maintenance	26,348	28,882			55,230
Other Operating	9,614				9,614
Depreciation	30,713	49,284		17,746	97,743
Bond Fees, Amort		5,060		4,073	9,133
Total Operating Expenses	<u>127,296</u>	<u>141,096</u>	<u>48,440</u>	<u>21,819</u>	<u>338,651</u>
Operating Income (Loss)	<u>28,684</u>	<u>(15,880)</u>	<u>3,630</u>	<u>(21,819)</u>	<u>(5,385)</u>
Non-Operating Revenues (Expenses)					
Interest Earned	1,829	990		2,355	5,174
Interest Expense		(28,382)		(27,165)	(55,547)
Escrow Earnings		21,389			21,389
Total Non-Operating	<u>1,829</u>	<u>(6,003)</u>	<u>0</u>	<u>(24,810)</u>	<u>(28,994)</u>
Operating Income(Loss)Before Transfers	30,513	(21,883)	3,630	(46,629)	(34,369)
Inter-Fund Transfers, Net	<u>(49,207)</u>	<u>48,561</u>		<u>64,923</u>	<u>64,277</u>
Change in Net Assets	(18,694)	26,678	3,630	18,294	29,908
Total Net Assets, Beginning	<u>576,369</u>	<u>168,401</u>		<u>328,879</u>	<u>1,073,649</u>
Total Net Assets, Ending	<u>\$ 557,675</u>	<u>\$ 195,079</u>	<u>\$ 3,630</u>	<u>\$ 347,173</u>	<u>\$1,103,557</u>

See accompanying notes to the financial statements.



City of Advance, Missouri  
Statement of Cash Flows  
Proprietary Funds  
Year ended September 30, 2004

Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 333,266	
Cash Payments to Suppliers	(63,493)	
Cash Payments for Personnel	(103,438)	
Cash Payments for Other Operations	<u>(65,451)</u>	
Net Cash Provided by Operating Activities		100,884
Cash Flows from Non-Capital Financing:		
Transfers to/from Other Funds	<u>64,277</u>	
Net Cash Provided by Non-Capital Financing		64,277
Cash Flows from Capital Financing:		
Payments on Revenue Bonds	(70,000)	
Interest Paid on Bonds	<u>(55,547)</u>	
Net Cash Provided by Capital Financing		(125,547)
Cash Flows from Investing Activities:		
Bond Issue-Decrease in Escrow	(272)	
Investment Income	<u>26,563</u>	
Net Cash Provided by Investing Activities		<u>26,291</u>
Net Increase in Cash and Cash Equivalents		65,905
Cash and Cash Equivalents, Beginning of Year		<u>307,161</u>
Cash and Cash Equivalents, End of Year		<u>\$ 373,066</u>

Reconciliation of Operating Income (Loss) to Net		
Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)		\$ (5,385)
Adjustments to Reconcile Net Income (Loss)		
to Net Cash Provided (Used) by Operations:		
Depreciation		97,743
Amortization		5,133
Increase in Accounts Payable		1,051
Increase in Meter Deposits		<u>2,342</u>
Net Cash Provided by Operating Activities		<u>\$ 100,884</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The City of Advance, Missouri was incorporated in 1883 and operates as a fourth class city organized under the mayor-aldermen form of government. The following services are provided by the City: public safety, street maintenance, sanitation, water and sewer.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets (if any). These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds.

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

The financial statements of the City of Advance are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant revenues are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

Major revenue sources susceptible to accrual include: sales and use taxes, state vehicle taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Financial Reporting Entity

The City's financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization's board
- the City appoints a voting majority of the organization
- the organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on this criteria, the City of Advance has no component units.

E. Fund Types

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The transactions of each fund are summarized by providing a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues and expenditures. Funds are ordered into two major categories: governmental and proprietary. Funds within each major category are grouped by fund types in the financial statements. The funds used by the City are:

GOVERNMENTAL FUND TYPES

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and capital improvement costs that are not paid through other funds are paid from the General Fund.

Special Revenue Funds – The Special Revenue Funds are used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for specified purposes. These funds include the Street Fund and Capital Improvements Fund.

PROPRIETARY FUND TYPES

Enterprise Funds – The Enterprises Funds are used for activities which are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis be financed through user charges. This fund includes Combined Waterworks and Sewerage Fund and Sewer Fund.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

F. Budget

The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the mayor a budget of estimated expenditures for the following fiscal year after which the mayor subsequently submits a budget of estimated expenditures and revenues to the Board of Aldermen. The budget is not prepared on a fund basis as described in these notes and presented in the financial statements.

Prior to October 1, the annual budget is legally enacted through passage of an ordinance. All revisions that alter the total to the established budget must be approved by the Board of Aldermen.

Excess expenditures over budget in the current year represent non-budgeted capital items.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve the portion of the applicable appropriation, is not utilized by the City.

H. Cash and Cash Equivalents

The City maintains separate cash accounts for the General Fund, Municipal Court (General Revenue), Special Revenue Street Fund, combined Waterworks and Sewerage Enterprise Fund, and Sewer Fund accounts.

The City has no investments other than Certificates of Deposit. Certificates with maturity dates of 1 year or less, are considered to be cash equivalents and are included in Cash on the City's financial statements. All certificates of deposit are considered "deposit" for purposes of collateralization requirements (see footnote 3).

The City maintains a Cash Drawer for use by the Collector in receiving utility and municipal court payments. The balance of this drawer is maintained at \$150.00, which is not reported on the financial statements.

I. Prepaid Items

Annual premiums for the City's insurance coverage are recorded as expenditures when paid rather than as a prepaid item.

J. Inventories

Inventories of expendable supplies in the General Fund and Enterprise Fund are not maintained. Due to the small amount of supplies on hand at year end, all supply items are recorded as expenditures when purchased.

K. Fund Changes and Transactions Between Funds

Legally authorized transfers are treated as operating transfers and are included in the Statement of Activities of both Governmental and Proprietary Funds.

The City allocates to the Proprietary Fund related costs of personnel who perform services for those funds but are paid through the General Fund along with other costs deemed necessary for their operations. These costs are reimbursed to the General Fund.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

L. Capital Assets, Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Prior to September 30, 1994, the City had not maintained detail assets records. During the year ended September 30, 1994, an inventory of City assets was taken. The values assigned were actual costs, when available, or insurable costs, if actual cost was not ascertainable. The parks and industrial complex construction was financed through grant monies. Since actual cost of these projects was not maintained, information from grant documents was used to assign values.

Capitalized assets have an original cost of \$1,000 or more and three or more years estimated life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building	20-50 Years
Water and Sewer System	40-50 Years
Machinery and Equipment	5-10 Years

A schedule of Capital Assets is presented at Footnote 4.

M. Compensated Absences

The City's policy allows employees to accumulate unused sick leave up to 15 days. Sick leave in excess of the 15 days is not paid upon termination, but will be paid only upon illness while in the employ of the City. Vacations are allowed as follows: one week of vacation after one year of service; 2 weeks vacation after 2 or more years. Five days of unused vacation time may be carried over to the following year. Compensation for accumulated vacation days shall be paid only upon resignation, termination and/or death. Earned vacation that would be payable upon termination was approximately \$4,485.87 at 9-30-04.

N. Financial Reporting

The City has implemented revised reporting standards under GASB statement No. 34 for the fiscal year ending September 30, 2004.

2. BUDGET BASIS OF ACCOUNTING:

The City of Advance prepares its annual budget on the cash basis (budget basis) which differs from generally accepted accounting principles. The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – for the General and Special Revenue Funds present a comparison of budgetary data to actual results of operations for which budgets are legally adopted. These statements utilize the same basis of accounting for both budgetary purposes and actual results. The major differences between budget and GAAP basis are that tax revenues receivable are recorded as revenue and accrued expenses are recorded as expenditures on the GAAP basis.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

Adjustments necessary to convert the General Fund's Excess of revenues and other sources over expenditures and other uses on the budget basis to a GAAP basis are provided below:

Excess of revenues and other sources over expenditures and other uses-budget basis	\$ 51,614
Less: Items not budgeted, net	<u>(9,824)</u>
Adjusted budget basis	41,790
Beginning of year receivables recognized as revenues	(18,335)
End of year receivables not recognized as revenues	15,046
Beginning of year accrual basis expenditures	4,586
End of year accrual basis expenditures	<u>(2,938)</u>
Excess (Deficiency) of revenues and other sources over expenditures and other uses-GAAP basis	<u>\$ 40,149</u>

3. DEPOSITS AND INVESTMENTS:

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits, including certificates of deposit, were fully insured or collateralized as required by the state statutes at September 30, 2004. At year-end, the carrying amount of the city's deposits was \$948,337. Included in the bank balances are Certificates of Deposit totaling \$620,073. Of the total bank balance, \$100,000 was covered by Federal Depository Insurance. The remainder was covered by collateral with a value of \$914,560. The collateral is held by the Bank of Advance in the City's name.

State statutes, city bond ordinances and city resolutions authorize the City's investments. As of September 30, 2004, the City held no investments other than certificates of deposit.

City of Advance, Missouri  
Notes to Financial Statements  
Year Ended September 30, 2004

4. CAPITAL ASSETS

A summary of changes in Capital Assets for the year ended September 30, 2004, follows

<u>Governmental Activities</u>	Assets Not	Assets Depreciated			Totals
	Depreciated	Building	Infrastructure/ Improvements	Equipment	
	Land				
<u>Assets:</u>					
Balance 9/30/03	\$ 276,000	\$ 144,753	\$ 1,316,923	\$ 566,403	\$2,304,079
Increase			21,966	78,510	100,426
Decrease					0
Balance 9/30/04	<u>276,000</u>	<u>144,753</u>	<u>1,338,889</u>	<u>644,913</u>	<u>2,404,555</u>
<u>Accumulated Depreciation:</u>					
Balance 10/01/03		127,865	1,127,910	341,948	1,597,723
Increase		5,790	23,931	48,395	78,116
Decrease					0
Balance 9/30/04		<u>133,655</u>	<u>1,151,841</u>	<u>390,343</u>	<u>1,675,839</u>
Capital Assets, Net	<u>\$ 276,000</u>	<u>\$ 11,098</u>	<u>\$ 187,048</u>	<u>\$ 254,570</u>	<u>\$ 728,716</u>
<u>Business – Type Activities<sup>7</sup></u>					
<u>Assets:</u>					
Balance 9/30/03	\$ 176,164	\$ 776,432	\$ 1,852,245	\$ 62,705	\$2,867,546
Increase					
Decrease					
Balance 9/30/04	<u>176,164</u>	<u>776,432</u>	<u>1,852,245</u>	<u>62,705</u>	<u>2,867,546</u>
<u>Accumulated Depreciation</u>					
Balance 9/30/03		425,694	426,932	54,847	907,473
Increase		20,660	42,964	3,486	67,110
Decrease					
Balance 9/30/04		<u>446,354</u>	<u>469,896</u>	<u>58,333</u>	<u>974,583</u>
Capital Assets, Net	<u>\$ 176,164</u>	<u>\$ 330,078</u>	<u>\$ 1,382,349</u>	<u>\$ 4,372</u>	<u>\$1,892,963</u>

Prior to implementation of GASB 34 reporting, depreciation on Governmental Activity assets was not recorded. Beginning Accumulated Depreciation was computed as of October 1, 2003. For purposes of GASB disclosure, Accumulated Depreciation for Business-type Activities and Governmental Activities has been restated to comply with requirements of GASB 34.

The City maintains 17.5 miles of paved streets. The value of the original infrastructure at 9/30/03 has been estimated by management based on cost per foot. These original streets, valued at \$979,440, are fully depreciated at 9/30/03. Resurface costs since 1998 have been capitalized at actual cost and depreciated over 10 years.

Governmental Activities depreciation expense was charged to the functions of Primary Government as follows:

General Government	\$ 15,952
Public Safety	23,763
Culture – Recreation	11,626
Highway and Streets	<u>26,775</u>
	<u>\$ 78,116</u>

LONG-TERM DEBT:

- A. On April 17, 2001, Sewer Revenue Bonds in the amount of \$690,000 were issued at a premium by the City of Advance through the Missouri Department of Natural Resources State Revolving Fund Program. The bonds bear interest rates of 4.0% to 5.0%. These bonds represent a portion of Series 2001A State of Missouri Water Pollution Control and Drinking Water Revenue Bond issue. The bonds are special obligations of the City payable solely from and secured as to payment of principal and interest by a pledge of net revenues of the City's sewer system. Proceeds of the revolving loan with DNR are for the purpose of constructing a sewerage lagoon for the City's use.

Monthly payments are made to UMB Bank, N.A. to be held in escrow for bond redemption and interest payments.

The City is required to maintain the following accounts:

- 1) A separate Sewer Operation and Maintenance account for the revenues derived from the sewer system, and
- 2) A Sewer Depreciation and Replacement account in the amount of \$17,250.00 for the purpose of maintaining the lagoon/system.

Costs of \$22,555.15 were incurred in issuing the bonds and are amortized over the life of the issue.

The requirements to retire the bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 30,000.00	\$ 39,484.97	\$ 69,484.97
2006-2015	350,000.00	196,690.01	546,690.01
2016-2020	200,000.00	35,900.00	235,900.00
2021	45,000.00	1,125.00	46,125.00
	<u>\$ 625,000.00</u>	<u>\$ 273,199.98</u>	<u>\$ 898,199.98</u>

- B. On November 1, 1995, the City issued Combined Waterworks and Sewerage System Revenue Bonds in the amount of \$800,000.

On September 15, 2001, combined Waterworks and Sewerage Revenue Refunding Bonds, Series 2001, were issued in the amount of \$670,000, bearing interest at the rate of 3.4% to 4.9% per annum for the purpose of refunding the outstanding Series 1995 Bonds. Series 2001 Bonds were issued to fund an Escrow Account to pay principal and interest on the Series 1995 Bonds through November 1, 2002, when the Series 1995 Bonds will be called for redemption. The ordinance authorizing the issuance of the 2001 Series Bonds was approved September 4, 2001 by the City's board of Aldermen.

The bonds are limited obligations of the City payable solely from revenues of the Sewer System and from certain Appropriated Capital Improvement Sales Tax Revenues. Net Revenues of the System, less the amount necessary to make principal and interest payments on the City's Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program), are pledged for the payment of principal and interest of the Series 2001 Bonds. The Bonds do not constitute a general obligation of the City.

Costs of \$21,885.50 were incurred in issuing the refunding bonds and are amortized over the life of the issue.

The City is required to maintain the following accounts:

- 1). Bond Reserve Account in the amount of \$67,000 to prevent any default in the payment of principal and interest on the Bonds, and
- 2). Depreciation and Replacement Account in the amount of \$30,000 for the purpose of maintaining the system.



*City of Advance, Missouri*  
*Notes to Financial Statements*  
Year Ended September 30, 2004

The requirements to retire the refunding bonds are as follows:

<u>Year Ending</u> <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 40,000.00	\$ 25,804.99	\$ 65,804.99
2006-2009	180,000.00	86,010.00	266,010.00
2010-2012	150,000.00	42,570.01	192,570.01
2013-2014	105,000.00	16,812.50	121,812.50
2015-2016	<u>120,000.00</u>	<u>5,880.00</u>	<u>125,880.00</u>
	<u>\$ 595,000.00</u>	<u>\$ 177,077.50</u>	<u>\$ 772,077.50</u>

Supplementary Data

City of Advance, Missouri  
 Combining Balance Sheet – Special Revenue Funds  
 September 30, 2004

	<u>Street Fund</u>	<u>Capital Improve- ments</u>	<u>Total (Memo only)</u>
<u>Assets</u>			
Cash and Cash Equivalents – Restricted	\$ 11,635	\$ 206,650	\$ 218,285
Receivables	<u>          </u>	<u>4,682</u>	<u>4,682</u>
Total Assets	<u>\$ 11,635</u>	<u>\$ 211,332</u>	<u>\$ 222,967</u>
 <u>Liabilities and Equity</u>			
Liabilities:			
Accounts Payable	<u>1,468</u>	<u>          </u>	<u>1,468</u>
Total Liabilities	<u>1,468</u>	<u>0</u>	<u>1,468</u>
 Equity:			
Fund Balance	<u>10,167</u>	<u>211,332</u>	<u>221,499</u>
Total Liabilities and Equity	<u>\$ 11,635</u>	<u>\$ 211,332</u>	<u>\$ 222,967</u>

See accompanying notes to the financial statements

City of Advance, Missouri  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Special Revenue  
Year Ended September 30, 2004

	<u>Street Fund</u>	<u>Capital Improve- ments</u>	<u>Total (Memo only)</u>
Revenues:			
Sales taxes, gasoline taxes	\$ 45,195	\$ 77,106	\$ 122,301
Earnings on Investments	120	2,648	2,768
Licenses and Fees	6,426		6,426
Other Revenues	<u>1,593</u>	<u>          </u>	<u>1,593</u>
 Total Revenues	 <u>53,334</u>	 <u>79,754</u>	 <u>133,088</u>
Expenditures:			
Highways and Streets	49,504		49,504
Capital Outlay	12,150		12,150
Other Operating Expenditures	<u>666</u>	<u>          </u>	<u>666</u>
 Total Expenditures	 <u>62,320</u>	 <u>0</u>	 <u>62,320</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (8,986)	 79,754	 70,768
Other Financing Sources (Uses)			
Operating Transfers In	9,700		9,700
Operating Transfers Out	<u>          </u>	<u>(67,250)</u>	<u>(67,250)</u>
 Net Other Financing Sources	 <u>9,700</u>	 <u>(67,250)</u>	 <u>(57,550)</u>
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	 714	 12,504	 13,218
 Fund Balance, Beginning of Year	 <u>9,453</u>	 <u>198,828</u>	 <u>208,281</u>
 Fund Balance, End of Year	 <u>\$ 10,167</u>	 <u>\$211,332</u>	 <u>\$221,499</u>

See accompanying notes to the financial statements

City of Advance, Missouri  
Combining Statement of Net Assets – Proprietary Funds  
September 30, 2004

Wastewater and Sewerage

	Operation and Maintenance Fund	Interest and Redemption Fund	Bond Reserve Fund	Construct- ion Fund	Depreciation and Replacement Fund	Sewer Fund	Total (Memo only)
<u>Assets</u>							
Cash and Cash Equivalents	\$ 128,416	\$	\$	\$ 4,375	\$	\$ 22,645	\$ 155,436
Cash and Cash Equivalents –Restricted	26,127	2,692	67,000		47,250	74,561	217,630
Escrow Funds-Bond Agent						24,516	24,516
Unamortized Bond Costs, Net of Premium				17,508		19,093	36,601
Property and Equipment:							
Land	5,500						5,500
Water Towers	199,205						199,205
Wells	33,700						33,700
Distribution/Collection Systems	404,451						404,451
Treatment Plants	545,727						545,727
Equipment	33,616					1,900	35,516
Vehicles	27,189						27,189
Wastewater/Sewerage System				674,502			674,502
Accumulated Deprecation	(809,018)			(107,240)			(916,258)
Sewer Lagoon-Land & Costs				204,713		737,043	941,756
Accumulated Depreciation						(58,325)	(58,325)
<b>Total Assets</b>	<u>594,913</u>	<u>2,692</u>	<u>67,000</u>	<u>793,858</u>	<u>47,250</u>	<u>821,433</u>	<u>2,327,146</u>
<u>Liabilities</u>							
Accounts Payable	7,044					1,354	8,398
Meter Deposits Payable	26,564						26,564
Revenue Bonds Payable				595,000		625,000	1,220,000
Deferred Loss 1995 Issue, Net				(31,373)			(31,373)
<b>Total Liabilities</b>	<u>33,608</u>	<u>0</u>	<u>0</u>	<u>563,627</u>	<u>0</u>	<u>626,354</u>	<u>1,223,589</u>
<u>Net Assets:</u>							
Contributed Capital-Federal	581,110						581,110
Contributed Capital-State	175,222						175,222
Contributed Capital-Local	169,938						169,938
Invested in Capital Asset:							
Restricted		2,692	67,000	230,231	47,250	195,079	542,252
Unrestricted	(364,965)						(364,965)
<b>Total Net Assets</b>	<u>\$ 561,305</u>	<u>\$ 2,692</u>	<u>\$ 67,000</u>	<u>\$ 230,231</u>	<u>\$ 47,250</u>	<u>\$ 195,079</u>	<u>\$ 1,103,557</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
Combining Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Fiscal Year Ended September 30, 2004

	Operation and Maintenance Fund	Interest and Redemption Fund	Bond Reserve Fund	Construct- ion Fund	Depreciation & Replacement WWS & Sewer	Sewer Fund	Total (Memo only)
Operating Revenues:							
Charges for Services	\$ 151,951	\$	\$	\$	\$	\$ 125,216	\$ 277,167
Charges for Sanitation	52,070						52,070
Other Income	4,029						4,029
<b>Total Operating Revenues</b>	<b>208,050</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125,216</b>	<b>333,266</b>
Operating Expenses:							
Personnel	50,251					53,187	103,438
Purchased Service	58,810					4,683	63,493
Maintenance	26,348					28,882	55,230
Other Operating	9,614						9,614
Depreciation Expense	30,713			17,746		49,284	97,743
Bond Fees, Amortization				4,073		5,060	9,133
<b>Total Operating Expenses</b>	<b>175,736</b>	<b>0</b>	<b>0</b>	<b>21,819</b>	<b>0</b>	<b>141,096</b>	<b>338,651</b>
Operating Income (Loss)	32,314	0	0	(21,819)	0	(15,880)	(5,385)
Non-Operating Revenues (Expenses)							
Earnings on Investments	1,829	28	1,981		346	990	5,174
Interest Expense		(27,165)				(28,382)	(55,547)
Earnings on Escrow						21,389	21,389
<b>Total Non-Operating Revenue (Expenses)</b>	<b>1,829</b>	<b>(27,137)</b>	<b>1,981</b>	<b>0</b>	<b>346</b>	<b>(6,003)</b>	<b>(28,984)</b>
Income (Loss) Before Transfers	34,143	(27,137)	1,981	(21,819)	346	(21,883)	(34,369)
Operating Transfers In	90,422	67,250		40,000		135,229	332,901
Operating Transfers Out	(139,629)	(40,000)	(1,981)		(346)	(86,668)	(268,624)
Change in Net Assets	(15,064)	113	0	18,181	0	26,678	29,908
Total Net Assets, Beginning of Year	576,369	2,579	67,000	212,050	47,250	168,401	1,073,649
Total Net Assets, Ending	\$ 561,305	\$ 2,692	\$ 67,000	\$ 230,231	\$ 47,250	\$ 195,079	\$ 1,103,557

See accompanying notes to the financial statements.

City of Advance, Missouri  
 Schedule of Non-Capital Expenditures – Governmental Funds  
 Year Ended September 30, 2004

General Fund

General Government

Salaries and related benefits	\$ 99,233
Insurance	22,498
Utilities/Telephone	5,954
Repairs, Maintenance, Supplies	11,760
Other Operating	<u>14,091</u>
	<u>153,536</u>

Public Safety:

Police – Salaries and Benefits	85,774
- Vehicle and Equipment Maintenance	5,868
- Training, Miscellaneous, Supplies	3,672
- Animal Control	<u>1,173</u>
	<u>96,487</u>

Fire - Personnel	6,275
- Equipment Maintenance	4,176
- Miscellaneous, Supplies	<u>8,063</u>
	<u>18,514</u>

Culture and Recreation

Maintenance and Supplies-Parks	12,073
Personnel – Parks	3,416
Supplies – Library	<u>2,416</u>
	<u>17,905</u>

Total General Fund Expenditures \$ 286,442

Special Revenue Fund

Highways and Streets	<u>50,170</u>
Total Governmental Fund Expenditures	<u>\$ 336,612</u>

See accompanying notes to the financial statements.

City of Advance, Missouri  
 Clerk's/Collector's Reports (Cash Basis)-Reconciliation to GAAP Basis (Fund Statements)  
 Year Ending September 30, 2004

	General	Police Dept. <sup>1</sup>	Fire Dept.	City Parks	WWS	Street Fund	Capital Improve- ments	Sewer
<b>Revenues</b>								
Gross Revenue/Franchise Tax	\$ 70,944	\$	\$	\$	\$	\$	\$	\$
Motor Vehicle Fees and Taxes						15,562		
State Gasoline Tax, Sales Tax	156,512		36,954	55,180		36,058	78,256	
Fire Protection			8,630					
Donations, Other								
Police Fines		20,574						
Sanitation					52,070			
Primacy and Other Fees					1,963			
Penalties on Collections					4,366			
Licenses and Permits	4,774							
Miscellaneous Receipts	9,233							
Water Usage					148,314	1,594		
Sewer Usage					123,979			
Tax on Utility Charges					4,017			
Permits and Hookups					1,334			
Meter Deposits Received								
Investment Earnings		187						
Revenues Per Collector	<u>241,463</u>	<u>20,761</u>	<u>45,884</u>	<u>55,180</u>	<u>336,850</u>	<u>53,214</u>	<u>78,256</u>	<u></u>
Transfer Adjustments					(135,229)			135,229
GAAP Receivables Adjustment	(2,303)	3,170	(567)	(420)			(1,150)	
Audit Reclassifications	4,845				6,429			(10,443)
Grants & Donations		853	21,600	5,827				
Investment Earnings	3,840	(187)			1,829	120	2,648	990
Escrow Earnings								21,819
Revenue Per Audit - GAAP Basis	<u>\$ 247,845</u>	<u>\$ 24,597</u>	<u>\$ 66,917</u>	<u>\$ 60,587</u>	<u>\$ 209,879</u>	<u>\$ 53,334</u>	<u>\$ 79,754</u>	<u>\$ 147,595</u>
<b>Expenditures</b>								
Personnel	\$ 97,982	\$ 85,774	\$ 5,425	\$	\$ 47,559	\$	\$	\$ 53,187
Insurance	22,498							
Equipment Purchased/Capital Items			5,965	57,662				
Office Supplies, Postage	4,330							
Utilities and Telephone	5,954	1,938	2,420		949			5,144
Purchased Services					63,202	10,982		
Repairs and Maintenance	5,234	4,640	1,985		26,348	38,559		12,735
Debt Service							53,923	41,265
Miscellaneous	5,541	1,062	193		6,500	603		15,473
Training, Uniforms		1,900			2,692			
Animal Control		1,173						
Per Collector Expense Reports	141,539	96,487	15,988	57,662	147,250	50,144	53,923	127,804
Audit Adjustments	10,961			1,847	(1,554)			
Capital Items Adjustments		6,570	18,328			12,150		
Debt Service Adjustments							(53,923)	(41,052)
GAAP-Payables Adjustments	1,036		2,526	(143)	(673)	26		
Depreciation/Amortization					30,713			54,344
Bond Interest								28,382
Expenditures Per Audit-GAAP Basis	<u>\$ 153,536</u>	<u>\$ 103,057</u>	<u>\$ 36,842</u>	<u>\$ 59,366</u>	<u>\$ 175,736</u>	<u>\$ 62,320</u>	<u>\$ 0</u>	<u>\$ 169,478</u>

<sup>1</sup> Includes Municipal Court



City of Advance, Missouri  
 Schedule of Insurance  
 For the Year Ended September 30, 2004

<u>Type of Coverage</u>	<u>Coverage</u>
Workers Compensation 4-1-04 to 4-1-05	\$1,000,000
General Liability:	
General Liability	\$2,000,000
Public Official Liability	\$2,000,000
Law Enforcement Liability	\$2,000,000
Automobile Liability	\$2,000,000
Property:	
Buildings (Co-insurance 90%)	\$373,014
Contents (Co-insurance 90%)	\$37,500
Vehicles and Equipment (Co-insurance 80%)	\$304,072
Water Tower, Holding Tanks Pump Houses (Co-insurance 90%) 3-12-04 to 3-12-05	\$521,864
	Premium \$22,248
Surety Bonds:	
City clerk	\$5,000
City Collector	\$5,000
Court Clerk	\$5,000
Treasurer	\$5,000
Police Officers	\$5,000

See accompanying notes to the financial statements.

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

Honorable Major and Board of Aldermen  
City of Advance, Missouri

We have audited the financial statements of the governmental activities and the business-type activities of City of Advance, as of and for the year ended September 30, 2004 which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 City of Advance's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

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

This report is intended solely for the information of the Mayor, management, and Board of Aldermen and is not intended to be, and should not be, used by anyone other than these specified parties.

  
Garner & Schwab, P.C.

November 19, 2004