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Comprehensive Annual Financial Report, 2004

City of Arnold

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CITY OF BELLA VILLA, MISSOURI

ANNUAL REPORT

YEAR ENDED JUNE 30, 2004

ROSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

50 CRESTWOOD EXECUTIVE CENTER • SUITE 400

ST. LOUIS, MISSOURI 63126

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MISSOURI SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Bella Villa
751 Avenue H
Bella Villa, Missouri 63125

We have audited the accompanying financial statements of the governmental activities, and the major fund of

CITY OF BELLA VILLA, MISSOURI

as of and for the year ended June 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 Bella Villa, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities and the major fund of City of Bella Villa, Missouri as of June 30, 2004 and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1(C).

As described in Note 1, 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 June 30, 2004.

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

Ross & Company, P.C.
Certified Public Accountants

September 17, 2004
GS/cp

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

CITY OF BELLA VILLA, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2004

Our discussion and analysis of the City of Bella Villa's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City purchased the lot next to City Hall for a future parking lot and playground for \$80,028.42.
- The City continued to see a growth in fines and forfeitures revenue for the year ended June 30, 2004 of 34%.
- The City participated in the Missouri Department of Conservation's Tree Resource Improvement and Maintenance program. The City was reimbursed for expenditures totaling \$10,000.00.

1. USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report.

Report Components

This annual report consists of four parts as follows:

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

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

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

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

Basis of Accounting

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

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

Reporting the City as a Whole

The City's Reporting Entity Presentation

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

The primary government is the City of Bella Villa.

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

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

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

In the Statement of Net Assets and the Statement of Activities, we have one type of activity:

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

Reporting the City's Most Significant Funds

The Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the Board of

Aldermen establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

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

2. FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Our analysis below focuses on the net assets and changes in net assets of the City's governmental-type activities.

<u>Net Assets</u>	<u>Governmental Activities June 30, 2004</u>
Beginning net assets	\$ 896,859.91
Increase in net assets	<u>133,381.47</u>
Ending net assets	<u>\$ 1,030,241.38</u>

<u>Changes in Net Assets</u>	<u>Governmental Activities June 30, 2004</u>
Revenues	\$ 567,024.87
Program expenses	<u>433,643.40</u>
Increase (Decrease) in Net Assets	<u>\$ 133,381.47</u>

Since this is the first year to report all activities using this new approach, a comparison of assets, liabilities and net assets to the prior year is not possible (with the exception of the above comparison of net assets). However, in future years, this section will explain the differences between the components of current and prior year assets, liabilities, and changes in net assets.

3. ANALYSIS OF RESULTS OF OPERATIONS

Governmental Activities

Again, because this is the first year to report governmental activities using the new GASB 34 approach, a comparison to the prior year is not possible. However, in next year's discussion, this section will show a condensed financial comparison of revenues and expenses and provide explanations for significant differences.

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

The City's governmental activities were funded as follows:

<u>Sources of Funds for Governmental Activities</u>	<u>For Year Ended June 30, 2004</u>	
	<u>Amount</u>	<u>Percent</u>
Taxes, penalties and interest	\$ 206,845.65	36%
Licenses and permits	5,040.91	1%
Interest revenue	3,483.13	1%
Fines and forfeitures	335,774.49	59%
Miscellaneous	5,880.69	1%
Grant revenue	<u>10,000.00</u>	<u>2%</u>
Total	<u>\$ 567,024.87</u>	<u>100%</u>

Use of Funds

Administration Department	\$ 28,497.86	7%
Police Department	180,499.84	42%
Street Department	11,272.85	3%
Park Department	6,031.96	1%
Court Department	111,067.73	25%
Health & Sanitation Department	29,070.54	7%
Building/Engineer/Inspection Department	1,015.90	
Overhead	66,114.72	15%
Community Development	<u>72.00</u>	
Total	<u>\$ 433,643.40</u>	<u>100%</u>

4. SIGNIFICANT TRANSACTIONS

The City purchased a parcel of land next to City Hall for \$80,028.42. The land will be developed into a parking lot and playground.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended June 30, 2004, General Fund expenditures were \$60,937 above final appropriations, while actual resources available for appropriation were \$179,309 above the final budgeted amount.

6. **CAPITAL ASSETS**

Government Capital Assets (Net of depreciation)

		<u>Governmental Activities June 30, 2004</u>
Land and buildings	\$	495,599.65
Vehicles		46,887.20
Furniture, fixtures and equipment		<u>31,926.45</u>
	\$	574,413.30
Less depreciation		<u>(99,522.11)</u>
Totals	\$	<u><u>474,891.19</u></u>

This year's significant capital asset additions included:

Land adjacent to City Hall	\$	80,028.42
Police car video system	\$	6,500.00
(2) computers	\$	4,031.30

7. **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The June 30, 2005 budget is similar to the June 30, 2004 budget.

8. **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's financial condition and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office at 751 Avenue H, Bella Villa, Missouri, 63125 or telephone 314-638-8840.

BASIC FINANCIAL STATEMENTS

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

- Government-wide financial statements
- Fund financial statements
 - Governmental fund

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

CITY OF BELLA VILLA, MISSOURI

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2004**

	Governmental Activities
<u>ASSETS</u>	
Cash and cash equivalents	\$ 584,412.37
Capital assets, net of accumulated depreciation	<u>474,891.19</u>
TOTAL ASSETS	\$ <u>1,059,303.56</u>
<u>LIABILITIES</u>	
Payroll withholding	\$ 5,140.22
Court bonds payable	23,866.50
Sewer lateral escrow	<u>55.46</u>
TOTAL LIABILITIES	\$ <u>29,062.18</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	\$ 474,891.19
Unrestricted	<u>555,350.19</u>
TOTAL NET ASSETS	\$ <u>1,030,241.38</u>

See accompanying notes to the basic financial statements.

CITY OF BELLA VILLA, MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Administration Department	\$ 28,497.86	\$ 5,040.91	\$	\$	\$ (23,456.95)
Police Department	180,499.84	335,774.49			155,274.65
Street Department	11,272.85				(11,272.85)
Park Department	6,031.96				(6,031.96)
Court Department	111,067.73				(111,067.73)
Health & Sanitation Department	29,070.54				(29,070.54)
Building/Engineer/Inspection Department	1,015.90				(1,015.90)
Overhead	66,114.72		10,000.00		(56,114.72)
Community development	72.00				(72.00)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 433,643.40	\$ 340,815.40	\$ 10,000.00	\$ 0.00	\$ (82,828.00)
General Revenues:					
Taxes, penalties and interest					\$ 206,845.65
Interest revenue					3,483.13
Miscellaneous					5,880.69
TOTAL GENERAL REVENUES					\$ 216,209.47
CHANGES IN NET ASSETS					\$ 133,381.47
<u>NET ASSETS - Beginning</u>					896,859.91
<u>NET ASSETS - Ending</u>					\$ 1,030,241.38

See accompanying notes to the basic financial statements.

CITYOF BELLA VILLA, MISSOURI

**BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUND
JUNE 30, 2004**

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and investments	\$ 584,412.37
TOTAL ASSETS	<u>\$ 584,412.37</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Payroll withholdings	\$ 5,140.22
Court bonds payable	23,866.50
Sewer lateral escrow	<u>55.46</u>
TOTAL LIABILITIES	<u>\$ 29,062.18</u>
Fund Balances:	
Unrestricted	<u>\$ 555,350.19</u>
TOTAL FUND BALANCE	\$ 555,350.19

Reconciliation to Statement of Net Assets:

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

Capital assets used in governmental activities of \$574,413.30 are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$99,522.11.	<u>474,891.19</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,030,241.38</u>

See accompanying notes to the basic financial statements.

CITY OF BELLA VILLA, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes, penalties and interest	\$ 206,845.65
Licenses and permits	5,040.91
Interest revenue	3,483.13
Fines and forfeitures	335,774.49
Miscellaneous	5,880.69
Grant revenue	<u>10,000.00</u>
TOTAL REVENUES	<u>\$ 567,024.87</u>
<u>EXPENDITURES</u>	
Current:	
Administration Department	\$ 28,497.86
Police Department	172,401.34
Street Department	11,272.85
Park Department	6,031.96
Court Department	111,067.73
Health and Sanitation Department	29,070.54
Building/Engineer/Inspection Department	1,015.90
Overhead	50,217.66
Community Development	72.00
Capital Outlay:	
Current expenditures	<u>93,309.62</u>
TOTAL EXPENDITURES	<u>\$ 502,957.46</u>
<u>NET CHANGE IN FUND BALANCE</u>	\$ 64,067.41
<u>FUND BALANCE - Beginning of year</u>	<u>491,282.78</u>
<u>FUND BALANCE - End of year</u>	<u>\$ 555,350.19</u>

See accompanying notes to the basic financial statements.

CITY OF BELLA VILLA, MISSOURI

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2004**

	Total Governmental Funds
Reconciliation to the Statement of Activities	
Net change in fund balance - total governmental funds	\$ 64,067.41
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense as to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	93,309.62
Depreciation expense	<u>(23,995.56)</u>
Change in Net Assets of Governmental Activities	<u>\$ 133,381.47</u>

See accompanying notes to the basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF BELLA VILLA, MISSOURI

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the use of a modified cash basis of accounting as discussed in Note 1(C), the City complies with accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended June 30, 2004, the City implemented the new financial reporting requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions* and implemented the new financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, and GASB Statement No. 37, *an Omnibus Amendment to GASB Statements 21 and 34*.

Implementation of GASB Statement 34

Although the City presents its annual financial statements on a comprehensive basis of accounting other than GAAP, the aspects of financial statements content and format, as prescribed by GASB Statement 34, have been implemented in the financial statements, effective for the year ended June 30, 2004.

The primary changes from the prior years' financial presentations include:

- The addition of a Management Discussion and Analysis as required supplementary information.
- A new format for the City's basic financial statements including a government-wide Statement of Net Assets and Statement of Activities, in addition to fund financial statements, with emphasis on major funds, for governmental activities.
- The reporting of budget and actual information for the General Fund in a new format as required supplementary information.
- Beginning net assets reported in government-wide financial statements will differ from the amounts reported as ending fund equity in the prior year financial statements due to this implementation.

A. Financial Reporting Entity

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

Primary Government:	City of Bella Villa, Missouri
Component Units:	None

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statement

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. An emphasis is placed on major funds.

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

Governmental Funds

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

Major and Nonmajor Funds

The funds are classified as major or nonmajor as follows:

<u>Major Funds</u>	<u>Nonmajor Funds</u>
General Fund	None

C. Measurement Focus and Basis of Accounting

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

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities governmental activities are presented using the economic resources measurement focus.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

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.

Basis of Accounting

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

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts, and certificates of deposit.

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

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

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

- Buildings	10 - 30 years
- Vehicles	5 - 7 years
- Furniture, fixtures and equipment	5 - 10 years

Fund Financial Statements

In the fund financial statements, capital assets acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

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

Compensated Absences

As a result of the use of the modified cash basis of accounting, liabilities related to accrued compensated absences are not recorded in the government-wide or fund financial statements. Expenditures/expenses related to compensated absences are recorded when paid.

Equity Classification

Government-Wide Statements:

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance.

E. Expenditures/Expenses

In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for governmental-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character:	Current
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

F. Budgets and Budgetary Practices

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

- a. In June, the budget committee submits to the Board of Aldermen a proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. In June, the budget is adopted by the Board of Aldermen.
- c. Budgets are adopted on a basis consistent with the modified cash basis of accounting.
- d. Any revisions that alter the total expenditures/expenses must be approved by the Board of Aldermen.
- e. The Board of Aldermen adopts an amended budget (if necessary) approving any additional expenditures.
- f. All annual appropriations lapse at fiscal year-end.

G. Use of Estimates

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

H. Differences From GAAP

As discussed in Note 1(C), the City reports both the government-wide financial statements and the fund financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

I. Post-Employment Health Care Benefits

The City provides health care benefits to eligible former employees and eligible dependents as required by Missouri Statute. There is no associated cost to the City under this program, and there are no participants in the program as of June 30, 2004.

J. 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 uniform property and casualty insurance coverage under one comprehensive plan for all members. The City pays an annual premium to MoPerm for its property, liability, automobile physical damage and crime insurance coverage. MoPerm is self-sustaining through member premiums and reinsures with commercial companies for excess insurance.

The City continues to carry commercial insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. CASH AND INVESTMENTS

The City has determined through experience, that interest bearing checking accounts, certificates of deposit, and government securities are appropriate types of investments for its needs.

Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2004. The categories are described as follows:

- Category 1 - Insured by FDIC or collateralized with securities held by the City (or public trust) or by its agent in its name.
- Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 - Uninsured and Uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name; or properly collateralized with no written and approved collateral agreement.

<u>Type of Deposit</u>	<u>Total Bank Balance</u>	<u>Custody Credit Risk Category</u>			<u>Total Carrying Value</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	\$ 528,343.00	\$ 528,343.00	\$ 0.00	\$ 0.00	
Uninsured deposits:					
Collateralized	0.00	0.00	0.00	0.00	
Uncollateralized	<u>62,777.21</u>	<u>0.00</u>	<u>0.00</u>	<u>62,777.21</u>	
Total deposits	<u>\$ 591,120.21</u>	<u>\$ 528,343.00</u>	<u>\$ 0.00</u>	<u>\$ 62,777.21</u>	<u>\$ 584,412.37</u>

3. CAPITAL ASSETS

Capital asset activity resulting from modified cash basis transactions for the year ended June 30, 2004 was as follows:

<u>Governmental Activities:</u>	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
Land and buildings	\$ 414,646.23	\$ 80,953.42	\$ 0.00	\$ 495,599.65
Vehicles	40,387.20	6,500.00	0.00	46,887.20
Furniture, fixtures & equipment	<u>26,070.25</u>	<u>5,856.20</u>	<u>0.00</u>	<u>31,926.45</u>
Totals at historical cost	<u>\$ 481,103.68</u>	<u>\$ 93,309.62</u>	<u>\$ 0.00</u>	<u>\$ 574,413.30</u>
Less accumulated depreciation:				
Land and buildings	\$ 45,050.28	\$ 13,906.35	\$ 0.00	\$ 58,956.63
Vehicles	18,553.48	6,636.27	0.00	25,189.75
Furniture, fixtures & equipment	<u>11,922.79</u>	<u>3,452.94</u>	<u>0.00</u>	<u>15,375.73</u>
Total accumulated depreciation	<u>\$ 75,526.55</u>	<u>\$ 23,995.56</u>	<u>\$ 0.00</u>	<u>\$ 99,522.11</u>
Governmental activities capital assets, net	<u>\$ 405,577.13</u>	<u>\$ 69,314.06</u>	<u>\$ 0.00</u>	<u>\$ 474,891.19</u>

In the Statement of Activities, depreciation expense was charged to the police department in the amount of \$8,098.50 and overhead in the amount of \$15,897.06.

Depreciation expense totaled \$23,995.56 for the year ended June 30, 2004.

4. EXCESS EXPENDITURES OVER APPROPRIATIONS

Excess expenditures over appropriations occurred as follows:

<u>Fund Type</u>	<u>Total Appropriations</u>	<u>Total Expenditures</u>
General Fund	\$ 442,020.00	\$ 502,957.46

5. ORGANIZATION OF CITY OFFICIALS

Mayor

Steve Grey

Alderman

Rich Homan

Alderwoman

Amy Strickland

Alderwoman

Cathleen Meyer

Alderman

T. J. Hunkins

Alderman

Patrick Ferguson

Alderwoman

Karin Gough

City Clerk

Karen Hanna

REQUIRED SUPPLEMENTARY INFORMATION

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

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

CITY OF BELLA VILLA, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
<u>BEGINNING BUDGETARY FUND BALANCE</u>	\$ 491,282.78	\$ 491,282.78
<u>REVENUES (inflows):</u>		
Bond forfeiture	\$ 6,000.00	\$ 30,104.46
Charter Communications	5,400.00	6,168.55
Cigarette tax	2,647.44	2,520.38
Fines	185,004.00	305,670.03
Interest income	700.08	3,483.13
Licenses/permits	4,900.08	5,040.91
Option use tax	5,000.04	5,940.79
Road and bridge tax	31,653.00	35,565.81
Sales tax	123,611.04	120,709.65
Utility tax	21,300.12	35,940.47
Miscellaneous income	1,500.00	5,880.69
Grant revenue	0.00	10,000.00
	<u>878,998.58</u>	<u>1,058,307.65</u>
AMOUNTS AVAILABLE FOR APPROPRIATIONS	\$ 878,998.58	\$ 1,058,307.65
<u>CHARGES TO APPROPRIATION (outflows):</u>		
Administration:		
Organizational dues	\$ 1,483.44	\$ 617.00
City clerk	20,400.00	16,465.14
Miscellaneous expense	100.08	429.27
Payroll taxes	0.00	1,259.59
City clerk organizational member	50.04	35.00
Security system	250.08	228.00
Aldermen	2,668.08	2,502.50
City services	72.00	72.00
Mayor	1,500.00	1,000.00
Treasurer	2,100.00	0.00
City attorney	10,000.08	5,374.00
Board of election commissioners	593.40	415.36
Surety bond	300.00	100.00
TOTAL ADMINISTRATION	<u>\$ 39,517.20</u>	<u>\$ 28,497.86</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF BELLA VILLA, MISSOURI

BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS

GENERAL FUND

YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
Building/Engineer/Inspection:		
Miscellaneous expense	\$ 1,200.00	\$ 240.24
Supplies for printer, etc.	400.08	703.66
Commissioner	<u>72.00</u>	<u>72.00</u>
TOTAL BUILDING/ENGINEER/INSPECTION	<u>\$ 1,672.08</u>	<u>\$ 1,015.90</u>
Community development expenses	<u>\$ 72.00</u>	<u>\$ 72.00</u>
TOTAL COMMUNITY DEVELOPMENT EXPENSES	<u>\$ 72.00</u>	<u>\$ 72.00</u>
Court:		
Office furniture	\$ 296.64	\$ 0.00
Organizational memberships	115.08	65.00
Health insurance	6,000.00	6,756.20
Police officers' salaries	5,000.04	0.00
Miscellaneous expense	200.04	1,223.29
Computerized court system	600.00	194.00
Postage	1,500.00	1,202.50
Manuals, materials expense	1,300.08	2,107.22
Payroll taxes	0.00	3,359.04
Court administrator	32,964.00	34,468.26
Court administrator - assistant	0.00	9,440.79
Municipal judge	4,000.08	3,750.00
Prosecutor	8,500.08	6,754.00
Training	3,000.00	3,223.30
Housing inmates	3,800.04	4,080.00
Summons	1,500.00	0.00
Reimbursements - attorneys	20.04	0.00
Reimbursements - defendants	600.00	1,968.50
Women's shelter	3,000.00	3,738.00
CVC fund	<u>21,000.00</u>	<u>28,737.63</u>
TOTAL COURT	<u>\$ 93,396.12</u>	<u>\$ 111,067.73</u>
Health and Sanitation:		
Commissioner	\$ 72.00	\$ 54.00
Mosquito spraying	900.00	242.00
Trash collection	<u>28,480.08</u>	<u>28,774.54</u>
TOTAL HEALTH AND SANITATION	<u>\$ 29,452.08</u>	<u>\$ 29,070.54</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF BELLA VILLA, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
Overhead:		
Accounting	\$ 3,000.00	\$ 6,325.00
Insurance	2,274.36	13,414.82
Utilities	3,775.20	2,606.55
Miscellaneous expense	1,186.68	1,061.44
New office equipment	0.00	325.00
Office supplies	3,627.84	9,971.09
Office equipment maintenance	593.40	794.32
Payroll taxes	40,000.08	0.00
Repairs and maintenance	7,722.36	12,185.18
Cutting grass - residents	200.04	0.00
Telephone	3,955.68	3,014.26
Newsletter	395.64	520.00
Capital outlay:		
Land and buildings	0.00	80,953.42
Equipment	<u>8,000.04</u>	<u>4,031.30</u>
TOTAL OVERHEAD	<u>\$ 74,731.32</u>	<u>\$ 135,202.38</u>
Park:		
Maintenance	\$ 300.00	\$ 2,444.96
Grass cutting	3,100.08	3,410.00
Fall cleanup	100.08	0.00
Spring cleanups	150.00	105.00
Commissioner	<u>72.00</u>	<u>72.00</u>
TOTAL PARK	<u>\$ 3,722.16</u>	<u>\$ 6,031.96</u>
Police Department:		
Training	\$ 0.00	\$ 4,086.00
Fuel - police car	5,000.04	6,814.82
Preventative maintenance - police	500.04	57.32
Repairs - police car	2,500.08	3,157.00
Insurance - health and dental	5,500.08	1,077.20
Insurance - auto	7,000.08	6,015.52
Salaries (including administrative)	125,508.00	109,091.34
Miscellaneous expense	2,472.36	3,543.01
Payroll taxes	0.00	9,245.46
Electronic equipment and maintenance	500.04	185.00
Paging service	300.00	72.00
Uniforms	2,000.04	1,469.80
St. Louis County Police Service and Communications	28,000.08	27,060.00
In-car video system	500.04	526.87
Capital outlay:		
Equipment	<u>0.00</u>	<u>8,324.90</u>
TOTAL POLICE DEPARTMENT	<u>\$ 179,780.88</u>	<u>\$ 180,726.24</u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF BELLA VILLA, MISSOURI

**BUDGETARY COMPARISON SCHEDULE - MODIFIED CASH BASIS
GENERAL FUND
YEAR ENDED JUNE 30, 2004**

	<u>Budgeted Amounts</u>	
	<u>Original and Final</u>	<u>Actual Amounts</u>
Streets/Sewers:		
Miscellaneous expense	\$ 1,500.00	\$ 1,340.27
Minor street repair	5,004.00	991.69
Snow and ice control	9,000.00	4,350.00
Street lighting	3,200.04	2,807.89
Easement maintenance	200.04	0.00
Commissioner	72.00	48.00
Street signs	100.08	60.00
Striping	<u>600.00</u>	<u>1,675.00</u>
TOTAL STREETS AND SEWERS	\$ <u>19,676.16</u>	\$ <u>11,272.85</u>
TOTAL CHARGES TO APPROPRIATIONS	\$ <u>442,020.00</u>	\$ <u>502,957.46</u>
<u>ENDING BUDGETARY FUND BALANCE</u>	\$ <u><u>436,978.58</u></u>	\$ <u><u>555,350.19</u></u>

See accompanying notes to Budgetary Comparison Schedule.

CITY OF BELLA VILLA, MISSOURI

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2004**

Budgetary Accounting

The City prepares its budget for the General Fund on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in presenting the General Fund in the financial statements. All unexpended appropriations lapse at year-end.