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**CITY OF BELLEFONTAINE  
NEIGHBORS, MISSOURI**

**FINANCIAL REPORT**  
(Audited)

Year Ended June 30, 2011

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**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**FINANCIAL REPORT**

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

## INDEPENDENT AUDITORS' REPORT

October 27, 2011

Honorable Mayor and Board of Aldermen  
**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI** (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of June 30, 2011, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

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reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hochschild, Bloan & Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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This Management's Discussion and Analysis (MD&A) is intended to be an overview of the City of Bellefontaine Neighbors, Missouri's (the City) financial activities for the fiscal year ended June 30, 2011. It should be read in conjunction with the City's financial statements (attached).

**FINANCIAL HIGHLIGHTS**

Net assets increased by \$234,200 and fund balances decreased by \$3,814,556. This was primarily due to expenditures for street improvement. The fund balances are adequate for the City to operate efficiently and provide service to its citizens.

The General Fund had a reduction in fund balance of \$100,795 compared to an increase in fund balance of \$94,980 for the prior year.

The Capital Improvement Fund had an increase in fund balance of \$136,290 compared to a reduction in fund balance of \$97,774 in the prior year. The increase is primarily due to capital lease proceeds for police vehicles and one maintenance truck.

The Sewer Lateral Fund had a reduction in fund balance of \$94,608 for the year. Sewer Lateral Fund revenue was \$123,800 and sewer repair costs were \$218,408.

The Capital Projects Fund had a reduction in fund balance of \$3,792,416 due to street and sidewalk repairs and improvements.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplemental information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. Note that the government-wide financial statements exclude fiduciary fund activities.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year.

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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activities). The governmental activities of the City include general government, building, police, street, recreation center and court. The City does not have any business-type activities.

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the government-wide governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Improvement Fund, Sewer Lateral Fund, and Capital Projects Fund, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund, Capital Improvement Fund, Sewer Lateral Fund, Capital Projects Fund, and Debt Service Fund. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

The governmental funds financial statements can be found on pages 10 through 14 of this report.

**Fiduciary fund.** The fiduciary fund is used to account for resources held for the benefit of parties outside the City. The fiduciary fund is not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary fund is much like that used for proprietary funds. The fiduciary fund financial statement can be found on page 15 of this report.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Supplemental information.** In addition to the basic financial statements and accompanying notes, certain required and other supplemental information can be found after the basic financial statements.

**CONDENSED FINANCIAL STATEMENTS**

The City presents its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Therefore, a comparative analysis of government-wide data is also included in this report.

A condensed version of the statement of net assets follows:

	<b>June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Cash and other current assets	\$ 4,587,960	7,985,421
Capital assets	<u>7,113,754</u>	<u>2,978,905</u>
Total Assets	<u>11,701,714</u>	<u>10,964,326</u>
<b>LIABILITIES</b>		
Current liabilities	864,611	476,183
Long-term liabilities	<u>5,642,136</u>	<u>5,527,376</u>
Total Liabilities	<u>6,506,747</u>	<u>6,003,559</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	2,527,224	2,170,380
Restricted	471,460	409,754
Unrestricted	<u>2,196,283</u>	<u>2,380,663</u>
Total Net Assets	<u>\$ 5,194,967</u>	<u>4,960,767</u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As illustrated above, in the case of the City, assets exceeded liabilities by \$5,194,967 at June 30, 2011.

A portion of the City's net assets (42%) may be used to meet the City's ongoing obligations to citizens and creditors. Additionally, a portion of the City's governmental activities net assets (\$471,460) represents resources that are subject to external restrictions on how they may be used.

The remaining portion of the City's net assets reflects its investment in capital assets (e.g., land, infrastructure, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the statement of activities follows:

	<b>For The Years</b>	
	<b>Ended June 30</b>	
	<b>2011</b>	<b>2010</b>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 867,464	913,620
Operating grants and contributions	684,376	572,263
Capital grants and contributions	313,175	156,646
General revenues	<u>4,294,586</u>	<u>4,187,073</u>
Total Revenues	<u>6,159,601</u>	<u>5,829,602</u>
<b>EXPENSES</b>		
General government	1,435,310	1,181,718
Building	145,479	138,917
Police	2,327,731	2,255,451
Street	982,412	896,451
Recreation center	727,987	765,745
Court	92,960	93,174
Interest on long-term debt	<u>213,522</u>	<u>178,265</u>
Total Expenses	<u>5,925,401</u>	<u>5,509,721</u>
<b>CHANGE IN NET ASSETS</b>	234,200	319,881
<b>NET ASSETS, JULY 1</b>	<u>4,960,767</u>	<u>4,640,886</u>
<b>NET ASSETS, JUNE 30</b>	<u>\$5,194,967</u>	<u>4,960,767</u>

**SIGNIFICANT CHANGES IN NETS ASSETS**

Revenues increased by 5.7% from the previous year and expenses increased by 7.5% from the previous year accounting for the increase in net assets of \$234,200.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund slightly exceeded projections during 2011 mainly due to an increase in tax revenue. The income variance was favorable by 16.1% while the expenditures variance was unfavorable by 10.5%. The City increased the original budgeted revenues by \$233,000 due to anticipated increase in utilities taxes and increased expenditures by \$43,000 due to anticipated expenditures for street improvements.



**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY**

The City has invested, net of accumulated depreciation, \$7,113,754 at June 30, 2011, in a broad range of capital assets, including land, construction in progress, buildings, vehicles, equipment and infrastructure. This amount represents a net increase of \$4,134,849 for the current fiscal year (including additions and deductions).

The City's capital assets, net of accumulated depreciation, consisted of:

	<u>June 30</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 467,275	467,275
Construction in progress	-	930,179
Buildings	183,354	191,813
Vehicles	358,684	209,442
Equipment	1,078,951	1,180,196
Infrastructure	<u>5,025,490</u>	<u>-</u>
Total Capital Assets	<u>\$7,113,754</u>	<u>2,978,905</u>

The City's long-term debt consists of the Series 2009 general obligation bonds in the amount of \$5,186,979, future liabilities for compensated absences including compensatory and vacation time payable in the amount of \$140,075, and a capital lease in the amount of \$191,087.

Additional information on the City's capital assets and long-term debt can be found in Note C and Note G, respectively, in the notes to financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Bellefontaine Neighbors, Missouri, Office of the City Clerk, 9641 Bellefontaine Road, Bellefontaine Neighbors, MO 63137.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**

**STATEMENT OF NET ASSETS**

**JUNE 30, 2011**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 122,948
Investments	3,156,020
Receivables:	
Municipal taxes	486,971
Court (net of allowance)	214,626
Public utility taxes	126,124
Other	99,553
Prepaid items	252,823
Deferred charges	103,041
Restricted cash	25,854
Capital assets:	
Land and construction in progress	467,275
Other capital assets, net of accumulated depreciation	6,646,479
Total Assets	<u>11,701,714</u>
<b>LIABILITIES</b>	
Accounts payable	578,378
Accrued interest payable	76,915
Accrued payroll	160,008
Telephone taxes in protest	6,542
Unearned revenue	5,168
Other liabilities	37,600
Noncurrent liabilities:	
Due within one year	332,789
Due in more than one year	5,185,352
Due in more than one year - net pension obligation	123,995
Total Liabilities	<u>6,506,747</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,527,224
Restricted for:	
Debt service	176,848
Sewer lateral	142,609
Capital improvements	126,149
Federal forfeitures	23,530
Police training	2,324
Unrestricted	2,196,283
Total Net Assets	<u>\$ 5,194,967</u>

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) And Change In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities
<b>Governmental Activities</b>					
General government	\$ 1,435,310	-	111,851	-	(1,323,459)
Building	145,479	63,171	-	-	(82,308)
Police	2,327,731	522,518	59,316	23,621	(1,722,276)
Street	982,412	121,053	513,209	289,554	(58,596)
Recreation center	727,987	160,722	-	-	(567,265)
Court	92,960	-	-	-	(92,960)
Interest on long-term debt	213,522	-	-	-	(213,522)
Total Governmental Activities	<u>\$ 5,925,401</u>	<u>867,464</u>	<u>684,376</u>	<u>313,175</u>	<u>(4,060,386)</u>
<b>General Revenues</b>					
Property taxes					623,233
Sales taxes					2,011,773
Utility taxes					1,566,144
Licenses					45,835
Investment income					44,287
Miscellaneous					3,314
Total General Revenues					<u>4,294,586</u>
<b>CHANGE IN NET ASSETS</b>					234,200
NET ASSETS, JULY 1					<u>4,960,767</u>
NET ASSETS, JUNE 30					<u>\$ 5,194,967</u>

See notes to financial statements

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer Lateral</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash	\$ 122,948	-	-	-	-	122,948
Investments	1,421,724	167,674	143,526	1,263,751	159,345	3,156,020
Receivables:						
Municipal taxes	317,830	98,071	1,358	-	69,712	486,971
Court (net of allowance)	214,626	-	-	-	-	214,626
Public utility taxes	126,124	-	-	-	-	126,124
Other	99,553	-	-	-	-	99,553
Due from other funds	118,613	-	-	-	8,319	126,932
Prepaid items	252,823	-	-	-	-	252,823
Restricted cash	25,854	-	-	-	-	25,854
 Total Assets	 <u>\$ 2,700,095</u>	 <u>265,745</u>	 <u>144,884</u>	 <u>1,263,751</u>	 <u>237,376</u>	 <u>4,611,851</u>

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2011**

<b>LIABILITIES AND FUND BALANCES</b>	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer Lateral</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Liabilities</b>						
Accounts payable	\$ 106,163	-	-	472,215	-	578,378
Accrued payroll	136,750	23,258	-	-	-	160,008
Due to other funds	8,319	116,338	2,275	-	-	126,932
Telephone taxes in protest	6,542	-	-	-	-	6,542
Other liabilities	37,600	-	-	-	-	37,600
Deferred revenues	237,316	-	-	-	60,528	297,844
Total Liabilities	<u>532,690</u>	<u>139,596</u>	<u>2,275</u>	<u>472,215</u>	<u>60,528</u>	<u>1,207,304</u>
<b>Fund Balances</b>						
Nonspendable:						
Prepaid items	252,823	-	-	-	-	252,823
Restricted for:						
Debt service	-	-	-	-	176,848	176,848
Sewer lateral	-	-	142,609	-	-	142,609
Police training	2,324	-	-	-	-	2,324
Federal forfeitures	23,530	-	-	-	-	23,530
Street improvements	-	-	-	791,536	-	791,536
Capital improvement	-	126,149	-	-	-	126,149
Unassigned	1,888,728	-	-	-	-	1,888,728
Total Fund Balances	<u>2,167,405</u>	<u>126,149</u>	<u>142,609</u>	<u>791,536</u>	<u>176,848</u>	<u>3,404,547</u>
Total Liabilities And Fund Balances	<u>\$ 2,700,095</u>	<u>265,745</u>	<u>144,884</u>	<u>1,263,751</u>	<u>237,376</u>	<u>4,611,851</u>

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

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Total Fund Balances - Governmental Funds \$ 3,404,547

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

Capital assets used in governmental activities are not financial resources and,  
therefore, are not reported in the governmental funds. The cost of the  
assets is \$13,473,440 and the accumulated depreciation is \$6,359,686. 7,113,754

Property taxes and municipal court receivables are assessed by the City, but  
the amount not collected as of August 31, 2011 (within 60 days) are deferred  
within the governmental funds financial statements. However, revenue for this  
amount is recognized in the government-wide financial statements. 292,676

Certain long-term liabilities are not due and payable in the current period and,  
therefore, are not reported as liabilities in the governmental funds. Long-term  
liabilities at year-end consist of:

Unamortized bond issuance costs	103,041
Accrued interest payable	(76,915)
Accrued compensated absences	(140,075)
Net pension obligation	(123,995)
Capital lease payable	(191,087)
General obligation bonds	<u>(5,186,979)</u>

Total Net Assets Of Governmental Activities \$ 5,194,967

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	General	Capital Improvement	Sewer Lateral	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$ 2,043,400	636,448	121,053	-	437,425	3,238,326
Gross receipts taxes	1,566,144	-	-	-	-	1,566,144
Licenses	45,835	-	-	-	-	45,835
Permits and inspections	63,171	-	-	-	-	63,171
Recreation center	160,722	-	-	-	-	160,722
Fines and forfeitures	507,890	-	-	-	-	507,890
Miscellaneous	3,314	12,000	-	-	-	15,314
Investment income	15,531	4,082	2,747	20,262	1,665	44,287
Grants	472,044	-	-	-	12,298	484,342
Total Revenues	<u>4,878,051</u>	<u>652,530</u>	<u>123,800</u>	<u>20,262</u>	<u>451,388</u>	<u>6,126,031</u>
<b>EXPENDITURES</b>						
Current:						
Administration	1,264,689	-	-	700	-	1,265,389
Building	140,485	-	-	-	-	140,485
Police	2,167,770	17,041	-	-	-	2,184,811
Street	524,586	82,264	-	-	-	606,850
Court	92,960	-	-	-	-	92,960
Recreation center	397,633	232,695	-	-	-	630,328
Sewer lateral	-	-	218,408	-	-	218,408
Habilitation	-	-	-	-	12,298	12,298
Capital outlay	390,723	375,327	-	3,811,978	-	4,578,028
Debt service:						
Principal	-	103,388	-	-	200,000	303,388
Interest	-	-	-	-	202,117	202,117
Total Expenditures	<u>4,978,846</u>	<u>810,715</u>	<u>218,408</u>	<u>3,812,678</u>	<u>414,415</u>	<u>10,235,062</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(100,795)	(158,185)	(94,608)	(3,792,416)	36,973	(4,109,031)
<b>OTHER FINANCING SOURCES</b>						
Capital lease proceeds	-	294,475	-	-	-	294,475
<b>NET CHANGE IN FUND BALANCES</b>	(100,795)	136,290	(94,608)	(3,792,416)	36,973	(3,814,556)
FUND BALANCES (DEFICIT), JULY 1	<u>2,268,200</u>	<u>(10,141)</u>	<u>237,217</u>	<u>4,583,952</u>	<u>139,875</u>	<u>7,219,103</u>
<b>FUND BALANCES, JUNE 30</b>	<u>\$ 2,167,405</u>	<u>126,149</u>	<u>142,609</u>	<u>791,536</u>	<u>176,848</u>	<u>3,404,547</u>

See notes to financial statements

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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Net Change In Fund Balances - Governmental Funds \$ (3,814,556)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays over the capitalization threshold totaling \$4,512,088 exceeded depreciation \$347,040 in the current period. 4,165,048

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 45,570

The net effect of various miscellaneous transactions involving capital assets:  
 Cost of disposals, net of accumulated depreciation (30,199)

The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets. Also the governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items.

Amortization, net (1,862)  
 Capital lease proceeds (294,475)  
 General obligation bond payments 200,000  
 Capital lease payments 103,388

Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes of these items are:

Accrued compensated absences (5,176)  
 Accrued interest on debt (9,543)  
 Accrued net pension obligation (123,995)

Change In Net Assets Of Governmental Activities \$ 234,200



**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND**  
**JUNE 30, 2011**

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**ASSETS**

Cash \$ 28,062

**LIABILITIES**

Due to others 28,062

**NET ASSETS**

\$ -

# CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI

## NOTES TO FINANCIAL STATEMENTS

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### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The **CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI** (the City) was incorporated on June 19, 1950 and established a mayor/city council form of government. The City's major operations include police protection, street maintenance and improvements, parks and recreation, general administrative services, legislative services, judicial services, and planning.

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

#### 1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an Amendment of GASB 14*. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's governing body or because the component unit will provide a financial benefit or impose a financial burden on the City. It was determined that the City does not have any component units.

#### 2. Government-wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period, if any. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Capital Improvement Fund** -- The Capital Improvement Fund is a Special Revenue Fund that is used to account for financial resources and expenditures for certain capital improvements and maintenance.

**Sewer Lateral Fund** -- The Sewer Lateral Fund is a Special Revenue Fund that is used to account for the financial resources and expenditures of the sewer lateral tax.

**Capital Projects Fund** -- The Capital Projects Fund is used to account for bond proceeds and the related expenditures for street and sidewalk improvements.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**Fiduciary Fund**

**Agency Fund** -- The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's Agency Fund consists of the assets of the Bail Bond Fund.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is generally the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

**4. Cash and Investments**

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. Investments are stated at fair value or cost which approximates fair value. Restricted cash includes amounts restricted for police training.

**5. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

**6. Capital Assets**

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), if any, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**6. Capital Assets (Continued)**

The City has elected not to record the historical cost of infrastructure placed in service prior to July 1, 2003.

Depreciation is being computed on the straight-line method, using asset lives as follows:

<b>Assets</b>	<b>Years</b>
Buildings	25 - 50
Vehicles	5 - 20
Equipment	5 - 25
Infrastructure	20 - 40

**7. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances, if any.

**8. Due To/From Other Funds**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

**9. Compensated Absences**

Under terms of the City's personnel policy, employees are granted vacations based on length of service and compensatory time is granted to all nonexempt employees for hours worked in excess of a normal work week. Vacations accrue on January 1 of each year. Upon termination, the employee is paid for unused vacation and accrued compensatory time. Sick leave is accumulated based upon length of service and is available only to provide compensation during periods of illness. No portion of sick leave is payable to the employee upon termination. Vested or accumulated vacation leave and compensatory time accrued at year-end are expected to be used by the employee during the following fiscal year. The entire accrued benefit liability related to the City's compensated absences in the amount of \$140,075 has been recorded in the government-wide financial statements.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. Property Taxes**

The City levies a tax on the assessed value of all real and personal property located within the City as of January 1 each year. Taxes are levied in October and are considered delinquent if not paid by December 31. St. Louis County assesses property values, collects the tax, and remits collected amounts to the City.

**11. Allowance for Doubtful Accounts**

Management believes accounts receivable for taxes and grants to be fully collectible; accordingly, no allowance for doubtful accounts is needed. Management estimates 50% or \$214,626 of the municipal court fines outstanding to be uncollectible.

**12. Deferred Revenue**

Included in the fund financial statements in deferred revenue are property tax revenues (\$78,050) and municipal court fines (\$214,626) which are not collected within 60 days following the end of the current period. Additionally, grant revenue totaling \$5,168, which had been received but not earned, is deferred at year-end.

**13. Fund Balances**

The fund balance amounts are reported in the following applicable categories listed from the most restrictive to the least restrictive:

**Nonspendable** -- The portion of fund balance that is not in a spendable form or is required to be maintained intact.

**Restricted** -- The portion of fund balance that is constrained to specific purposes through constitutional provisions or by enabling legislation.

**Committed** -- The portion of fund balance with constraints or limitations by formal action of the Board of Aldermen, the highest level of decision making authority.

**Assigned** -- The portion of fund balance that the City intends to use for a specific purpose as determined by the applicable City officials to which the Board of Aldermen has designated authority.

**Unassigned** -- Amounts that are available for any purpose; these positive amounts are reported only in the General Fund.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**14. Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE B - CASH AND INVESTMENTS**

**1. Deposits**

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash not insured by the Federal Deposit Insurance Corporation.

As of June 30, 2011, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

**2. Investments**

As of June 30, 2011, the City had the following investments:

<u>Investments</u>	<u>Fair Value</u>	<u>Maturities</u>			<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	
Certificates of deposit	\$ 981,874	-	981,874	-	N/A
Money market funds	<u>2,174,146</u>	<u>2,174,146</u>	<u>-</u>	<u>-</u>	Not rated
Total Investments	<u>\$ 3,156,020</u>	<u>2,174,146</u>	<u>981,874</u>	<u>-</u>	

**Investments Policies**

**Credit Risk** is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City will minimize its credit risk by prequalifying financial institutions with which the City will do business. The selection bases shall include evaluation of each applicant's assets, liabilities, public deposits, local presence, credit characteristics, financial position, and collateral capabilities. Additionally, all banking contracts shall specify what types of investments may be used as collateral for deposits.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

**Interest Rate Risk** is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City minimizes the risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The City invests operating funds primarily in shorter-term securities.

**Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City will diversify the portfolio so that potential losses on individual securities will be minimized.

**3. Cash Restricted**

Certain resources set aside for police training and federal forfeitures are classified as restricted cash on the balance sheet because their use is limited.

**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in capital assets - governmental activities:



**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS (Continued)**

	For The Year Ended June 30, 2011			Balance June 30 2011
	Balance June 30 2010	Additions And Transfers	Retirements And Transfers	
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 467,275	-	-	467,275
Construction in Progress	930,179	1,398,045	2,328,224	-
Total Capital Assets Not Being Depreciated	1,397,454	1,398,045	2,328,224	467,275
Capital assets being depreciated:				
Buildings	4,692,992	-	-	4,692,992
Vehicles	852,448	308,049	191,133	969,364
Equipment	2,250,091	30,121	40,500	2,239,712
Infrastructure	-	5,104,097	-	5,104,097
Total Capital Assets Being Depreciated	7,795,531	5,442,267	231,633	13,006,165
Less - Accumulated Depreciation for:				
Buildings	4,501,179	8,459	-	4,509,638
Vehicles	643,006	128,608	160,934	610,680
Equipment	1,069,895	131,366	40,500	1,160,761
Infrastructure	-	78,607	-	78,607
Total Accumulated Depreciation	6,214,080	347,040	201,434	6,359,686
Total Capital Assets Being Depreciated, Net	1,581,451	5,095,227	30,199	6,646,479
Governmental Activities Capital Assets, Net	\$ 2,978,905	6,493,272	2,358,423	7,113,754

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

	<b>For The Year Ended June 30, 2011</b>
<b>Governmental Activities</b>	
General government	\$ 28,452
Police	96,451
Building	4,994
Recreation center	76,438
Street	<u>140,705</u>
Total	<u>\$347,040</u>

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D - PENSION PLAN**

**1. Plan Description**

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by state statute, Sections RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

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

**2. Funding Status**

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 9.8% (general) and 9% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

**3. Annual Pension Cost**

The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution	\$ 353,262
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual Pension Cost	<u>353,262</u>
Actual contributions	<u>229,267</u>
Increase (decrease) in NPO	123,995
NPO beginning of year	<u>-</u>
NPO End Of Year	<u><u>\$ 123,995</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) a rate of return on the investment of present and future assets of

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D - PENSION PLAN (Continued)**

**3. Annual Pension Cost (Continued)**

7.25% per year, compounded annually; b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2009 was 30 years for the General division and 30 years for the Police division.

**4. Trend Information**

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

**Three-year Trend Information**

<u>For The Plan Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2011	\$353,262	64.9%	\$123,995
2010	196,928	100	-
2009	172,358	100	-

**Schedule of Funding Progress**

<u>For The Actuarial Valuation Years Ended February 28</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>
2011	\$5,717,447	\$6,768,031	\$1,050,584
2010	5,082,151	6,026,606	944,455
2009	4,518,028	5,519,110	1,001,082

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE D - PENSION PLAN (Continued)**

**4. Trend Information (Continued)**

<u>For The Actuarial Valuation Years Ended February 28</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Accrued Liability As A Percentage Of Covered Payroll</u>
2011	84%	\$2,389,022	44%
2010	84	2,367,805	40
2009	82	2,344,915	43

The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS' office in Jefferson City, MO.

**NOTE E - DEFINED CONTRIBUTION PLAN**

The City has a defined contribution retirement plan funded through the Security Benefit Group of Companies. The plan was established by an ordinance of the Board of Aldermen through a plan agreement dated July 1, 2001. All full-time employees are eligible to participate in the plan after six months of service. Pursuant to the plan's provisions, the City is obligated to match 100% of the employee's contribution up to \$50 per month. Contributions are fully vested immediately. Contributions to the plan amounted to \$29,750 for the year ended June 30, 2011.

**NOTE F - DEFERRED COMPENSATION PLANS**

The City participates in deferred compensation plans under Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plans comply with Section 457 of the Internal Revenue Code and Trust provisions are incorporated so that plan assets are held in trust for the exclusive benefit of participants and their beneficiaries. The assets and liabilities of the deferred compensation plans are not included in the accompanying financial statements.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE G - LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities is as follows:

	For The Year Ended June 30, 2011				Due Within One Year
	Balance June 30 2010	Additions	Payment And Amortization	Balance June 30 2011	
General obligation bonds	\$ 5,310,000	-	200,000	5,110,000	205,000
Plus - Premium on bonds	82,477	-	5,498	76,979	-
Capital lease	-	294,475	103,388	191,087	92,770
Compensated absences	134,899	26,423	21,247	140,075	35,019
Total	\$ 5,527,376	320,898	330,133	5,518,141	332,789

The compensated absences are generally liquidated by the General Fund. The general obligation bonds are liquidated by the Debt Service Fund. The capital lease is generally liquidated by the Capital Improvement Fund.

**General Obligation Bonds**

In August 2009, the City issued \$5,500,000 in General Obligation Bonds (Series 2009) due in varying amounts through March 1, 2029 with interest at 2% to 4.375%. The Series 2009 Bonds are being used for infrastructure improvements.

Aggregate maturities required on general obligation bonds are as follows:

For The Years Ended June 30	Principal	Interest	Total
2012	\$ 205,000	198,118	403,118
2013	210,000	194,018	404,018
2014	215,000	189,818	404,818
2015	215,000	184,711	399,711
2016	230,000	178,799	408,799
2017 - 2021	1,310,000	723,186	2,033,186
2022 - 2026	1,595,000	444,736	2,039,736
2027 - 2029	1,130,000	99,394	1,229,394
Total	\$ 5,110,000	2,212,780	7,322,780

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE G - LONG-TERM LIABILITIES (Continued)**

**Capital Leases**

The City has entered into a lease agreement for financing the acquisition of vehicles for the police and street departments. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

<b>Assets</b>	
Vehicles	\$308,049
Less - Accumulated depreciation	<u>61,610</u>
Total	<u>\$246,439</u>

Interest rate on the lease is 5.7%.

The schedule of future minimum lease payments under the capital lease and the present value of the net minimum lease payments as of June 30, 2011 are as follows:

<b>For The Years Ended <u>June 30</u></b>	
2012	\$103,647
2013	<u>103,647</u>
Total Minimum Lease Payments	207,294
Less - Amount representing interest	<u>16,207</u>
Present Value Of Future Minimum Lease Payments	<u>\$191,087</u>

**NOTE H - INSURANCE**

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a statewide governmental self-insurance pool which provides property, liability, and workers' compensation coverages to its participating members in a single comprehensive multi-line package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2011.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE H - INSURANCE (Continued)**

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. Settled claims resulting in these risks have not exceeded coverage in any of the past three years.

**NOTE I - INTERFUND ASSETS/LIABILITIES**

Individual interfund assets and liabilities balances are as follows:

**Due from/to other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>June 30 2011</u>
General Fund	Capital Improvement Fund	\$116,338
General Fund	Sewer Lateral Fund	2,275
Nonmajor Fund	General Fund	<u>8,319</u>
Total		<u>\$126,932</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) inter-fund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Amounts are expected to be repaid during the fiscal year ending June 30, 2012.

**NOTE J - RELATED PARTY TRANSACTION**

The City purchased services of approximately \$4,400 from a member of the Board of Aldermen for the preparation of the City's newsletters.

**NOTE K - RESTRICTED NET ASSETS**

The government-wide statement of net assets reports \$471,460 of restricted net assets, \$294,612 of which is restricted by enabling legislation.

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE L - FEDERAL FORFEITURE ACTIVITY**

The City had revenues of \$12,585 and expenditures of \$17,756 during the year ended June 30, 2011 leaving an ending balance of \$23,530 in their federal forfeiture account.

**NOTE M - PRIOR PERIOD ADJUSTMENTS**

The previously stated fund balance/net assets have been restated as follows:

	<u>General Fund</u>	<u>Governmental Activities</u>
Fund balance/net asset, June 30, 2010, as previously reported	\$2,239,499	4,932,066
Restatement for federal forfeitures activity	<u>28,701</u>	<u>28,701</u>
Fund Balance/Net Assets, June 30, 2010, As Restated	<u>\$2,268,200</u>	<u>4,960,767</u>



**REQUIRED SUPPLEMENTAL INFORMATION SECTION**

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
<b>REVENUES</b>				
<b>Taxes</b>				
Sales	\$ 1,304,000	1,304,000	1,344,494	40,494
Real estate	125,000	125,000	111,972	(13,028)
Personal property	-	23,000	22,411	(589)
Motor vehicle	107,000	107,000	114,700	7,700
Railroad	2,500	2,500	20,483	17,983
Gasoline	307,000	307,000	310,143	3,143
Cigarette	32,000	32,000	30,831	(1,169)
Road and bridge	97,410	97,410	88,366	(9,044)
Total Taxes	<u>1,974,910</u>	<u>1,997,910</u>	<u>2,043,400</u>	<u>45,490</u>
<b>Gross Receipts Taxes</b>				
Utilities	1,160,000	1,370,000	1,487,386	117,386
Cable	80,000	80,000	78,758	(1,242)
Total Gross Receipts Taxes	<u>1,240,000</u>	<u>1,450,000</u>	<u>1,566,144</u>	<u>116,144</u>
<b>Licenses</b>				
Merchants	40,000	40,000	35,706	(4,294)
Liquor	1,600	1,600	1,800	200
Occupational	4,500	4,500	2,950	(1,550)
Manufacturers	-	-	1,150	1,150
Dog tags	378	378	601	223
Miscellaneous	622	622	3,628	3,006
Total Licenses	<u>47,100</u>	<u>47,100</u>	<u>45,835</u>	<u>(1,265)</u>
<b>Permits and Inspections</b>				
Building permits	35,967	35,967	52,491	16,524
Inspections	11,820	11,820	10,680	(1,140)
Total Permits And Inspections	<u>47,787</u>	<u>47,787</u>	<u>63,171</u>	<u>15,384</u>

**(Continued)**

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
<b>REVENUES (Continued)</b>				
<b>Recreation Center</b>				
Recreation programs	106,486	106,486	115,937	9,451
Meeting room rental	11,550	11,550	10,759	(791)
Snack bar	14,620	14,620	13,604	(1,016)
Special events	17,494	17,494	18,622	1,128
Miscellaneous	1,851	1,851	1,800	(51)
Total Recreation Center	<u>152,001</u>	<u>152,001</u>	<u>160,722</u>	<u>8,721</u>
<b>Fines and Forfeitures</b>				
Court receipts	60,000	60,000	75,015	15,015
Police fines	384,000	384,000	399,465	15,465
Bond forfeitures	21,600	21,600	22,325	725
Other	9,400	9,400	11,085	1,685
Total Fines And Forfeitures	<u>475,000</u>	<u>475,000</u>	<u>507,890</u>	<u>32,890</u>
<b>Miscellaneous</b>	<u>-</u>	<u>-</u>	<u>3,314</u>	<u>3,314</u>
<b>Investment Income</b>	<u>30,000</u>	<u>30,000</u>	<u>15,531</u>	<u>(14,469)</u>
<b>Grants</b>	<u>-</u>	<u>-</u>	<u>472,044</u>	<u>472,044</u>
Total Revenues	<u>3,966,798</u>	<u>4,199,798</u>	<u>4,878,051</u>	<u>678,253</u>
<b>EXPENDITURES</b>				
<b>Administration</b>				
Personnel costs:				
Salaries	231,492	231,492	215,886	(15,606)
Payroll tax	17,709	17,709	15,819	(1,890)
Total Personnel Costs	<u>249,201</u>	<u>249,201</u>	<u>231,705</u>	<u>(17,496)</u>
Employee insurance	322,847	322,847	335,205	12,358
Pension contribution	242,488	242,488	253,069	10,581

**(Continued)**

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
<b>EXPENDITURES (Continued)</b>				
<b>Administration (Continued)</b>				
Utilities	118,934	118,934	119,577	643
Postage	5,304	5,304	5,265	(39)
Election costs	5,000	5,000	3,565	(1,435)
Supplies	26,387	26,387	28,926	2,539
Accounting	13,000	13,000	13,150	150
Legal fees	70,000	70,000	60,721	(9,279)
Insurance	26,371	26,371	24,580	(1,791)
Commission	3,182	3,182	3,495	313
Public notices	964	964	377	(587)
Office equipment maintenance	8,000	8,000	11,996	3,996
Advertising	1,500	1,500	1,260	(240)
Professional development	15,000	15,000	14,916	(84)
Storm damage	-	-	102,791	102,791
Miscellaneous	105,492	65,492	54,091	(11,401)
Capital outlay	-	73,000	361,940	288,940
Total Administration	<u>1,213,670</u>	<u>1,246,670</u>	<u>1,626,629</u>	<u>379,959</u>
<b>Building</b>				
Personnel costs:				
Salaries	113,485	113,485	122,052	8,567
Payroll tax	8,682	8,682	8,833	151
Total Personnel Costs	<u>122,167</u>	<u>122,167</u>	<u>130,885</u>	<u>8,718</u>
Insurance	9,504	9,504	9,600	96
Total Building	<u>131,671</u>	<u>131,671</u>	<u>140,485</u>	<u>8,814</u>
<b>Police</b>				
Personnel costs:				
Salaries	1,526,514	1,526,514	1,647,452	120,938
Payroll tax	116,778	116,778	120,215	3,437
Total Personnel Costs	<u>1,643,292</u>	<u>1,643,292</u>	<u>1,767,667</u>	<u>124,375</u>
Utilities	8,500	8,500	8,537	37
Insurance	129,058	129,058	129,060	2

(Continued)

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	Budget		Actual	Over (Under) Budget
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>Police (Continued)</b>				
Uniforms	21,050	21,050	12,065	(8,985)
Office supplies	9,100	9,100	5,160	(3,940)
Miscellaneous	60,300	70,300	74,201	3,901
Prisoner detention	30,000	30,000	21,490	(8,510)
Equipment maintenance	23,225	23,225	16,575	(6,650)
Dispatch	58,340	58,340	57,178	(1,162)
Service contract	78,729	78,729	75,837	(2,892)
Capital outlay	-	-	28,783	28,783
Total Police	2,061,594	2,071,594	2,196,553	124,959
<b>Street</b>				
Personnel costs:				
Salaries	255,865	255,865	254,079	(1,786)
Payroll tax	19,574	19,574	18,181	(1,393)
Total Personnel Costs	275,439	275,439	272,260	(3,179)
Street lights	158,000	158,000	160,782	2,782
Fuel	50,000	65,000	59,890	(5,110)
Insurance	24,909	24,909	24,912	3
Utilities	3,562	3,562	3,662	100
Uniforms	8,016	8,016	2,912	(5,104)
Miscellaneous	500	500	168	(332)
Total Street	520,426	535,426	524,586	(10,840)
<b>Court</b>				
Personnel costs:				
Salaries	60,363	60,363	81,722	21,359
Payroll tax	4,618	4,618	6,138	1,520
Total Personnel Costs	64,981	64,981	87,860	22,879
Insurance	5,103	5,103	5,100	(3)
Total Court	70,084	70,084	92,960	22,876

(Continued)

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL FUND (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (Continued)</b>				
<b>Recreation Center</b>				
Personnel costs:				
Salaries	272,391	272,391	251,602	(20,789)
Payroll tax	20,838	20,838	18,351	(2,487)
Total Personnel Costs	<u>293,229</u>	<u>293,229</u>	<u>269,953</u>	<u>(23,276)</u>
Utilities	1,797	1,797	1,911	114
Insurance	39,711	39,711	39,708	(3)
Supplies	9,228	9,228	10,109	881
Equipment maintenance	50,565	35,565	28,855	(6,710)
Snack bar	6,317	6,317	6,026	(291)
Special events	17,315	17,315	17,517	202
Recreational programs	16,177	16,177	16,964	787
Miscellaneous	6,109	6,109	6,590	481
Total Recreation Center	<u>440,448</u>	<u>425,448</u>	<u>397,633</u>	<u>(27,815)</u>
Total Expenditures	<u>4,437,893</u>	<u>4,480,893</u>	<u>4,978,846</u>	<u>497,953</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (471,095)</u>	<u>(281,095)</u>	(100,795)	<u>180,300</u>
FUND BALANCE, JULY 1			<u>2,268,200</u>	
FUND BALANCE, JUNE 30			<u>\$ 2,167,405</u>	

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over</u>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
				<u>Budget</u>
<b>REVENUES</b>				
Taxes	\$ 600,000	600,000	636,448	36,448
Miscellaneous	12,000	12,000	12,000	-
Investment income	3,600	3,600	4,082	482
Total Revenues	<u>615,600</u>	<u>615,600</u>	<u>652,530</u>	<u>36,930</u>
<b>EXPENDITURES</b>				
Administration - capital outlay	12,000	7,000	3,550	(3,450)
Police	29,950	29,950	17,041	(12,909)
Police - capital outlay	88,377	88,377	1,061	(87,316)
Street	66,725	66,725	82,264	15,539
Street - capital outlay	79,000	79,000	58,570	(20,430)
Recreation center	215,300	215,300	232,695	17,395
Recreation center - capital outlay	95,000	24,000	17,671	(6,329)
Debt service:				
Principal	-	-	103,388	103,388
Total Expenditures	<u>586,352</u>	<u>510,352</u>	<u>516,240</u>	<u>5,888</u>
<b>NET CHANGE IN FUND</b>				
<b>BALANCE</b>	<u>\$ 29,248</u>	<u>105,248</u>	136,290	<u>31,042</u>
DEFICIT, JULY 1			<u>(10,141)</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 126,149</u>	

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - SEWER LATERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 124,000	124,000	121,053	(2,947)
Investment income	<u>3,000</u>	<u>3,000</u>	<u>2,747</u>	<u>(253)</u>
Total Revenues	127,000	127,000	123,800	(3,200)
<b>EXPENDITURES</b>				
Sewer lateral	<u>193,200</u>	<u>223,200</u>	<u>218,408</u>	<u>(4,792)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (66,200)</u>	<u>(96,200)</u>	(94,608)	<u>1,592</u>
FUND BALANCE, JULY 1			<u>237,217</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 142,609</u>	



**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION -**  
**NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**Budgets and Budgetary Accounting**

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

- a. Prior to July 1, the Budget Committee submits to the Board of Aldermen a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearing meetings are held to obtain taxpayer comments.
- c. Prior to July 1, the budget is adopted by the Board of Aldermen.
- d. Budgets are adopted on a basis generally consistent with U.S. generally accepted accounting principles, except that for capital leases, the other financing source and related capital outlay are not budgeted. Expenditures may not legally exceed budgeted appropriations at the department level.
- e. The current year budget may include supplemental appropriations. A motion from the Board of Aldermen is required to transfer budgeted amounts between funds, or to transfer substantial budgeted amounts between departments within any fund or for any revisions that would alter the total expenditures of any fund.
- f. Annual appropriated budgets are adopted for all governmental funds, except for the Habilitation Fund.

For the year ended June 30, 2011, expenditures exceeded appropriations in the administration, building, police, and court departments of the General Fund by \$379,959, \$8,814, \$124,959, and \$22,876, respectively. Expenditures exceeded appropriations in the Capital Improvement Fund by \$5,888, in the Debt service Fund by \$117, and in the Capital Projects Fund by \$461,986. These expenditures were approved by the Board and were funded by excess revenues and fund balance.

**OTHER SUPPLEMENTAL INFORMATION SECTION**

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<b>Debt Service</b>	<b>Special Revenue Fund Habilitation</b>	<b>Total</b>
<b>ASSETS</b>			
Investments	\$ 159,345	-	159,345
Receivables:			
Municipal taxes	69,712	-	69,712
Due from other funds	8,319	-	8,319
Total Assets	\$ 237,376	-	237,376
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Deferred revenues	\$ 60,528	-	60,528
<b>Fund Balances</b>			
Restricted for:			
Debt service	176,848	-	176,848
Total Liabilities And Fund Balances	\$ 237,376	-	237,376

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<b>Debt Service</b>	<b>Special Revenue Fund Habilitation</b>	<b>Total</b>
<b>REVENUES</b>			
Taxes	\$ 437,425	-	437,425
Investment income	1,665	-	1,665
Grants	-	12,298	12,298
Total Revenues	439,090	12,298	451,388
<b>EXPENDITURES</b>			
Habilitation	-	12,298	12,298
Debt service:			
Principal	200,000	-	200,000
Interest	202,117	-	202,117
Total Expenditures	402,117	12,298	414,415
<b>NET CHANGE IN FUND BALANCES</b>	36,973	-	36,973
<b>FUND BALANCES, JULY 1</b>	139,875	-	139,875
<b>FUND BALANCES, JUNE 30</b>	\$ 176,848	-	176,848

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Budget</u>		<u>Actual</u>	<u>Over (Under) Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ -	420,996	437,425	16,429
Investment income	-	1,800	1,665	(135)
Total Revenues	<u>-</u>	<u>422,796</u>	<u>439,090</u>	<u>16,294</u>
<b>EXPENDITURES</b>				
Principal	-	202,000	200,000	(2,000)
Interest	-	200,000	202,117	2,117
Total Expenditures	<u>-</u>	<u>402,000</u>	<u>402,117</u>	<u>117</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>20,796</u>	36,973	<u>16,177</u>
FUND BALANCE, JULY 1			<u>139,875</u>	
<b>FUND BALANCE, JUNE 30</b>			<u>\$ 176,848</u>	

**CITY OF BELLEFONTAINE NEIGHBORS, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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	Budget		Actual	Over (Under) Budget
	Original	Final		
<b>REVENUES</b>				
Investment income	\$ -	18,000	20,262	2,262
<b>EXPENDITURES</b>				
Administration	-	700	700	-
Capital outlay	-	3,349,992	3,811,978	461,986
Total Expenditures	-	3,350,692	3,812,678	461,986
<b>NET CHANGE IN FUND BALANCE</b>				
	\$ -	(3,332,692)	(3,792,416)	(459,724)
FUND BALANCE, JULY 1			4,583,952	
FUND BALANCE, JUNE 30			\$ 791,536	