

**CITY OF WELDON SPRING, MISSOURI**

**INDEPENDENT AUDITOR'S REPORT**  
**AND**  
**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

CITY OF WELDON SPRING, MISSOURI

SEPTEMBER 30, 2019

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# BATES CPA

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### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen  
City of Weldon Spring, Missouri

#### ***Report on the Financial Statements***

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Weldon Spring, Missouri, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Opinions***

In my 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 of the City of Weldon Spring, Missouri, as of September 30, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Prior Period Correction***

Net position in previously issued financial statements has been restated for the correction of a material misstatement in the prior period.

### ***Other Matters***

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 25, 2020, on my consideration of the City of Weldon Spring, Missouri's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Weldon Spring, Missouri's internal control over financial reporting and compliance.

***BATES CPA LLC***

St. Charles, MO  
February 25, 2020

CITY OF WELDON SPRING, MISSOURI  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

As management of the City of Weldon Spring, Missouri, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here along with the City's financial statements, including the notes that follow this Management's Discussion and Analysis.

#### FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets of the City exceeded its liabilities for the most recent fiscal year by \$ 23,297,460. The City has unrestricted net position of \$ 3,336,226.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$ 3,754,076.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$ 1,263,542.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis 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 supplementary information in addition to the basic financial statements.

##### **Government-wide Financial Statements**

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

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position 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. The governmental activities of the City include general government and court, law enforcement, parks and recreation and sewer administration and maintenance. The City does not have any business-type activities.

The government-wide financial statements can be found on pages 9 and 10 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 are considered governmental funds. The City does not have any fiduciary or proprietary funds at September 30, 2019.

CITY OF WELDON SPRING, MISSOURI  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**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 fund financial statements utilize a current financial resources measurement focus as applied to the modified accrual basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance 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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Municipal Hall and Park Fund, Road, Bridge and Public Safety Fund and Sewer Fund.

The City adopts an annual appropriated budget for all funds. Budgetary comparison statements have been provided for all major funds to demonstrate legal compliance with the respective adopted budget.

The governmental fund financial statements can be found on pages 11 and 12 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are 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 City has no fiduciary funds.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14 through 21 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, certain required supplementary information can be found on pages 22 through 25 of this report.

CITY OF WELDON SPRING, MISSOURI  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

A condensed version of the statement of net position follows:

<u>ASSETS</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Cash and other current assets	\$ 4,300,653	\$ 3,935,569
Capital assets, net	<u>19,552,554</u>	<u>17,733,276</u>
Total assets	<u>23,853,207</u>	<u>21,668,845</u>
 <u>LIABILITIES</u>		
Current liabilities	555,747	228,202
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>555,747</u>	<u>228,202</u>
 <u>NET POSITION</u>		
Invested in capital assets, net of related debt	19,552,554	17,663,276
Restricted	408,680	189,762
Unrestricted	<u>3,336,226</u>	<u>3,587,605</u>
Total net position	<u>\$ 23,297,460</u>	<u>\$ 21,440,643</u>

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. As illustrated above, in the case of the City of Weldon Spring, assets exceeded liabilities by \$23,297,460 at the close of September 30, 2019.

City of Weldon Spring's net position of \$19,552,554 (84 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Weldon Spring uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the City of Weldon Spring's net position of \$408,680 (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$3,336,226 (14 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

September 30, 2018 net position has been restated to reflect corrections described on pages 18 and 20 of the notes to the financial statements and to properly increase investment in capital assets by \$75,377.

CITY OF WELDON SPRING, MISSOURI  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**Governmental Activities**

As illustrated below, 2019 governmental activities increased the City's net position by \$1,856,817. The City has no business activities.

	For the Year Ended <u>September 30, 2019</u>	For the Year Ended <u>September 30, 2018</u>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 211,660	\$ 246,894
Capital grants and contributions	2,239,520	583,185
Operating grants and contributions	425,158	220,020
General revenues:		
Taxes	305,941	324,994
Franchise Fees	430,098	437,820
Investment income	68,667	23,747
Miscellaneous	1,780	15,796
Loss on capital asset dispositions	( 45,104)	-
Total revenues	<u>3,637,720</u>	<u>1,852,456</u>
<b>EXPENSES</b>		
General government	501,864	462,707
Law enforcement	221,412	218,480
Parks and recreation	146,069	143,247
Road	910,379	852,715
Sewer admin and maintenance	1,179	3,544
Total expenses	<u>1,780,903</u>	<u>1,680,693</u>
CHANGE IN NET POSITION	1,856,817	171,763
NET POSITION, BEGINNING OF YEAR	<u>21,440,643</u>	<u>21,268,880</u>
NET POSITION, ENDING OF YEAR	<u>\$ 23,297,460</u>	<u>\$ 21,440,643</u>

CITY OF WELDON SPRING, MISSOURI  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**

The focus of the City's governmental fund is to provide information on inflows, outflows, and balances of available expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At September 30, 2019 the combined fund balance was \$3,754,076.

The following is a comparative analysis of fund balance:

	<u>General</u>	<u>Sewer Fund</u>	<u>Road, Bridge and Public Safety Fund</u>	<u>Municipal Hall and Park Fund</u>	<u>Total</u>
September 30, 2019	<u>\$ 1,263,542</u>	<u>\$ 100,882</u>	<u>\$ 408,680</u>	<u>\$ 1,980,972</u>	<u>\$ 3,754,076</u>
September 30, 2018	<u>\$ 1,817,752</u>	<u>\$ 117,320</u>	<u>\$ 189,762</u>	<u>\$ 1,652,533</u>	<u>\$ 3,777,367</u>
September 30, 2017	<u>\$ 1,984,694</u>	<u>\$ 130,841</u>	<u>\$ 25,855</u>	<u>\$ 1,418,520</u>	<u>\$ 3,559,910</u>

The General Fund is the chief operating fund of the City of Weldon Spring. As a measure of the General Fund's liquidity, it may be useful to compare general fund balance to general fund total expenditures. General fund balance of \$1,263,542 represents 253% of general fund total expenditures of \$501,864. The fund balance in the City's General Fund decreased by \$554,210 or 30% from prior year fund balance.

**CAPITAL ASSETS**

The City has invested \$18,626,960 at September 30, 2019 in a broad range of capital assets, including land and land improvements, building, machinery and equipment, infrastructure, and construction in progress. This amount includes a net increase for the current fiscal year (including additions and deductions) of \$1,819,280. The City's capital assets, net of accumulated depreciation, consisted of:

	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Land and land improvements	\$ 1,076,766	\$ 813,010
Building	529,276	551,393
Machinery and equipment	107,688	18,969
Infrastructure	17,838,824	16,094,885
Construction in progress	<u>-</u>	<u>255,019</u>
Total capital assets, net of accumulated depreciation	<u>\$ 19,552,554</u>	<u>\$ 17,733,276</u>

Additional information on the City's capital assets can be found on pages 19 and 20 in Note 3 of the notes to the financial statements.

CITY OF WELDON SPRING, MISSOURI  
 MANAGEMENT DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

**BUDGETARY HIGHLIGHTS**

The following significant variances occurred between 2019 budget and 2019 actual revenue and expenditures. The budget is prepared on the modified cash basis of accounting.

<u>General Fund</u>	<u>Actual</u>	<u>Budget</u>	
Court	\$ 85,316	\$ 49,950	Conservative budget, fines set by State Statute and MO Supreme Court
City Planner	\$ 8,438	\$ 12,500	Less City Planner review incurred than anticipated
 <u>Road, Bridge and Public Safety Fund</u>			
	\$ 169,124	\$ 2,025,648	Grant money billed was not received as of September 30, 2019
 <u>Municipal Hall and Park Fund</u>			
	\$ 205,955	\$ -	Public use donation was not budgeted

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

For the year-ending September 30, 2020, the City projects total revenue of \$3,069,084 and total expenditures of \$2,012,296. The City projects 2020 revenue for the General Fund of \$578,167 and 2020 expenditures of \$578,166.

**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:

Michael Padella  
 City of Weldon Spring  
 5401 Independence Road  
 Weldon Spring, MO 63304

CITY OF WELDON SPRING, MISSOURI  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	2,407,350
Receivables	1,893,303
Total current assets	<u>4,300,653</u>
Capital assets (net of accumulated depreciation)	
Land and land improvements	1,076,766
Building	529,276
Machinery and equipment	107,688
Infrastructure	17,838,824
Total capital assets, net	<u>19,552,554</u>
Total assets	<u>23,853,207</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	490,150
Accrued salaries and payroll taxes	21,482
Court bonds	2,115
Performance deposits	42,000
Total current liabilities	<u>555,747</u>
Total liabilities	<u>555,747</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	19,552,554
Restricted for:	
Road improvements	408,680
Unrestricted	<u>3,336,226</u>
Total net position	<u>23,297,460</u>

CITY OF WELDON SPRING, MISSOURI  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities Net Revenue (Expenses)
Primary government					
Governmental activities					
General government and court	501,864	55,152	-	-	(446,712)
Law enforcement	221,412	88,511	-	-	(132,901)
Parks and recreation	146,069	13,256	204,750	315,900	387,837
Road	910,379	-	220,408	1,923,620	1,233,649
Sewer administration and maintenance	1,179	54,741	-	-	53,562
Total governmental activities	<u>1,780,903</u>	<u>211,660</u>	<u>425,158</u>	<u>2,239,520</u>	<u>1,095,435</u>

GENERAL REVENUES

Sales tax	305,941
Franchise fees	430,098
Investment income	68,667
Other	1,780
Loss on capital asset dispositions	<u>(45,104)</u>
Total general revenue	<u>761,382</u>

CHANGE IN NET POSITION 1,856,817

NET POSITION,  
BEGINNING OF YEAR, RESTATED 21,440,643

NET POSITION, END OF YEAR 23,297,460

CITY OF WELDON SPRING, MISSOURI  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General	Municipal Hall and Park Fund	Road, Bridge and Public Safety Fund	Nonmajor Sewer Fund	Total Governmental Funds
<b>ASSETS</b>					
Pooled cash and cash equivalents	300,905	1,957,428	-	101,492	2,359,825
Other cash and cash equivalents	45,523	-	2,002	-	47,525
Receivables	48,112	25,727	1,819,464	-	1,893,303
Due from other fund	925,000	-	-	-	925,000
	<hr/>				
Total assets	1,319,540	1,983,155	1,821,466	101,492	5,225,653
<hr/>					
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	1,754	-	487,786	610	490,150
Accrued salaries and payroll taxes	10,129	2,183	-	-	12,312
Due to other fund	-	-	925,000	-	925,000
Court bonds	2,115	-	-	-	2,115
Performance deposits	42,000	-	-	-	42,000
	<hr/>				
Total liabilities	55,998	2,183	1,412,786	610	1,471,577
<hr/>					
Fund balance:					
Restricted for:					
Road and bridge improvements	-	-	408,680	-	408,680
Committed to:					
Subsequent budget	-	378,612	-	-	378,612
Municipal hall and park improvements	-	1,602,360	-	-	1,602,360
Sewer lateral repairs	-	-	-	100,882	100,882
Unassigned	1,263,542	-	-	-	1,263,542
	<hr/>				
Total fund balance	1,263,542	1,980,972	408,680	100,882	3,754,076
	<hr/>				
Total liabilities and fund balance	1,319,540	1,983,155	1,821,466	101,492	
	<hr/>				

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

Capital assets of \$25,905,965 net of accumulated depreciation of \$6,353,411, are not financial resources and, therefore, are not reported in the funds

19,552,554

23,306,630

CITY OF WELDON SPRING, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2019

	General	Municipal Hall and Park Fund	Road, Bridge and Public Safety Fund	Nonmajor Sewer Fund	Total Governmental Funds
<b>REVENUES</b>					
Taxes					-
Franchise fees	430,098	305,941	429,187	33,067	1,198,293
Permits, licenses and applications	55,152	-	-	-	55,152
Court fines	85,316	-	-	-	85,316
Grants	-	-	1,714,841	-	1,714,841
Rentals	-	3,189	-	-	3,189
Cash contributions	-	205,955	-	-	205,955
Other	1,780	8,862	3,195	17,500	31,337
Interest	27,961	40,707	-	4,174	72,842
Total revenues	<u>600,307</u>	<u>564,654</u>	<u>2,147,223</u>	<u>54,741</u>	<u>3,366,925</u>
<b>EXPENDITURES</b>					
Current:					
General government and court	457,211	-	-	-	457,211
Law enforcement	-	-	221,412	-	221,412
Parks and recreation	-	105,345	-	-	105,345
Occupancy	-	19,985	-	-	19,985
Road and bridge	-	-	2,399,298	-	2,399,298
Capital outlay	4,901	110,885	-	1,179	116,965
Debt service:					
Principal	-	-	-	70,000	70,000
Interest	-	-	-	-	-
Total expenditures	<u>462,112</u>	<u>236,215</u>	<u>2,620,710</u>	<u>71,179</u>	<u>3,390,216</u>
REVENUES OVER (UNDER) EXPENDITURES	138,195	328,439	(473,487)	(16,438)	(23,291)
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in (out)	(692,405)	-	692,405	-	-
NET CHANGES IN FUND BALANCE	<u>(554,210)</u>	<u>328,439</u>	<u>218,918</u>	<u>(16,438)</u>	<u>(23,291)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>1,817,752</u>	<u>1,652,533</u>	<u>189,762</u>	<u>117,320</u>	<u>3,777,367</u>
<b>FUND BALANCE, END OF YEAR</b>	<u><b>1,263,542</b></u>	<u><b>1,980,972</b></u>	<u><b>408,680</b></u>	<u><b>100,882</b></u>	<u><b>3,754,076</b></u>

See Notes to Financial Statements

CITY OF WELDON SPRING, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

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

Net change in fund balance – total governmental funds		\$( 23,291)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is the net effect of these differences		
Capital asset purchases	2,178,908	
Capital asset donations	315,900	
Depreciation	( 630,426)	
		1,864,382
2019 disposition of capital assets which were not fully depreciated result in a decrease of net position		( 45,104)
Payments of bonds principal and long-term note principal are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets. This is the amount of current year bond principal payments.		70,000
Long term liability for compensated absences result in a decrease in net position		<u>( 9,170)</u>
Change in net position of governmental activities		<u>\$ 1,856,817</u>

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Weldon Spring, Missouri, (the City) was incorporated on November 18, 1984 and established a Mayor-Board of Aldermen form of government. The City's major operations include general administrative services, planning and zoning activities, road development, park development and management, and sewer construction.

In evaluating how to define the reporting entity, for financial statement purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in GAAP which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed but the statements distinguish *governmental activities*, which normally are supported by taxes and City general revenues, from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. The City has no business-type activities.

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*.

Fund Financial Statements

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.

The City reports the following major governmental funds:

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

Road and Bridge Special Revenue Fund – is used to account for certain revenues legally restricted to expenditures for the construction or servicing of roads and bridges.

Municipal Hall and Park Special Revenue Fund – is used to account for certain revenues committed to improvements and maintenance of the municipal city hall and park.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

C. 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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 purpose. 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 claims and judgment, are recorded when payment is due.

D. CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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. During 2019 the City received a donation of 2.43 acres of land valued at \$315,900 by an independent appraiser.

During the implementation of GASB 34, the City elected not to report general infrastructure assets retroactively. Therefore, no general infrastructure assets purchased or placed in service prior to October 1, 2003 are included in the statement of net assets.

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

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land and building improvements	20
Infrastructure	30
Park equipment	10
Heavy maintenance equipment	10
Vehicles	5
Office equipment	5
Computer equipment	5

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. RESTRICTED ASSETS

The City is obligated by various sources to restrict the availability of certain assets. Specifically, assets are restricted from external sources such as creditors, grantors, contributors, or laws or regulations of other governments. Assets are also subject to restriction through constitutional law provisions or enabling legislation. Net position of the City at September 30, 2019 is restricted by grantors for road improvements. None of the net position at September 30, 2019 is restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

F. COMPENSATED ABSENCES

Full time employees are granted vacation and sick leave based on length of service. Vacation accrues on January 1 of each year. An employee may carryover no more than eighty hours of vacation to the following calendar year. Upon termination, the employee is paid for unused vacation.

Unused sick leave is paid out during each January at 50% of the employees total remaining unused balance of sick leave as of December 31<sup>st</sup>. Employee's leaving employment voluntarily are paid a percentage of the remaining unused balance of sick leave based on years of service.

The unpaid liability for compensated absences totaled \$9,169 at September 30, 2019.

G. LONG-TERM LIABILITIES

In the government-wide financial statements, bonds payable are reported as a liability in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, if any. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, long-term debt principal payments are recognized as expenditures during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

H. NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is displayed as three components:

- *Net investment in capital assets* represents capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Also included in the calculation are related bond premiums and discounts and the deferred outflows or inflows of resources on refunding of bonds.
- *Restricted net position* consists of net position with constraints placed on their use by external groups such as creditors, grantors, contributors, or laws or regulations of other governments.
- *Unrestricted net position* represents the net position available for future operations.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

I. FUND BALANCE

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

*Restricted fund balance* – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed fund balance* – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Aldermen – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Aldermen removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned fund balance* – This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City’s Board of Aldermen has the authority to assign amounts to be used for specific purposes. Assigned fund balance include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

*Unassigned fund balance* – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, the City will spend amounts in the order of restricted, committed, then assigned.

J. USE OF ESTIMATES

The preparation of financial statements 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.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. PRIOR PERIOD CORRECTION

Long-term capital assets were misstated in the previously issued September 30, 2018 financial statements due to errors in classifying certain structures and equipment and failure to recognize certain donated assets.

The impact of the corrections on the government-wide net position as previously reported as of September 30, 2018 follows:

	<u>Governmental Activities</u>
Net position, previously reported September 30, 2018	\$ 21,365,266
Depreciable assets not included at September 30, 2018	\$ 30,875
Land donated prior to September 30, 2018	72,600
Correct prior depreciation	<u>( 28,098)</u>
Net position, restated September 30, 2018	<u>\$ 21,440,643</u>

NOTE 2: CASH AND CASH EQUIVALENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short term investments with original maturities of three months or less from date of acquisition.

The City maintains a deposit pool that is available for use by all funds. Each fund's portion of the pool is displayed on the balance sheet.

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.

At September 30, 2019 all cash and cash equivalents were fully insured or collateralized with securities held by the City or by its agent in the City's name.

The surplus funds of the City may be legally invested in any of the securities identified as eligible in Section 30.270 of Missouri State Statutes. The City has no investments at September 30, 2019.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	<u>Balance September 30 2018</u>	<u>2019 Increases</u>	<u>2019 Decreases</u>	<u>Ending Balance September 30 2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 748,868	\$ 315,900	\$ ( 45,104)	\$ 1,019,664
Construction in progress	<u>255,019</u>	<u>-</u>	<u>( 255,019)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,003,887</u>	<u>315,900</u>	<u>( 300,123)</u>	<u>1,019,664</u>
Capital assets being depreciated:				
Land improvements	148,088	-	-	148,088
Buildings	808,664	-	-	808,664
Machinery and equipment	202,163	93,411	( 62,165)	233,409
Infrastructure	<u>21,355,622</u>	<u>2,340,518</u>	<u>-</u>	<u>23,696,140</u>
Total capital assets being depreciated	<u>22,514,537</u>	<u>2,433,929</u>	<u>( 62,165)</u>	<u>24,886,301</u>
Less accumulated depreciation for:				
Land improvements	( 83,946)	( 7,040)	-	( 90,986)
Buildings	( 257,271)	( 22,117)	-	( 279,388)
Machinery and equipment	( 183,196)	( 4,690)	62,165	( 125,721)
Infrastructure	<u>( 5,260,737)</u>	<u>( 596,579)</u>	<u>-</u>	<u>( 5,857,316)</u>
Total accumulated depreciation	<u>( 5,785,150)</u>	<u>( 630,426)</u>	<u>62,165</u>	<u>( 6,353,411)</u>
Total capital assets being depreciated, net	<u>16,729,387</u>	<u>1,803,503</u>	<u>-</u>	<u>18,532,890</u>
Governmental activities capital assets, - net	<u>\$ 17,733,274</u>	<u>\$ 2,119,403</u>	<u>\$ ( 300,123)</u>	<u>\$ 19,552,554</u>

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

Governmental activities:	
General government	\$ 12,768
Parks	18,468
Infrastructure	<u>596,579</u>
Total depreciation expense governmental activities	<u>\$ 627,815</u>

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 3: CAPITAL ASSETS, continued

The balances at September 30, 2018 were restated for the following prior period corrections:

	<u>Land</u>	<u>Building</u>	<u>Machinery and Equipment</u>	<u>Accumulated Depreciation</u>
Previously stated	\$ 782,382	\$ 686,507	\$ 187,332	\$(5,757,050)
Structures included as land	( 106,114)	106,114	-	( 6,849)
Previously unrecorded				
Land donated	72,600	-	-	
Equipment	-	-	14,831	( 14,831)
Pavilion	-	16,043	-	( 6,420)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Restated	<u>\$ 748,868</u>	<u>\$ 808,664</u>	<u>\$ 202,163</u>	<u>\$(5,785,150)</u>

NOTE 4: LONG-TERM DEBT

General Obligation Neighborhood Improvement Bonds Series 2001

On November 11, 2001 the Board of Aldermen authorized the issuance of \$1,040,000 General Obligation Neighborhood Improvement Bonds (State Revolving Fund Program) Series 2001 for the purpose of permanently financing the Weldon Spring Neighborhood Sewer District Project and paying in full the Neighborhood Improvement District Notes (State Revolving Fund – Direct Loan Program) Series 1999.

The changes in general long-term debt during the year ended September 30, 2019 related to governmental activities are summarized as follows:

	<u>Balance September 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2019</u>
General Obligation Neighborhood Improvement Bonds, Series 2001, original amount of \$1,040,000; bearing interest at an annual rate ranging from 3.0% to 5.375%	<u>\$ 70,000</u>	<u>\$ -</u>	<u>\$ 70,000</u>	<u>\$ -</u>

NOTE 5: INTERFUND TRANSACTIONS

During 2019, the General Fund funded road improvements as follows:

\$692,405 was transferred from the General Fund to the Road, Bridge and Public Safety Fund as operating transfers.

\$925,000 was advanced by the General to the Road, Bridge and Public Safety Fund. This amount is expected to be repaid prior to September 30, 2020 and is included as a receivable in the General Fund and a payable in the Road, Bridge and Public Safety Fund.

NOTE 6: CONTINGENCIES

The City is a plaintiff in legal proceedings covering various matters that have arisen in the ordinary course of its activities. The outcomes of these various proceedings cannot be determined at this time.

CITY OF WELDON SPRING, MISSOURI

NOTES TO FINANCIAL STATEMENTS

NOTE 7: COURT FINES

Total court fine revenues of \$85,316 represent 8.9% of general operating revenues.

NOTE 8: 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 purchases commercial insurance for all risks of loss.

There have been no insurance settlements exceeding coverage for each of the past three years.

NOTE 9: DATE OF MANAGEMENT REVIEW

Subsequent events have been evaluated through February 25, 2020, which is the date the financial statements were available to be issued.

CITY OF WELDON SPRING  
REQUIRED SUPPLEMENTARY SCHEDULE 1  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (BUDGET BASIS)  
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual - Budget Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Franchise Fees	420,800	420,800	431,460	10,660
Permits, licenses and applications	60,550	60,550	55,152	(5,398)
Courts	49,950	49,950	85,316	35,366
Other	1,800	1,800	1,780	(20)
Interest	20,000	20,000	27,961	7,961
Total revenues	553,100	553,100	601,669	48,569
<b>EXPENDITURES</b>				
Payroll	280,036	280,036	234,594	45,442
Payroll taxes and benefits	33,640	33,640	41,887	(8,247)
City attorney	17,500	17,500	18,717	(1,217)
City engineer	21,250	21,250	38,467	(17,217)
City planner	12,500	12,500	13,269	(769)
Other professional fees	27,550	27,550	38,717	(11,167)
Insurance	16,600	16,600	16,911	(311)
Other administrative costs	71,100	71,100	66,414	4,686
Total administrative	480,176	480,176	468,976	11,200
Capital outlay	40,500	40,500	4,901	35,599
Total expenditures	520,676	520,676	473,877	46,799
REVENUES OVER (UNDER) EXPENDITURES	32,424	32,424	127,792	95,368
OTHER FINANCING SOURCES				
Operating transfers in (out)	-	-	(692,405)	(692,405)
NET CHANGE IN FUND BALANCE	32,424	32,424	(564,613)	(597,037)
<b>RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS</b>				
Accounts receivable 9/30/18			(49,474)	
Accounts receivable 9/30/19			48,112	
Accounts payable 9/30/18			16,487	
Accounts payable 09/30/19			(1,754)	
Accrued wages 9/30/18			5,541	
Accrued wages 09/30/19			(8,509)	
			10,403	
NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS			(554,210)	

See Independent Auditor's Report

CITY OF WELDON SPRING  
REQUIRED SUPPLEMENTARY SCHEDULE 2  
MUNICIPAL HALL AND PARK FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (BUDGET BASIS)  
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual - Budget Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUE</b>				
Taxes	326,000	326,000	301,767	(24,233)
Contributions	-	-	205,955	205,955
Rentals and other	11,250	11,250	12,051	801
Interest	14,000	14,000	40,707	26,707
Total revenues	<u>351,250</u>	<u>351,250</u>	<u>560,480</u>	<u>209,230</u>
<b>EXPENDITURES</b>				
Occupancy	18,661	18,661	19,985	(1,324)
Park and recreation	141,236	141,236	104,491	36,745
Capital outlay	144,500	144,500	110,885	33,615
Total expenditures	<u>304,397</u>	<u>304,397</u>	<u>235,361</u>	<u>69,036</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>46,853</u>	<u>46,853</u>	325,119	<u>278,266</u>
<b>RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS</b>				
Accounts receivable 9/30/18			(21,553)	
Accounts receivable 9/30/19			25,727	
Accounts payable 9/30/18			-	
Accounts payable 9/30/19			-	
Accrued wages 9/30/18			1,329	
Accrued wages 9/30/19			(2,183)	
			<u>3,320</u>	
<b>NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS</b>			<u>328,439</u>	

CITY OF WELDON SPRING  
REQUIRED SUPPLEMENTARY SCHEDULE 3  
ROAD, BRIDGE AND PUBLIC SAFETY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL (BUDGET BASIS)  
YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual - Budget Basis	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes	442,003	442,003	428,947	(13,056)
Grants	2,025,648	2,025,648	169,124	(1,856,524)
Contributions	-	-	-	-
Interest	-	-	-	-
Other	995	995	3,195	2,200
Total revenues	2,468,646	2,468,646	601,266	(1,867,380)
<b>EXPENDITURES</b>				
Road and bridge	2,262,578	2,262,578	1,985,603	276,975
Law enforcement	221,412	221,412	221,412	-
Total expenditures	2,483,990	2,483,990	2,207,015	276,975
REVENUES OVER (UNDER) EXPENDITURES	(15,344)	(15,344)	(1,605,749)	(1,590,405)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in (out)		-	692,405	692,405
NET CHANGES IN FUND BALANCE	(15,344)	(15,344)	(913,344)	(898,000)
<b>RECONCILING ITEMS TO ADJUST FROM BUDGETARY BASIS TO MODIFIED ACCRUAL BASIS</b>				
Accounts receivable 9/30/18			(273,507)	
Accounts receivable 9/30/19			1,819,464	
Accounts payable 9/30/18			74,091	
Accounts payable 9/30/19			(487,786)	
			<u>1,132,262</u>	
NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS			<u>218,918</u>	

See Independent Auditor's Report

CITY OF WELDON SPRING, MISSOURI  
REQUIRED SUPPLEMENTAL INFORMATION  
NOTE TO SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2019

BUDGET POLICY AND PRACTICE

Annual appropriated budgets are adopted for all governmental funds. Budgets are adopted in accordance with the modified basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). Accordingly, budgeted revenues do not reflect revenues earned but not received and budgeted expenditures do not include expenditures incurred by not paid. The City follows these procedures in establishing its annual budgets as reflected in the financial statements:

- a) The proposed budget is submitted to the Board of Aldermen for the fiscal year. The operating budget includes proposed expenditures and means of financing them, not to exceed the total revenue of the preceding year plus any unreserved balance at the end of such year.
- b) Public hearings are conducted in the City to obtain taxpayer input and comment.
- c) The budget must be adopted by the affirmative vote of a majority of the Board of Aldermen for each fiscal year.
- d) During the year, the Board of Aldermen may authorize supplemental appropriations to the budget.
- e) All appropriations not spent lapse at fiscal year-end.

A reconciliation of the modified cash basis budget to the GAAP basic financial statements is provided for each major fund.