

City of Excelsior Springs, Missouri

Financial Report

Year Ended September 30, 2005

Contents

Financial Section

Independent auditor's report	1 – 2
Management discussion and analysis	3 – 13
Basic financial statements:	
Statement of net assets	14 – 15
Statement of activities	16 – 17
Balance sheet – governmental funds	18
Reconciliation of total governmental fund balances to net assets of governmental activities	19
Statement of revenues, expenditures and changes in fund balances – governmental funds	20
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	21
Statement of revenues, expenditures and changes in fund balances – budget and actual – General Fund	22
Statement of revenues, expenditures and changes in fund balances – budget and actual – Construction Services Fund	23
Statement of revenues, expenditures and changes in fund balances – budget and actual – Parks and Recreation Fund	24
Statement of net assets – enterprise funds	25 – 28
Statement of revenues, expenses and changes in fund net assets (deficit) – enterprise funds	29 – 30
Statement of cash flows – enterprise funds	31 – 32
Statement of assets and liabilities – agency funds	33
Notes to basic financial statements	34 – 59
Required supplementary information:	
Missouri local government employees retirement system	60
Supplementary information:	
Nonmajor governmental funds:	
Combining balance sheet:	
Governmental funds	61
Special revenue funds	62 – 63
Debt service funds	64
Capital projects funds	65
Combining statement of revenues, expenditures and changes in fund balances (deficit):	
Governmental funds	66
Special revenue funds	67 – 68
Debt service funds	69
Capital projects funds	70
Combining statement of net assets (deficit), enterprise funds	71
Combining statement of revenues, expenses and changes in fund net assets (deficit), enterprise funds	72
Combining statement of cash flows, enterprise funds	73
Combining statement of assets and liabilities – agency funds	74

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Excelsior Springs, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Excelsior Springs, Missouri, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Excelsior Springs, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City Hospital, the discretely presented component unit of the City which represents all of the assets and revenues of the discretely presented component unit opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City Hospital, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the City Hospital, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Excelsior Springs, Missouri, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Construction Services Fund and Parks and Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the City of Excelsior Springs, Missouri's internal control over financial reporting and 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 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 should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the Pension Plan Schedule of Funding Progress and Schedule of Employer Contributions on page 60 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. 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 of Excelsior Springs, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are 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.

McGladrey & Pullen, LLP

Kansas City, Missouri
December 9, 2005

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

As management of the City of Excelsior Springs, we offer readers of the City of Excelsior Springs' financial statements this narrative overview and analysis of the financial activities of the City of Excelsior Springs for the fiscal year ended September 30, 2005. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Excelsior Springs (primary government only) exceeded its liabilities at the close of the most recent fiscal year by \$14,452,189. Of this amount, \$6,903,226 may be used to meet the government's ongoing obligations to citizens and creditors. For fiscal year 2004, assets exceeded liabilities by \$13,222,286 of which \$6,805,348 was unrestricted.
- The government's total net assets increased by \$1,229,903. Most of this increase is attributable to increased property tax collections, increased financial institution taxes, and increased gain on the sale of capital assets, partially offset by decreased franchise fees and miscellaneous revenue. Total net assets increased \$60,027 in fiscal year 2004 mostly due to increased franchise taxes, increased railroad and utility taxes, and increased utility (water, sewer and refuse) revenues, offset by decreased sales, use, and property tax collections.
- As of the close of the current fiscal year, the City of Excelsior Springs' governmental funds reported combined ending fund balances of \$6,624,333, an increase of \$236,744. Approximately \$5,455,000 of this amount is available for spending at the government's discretion. Total governmental funds combined ending fund balances in fiscal year 2004 were \$6,387,589.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$2,023,990 or forty percent of total General Fund expenditures.
- The City of Excelsior Springs total debt (excluding compensated absences) decreased by \$1,177,129 (8 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Excelsior Springs' basic financial statements. The City of Excelsior Springs' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Excelsior Springs' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Excelsior Springs' 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 of Excelsior Springs is improving or deteriorating.

The statement of activities presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City of Excelsior Springs 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 activities). The governmental activities of the City of Excelsior Springs include general government, public safety, transportation (or OMNI), public works, health and welfare, recreational activities, and community betterment.

The government-wide financial statements include not only the City of Excelsior Springs itself (known as the primary government), but also the legally separate hospital for which the City of Excelsior Springs is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-17 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 of Excelsior Springs, 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 of Excelsior Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Excelsior Springs maintains twenty 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 balances for the General Fund, Construction Services Special Revenue Fund and Parks and Recreation Special Revenue Fund, which are considered to be major funds. Data from the other seventeen funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. The City of Excelsior Springs maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Excelsior Springs uses enterprise funds to account for its water, sewer, golf, airport, and refuse operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, and golf course operations, all of which are considered major funds of the City of Excelsior Springs. Conversely, Airport and Refuse operations are combined into a single, aggregated presentation in the proprietary fund financial statements.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 25-32 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 of Excelsior Springs' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 33 of this report.

Notes to 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 basic financial statements can be found on pages 34-59 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and combining and individual fund statements and schedules can be found on pages 61-74 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Excelsior Springs, primary governmental assets exceeded liabilities by \$14,452,189 at the close of the most recent fiscal year.

A large portion of the City of Excelsior Springs' net assets (37 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that is still outstanding. The City of Excelsior Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Excelsior Springs' 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.

	City of Excelsior Springs' Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 8,181,226	\$ 7,906,366	\$ 3,608,970	\$ 3,423,593	\$ 11,790,196	\$ 11,329,959
Capital assets	6,120,405	5,572,523	12,100,883	12,509,018	18,221,288	18,081,541
Total assets	14,301,631	13,478,889	15,709,853	15,932,611	30,011,484	29,411,500
Long-term liabilities outstanding	5,591,700	6,339,196	6,226,584	6,662,487	11,818,284	13,001,683
Other liabilities	2,678,529	2,310,385	1,062,482	877,146	3,741,011	3,187,531
Total liabilities	8,270,229	8,649,581	7,289,066	7,539,633	15,559,295	16,189,214
Net assets:						
Invested in capital assets, net of related debt	(102,176)	(1,264,482)	5,455,222	5,423,336	5,353,046	4,158,854
Restricted	1,023,917	1,003,084	1,172,000	1,255,000	2,195,917	2,258,084
Unrestricted	5,109,661	5,090,706	1,793,565	1,714,642	6,903,226	6,805,348
Total net assets	\$ 6,031,402	\$ 4,829,308	\$ 8,420,787	\$ 8,392,978	\$ 14,452,189	\$ 13,222,286

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

A portion of the City of Excelsior Springs' net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,903,226) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Excelsior Springs is able to report positive balances in all three categories of net assets for the government as a whole as well as for separate business-type activities; however, long-term liabilities exceeded the net book value of governmental capital assets resulting in a net liability in capital assets net of related debt. This situation is related to the fact that the City of Excelsior Springs has not yet capitalized infrastructure assets purchased or constructed prior to October 1, 2002. Once infrastructure assets are capitalized, the net liability should decrease. The same situation held true for the prior fiscal year.

There was a decrease of \$83,000 in restricted net assets reported in connection with the City of Excelsior Springs' business-type activities. This decrease resulted primarily from the release of collateral pledged by the Missouri Department of Natural Resources related to the 1992 Sewerage Revenue Bonds.

The government's net assets increased by \$1,229,903 during the current fiscal year. This is almost entirely attributable to the revenue increases and expenditure decreases described below in the governmental activities section.

City of Excelsior Springs' Changes in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	2005 Total	Governmental Activities 2004	Business-Type Activities 2004	2004 Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,312,662	\$ 3,777,531	\$ 5,090,193	\$ 1,136,028	\$ 3,793,359	\$ 4,929,387
Operating grants and contributions	641,110	-	641,110	781,977	-	781,977
Capital grants and contributions	-	150,084	150,084	-	-	-
General revenues:						
Property taxes	1,550,778	-	1,550,778	1,401,668	-	1,401,668
General sales and use tax	3,383,671	-	3,383,671	3,369,517	-	3,369,517
Franchise tax	1,070,849	-	1,070,849	1,121,139	-	1,121,139
Cigarette tax	104,224	-	104,224	103,656	-	103,656
Railroad and utility/financial institution tax	76,421	-	76,421	40,674	-	40,674
Gain on sale of capital assets	4,367	-	4,367	-	-	-
Investment earnings	175,527	131,484	307,011	120,513	100,106	220,619
Miscellaneous	38,637	-	38,637	112,378	-	112,378
Total revenues	8,358,246	4,059,099	12,417,345	8,187,550	3,893,465	12,081,015