

CITY OF CRESTWOOD, MISSOURI

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2002

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Crestwood, Missouri

We have audited the accompanying general purpose financial statements of the City of Crestwood, Missouri (the "City") as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. The financial statements of the City of Crestwood as of June 30, 2002, before the restatement described in Note M, were audited by other auditors whose report dated October 11, 2002, expressed an unqualified opinion on those statements.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of June 30, 2002 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We also audited the adjustments described in Note M that were applied to restate the 2002 general purpose financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

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

Brown Smith Wallace, LLC

January 5, 2004

CITY OF CRESTWOOD, MISSOURI

Combined Balance Sheet - All Fund Types and Account Groups

June 30, 2002

With comparative totals for June 30, 2001

(See Independent Auditors' Report)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
ASSETS AND OTHER DEBITS				
Cash and investments	\$ 1,586,674	\$ -	\$ -	\$ -
Receivables:				
Taxes	623,738	-	457,651	-
Other	153,826	-	132,800	-
Due from other funds	87,322	31,927	2,090,493	-
Prepaid items	79,994	-	-	-
Investments - restricted	-	-	2,373,704	873,603
Fixed assets	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	\$ 2,531,554	\$ 31,927	\$ 5,054,648	\$ 873,603
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities				
Accounts payable	\$ 160,166	\$ 780	\$ 1,220,956	\$ -
Retainage payable	-	-	604,876	-
Accrued payroll	180,564	-	-	-
Compensated absences	-	-	-	-
Accrued interest payable	-	-	-	-
Deposits payable	-	-	-	-
Funds held for others	-	-	-	-
Due to other funds	3,153,236	440	158,936	-
Deferred revenue	11,085	-	-	-
Certificates of participation payable	-	-	-	-
Capital lease payable	-	-	-	-
Note payable	-	-	-	-
Total Liabilities	3,505,051	1,220	1,984,768	-
Fund Equity and Other Credits				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Fund balances:				
Reserved for encumbrances	10,654	-	64,126	-
Reserved for prepaid items	79,994	-	-	-
Reserved for debt service	-	-	-	873,603
Unreserved:				
Designated for special projects	-	-	-	-
Designated for vehicle replacement	-	-	-	-
Designated for park and stormwater improvement	-	-	2,236,657	-
Designated for Sappington House Library	-	-	-	-
Designated for Sappington House - other	-	-	-	-
Undesignated	(1,064,145)	30,707	769,097	-
Total Fund Equity and Other Credits	(973,497)	30,707	3,069,880	873,603
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 2,531,554	\$ 31,927	\$ 5,054,648	\$ 873,603

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
		General Fixed Assets	General Long- Term Debt	2002	2001
\$ -	\$ 484,275	\$ -	\$ -	\$ 2,070,949	\$ 1,684,660
-	-	-	-	1,081,389	820,870
-	-	-	-	286,626	104,036
1,000,000	102,870	-	-	3,312,612	1,817,637
-	-	-	-	79,994	-
-	-	-	-	3,247,307	8,423,429
-	-	17,405,393	-	17,405,393	10,034,034
-	-	-	8,058,317	8,058,317	8,131,558
-	-	-	873,603	873,603	853,018
\$ 1,000,000	\$ 587,145	\$ 17,405,393	\$ 8,931,920	\$ 36,416,190	\$ 31,869,242
\$ -	\$ -	\$ -	\$ -	\$ 1,381,902	\$ 430,280
-	-	-	-	604,876	-
-	-	-	-	180,564	184,884
-	-	-	436,920	436,920	390,118
-	-	-	-	-	1,073
-	131,995	-	-	131,995	118,675
-	34,190	-	-	34,190	-
-	-	-	-	3,312,612	1,817,637
-	-	-	-	11,085	11,085
-	-	-	8,495,000	8,495,000	8,495,000
-	-	-	-	-	88,396
-	-	-	-	-	11,062
-	166,185	-	8,931,920	14,589,144	11,548,210
-	-	17,405,393	-	17,405,393	10,034,034
1,000,000	-	-	-	1,000,000	1,000,000
-	-	-	-	74,780	79,584
-	-	-	-	79,994	-
-	-	-	-	873,603	853,018
-	-	-	-	-	9,000
-	-	-	-	-	81,259
-	-	-	-	2,236,657	7,808,775
-	336,545	-	-	336,545	310,167
-	84,415	-	-	84,415	79,991
-	-	-	-	(264,341)	65,204
1,000,000	420,960	17,405,393	-	21,827,046	20,321,032
\$ 1,000,000	\$ 587,145	\$ 17,405,393	\$ 8,931,920	\$ 36,416,190	\$ 31,869,242

CITY OF CRESTWOOD, MISSOURI

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - All Governmental Fund Types and Similar Expendable Trust Fund

For the year ended June 30, 2002

With comparative totals for the year ended June 30, 2001

(See Independent Auditors' Report)

	Governmental Fund Types			
	General	Special Revenue	Capital Projects	Debt Service
REVENUES				
Taxes	\$ 6,584,410	\$ 138,312	\$ 3,885,193	\$ -
Licenses, permits, fines and fees	1,243,801	-	-	-
Investment income	28,009	-	200,599	50,412
Recreation programs	285,929	-	-	-
Net increase in the fair value of investments	-	-	-	-
Miscellaneous	106,991	-	349,215	-
Total Revenues	8,249,140	138,312	4,435,007	50,412
EXPENDITURES				
Current:				
General services	1,026,636	83,723	-	-
Public works	1,493,396	-	1,052,231	-
Public safety:				
Police and municipal court	2,985,332	-	-	-
Fire	2,456,971	-	-	-
Parks and recreation	1,324,969	-	523,381	-
Capital outlay	81,903	-	7,597,830	-
Debt service:				
Principal retirement	-	-	99,458	-
Interest	-	-	356,395	-
Issuance cost	-	-	-	-
Total Expenditures	9,369,207	83,723	9,629,295	-
REVENUES OVER (UNDER) EXPENDITURES	(1,120,067)	54,589	(5,194,288)	50,412
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,062	-	29,827	-
Operating transfers out	-	-	(179,062)	(29,827)
Proceeds from certificates of participation	-	-	-	-
Total Other Financing Sources (Uses)	179,062	-	(149,235)	(29,827)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	(941,005)	54,589	(5,343,523)	20,585
FUND BALANCES (DEFICIT), JULY 1	(204,072)	(23,882)	8,271,776	853,018
CHANGE IN ACCOUNTING PRINCIPLE	171,580	-	141,627	-
FUND BALANCES (DEFICIT), JUNE 30	\$ (973,497)	\$ 30,707	\$ 3,069,880	\$ 873,603

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Types Expendable Trust	Totals (Memorandum Only)	
	2002	2001
\$ -	\$ 10,607,915	\$ 9,346,936
-	1,243,801	1,098,365
14,153	293,173	111,820
15,610	301,539	409,316
15,235	15,235	46,800
-	456,206	361,520
44,998	12,917,869	11,374,757
-	1,110,359	1,168,299
-	2,545,627	2,430,537
-	2,985,332	2,707,329
-	2,456,971	2,336,321
14,196	1,862,546	1,510,088
-	7,679,733	676,282
-	99,458	110,583
-	356,395	9,817
-	-	36,889
14,196	19,096,421	10,986,145
30,802	(6,178,552)	388,612
-	208,889	-
-	(208,889)	-
-	-	8,401,555
-	-	8,401,555
30,802	(6,178,552)	8,790,167
390,158	9,286,998	496,831
-	313,207	-
\$ 420,960	\$ 3,421,653	\$ 9,286,998

CITY OF CRESTWOOD, MISSOURI

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) - Budget and Actual - All Governmental Fund Types for Which Official Budgets Have Been Adopted - Budget Basis

For the year ended June 30, 2002

(See Independent Auditors' Report)

	General Fund		
	Budget	Actual	Over (Under) Budget
REVENUES			
Taxes	\$ 7,449,937	\$ 6,584,410	\$ (865,527)
Licenses, permits, fines and fees	1,246,265	1,243,801	(2,464)
Investment income	52,000	28,009	(23,991)
Recreation programs	242,145	141,008	(101,137)
Miscellaneous	65,000	106,991	41,991
Total Revenues	9,055,347	8,104,219	(951,128)
EXPENDITURES			
General services	1,044,298	1,026,636	(17,662)
Public works	1,503,235	1,508,660	5,425
Public safety:			
Police and municipal court	2,938,979	3,036,202	97,223
Fire	2,475,472	2,465,299	(10,173)
Parks and recreation	1,318,011	1,183,049	(134,962)
Total Expenditures	9,279,995	9,219,846	(60,149)
REVENUES OVER (UNDER) EXPENDITURES (BUDGET BASIS)	\$ (224,648)	(1,115,627)	\$ (890,979)
ADJUSTMENTS TO RECONCILE TO GAAP BASIS			
Encumbrances reserved at June 30, 2002		10,654	
Encumbrances reserved at June 30, 2001		(14,144)	
Operating transfers in		179,062	
Operating transfers out		-	
Unbudgeted activity		(950)	
		<u>174,622</u>	
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) (GAAP BASIS)		(941,005)	
FUND BALANCES (DEFICIT), JULY 1		(204,072)	
CHANGE IN ACCOUNTING PRINCIPLE		<u>171,580</u>	
FUND BALANCES (DEFICIT), JUNE 30		<u>\$ (973,497)</u>	

The accompanying notes are an integral part of these financial statements.

Capital Projects Funds

Budget	Actual	Over (Under) Budget
\$ 4,412,794	\$ 3,885,193	\$ (527,601)
-	-	-
-	2,546	2,546
-	-	-
-	349,215	349,215
<u>4,412,794</u>	<u>4,236,954</u>	<u>(175,840)</u>

100,000	166,959	66,959
1,145,000	1,440,696	295,696
176,000	27,366	(148,634)
100,000	-	(100,000)
1,094,071	1,172,949	78,878
<u>2,615,071</u>	<u>2,807,970</u>	<u>192,899</u>

<u>\$ 1,797,723</u>	<u>1,428,984</u>	<u>\$ (368,739)</u>
---------------------	------------------	---------------------

44,076
(65,440)
29,827
(179,062)
<u>(6,601,908)</u>
<u>(6,772,507)</u>

(5,343,523)

8,271,776

141,627

\$ 3,069,880

CITY OF CRESTWOOD, MISSOURI

Notes to Financial Statements

June 30, 2002

(See Independent Auditors' Report)

Note A - Summary of Significant Accounting Policies

The significant accounting policies applied by the City of Crestwood, Missouri (the "City") in the preparation of the accompanying general purpose financial statements are summarized below:

Reporting Entity

The general purpose financial statements of the City include the financial activities of the City and its component units. The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 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 Board or because the component unit will provide a financial benefit or impose a financial burden on the City. Based on these requirements, the general purpose financial statements include all funds, account groups, agencies, boards, commissions and authorities for which the City is financially accountable.

Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the general purpose financial statements as follows:

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.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The City's Special Revenue Fund consists of amounts collected for sewer lateral repairs.

Capital Projects Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital items.

CITY OF CRESTWOOD, MISSOURI

Notes to Financial Statements - Continued

June 30, 2002

(See Independent Auditors' Report)

Note A - Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest and related costs.

PROPRIETARY FUND

The Proprietary Fund is used to account for those operations that are financed and operated in a manner similar to private business, or where the governing body has decided that determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Fund – The Internal Service Fund is a working capital reserve fund established by the City to provide for the financing of contingencies of other City funds when revenues in the other City funds are insufficient to meet such contingencies and as a source of accumulation of funds for future projects. All borrowings as provided by City ordinance are expected to be repaid.

FIDUCIARY FUNDS

Expendable Trust and Agency Funds – Expendable Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Expendable Trust Funds are accounted for and reported in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

General Fixed Assets – The general fixed assets used in the City's operations are to be accounted for in the General Fixed Assets Account Group rather than in the governmental funds.

General Long-Term Debt – Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

CITY OF CRESTWOOD, MISSOURI

Notes to Financial Statements - Continued

June 30, 2002

(See Independent Auditors' Report)

Note A - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental and fiduciary (Expendable Trust and Agency Funds) fund types are accounted for on the current financial resources measurement focus using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred, except for interest on obligations in the General Long-Term Debt Account Group which is recorded in the governmental fund types when paid. Sales and utilities gross receipts taxes collected and held at year-end on behalf of the City are also recognized as revenue. Licenses, permits, fines, fees, recreation programs and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The Proprietary Fund (Internal Service) is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Its revenues are recognized when earned and its expenses are recognized when incurred. Statements of revenues, expenses and changes in contributed capital – proprietary fund type and cash flows – proprietary fund type is not presented for the year ended June 30, 2002 because there was no cash activity in this fund.

CITY OF CRESTWOOD, MISSOURI

Notes to Financial Statements - Continued

June 30, 2002

(See Independent Auditors' Report)

Note A - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

An annual budget is legally adopted through passage of an appropriation ordinance by the Board of Aldermen for the General and Capital Projects – Capital Improvements and Park and Stormwater Improvements Funds, excluding the Park and Stormwater Project Bond account, prior to the beginning of each fiscal year. The Board of Aldermen follow the procedures outlined below in establishing the budgetary data reflected in the accompanying general purpose financial statements:

- City department heads prepare departmental operating budgets and the City Finance Officer makes revenue projections on or before March 15. The City Finance Department edits and assembles the data for review.
- The City Administrator and City Finance Officer review and revise departmental operating budgets based upon estimated revenue projections.
- At least forty-five days prior to the beginning of each fiscal year, the City Administrator shall submit to the Board of Aldermen a proposed final budget and accompanying written narrative.
- The Board of Aldermen meets for a budget work session in which board members express their opinions on the proposed budget.
- Based on the Board's recommendations, a budget ordinance is prepared. After a fifteen-day public notice, the Board of Aldermen holds a public hearing (in June) to hear taxpayer comments on the proposed budget.
- Prior to July 1, the budget is legally enacted. Budgeted expenditures cannot legally exceed appropriations at the department level. Revenue estimates are adjusted to reflect any unencumbered or undesignated balance from the previous year.
- During the year, the City Administrator may transfer all or any part of any unencumbered appropriation balance among accounts within a department. The Board of Aldermen may, by motion of the Board, transfer part or all of an unencumbered appropriation balance from one department to another. Supplemental appropriations may be made by ordinance of the Board of Aldermen if the City Administrator certifies that funds will be available for such expenditures. There were no supplemental appropriations during the year ended June 30, 2002.
- At the end of each budget period, all appropriated balances lapse and may be reappropriated in the next budget period.

The City's budgets are prepared on the modified accrual basis, except that encumbrances are reflected as expenditures, certain parks and recreation expenditures for activities at the City's community center and swimming pool are netted against the related revenues and activity relating to the Summer Concert series is not budgeted.

