



Forensic Audit Report

For the fiscal years ended June 30, 2001 and 2002

Prepared by
Brown Smith Wallace, LLP

November 1, 2003



Forensic Audit Report

For the fiscal years ended June 30, 2001 and 2002

Section One

**Executive Summary
of City Administrator Greer**



Internal Memorandum

To: Honorable James E. Robertson, Mayor
Board of Aldermen

Fr: Don Greer
City Administrator

Date: October 31, 2003

Topic: Executive Summary for the Forensic Audit Report Issued by Brown Smith Wallace, LLP for the Fiscal Years Ended June 30, 2001 and 2002

Attached to this document you will find the Summary Report prepared by Brown Smith Wallace, LLP (BSW) in connection with their services rendered in analyzing and reporting on certain historical activities of the City's financial records. The report summarizes their methods and findings, and covers the fiscal years ended June 30, 2001 and 2002.

While the report is rather straight forward, I believe it is important for us to review the information contained from a perspective that identifies the impact on the City's economic status; what we have done to correct certain situations, as well as what we have scheduled to implement. It is not the intent of this summary to definitively establish or identify all of the individuals responsible for our current situation, but rather to examine how it happened.

History

You will recall that in January of 2003, I reported to the Ways and Means Committee, Mayor and full Board of Aldermen the results of my initial inquiries into our historical financial information¹. Discovering that the Finance Officer² had not created historical documentation that I considered sufficient to monitor cash flow, I found it necessary to create history of revenues and expenses from each of the primary funds. Among the significant findings was a concern with the financial records from June of 2002. It appeared that the City of Crestwood operated at a significantly lower expense position than what would be reasonable to consider.

¹ "Assessment of Financial Position" memorandum from City Administrator Greer to the Ways and Means Committee dated January 16, 2003; and provided to Board of Aldermen.

² The Finance Officer as cited in this summary refers to the former Finance Officer who resigned in January of 2003. Any and all references to the Director of Finance are to Diana Madrid who was appointed in March of 2003.

After reviewing the expense and revenue history, I questioned the Finance Officer and confirmed that a rather large amount of expenses in excess of those approved by the Board of Aldermen had been transferred to the Capital Improvements Fund. The Finance Officer indicated that he had transferred in excess of \$250,000 in this manner. At that time, due to the inequities in our June, 2002 general ledger, I was uncomfortable accepting this amount, and felt that the actual amount was much higher. The process of assembling data and information for the fiscal year 2004 budget was beginning and time constraints prevented immediate confirmation of my concerns. It would be a matter that I returned to after reviewing additional information.

Based largely upon violations of the City of Crestwood's Charter, the resultant misrepresentation to the Board and other financial problems, I asked for and received the Finance Officer's resignation in January of 2003.

Later that month, I met with the City's auditing firm, Hochschild, Bloom & Company, LLP (HB).³ I asked a number of questions related to their firm's practices with regard to their independent verification and controls for unauthorized transfers, with respect to the audits for the last five years. They indicated that they would discuss our account with the primary accountant on the Crestwood audit and report back to me. That meeting with the auditors occurred during the month of February, 2003. I was quite disappointed in the response from them since they indicated that the former Finance Officer was the extent of verification for questionable transfers (journal entries).

Fiscal Year Ending June 30, 2003

Prior to closing any fiscal year, it is important for us to make an assessment of what has occurred during the previous period that differs from the original approved budget. Budgeted revenues are estimates; expenses are projections of what is anticipated to occur throughout the year. The Board approved budget sets the limits for spending during a given time. As projected expenditures are more specifically identified, those may differ from what the Board had originally adopted. Should those numbers be greater than what was approved, the Board, by its action essentially adjusts the annual budget accordingly.

There is no record of formal budget adjustments to close a fiscal year. It is the desire of this administration to improve the documentation of the official record of the actions taken by the Board in a given fiscal period. The Director of Finance and I worked to prepare such an ordinance, and on July 2, 2003 the Director of Finance reported to me some rather disturbing information that she questioned while attempting to prepare the information to close the books and identify adjustments for the prior period.

What we discovered was a gross overestimate of the General Fund revenue classified as Merchant Licenses⁴. The fiscal year 2003 budgeted amount of \$1.381 million was nearly \$600,000 overstated. Unable to locate historical documentation as to how these revenues were projected, we looked at the prior year's CAFR⁵ for confirmation of the

³ HB performed the City's independent audit and prepared the City's Comprehensive Annual Financial Reports for the Fiscal Years 1998 through 2002.

⁴ Merchant Licenses are revenues received from local businesses and are collected primarily in May and June of each year, the final two months of a given fiscal period.

⁵ Comprehensive Annual Financial Report

audited amounts and worked with the City Clerk to determine what licensees were outstanding. It is appropriate to note that Merchant License Fees are collected during May and June of each year and not spread throughout the year as are most revenues. Working from this perspective, we were able to determine that the \$1.381 million projected in the Budget for fiscal year ending June 30, 2003 was in no way a reasonable expectation for receivables for that period. This resulted in an adjustment to revenues reducing the Merchant License category by \$582,000 for the fiscal year ended June 30, 2003. This further impacted the already approved budget for the current fiscal year (2004), requiring an adjustment to Merchant Licenses by the same amount.

A review of the final projections for the General Fund expense position revealed that significant Board approved adjustments increasing the appropriation amount, specifically the effect of the pay plan adopted in October, 2002, had not been made to the general ledger. Net increase to General Fund expenditures for the approved pay plan is estimated at \$269,506 for the fiscal year ended June 30, 2003. Once adjusted, the variance between actual expenses and adjusted budget for the fiscal year ended June 30, 2003 is within \$46,267.

During the course of our internal review, particularly with regard to the prior year's audited financial statements certain questions began to arise. How could the Merchant License projection for fiscal year ending June 30, 2003 be so far from the prior year's experience? After all, the audited financial statements indicate a final total of \$1,030,035 for the fiscal year ending June 30, 2002.

The Director of Finance began a thorough examination of "journal entries" created by the former Finance Officer and located an inordinate amount of entries that lacked or had no documentation; that contained questionable transfers between funds; showed patterns of entries being made in one period, then reversed in another period; and clearly were designed to present a "picture" of balancing, when in effect we were not. It became clear to me that an effort was made to present a financial statement to the Board that was misleading.

Forensic Audit

I reported to the Board in July of this year that the anomalies were beyond the available time and expertise of the Administrative Staff to reconcile. Given the serious nature of the questions raised during our internal review of historical data, the Board authorized hiring an outside Forensic Auditor to review financial records for the fiscal years ended June 30, 2001 and 2002.

BSW Findings Report and Impact

- **Blending of Funds**

Early in the BSW report⁶, reference is made to the "one common bank account" used to collect and remit disbursements for all City funds. This activity which I referred to as "blending" and potentially dangerous in my January, 2003 report⁷ has in fact

⁶ BSW Report, "**Background Information**", paragraph 3

⁷ "Assessment of Financial Position" memorandum from City Administrator Greer to the Ways and Means Committee dated January 16, 2003; and provided to Board of Aldermen

enabled unauthorized and inappropriate activity to take place in prior fiscal years. The Director of Finance has established requirements for documentation and independent verification of all journal entries and has already implemented those policies.

In addition, beginning with January 1, 2004 separate bank accounts will be established for each of the Special Tax Funds (Capital Improvements, Park and Stormwater, and Fire Services Tax). We will begin direct wire transfers of revenues at that time and once the fiscal year 2003 audit is completed and correct balances are determined, appropriate designations of fund balance will be made based upon that documentation. While this will end the practice of “blending”, due to cash flow needs, receivables will be established from appropriate funds as warrants are issued. The Director of Finance will document transfers to and from the accounts establishing their purpose and repayment.

- **Non-Expendable Trust Fund**

There exists quite a discussion in the BSW report of the “Internal Services Fund” established by the Board in 1991.⁸ BSW refers to repaying or recognizing the debt created by the “borrowing” of \$250,000 in FY 2001 and has adjusted the General Fund fund balance accordingly. They further recommend that the Internal Services Fund be rebuilt to contain the original \$1,000,000. I would once again refer you to the “Assessment of Financial Position” memorandum, as well as the FY 2004 Budget Message in which I discuss the elimination of the Internal Service Fund for the purpose of cash reserves. My recommendation is to establish by ordinance a Non-expendable Trust Account in the manner discussed in those memoranda and the BSW report for cash reserves. Assuming your concurrence in this matter, this Trust will have its own bank account, a designated, target balance, and any monies used from this account for cash flow throughout a given fiscal year will be returned by the close of the year in which it is borrowed.

Over the next several years, we will be building the cash reserves in the Non-expendable Trust to the levels set by the Board of Aldermen. I do not anticipate that we will be in a position to reach the optimum level of reserves in a period shorter than 3 years. What we have learned from the research completed by BSW is that there actually is no Internal Service Fund (it had been a “book entry” and no specific bank account had been created); overestimated revenues and unauthorized transfers of expenses between funds for the fiscal year ending June 30, 2002 have eliminated any cash reserves thought to be held by the City.⁹

- **Interfund Transfers**

Earlier in this report I indicated that my initial research into the unauthorized inter-fund transfers led to the Finance Officer’s acknowledgment of transfers made by him somewhere in excess of \$250,000 beyond what had been approved by the Board for the fiscal year ending June 30, 2002, and that I believed the number to be much higher, based upon my analysis. While my original estimate had been in the range of \$575,000 in transfers to the Capital Improvements Fund, BSW has identified slightly

⁸ BSW Report, “**Background Information**”, paragraph 5

⁹ Attachment detailing changes / adjustments in operating position as prepared by BSW

more than \$600,000 of questionable activity to that fund and nearly \$300,000 to the Parks and Stormwater Improvement Fund.

While the recovery of expenses incurred by the General Fund is appropriate, BSW indicates that there was no defined mechanism for identifying the financial commitment of the General Fund to these Special Tax Funds¹⁰. The Director of Finance worked diligently prior to and following the completion of the budget for the fiscal year ending June 30, 2004 to redesign our account structure, establishing project codes and cost codes for payroll and accounts payable that will enable us to track our experience and recover costs consistent with that process and within the limits approved by the Board. That system went into effect on July 1, 2003 for the fiscal year ending June 30, 2004. BSW has reviewed the new system for recovery adopted for fiscal year ending June 30, 2004 and indicated concurrence with our methods.

- **2001 Issuance of Certificates of Participation for the Aquatic Center**

Among the most significant of the findings detailed in the report speaks to the issuance of the Certificates of Participation (COP) for the Aquatic Center. You will remember that when Certificates of Participation are issued, the money is not directly available to the City, but held in trust for disbursement based upon verified warrants¹¹ approved by the City. The trustee executes the warrants and pays the vendor; we do not receive the money directly unless it is to reimburse us for Board approved expenditures.

The Aquatic Center financing first came to my attention last winter when I authorized a payment against the certificates for the landscape contractor. We learned from the trustee that there were insufficient funds in the account to cover the payment; in fact there was just slightly more than \$22,000 remaining. I spoke with the Director of Parks and Recreation with regard to the budget that had been prepared and learned that there remained nearly \$200,000 worth of work remaining on the contract and that several hundred thousands of dollars were anticipated to complete other projects at Whitecliff Park. I asked for and received an internal review of all warrants issued against the Certificates and each appeared appropriate.

As BSW began their work for the City, I continued to be bothered by the unexplained shortage of COP for the Aquatic Center project. I asked them to take a look at that issuance, the budget and payment schedule. It wasn't until we reviewed the actual issuance prospectus that what had occurred began to gel. The prospectus indicates a budget that includes \$7.5 million of Certificates (\$ 8.495 million less 10% debt service reserve) AND \$954,200 committed by the borrower (City of Crestwood) for the purpose of paying for design, engineering and contract management. Receipts of Park and Stormwater Sales Tax began in the spring of 2001 and we cannot find an indication that a budget was proposed, considered, and certainly not adopted for the receipts and expenses related to the project.

¹⁰ BSW Report, "Interfund Transfers", page 3, paragraphs 1 and 2

¹¹ A warrant is a document required by law for public entities such as municipalities as a means of verification of an appropriation amount.

In fact, the budget message for the fiscal year ending June 30, 2002 indicates that this is the first year for a budget recommendation for the special tax fund. The presentation spreadsheet for the FY 2002 Park and Stormwater budget does however indicate a \$491,000 expense from the 2001 fiscal year for "A/E Fees", but no mention is made for expenses during FY 2002.

In fact, this is what occurred during fiscal year ending June 30, 2002. During November of 2001, when the City's cash flow shortage is nearing its peak, the former Finance Officer submitted \$349,215 of Architect and Engineering warrants previously paid by the City during the fiscal year 2001 for reimbursement by the trustee. When the \$349,215 reimbursement was received, the former Finance Officer then off-set expenses in the Park and Stormwater Fund. This action served to improperly reduce expenditures for the fiscal year; making that much money available for his use. He then submitted additional warrants totaling \$569,413 for Architect, Engineering and Construction Management fees, bringing the total reduction to the Certificates availability to \$918,628, all of which was intended by the Board of Aldermen to be paid from the Parks and Stormwater Fund.

While the expenses charged against the COP may fit the criteria for allowable costs, this behavior is clearly against the wishes and instructions of the Board of Aldermen who committed \$954,200 of Park and Stormwater funds for Architect, Engineering and Construction Management fees. It also serves to explain why we are out of money in the Certificate issuance. We have outstanding debt for completion of the original Aquatic Center project and additional improvements and projects were anticipated at Whitecliff Park from the projected balance of the Certificates. Clearly, the debt will need to be paid from the Park and Stormwater Fund; the additional projects will need to be reviewed and prioritized by the Board in future years.

- **Journal Entries**

How did all of this happen? The section of BSW's report titled "Journal Entries" provides the blueprint. They were used to transfer monies (primarily expenses) from the General Fund to both the Park and Stormwater and Capital Improvements Funds. Journal entries are a normal part of the accounting process; they correct inadvertent errors; properly record reimbursements and unanticipated activity. They typically have clear documentation to indicate the reasons for their use. In this case, the only opinion that I am able to surmise is consistent with the opinion represented by BSW; to give the appearance that despite increased expenses and declining revenues, the General Fund would appear to balance at or very near the level originally presented to the Board during budget adoption.

BSW identified over 100 inter-fund transfers made through questionable general journal entries for the fiscal year ended June 30, 2002. Those that were questionable lacked or had no documentation, provided insufficient information, and involved large round dollar amounts. The questionable journal entries require that we adjust our financial statements to correct these postings. Expenses totaling \$803,746 have been identified as having been improperly transferred from the General Fund.

Pro-forma Financial Statements Based Upon BSW's Adjustments

Attached to this report you will find a series of three spreadsheets prepared to further describe and detail the impact of the activity discussed in the BSW report. Their purpose is to translate the narrative into dollars detailing the effect of the corrected activity on the City's fund balance. One spreadsheet has been prepared for the fiscal year ended June 30, 2001; two have been prepared for the fiscal year ended June 30, 2002.

- **Fiscal Year Ended June 30, 2001**

An adjustment of \$250,000 was made to correctly reflect the Board's decision for the General Fund to borrow that sum of money from the Internal Service Fund, with the direction that the borrowing was to be repaid in the fiscal year ending June 30, 2002. No provision was made to repay the Internal Service Fund in FY 2002 or FY 2003 for the borrowing that occurred in FY 2001. The required adjustment reduced the Internal Service Fund, if it had existed, to \$750,000.

The reported fund balance of \$45,928 at the end of fiscal year 2001 is more correctly stated as a deficit of \$204,072. This adjusted fund balance is then carried forward to the financial statements for fiscal year 2002.

- **Fiscal Year Ended June 30, 2002**

The second and third spreadsheets address the numerous adjustments made by BSW to correct the unauthorized transfers and postings made by the former Finance Officer. The first of these summarize major fund activity and serve to illustrate the effect of the gross overestimates of revenues when compared to actual receipts, as well as the corrected expenditures previously manipulated in the financial reporting.

General Fund revenues were projected at \$9.055 million for the year. Actual revenues for that period reach only \$8.104 million, a shortfall of \$951,128. The Special Tax Fund revenues were projected at \$4.413 million for the year. Actual revenues for that period reached only \$3.888 million, a shortfall of \$525,055. The overestimate for all fund revenues for the fiscal year totaled \$1.476 million.

Expenses in the General Fund for the fiscal year were budgeted to exceed revenues for the same period by \$224,648. That balance, together with the \$250,000 borrowing from the Internal Service Fund would present a "balanced" budget for the year. What can be seen by reviewing the adjustments made by BSW to the expenditure portion of the General Fund is that \$803,746 of unauthorized transfers was made from the General Fund. We know that these transfers were diverted to the Special Tax Funds. The sum of those transfers enables the audited expenditures to closely reflect the budgeted fund balance for the fiscal year.

	General Fund				
	Budget*	Actual*	Adjustments	Adj Balances	Variance- Budget vs.
					Adjusted Balances
					Over (Under) Budget
REVENUES					
Taxes	7,449,937	6,584,410	-	6,584,410	(865,527)
Licenses, permits, fines & fees	1,246,265	1,312,711	(68,910)	1,243,801	(2,464)
Investment income	52,000	28,009	-	28,009	(23,991)
Recreation programs	242,145	141,008	-	141,008	(101,137)
Miscellaneous	65,000	106,991	-	106,991	41,991
Total Revenues	9,055,347	8,173,129	(68,910)	8,104,219	(951,128)
EXPENDITURES					
General services	1,044,298	958,070	68,566	1,026,636	(17,662)
Public works	1,503,235	1,036,790	471,870	1,508,660	5,425
Public safety					
Police and municipal court	2,938,979	2,976,484	59,718	3,036,202	97,223
Fire	2,475,472	2,465,299	-	2,465,299	(10,173)
Parks and recreation****	1,318,011	996,282	203,592	1,199,874	(118,137)
Total Expenditures	9,279,995	8,432,925	803,746	9,236,671	(43,324)
REVENUE OVER (UNDER) EXPENDITURES					
(BUDGET BASIS)	(224,648)	(259,796)	(872,656)	(1,132,452)	(907,804)

By correctly adjusting the expenditures, we can see that we were actually \$43,324 under budget for the fiscal year. The \$951,128 shortfall in revenues together with adjusted expenditures leaves expenditures exceeding revenues by \$907,804 and ultimately leads to an ending fund balance of a negative \$990,322 rather than the \$132,334 previously reported to the Board; a negative difference of \$1,122,656.

Similarly in the Special Tax Funds (Capital Improvements Fund and Park and Stormwater Fund), revenue projections were overestimated by \$525,055 and expenditures were over budget by \$1,065,555. The combined effect is a loss of \$1,590,610 for the year.

On a budget basis, the City operated at a deficit of \$2,498,414, for all funds combined. The impact to the Combined Fund Balance was depleted to \$544,480 cash on hand, prior to a change in accounting principle¹² of \$313,207, for a total of \$857,687 for the Fiscal Year Ended June 30, 2002.

Conclusion

The impact on the information contained in this report has rather obvious long term ramifications to the City and our financial health. We have already corrected a number of the poor accounting practices detailed in BSW's findings and established appropriate mechanisms for internal controls. Those that we have not been able to immediately address will be in place by the beginning of January, 2004. As we move forward, our first priority must be to re-build our cash reserves.

We have identified and reduced our annual operating costs by more than \$650,000, delayed or adjusted capital expenditures totaling more than \$1 million, established revenue projections based upon realistic expectations that do not include receipts from sources not yet available, and developed internal controls to prevent the unauthorized transfers of monies not approved by the Board. The Board of Aldermen have selected

¹² Sales Tax Revenue is being recognized sooner than in previous years

Brown Smith Wallace, LLP as the new independent audit firm to complete the audit for the fiscal year ended June 30, 2003 and the restatement of prior fiscal years 2001 and 2002. Once these are complete, we will have a true and accurate statement of fund balance from which we are able to measure the progress toward re-building cash reserves.

The independent auditor (BSW) is on site and has begun field work for fiscal year ending June 30, 2003. The Director of Finance is completing a "budget basis" comparison of revenues to expenses in order for the Board to assess our financial position for the current fiscal year; we are in the final stages of reviewing an internal purchasing manual for presentation to the Board, and developing an accounting manual to define control policies and procedures.

Since July, the Director of Finance and I have spent in excess of 500 hours working with or in support of the forensic audit team, who logged close to 250 hours to complete their investigation. I find it difficult to estimate the total staff hours consumed leading up to this investigation; mine since my appointment as City Administrator; the Finance Director's since March of 2003. The investigation is now complete. We are finally in a position to present the results of what has been discovered; both internally and by independent, forensic auditors. This report and the information it contains is now public. The citizens of the City of Crestwood will, and should, have questions. It is my hope that the information contained in this summary will assist you in providing the factual answers to those questions.

It has been an arduous task to bring us to this point and I would like to thank each of you for your support and patience during the process that we have just completed.



Forensic Audit Report

For the fiscal years ended June 30, 2001 and 2002

Section Two

Forensic Audit Report

Prepared by

Brown Smith Wallace, LLP



October 31, 2003

Mr. Donald E. Greer
City Administrator
City of Crestwood
One Detjen Drive
Crestwood, MO 63126

RE: Forensic Audit of the Fiscal Years Ended June 30, 2001 and 2002

Dear Mr. Greer:

Our firm, Brown Smith Wallace, L.L.C. ("BSW") was engaged to provide certain consulting services to assist the City of Crestwood, Missouri (the "City"). The services included conducting forensic investigation procedures with respect to certain books and records of the City that were initially made available to us and additional records that we requested during the course of our forensic review. The following report outlines the scope of our work, the procedures we performed, findings noted and certain conclusions reached as a result of our work.

BACKGROUND INFORMATION

The City of Crestwood has a population of approximately 12,000 residents and annual budgeted revenues of \$12,500,000 and 110 full-time employees. The City's key officials with respect to City finances are the Mayor, the Board of Aldermen (the "Board"), the City Administrator, and the Director of Finance.

The City's books and records follow fund accounting principles, including the following major funds: General Fund, Capital Improvements Fund, Park and Storm Water Improvement Fund, Debt Service Fund, Internal Service Fund, and Account Groups – General Fixed Assets and General Long-Term Debt.

One common bank account is used by the General Fund to collect all revenues and remit all disbursements for all City funds. Therefore, there was an accounting practice of commingling funds collected and disbursed for the various fund activities by the General Fund. The accounting for allocating these transactions to the proper fund was accomplished through the use of interfund receivable/payable accounts.

Approximately 63% of the City's total general revenue is represented by citywide sales tax collections, making the City very dependent on the economy in general. The recent recession impacted the citywide sales tax collections; therefore, revenues declined from previous years and were lower than budgeted for the General Fund, Capital Improvements Fund, and Park and Storm Water Improvement Fund. For the past several years, the City's general revenues have declined along with the economy.

In 1991 the Board of Aldermen approved the creation of an Internal Service Fund in the amount of \$1,000,000. This Internal Service Fund was identified in the audited financial statements for the fiscal years ended June 30, 1996 – 2000. This Fund was designated to be used for emergency operating needs and any use was required to be re-paid since these funds should be considered to be a borrowing only.

For the fiscal years 2001 and 2002, the City's budget, prepared by the former City Administrator and former Finance Officer and approved by the Board, included transfers from the Capital Improvements Fund and Park and Storm Water Improvement Fund of specified amounts in order to reimburse the General Fund for services provided for the City's streets and parks. In addition, in 2001, the Board approved the sale of \$8,495,000 of bonds to finance the construction of a water park project at Whitecliff Park in the City. The project included swimming pools, bath house, tennis courts, playground, and parking lot additions.

On December 11, 2002, the City signed a Reassignment Agreement and Release with the City Administrator, Mr. D. Kent Leichliter ("Leichliter"), and then on January 17, 2003 terminated the employment of the City's Finance Officer, Mr. Robert L. Wuebbels ("Wuebbels"). The City then began an internal investigation into the accounting practices used by these two individuals. The City's Administration determined that there was significant questionable activity which required proceeding with a more intensive investigation by an external independent firm to look into the potential mismanagement of the City's financial affairs, impropriety with respect to the use of the City's funds, and financial reporting to the Board.

FINDINGS

Disbursements and Other Financial Transactions Authorized By Leichliter and Wuebbels Representing Mismanagement of City Funds and Misleading Financial Reporting To the Board

In connection with our investigative procedures, we identified numerous instances when Leichliter and Wuebbels authorized the spending of City funds, which were either improper or excessive with questionable benefits to the City. The following is a discussion of these matters:

- Internal Service Fund

The Internal Service Fund was originally approved by the Board of Aldermen; however, a separate bank account was never established. Instead, the Internal Service Fund was created by an inter-fund transaction (book entry transaction only) within the General Fund. The money earmarked for the Internal Service Fund was never set aside other than in effect set up as a memorandum entry. A transfer of \$250,000 was reflected in the City's audited financial statements during the fiscal year ended June 30, 2001, from the Internal Service Fund to the General Fund, in order to finance the general operations of the City. After this transfer was made in the financial statements for the year ended June 30, 2001, the balance in the Internal Service Fund would have been \$750,000.

Per Board resolution, the monies transferred to the General Fund from the Internal Service Fund should have been accounted for as an inter-fund borrowing, not as an inter-fund transfer. The City's financial statements for the fiscal year ended June 30, 2001, should be restated to properly account for the General Fund borrowing of \$250,000 from the Internal Service Fund. The Internal Service Fund should be properly funded up to the \$1,000,000 by transferring the monies from the General Fund (once monies are available in the General Fund to do such) into a separate bank/investment account.

- Budget Matters

Our procedures initially focused on the fiscal year 2002 budget recommendations and budget narrative prepared by Leichliter and dated May 17, 2001. It appeared from the record that an attempt was being made by Leichliter at that time to propose to the Board that the General Fund projected operating results was tied somehow to the Capital Projects Fund activities whose funds were intended to be used only for appropriated capital expenditures. This explanation was being used to justify transfers to the General Fund for funding certain operating expenses.

It is our professional opinion that this attempt to explain the Operating Fund shortfall was misleading. This presentation served to cause the serious financial problems of the City to go unexplained to the Mayor and Board during a time when the City was experiencing declining sales tax revenues, decreasing reserves and extreme, predictable periods of negative cash flow.

In reviewing minutes of Board meetings, we noted that there were questions posed to Leichliter to explain his budgets in further detail. The answers provided were designed to misdirect the questions with either vague or non-responsive answers.

- Interfund Transfers

The annual budget for fiscal year 2002 included the approval of inter-fund transfers from both the Capital Improvements and Park and Storm Water Improvement Funds to the General Fund. We noted that, the transfers were in excess of the amounts approved by the Board in the annual budget process. In addition, during the same period, the accounting records and the audited financial statements have recorded these transfers as inter-fund borrowings, rather than inter-fund transfers.

Since all the revenue received in conjunction with the Capital Improvements and Park and Storm Water Improvement Funds is from sales tax revenue approved by the citizens/voters to be used for specific purposes, transfers to the General Fund from the Capital Improvements Fund and Park and Storm Water Improvements Fund should only be made to cover certain related expenses incurred by the General Fund. We have concluded that Leichliter's and Wuebbel's actions in these matters represent mismanagement of the City's funds and improper financial reporting to the Board.

- Water Park Project

In 2001, Certificates of Participation in the amount of \$8,495,000 in were issued to fund the City's water park project. Of that total, 10% (or \$849,500) was retained by the trustee in a debt service reserve as a condition of the issuance, making \$7,645,500 available for this project. The City pledged an additional \$954,200 in Park and Stormwater special tax funds to be appropriated for engineering, design and construction management of the facility.

In November 2001 (fiscal year 2002), Wuebbels submitted invoices totaling \$349,215 to the bond trustee for reimbursement of design and engineering work that had already been paid by the City during fiscal year 2001. From that point forward we noted that an additional \$569,143 in design, engineering and construction manager fees was submitted directly to the trustee for payment. These transactions, totaling \$918,358 charged to the Certificates of Participation were originally intended by the Board of Aldermen to be paid by the City from the \$954,200¹ pledged from the Park and Stormwater special tax fund.

When the \$349,215 was received from the trustee, Wuebbels reduced the fiscal year 2002 expenditures in the Park and Storm Water Fund, which improperly reduced the true level of expenses within this fund. Therefore, we have made an adjustment for \$349,215 in the fiscal year 2002 financial statements in order to properly reflect the actual amount of expenditures within the Park and Storm Water Fund.

We noted that for fiscal years 2001 and 2002, no budget was established for the \$954,200 in expenses in the Park and Stormwater special tax fund as indicated by the Certificate of Participation prospectus.

We have concluded that both Leichliters' and Wuebbels' actions in this matter represent mismanagement of the City's funds.

- Journal Entries

As part of the City's internal investigation into the matters discussed in this report, all fiscal year-end 2002 journal entries were reviewed by the current City Administration. They concluded that many entries made by Wuebbels were questionable and there was little or no supporting documentation. We determined that the entries primarily resulted in transferring a significant amount of expenses from the General Fund to the City's Capital Improvement and Park and Storm Water Improvement Funds. Several material journal entries were made in round dollar amounts. In at least one instance, revenue was falsely created in order to overstate General Fund revenues. This was accomplished by journal entries made by Wuebbels, representing un-approved inter-fund activity between the General Fund and Capital Improvement Fund and Park and Stormwater Improvement Fund.

¹ As referenced on page 26 of the Certificates of Participation offering memorandum dated May 1, 2001.

We noted as part of Hochschild, Bloom & Company's independent audit of the financial statements for the City for the fiscal year ended June 30, 2002, certain questionable entries were identified by the auditors and an attempt was made to reverse or correct some of these entries. However, the auditors' did not expand their audit testing to review all journal entries in order to discover whether or not there were other questionable transactions. We reviewed all journal entries prepared by Wuebbels for the fiscal years ended June 30, 2001 and 2002. Based upon our procedures, we noted a pattern of manipulating the actual results of operations by Fund through the use of journal entries prepared by Wuebbels. In fact, the documents reveal that Wuebbels himself was the sole source of verification relied upon by the auditors' to validate the justification for questionable transfers made through journal entries. Therefore, the outside auditors' failed to find the fiscal mismanagement because they questioned but never properly tested Wuebbels' explanations of his own unsupported journal entries and transactions.

The result of these questionable journal entries was to transfer a total of approximately \$889,000 in expenses, primarily from the General Fund to the Capital Improvements Fund and Park and Storm Water Improvement Funds. The transfers totaled in excess of \$600,000 to the Capital Improvement Fund and over \$289,000 to the Park and Storm Water Improvement Fund. The entries were recorded through the use of the inter-fund general ledger accounts. We analyzed these questionable journal entries and prepared pro-forma financial statements for the fiscal years ended June 30, 2001 and 2002, reflecting the effect of these corrected journal entries on the City's financial statements previously issued.

The financial statements attached represent the Adjusted Combined Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) – Budget vs. Actual for the fiscal years ended June 30, 2001 and June 30, 2002.

For the fiscal year ended June 30, 2001 a \$250,000 adjustment is required to account for the Board approved inter-fund borrowing which was incorrectly recorded as an operating transfer into the General Fund. This adjustment leaves a corrected fund balance deficit of (\$204,072), rather than the positive fund balance of \$45,928 reported in the CAFR².

For the fiscal year ended June 30, 2002 there were in excess of 100 inter-fund transfers made by former Finance Officer Wuebbels through general journal entries. From these entries we have identified an overwhelming number of questionable journal entries: a) that lacked or had no supporting documentation b) contained insufficient information c) contained questionable transfers of expenses and d) used large round dollar amounts. The questionable entries require adjustments decreasing the amount of General Fund Revenues by \$68,910 and increasing General Fund Expenses by \$803,746.

² Comprehensive Annual Financial Report

The conduct of the former City Administrator and former Finance Officer as it relates to the misstatement of General Fund Revenues and Expenses when coupled with the gross overestimates of budgeted revenues from the General Fund, Capital Improvement Fund and Park and Storm Water Improvement Fund, serves to treble the impact of their misrepresentations. The result of these inappropriate transactions is identified when comparing the reported General Fund balance for the fiscal year ended June 30, 2002. As manipulated by Leichliter and Wuebbels and reported in the CAFR, an ending fund balance of \$132,334 is shown. A more accurate fund balance for that period would be (\$990,322) to the negative; a difference of (\$1,122,656).

We have established that the preparation of these journal entries represented a serious manipulation of the true accounting results on a fund by fund basis and these actions represent mismanagement of City funds and improper financial reporting to the Board. The inter-fund activity recorded by Wuebbels, and approved by Leichliter, covered up the true financial results of the General Fund, which created a large deficit position.

Disbursements Approved Representing Improper Payments Made To Leichliter and Wuebbels or On Their Behalf

As part of our investigative procedures, we reviewed a large number of disbursements to determine that there was sufficient supporting documentation. We reviewed selected payroll records for fiscal years ended 2001 and 2002 and performed certain tests on these records. We also reviewed bank statement reconciliations for the fiscal years ended June 30, 2001 and 2002. We identified the top salaried employees and determined that wages had been approved.

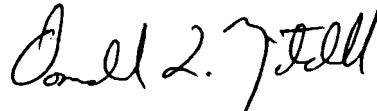
In connection with these procedures, nothing came to our attention concerning any questionable disbursements that were potentially improper.

CONCLUSION

As a result of our forensic investigative procedures, we have concluded that there have been a staggering amount of disbursements, improper journal entries and misrepresentations to the Board of the City's financial position, authorized by Leichliter and performed by both Leichliter and Wuebbels representing mismanagement of City funds and financial reporting errors.

Although the Board has ultimate authority and oversight responsibilities, it is our opinion that they could not make the appropriate and necessary fiscal decisions for the City because they were misled by Leichter and Wuebbels as to the true financial condition of the City. Leichter and Wuebbels actions, as evidenced by the multitude of documents we reviewed, were in violation of numerous ordinances, the City of Crestwood's Charter, possible State statutes, good financial practices, and most importantly their duties as fiduciary officers of the City of Crestwood.

Sincerely,



Donald L. Mitchell, CPA, CFE
Member



Larry N. Pevnick, CPA
Member

DLM/LNP: rlm



Forensic Audit Report

For the fiscal years ended June 30, 2001 and 2002

Section Three

Pro-forma Adjusted Financial Statements

Prepared by

Brown Smith Wallace, LLP

CITY OF CRESTWOOD, MISSOURI
ADJUSTED COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET VS. ACTUAL
For the Fiscal Year Ended June 30, 2001

	General Fund				Variance- Budget vs. Adjusted Balances Over (Under) Budget	Internal Service Fund			
	Budget*	Actual*	Adjustments	Adj Balances		Budget*	Actual*	Adjustments	Adj Balances
REVENUES									
Taxes	7,162,800	6,682,714		6,682,714	(480,086)				
Licenses, permits, fines & fees	1,146,950	1,098,365		1,098,365	(48,585)				
Investment income	35,000	36,018		36,018	1,018				
Recreation programs	239,410	228,560		228,560	(10,850)				
Miscellaneous	59,070	348,312		348,312	289,242				
Total Revenues	8,643,230	8,393,969	-	8,393,969	(249,261)	-	-	-	-
EXPENDITURES									
General services	1,002,540	1,022,142		1,022,142	19,602				
Public works	1,513,091	1,446,607		1,446,607	(66,484)				
Public safety									
Police and municipal court	2,736,020	2,730,868		2,730,868	(5,152)				
Fire	2,359,022	2,353,597		2,353,597	(5,425)				
Parks and recreation**, ***	1,376,032	1,312,145		1,312,145	(63,887)				
Total Expenditures	8,986,705	8,865,359	-	8,865,359	(121,346)	-	-	-	-
REVENUE OVER (UNDER) EXPENDITURES (BUDGET BASIS)	(343,475)	(471,390)	-	(471,390)	(127,915)	-	-	-	-
ADJUSTMENTS TO RECONCILE TO GAAP BASIS									
Encumbrances reserved at June 30, 2001		14,144	-	14,144					
Encumbrances reserved at June 30, 2000		(17,991)	-	(17,991)					
Operating transfers in (See Note below)		250,000	(250,000)	-		(250,000)	250,000	-	
Proceeds from certificates of participation									
Unbudgeted activity		(2,659)	-	(2,659)					
		<u>243,494</u>	<u>-</u>	<u>(6,506)</u>		<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) (GAAP BASIS)		(227,896)	-	(477,896)		(250,000)	-	-	
FUND BALANCES (DEFICIT), JULY 1, 2000		<u>273,824</u>	<u>-</u>	<u>273,824</u>		<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	
FUND BALANCES (DEFICIT), JUNE 30, 2001		<u>45,928</u>	<u>-</u>	<u>(204,072)</u>		<u>750,000</u>	<u>-</u>	<u>1,000,000</u>	

NOTE: We have reversed the operating transfer in because this should be reflected as an interfund borrowing rather than an operating transfer into the General Fund.

* - Per Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2002

** - During this fiscal year, \$954,200 of startup expenses (architect, engineering and construction manager) should of have been budgeted related to the newly approved aquatic center project to be funded by the COPS debt offering. The consequence of this was that City's financial statements were inconsistent with COPS debt offering, since the offering memorandum clearly indicates that the City was to expend the monies for the startup expenses and therefore should have been separately budgeted in the financial statements for the year ended June 30, 2001.

*** - Startup expenses of \$349,215 (architect, engineering and construction manager) were expended during fiscal year ended June 30, 2001 and were not included in the budget for parks and recreation as part of the newly created park and stormwater fund. In addition, since there was no budget for these expenses, the expenses were recorded in the financial statements as capital outlay within the Capital Projects fund and not presented at all within the budget versus actual presentation in the City's CAFR. This has the effect of hiding the true nature and purpose of these expenses.

CITY OF CRESTWOOD, MISSOURI
ADJUSTED COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET VS. ACTUAL
For the Fiscal Year Ended June 30, 2002

	General Fund					Special Tax Funds (CIF & P/S Sales Taxes)					All Funds Combined	
	Budget*	Actual*	Adjustments	Adj Balances	Variance- Budget vs. Adjusted Balances Over (Under) Budget	Budget*	Actual*	Adjustments	Adj Balances	Variance- Budget vs. Adjusted Balances Over (Under) Budget	Variance- Budget vs. Adjusted Balances Over (Under) Budget	
REVENUES												
Taxes	7,449,937	6,584,410	-	6,584,410	(865,527)	4,412,794	3,885,193	-	3,885,193	(527,601)	(1,393,128)	
Licenses, permits, fines & fees	1,246,265	1,312,711	(68,910)	1,243,801	(2,464)	-	-	-	-	-	(2,464)	
Investment income	52,000	28,009	-	28,009	(23,991)	-	2,546	-	2,546	2,546	(21,445)	
Recreation programs	242,145	141,008	-	141,008	(101,137)	-	-	-	-	-	(101,137)	
Miscellaneous	65,000	106,991	-	106,991	41,991	-	-	-	-	-	41,991	
Total Revenues	9,055,347	8,173,129	(68,910)	8,104,219	(951,128)	4,412,794	3,887,739	-	3,887,739	(525,055)	(1,476,183)	
EXPENDITURES												
General services	1,044,298	958,070	68,566	1,026,636	(17,662)	100,000	166,959	-	166,959	66,959	49,297	
Public works	1,503,235	1,036,790	471,870	1,508,660	5,425	1,145,000	1,918,094	-	1,918,094	773,094	778,519	
Public safety											-	
Police and municipal court	2,938,979	2,976,484	59,718	3,036,202	97,223	176,000	150,122	-	150,122	(25,878)	71,345	
Fire	2,475,472	2,465,299	-	2,465,299	(10,173)	100,000	-	-	-	(100,000)	(110,173)	
Parks and recreation****	1,318,011	996,282	203,592	1,199,874	(118,137)	1,094,071	1,079,411	366,040	1,445,451	351,380	233,243	
Total Expenditures	9,279,995	8,432,925	803,746	9,236,671	(43,324)	2,615,071	3,314,586	366,040	3,680,626	1,065,555	1,022,231	
REVENUE OVER (UNDER) EXPENDITURES (BUDGET BASIS)	(224,648)	(259,796)	(872,656)	(1,132,452)	(907,804)	1,797,723	573,153	(366,040)	207,113	(1,590,610)	(2,498,414)	
ADJUSTMENTS TO RECONCILE TO GAAP BASIS												
Encumbrances reserved at June 30, 2001		10,654		10,654			44,076		44,076		54,730	
Encumbrances reserved at June 30, 2000		(14,144)		(14,144)			(65,440)		(65,440)		(79,584)	
Reasonable Operating transfers in		179,062		179,062			29,827		29,827		208,889	
Reasonable Operating transfers out		-		-			(179,062)		(179,062)		(179,062)	
Unbudgeted activity- (2001 COPS Capitial Outlay)		(950)		(950)			(6,601,908)		(6,601,908)		(6,602,858)	
		<u>174,622</u>		<u>174,622</u>			<u>(6,772,507)</u>		<u>(6,772,507)</u>		<u>(6,597,885)</u>	
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) (GAAP BASIS)		(85,174)		(957,830)			(6,199,354)		(6,565,394)		(7,523,224)	
FUND BALANCES (DEFICIT), JULY 1, 2001		<u>45,928</u>		<u>(204,072)</u> ***			<u>8,271,776</u>		<u>8,271,776</u>		<u>8,067,704</u>	
FUND BALANCES (DEFICIT), JUNE 30, 2002 PRIOR TO CHANGE IN ACCOUNTING PRINCIPLE		<u>(39,246)</u>		<u>(1,161,902)</u>			<u>2,072,422</u>		<u>1,706,382</u>		<u>544,480</u>	
CHANGE IN ACCOUNTING PRINCIPLE **		<u>171,580</u>		<u>171,580</u>			<u>141,627</u>		<u>141,627</u>		<u>313,207</u>	
FUND BALANCES (DEFICIT), JUNE 30, 2002		<u>132,334</u>		<u>(990,322)</u>			<u>2,214,049</u>		<u>1,848,009</u>		<u>857,687</u>	

* - Per Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2002, except for the budget amount in the Special Tax Funds-Parks and Recreation which has been reduced by \$354,102 representing interest budgeted and erroneously included into the capital outlay budget for parks and recreation.

** - Due to change in accounting principle- sales tax revenues are recognized sooner than in previous years

***- As adjusted by Brown Smith Wallace LLC on October 14, 2003

****- Included in the adjustment column is \$349,215, which represents the reversal of an entry made by Robert Wuebbels to incorrectly account for expenses paid out of the COPS project.

**CITY OF CRESTWOOD, MISSOURI
SPECIAL SALES TAX FUND DETAIL
ADJUSTED CAPITAL IMPROVEMENTS AND PARK AND STORMWATER FUNDS
CHANGES IN FUND BALANCES (DEFICIT) - BUDGET VS. ACTUAL
For the Fiscal Year Ended June 30, 2002**

	Special Tax Fund - Capital Improvments					Special Tax Fund - Park and Stormwater					Adjusted Combined Totals Capital Improvements and Park/Stormwater Special Tax Funds
	Budget*	Actual*	Adjustments	Adj Balances	Variance- Budget vs. Adjusted Balances Over (Under) Budget	Budget*	Actual*	Adjustments	Adj Balances	Variance- Budget vs. Adjusted Balances Over (Under) Budget	
REVENUES											
Taxes	2,027,500	1,790,978	-	1,790,978	(236,522)	2,385,294	2,094,215	-	2,094,215	(291,079)	3,885,193
Licenses, permits, fines & fees	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	1,173	-	1,173	1,173	-	1,373	-	1,373	1,373	2,546
Recreation programs	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	2,027,500	1,792,151	-	1,792,151	(235,349)	2,385,294	2,095,588	-	2,095,588	(289,706)	3,887,739
EXPENDITURES											
General services	100,000	166,959	-	166,959	66,959	-	-	-	-	-	166,959
Public works	1,145,000	1,918,094	-	1,918,094	773,094	-	-	-	-	-	1,918,094
Public safety											
Police and municipal court	176,000	150,122	-	150,122	(25,878)	-	-	-	-	-	150,122
Fire	100,000	-	-	-	(100,000)	-	-	-	-	-	-
Parks and recreation****	-	11,158	16,825	27,983	27,983	1,094,071	1,068,253	349,215	1,417,468	323,397	1,445,451
Total Expenditures	1,521,000	2,246,333	16,825	2,263,158	742,158	1,094,071	1,068,253	349,215	1,417,468	323,397	3,680,626
REVENUE OVER (UNDER) EXPENDITURES (BUDGET BASIS)	506,500	(454,182)	(16,825)	(471,007)	(977,507)	1,291,223	1,027,335	(349,215)	678,120	(613,103)	207,113
ADJUSTMENTS TO RECONCILE TO GAAP BASIS											
Encumbrances reserved at June 30, 2001		-	-	-	-		44,076		44,076		44,076
Encumbrances reserved at June 30, 2000		-	-	-	-		(65,440)		(65,440)		(65,440)
Reasonable Operating transfers in		-	-	-	-		29,827		29,827		29,827
Reasonable Operating transfers out		-	-	-	-		(179,062)		(179,062)		(179,062)
Unbudgeted activity- (2001 COPS Captial Outlay)		-	-	-	-		(6,601,908)		(6,601,908)		(6,601,908)
		-	-	-	-		(6,772,507)		(6,772,507)		(6,772,507)
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) (GAAP BASIS)		(454,182)		(471,007)			(5,745,172)		(6,094,387)		(6,565,394)
FUND BALANCES (DEFICIT), JULY 1, 2001		463,001		463,001			7,808,775		7,808,775		8,271,776
FUND BALANCES (DEFICIT), JUNE 30, 2002 PRIOR TO CHANGE IN ACCOUNTING PRINCIPLE		8,819		(8,006)			2,063,603		1,714,388		1,706,382
CHANGE IN ACCOUNTING PRINCIPLE **		65,287		65,287			76,340		76,340		141,627
FUND BALANCES (DEFICIT), JUNE 30, 2002		74,106		57,281			2,139,943		1,790,728		1,848,009

* - Per Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2002, except for the budget amount in the Special Tax Funds-Parks and Recreation which has been reduced by \$354,102 representing interest budgeted and erroneously included into the capital outlay budget for parks and recreation.

** - Due to change in accounting principle- sales tax revenues are recognized sooner than in previous years

***- As adjusted by Brown Smith Wallace LLC on October 14, 2003

****- Included in the adjustment column is \$349,215, which represents the reversal of an entry made by Robert Wuebbels to incorrectly account for expenses paid out of the COPS project.



Forensic Audit Report

For the fiscal years ended June 30, 2001 and 2002

Section Four

Assessment of Financial Position

Prepared by

City Administrator Greer

January 16, 2003



Internal Memorandum

To: Honorable James E. Robertson, Mayor
Alderman Tim Trueblood
Alderman F, Don Maddox

Fr: Don Greer
City Administrator

Date: January 16, 2003

Topic: Assessment of Financial Position

Attached to this document you will find a series of reports that I have recently prepared to stimulate a discussion of the City's financial position. These documents have as their resource the City's General Ledger and represent Revenues and Expenses that have been posted over the past several years. From these "actuals" I have blended a series of projections and estimates as they relate to the particular enterprise with which we will be discussing.

There exists a lot of data in the attached reports, and I would like to take a few moments to summarize what you are reviewing. I am confident that you have not seen data presented in this form previously, and believe that a cursory discussion of the use and benefits of this data is appropriate.

Capital Improvements Fund

The document begins with a summary of Revenues and Expenses for the Capital Improvements Fund from its inception during Fiscal Year 95 and continues through December of 2002. The left-most column represents an estimate of the % of expenses that are directly related to the Street Reconstruction Program. Thru December of 2002, \$13,300,516 or 92.1% of the Capital Improvements Sales Tax has been spent in this regard.

As associated tables, you will find Revenue and Expense summaries for the Fiscal Years 96 thru 02. I include these tables to begin a discussion with regard to the City's fiscal position and to draw your attention to the period beginning August of 1997 (FY 98) and continuing until February of 2000 (FY00). During that period of time the Capital Improvements Fund operated with a negative balance of, at its peak, just over \$1m. While our history indicates that this was an informed decision by the Board at that time, I'm concerned that I can find no documentation that indicates the Board was informed of the impact on our finances. One can see a direct correlation between the periods of negative balance in the Capital Improvements Fund and the decline in the General Fund Cash position.

The table listed as "CIF Sales Tax FY 99-03 Summary" is designed to provide a form of history by which a logarithmic trend analysis can be created to project anticipated growth in Sales Tax. I prefer a logarithmic approach largely due to the "smoothing" capabilities inherent in this form of projection that do not exist in a linear trend analysis. In our case, I have developed a table using the most recent 4 years of Revenue.

Park and Stormwater

The Park and Stormwater Account summary begins with inception and continues on to "project" some variables into FY 04. I found it necessary to do so largely due to the current state of our general cash position. I have discovered that we use the accumulation of cash in the various funds to off-set the negative position of the General Fund at this point during our fiscal year. With that in mind, looking forward becomes increasingly important as we plan for expenses to these accounts. More on this later.

The Park and Stormwater Sales Tax history is also used to calculate and project our anticipated receipts for the Fiscal Year. As you will see, I have adjusted the original estimate for receipts in Sales Tax from the \$2.4m to \$2.144m for the purposes of my estimates.

General Fund

Clearly the most closely analyzed portion of our funding revolves around the effects to and on the General Fund. This is the primary account of the City and the melting pot of revenues and expenses. I have a variety of data which I wish to discuss with you and these are presented in the form of history and chart.

We should begin with the Revenue History of the General Fund and discuss the sources and types of Revenues accounted for throughout a given Fiscal Year. I have

chosen to present the most recent 4 completed fiscal year's revenues as reported from the City's General Ledger. By using the historical aspects of proportioned Receipts, we can closely approximate our position throughout the year. For example, the table indicates that through December of 2002 we have collected just over \$3.6 million dollars and that sum represents approximately 42% of our anticipated Revenue for the year. By comparison, over the most recent four year aggregate; we should have received in the area of 38.9% of our Revenue. Therefore, a quick analysis indicates that we are within tolerable limits for receipts for the year. Another calculation that I suggest we make is to apportion our anticipated revenues throughout the year based upon a month by month distribution. Using that method, we again are within tolerable limits to anticipate meeting our revenue projections.

Revenues historically peak toward the END of the fiscal year. Being a City that relies heavily on Sales Tax, we cannot see the results of a typical holiday shopping season until about March of each year. That is when our revenues begin to closely meet our expense position. Prior to that point in our fiscal year, expenses will naturally exceed our revenues. This is not cause for panic, but for caution. It is a natural and repeating process; therein lies the necessity to have a "fund balance" or "Cash Reserves" in the General Fund to fund our operations through the middle of each year. Based upon historical data collected and an analysis of the ebb and flow of revenues to expenses, it is my recommendation that we target the sum of NO LESS THAN \$1.5m in reserves to **begin** our fiscal year. \$2m would be safer and more practical to lessen our risk.

That recommendation can be reviewed as we move to the historical data collected and reported for General Fund expenses. The table titled "Net Position" shows our relative financial position (Revenues to Expenses) throughout the fiscal year. By my estimates, we are currently (thru December) in the position of requiring a balance of \$1.25m to meet our financial obligations from the General Fund.

The City maintains an "Internal Services Fund" which is designed to be maintained at a level sufficient to manage our financial needs throughout the year. That fund currently contains \$750,000. As you are obviously able to determine, we are about \$500,000 below where we should be to maintain our cash flow; and even further behind where I believe we need to be for protection against fluctuations in our revenues or unforeseen occurrences. The \$1.5m represents approximately 3 months of operating expenses in the General Fund and this is the target that is generally considered appropriate. I am of the opinion that 4 months is a better target for the City of Crestwood, largely due to the high dependence on and the volatile nature of Sales Tax receipts as our primary source of Revenue. Four months of operating expenses is in the neighborhood of \$2m.

General Fund Sales Tax

This is the final series of tables and charts presented with this document. I believe it is appropriate for us to focus on our largest source of revenue and examine it closely. Again, I begin with a historical perspective of data, examining receipts for the four (4) previous fiscal years to establish a pattern for receipts to project our expected position throughout the current year. As you are able to see, the "sharing portion" of our .01 Sales Tax has increased dramatically, from prior years of 20 to 22% to the current level of 27%.

You will remember that in the fall of 2002, the Board received information from Staff that the formula for sharing was being adjusted to take into consideration the change in the 2000 census and how population was re-distributed throughout the County. This has resulted in a much larger "sharing" of the Sales Tax collected, reducing our net receipts.

The final two pages of this report will detail the receipts for this year and where I believe we are in relation to where we should be at this time. Based largely upon a logarithmic projection of our Sales Tax, I believe that we will meet the projections that were adjusted to \$4,106,000 in the fall of 2002.

Summary

So how are we able to survive the obvious shortfall in our revenue to expense position throughout the fiscal year? I have identified a minimal need to have an additional \$500,000 available for cash flow in the General Fund to meet expenses; or \$750,000 to be in a relatively safe position beginning a fiscal year; or \$1.25m to be in a position to weather unforeseen changes in the economy or loss of a major retailer.

Our current fiscal practice is to "blend" the cash available from all funds and accounts; General Fund, Park and Stormwater, and Capital Improvements Fund, to keep from borrowing money to meet our expenses. It is my opinion that this practice has the potential for disaster and is not fiscally sound. In fact, as I was preparing this analysis, it required additional information to be prepared as to the timing of several large budgeted capital expenditures. Items such as the Crestwood Park renovation (\$500,000 budget) and the Whitecliff Park Lane reconstruction (\$750,000 budget) coupled with debt payments for the Aquatic Center in April and October of 2003, (April is interest; October is interest and principle) puts us dangerously overextended. And, quite frankly while I am not comfortable with our current fiscal practice, I can identify no sound principle or adjustment that will correct the situation quickly.

I do however believe that this situation can be reversed over the next 2-3 fiscal years. Assuming that you concur with my analysis, we have identified where we are and where we need to be, that is the most arduous task. The issues of taking us there are ones of policy and will need to be considered and debated by the Board. I currently have some suggestions with regard to dealing with our expense position. Expenses are the area about which we have some control. While we are working diligently to add to our revenue base, these changes come quite slowly. I do not believe that anticipating revenues from new developments are the manner in which to address this issue. Those are long-term benefits to the City and will continue to come and go throughout the years. Other long-term concepts from the expense position such as; prioritizing services, restructuring, and perhaps downsizing are examples of where I believe we need to be looking for answers.

Thank you for your time and efforts in this matter. I look forward to discussing these issues at great length beginning Saturday morning. Of course, should you have questions prior to that meeting please feel free to call me.

**Capital Improvements Fund
FY 02**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 01	750,386.01	843,090.61	647,381.11	655,420.92	613,448.67	407,846.80	543,496.84	592,698.27	561,490.98	497,371.43	546,437.68	511,557.96
Sales Tax Receipts	138,420.18	70,956.50	212,863.86	138,195.07	87,112.76	176,819.86	148,842.70	130,240.53	223,063.63	169,075.90	64,976.27	230,411.11
Available	888,806.19	914,047.11	860,244.97	793,615.99	700,561.43	584,666.66	692,339.54	722,938.80	784,554.61	666,447.33	611,413.95	741,969.07
Contractual Services	0.00	1,877.20	500.00	108.29	1,492.57	0.00	10,995.28	9,214.23	232,457.13	16,930.00	7,203.60	241,551.09
Commodities	41,258.92	242,096.90	161,983.75	63,829.63	226,641.28	3,694.37	10,831.83	62,315.70	46,860.90	65,719.52	74,737.66	46,092.44
Capital Outlay	4,456.66	22,691.90	42,340.30	116,229.40	64,580.78	37,475.45	77,814.16	89,917.89	7,865.15	37,360.13	17,914.73	114,952.18
(+/-)	843,090.61	647,381.11	655,420.92	613,448.67	407,846.80	543,496.84	592,698.27	561,490.98	497,371.43	546,437.68	511,557.96	339,373.36

**Capital Improvements Fund
FY 01**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 00	116,411.63	89,353.05	(45,078.29)	115,959.18	236,566.95	274,923.84	373,587.33	476,203.84	596,708.68	810,390.78	819,948.08	725,848.69
Sales Tax Receipts	143,779.15	59,808.31	217,829.31	134,149.74	71,604.23	164,709.52	171,632.79	134,965.31	240,867.95	153,523.30	84,725.43	183,856.51
Available	260,190.78	149,161.36	172,751.02	250,108.92	308,171.18	439,633.36	545,220.12	611,169.15	837,576.63	963,914.08	904,673.51	909,705.20
Contractual Services	0.00	14,018.19	0.00	22.50	377.10	5,940.00	3,235.35	1,294.01	9,452.05	0.00	672.42	27,247.52
Commodities	166,381.07	160,154.86	46,758.54	7,942.83	22,836.94	50,072.73	53,339.27	3,133.16	19,789.02	138,389.36	141,591.78	117,388.37
Capital Outlay	4,456.66	20,066.60	10,033.30	5,576.64	10,033.30	10,033.30	12,441.66	10,033.30	(2,055.22)	5,576.64	36,560.62	14,683.30
(+/-)	89,353.05	(45,078.29)	115,959.18	236,566.95	274,923.84	373,587.33	476,203.84	596,708.68	810,390.78	819,948.08	725,848.69	750,386.01

**Capital Improvements Fund
FY 00**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 99	(254,302.95)	(191,515.16)	(221,768.04)	(297,687.78)	(280,055.38)	(349,290.30)	(204,985.31)	(11,564.88)	126,745.58	300,091.70	401,492.19	216,737.79
Sales Tax Receipts	126,937.14	86,878.32	217,645.89	95,877.42	102,711.04	158,130.34	167,879.27	157,229.29	249,390.91	148,364.33	58,019.75	234,138.31
Available	(127,365.81)	(104,636.84)	(4,122.15)	(201,810.36)	(177,344.34)	(191,159.96)	(37,106.04)	145,664.41	376,136.49	448,456.03	459,511.94	450,876.10
Contractual Services	0.00	5,522.07	4,958.31	375.44	0.00	0.00	560.00	3,610.25	48,792.57	2,391.98	25,532.24	10,159.96
Commodities	52,045.04	93,928.18	260,893.07	60,188.63	158,721.67	0.00	(35,558.84)	274.26	2,184.60	33,994.20	202,387.22	286,975.21
Capital Outlay	12,104.31	17,680.95	27,714.25	17,680.95	13,224.29	13,825.35	9,457.68	15,034.32	25,067.62	10,577.66	14,854.69	37,329.30
(+/-)	(191,515.16)	(221,768.04)	(297,687.78)	(280,055.38)	(349,290.30)	(204,985.31)	(11,564.88)	126,745.58	300,091.70	401,492.19	216,737.79	116,411.63

**Capital Improvements Fund
FY 99**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 98	(304,791.56)	(288,212.69)	(649,167.30)	(921,584.14)	(957,598.21)	(1,039,314.13)	(911,246.74)	(785,046.38)	(672,273.73)	(247,130.11)	(315,973.63)	(325,810.16)
Sales Tax Receipts	134,043.25	76,324.51	188,198.78	129,668.64	66,545.62	152,832.06	151,345.72	145,656.50	454,796.74	172,481.07	65,672.39	180,336.36
Available	(170,748.31)	(211,888.18)	(460,968.52)	(791,915.50)	(891,052.59)	(886,482.07)	(759,901.02)	(639,389.88)	(217,476.99)	(74,649.04)	(250,301.24)	(145,473.80)
Contractual Services	(1,014.20)	0.00	42,433.53	21,008.90	21,611.65	794.60	7,589.41	6,026.72	0.00	21,139.81	104.01	654.25
Commodities	102,041.97	411,238.18	371,360.65	125,158.81	108,525.60	2,360.12	(125.00)	9,176.18	7,515.51	197,098.49	57,723.96	80,057.95
Capital Outlay	16,436.61	26,040.94	46,821.44	19,515.00	18,124.29	21,609.95	17,680.95	17,680.95	22,137.61	23,086.29	17,680.95	28,116.95
(+/-)	(288,212.69)	(649,167.30)	(921,584.14)	(957,598.21)	(1,039,314.13)	(911,246.74)	(785,046.38)	(672,273.73)	(247,130.11)	(315,973.63)	(325,810.16)	(254,302.95)

**Capital Improvements Fund
FY 98**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 97	174,842.05	1,709.92	(263,711.10)	(349,748.79)	(451,805.51)	(479,278.17)	(325,502.15)	(237,398.20)	(119,456.47)	35,270.75	8,513.30	(147,296.67)
Sales Tax Receipts	167,652.16	44,445.16	209,761.01	123,854.23	78,706.14	174,317.86	119,569.70	154,734.71	241,014.17	120,226.51	70,128.05	182,908.97
Available	342,494.21	46,155.08	(53,950.09)	(225,894.56)	(373,099.37)	(304,960.31)	(205,932.45)	(82,663.49)	121,557.70	155,497.26	78,641.35	35,612.30
Contractual Services	15,675.00	42,301.16	0.00	30,698.60	1,250.00	0.00	610.00	19,786.33	62.27	33,910.74	1,120.23	17,125.93
Commodities	320,108.27	262,564.00	286,082.62	190,211.33	99,927.78	15,540.82	(1,250.00)	2,561.00	1,940.00	68,216.50	148,463.31	89,249.26
Capital Outlay	5,001.02	5,001.02	9,716.08	5,001.02	5,001.02	5,001.02	32,105.75	14,445.65	84,284.68	44,856.72	76,354.48	234,028.67
(+/-)	1,709.92	(263,711.10)	(349,748.79)	(451,805.51)	(479,278.17)	(325,502.15)	(237,398.20)	(119,456.47)	35,270.75	8,513.30	(147,296.67)	(304,791.56)

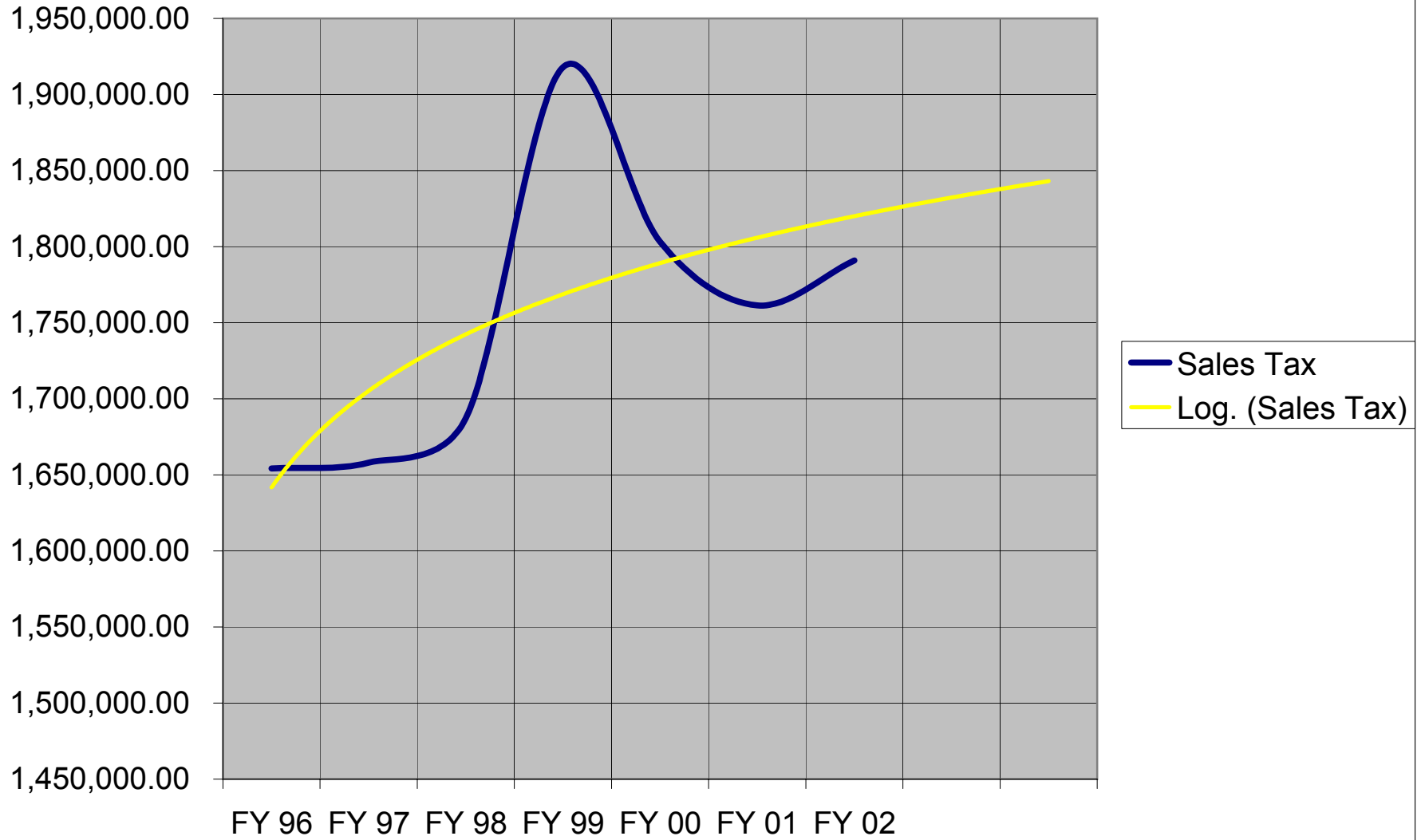
**Capital Improvements Fund
FY 97**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 97	1,730,026.57	1,796,958.57	1,664,071.09	1,639,916.95	1,713,686.69	1,707,219.36	1,817,890.88	1,896,002.03	1,980,838.21	1,996,966.31	1,477,685.26	1,115,568.31
Sales Tax Receipts	134,158.19	78,391.01	180,741.05	132,334.74	75,160.61	167,112.74	126,109.64	132,745.27	205,627.84	113,033.76	104,092.50	208,595.63
Available	1,864,184.76	1,875,349.58	1,844,812.14	1,772,251.69	1,788,847.30	1,874,332.10	1,944,000.52	2,028,747.30	2,186,466.05	2,110,000.07	1,581,777.76	1,324,163.94
Contractual Services	0.00	8,517.12	76,209.67	36,627.03	29,442.76	29,040.20	21,263.47	9,618.76	60,553.54	31,554.65	44,298.96	45,727.41
Commodities	62,225.17	197,552.35	123,684.50	16,936.95	47,184.16	11,390.00	21,734.00	8,830.39	115,096.38	531,876.62	387,581.67	1,085,688.22
Capital Outlay	5,001.02	5,209.02	5,001.02	5,001.02	5,001.02	16,011.02	5,001.02	29,459.94	13,849.82	68,883.54	34,328.82	17,906.26
(+/-)	1,796,958.57	1,664,071.09	1,639,916.95	1,713,686.69	1,707,219.36	1,817,890.88	1,896,002.03	1,980,838.21	1,996,966.31	1,477,685.26	1,115,568.31	174,842.05

**Capital Improvements Fund
FY 96**

	July	August	September	October	November	December	January	February	March	April	May	June
Carried Forward FY 95	1,740,772.71	1,735,366.69	3,771,685.58	3,918,437.55	4,048,489.00	4,075,601.75	4,260,800.60	4,378,929.15	4,434,484.28	4,517,998.16	4,432,481.44	4,094,235.94
Sales Tax Receipts	0.00	2,071,613.56	195,031.02	150,210.39	88,327.63	200,132.32	144,609.63	138,516.99	225,213.94	128,297.16	76,535.93	(1,764,279.65)
Available	1,740,772.71	3,806,980.25	3,966,716.60	4,068,647.94	4,136,816.63	4,275,734.07	4,405,410.23	4,517,446.14	4,659,698.22	4,646,295.32	4,509,017.37	2,329,956.29
Contractual Services	405.00	135.00	40,188.79	5,215.00	56,213.86	9,932.45	21,480.06	20,932.80	52,957.97	47,362.69	31,650.34	75,766.76
Commodities	0.00	30,158.65	3,089.24	9,942.92	0.00	0.00	0.00	0.00	83,741.07	148,784.17	356,818.21	464,275.83
Capital Outlay	5,001.02	5,001.02	5,001.02	5,001.02	5,001.02	5,001.02	5,001.02	62,029.06	5,001.02	17,667.02	26,312.88	202,170.78
(+/-)	1,735,366.69	3,771,685.58	3,918,437.55	4,048,489.00	4,075,601.75	4,260,800.60	4,378,929.15	4,434,484.28	4,517,998.16	4,432,481.44	4,094,235.94	1,587,742.92

Capital Improvement Sales Tax



Capital Improvements .005

Gross Collections	1999	2000	2001	2002	2003	4 Year Total	4 Year Trend Monthly	Analysis Cumm
July	0	149,338	169,152	162,847	170,826	481,337	5.72%	5.72%
August	92,958	102,210	73,179	83,478	77,568	351,825	4.18%	9.90%
September	221,410	256,054	256,270	250,428	251,472	984,162	11.70%	21.60%
October	152,551	112,797	157,823	162,582	168,272	585,754	6.96%	28.57%
November	78,289	120,837	84,240	102,486	106,515	385,851	4.59%	33.15%
December	179,802	186,036	193,776	210,376	220,021	769,990	9.15%	42.31%
January	178,054	197,505	201,921	175,109	181,180	752,589	8.95%	51.25%
February	171,361	184,976	162,080	154,603	0	673,020	8.00%	59.25%
March	535,055	293,401	283,374	262,428	0	1,374,258	16.34%	75.59%
April	202,919	174,546	180,616	198,913	0	756,994	9.00%	84.59%
May	77,262	68,259	99,677	76,443	0	321,640	3.82%	88.41%
June	212,196	275,457	216,302	271,072	0	975,026	11.59%	100.00%
Total	2,101,857	2,121,414	2,078,410	2,110,766	1,175,855	8,412,446	100.00%	
Annual Growth		0.93%	-2.03%	1.56%				
Shared \$	1999	2000	2001	2002	2003	4 Year Net w/ sharing	99-01 Typical Distribution	
July	0	22,401	25,373	24,427	25,624	72,201	5.72%	
August	13,944	15,331	10,977	12,522	11,635	52,774	4.18%	
September	33,212	38,408	38,440	37,564	37,721	147,624	11.70%	
October	22,883	16,920	23,673	24,387	25,241	87,863	6.96%	
November	11,743	18,125	12,636	15,373	15,977	57,878	4.59%	
December	26,970	27,905	29,066	31,556	33,003	115,499	9.15%	
January	26,708	29,626	30,288	26,266	27,177	112,888	8.95%	
February	25,704	27,746	24,312	23,191	0	100,953	8.00%	
March	80,258	44,010	42,506	39,364	0	206,139	16.34%	
April	30,438	26,182	27,092	29,837	0	113,549	9.00%	
May	11,589	10,239	14,952	11,466	0	48,246	3.82%	
June	31,829	41,319	32,445	40,661	0	146,254	11.59%	
Total	315,279	318,212	311,761	316,615	176,378	1,261,867	100%	
Change - Prior Year		0.93%	-2.03%	1.56%				
Net Sales Tax	1999	2000	2001	2002	2003	4 Year Net	4 Year Net Distribution	
July	0	126,937	143,779	138,420	145,202	409,136	5.72%	5.72%
August	79,014	86,878	62,202	70,957	65,933	299,051	4.18%	9.90%
September	188,199	217,646	217,829	212,864	213,751	836,538	11.70%	21.60%
October	129,669	95,877	134,150	138,195	143,031	497,891	6.96%	28.57%
November	66,546	102,711	71,604	87,113	90,538	327,974	4.59%	33.15%
December	152,832	158,130	164,710	178,820	187,018	654,492	9.15%	42.31%
January	151,346	167,879	171,633	148,843	154,003	639,700	8.95%	51.25%
February	145,657	157,229	137,768	131,413	0	572,067	8.00%	59.25%
March	454,797	249,391	240,868	223,064	0	1,168,119	16.34%	75.59%
April	172,481	148,364	153,523	169,076	0	643,445	9.00%	84.59%
May	65,672	58,020	84,725	64,976	0	273,394	3.82%	88.41%
June	180,366	234,138	183,857	230,411	0	828,772	11.59%	100.00%
Totals	1,786,578	1,803,202	1,766,648	1,794,151	999,476	7,150,579	100.00%	
Period Growth	767,605.24	956,059.42	965,906.82	975,210.93	999,476.42			
			1.03%	0.96%	2.49%			

Parks and Stormwater Fund				
Balance Sheet				
	FY 2001	FY 2002	FY 2003	FY 2004
	Actual	Actual	Estimate	Projected
Beginning Balance		256,720	1,277,999	605,830
Receipts				
.05 Sales Tax	773,678	2,088,160	2,144,540	2,202,204
Interest Income	54,173	1,373		
Total Receipts	827,851	2,089,533	2,144,540	2,202,204
Available		2,346,252	3,422,540	2,808,034
Expenditures				
Parks				
Debt Service			1,086,293	1,083,993
Issuance Cost	36,889			
Total Debt Service	36,889	0	1,086,293	1,083,993
Park Operations				975,000
Transfer re: Park Operations				975,000
Personal Services		74,227	570,949	
Contractual Services		359,273	84,935	
Commodities		2,632	30,189	
Capital Outlay		632,121		
Pool			9,839	
Personal Services			9,839	
Contractual Services	26,304		264,907	
Commodities			3,598	
Capital Outlay	507,938			
Total Park Operations	534,242	1,068,253	964,417	975,000
Neighborhood Park Improvements				
Crestwood Park			500,000	
Whitecliff Park Drive				750,000
Stormwater Improvements				
Engineering			75,000	40,000
Street Sweeping			18,000	18,000
Construction/Maint. & Repair			173,000	150,000
Total Stormwater			266,000	208,000
Total Disbursements	571,131	1,068,253	2,816,710	2,266,993
Ending Balance June 30th	256,720	1,277,999	605,830	541,041

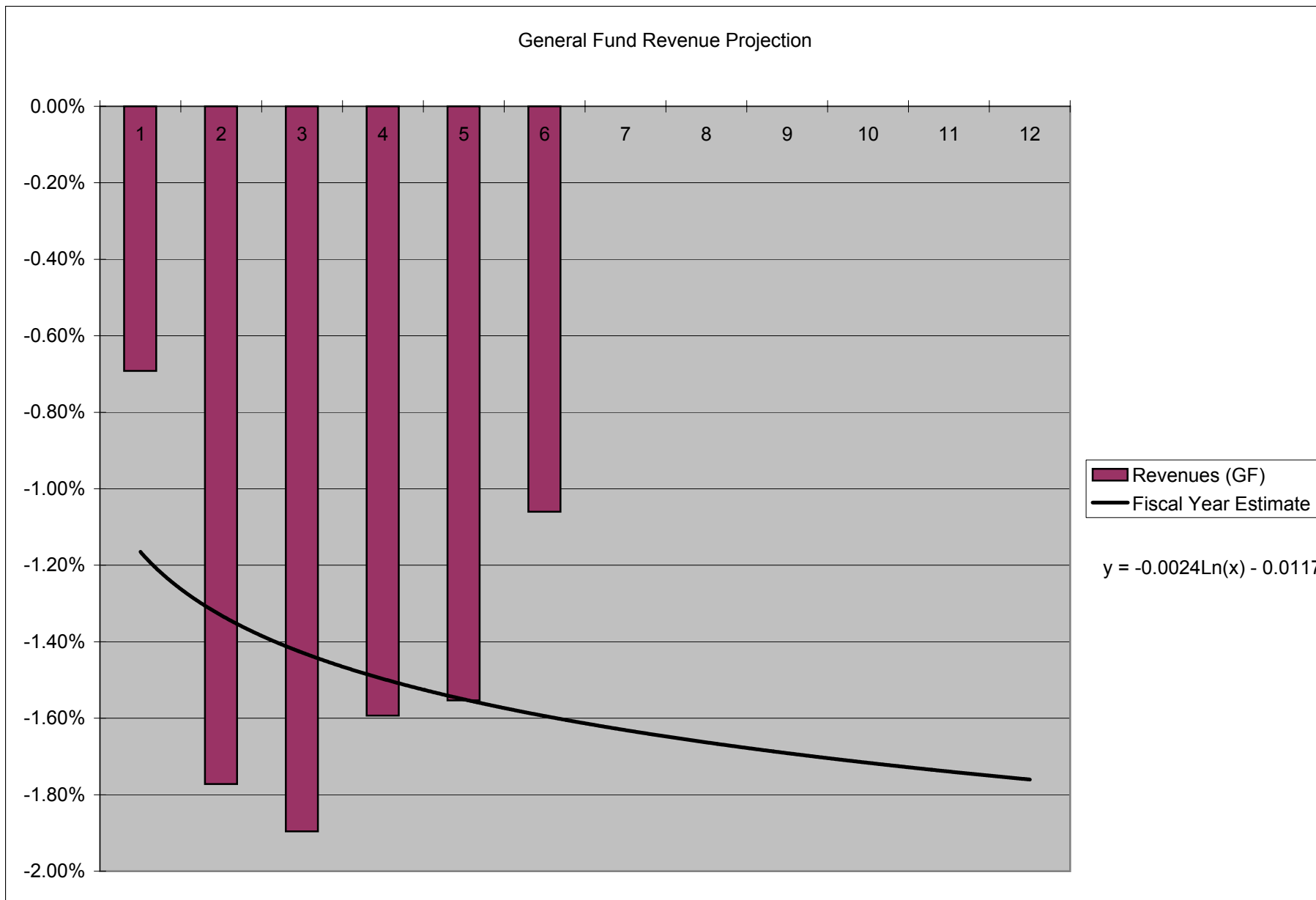
513,764.19 estimate 1st three months FY 04
 605,829.50 estimate carry forward FY 04
1,119,594 available thru 9/30/04
243,750 Operating Expenses 1st 3 months
750,000 Whitecliff Park Road

125,844 Available for Cash Flow

Park & Stormwater .005

Net Collections	FY 2001	FY 2002	FY 2003	2 Year Total	2002 Analysis	3 Year Trend	Analysis Cumm	FY 03 Budget	Actual to Budget
July		163,393	170,822	334,215	7.8%	8.28%	8.28%	187,793.98	(16,972.16)
August		80,330	77,557	157,887	3.8%	3.91%	12.19%	92,326.70	(14,769.86)
September		246,353	251,879	498,232	11.8%	12.34%	24.53%	283,143.04	(31,264.46)
October		162,623	168,249	330,872	7.8%	8.20%	32.73%	186,908.87	(18,659.65)
November		102,035	106,523	208,558	4.9%	5.17%	37.89%	117,272.91	(10,750.13)
December		208,516	219,367	427,883	10.0%	10.60%	48.49%	239,654.99	(20,287.99)
January		175,108	180,866	355,974	8.4%	8.82%	57.31%	201,257.72	(20,391.63)
February	1,238	154,226	0	155,464	7.4%	3.85%	61.16%	177,258.21	
March	127,283	261,761	0	389,045	12.5%	9.64%	70.80%	300,851.86	
April	153,907	196,694	0	350,601	9.4%	8.68%	79.48%	226,068.02	
May	95,108	75,657	0	170,765	3.6%	4.23%	83.71%	86,955.93	
June	396,142	261,462	0	657,603	12.5%	16.29%	100.00%	300,507.78	
Total	773,678	2,088,160	1,175,262	4,037,100	100.00%	100.00%		2,400,000	(133,095.87)
		754,735.32	775,029.24					2,144,540.05	Projected
			2.7%					(255,459.95)	(+/-)

Net Position													
	July	August	September	October	November	December	January	February	March	April	May	June	
Budget	656,954.82	425,209.36	641,621.41	483,012.77	386,004.32	715,214.33	1,294,730.52	640,703.20	892,878.11	694,607.57	848,421.18	958,118.43	8,637,476.00
Receipts	597,196.37	331,916.12	630,906.55	509,187.97	389,406.54	757,843.59	431,983.57	0.00	0.00	0.00	0.00	0.00	3,648,440.71
(+/-)	(59,758.45)	(93,293.24)	(10,714.86)	26,175.20	3,402.22	42,629.26	(862,746.95)						0.42
	-0.69%	-1.77%	-1.90%	-1.59%	-1.55%	-1.06%	-11.05%						
4 Year History	2,461,598.32	1,611,138.85	2,455,169.68	1,841,149.55	1,503,562.63	2,751,626.34	4,910,123.49	2,678,812.00	3,408,290.37	2,636,142.84	2,815,651.49	3,375,810.05	32,449,075.61
	7.59%	4.97%	7.57%	5.67%	4.63%	8.48%	15.13%	8.26%	10.50%	8.12%	8.68%	10.40%	
	7.59%	12.55%	20.12%	25.79%	30.42%	38.90%	54.04%	62.29%	72.80%	80.92%	89.60%	100.00%	
Municipal Taxes													
	July	August	September	October	November	December	January	February	March	April	May	June	
FY 99	466,793.11	323,296.40	545,829.12	421,638.08	289,112.03	635,336.56	1,086,119.48	572,837.91	593,663.83	639,656.89	316,068.76	535,470.17	6,425,822.34
FY 00	369,005.72	319,960.71	577,974.74	358,503.46	367,701.05	663,847.35	1,037,821.62	567,469.56	851,831.26	495,166.35	194,133.41	590,154.35	6,393,569.58
FY 01	516,658.36	263,937.25	573,668.57	431,526.87	306,830.74	646,334.84	1,195,072.00	544,407.64	872,145.21	562,593.50	251,234.35	507,103.76	6,671,513.09
FY 02	508,927.34	327,267.69	570,666.02	422,325.54	355,871.78	641,985.45	1,139,442.93	502,792.82	751,103.56	581,707.66	214,773.49	592,131.64	6,608,995.92
	0.07	0.05	0.09	0.06	0.05	0.10	0.17	0.08	0.12	0.09	0.04	0.09	26,099,900.93
	0.12	0.21	0.27	0.32	0.42	0.59	0.67	0.79	0.89	0.91	1.00	1.00	
FY 03 Budget	475,869.11	315,594.31	579,857.10	417,735.96	337,338.53	661,504.01	1,139,819.03	559,243.64	784,534.52	582,665.69	249,571.32	568,792.80	6,672,526.00
FY 03 Receipts	492,411.04	276,742.64	569,061.00	439,914.00	350,068.71	713,535.77	431,983.57	0.00	0.00	0.00	0.00	0.00	
(+/-)	16,541.93	(38,851.67)	(10,796.10)	22,178.04	12,730.18	52,031.76	(707,835.46)						
		(22,309.74)	(33,105.83)	(10,927.79)	1,802.39	53,834.15	(654,001.31)						
Licenses, Permits, Fines													
	July	August	September	October	November	December	January	February	March	April	May	June	
FY 99	62,239.14	71,366.05	20,945.55	25,865.89	24,118.47	23,007.79	89,559.98	18,408.61	38,496.79	21,128.78	347,625.64	315,494.97	1,058,257.66
FY 00	154,263.21	30,975.33	17,499.00	20,569.03	26,322.50	36,166.75	88,208.25	16,473.59	29,860.94	27,387.23	444,777.69	208,104.96	1,100,608.48
FY 01	43,047.85	18,192.29	25,900.54	76,598.28	32,179.04	19,264.62	105,333.86	33,151.02	42,149.21	96,724.97	404,200.66	201,623.42	1,098,365.76
FY 02	69,196.41	35,986.54	78,597.83	28,325.29	26,998.12	47,541.05	124,044.94	29,734.19	112,315.58	88,414.07	387,758.36	280,889.55	1,309,801.93
	0.07	0.03	0.03	0.03	0.02	0.03	0.09	0.02	0.05	0.05	0.35	0.22	4,567,033.83
	0.11	0.14	0.17	0.19	0.22	0.31	0.33	0.38	0.43	0.43	0.78	1.00	
FY 03 Budget	115,968.52	55,214.01	50,424.49	53,393.16	38,668.85	44,440.73	143,825.02	34,488.39	78,602.78	82,424.06	558,899.02	354,915.98	1,611,065.00
FY 03 Receipts	69,196.41	26,661.43	43,941.44	37,888.57	30,143.65	39,142.73	0.00	0.00	0.00	0.00	0.00	0.00	
(+/-)	(46,772.11)	(28,552.58)	(6,483.05)	(15,504.59)	(8,525.20)	(5,298.00)							
		(75,324.69)	(81,807.73)	(97,312.32)	(105,837.52)	(111,135.52)							
Recreation Programs													
	July	August	September	October	November	December	January	February	March	April	May	June	
FY 99	65,933.93	61,631.69	7,375.84	7,070.86	3,868.66	8,054.07	10,245.91	8,171.35	16,633.47	16,745.88	10,940.93	52,188.64	268,861.23
FY 00	74,497.04	60,016.50	9,295.53	5,668.99	(1,275.69)	11,320.26	9,074.04	11,800.15	24,132.48	14,680.06	22,186.30	40,879.79	282,275.45
FY 01	53,911.57	30,031.24	13,415.19	3,149.31	5,543.31	7,507.08	9,854.82	9,270.49	26,874.85	32,442.39	36,629.63	22,981.31	251,611.19
FY 02	24,234.20	13,678.15	(1,750.27)	13,803.05	5,038.55	3,027.61	1,637.35	8,874.05	32,495.23	29,467.00	16,416.35	6,915.52	153,836.79
	0.23	0.17	0.03	0.03	0.01	0.03	0.03	0.04	0.10	0.10	0.09	0.13	956,584.66
	0.40	0.43	0.46	0.48	0.51	0.54	0.58	0.68	0.78	0.87	0.87	1.00	
FY 03 Budget	54,972.95	41,588.12	7,126.69	7,467.71	3,313.52	7,522.24	7,749.38	9,586.34	25,184.63	23,474.22	21,672.92	30,926.27	240,585.00
FY 03 Receipts	31,947.39	27,471.35	16,536.75	4,394.55	7,596.98	4,181.31	0.00	0.00	0.00	0.00	0.00	0.00	
(+/-)	(23,025.56)	(14,116.77)	9,410.06	(3,073.16)	4,283.46	(3,340.93)							
		(37,142.33)	(27,732.27)	(30,805.44)	(26,521.98)	(29,862.91)							
Interest Income													
	July	August	September	October	November	December	January	February	March	April	May	June	
FY 99	11,909.72	15,086.32	6,949.62	5,791.02	1,888.86	1,261.97	2,977.22	5,351.57	3,609.57	4,038.74	3,079.53	(2,823.01)	59,121.13
FY 00	3,777.21	4,837.82	2,600.81	1,768.58	1,186.85	916.58	2,531.66	5,554.11	4,044.49	4,252.56	4,153.37	4,842.87	40,466.91
FY 01	4,173.68	2,024.56	1,195.70	1,263.10	997.94	1,715.79	3,400.60	4,038.72	4,761.98	5,131.26	3,833.41	3,481.74	36,018.48
FY 02	3,292.78	12,191.46	1,404.19	0.00	412.15	451.68	1,093.89	4,933.97	905.75	975.91	635.83	936.03	27,233.64
	0.14	0.21	0.07	0.05	0.03	0.03	0.06	0.12	0.08	0.09	0.07	0.04	162,840.16
	0.35	0.43	0.48	0.51	0.53	0.60	0.72	0.80	0.89	0.96	0.96	1.00	
FY 03 Budget	7,393.61	10,902.03	3,879.98	2,817.37	1,432.46	1,387.82	3,194.39	6,347.79	4,254.07	4,597.89	3,736.86	2,055.74	52,000.00
FY 03 Receipts	3,292.78	1.00	686.86	578.86	196.96	262.18	0.00	0.00	0.00	0.00	0.00	0.00	
(+/-)	(4,100.83)	(10,901.03)	(3,193.12)	(2,238.51)	(1,235.50)	(1,125.64)							
		(15,001.86)	(18,194.98)	(20,433.48)	(21,668.98)	(22,794.62)							
Miscellaneous													
	July	August	September	October	November	December	January	February	March	April	May	June	
FY 99	11,548.49	2,545.93	1,375.00	15,314.77	12,731.36	622.75	1,031.81	12,515.37	770.57	13,180.41	1,354.04	10,280.59	83,271.09
FY 00	3,900.40	915.14	777.00	331.50	12,885.71	1,108.00	777.97	13,149.24	884.35	822.00	27,714.11	1,650.00	64,915.42
FY 01	13,939.41	1,500.99	576.50	1,079.93	14,816.25	504.50	683.94	289,852.08	890.89	971.68	15,055.96	3,052.34	342,924.47
FY 02	348.75	15,696.79	873.20	556.00	16,334.95	1,651.64	1,211.22	20,025.56	720.36	655.50	113,079.67	451.41	171,605.05
	0.04	0.03	0.01	0.03	0.09	0.01	0.01	0.51	0.00	0.02	0.24	0.02	662,716.03
	0.08	0.08	0.08	0.11	0.19	0.20	0.20	0.71	0.72	0.74	0.98	1.00	
FY 03 Budget	2,750.62	1,910.91	333.15	1,598.57	5,250.96	359.53	342.70	31,037.03	302.11	1,445.71	14,541.06	1,427.65	61,300.00
FY 03 Receipts	348.75	1,039.70	680.50	26,411.99	1,400.24	721.60	0.00	0.00	0.00	0.00	0.00	0.00	
(+/-)	(2,401.87)	(871.21)	347.35	24,813.42	(3,850.72)	362.07							
		(3,273.08)	(2,925.73)	21,887.69	18,036.97	18,399.04							



														\$ 4,468,070.59
Totals	FY 99	849,907.16	590,881.03	694,420.55	568,414.19	582,333.45	867,720.33	780,627.42	598,835.44	759,882.34	619,770.06	609,476.38	851,047.79	
	FY 00	802,395.38	655,850.75	674,258.84	623,547.20	742,218.04	781,333.31	801,551.87	612,266.56	714,120.89	637,579.69	569,278.66	781,635.96	
	FY 01	486,802.35	879,485.45	632,683.74	587,493.17	882,041.58	678,245.66	680,665.13	897,565.09	719,565.70	724,215.77	953,609.59	764,187.11	
	FY 02	583,864.38	890,447.56	685,762.69	832,555.51	724,390.76	592,340.67	1,053,264.26	691,251.28	368,208.85	713,214.84	1,086,185.62	34,989.00	33,912,389.05
		8.03%	8.90%	7.92%	7.70%	8.64%	8.61%	9.78%	8.26%	7.55%	7.95%	9.49%	7.17%	
			16.92%	24.85%	32.55%	41.19%	49.80%	59.58%	67.84%	75.39%	83.34%	92.83%	100.00%	
	FY 03	572,790.61	857,156.81	736,198.84	826,036.21	740,266.20	735,357.50	264.42	0.00	0.00	0.00	0.00	0.00	
		July	August	September	October	November	December	January	February	March	April	May	June	
Personal Services														
	FY 99	729,759.39	480,615.70	532,725.94	448,924.92	482,479.59	747,551.44	465,984.39	483,110.60	545,853.94	487,099.42	473,049.47	507,342.59	
	FY 00	751,918.93	490,569.06	545,630.69	502,498.20	648,494.77	629,989.78	480,920.81	508,174.27	499,340.60	506,091.98	456,365.48	668,383.81	
	FY 01	468,929.50	616,686.62	532,796.74	481,855.32	762,546.23	566,705.03	564,196.04	548,945.24	546,451.16	600,359.94	809,758.42	567,625.21	
6,847,501.10	FY 02	570,743.92	649,876.26	553,170.98	771,974.93	596,667.87	522,023.89	657,867.36	548,593.30	269,219.55	591,493.29	927,238.36	188,631.39	26,987,232.32
		9.34%	8.29%	8.02%	8.17%	9.23%	9.14%	8.04%	7.74%	6.90%	8.10%	9.88%	7.16%	
			17.63%	25.65%	33.83%	43.05%	52.19%	60.23%	67.97%	74.86%	82.96%	92.84%	100.00%	
FY 03 Budget	FY 03	541,257.05	711,681.01	575,741.00	800,852.28	654,115.20	618,897.00	-132.14	0.00	0.00	0.00	0.00	0.00	\$ 3,902,411.40
		7.44%	9.79%	7.92%	11.01%	9.00%	8.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	
			17.23%	25.15%	36.17%	45.16%	53.67%	53.67%	53.67%	53.67%	53.67%	53.67%	53.67%	
Contractual Services														
	FY 99	108,839.01	98,610.28	127,698.32	81,167.84	71,873.96	91,043.63	284,088.75	79,444.16	143,862.31	84,876.30	93,976.83	211,446.79	
	FY 00	46,607.17	121,412.25	84,555.56	77,567.52	62,640.16	111,758.01	286,603.97	72,149.51	112,474.36	66,763.24	85,974.41	196,101.78	
	FY 01	15,435.53	200,302.75	79,924.34	18,345.68	80,060.92	90,285.99	79,244.05	314,375.09	135,861.12	96,148.24	115,582.66	145,394.65	
	FY 02	5,730.66	192,174.34	93,144.11	30,537.88	94,880.37	29,492.90	349,507.70	71,439.04	86,403.98	91,999.75	118,338.00	-118,573.55	5,217,572.32
		3.38%	11.74%	7.39%	3.98%	5.93%	6.18%	19.16%	10.30%	9.17%	6.51%	7.93%	8.33%	
			15.12%	22.51%	26.49%	32.42%	38.60%	57.76%	68.06%	77.23%	83.74%	91.67%	100.00%	
\$ 1,283,843.00	FY 03	29,167.99	97,872.70	134,579.37	5,901.76	71,049.38	86,884.05	180.84	0.00	0.00	0.00	0.00	0.00	\$ 425,636.09
		2.27%	7.62%	10.48%	0.46%	5.53%	6.77%	0.01%	0.00%	0.00%	0.00%	0.00%	0.00%	
			9.90%	20.38%	20.84%	26.37%	33.14%	33.15%	33.15%	33.15%	33.15%	33.15%	33.15%	
Commodities														
	FY 99	11,308.76	31,856.01	31,767.83	24,236.66	24,129.40	27,797.32	26,612.21	32,330.66	57,685.62	40,128.24	31,294.75	65,855.19	
	FY 00	3,869.28	39,801.12	42,967.60	40,399.48	28,958.79	33,468.02	27,700.04	31,290.89	40,780.69	23,839.59	24,773.77	-5,027.40	
	FY 01	2,437.32	55,238.94	19,962.66	61,843.82	28,214.46	21,254.64	32,757.88	26,568.30	34,435.22	21,053.03	23,982.19	29,139.49	
	FY 02	7,235.80	40,675.44	28,066.91	26,039.43	25,353.56	28,041.90	42,189.80	65,346.75	8,906.92	26,653.40	29,982.15	3,235.33	1,426,439.86
		1.74%	11.75%	8.61%	10.69%	7.48%	7.75%	9.06%	10.90%	9.94%	7.83%	7.71%	6.53%	
			13.49%	22.10%	32.79%	40.27%	48.02%	57.08%	67.98%	77.92%	85.75%	93.47%	100.00%	
\$ 293,540.00	FY 03	2,211.57	40,220.41	24,372.47	17,637.17	14,897.62	26,195.15	215.72	0.00	0.00	0.00	0.00	0.00	\$ 125,750.11
		0.8%	13.7%	8.3%	6.0%	5.1%	8.9%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
			14.5%	22.8%	28.8%	33.8%	42.8%	42.8%	42.8%	42.8%	42.8%	42.8%	42.8%	
Capital Outlay														
	FY 99	0.00	-20,200.96	2,228.46	14,084.77	3,850.50	1,327.94	3,942.07	3,950.02	12,480.47	7,666.10	11,155.33	66,403.22	
	FY 00	0.00	4,068.32	1,104.99	3,082.00	2,124.32	6,117.50	6,327.05	651.89	61,525.24	40,884.88	2,165.00	-77,822.23	
	FY 01	0.00	7,257.14	0.00	25,448.35	11,219.97	0.00	4,467.16	7,676.46	2,818.20	6,654.56	4,286.32	22,027.76	
	FY 02	154.00	7,721.52	11,380.69	4,003.27	7,488.96	12,781.98	3,699.40	5,872.19	3,678.40	3,068.40	10,627.11	-38,304.17	281,144.55
\$ 66,000.00	FY 03	154.00	7,382.69	1,506.00	1,645.00	204.00	3,381.30	0.00	0.00	0.00	0.00	0.00	0.00	\$ 14,272.99

\$ 8,664,207.00
\$ 4,468,070.59
51.57%

Net Position

Fiscal Year 03

	July	August	September	October	November	December	January	February	March	April	May	June	
Budget	656,954.82	425,209.36	641,621.41	483,012.77	386,004.32	715,214.33	1,294,730.52	640,703.20	892,878.11	694,607.57	848,421.18	958,118.43	8,637,476.00
FY 03 Receipts	597,196.37	331,916.12	630,906.55	509,187.97	389,406.54	757,843.59	0.00	0.00	0.00	0.00	0.00	0.00	3,216,457.14
(+/-)	(59,758.45)	(124,329.12)	(84,710.47)	(5,259.12)	(51,288.80)	(173,497.84)							
		(208,112.80)	(292,823.27)	(298,082.39)	(349,371.19)	(522,869.03)							
Budget	727,000.61	805,413.84	717,430.83	697,375.81	782,538.04	779,509.36	885,361.82	747,545.11	683,964.38	719,474.50	859,314.87	649,277.84	8,664,207.00
FY 03 Expenses	572,790.61	857,156.81	736,198.84	826,036.21	740,266.20	735,357.50	264.42	0.00	0.00	0.00	0.00	0.00	4,468,070.59
	154,210.00	(51,742.97)	(18,768.01)	(128,660.40)	42,271.84	44,151.86							
		102,467.03	83,699.02	(44,961.38)	(2,689.55)	41,462.31							
(+/-)	24,405.76	(525,240.69)	(105,292.29)	(316,848.24)	(350,859.66)	22,486.09	(264.42)	0.00	0.00	0.00	0.00	0.00	(1,251,613.45)
Cash Flow Needs		(500,834.93)	(606,127.22)	(922,975.46)	(1,273,835.12)	(1,251,349.03)							

Fiscal Year 02 Comparison													
FY 02 Expenses	583,864.38	890,447.56	685,762.69	832,555.51	724,390.76	592,340.67	1,053,264.26	691,251.28	368,208.85	713,214.84	1,086,185.62	34,989.00	8,256,475.42
FY 02 Receipts	605,999.48	404,820.63	649,790.97	465,009.88	404,655.55	694,657.43	1,267,430.33	566,360.59	897,540.48	701,220.14	639,584.03	881,324.15	8,178,393.66
(+/-)	22,135.10	(485,626.93)	(35,971.72)	(367,545.63)	(319,735.21)	102,316.76	214,166.07	(124,890.69)	529,331.63	(11,994.70)	(446,601.59)	846,335.15	
		(463,491.83)	(499,463.55)	(867,009.18)	(1,186,744.39)	(1,084,427.63)	(870,261.56)	(995,152.25)	(465,820.62)	(477,815.32)	(924,416.91)	(78,081.76)	

Quick Summary

Revenues Thru December 2002	3,216,457.14
Expenses Thru December 2002	4,467,806.17
	(1,251,349.03)

1% Sales Tax

Gross Collections	1999	2000	2001	2002	2003	4 Year Total	4 Year Trend Monthly	Analysis Cumm
July	453,940	336,315	421,461	408,576	428,943	1,620,292	7.88%	7.88%
August	241,650	243,172	181,590	200,355	187,231	866,767	4.21%	12.09%
September	592,481	627,343	636,764	634,297	634,364	2,490,885	12.11%	24.19%
October	386,184	278,740	396,716	409,164	423,035	1,470,804	7.15%	31.34%
November	197,627	293,844	208,441	255,950	263,758	955,862	4.65%	35.99%
December	451,819	467,530	499,404	524,685	550,127	1,943,439	9.45%	45.44%
January	443,989	489,886	497,235	435,860	451,797	1,866,970	9.07%	54.51%
February	423,681	448,224	386,251	374,982	0	1,633,139	7.94%	62.45%
March	491,109	740,588	722,732	665,208	0	2,619,638	12.73%	75.18%
April	515,561	439,465	416,149	496,448	0	1,867,622	9.08%	84.26%
May	207,274	161,244	247,384	185,383	0	801,285	3.89%	88.15%
June	566,816	642,532	566,472	661,945	0	2,437,766	11.85%	100.00%
Total	4,972,131	5,168,885	5,180,600	5,252,853	2,939,255	20,574,469	100.00%	
Annual Growth		3.96%	0.23%	1.39%				5370517.296

2001	2002	2003
2,841,612	2,868,888	2,939,255
	0.96%	2.45%
		3.44%

Shared \$	1999	2000	2001	2002	2003	4 Year Net w/ sharing	99-02 Typical Distribution	
July	160,484	130,867	60,477	53,577	86,957	405,405	9.14%	
August	82,443	85,284	62,193	28,775	64,449	258,695	5.83%	
September	196,207	211,929	216,156	220,694	218,655	844,986	19.05%	
October	136,354	90,839	134,143	139,900	146,114	501,235	11.30%	
November	70,231	100,680	69,976	87,776	91,813	328,662	7.41%	
December	161,978	158,467	169,540	180,080	192,387	670,065	15.11%	
January	17,265	21,696	22,479	19,069	19,814	80,509	1.82%	
February	16,487	20,948	17,914	17,104	0	72,451	1.63%	
March	19,052	30,343	28,883	26,953	0	105,231	2.37%	
April	20,123	89,398	17,527	54,700	0	181,747	4.10%	
May	8,083	67,621	112,348	98,260	0	286,313	6.46%	
June	162,569	173,116	191,214	172,508	0	699,408	15.77%	
Total	1,051,276	1,181,186	1,102,848	1,099,397	820,188	4,434,707	100%	
Change - Prior Year		12.36%	-6.63%	-0.31%				1,235,392.07
Percent Shared	21.14%	22.85%	21.29%	20.93%	27.90%			

2001	2002	2003
734,962	729,872	820,188
	-0.69%	12.37%
		11.60%

Net Sales Tax	1999	2000	2001	2002	2003	4 Year Net	4 Year Net Distribution	
July	293,456	205,448	360,985	354,999	341,986	1,214,887	7.53%	
August	159,207	157,888	119,398	171,580	122,782	608,072	3.77%	
September	396,273	415,415	420,608	413,603	415,709	1,645,899	10.20%	
October	249,829	187,902	262,573	269,265	276,921	969,569	6.01%	
November	127,396	193,164	138,465	168,174	171,945	627,200	3.89%	
December	289,841	309,064	329,864	344,605	357,740	1,273,374	7.89%	
January	426,723	468,190	474,756	416,791	431,984	1,786,462	11.07%	
February	407,195	427,277	368,338	357,878	0	1,560,688	9.67%	
March	472,057	710,246	693,849	638,255	0	2,514,407	15.58%	
April	495,438	350,067	398,622	441,748	0	1,685,875	10.45%	
May	199,191	93,623	135,035	87,123	0	514,972	3.19%	
June	404,247	469,416	375,258	489,437	0	1,738,358	10.77%	
Totals	3,920,855	3,987,699	4,077,752	4,153,457	2,119,066	16,139,763	100.00%	
Annual Growth		1.70%	2.26%	1.86%				Budget 4,135,125.22
								4,106,000.00
								\$ 29,125.22

2001	2002	2003
2,106,650	2,139,016	2,119,066
	1.54%	-0.93%
		0.59%

Net Sales Tax	FY 2003		(+/-)		Trend
	Receipts	Budget			
July	341,986	309,071	32,916	32,916	0.802%
August	122,782	154,695	(31,913)	1,003	0.024%
September	415,709	418,721	(3,012)	(2,009)	-0.049%
October	276,921	246,661	30,260	28,250	0.688%
November	171,945	159,561	12,383	40,633	0.990%
December	357,740	323,950	33,790	74,424	1.813%
January	431,984	454,481	(22,497)	51,926	1.265%
February	0	397,043			
March	0	639,672			
April	0	428,891			
May	0	131,010			
June	0	442,243			
	2,119,066	4,106,000			

