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1-1-2003

## General Purpose Financial Statements with Supplementary Information and Report on Compliance and Internal Control, 2002

City of Byrnes Mill

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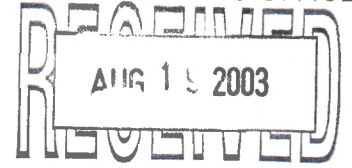
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STATE AUDITOR'S OFFICE



CITY OF BYRNES MILL  
GENERAL PURPOSE FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
AND  
REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL  
FOR THE YEAR ENDED JUNE 30, 2002

Sailor

Khan & Co.

St. Louis, Missouri

Certified Public Accountants

CITY OF BYRNES MILL

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INDEPENDENT AUDITOR'S REPORT

**Independent Auditor's Report**

Honorable Mayor and  
Members of the Board of Alderman  
City of Byrnes Mill, Missouri

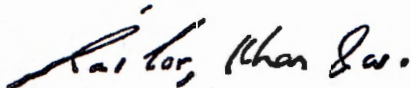
We have audited the general purpose financial statements of the City of Byrnes Mill, Missouri, as of and for the year ended June 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2003, on our consideration of the City of Byrnes Mill's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



Sailor, Khan & Co.  
June 11, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF BYRNES MILL

COMBINED BALANCE SHEET - GOVERNMENTAL, FIDUCIARY  
AND PROPRIETARY FUND TYPES AND ACCOUNT GROUPS

June 30, 2002

With Comparative Totals for 2001

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund</u>
	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Trust and Agency Fund</u>
<b>Assets and Other Debits</b>			
Cash	\$ 146,293	\$ ----	\$ 17,050
Investments	15,310	----	----
Cash held in escrow	----	178,431	----
Accounts receivable	28,011	----	----
Sewer fund accounts receivable	----	----	----
Due from other funds	83,880	----	----
General fixed assets	----	----	----
Assets under capital leases	----	----	----
Amount to be provided for capitalized lease payments	----	----	----
Amount to be provided for note payable	----	----	----
Property and equipment, net of accumulated depreciation of \$646,147	----	----	----
<b>Total Assets and Other Debits</b>	<b>\$ <u>273,494</u></b>	<b>\$ <u>178,431</u></b>	<b>\$ <u>17,050</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 11,436	\$ 4,637	\$ ----
Payroll withholding payable	734	----	----
CVC and other court liabilities	1,459	----	----
Contractor deposits	----	----	10,500
Court bonds outstanding	----	----	6,550
Drug forfeiture liability	655	----	----
Due to other funds	----	14,599	----
Accrued payroll	11,182	----	----
Deferred revenue	6,402	----	----
Compensated absence liability	6,529	----	----
Short-term notes and bonds payable	----	----	----
Obligation under capital leases	----	----	----
Obligation under note payable	----	----	----
Revenue bonds payable	----	----	----
<b>Total Liabilities</b>	<b><u>38,397</u></b>	<b><u>19,236</u></b>	<b><u>17,050</u></b>
<b>Equity and Other Credits</b>			
Fund Balance (deficit)	193,945	159,195	----
Retained earnings	----	----	----
Investment in general fixed assets	----	----	----
Investment in capitalized leases	----	----	----
Contributed capital	<u>41,152</u>	----	----
<b>Total Equity and Other Credits</b>	<b><u>235,097</u></b>	<b><u>159,195</u></b>	<b><u>----</u></b>
<b>Total Liabilities, Equity and Other Credits</b>	<b>\$ <u>273,494</u></b>	<b>\$ <u>178,431</u></b>	<b>\$ <u>17,050</u></b>

See notes to financial statements

Proprietary Fund	Account Groups		Total (memorandum only)	
	General	General		
	Enterprise Fund	Fixed Assets	Long-term Debt	2002
\$ 212,240	\$ ----	\$ ----	\$ 375,583	\$ 174,358
54,202	----	----	69,512	68,064
184,513	----	----	362,944	153,070
----	----	----	28,011	27,101
58,577	----	----	58,577	100,000
----	----	----	83,880	75,035
----	368,154	----	368,154	298,822
----	65,900	----	65,900	45,885
----	----	26,377	26,377	22,900
----	----	55,864	55,864	----
<u>1,554,117</u>	<u>----</u>	<u>----</u>	<u>1,554,117</u>	<u>1,582,008</u>
<u>\$ 2,063,649</u>	<u>\$ 434,054</u>	<u>\$ 82,241</u>	<u>\$ 3,048,919</u>	<u>\$ 2,547,243</u>

\$ 32,350	\$ ----	\$ ----	\$ 48,423	\$ 61,854
----	----	----	734	758
----	----	----	1,459	803
----	----	----	10,500	6,000
----	----	----	6,550	3,475
----	----	----	655	655
69,281	----	----	83,880	75,035
398	----	----	11,580	10,843
----	----	----	6,402	5,517
----	----	----	6,529	----
62,000	----	----	62,000	55,000
----	----	26,377	26,377	22,900
----	----	55,864	55,864	----
<u>1,041,000</u>	<u>----</u>	<u>----</u>	<u>1,041,000</u>	<u>918,000</u>
<u>1,205,029</u>	<u>----</u>	<u>82,241</u>	<u>1,361,953</u>	<u>1,160,840</u>
----	----	----	353,140	330,434
347,268	----	----	347,268	199,910
----	368,154	----	368,154	298,822
----	65,900	----	65,900	45,885
<u>511,352</u>	<u>----</u>	<u>----</u>	<u>552,504</u>	<u>511,352</u>
<u>858,620</u>	<u>434,054</u>	<u>----</u>	<u>1,686,966</u>	<u>1,386,403</u>
<u>\$ 2,063,649</u>	<u>\$ 434,054</u>	<u>\$ 82,241</u>	<u>\$ 3,048,919</u>	<u>\$ 2,547,243</u>



CITY OF BYRNES MILL

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES**

Year Ended June 30, 2002  
With Comparative Totals for 2001

	General Fund	Special Revenue Fund	Total (memorandum only)	
			2002	2001
<b>Revenues</b>				
Taxes	\$ 339,592	\$ ----	\$ 339,592	\$ 314,588
Licenses and permits	9,949	----	9,949	11,440
Court fines	200,652	----	200,652	152,495
Intergovernmental	27,016	91,058	118,074	95,780
Other	5,123	3,608	8,731	80,893
Total revenues	<u>582,332</u>	<u>94,666</u>	<u>676,998</u>	<u>655,196</u>
<b>Expenditures</b>				
Administration	117,857	----	117,857	99,752
Court	38,672	----	38,672	31,252
Public works	64,057	----	64,057	13,994
Police	254,666	----	254,666	200,244
Street	98,306	76,555	174,861	139,442
Interest	4,179	----	4,179	6,083
Total expenditures	<u>577,737</u>	<u>76,555</u>	<u>654,292</u>	<u>490,767</u>
Excess (deficiency) of revenues over expenditures	<u>4,595</u>	<u>18,111</u>	<u>22,706</u>	<u>164,429</u>
<b>Other Financing Sources (uses)</b>				
Expenditures - Capitalized leases	(20,015)	----	(20,015)	----
Capitalized leases	20,015	----	20,015	----
Total other financing sources (uses)	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>4,595</u>	<u>18,111</u>	<u>22,706</u>	<u>164,429</u>
Fund balance (deficit) - June 30, 2001	189,350	141,084	330,434	173,324
Prior period error correction	-----	-----	-----	(7,319)
Fund balance (deficit) - June 30, 2002	<u>\$ 193,945</u>	<u>\$ 159,195</u>	<u>\$ 353,140</u>	<u>\$ 330,434</u>

See notes to financial statements

CITY OF BYRNES MILL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON GAAP BASIS) AND ACTUAL (NON GAAP BASIS) - GENERAL FUND

Year Ended June 30, 2002

	Actual - GAAP Accrual Basis	Accrual Adjustments	Actual Non GAAP Basis	Budget Non GAAP Basis	Favorable (Unfavorable) Non GAAP Basis
<b>Revenues</b>					
Taxes	\$ 339,592	\$ (25)	\$ 339,567	\$ 320,600	\$ 18,967
Licenses and permits	9,949	----	9,949	11,000	(1,051)
Court fines	200,652	----	200,652	153,750	46,902
Intergovernmental	27,016	----	27,016	18,000	9,016
Other	5,123	----	5,123	600	4,523
Total revenues	<u>582,332</u>	<u>(25)</u>	<u>582,307</u>	<u>503,950</u>	<u>78,357</u>
<b>Expenditures</b>					
Administration	117,857	(4,214)	113,643	124,492	10,849
Court	38,672	(1,462)	37,210	38,986	1,776
Public works	64,057	3,797	67,854	22,280	(45,574)
Police	254,666	(2,202)	252,464	226,548	(25,916)
Street	98,306	418	98,724	91,644	(7,080)
Interest	4,179	----	4,179	----	(4,179)
Total expenditures	<u>577,737</u>	<u>(3,662)</u>	<u>574,075</u>	<u>503,950</u>	<u>(70,125)</u>
Excess (deficiency) of revenues over expenditures	4,595	\$ <u>3,637</u>	8,232	\$ <u>-----</u>	\$ <u>8,232</u>
<b>Other Financing Sources (uses)</b>					
Expenditures - Capitalized leases	(20,015)	----	(20,015)	----	(20,015)
Capitalized leases	<u>20,015</u>	<u>----</u>	<u>20,015</u>	<u>----</u>	<u>20,015</u>
Total other financing sources (uses)	<u>----</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>----</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	4,595	\$ <u>3,637</u>	8,232	\$ <u>-----</u>	\$ <u>8,232</u>
Fund balance (deficit) - June 30, 2001	<u>189,350</u>		<u>187,876</u>		
Fund balance (deficit) - June 30, 2002	\$ <u>193,945</u>		\$ <u>196,108</u>		

See notes to financial statements

CITY OF BYRNES MILL

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (NON GAAP BASIS) AND ACTUAL (NON GAAP BASIS) - SPECIAL REVENUE FUND

Year Ended June 30, 2002

	Actual - GAAP Accrual Basis	Accrual Adjustments	Actual Non GAAP Basis	Budget Non GAAP Basis	Favorable (Unfavorable) Non GAAP Basis
<b>Revenues</b>					
Intergovernmental	\$ 91,058	\$ (21,752)	\$ 69,306	\$ 75,000	\$ (5,694)
Interest income	<u>3,608</u>	<u>(3,608)</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total Revenues	<u>94,666</u>	<u>(25,360)</u>	<u>69,306</u>	<u>75,000</u>	<u>(5,694)</u>
<b>Expenditures</b>					
Street improvements	<u>76,555</u>	<u>(4,637)</u>	<u>71,918</u>	<u>75,000</u>	<u>3,082</u>
Total Expenditures	<u>76,555</u>	<u>(4,637)</u>	<u>71,918</u>	<u>75,000</u>	<u>3,082</u>
Excess (deficiency) of revenues over expenditures	18,111	\$ <u>(20,724)</u>	(2,613)	\$ <u>-----</u>	\$ <u>(2,613)</u>
Fund balance (deficit) - June 30, 2001	141,084		141,084		
Prior period adjustment	<u>-----</u>		<u>-----</u>		
Fund balance (deficit) - June 30, 2002	\$ <u>159,195</u>		\$ <u>138,471</u>		

See notes to financial statements

CITY OF BYRNES MILL

**STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS - PROPRIETARY FUND**

Year Ended June 30, 2002

<b>Revenues</b>	
Sewer service charges	\$ 216,497
Federal Grant	30,827
Interest income	17,767
Other	<u>300</u>
Total Revenues	<u>265,391</u>
<b>Expenses</b>	
Salaries	14,918
Benefits	833
Trustee fees	7,459
Utilities	18,222
Operator cost	6,640
Office supplies	427
Engineering	-----
Expansion	300
Repair labor	10,552
System repair	12,717
Legal	5,386
Chemical costs	1,631
Depreciation	55,296
Property maintenance	8,583
Interest	12,448
Insurance	<u>6,320</u>
Total Expenses	<u>161,732</u>
Net income (loss)	103,659
Retained Earnings - June 30, 2001	199,910
Prior period error correction	<u>43,699</u>
Retained Earnings - June 30, 2002	<u>\$ 347,268</u>

See notes to financial statements

CITY OF BYRNES MILL

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND

Year Ended June 30, 2002

	<u>Enterprise Fund</u>
<b>Cash flows from operating activities:</b>	
Cash received from sewer service charges	\$ 257,920
Cash received from federal grant	30,827
Cash received from interest	17,767
Cash received from other sources	300
Cash payments from administrative and general expenses	(148,195)
Prior period error correction	<u>43,699</u>
Net cash provided by (used in) operating activities	<u>202,318</u>
<b>Cash flows from investing activities:</b>	
Proceeds from sale of investments	(1,048)
Payment of cost of issuance	<u>(5,488)</u>
Net cash from investing activities	<u>(6,536)</u>
<b>Cash flows from financing activities:</b>	
Proceed from interfunds	6,232
Proceed from bond issue net of construction escrow	5,488
Repayment of bonds to escrow	(5,000)
Repayment of bonds	<u>(55,000)</u>
Net cash from financing activities	<u>(48,280)</u>
Net increase (decrease) in cash	147,502
Cash - June 30, 2001	<u>64,738</u>
Cash - June 30, 2002	<u>\$ 212,240</u>
<b>Reconciliation of net income to net cash provided by (used in) operating activities:</b>	
Net Income	\$ 103,659
Prior period - error correction	43,699
Adjustment to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	55,296
(Increase) decrease in net accounts receivable	41,423
Increase (decrease) in accounts payable	(41,523)
Increase (decrease) in accrued payroll	<u>(236)</u>
Net cash provided by (used in) operating activities	<u>\$ 202,318</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS

June 30, 2002

**NOTE 1 - Summary of Significant Accounting Policies**

The City of Byrnes Mill, Missouri was incorporated in 1986. The City operates under the Mayoral form of government. The Board of Aldermen consists of six members. The City of Byrnes Mill is a fourth class city and operates under the Missouri State statute regulating cities of this class.

The financial statements of the City of Byrnes Mill, Missouri have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The more significant of the City's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the provisions of GASB statement 14. The reporting entity is defined as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's boards, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. There were no component units.

B. Basis of Presentation - fund accounting

The accounts of the City are organized on the basis of funds and account group, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled, in accordance with laws, regulations, or other restrictions. The account group is used to establish accounting control and accountability for general fixed assets.

The following are the fund types and account groups used by the City:

GOVERNMENTAL FUND TYPES

These are funds through which most governmental functions typically are financed. The funds included in this category are as follows:

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

*Special Revenue Fund* - the special revenue fund is used to account for all financial resources to be used for specified purposes. The City has established the Capital Improvement Tax Fund to account for the resources of the Capital Improvement Tax.

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

NOTE 1 - Summary of Significant Accounting Policies (Continued)

FIDUCIARY FUND TYPE

*Trust and Agency Fund* - The trust and agency fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The trust and agency fund segregates refundable monies, such as court bonds and contractors' deposits, from the City's own assets. The City is merely acting as a trustee for monies belonging to others or that is currently under dispute.

PROPRIETARY FUND TYPE

*Enterprise Fund* - This fund is established to accounts for sewer operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

ACCOUNT GROUPS

Account groups are used to establish accounting control and accountability for all general fixed assets and general long term debt. The following are the City's account groups:

*General Fixed Assets Account Group* - The accounting and reporting treatment applied to the fixed assets associated with the fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending of "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

*General Long-Term Debt Account Group* - This account group is established to account for all long-term debt that is backed by the City's full faith and credit.

These account groups are not "funds" They are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.



CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Measurable means they are subject to reasonable estimation, and available means they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the fund liability is incurred, if measurable.

Licenses, permits, fines and other fees, and other revenues are recorded as revenues when received because they are generally not measurable until received. See note 3 for property tax accrual policy.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and expenditures are recognized when the liability is incurred.

D. Cash and Investments

Excess funds are invested in the City's money market account or short-term time deposits. All cash and short-term time deposits are entirely insured with securities pledged to the City of Byrnes Mill, Missouri by the holding institution. Investments are reported at fair value.

E. Inventories

The City used the expendable method for supply inventory where inventories are expensed rather than presented in the balance sheet at year end.

F. Interfund Receivables/Payables

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

G. Compensated Employee Absences

Accumulated unpaid vacation pay is liquidated with expendable available financial resources within the current year and is therefore not accrued in the governmental fund. Sick pay is accrued at on half of the amount earned since it is compensated to the employee at time of termination. The liability for accrued sick pay is reported in the general fund at June 30, 2002, in the amount of \$6,529.00 since it is expected to be liquidated with expendable and available financial resources.

H. Estimates and Assumptions

The City uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

I. General Fixed Assets and Property and Equipment

General Fixed Assets

General fixed assets purchased are recorded as expenditures in the general fund at time of purchase and the related assets are reported in the general fixed assets account group. Such assets are capitalized in the general fixed assets account group at cost where historical records are available, and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives is not capitalized. The cost of all general fixed assets sold, traded-in or retired are written off at the time of disposal. The City has elected not to capitalize streets, curbs, gutters, sidewalks, drainage systems, lighting systems and similar infrastructure assets. Depreciation expense is not recorded on general fixed assets.

Property and Equipment

Property and equipment acquired for proprietary funds are capitalized at the lower of cost or fair market value. Since it is not practical to obtain an appraisal of the assets, the property and equipment have been recorded at book value at the date of transfer. Depreciation is computed on a straight-line basis over a period of 40 years.

J. Total Columns on Combined Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position and results of operations for the City of Byrnes Mill as a whole, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

K. Budgets and Budgetary Accounting

A cash basis budget for revenues and expenditures is prepared for the General fund and for the Special Revenue - Capital Improvement Tax Fund.

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

- 1) The Budget Committee approves the operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means for financing them. All annual appropriations lapse at fiscal year end.
- 2) Public hearings are conducted to obtain comments from all interested parties.
- 3) The budget for the coming year is formally adopted on or before the last day of the current fiscal year.

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

- 4) The Board of Aldermen is authorized to transfer budgeted amounts within any department.
- 5) Under Missouri law, expenditures may not legally exceed budgeted appropriations at the fund level. If expenditures for a fund exceed the budget, either then the budget must be amended or the Board of Aldermen must pass a resolution authorizing the expenditures in excess of the budget.
- 6) Current period budget in this report includes amendments approved by the Board of Aldermen.

L. Statement of Cash Flows

For the purpose of the Statement of Cash Flows the Proprietary Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds. The City did not report any encumbrances at year end.

N. Adoption of GASB 33

The City has adopted GASB 33 during the previous year ended June 30, 2001. The City has sales and property taxes that are collected by the State of Missouri and Jefferson County, Missouri. These revenues are recognized when the underlying transaction takes place and the revenues are measurable and available.

**NOTE 2 - Deposits and Investments**

**Deposits.** At year end, the carrying amount of the City's deposits (excluding \$300 in petty cash) is \$375,283 and the bank balance was \$380,831. The bank balance was entirely insured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 2 - Deposits and Investments (Continued)**

**Investments.** Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities. The City's investments which are included in cash and temporary investments are categorized below to give an indication of the level of risk assumed by the entity at year end as follows:

- 1) Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- 3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name)

	<u>Categories</u>			Fair Value/ Carrying Amount
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificate of Deposit	\$ <u>15,310</u>	\$ <u>-----</u>	\$ <u>-----</u>	\$ <u>15,310</u>
Mutual Funds				<u>54,202</u>
Total Investments				\$ <u>69,512</u>

**NOTE 3 - Assessed Valuation and Tax Levy**

The assessed valuation for real property is based on the property value on the first day of January of each year. Annual tax levies become delinquent on the thirty-first day of December of the respective year. The City accounts for property taxes on the accrual basis, with property taxes receivable being recorded if material. Property tax revenue recognition for balances not yet collected within 60 days after fiscal year end is deferred.

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 4 - Fixed Assets**

A. General Fixed Assets Account Group

A summary of changes in general fixed assets is as follows:

<u>Description</u>	<u>Balance July 1, 2001</u>	<u>Additions (Deletions) - Net</u>	<u>Balance June 30, 2002</u>
Land	\$ 40,002	\$ 99,000	\$ 139,002
Furniture, equipment and vehicles	258,820	(29,668)	229,152
	<u>\$ 298,822</u>	<u>\$ 69,332</u>	<u>\$ 368,154</u>
Assets under capitalized leases	\$ 45,885	\$ 20,015	\$ 65,900

B. Enterprise Fund

A summary of changes in the Enterprise fund fixed assets is as follows:

<u>Description</u>	<u>Balance July 1, 2001</u>	<u>Additions (Deletions) - Net</u>	<u>Balance June 30, 2002</u>
Land	\$ 49,601	\$ ----	\$ 49,601
Equipment	13,000	----	13,000
Sewer plant	2,110,258	----	2,110,258
Construction in progress	----	27,405	27,405
	2,172,859	27,405	2,200,264
Accumulated depreciation	590,851	55,296	646,147
Property and equipment, net of accumulated depreciation	<u>\$ 1,582,008</u>	<u>\$ (27,891)</u>	<u>\$ 1,554,117</u>

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 5 - Bonds Payable**

In fiscal year 1994 the City issued \$1,200,000 in Series 1993A Sewer System Revenue Bonds (through the Missouri State Revolving Fund Program).

These bonds mature annually on July 1 as follows, in varying amounts and interest rates varying from 3.4% to 5.4%:

<u>Maturity July 1</u>	<u>Principal Amount</u>
2003	\$ 57,000
2004	60,000
2005	63,000
2006	66,000
2007	70,000
2008	73,000
2014	<u>529,000</u>
	<u>\$ 918,000</u>

In April, 2002, voters authorized the issuance of an additional \$500,000 in Sewer Revenue Bonds. In October, 2002, the City authorized the issuance of \$185,000 in Series 2002(c) State Revolving Fund Revenue Bonds at varying interest rates from 3.00% to 5.375%

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Date</u>	<u>Principal</u>	<u>Coupon</u>
01-July -02	\$ 5,000	3.000%	01-July -12	10,000	5.375%
01-July -03	5,000	3.000%	01-July -13	10,000	5.375%
01-July -04	5,000	3.000%	01-July -14	10,000	5.375%
01-July -05	10,000	3.000%	01-July -15	10,000	5.375%
01-July -06	10,000	5.000%	01-July -16	10,000	5.375%
01-July -07	10,000	5.000%	01-July -17	10,000	5.375%
01-July -08	10,000	3.625%	01-July -18	10,000	5.375%
01-July -09	10,000	5.250%	01-July -19	10,000	5.000%
01-July -10	10,000	5.250%	01-July -20	10,000	5.000%
01-July -11	10,000	4.000%	01-July -21	<u>10,000</u>	5.000%
				<u>\$ 185,000</u>	
Outstanding series 1993A Sew System Revenue Bonds	\$ 918,000				
Outstanding series 2002(c) State Revolving Fund Revenue Bonds				<u>185,000</u>	
Total outstanding bonds				<u>\$ 1,103,000</u>	

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

NOTE 6 - General Obligation - Capital Leases and Notes Payable

Changes in long-term debt for the year ended June 30, 2002 are as follows:

	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Retirements And Payments</u>	<u>Balance at June 30, 2002</u>
Capital lease	\$ 22,900	\$ 20,015	\$ 16,538	\$ 26,377
Notes payable	----	59,000	3,136	55,864
Total	<u>\$ 22,900</u>	<u>\$ 79,015</u>	<u>\$ 19,674</u>	<u>\$ 82,241</u>

Capital Lease:

The City is obligated under two leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Accounts Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$65,900 at June 30, 2002. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of June 30, 2002.

<u>Year Ending June 30</u>	<u>General Long- Term Debt Account Group</u>
2003	\$ 12,543
Less: Amount representing interest at the City's incremental borrowing rate of interest of 6.3%	<u>743</u>
Present value of minimum lease payments	<u>\$ 11,800</u>
<u>Year Ending June 30</u>	
2003	\$ 5,438
2004	5,438
2005	5,438
Less: Amount representing interest at the City's incremental borrowing rate of interest of 5.85%	<u>1,737</u>
Present value of minimum lease payments	<u>\$ 14,577</u>
Total	<u>\$ 26,377</u>

CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 6 - General Obligation - Capital Leases and Notes Payable (Continued)**

Notes Payable:

The City purchased 18 acres on Lower Byrnes Mill Road and obtained seller financing of \$59,000 at an interest rate of 8.5% per annum over a period of 10 years. The City has pledged the property as collateral on this loan. The property and the related obligation are accounted for in the General Fixed Assets Account Group and General Long-Term Debt Account Group. The balance of the note payable at June 30, 2002 was \$55,864.

Estimated maturities:

2003	\$	4,030.00
2004		4,372.00
2005		4,744.00
2006		5,147.00
2007		5,585.00
Subsequent maturities		<u>31,986.00</u>
Total	\$	<u>55,864.00</u>

**NOTE 7 -Accounts Receivable and Allowance for Doubtful Accounts**

The following is a composite of accounts receivable as of June 30, 2002:

General Fund:

State of Missouri:

Gasoline tax and Motor vehicle tax	\$	8,023
Sales tax		9,423
Ameren UE		3,427
Property tax		7,098
Other		<u>40</u>

Total General Fund \$ 28,011

Enterprise Fund:

Sewer fund \$ 58,577

No allowance for doubtful accounts was made since all accounts receivable are considered collectable.



CITY OF BYRNES MILL

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2002

**NOTE 8 - Insurance Risks**

The City is exposed to various risks of litigation and casualties. The City manages these risks by purchasing insurance. The coverage of the policies has increased from the prior year. The City has a substantial portion of its insurance policies through self-insured pools. As a member of the self-insured pool, the City may become liable for deficits of the pool created if claims should exceed existing reserves. (This would be paid through additional assessment by pool to members).

**NOTE 9 - Prior Period Error Correction**

The amount of \$43,699 represents a correction of the prior year write off.

**NOTE 10 - Compliance**

Expenditures exceeded the budget by \$70,125 in the general fund.

**NOTE 11 - Contingency**

The City is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations.

**NOTE 12 - Accounting Standards Not Yet Implemented**

The Governmental Accounting Standards Board has issued several new standards GASB 34 to 39 that will require the City to completely revise the format of its financial statements and present the statements in using both the accrual and modified accrual basis of accounting. The City will be required to implement the standards on its June 30, 2004 financial statements.

**NOTE 13 - Subsequent Event**

The City established a \$350,000 line of credit on July 10, 2002 for sewer plant expansion. Upon completion of the sewer expansion the City decommissioned the Vogt Road treatment plant in February, 2003.

SUPPLEMENTARY INFORMATION

CITY OF BYRNES MILL  
**STATEMENT OF RECEIPTS AND DISBURSEMENTS  
AND LIABILITY - TRUST AND AGENCY FUND**

Year Ended June 30, 2002

Beginning liability	\$ 9,475
Receipts and disbursements - net	<u>7,575</u>
Ending liability	<u>\$ 17,050</u>

CITY OF BYRNES MILL

SCHEDULE OF REVENUES - GENERAL FUND

Year Ended June 30, 2002

<b>Taxes:</b>	
Sales tax	\$ 104,322
Motor vehicle and gasoline taxes	82,423
Property tax:	
Real estate property	59,246
Personal property	17,469
Railroad/utility	5,300
Utilities	57,691
Cable franchise fee	<u>13,141</u>
Total taxes	<u>339,592</u>
<b>Licenses and permits</b>	<u>9,949</u>
<b>Court</b>	
Court fines	195,683
CVC fees	32
Police training	<u>4,937</u>
Total court	<u>200,652</u>
<b>Intergovernmental</b>	
Road and bridge	6,322
Highway Safety grant	9,000
Recycle grant	<u>11,694</u>
Total intergovernmental	<u>27,016</u>
<b>Other</b>	
Interest income	1,051
Miscellaneous	<u>4,072</u>
Total other	<u>5,123</u>
Total Revenue	<u>\$ 582,332</u>

CITY OF BYRNES MILL  
**SCHEDULE OF EXPENDITURES - GENERAL FUND**

Year Ended June 30, 2002

<b>Administration</b>	
Salaries	\$ 55,749
Benefits	12,208
Rent	14,600
Electric	1,546
Telephone	2,856
Supplies	8,418
Maintenance and custodial	990
Election	663
Publications	946
Professional fees	10,068
Insurance and bonds	2,966
Memberships, dues and subscriptions	551
Education	748
Engineering	<u>5,548</u>
Total Administration	<u>117,857</u>
 <b>Court</b>	
Salaries	29,412
Benefits	4,571
Training	871
Office equipment	694
Supplies and postage	<u>3,124</u>
Total Court	<u>38,672</u>
 <b>Public Works</b>	
Salaries	13,949
Benefits	374
Animal control	50
Parks	45,306
Trash	1,215
Recycle expenses	1,476
Building Comm. Engineering	<u>1,687</u>
Total Public Works	<u>64,057</u>
Carried forward	<u>\$ 220,586</u>

CITY OF BYRNES MILL

SCHEDULE OF EXPENDITURES - GENERAL FUND (CONTINUED)

Year Ended June 30, 2002

Brought forward	\$ <u>220,586</u>
<b>Police</b>	
Salaries	142,709
Benefits	24,342
Uniforms	2,453
Insurance	14,871
Supplies	6,502
Equipment repair and maintenance	19,017
Training	1,694
Equipment purchase	12,900
Lease payments	17,981
Prosecuting attorney	4,323
Dispatch	6,120
Rejis	67
Other	<u>1,687</u>
Total Police	<u>254,666</u>
<b>Street</b>	
Salaries	46,484
Benefits	10,081
Insurance	11,170
Maintenance	12,741
Rental	3,564
Utilities	2,410
Gas and oil	5,528
Equipment repair and maintenance	<u>6,328</u>
Total Street	<u>98,306</u>
Interest	<u>4,179</u>
Total Expenditures	<u>\$ <u>577,737</u></u>

CITY OF BYRNES MILL

SCHEDULE OF INSURANCE COVERAGE

June 30, 2002

<u>Description of Coverage</u>	<u>Limits</u>	<u>Deductible</u>
A. General liability, public officials errors and omissions liability, law enforcement, automobile liability, employee benefit liability	\$ 2,000,000	\$ 500 for errors and omissions liability; \$ 1,000 for law enforcement liability; \$ 250 for automobile liability
B. Business personal property (office and garage), old sewer treatment plant property damage, maintenance garage property damage and new sewer treatment plant property damage	\$ 700,000	\$ 1,000
C. Workmen's Compensation	Statutory	Statutory
D. Fidelity bonds	Treasurer \$ 100,000 Court Clerk \$ 75,000 Mayor \$ 25,000 City Clerk \$ 25,000 City Collector \$ 25,000	----- ----- ----- ----- -----
E. Earthquake	\$ 700,000	\$ 1,000
F. Inland Marine	\$ 42,320	\$ 250

CITY OF BYRNES MILL  
**SCHEDULE OF GENERAL FIXED ASSETS**

Year Ended June 30, 2002

**General Fixed Assets**

*Administration*

Furniture and equipment	\$	17,080
Land		<u>40,002</u>

Total Administration		<u>57,082</u>
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*Police Department*

Automotive equipment		28,838
Furniture and equipment		<u>15,426</u>

Total Police Department		<u>44,264</u>
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*Street Department*

Automotive equipment		122,712
Furniture and equipment		<u>44,268</u>

Total Street Department		<u>166,980</u>
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*Parks*

Parks		<u>99,828</u>
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Total General Fixed Assets	\$	<u><u>368,154</u></u>
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**Source of Investment in General Fixed Assets**

General Fund	\$	<u><u>368,154</u></u>
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**Assets Under Capital Leases**

*Police*

Automotive equipment	\$	<u><u>65,900</u></u>
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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL

**Report on Compliance and on Internal Control Over Financial Reporting Based  
on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

Honorable Mayor and  
Members of the Board of Alderman  
City of Byrnes Mill, Missouri

We have audited the general purpose financial statements of the City of Byrnes Mill, Missouri, (City) as of and for the year ended June 30, 2002, and have issued our report thereon dated June 11, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

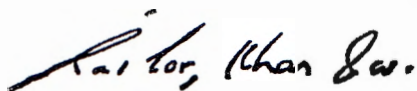
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the City of Byrnes Mill's management. However, this report is a matter of public record and its distribution is not limited.



Sailor, Khan & Co.  
June 11, 2003

CITY OF BYRNES MILL  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2002

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the year ended June 30, 2001 contained no audit findings.

**FINDING, RECOMMENDATION, AND REPLY**

The current audit report for the year ended June 30, 2002 disclosed the following audit finding:

1.     **Budget Excess**

We noted that the City's expenditures exceeded its general fund budget by \$70,125.

**Recommendation:**

We recommend that the City should consider preparing a budget revision when it becomes apparent that the current budget is insufficient.

**Reply:**

The Byrnes Mill Board of Aldermen approves all expenditures bi-monthly. The approval of all warrants is reflected by the vote in Board minutes and serves as a resolution authorizing expenditures to exceed the budget.

**QUESTIONED COSTS**

None