

**INDEPENDENT AUDITORS' REPORT**

**CITY OF STURGEON  
STURGEON, MISSOURI**

**FOR THE YEAR ENDED  
JUNE 30, 2007**



**CASEY AND COMPANY, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS  
COLUMBIA, MISSOURI**

**CITY OF STURGEON  
STURGEON, MISSOURI**

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# CASEY AND COMPANY OF COLUMBIA, L.L.C.



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January 16, 2008

## INDEPENDENT AUDITORS' REPORT

To the Mayor and City Council  
City of Sturgeon  
Sturgeon, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sturgeon, Missouri, as of and for the year ended June 30, 2007, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sturgeon'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. 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.

As discussed in Note 1, the City of Sturgeon prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sturgeon, Missouri, at June 30, 2007, and the respective changes in cash basis financial position thereof in conformity with the basis of accounting described in Note 1.

City of Sturgeon, Missouri has not presented the management's discussion and analysis section that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the financial statements.

MEMBER  
•  
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Certified  
Public  
Accountants  
•  
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Society of  
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Public  
Accountants  
•

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**  
**CITY OF STURGEON**  
**STURGEON, MISSOURI**

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The accompanying budgetary comparison information on pages 23 through 27 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Casey and Company, L.L.C.*

Casey and Company, L.L.C.  
Certified Public Accountants  
Columbia, Missouri

**BASIC FINANCIAL STATEMENTS**

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**JUNE 30, 2007**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 171,866	\$ 51,080	\$ 222,946
Restricted cash	-	26,490	26,490
Investments	<u>238,293</u>	<u>5,000</u>	<u>243,293</u>
Total Assets	<u>\$ 410,159</u>	<u>\$ 82,570</u>	<u>\$ 492,729</u>
<b>NET ASSETS</b>			
Restricted for:			
Debt service	\$ 78,486	-	\$ 78,486
Meter deposits	-	26,490	26,490
Unrestricted	<u>331,673</u>	<u>56,080</u>	<u>387,753</u>
Total Net assets	<u>\$ 410,159</u>	<u>\$ 82,570</u>	<u>\$ 492,729</u>

See accompanying notes to the basic financial statements.

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF ACTIVITIES - CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Cash Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>						
General government	\$ 74,576	\$ 14,629	\$ 69,468	\$ 9,521	\$ -	\$ 9,521
Public safety	83,830	-	-	(83,830)	-	(83,830)
Streets and roads	82,138	-	40,710	(41,428)	-	(41,428)
Recreation	48,301	21,995	-	(26,306)	-	(26,306)
Historical society	61	15	-	(46)	-	(46)
Cemetery maintenance	17,443	8,800	-	(8,643)	-	(8,643)
Fairgrounds	314	-	-	(314)	-	(314)
Principal and interest on debt	22,139	-	-	(22,139)	-	(22,139)
Total governmental activities	\$ 328,802	\$ 45,439	\$ 110,178	\$ (173,185)	\$ -	\$ (173,185)
<b>Business-type activities:</b>						
Water	\$ 128,100	\$ 117,510	\$ -	\$ -	\$ (10,590)	\$ (10,590)
Sewer	48,682	70,393	-	-	21,711	21,711
Trash	45,875	51,155	-	-	5,280	5,280
Total business-type activities	\$ 222,657	\$ 239,058	\$ -	\$ -	\$ 16,401	\$ 16,401
<b>General Revenues:</b>						
Taxes:						
Property taxes				32,471	-	32,471
Sales taxes				64,974	-	64,974
Other taxes				57,886	-	57,886
Investment income				9,063	1,679	10,742
Transfers				22,980	(22,980)	-
Miscellaneous				10,034	134	10,168
Total general revenues				197,408	(21,167)	176,241
Changes in net assets				24,223	(4,766)	19,457
Net assets - beginning				385,936	87,336	473,272
Net assets - ending				410,159	82,570	492,729

See accompanying notes to the basic financial statements.

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2007**

	General Fund	Street and Road Fund	Mt. Horeb Cemetery Fund	Recreation Center Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 21,850	\$ 67,179	\$ 5,746	\$ 17,232	\$ 23,486	\$ 36,373	\$ 171,866
Investments	-	-	156,488	26,805	55,000	-	238,293
<b>Total Assets</b>	<b><u>\$ 21,850</u></b>	<b><u>\$ 67,179</u></b>	<b><u>\$ 162,234</u></b>	<b><u>\$ 44,037</u></b>	<b><u>\$ 78,486</u></b>	<b><u>\$ 36,373</u></b>	<b><u>\$ 410,159</u></b>
<b>FUND BALANCES:</b>							
Reserved for debt service	-	-	-	-	78,486	-	78,486
Unreserved	21,850	67,179	162,234	44,037	-	-	295,300
Unreserved, reported in nonmajor special revenue funds	-	-	-	-	-	36,373	36,373
<b>Total Fund Balances</b>	<b><u>\$ 21,850</u></b>	<b><u>\$ 67,179</u></b>	<b><u>\$ 162,234</u></b>	<b><u>\$ 44,037</u></b>	<b><u>\$ 78,486</u></b>	<b><u>\$ 36,373</u></b>	<b><u>\$ 410,159</u></b>

See accompanying notes to the basic financial statements.

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Street and Road Fund	Mt Horeb Perpetual Care Cemetery Fund	Recreation Center Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>RECEIPTS:</b>							
Property taxes	\$ 32,471	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,471
Sales taxes	64,974	-	-	-	-	-	64,974
Other taxes and fees	57,886	40,710	-	-	-	-	98,596
Intergovernmental	11,580	57,888	-	-	-	-	69,468
Bonds, fees, fines and court costs	14,629	-	-	-	-	-	14,629
Membership fees	-	-	-	14,145	-	15	14,160
Donations and memorials	-	-	1,086	225	-	1,225	2,536
Lots	-	-	7,400	-	-	900	8,300
Deposits, rental, and administrative fees	-	-	425	3,050	-	4,875	8,350
Investment income	-	-	5,523	1,447	2,093	-	9,063
Miscellaneous	2,087	421	-	3,850	-	1,140	7,498
<b>Total Receipts</b>	<b>\$ 183,627</b>	<b>\$ 99,019</b>	<b>\$ 14,434</b>	<b>\$ 22,717</b>	<b>\$ 2,093</b>	<b>\$ 8,155</b>	<b>\$ 330,045</b>
<b>DISBURSEMENTS:</b>							
General government	\$ 73,086	\$ -	\$ -	\$ -	\$ -	\$ 1,490	\$ 74,576
Public safety	81,330	-	-	-	-	2,500	83,830
Streets and roads	-	82,138	-	-	-	-	82,138
Recreation	9,400	-	-	26,156	-	12,745	48,301
Historical society	-	-	-	-	-	61	61
Cemetery maintenance	-	-	16,643	-	-	800	17,443
Fairgrounds	-	-	-	-	-	314	314
Debt service:							
Principal	-	-	-	-	19,000	-	19,000
Interest and fees	-	-	-	-	3,139	-	3,139
<b>Total Disbursements</b>	<b>\$ 163,816</b>	<b>\$ 82,138</b>	<b>\$ 16,643</b>	<b>\$ 26,156</b>	<b>\$ 22,139</b>	<b>\$ 17,910</b>	<b>\$ 328,802</b>
Excess (deficiency) of receipts over disbursements	19,811	16,881	(2,209)	(3,439)	(20,046)	(9,755)	1,243
Other financing sources (uses):							
Transfers in (out)	\$ (16,636)	\$ -	\$ -	\$ -	\$ 22,980	\$ 16,636	\$ 22,980
Net change in fund balances	\$ 3,175	\$ 16,881	\$ (2,209)	\$ (3,439)	\$ 2,934	\$ 6,881	\$ 24,223
<b>Fund balances - beginning of year</b>	<b>\$ 18,675</b>	<b>\$ 50,298</b>	<b>\$ 164,443</b>	<b>\$ 47,476</b>	<b>\$ 75,552</b>	<b>\$ 29,492</b>	<b>\$ 385,936</b>
<b>Fund balances - end of year</b>	<b>\$ 21,850</b>	<b>\$ 67,179</b>	<b>\$ 162,234</b>	<b>\$ 44,037</b>	<b>\$ 78,486</b>	<b>\$ 36,373</b>	<b>\$ 410,159</b>

See accompanying notes to the basic financial statements.

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF NET ASSETS - CASH BASIS**  
**PROPRIETARY FUND**  
**JUNE 30, 2007**

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	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 51,080
Restricted cash and cash equivalents	26,490
Investments	<u>5,000</u>
Total Assets	<u>\$ 82,570</u>
<b>NET ASSETS</b>	
Restricted for meter deposits	\$ 26,490
Unrestricted	<u>56,080</u>
Total Net Assets	<u>\$ 82,570</u>

See accompanying notes to the basic financial statements.

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - CASH BASIS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Enterprise Fund</u>
Operating Revenues:	
Charges for services:	
Water	\$ 117,510
Sewer	70,393
Trash	<u>51,155</u>
Total Operating Revenues	\$ <u>239,058</u>
Operating Expenses:	
Water treatment and maintenance	\$ 55,565
Sewer treatment and maintenance	16,246
Trash hauling	45,875
Salaries and payroll taxes	69,772
Automotive	11,385
Insurance	10,888
Meter refunds	4,133
Administration/general	<u>8,793</u>
Total Operating Expenses	\$ <u>222,657</u>
Operating Income (Loss)	\$ 16,401
Non - Operating Revenues :	
Investment income	\$ 1,679
Other income	<u>134</u>
Total Non - Operating Revenues	\$ <u>1,813</u>
Income/loss before transfers	18,214
Transfer to Debt Service Fund	<u>(22,980)</u>
Change in net assets	\$ (4,766)
Total net assets - beginning	\$ <u>87,336</u>
Total net assets - ending	\$ <u><u>82,570</u></u>

See accompanying notes to the basic financial statements.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

As discussed further in Note 1.C., these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable. The City of Sturgeon has implemented the financial reporting model as required by the provisions of GASB Statements No. 34 and No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

**1.A. FINANCIAL REPORTING ENTITY**

The accompanying financial statements present the activity of the City of Sturgeon. The City of Sturgeon, Missouri, (the "City") is an incorporated city located in Boone County, Missouri. The City operates under a Mayor-Council form of government, and is exempt from federal and state income taxes as a political subdivision of the State of Missouri.

**1.B. BASIS OF PRESENTATION**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate reporting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The City presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

**CITY OF STURGEON  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the City. The reporting entity includes the following special revenue funds, of which some are reported as nonmajor funds:

Street and Road Fund	Accounts for revenues received and expenditures paid for street and road improvements.
Mt. Horeb Cemetery Fund	Accounts for revenues received and expenditures paid for the maintenance of the cemetery.
Recreation Center Fund	Accounts for revenues received and expenditures paid for the upkeep and maintenance of the city's recreation center.
Youth Center and Park Fund	Accounts for revenues received and expenditures paid for the upkeep and maintenance of the city's youth center and park.
Historical Society Fund	Accounts for revenues received and expenditures paid for historical society use.
Sturgeon Cemetery Fund	Accounts for revenues received and expenditures paid for the maintenance of the cemetery.
Fairgrounds Fund	Accounts for revenues received and expenditures paid for fairgrounds purposes.
Police Car Fund	Accounts for revenues received and expenditures paid for the city's police car.
Emergency Equipment Fund	Accounts for revenues received and expenditures paid for emergency equipment needs.
Sidewalk Improvement Fund	Accounts for revenues received and expenditures paid for sidewalk improvements.

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt (principal and interest), and related costs.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The City's water and sewer fund operates as an enterprise fund that is reported as a major fund.

**1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting as defined in item b. below.

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recover), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**1.D. ASSETS, LIABILITIES, AND EQUITY**

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less.

INVESTMENTS

Investments classified in the financial statements consist of certificates of deposit whose original maturity term exceeds three months and repurchase agreements invested daily through an Investaccount at the city's depository bank. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

Capital outlays are charged to expenditures as they are paid. Capital outlays represent the cost of property, plant, and equipment.

LONG-TERM DEBT

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as restricted net assets in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

EQUITY CLASSIFICATION

**Government-Wide Statements**

**CITY OF STURGEON  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The city does not capitalize its capital assets and therefore does not display net assets into invested in capital assets, net of related debt.

It is the City’s policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**Fund Financial Statements**

Governmental fund equity is classified as fund balance.

**1.E. REVENUES AND EXPENDITURES**

**PROGRAM REVENUES**

In the Statement of Activities, cash basis revenues that are derived directly from each activity or from parties outside the city’s taxpayers are reported as program revenues. The City has the following program revenues in each activity:

General government	Intergovernmental receipts and bonds, fees, fines, and court costs
Streets and roads	Intergovernmental receipts from Boone County
Recreation	Deposits, rental, membership, and administrative fees
Historical society	Membership fees
Cemetery maintenance	Grave opening/closing fees and lot sales

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

**OPERATING REVENUE AND EXPENSES**

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**CITY OF STURGEON  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)**

**1.F. USE OF ESTIMATES**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

By its nature as a governmental unit, the City is subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are not considered material to the financial statements.

**2.A. INSURED AND COLLATERIZED DEPOSITS**

In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At June 30, 2007, the City's deposits were entirely insured and collateralized.

The City of Sturgeon has not developed a written investment policy in accordance with applicable state law.

**2.B. BUDGETARY NONCOMPLIANCE**

For the year ended June 30, 2007, disbursements exceeded appropriations at the legal level of control in the General Fund, Recreation Center Fund, Youth Center and Park Fund, Sturgeon Cemetery Fund, and the Emergency Equipment Fund.

**2.C. PUBLICATION OF FINANCIAL STATEMENTS**

For the year ended June 30, 2007, the City of Sturgeon did publish its semi-annual financial statements in a local newspaper in accordance with applicable state law.

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3 A. CASH AND INVESTMENTS**

Custodial Credit Risk – Deposits

**CITY OF STURGEON  
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

The table presented below is designed to disclose the level of custodial credit risk assumed by the City based upon how its deposits were insured or secured with collateral at June 30, 2007. The categories of custodial credit risk are defined as follows:

- Category 1- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the city or by its agent in its name.
- Category 2- Uninsured by collateralized with securities held by the pledging financial institution's trust department or agent in the city's name.
- Category 3- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the city's name; or properly collateralized with no written and approved collateral agreement.

Type of Deposits	Total Bank Balance	Custody Credit Risk Category			Total Carrying Value
		1	2	3	
Bank deposits	\$ 262,413	\$ 262,413	-	-	
Investments	243,293	243,293	-	-	
<b>Total Deposits</b>	<b>\$ 505,706</b>	<b>\$ 505,706</b>	<b>-</b>	<b>-</b>	<b>\$ 492,729</b>

Reconciliation to Statement of Net Assets:

Cash and cash equivalents	\$ 222,946
Restricted cash	26,490
Investments	243,293
	<u>\$ 492,729</u>

INVESTMENTS AND CUSTODIAL CREDIT RISK

Investments are limited by State law to the following:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that is either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

During the year ended June 30, 2007, the City's investments consisted of certificates of deposit whose original maturity term exceeds three months and \$5,000 in repurchase agreements in an Investaccount through the Water and Sewer Fund. At June 30, 2007, the carrying value and fair value of the certificates of deposit totaled \$211,488. The City held ten certificates of deposit in two separate banking institutions. The certificates range from six months to three years with interest rates ranging from 2.15% to 4.09%. For purposes of custodial credit risk, the certificates of deposit and Investaccount are included in the preceding deposits risk analysis.

**3.B. RESTRICTED ASSETS**

The amount reported as restricted assets is composed of amounts held for water meter deposits (refunded upon termination of service or applied to final bill) of \$26,490.

**3.C. LONG-TERM DEBT**

The reporting entity's long-term debt arising from cash transactions is reported as amounts to be repaid from governmental activities as follows:

Bonds

Long-term debt is composed of general obligation bonds (refunding issue) dated January 30, 2004, due in varying annual installments through February 1, 2011, with varying interest rates of 1.5% to 3.9%.

Notes Payable

The City is obligated to Martinsburg Bank and Trust on a note from year to year for the purchase of a vehicle. The note bears a fixed interest rate of 5.85%, with semi-annual payments of \$2,257. The amount of note outstanding at June 30, 2007 was \$10,361. The note matured on December 1, 2007, and the note has been refinanced until December 1, 2008.

Refundable Deposits

Refundable deposits reported as restricted assets within the Statement of Net Assets are composed of Water Meter Deposits – Refundable in the amount of \$26,490.

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS (CONTINUED)**

CHANGES IN LONG-TERM DEBT

Bonds payable, July 1, 2006	\$	89,000
Bonds issued		-
Bonds retired		(19,000)
Bonds payable, June 30, 2007	\$	<u>70,000</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 18,000	\$ 2,302	\$ 20,302
2009	18,000	1,816	19,816
2010	17,000	1,258	18,258
2011	<u>17,000</u>	<u>663</u>	<u>17,663</u>
Total	\$ <u>70,000</u>	\$ <u>6,039</u>	\$ <u>76,039</u>

**3.D. INTERFUND TRANSFERS**

Transfers between funds of the city between the major funds and nonmajor funds for the year ended June 30, 2007, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>MAJOR FUNDS:</b>		
<b>GENERAL FUND</b>		
Youth Center and Park Fund	\$ -	\$ 6,136
Police Car Fund	-	5,000
Emergency Equipment Fund	-	5,000
Sidewalk Improvement Fund	-	500
Total General Fund	<u>-</u>	<u>16,636</u>
<b>ENTERPRISE FUND</b>		
Debt Service Fund	\$ -	\$ 22,980
<b>DEBT SERVICE FUND</b>		
Enterprise Fund	\$ 22,980	\$ -
<b>NONMAJOR FUNDS:</b>		
<b>SPECIAL REVENUE FUNDS</b>		
Youth Center and Park Fund	\$ 6,136	\$ -
Police Car Fund	5,000	-
Emergency Equipment Fund	5,000	-
Sidewalk Improvement Fund	500	-
Total Special Revenue Funds	\$ <u>16,636</u>	\$ <u>-</u>
<b>GRAND TOTALS</b>	\$ <u>39,616</u>	\$ <u>39,616</u>

**CITY OF STURGEON  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2007**

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**NOTE 4. OTHER NOTES**

**4.A. TAXES**

The City's *ad valorem* property tax is levied in June by the City's Board of Aldermen on the assessed value listed as of the prior January 1 for all real and personal property located in the City of Sturgeon in Boone County. The Boone County Collector collects the property taxes and disburses the tax monies to the city. The city receives its property taxes monthly from the County Collector.

The assessed valuation of the tangible property in the City of Sturgeon in Boone County for the year 2006 for purposes of local taxation was \$6,349,501 as provided by Boone County in January 2007. The tax levy per \$100 of the assessed valuation of tangible property for the year 2006 for purposes of local taxation was \$.55.

Taxes are due December 31 and are delinquent January 1 following the June levy date. Property tax collections consist of current taxes, delinquent taxes, and interest and penalties on delinquent taxes. The receipts of current and delinquent property taxes during the year ended June 30, 2007 aggregated approximately 93% of the current assessment computed on the basis of the tax levy.

**4.B. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters for which the City carries insurance through private insurance companies.

**4.C. SEGMENT INFORMATION – WATER AND SEWER FUND**

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
<u>Income</u>				
Charges for services	\$ 117,510	\$ 70,393	51,155	\$ 239,058
Interest income	1,679	-	-	1,679
Other income	134	-	-	134
Total Income	<u>119,323</u>	<u>70,393</u>	<u>51,155</u>	<u>240,871</u>
<u>Expenses</u>				
Treatment and maintenance	\$ 55,565	\$ 16,246	\$ -	\$ 71,811
Trash hauling	-	-	45,875	45,875
Salaries and payroll taxes	46,061	23,711	-	69,772
Automotive	11,385	-	-	11,385
Insurance	6,432	4,456	-	10,888
Meter refunds	4,133	-	-	4,133
Administration/general	5,461	3,040	292	8,793
Total Expenses	<u>\$ 129,037</u>	<u>\$ 47,453</u>	<u>\$ 46,167</u>	<u>\$ 222,657</u>
Transfers (in) out	\$ -	\$ 22,980	\$ -	\$ 22,980
Net Income	<u>\$ (9,714)</u>	<u>\$ (40)</u>	<u>\$ 4,988</u>	<u>\$ (4,766)</u>

**CITY OF STURGEON**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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**4.D. RECLASSIFICATION OF FUNDS**

\$11,581 of the General Fund fund balance at June 30, 2006, has been reclassified to two separate nonmajor governmental funds as follows: \$5,431 to the Police Car Fund and \$6,150 to the Emergency Equipment Fund.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF STURGEON, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				<u>Positive (Negative)</u>
<b>RECEIPTS</b>				
Property taxes	\$ 30,650	\$ 30,650	\$ 32,471	\$ 1,821
Franchise taxes	47,900	47,900	46,596	(1,304)
Sales taxes	68,000	68,000	64,974	(3,026)
Cigarette tax	10,000	10,000	11,290	1,290
Intergovernmental	-	-	11,580	11,580
Permits	1,790	1,790	1,500	(290)
Bonds, fees, fines and court costs	6,178	6,178	14,629	8,451
Rent	500	500	500	-
Miscellaneous	512	512	87	(425)
<b>Total Receipts</b>	<b>\$ 165,530</b>	<b>\$ 165,530</b>	<b>\$ 183,627</b>	<b>\$ 18,097</b>
<b>DISBURSEMENTS</b>				
Administrative -				
Personnel	\$ 31,100	\$ 31,100	\$ 29,019	\$ 2,081
Insurance	14,785	14,785	13,984	801
Legal and professional	8,880	8,880	9,049	(169)
Utilities	4,400	4,400	4,314	86
Other	9,399	9,399	16,720	(7,321)
Recreation	-	-	9,400	(9,400)
Police -				
Personnel	50,150	50,150	51,803	(1,653)
Automotive	8,800	8,800	7,418	1,382
Equipment	1,550	1,550	7,146	(5,596)
Insurance	6,375	6,375	7,838	(1,463)
Other	2,273	2,273	7,125	(4,852)
<b>Total Disbursements</b>	<b>\$ 137,712</b>	<b>\$ 137,712</b>	<b>\$ 163,816</b>	<b>\$ (26,104)</b>
Receipts Over (Under) Disbursements	\$ 27,818	\$ 27,818	\$ 19,811	\$ (8,007)
Other Financing Sources (Uses)				
Transfers out to Nonmajor Funds	\$ (15,536)	\$ (15,536)	\$ (16,636)	\$ (1,100)
Net change in fund balance	\$ 12,282	\$ 12,282	\$ 3,175	\$ (9,107)
Fund Balance, Beginning of Year	\$ 18,675	\$ 18,675	\$ 18,675	\$ -
Fund Balance, End of Year	<u>\$ 30,957</u>	<u>\$ 30,957</u>	<u>\$ 21,850</u>	<u>\$ (9,107)</u>

**CITY OF STURGEON, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS**  
**STREET AND ROAD FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Motor fuel tax	\$ 27,000	\$ 27,000	\$ 27,277	\$ 277
Motor vehicle fees	5,500	5,500	6,160	660
Motor vehicle sales	6,000	6,000	7,273	1,273
Special road sales tax	21,000	21,000	19,623	(1,377)
Boone County	33,677	33,677	34,454	777
Intergovernmental	-	-	3,811	3,811
Gravel sales	350	350	316	(34)
Miscellaneous	-	-	105	105
<b>Total Receipts</b>	<b>\$ 93,527</b>	<b>\$ 93,527</b>	<b>\$ 99,019</b>	<b>\$ 5,492</b>
<b>DISBURSEMENTS</b>				
Chemicals and gravel	\$ 4,000	\$ 4,000	\$ 4,798	\$ (798)
Equipment	25	25	1,222	(1,197)
Insurance	5,585	5,585	697	4,888
Personnel	24,090	24,090	22,067	2,023
Street maintenance	4,750	4,750	1,249	3,501
Street projects	43,157	43,157	43,157	-
Utilities and other	8,259	8,259	8,948	(689)
<b>Total Disbursements</b>	<b>\$ 89,866</b>	<b>\$ 89,866</b>	<b>\$ 82,138</b>	<b>\$ 7,728</b>
Receipts Over (Under) Disbursements	\$ 3,661	\$ 3,661	\$ 16,881	\$ 13,220
Fund Balance, Beginning of Year	\$ 50,298	\$ 50,298	\$ 50,298	\$ -
Fund Balance, End of Year	<u>\$ 53,959</u>	<u>\$ 53,959</u>	<u>\$ 67,179</u>	<u>\$ 13,220</u>

**CITY OF STURGEON, MISSOURI  
 BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
 MT. HOREB CEMETERY FUND  
 FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>RECEIPTS</b>				
Administrative fees	\$ 375	\$ 375	\$ 425	\$ 50
Donations	300	300	550	250
Lots	5,000	5,000	7,400	2,400
Memorials	1,000	1,000	536	(464)
Interest income	4,350	4,350	5,523	1,173
<b>Total Receipts</b>	<b>\$ 11,025</b>	<b>\$ 11,025</b>	<b>\$ 14,434</b>	<b>\$ 3,409</b>
<b>DISBURSEMENTS</b>				
Banking expense	\$ 116	\$ 116	\$ 36	\$ 80
Flags	60	60	-	60
Gravel	500	500	-	500
General maintenance	-	-	361	(361)
Miscellaneous	50	50	60	(10)
Mowing/lawncare	14,050	14,050	10,470	3,580
Open/closing costs	4,500	4,500	5,600	(1,100)
Utilities	125	125	116	9
<b>Total Disbursements</b>	<b>\$ 19,401</b>	<b>\$ 19,401</b>	<b>\$ 16,643</b>	<b>\$ 2,758</b>
Receipts Over (Under) Disbursements	\$ (8,376)	\$ (8,376)	\$ (2,209)	\$ 651
Fund Balance, Beginning of Year	\$ 164,443	\$ 164,443	\$ 164,443	\$ -
Fund Balance, End of Year	<u>\$ 156,067</u>	<u>\$ 156,067</u>	<u>\$ 162,234</u>	<u>\$ 651</u>

**CITY OF STURGEON, MISSOURI  
BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
RECREATION CENTER FUND  
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>RECEIPTS</b>				
Deposits	\$ 1,000	\$ 1,000	\$ 1,400	\$ 400
Donations	-	-	225	225
Membership fees	17,970	17,970	14,145	(3,825)
Rental fees	1,800	1,800	1,650	(150)
Interest income	516	516	1,447	931
Memorials	800	800	-	(800)
Miscellaneous	200	200	3,850	3,650
<b>Total Receipts</b>	<b>\$ 22,286</b>	<b>\$ 22,286</b>	<b>\$ 22,717</b>	<b>\$ 431</b>
<b>DISBURSEMENTS</b>				
Advertising	\$ 100	\$ 100	\$ 69	\$ 31
Banking expense	200	200	139	61
Equipment	5,500	5,500	11,769	(6,269)
Insurance	1,200	1,200	1,168	32
Janitorial fees	4,100	4,100	3,280	820
Office supplies	-	-	162	(162)
Miscellaneous	-	-	90	(90)
Postage	78	78	39	39
Deposits refunded	1,000	1,000	1,100	(100)
Salaries and payroll taxes	4,368	4,368	3,262	1,106
Utilities	5,250	5,250	5,078	172
<b>Total Disbursements</b>	<b>\$ 21,796</b>	<b>\$ 21,796</b>	<b>\$ 26,156</b>	<b>\$ (4,360)</b>
Receipts Over (Under) Disbursements	\$ 490	\$ 490	\$ (3,439)	\$ (3,929)
Fund Balance, Beginning of Year	\$ 47,476	\$ 47,476	\$ 47,476	\$ -
Fund Balance, End of Year	<u>\$ 47,966</u>	<u>\$ 47,966</u>	<u>\$ 44,037</u>	<u>\$ (3,929)</u>

**CITY OF STURGEON, MISSOURI**  
**BUDGETARY COMPARISON SCHEDULE - CASH BASIS**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>RECEIPTS</b>				
Interest income	\$ 1,436	\$ 1,436	\$ 2,093	\$ 657
Total Receipts	\$ 1,436	\$ 1,436	\$ 2,093	\$ 657
<b>DISBURSEMENTS</b>				
Bond principal	\$ 19,000	\$ 19,000	\$ 19,000	\$ -
Bond interest and fees	3,139	3,139	3,139	-
Total Disbursements	\$ 22,139	\$ 22,139	\$ 22,139	\$ -
Receipts Over (Under) Disbursements	\$ (20,703)	\$ (20,703)	\$ (20,046)	\$ 657
<b>Other Financing Sources (Uses)</b>				
Transfer in from Enterprise Fund	\$ 22,139	\$ 22,139	\$ 22,980	\$ 841
Net change in fund balance	\$ 1,436	\$ 1,436	\$ 2,934	\$ 1,498
Fund Balance, Beginning of Year	\$ 75,552	\$ 75,552	\$ 75,552	\$ -
Fund Balance, End of Year	\$ 76,988	\$ 76,988	\$ 78,486	\$ 1,498

**CITY OF STURGEON**  
**NOTES TO BUDGETARY COMPARISON SCHEDULES**  
**YEAR ENDED JUNE 30, 2007**

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Legal Compliance - Budgets and Budgetary Practices

The City of Sturgeon Board of Aldermen is responsible for the preparation and approval of the department's budget in accordance with Section 67.010, RSMo.

The Board holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available or the revenue estimates must be changed by an affirmative vote of a majority of the Board. The lowest level at which appropriations are adopted is the Board. Disbursements may not legally exceed budgeted appropriations at the fund level. The Board must approve any revisions that alter the total appropriated disbursements.

Basis of Accounting

The budget is prepared on the cash basis of accounting as applied to the governmental fund in the fund financial statements. Receipts and disbursements are reported when they result from cash transactions.

Overspending of Budgets

The City overspent the total approved appropriations of the General Fund and the Recreation Center Fund during the year ending June 30, 2007, in violation of state law.

**SUPPLEMENTAL INFORMATION**

CITY OF STURGEON, MISSOURI  
 COMBINING BALANCE SHEET - CASH BASIS  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

	Youth and Park Fund	Historical Society Fund	Sturgeon Perpetual Care Cemetery Fund	Fairgrounds Fund	Police Car Fund	Emergency Equipment Fund	Sidewalk Improvement Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 5,974	\$ 3,541	\$ 7,130	\$ 711	\$ 10,431	\$ 8,086	\$ 500	\$ 36,373
Total Assets	<u>\$ 5,974</u>	<u>\$ 3,541</u>	<u>\$ 7,130</u>	<u>\$ 711</u>	<u>\$ 10,431</u>	<u>\$ 8,086</u>	<u>\$ 500</u>	<u>\$ 36,373</u>
<b>FUND BALANCE</b>								
Unreserved	<u>5,974</u>	<u>\$ 3,541</u>	<u>\$ 7,130</u>	<u>\$ 711</u>	<u>\$ 10,431</u>	<u>\$ 8,086</u>	<u>500</u>	<u>\$ 36,373</u>
Total Fund Balances	<u><u>\$ 5,974</u></u>	<u><u>\$ 3,541</u></u>	<u><u>\$ 7,130</u></u>	<u><u>\$ 711</u></u>	<u><u>\$ 10,431</u></u>	<u><u>\$ 8,086</u></u>	<u><u>500</u></u>	<u><u>\$ 36,373</u></u>

**CITY OF STURGEON, MISSOURI**  
**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE - CASH BASIS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	Youth Center and Park Fund	Historical Society Fund	Sturgeon Cemetery Fund	Fairgrounds Fund	Police Car Fund	Emergency Equipment Fund	Sidewalk Improvement Fund	Total Nonmajor Governmental Funds
<b>RECEIPTS</b>								
Deposits and rental fees	\$ 4,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,800
Donations	-	100	-	1,025	-	-	-	1,125
Lots	-	-	900	-	-	-	-	900
Memorials	-	-	100	-	-	-	-	100
Administrative fees	-	-	75	-	-	-	-	75
Membershp fees	-	15	-	-	-	-	-	15
Miscellaneous	174	40	-	-	-	926	-	1,140
<b>Total Receipts</b>	<b>\$ 4,974</b>	<b>\$ 155</b>	<b>\$ 1,075</b>	<b>\$ 1,025</b>	<b>\$ -</b>	<b>\$ 926</b>	<b>\$ -</b>	<b>\$ 8,155</b>
<b>DISBURSEMENTS</b>								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,490	\$ -	\$ 1,490
Streets and roads	-	-	-	-	-	2,500	-	2,500
Recreation	12,745	-	-	-	-	-	-	12,745
Historical society	-	61	-	-	-	-	-	61
Cemetery preservation	-	-	800	-	-	-	-	800
Fairgrounds	-	-	-	314	-	-	-	314
<b>Total Disbursements</b>	<b>\$ 12,745</b>	<b>\$ 61</b>	<b>\$ 800</b>	<b>\$ 314</b>	<b>\$ -</b>	<b>\$ 3,990</b>	<b>\$ -</b>	<b>\$ 17,910</b>
Excess (deficiency) of receipts over disbursements	\$ (7,771)	\$ 94	\$ 275	\$ 711	\$ -	\$ (3,064)	\$ -	\$ (9,755)
Other Financing Sources (Uses) Tranfers in (out)	\$ 6,136	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ 500	\$ 16,636
Net change in fund balances	(1,635)	94	275	711	5,000	1,936	500	6,881
Fund balances - beginning of year	\$ 7,609	\$ 3,447	\$ 6,855	\$ -	\$ 5,431	\$ 6,150	\$ -	\$ 29,492
Fund balances - end of year	<u>\$ 5,974</u>	<u>\$ 3,541</u>	<u>\$ 7,130</u>	<u>\$ 711</u>	<u>\$ 10,431</u>	<u>\$ 8,086</u>	<u>\$ 500</u>	<u>\$ 36,373</u>

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS**  
**NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**YOUTH CENTER AND PARK FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>RECEIPTS</b>				
Deposits	\$ 3,500	\$ 3,500	\$ 2,950	\$ (550)
Rental fees	2,050	2,050	1,850	(200)
Miscellaneous	410	410	174	(236)
Transfers in from General Fund	5,536	5,536	6,136	600
<b>Total Receipts</b>	<b>\$ 11,496</b>	<b>\$ 11,496</b>	<b>\$ 11,110</b>	<b>\$ (386)</b>
<b>DISBURSEMENTS</b>				
Advertising	\$ 50	\$ 50	-	\$ 50
Insurance	826	826	662	164
Janitorial	700	700	2,246	(1,546)
Mowing/lawn care	5,915	5,915	4,970	945
Refund of deposits	3,500	3,500	2,600	900
Utilities	1,690	1,690	1,596	94
Grant expenses	-	-	666	(666)
Miscellaneous	-	-	5	(5)
<b>Total Disbursements</b>	<b>\$ 12,681</b>	<b>\$ 12,681</b>	<b>\$ 12,745</b>	<b>\$ (64)</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(1,185)</b>	<b>(1,185)</b>	<b>(1,635)</b>	<b>(450)</b>
<b>FUND BALANCE, JANUARY 1</b>	<b>7,609</b>	<b>7,609</b>	<b>7,609</b>	<b>-</b>
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 6,424</b>	<b>\$ 6,424</b>	<b>\$ 5,974</b>	<b>\$ (450)</b>

**HISTORICAL SOCIETY FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>RECEIPTS</b>				
Donations	\$ 3,200	\$ 3,200	\$ 100	\$ (3,100)
Membership dues	-	-	15	4,605
Miscellaneous	-	-	40	-
<b>Total Receipts</b>	<b>\$ 3,200</b>	<b>\$ 3,200</b>	<b>\$ 155</b>	<b>\$ (3,045)</b>
<b>DISBURSEMENTS</b>				
Historical society	\$ 3,139	\$ 3,139	\$ 61	\$ 3,078
<b>Total Disbursements</b>	<b>\$ 3,139</b>	<b>\$ 3,139</b>	<b>\$ 61</b>	<b>\$ 3,078</b>
<b>RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>61</b>	<b>61</b>	<b>94</b>	<b>33</b>
<b>FUND BALANCE, JANUARY 1</b>	<b>3,447</b>	<b>3,447</b>	<b>3,447</b>	<b>-</b>
<b>FUND BALANCE, DECEMBER 31</b>	<b>\$ 3,508</b>	<b>\$ 3,508</b>	<b>\$ 3,541</b>	<b>\$ 33</b>

**CITY OF STURGEON, MISSOURI**  
**STATEMENT OF RECEIPTS, DISBURSEMENTS**  
**AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - CASH BASIS**  
**NONMAJOR FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2007**

**STURGEON CEMETERY FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>RECEIPTS</b>				
Administrative fees	\$ -	\$ -	\$ 75	\$ 75
Lots	-	-	900	900
Memorials	-	-	100	100
Total Receipts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,075</u>	<u>\$ 1,075</u>
<b>DISBURSEMENTS</b>				
Cemetery maintenance	\$ -	\$ -	\$ 800	\$ (800)
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 800</u>	<u>\$ (800)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	-	-	275	275
FUND BALANCE, JANUARY 1	6,855	6,855	6,855	-
FUND BALANCE, DECEMBER 31	<u>\$ 6,855</u>	<u>\$ 6,855</u>	<u>\$ 7,130</u>	<u>\$ 275</u>

**POLICE CAR FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>RECEIPTS</b>				
Transfer in from General Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Total Receipts	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ -</u>
<b>DISBURSEMENTS</b>				
General government	\$ -	\$ -	\$ -	\$ -
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	5,000	5,000	-
FUND BALANCE, JANUARY 1	5,431	5,431	5,431	-
FUND BALANCE, DECEMBER 31	<u>\$ 10,431</u>	<u>\$ 10,431</u>	<u>\$ 10,431</u>	<u>\$ -</u>

**EMERGENCY EQUIPMENT FUND**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
<b>RECEIPTS</b>				
Transfer in from General Fund	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Miscellaneous	-	-	926	926
Total Receipts	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,926</u>	<u>\$ 926</u>
<b>DISBURSEMENTS</b>				
General government	\$ -	\$ -	\$ 1,490	\$ (1,450)
Streets and roads	-	-	2,500	(2,500)
Total Disbursements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,990</u>	<u>\$ (3,950)</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,000	5,000	1,936	(3,064)
FUND BALANCE, JANUARY 1	6,150	6,150	6,150	-
FUND BALANCE, DECEMBER 31	<u>\$ 11,150</u>	<u>\$ 11,150</u>	<u>\$ 8,086</u>	<u>\$ (3,064)</u>

# CASEY AND COMPANY OF COLUMBIA, L.L.C.



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January 16, 2008

To the Mayor and City Council  
City of Sturgeon  
Sturgeon, Missouri

In planning and performing our audit of the financial statements of the City of Sturgeon as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Sturgeon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

## 1. **Overspending of Budgets**

### Finding:

The City overspent the General Fund, Recreation Center Fund, Youth Center and Park Fund, Surgeon Cemetery Fund, and Emergency Equipment Fund total appropriations for the year ended June 30, 2007. The City council reviews budget to actual appropriations and expenditures during the year but did not amend any budgets for the year thereby allowing

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expenditures to exceed total appropriations in each fund in violation of Section 67.040 of the state law.

Recommendation:

The City Council should refrain from overspending the original budgeted appropriations. If additional expenditures are necessary, the City Council should amend the appropriate budgets.

Response:

The City Council agrees.

**2. Checks Not Used in Sequence and Outstanding Checks**

Finding:

The City has numerous bank accounts and separate checks for each bank account. During the year ended June 30, 2007, checks in several funds were not always used in numerical sequence. Checks should be used in date order and numerical sequence to properly account for all checks issued. In addition, the City had long outstanding checks at June 30, 2007 totaling \$107.21 and \$352.47 in the Treasure and Water and Sewer banking accounts, respectively, without a proper follow up on these checks. The City is not properly following up on outstanding checks that are over at least 60 days from the date written.

Recommendation:

The City Council should ensure that checks are used in the proper date and numerical sequence for proper accountability over checks issued. In addition, the City Council should review the outstanding checks and take appropriate action to determine the disposition of each check.

Response:

The City Council agrees.

**3. Misstatements in Financial Statements**

Finding:

The balance sheets as presented by the City at June 30, 2007 for the Mt. Horeb Cemetery Fund, Sturgeon Recreation Center Fund, and the Wetland Debt Service Fund were incorrect. The amounts presented for each of these funds for the certificates of deposits on hand at June 30, 2007 were incorrect and required adjustment to the correct balances held by the banking institutions. The City did not review the balance sheets appropriately to properly state the correct balances for the various certificates of deposit held for the various funds.

Recommendation:

The City Council should review the financial statements for each fund of the City to ensure that the correct amount of certificates of deposits is accurately reflected.

Response:

The City Council agrees.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

#### **4. Inadequate Separation of Duties Allowing Misuse of City Resources**

Finding:

The City does not have adequate separation of duties for City personnel and the council does not properly review deposits, invoices, timesheets, and financial statements. The City Clerk has the responsibility of collecting receipts, preparing deposits, recording receipts, reconciling the bank accounts, preparing checks, and has authorization to sign checks. We noted the following deficiencies in internal controls over receipts and disbursements that has lead the City to the susceptibility of fraud and misuse of City resources:

- A. The City Council does not have an independent person to review deposits against receipts on a periodic basis to ensure all monies collected have been deposited, and to prepare the bank reconciliations. A City Council person should review the monthly bank reconciliations after preparation to ensure a proper reconciliation has been prepared.
- B. The City Council is not reviewing checks written to ensure that two signatures are appropriately included on all checks. An observation of bank accounts and checks written noted that many checks written during the year ended June 30, 2007 only had the signature of the former City Clerk.
- C. The City Council is not reviewing each invoice and approving the invoices before payment is made to ensure that the appropriate purchase of goods and services for City business has been made. The City Council reviews only a listing of bills to be paid each month at the monthly board meeting and approves the listing of bills for the month. This lack of internal controls has lead to the misuse of a City credit card by the former City Clerk by allowing the purchase of personal items. The City Council had not been reviewing the monthly invoices for this credit card and also had not been paying the full amount of the credit card invoice each month. This procedure went unnoticed by the City until recently and then was investigated by the City police department and the Missouri Highway Patrol. The City recently paid off the balance of the credit card and turned the amount paid over to its insurance company to apply against the City's bond coverage. This matter is still under investigation at this time.
- D. The check stub generated from the computer system for each check payment is attached to the invoice when payment is made by the City; however, the invoice is not reviewed and noted as being approved for payment and is not marked as being paid that also includes the date paid and the check number. This procedure is necessary to ensure that an invoice is not detached from the check stub and improperly submitted again to the City for another payment.
- E. The City Council is not reviewing the employees' time sheets or the daily work logs before payroll checks are written. A member of the City Council should review and approve the employees' time sheets and daily work logs before payroll checks are written to ensure that payroll disbursements are proper and that the computation of leave benefits for annual, sick, and compensatory time is correct and in accordance with City policy.

Recommendation:

- A. The City Council should appoint an independent person to periodically review receipts against deposits and to prepare the monthly bank reconciliation.
- B. The City Council should ensure that two signatures are required on all checks written.
- C. The City Council should have at least a member to review and approve all invoices before a check is written and before the entire council approves the corresponding bills for a month at its council meeting.
- D. The City Council should require that the invoices be marked as paid with the date paid and check number to ensure that the invoices are appropriately canceled to prevent reuse.
- E. The City Council should have at least a member to review the employees' time sheets and daily work logs before payroll checks are written.

Response:

The City Council agrees.

**5. Authorization of Certificates of Deposit**

Finding:

The City Council approved the investment of two certificates of deposit in July 2005 at an outside banking institution; however, the City Council did not properly include at least two members for the purchase and redemption of the certificates. The certificates were purchased only with the signature of the former City Clerk and required the City to reauthorize signatures of City Council members for future redemption of the certificates. This weakness in internal control subjects the City to possible loss of assets and a misstatement in the financial statements.

Recommendation:

The City Council should ensure that at least two members are listed as authorized signatures on future certificates of deposits purchased by the City.

Response:

The City Council agrees.

**6. Filing of Quarterly Federal Tax Reports**

Finding:

The City did not file a combined federal 941 tax report each quarter but instead filed separate reports for each City fund from where payroll taxes were withheld. This resulted in continuous notices from the Internal Revenue Service on amounts overpaid by the City because the Internal Revenue Service could not match the total amount deposited against the amounts remitted. The City replied in letters trying to explain the system of filing separate reports but only one combined 941 report is required for each federal identification number. This could result in a potential receipt of monies from the Internal Revenue Service that may not be properly recorded in the City's financial accounting system.

Recommendation:

The City Council should require the City Clerk to file only one combined federal 941 report combining all federal taxes paid from the various City funds.

Response:

The City Council agrees.

Other weaknesses noted for the year ended June 30, 2007, that are not considered significant deficiencies or material weaknesses but are deserving of attention by the City are as follows:

**7. City Council Meeting Procedures**

Finding:

A review of the City council meeting procedures and minutes noted that the public notices of City council meetings were not properly retained and could not be located, the City council meeting minutes from July through September 2006 were not signed by the former Mayor or another City council person, the City council meeting minutes only list the council members present but do not list the members that are absent, and the closed session meetings held did not properly state in the minutes the appropriate subsection of the statutes under Section 610.021 for holding a closed session meeting. Observation of the City council meeting minutes also noted that a City council person did not abstain from voting on the approval of buying a used vehicle for the City from himself, and another City council person has not abstained from approving the monthly invoices for the purchase of goods and services by the City from relatives that own a local store.

Recommendation:

The City Council should ensure that all public notices are properly retained, the council meeting minutes list the members absent as well as present, the meeting minutes give the appropriate subsection of state law when voting to go into a closed session, and that council members appropriately abstain from voting on any matters that may represent a conflict of interest.

Response:

The City Council agrees.

**8. Banking Accounts and Investment Procedures**

Finding:

- A. The City has approximately 14 separate bank accounts for different funds of the City that are not considered necessary. The bank accounts required either by the bond covenant and the City ordinances are the Debt Service Fund and the Water and Sewer Fund. The remaining bank accounts could be combined into a general checking account for ease of maintaining records and to save monies on banking expenses.
- B. The City does not maintain a detailed investment ledger of all certificates of deposits purchased for each fund held by the City. This ledger should include the date purchased, date reinvested, and date redeemed; amount of purchase; interest earned each time paid by the bank; and the perpetual balance. Because of the lack of an

appropriate investment ledger, the City did not include the proper balances of some certificates of deposits in a few funds at June 30, 2007 on its balance sheets.

- C. The City has not developed a written investment policy in accordance with Section 30.950 of Missouri state law. This policy is required of all political subdivisions to ensure investment procedures are in accordance with state laws.

Recommendation:

- A. The City Council should review the number of banking accounts the City actually is required to have and reduce the number of accounts accordingly.
- B. The City Council should require that a detailed investment ledger be maintained for all certificates of deposits purchased by the City.
- C. The City Council should adopt a written investment policy in accordance with state law.

Response:

The City Council agrees.

**9. Use of Change Fund**

Finding:

The City does not have a separate petty cash fund to use for miscellaneous and emergency small purchases. Presently, the City holds some cash in the drawer for change but is also used for small purchases such as stamps. The City should designate an amount necessary for just a change fund to maintain at a set amount and to establish a separate petty cash fund to use for small purchases and to keep a petty cash ledger regarding the use and replenishment of this fund.

Recommendation:

The City Council should establish and maintain a separate change fund in a set amount and a petty cash fund in a set amount for use of minor purchases. Petty cash vouchers or a ledger should be maintained over the activity of this petty cash fund.

Response:

The City Council agrees.

This report is intended solely for the information and use of the Mayor and City Council, management, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Casey and Company, LLC*

Casey and Company, LLC  
Certified Public Accountants  
Columbia, Missouri