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**CITY OF PARKVILLE, MISSOURI**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

# CITY OF PARKVILLE, MISSOURI

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## **INDEPENDENT AUDITOR'S REPORT**

Honorable Mayor and Board of Aldermen  
City of Parkville, Missouri

I 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 Parkville, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, and the schedule of funding progress as listed in the table of contents presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bruce Culley  
Certified Public Accountant

Gladstone, Missouri  
August 5, 2015

# CITY OF PARKVILLE, MISSOURI

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Parkville, we offer readers of the City of Parkville's financial statements this narrative overview and analysis of the financial activities of the City of Parkville for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

### Financial Highlights

1. The City's total net position increased by \$549,202. The net position increase is found in governmental activities where there is a positive \$371,541 net change, and a positive \$177,661 increase in net position reported in business-type activities. The only business type activity operated by the City is the sewer system. The City's total net position increased \$868,148 in 2013 (\$839,404 increase in government activities and \$29,108 in business type activities).
2. The City refinanced the temporary notes on the Brush Creek Sewer Project and Brink Myers Road Project into long term bonds. The City now has twenty year financing on both projects. The first assessments were due December 31, 2014, for debt payments beginning in 2015. Approximately 40% of total assessments were paid. The City is vigorously pursuing its options to enforce payment and is financially positioned to cover all debt payments in the interim with emergency reserves if needed.
3. The City continued to pay down its existing debt aside from the temporary notes as indicated above. Debt connected with the general government activities decreased \$520,000 and the debt connected with the business activities decreased \$150,590.
4. As of the close of the current year, the City's government funds showed a combined ending balance of \$5,761,810, an increase of \$1,116,218 from the prior year. Much of the increase comes from the debt refinancing requiring that debt reserve funds. In 2013, the City showed a decrease in government funds of \$178,988.
5. Major capital expenditures were made to complete the Brink Myers Road Project. The City spent money for some equipment and made a major expenditure on a park building.
6. The City completed a major sewer plant expansion in 2014. The project involves construction of a UV disinfectant chamber to meet EPA requirements.
7. Subsequent to December 31, 2014, the City retired the capital lease connected with the sewer plant that provided a good use of funds.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; government-wide financial statements (Pages 12 through 13), fund financial statements (Pages 14 through 22), and notes to the financial statements beginning on Page 23. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* (Pages 12 – 13) are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* (Page 12) presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* (Page 13) presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e. g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, economic development, and culture and recreation. The business-type activities of the City include sewer service.

**Fund Financial Statements** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as *on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual major or governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, transportation special revenue fund, capital projects fund, debt service fund, and the reserve fund, each of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund for the operation of the sewer department. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Pages 14 through 18 of this report.

***Proprietary Funds*** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sewer service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund is a major fund of the City.

The basic proprietary fund financial statements can be found on Pages 19 through 21 of this report.

***Agency Funds*** The agency funds held by the City are for court bonds paid by defendants and funds held in a settlement for property taxes payable in future years.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on Pages 23 through 51 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report presents certain *required supplemental information* concerning the City's infrastructure reporting. As recommended by American Public Works Association, the modified approach for infrastructure was developed as a compromise to provide an alternative to depreciating eligible infrastructure assets. The basic premise behind the modified approach is that no depreciation is incurred if infrastructure assets are being maintained or preserved at a certain level. The City provides an up-to-date inventory of eligible assets by location, type and physical parameters and performs replicable condition assessments, triennially. Results are

summarized using a measurement scale, seen on Pages 53 – 54 of this report. Estimated amounts needed to maintain and preserve these assets at the City’s established service level are budgeted for annually. This City has also provided information on the funding of its pension plan through LAGERS in this section of the audit.

The combining and individual fund statements referred to earlier in connection with non-major or governmental funds are presented on Pages 59 through 62 of this report.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$8,987,561 at the close of the most recent fiscal year.

**Governmental Activities** Governmental activities increased the City’s net position by \$371,541.

**Business-type Activities** During the year, the change in net position for business-type activities increased net assets by \$177,661. The net assets for business-type activities in the current fiscal year are \$3,400,421.

### **Financial Analysis of the Government’s Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As mentioned earlier in this analysis, at the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$5,761,810. Of that, \$2,954,499 is *non-spendable, restricted or assigned* for various purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year the general fund balance was \$1,296,496, an increase of \$336,062. As a measure of the general fund’s liquidity, it is useful to compare both unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 36% of total general fund expenditures. That compares favorably with a 28% of general fund expenditure in 2013.

The City’s fund balance of the general fund increased by \$336,061 during the current fiscal year. The City’s 2013 revenues and transfers in from other funds totaled \$4,318,432 which is \$158,345 higher than 2013. The City’s 2014 expenses and transfers out to other funds totaled \$3,982,080, which is \$112,242 less than 2013.

The debt service fund has a total fund balance of \$1,218,607, all of which is reserved for the payment of bond principal, interest and fees. There was a net increase in the debt service fund balance of \$98,525. Expenses in the debt service fund exceeded revenue by \$122,414. This was offset by transfers to the debt service fund of \$220,939.

The capital projects fund has a total fund balance of \$693,722. The notes payable in connection with Brink Myers Road Project and Brush Creek Sewer Project were refinanced during the year requiring large debt reserves.

The City uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF PARKVILLE, MISSOURI  
NET POSITION SUMMARY  
DECEMBER 31, 2014 AND 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Cash	\$ 5,816,263	\$ 4,872,416	\$ 1,175,331	\$ 1,106,308	\$ 6,991,594	\$ 5,978,724
Account Receivables	2,399,164	1,744,044	95,077	105,141	2,494,241	1,849,185
Capital Assets	16,334,878	16,399,235	3,862,277	4,119,971	20,197,155	20,519,206
Other Assets	84,969	244,779	1,839	82,499	86,808	327,278
Total Assets	<u>\$ 24,635,274</u>	<u>\$ 23,260,474</u>	<u>\$ 5,134,524</u>	<u>\$ 5,413,919</u>	<u>\$ 29,769,798</u>	<u>\$ 28,674,393</u>
Account Payables	\$ 260,731	\$ 478,014	\$ 43,398	\$ 259,545	\$ 304,129	\$ 737,559
Unearned Revenue	-	1,590,255	-	-	-	1,590,255
Bonds and Notes Payable	16,160,246	15,528,413	1,675,620	1,834,129	17,835,866	17,362,542
Other Liabilities	347,061	150,456	15,085	15,579	362,146	166,035
Total Liabilities	<u>16,768,038</u>	<u>17,747,138</u>	<u>1,734,103</u>	<u>2,109,253</u>	<u>18,502,141</u>	<u>19,856,391</u>
Deferred Inflows of Resources						
Property Taxes						
-Subsequent Year	<u>2,280,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,280,096</u>	<u>-</u>
Net Position	<u>5,587,140</u>	<u>5,513,336</u>	<u>3,400,421</u>	<u>3,304,666</u>	<u>8,987,561</u>	<u>8,818,002</u>
Total Liabilities and Net Position	<u>\$ 24,635,274</u>	<u>\$ 23,260,474</u>	<u>\$ 5,134,524</u>	<u>\$ 5,413,919</u>	<u>\$ 29,769,798</u>	<u>\$ 28,674,393</u>

**CITY OF PARKVILLE**  
**STATEMENT OF ACTIVITIES SUMMARY**  
**FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program Revenues						
Charges for Services	\$ 660,567	\$ 519,975	\$ 1,093,424	\$ 995,785	\$ 1,753,991	\$ 1,515,760
Capital Grants and Contributions	39,577	462,702	-	-	39,577	462,702
General Revenues						
Property Taxes	1,564,539	1,392,706	-	-	1,564,539	1,392,706
Franchise Taxes	1,048,320	846,520	-	-	1,048,320	846,520
Sales Taxes	1,569,034	1,408,629	-	-	1,569,034	1,408,629
Investment Earnings	25,189	36,372	-	-	25,189	36,372
Intergovernmental	369,860	317,827	-	-	369,860	317,827
Sewer Admin Fee	100,000	100,000	-	-	100,000	100,000
TIF	436,968	408,625	-	-	436,968	408,625
Other	109,959	159,071	8,981	10,404	118,940	169,475
Total Revenues	5,924,013	5,652,427	1,102,405	1,006,189	7,026,418	6,658,616
Expenses						
General Government	965,064	1,003,472	-	-	965,064	1,003,472
Public Safety- Police	1,132,022	1,098,927	-	-	1,132,022	1,098,927
Public Safety- Court	141,034	135,530	-	-	141,034	135,530
Public Works	812,168	1,030,345	-	-	812,168	973,772
Economic Development	252,486	274,998	-	-	3,050,288	3,211,701
Depreciation	251,002	243,545	-	-	251,002	243,545
Amortization	-	20,833	-	-	-	20,833
TIF	433,247	413,460	-	-	433,247	413,460
Interest and Fees	636,129	290,939	-	-	636,129	290,939
Other Capital Expenditures	421,874	154,291	-	-	421,874	154,291
Financing Costs	182,044	174,616	-	-	182,044	174,616
Brink Meyer Road Expense	316,466	-	-	-	316,466	-
Other	8,936	-	-	-	8,936	-
Sewer	-	-	924,744	949,512	924,744	949,512
Total Expenses	5,552,472	4,840,956	924,744	949,512	6,477,216	5,790,468
Change in Net Assets Before Transfer	371,541	811,471	177,661	56,677	549,202	868,148
Transfer	-	27,569	-	(27,569)	-	-
Change in Net Assets After Transfer	\$ 371,541	\$ 839,040	\$ 177,661	\$ 29,108	\$ 549,202	\$ 868,148

**Proprietary Funds** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net position of the sewer service at the end of the year total \$3,400,421. The sewer fund had revenues exceeding expenditures by \$177,661 in 2014. This compares favorably with an increase in the net assets of \$29,108 in 2013.

### Capital Asset and Debt Administration

**Capital Assets** The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014, totals \$11,724,379. The largest capital expenditure was connected with a park building. The City completed work on two real estate projects during the year. The investment in the projects is shown on the Statement of Net Position as Land Held for Investments and the amount has been removed from Construction in Process.

#### City of Parkville, Missouri Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 869,880	\$869,880	\$ 59,975	\$ 59,975	\$ 929,855	\$ 929,855
Buildings and Improvements	3,284,127	3,310,108	2,255,875	1,973,411	5,540,002	5,283,519
Machinery and Equipment	299,263	335,087	48,825	72,315	348,088	407,402
Infrastructure	3,408,832	3,411,384	1,497,602	1,547,465	4,906,434	4,958,849
Construction in Process	-	8,472,776	-	466,805	-	7,743,129
Total	<u>\$ 7,862,102</u>	<u>\$16,399,235</u>	<u>\$3,862,277</u>	<u>\$ 4,119,971</u>	<u>\$11,724,379</u>	<u>\$20,519,206</u>

Additional information on the City's capital assets can be found in Note 5 of this report.

**Long-Term Debt** At the end of the current fiscal year, the City had total debt outstanding of \$17,876,408.

**City of Parkville, Missouri  
Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Certificates of Participation	\$ 4,900,000	\$ 5,150,000	\$ -	\$ -	\$ 4,900,000	\$ 5,150,000
NID Limited Obligation						
Temporary Notes	-	8,460,000	-	-	-	8,460,000
NID General Obligation Bonds						
River Park	1,755,000	2,025,000	-	-	1,755,000	2,025,000
Brink Meyer	5,596,310	-	-	-	5,596,310	-
Brush Creek	3,949,478	-	-	-	3,949,478	-
Revenue Bonds (SRF) 2004A	-	-	1,455,000	1,595,000	1,455,000	1,595,000
Capital Leases/ Lease-Purchase	-	-	149,350	159,940	149,350	159,940
Deferred Amounts	-	(106,587)	71,270	79,189	71,270	(27,398)
Total	<u>\$16,200,788</u>	<u>\$15,528,413</u>	<u>\$1,675,620</u>	<u>\$1,834,129</u>	<u>\$17,876,408</u>	<u>\$17,362,542</u>

The general government indebtedness increased \$672,375 and the business government indebtedness decreased \$158,509.

**Economic Factors and Next Year's Budgets and Rates**

City of Parkville revenue for 2015 is projected to show modest gains over 2014 as economy activity within the City and the region continues to improve. The City's property tax revenue will increase by about 2.8% over 2014. This continues a pattern of stable real estate values coupled with an increasing pace of new construction since 2011. A dramatic increase in residential construction began in early 2013 and is continuing into 2015, with new building permits being issued at a pace not seen since before the recession. At the same time, residential property sales have strengthened with the improving real estate market. This bodes well for City revenue for 2015 and beyond as the tax base continues to grow. Commercial construction has also continued to increase with several projects under development during 2015. These properties should produce additional property and sales tax revenue in future years. At the same time, vacancy rates for existing commercial properties have remained fairly stable, with sufficient market demand for vacated commercial space to maintain good occupancy levels. These increases in residential and commercial properties should add 2 to 3% to the property tax base for 2016. Since franchise taxes correlate with the number of homes and commercial buildings in use, this revenue should keep pace with continued development. The strong construction environment should ensure that building permit fee revenue reaches 2015 budget expectations.

While the overall economy has improved, the City's sales tax base has come under pressure from competition from businesses located outside the City, including expansion of a nearby specialty shopping district. The overall effects of this competition appear to have been minimal, with sales tax receipts for the first 5 months of 2015 exceeding the same 2014

period by nearly 5%, which, in turn, was up 5% over 2013. If this trend continues, 2015 sales tax revenue will be 6% or more above the level that was budgeted. Overall, the City's General Fund 2015 revenue is expected to reach or exceed the budgeted total.

As in prior years, the City has budgeted cautiously, holding 2015 revenue and expenditure budgets at near 2014 levels. However, City personnel remain optimistic, expecting overall modest, but positive growth in revenue for 2015. Revenue receipts for the first 5 months of 2015 give confidence that the budgetary goals will be met or exceeded. City expenditures are well within levels anticipated in the 2015 budget.

### **Contacting the City's Financial Management**

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Clerk's office, Parkville, Missouri.

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	2014		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,603,589	\$ 1,146,993	\$ 5,750,582
Restricted Cash and Investments	1,212,674	28,338	1,241,012
Receivables, Net of Allowance for Uncollectibles			
Taxes	2,388,636	-	2,388,636
Accounts	10,528	95,077	105,605
Deferred Charges	-	-	-
Prepaid Items	84,969	1,839	86,808
Land Held for Resale	8,472,776	-	8,472,776
Capital Assets Not Being Depreciated			
Land	869,880	59,975	929,855
Construction in Progress	-	-	-
Infrastructure	3,375,653	-	3,375,653
Capital Assets, Net of Accumulated Depreciation			
Buildings and Improvements	3,284,127	2,255,875	5,540,002
Machinery and Equipment	299,263	48,825	348,088
Infrastructure	33,179	1,497,602	1,530,781
Total Assets	<u>24,635,274</u>	<u>5,134,524</u>	<u>29,769,798</u>
<b>Liabilities</b>			
Accounts Payable and Other Current Liabilities	207,584	43,177	250,761
Wages Payable	53,147	221	53,368
Accrued Interest Payable	297,397	1,600	298,997
Customer Deposits	-	13,485	13,485
Unearned Revenue	-	-	-
Accrued Vacation	49,092	-	49,092
Other	572	-	572
Bonds and Notes			
Due Within One Year	566,869	164,045	730,914
Due in More Than One Year	15,593,377	1,511,575	17,104,952
Total Liabilities	<u>16,768,038</u>	<u>1,734,103</u>	<u>18,502,141</u>
Deferred Inflows of Resources			
Property Taxes - Subsequent Year	2,280,096	-	2,280,096
<b>Net Position</b>			
Invested in Capital Assets, Net of			
Capital Related Debt	174,632	-	174,632
Restricted for			
Debt Service	1,215,795	-	1,215,795
Capital Projects	693,771	-	693,771
Reserve	1,387,996	-	1,387,996
Endowment Fund	557,891	-	557,891
Unrestricted	1,557,055	3,400,421	4,957,476
Total Net Position	<u>\$ 5,587,140</u>	<u>\$ 3,400,421</u>	<u>\$ 8,987,561</u>

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

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital		Governmental Activities	Primary Government	
			Operating Grants and Contributions	Grants and Contributions		Business-type Activities	Total
<b>Primary government:</b>							
Governmental Activities							
General Government	\$ 965,064	\$ 382,582	\$ -	\$ 39,577	\$ (542,905)	\$ -	\$ (542,905)
Public Safety - Police	1,132,022	277,985	-	-	(854,037)	-	(854,037)
Public Safety - Court	141,034	-	-	-	(141,034)	-	(141,034)
Public Works	812,168	-	-	-	(812,168)	-	(812,168)
Economic Development	252,486	-	-	-	(252,486)	-	(252,486)
Depreciation	251,002	-	-	-	(251,002)	-	(251,002)
Amortization	-	-	-	-	-	-	-
TIF	433,247	-	-	-	(433,247)	-	(433,247)
Interest and Fees	636,129	-	-	-	(636,129)	-	(636,129)
Financing Cost	182,044	-	-	-	(182,044)	-	(182,044)
Brink Meyer Road Expense	316,466	-	-	-	(316,466)	-	(316,466)
Other Capital Expenditures	421,874	-	-	-	(421,874)	-	(421,874)
Miscellaneous	8,936	-	-	-	(8,936)	-	(8,936)
Total Governmental Activities	5,552,472	660,567	-	39,577	(4,852,328)	-	(4,852,328)
Business-type Activities							
Sewer	946,270	1,093,424	-	-	-	147,154	147,154
Total Business-type Activities	946,270	1,093,424	-	-	-	147,154	147,154
Total Primary Government	\$ 6,498,742	\$ 1,753,991	\$ -	\$ 39,577	(4,852,328)	147,154	(4,705,174)
General Revenues							
Property Tax					1,564,539	-	1,564,539
Franchise Tax					1,048,320	-	1,048,320
Sales Tax					1,569,034	-	1,569,034
Unrestricted Investment Earnings					25,189	-	25,189
Intergovernmental					369,860	-	369,860
Sewer Admin Fees					100,000	-	100,000
TIF					436,968	-	436,968
Other					109,959	8,981	118,940
Total General Revenues					5,223,869	8,981	5,232,850
Change in Net Assets					371,541	156,135	527,676
Transfer					-	-	-
Net Position, Beginning of the Year as Adjusted					5,215,599	3,244,286	8,459,885
Net Position, End of Year					\$ 5,587,140	\$ 3,400,421	\$ 8,987,561

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

**CITY OF PARKVILLE, MISSOURI  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

	General Fund	Reserve Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and Cash Equivalents	\$ 1,303,655	\$ 1,387,966	\$ 397,765	\$ 693,771	\$ 617,286	\$ 203,147	\$ 4,603,589
Restricted Cash Investments	-	-	10,833		642,540	559,301	1,212,674
Receivables, Net of Allowance for Uncollectibles							
Taxes	1,052,741	-	55,339	663,196	617,360	-	2,388,636
Accounts Receivable	5,080	-	-	-	-	5,448	10,528
Prepaid Items	84,969	-	-	-	-	-	84,969
Total Assets	<u>\$ 2,446,445</u>	<u>\$ 1,387,966</u>	<u>\$ 463,937</u>	<u>\$ 1,356,967</u>	<u>\$ 1,877,186</u>	<u>\$ 767,896</u>	<u>\$ 8,300,396</u>
<b>Liabilities and Fund Balance</b>							
<b>Liabilities</b>							
Accounts Payable	\$ 151,130	\$ -	\$ 51,031	\$ -	\$ 424	\$ 4,999	\$ 207,584
Wages Payable	53,147						53,147
Other Liabilities	572	-	-	-	-	-	572
Total Liabilities	204,849	-	51,031	-	424	4,999	261,303
<b>Deferred Inflows of Resources</b>							
Property Taxes Subsequent	945,100	-	10,833	663,196	660,967	-	2,280,096
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Prepays	84,969	-	-	-	-	-	84,969
<b>Restricted for</b>							
Capital Projects	-	-	402,073	-	-	-	402,073
Debt Service	-	-	-	693,771	1,215,795	-	1,909,566
<b>Assigned</b>							
Capital Purposes	-	-	-	-	-	557,891	557,891
<b>Unassigned</b>							
General Fund	1,211,527	1,387,966	-	-	-	-	2,599,492
Special Revenue	-	-	-	-	-	205,006	205,006
Total Fund Balances	<u>1,296,496</u>	<u>1,387,966</u>	<u>402,073</u>	<u>693,771</u>	<u>1,215,795</u>	<u>762,897</u>	<u>5,758,998</u>
Total Liabilities and Fund Balances	<u>\$ 2,446,445</u>	<u>\$ 1,387,966</u>	<u>\$ 463,937</u>	<u>\$ 1,356,967</u>	<u>\$ 1,877,186</u>	<u>\$ 767,896</u>	<u>\$ 8,300,396</u>

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

CITY OF PARKVILLE, MISSOURI  
 RECONCILIATION OF THE BALANCE SHEET OF THE  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 DECEMBER 31, 2014

*position*

Total Fund Balance in Governmental Fund Balance Sheet		\$ 5,758,998
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,862,101
Land Held for Resale		8,472,776
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2)		(16,160,246)
Accrued Interest Payable		(297,397)
Accrued Vacation		<u>(49,092)</u>
Net Position of Governmental Activities		<u>\$ 5,587,140</u>

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

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund		Reserve Fund		Transportation Special Revenue Fund		Capital Projects Fund		Debt Service Fund		Other Governmental Funds		Total Government Funds	
		\$		\$		\$		\$		\$		\$		\$
<b>Revenues</b>														
Taxes	\$ 2,935,260	\$ -	\$ 588,854	\$ -	\$ -	\$ 332,383	\$ 1,592	\$ 3,858,090						
Licenses and Permits	379,214	-	-	-	-	-	3,368	382,582						
Intergovernmental	66,584	-	303,276	-	-	-	-	369,860						
Charges for Services	35,907	-	-	-	-	-	-	35,907						
Fines and Fees	269,935	-	-	-	-	61	7,989	277,985						
Special Assessments	-	-	-	-	-	323,803	-	323,803						
Investment Earnings	6,626	-	-	-	93	11,248	7,222	25,189						
Grants	690	-	38,887	-	-	-	-	39,577						
TIF Revenue	-	-	-	-	-	-	436,968	436,968						
Sewer Service Fees	100,000	-	-	-	-	-	-	100,000						
Miscellaneous	41,246	-	22,575	-	-	-	10,231	74,052						
<b>Total Revenues</b>	<b>3,835,462</b>	<b>-</b>	<b>953,592</b>	<b>93</b>	<b>667,495</b>	<b>467,371</b>	<b>5,924,012</b>							
<b>Expenditures</b>														
<b>Current</b>														
General Government	955,395	-	250	-	-	-	8,115	963,760						
Public Safety - Police	1,174,585	-	-	-	-	-	6,016	1,180,601						
Public Safety - Court	141,034	-	-	-	-	-	-	141,034						
Public Works	834,418	-	-	-	-	-	354	834,772						
Economic Development	290,278	-	-	-	-	-	-	290,278						
Debt Service														
Principal	-	-	-	-	-	520,000	-	520,000						

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

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	General Fund	Reserve Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Government Funds
Interest	-	-	-	272,547	266,460	-	539,007
Other	-	-	-	-	3,449	-	3,449
TIF Expense	-	-	-	-	-	433,247	433,247
Financing Costs	-	-	-	182,044	-	-	182,044
Capital Outlay	-	-	489,424	-	-	5,754	495,178
Brink Meyer Expenses	-	-	-	-	-	316,446	316,446
Total Expenditures	<u>3,395,710</u>	-	<u>489,674</u>	<u>454,591</u>	<u>789,909</u>	<u>769,932</u>	<u>5,899,816</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	439,752	-	463,918	(454,497)	(122,414)	(302,562)	24,196
Other Financing Sources (Uses)							
Note Proceeds - Refinancing	-	-	-	9,552,021	-	-	9,552,021
Notes Retired - Refinancing	-	-	-	(8,460,000)	-	-	(8,460,000)
Transfers In	482,680	317,000	11,057	-	221,000	339,893	1,371,630
Transfers (Out)	(586,370)	-	(355,000)	(338,393)	(61)	(91,806)	(1,371,630)
Total Other Financing Sources	<u>(103,690)</u>	<u>317,000</u>	<u>(343,943)</u>	<u>753,628</u>	<u>220,939</u>	<u>248,088</u>	<u>1,092,021</u>
Net Changes in Fund Balances							
After Other Financing Sources	336,061	317,000	119,975	299,131	98,525	(54,474)	1,116,218
Fund Balance, Beginning of Year	960,434	1,070,966	282,099	394,641	1,120,082	817,371	4,645,593
Fund Balance, End of Year	<u>\$ 1,296,496</u>	<u>\$ 1,387,966</u>	<u>\$ 402,073</u>	<u>\$ 693,772</u>	<u>\$ 1,218,607</u>	<u>\$ 762,898</u>	<u>\$ 5,761,810</u>

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

**CITY OF PARKVILLE, MISSOURI  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2014**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances - Total Government Funds	\$ 1,116,218
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the net amount that depreciation exceeded capital outlays.	(64,357)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of portion, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This is the net amount of bond principal payments and retired certificates of participation.	520,000
Refinancing transaction in which the bond proceeds exceeded the bonds retired reported as increase in the fund balance.	(1,092,021)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(108,299)</u>
Change in Net Position of Governmental Activities	<u>\$ 371,541</u>

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

**CITY OF PARKVILLE, MISSOURI  
STATEMENT OF NET POSITION  
PROPRIETARY FUND - SEWER SERVICE  
DECEMBER 31, 2014**

<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 1,146,993
Restricted Cash and Investments	28,338
Accounts Receivable	95,077
Prepaid Items	<u>1,839</u>
Total Current Assets	1,272,247
Noncurrent Assets	
Capital Assets	
Land	59,975
Buildings and Improvements	5,305,693
Machinery and Equipment	254,441
Infrastructure	2,381,388
Less Accumulated Depreciation	<u>(4,139,220)</u>
Total Capital Assets	<u>3,862,277</u>
Total Noncurrent Assets	<u>3,862,277</u>
Total Assets	5,134,524
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable and Other Current Liabilities	43,177
Wages Payable	221
Accrued Interest Payable	1,600
Customer Deposits Payable	13,485
Current Portion of Revenue Bonds Payable	152,919
Current Portion of Leases Payable	<u>11,126</u>
Total Current Liabilities	<u>222,528</u>
Noncurrent Liabilities	
Revenue Bonds Payable, Net	1,373,351
Lease Payable	<u>138,224</u>
Total Noncurrent Liabilities	<u>1,511,575</u>
Total Liabilities	1,734,103
<b>Net Position</b>	
Invested in Capital Assets, Net of Related Debt	
Restricted	
Debt Service	
Unrestricted	<u>3,400,421</u>
Total Net Position	<u>\$ 3,400,421</u>

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

**CITY OF PARKVILLE, MISSOURI  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
PROPRIETARY FUND - SEWER SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Revenues	
Charges for Sales and Services	
Sewer Charges	<u>\$ 1,093,424</u>
Total Operating Revenues	1,093,424
Operating Expenses	
Management Contract	275,395
Administrative Fee	100,000
Water Department Charges	76,521
Depreciation and Amortization	257,695
Other Expenses	<u>189,262</u>
Total Operating Expenses	<u>898,873</u>
Operating Income	194,551
Non-operating Revenues (Expenses)	
Interest Revenue	4,361
Interest Expense	(25,871)
Other Income	4,620
Loan Fee	<u>-</u>
Total Net Non-operating Revenues (Expenses)	<u>(16,890)</u>
Change in Net Position	177,661
Net Position, Beginning of Year as Restated	<u>3,222,760</u>
Net Position, End of Year	<u><u>\$ 3,400,421</u></u>

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

**CITY OF PARKVILLE, MISSOURI  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND - SEWER SERVICE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Cash Flows from Operating Activities	
Receipts from Customers	\$ 1,103,488
Payments to Suppliers	<u>(859,065)</u>
Net Cash Provided by Operating Activities	244,423
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Capital Debt	(158,509)
Interest Paid on Capital Debt	(25,872)
Miscellaneous	<u>4,620</u>
Net Cash (Used) by Financing Activities	(179,761)
Cash Flows from Investing Activities	
Interest Received	<u>4,361</u>
Net Cash Provided by Investing Activities	<u>4,361</u>
Increase in Cash and Cash Equivalents	69,023
Cash, Beginning of Year	<u>1,077,970</u>
Cash, End of Year	<u><u>\$ 1,146,993</u></u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income	\$ 194,551
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation and Amortization Expenses	257,694
Changes in Assets and Liabilities	
Accounts Receivable	10,064
Accounts Payable	(216,368)
Accrued Interest	(494)
Prepays	(1,246)
Other	<u>222</u>
Net Cash Provided by Operating Activities	<u><u>\$ 244,423</u></u>

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

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**DECEMBER 31, 2014**

	<u>Municipal</u> <u>Court</u>	Legal <u>Settlement</u> <u>Fund</u>	<u>Total</u>
Assets			
Cash	\$ 21,354	\$ 95,957	\$ 117,311
Total Assets	<u>\$ 21,354</u>	<u>\$ 95,957</u>	<u>\$ 117,311</u>
Liabilities			
Due to Others	\$ 21,354	\$ 95,957	\$ 117,311
Total Liabilities	<u>\$ 21,354</u>	<u>\$ 95,957</u>	<u>\$ 117,311</u>

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

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The City of Parkville, Missouri (the City), is incorporated under the provisions of the State of Missouri as a fourth class city, which operates under an elected Mayor/Board of Aldermen form of government.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year following the year the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. A 90-day availability period is used for revenue recognition for all governmental fund revenues except property taxes for which a 30-day availability period is used. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Property taxes, sales taxes, franchise taxes, interest associated with the current fiscal period, and certain state and federal grants and entitlements are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City. While property taxes are shown on the balance sheet as current assets of the City, they are not recognized as revenue at year end because statutory provisions prohibit their use until the year for which they were raised and budgeted. Instead, they are offset by deferred revenue accounts.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued*

The City reports the following major governmental funds:

General Fund – This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Transportation Special Revenue Fund – This fund is used to account for the sales taxes collected and a county tax distribution for capital improvements and the expenditures for the related items.

Capital Projects Fund – This fund accounts for the financing and acquisition and construction of various citywide improvements. The fund is used to account for construction projects undertaken by the City. During 2014 the fund included receipts and disbursements on the Brink Meyer Road Project and Brush Creek Project.

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, principal and interest on long-term general obligation debt of governmental funds. Revenue and expenses for each of the several debt service obligations are kept separate and accounted for independently of the other obligations so that funds available for each debt service obligation are used only for that obligation.

Emergency Reserve Fund- This fund is used to account for financial reserves that are held by the City as a reserve for future projects or other needs.

The City reports the following major proprietary fund:

Sewer Service – This fund accounts for the provision of waste water and sewer services to the general public. All activities necessary to provide such services are accounted for in this fund, including administration, operations, maintenance, financing and related debt service, and billing and collection.

As a general rule the effect of inter-fund activity has not been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued*

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. Operating expenses for the sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

*Net Position Classifications*

In the city-wide financial statements, equity is classified as net position and displayed in three components:

1. **Net investment in capital assets** – Consisting of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.
2. **Restricted net position** – Consisting of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
3. **Unrestricted net position** – All other net position that do not meet the definition of “restricted” or “net investment in capital assets”.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Fund Balance Classifications*

The Governmental Accounting Standards Board (GASB) released Statement 54– “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) on March 11, 2009, which is effective for the City’s fiscal year ending December 31, 2014. This Statement is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications. Under GASB 54, fund balance is reported under the following five classifications:

1. **Non-spendable Fund Balance** – consists of amounts that are not in a spendable form or are required to be maintained intact.
2. **Restricted Fund Balance** – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for Debt Service and Restricted for Capital Projects balances reflect amounts that are restricted for debt service and construction or other capital outlay projects.
3. **Committed Fund Balance** – consists of amounts that can be used only for the specific purposes determined by a formal action of the District’s highest level of decision-making authority (the Board of Aldermen) and do not lapse at year end. The committed fund balance consists of general board reserves.
4. **Assigned Fund Balance** – consists of amounts intended for a specific purpose by the Board of Aldermen that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.
5. **Unassigned Fund Balance** – consists of any remaining fund balance that has not been reported in any other classification.

*Cash, Cash Equivalents and Investments*

Cash and investments of the individual funds are combined to form a pool which is managed by the Finance Department. Each fund's equity in the pool is included in "cash and cash equivalents" in the financial statements. Investment earnings, including interest income, are allocated to the funds required to accumulate interest. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Cash, Cash Equivalents and Investments – Continued*

Missouri state statutes authorize the City, with certain restrictions, to deposit funds in open accounts and certificates of deposit. Missouri state statutes also require that collateral pledged must have fair market value equal to 100% of the funds on deposit, less amounts insured by federal deposit insurance. Collateral securities must be held by the City or a disinterested third party and may include U.S. Government and government agency bonds and securities; general obligation bonds of any of the 50 states; general obligation bonds of any Missouri county, certain cities, and special districts; and revenue bonds of certain Missouri agencies. Obligations pledged to secure deposits are delivered to the banks' joint custody accounts at the custodial bank. Written custodial agreements are required that provide, among other things, that the collateral be held separate from the assets of the custodial bank.

*Statement of Cash Flows*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables and Payables*

All trade accounts receivable are shown net of an allowance for uncollectable. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of accounts receivable. At December 31, 2014, management determined that no allowance was necessary.

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds unearned revenue is reported as follows:

General Fund Property Tax Receivable	\$1,071,870
Debt Service Fund Property Tax Receivable	<u>617,380</u>
	<u>\$1,689,250</u>

*Property Taxes*

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

Property taxes are legally restricted for use in financing operations of the ensuing year. Accordingly, the City defers revenue recognition until the year for which they are to be used.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Property Taxes - Continued*

The City's property taxes are levied each November 1 based on the assessed value as of the prior January 1 for all real property and personal property located within the City. Property taxes are billed immediately following the levy date and considered delinquent after December 31 following the levy date. Assessed values are established by county assessors, subject to review by the county's Board of Equalization.

The City is permitted by Missouri state statutes to levy taxes up to \$1.00 per \$100 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt.

The tax levy per \$100 of assessed valuation which supports the 2014 budget was:

General Fund	\$ 0.4784
General Revenue - Temporary	<u>0.1759</u>
	<u>\$ 0.6543</u>

Taxes receivable represent property taxes levied for 2013 and prior years that have not yet been collected. The assessed value of property located within the City totaled \$195,553,232.

*Prepayments*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements. These items are reported in the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered non-spendable in an amount equal to the carrying value of the asset on the fund financial statements.

*Restricted Cash and Investments*

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

The City is statutorily required to maintain customer utility deposits separate from City assets. Restricted cash and investments are also set aside for debt service payments and for required debt reserves.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the City does not have any item that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position/fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arise under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, unavailable revenue is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Capital Assets*

Capital assets, which include property, plant, equipment, infrastructure (e.g., roads, bridges, sidewalks and similar items) and construction in progress are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

As the City is a Phase III government under Governmental Accounting Standards GASB 34, it has elected to exercise its option to forego retroactively reporting governmental infrastructure assets acquired prior to December 31, 2003. Governmental infrastructure assets on the statement of net assets include only roads, bridges, sidewalks and similar items acquired subsequent to December 31, 2003.

Capital assets, excluding land, are defined by the City as assets with a cost of more than \$2,500 and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

*Capital Assets – Continued*

Major outlays for capital improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed. If the expenditure is depreciable, it will be written off from the time it is put in service.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street network, storm drainage network, and pedestrian and vehicle bridges and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure network can be divided into subsystems. For example, the street network can be subdivided into pavement, curbs, gutters, sidewalks, land, medians, etc. These networks and subsystems are not delineated in the basic financial statements.

Governmental street and parking lot assets are reported using the modified approach as defined in GASB Statement 34 for infrastructure reporting of these assets. When using the modified approach, only those projects that add efficiency or capacity to street and parking lot assets are capitalized. Street and parking lot assets are not depreciated. Expenditures that preserve those assets are expensed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 – 40 years
Sewer Plant and Collection System	20 – 50 years
Machinery and Equipment	5 – 7 years

*Compensated Absences -Vacation*

City policies permit full-time employees to accumulate vacation time based on the number of years of service. Accumulated vacation payable is accrued when incurred in the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations and retirements.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

All vested vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

***Premium on Bonds Payable***

The premium on bonds payable at December 31, 2014 of \$488,620 (net of accumulated amortization of \$13,312) is being amortized over the term of the respective bonds using the straight line method. Amortization of the premium on bonds payable is included in interest and paying agent fees in the Statement of Revenues, Expenses and Changes in Net Position was \$211,654 for the year ended December 31, 2014.

***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs as of the bond issuance date. The face amount of debt issued is reported as a financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

*Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets (Page 15)*

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds”. The details of this \$(15,598,413) difference are as follows:

Bonds Payable	\$ (1,755,000)
Certificates of Participation Payable	(4,900,000)
Neighborhood Improvement District Limited General Obligation Bonds	(9,050,000)
Issuance Premium and Discount	<u>455,246</u>
Net Reconciling Item for Long-term Liabilities (Page 15)	<u>\$ (15,249,754)</u>
Other:	
Compensated Absences	(49,092)
Accrued Interest Payable	<u>(297,997)</u>
	<u>\$ (347,089)</u>

*Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Page 18)*

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this difference are as follows:

Capital Outlay:

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

Machinery and Equipment	\$ 113,341
Parks Building	73,304
Depreciation Expense	<u>(251,002)</u>
Net Reconciling Item for Capital	
Outlays/Depreciation (Page 18)	<u>\$ (64,357)</u>

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

*Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (Page 18)-Continued*

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

Refinancing of Brush Creek Sewer NID	
New Bond Indebtedness	\$ 5,375,000
Premium and Other Sources	227,543
Debt Retired with Refinancing	<u>(4,935,000)</u>
Total	<u>\$ 667,543</u>
Refinancing of Brink Meyer Road NID	
New Bond Indebtedness	\$ 3,675,000
Premium and Other Sources	290,287
Debt Retired with Refinancing	<u>(3,525,000)</u>
Total	<u>\$ 440,287</u>
Principal Repayments	
General Obligation Bonds	\$ 270,000
Certificates of Participation	<u>250,000</u>
Total	<u>\$ 520,000</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(5,419) difference are as follows:

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

Compensated Absences	\$ (5,620)
Amortization of Bond Discounts and Premium	(10,530)
Interest Expense	(97,122)
Other	<u>4,973</u>
Net Reconciling Item Relating to Certain Expenses (Page 18)	<u>\$ (108,299)</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgets and Budgetary Accounting*

Missouri statutes require that all political subdivisions of the State prepare an annual budget. Governmental funds required to have legally adopted annual budgets are the general fund, the special revenue funds, and the debt service fund. Legally adopted annual budgets are not required for the capital projects fund and the permanent fund.

Budgeted expenditures cannot exceed budgeted revenues and unencumbered positive fund balances as required by Section 67.010 RSMo. The appropriated budget is prepared by fund, function, and department. State statutes set the legal level of budgetary control at the fund level (i.e., the level at which expenditures may not legally exceed appropriations). Department heads may make transfers of appropriations within their departments. Upon written request, the City Administrator or the Board of Aldermen may by ordinance transfer part or all of any unencumbered appropriated balance from one department to another. The reported budgetary data represents the final approved budget as adopted by the Board of Aldermen. There were no amendments to the budget in 2014.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

As of December 31, 2014, the City had the following deposits and investments:

	Reported Amount / <u>Fair Value</u>
US Treasuries and Agency Securities	\$ 91,942
Deposits: Checking and Money Market	<u>6,899,652</u>
	<u>\$6,991,594</u>

Reconciliation of Government-wide Statement of Net Position to total deposits and investments:

Cash and Cash Equivalents	\$ 5,750,582
Restricted Cash and Investments	<u>1,241,012</u>
Total Deposits and Investments	<u>\$6,991,594</u>

*Interest Rate Risk*

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the City's practice to place operating funds in either money market accounts or savings accounts. All longer-term investments are placed in Treasury securities having relatively short maturities. These consist of funds whose use is restricted and are unlikely to be needed prior to maturity (e.g. the Fewson Trust).

**NOTE 4 – DEPOSITS AND INVESTMENTS- CONTINUED**

***Credit Risk***

Missouri statutes prohibit municipalities from investing in derivative, leveraged, or speculative securities. City agents invest funds for restricted debt reserves and unexpended debt proceeds in insured money market funds and CDs, including brokered CDs, whose value at maturity is guaranteed.

***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. As of December 31, 2014, the carrying amount of the City's deposits was less than pledged securities plus federal deposit insurance. It is City practice to require banks to provide collateral equal to any deposited amounts exceeding federal depository insurance limits.

***Custodial Credit Risk – Investments***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2014, the City's investments were not exposed to custodial credit risk.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 869,880	\$ -	\$ -	\$ 869,880
Construction in Progress	8,472,776	-	8,472,776	-
Infrastructure	<u>3,375,653</u>	-	-	<u>3,375,653</u>
Total Capital Assets not being Depreciated	12,718,309	-	8,472,776	4,245,533
Capital Assets being Depreciated				
Buildings and Improvements	4,153,323	73,304	-	4,226,627
Machinery and Equipment	1,993,661	113,341	-	2,107,002
Infrastructure	<u>44,663</u>	-	-	<u>44,663</u>
Total Capital Assets being Depreciated	6,191,647	186,645	-	6,378,292
Less Accumulated Depreciation for				
Buildings and Improvements	(843,215)	(99,285)	-	(942,500)
Machinery and Equipment	(1,657,298)	(150,441)	-	(1,807,739)
Infrastructure	<u>(10,208)</u>	<u>(1,276)</u>	-	<u>(11,484)</u>
Total Accumulated Depreciation	<u>(2,510,721)</u>	<u>(251,002)</u>	-	<u>(2,761,723)</u>
Total Capital Assets being Depreciated, Net	<u>3,680,926</u>	<u>(64,357)</u>	-	<u>3,616,569</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,399,235</u>	<u>\$ (64,357)</u>	<u>\$ 8,472,776</u>	<u>\$ 7,862,102</u>
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 59,975	\$ -	\$ -	\$ 59,975
Construction in Progress	<u>466,805</u>	-	(466,805)	-
Total Capital Assets not being Depreciated	526,780	-	(466,805)	59,975
Capital Assets being Depreciated				
Buildings and Improvements	4,838,888	466,805	-	5,305,693
Machinery and Equipment	254,441	-	-	254,441
Infrastructure	<u>2,381,388</u>	-	-	<u>2,381,388</u>
Total Capital Assets being Depreciated	7,474,717	466,805	-	7,941,522
Less Accumulated Depreciation for				
Buildings and Improvements	(2,865,477)	(184,341)	-	(3,049,818)
Machinery and Equipment	(182,126)	(23,490)	-	(205,616)
Infrastructure	<u>(833,923)</u>	<u>(49,863)</u>	-	<u>(883,786)</u>
Total Accumulated Depreciation	<u>(3,881,526)</u>	<u>(257,694)</u>	-	<u>(4,139,220)</u>
Total Capital Assets being Depreciated, Net	<u>3,593,191</u>	<u>209,111</u>	-	<u>3,802,302</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,119,971</u>	<u>\$ 209,111</u>	<u>\$ (466,805)</u>	<u>\$ 3,862,277</u>

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 5 - CAPITAL ASSETS - CONTINUED**

Depreciation expense related to the functions/programs of the primary government is as follows:

Governmental Activities	
General Government	\$ 122,127
Public Safety	56,436
Public Works	39,830
Parks	26,416
Nature Sanctuary	2,941
Public Information	<u>3,252</u>
Total Depreciation Expense	<u>\$ 251,002</u>
Business-type Activities - Sewer Operations	<u>\$ 257,695</u>

Construction in Progress consists of costs incurred to construct infrastructure assets (i.e. - streets, curbs, retaining wall, storm drainage network, and similar items) for two development projects: Brink Myers Road and Brush Creek Sewer. Both of these real estate developments are currently owned in part by financial institutions and developers and are at various stages of completion.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 6 - LONG-TERM OBLIGATIONS**

The following is a summary of the debt transactions (bonds, notes and leases) of the City for the year ended December 31, 2014:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b><u>Governmental Activities:</u></b>					
Certificates of Participation	\$ 5,150,000	\$ -	\$ (250,000)	\$ 4,900,000	\$ 270,000
Neighborhood Improvement District Limited Obligation Temp Notes	4,935,000	-	(4,935,000)	-	-
	3,525,000		(3,525,000)	-	
Less Deferred Amounts					
for Issue Discounts	(36,156)	-	2,782	(33,374)	(2,782)
for Deferred Refunding Difference	(70,431)	-	70,431	-	-
Neighborhood Improvement General Obligation Bonds					
River Park	2,025,000	-	(270,000)	1,755,000	275,000
Brush Creek Bond	-	5,375,000	-	5,375,000	-
Brush Creek Premium	-	227,454	(6,144)	221,310	11,377
Brink Meyer Bond	-	3,675,000	-	3,675,000	-
Brink Meyer Premium	-	274,478	(7,168)	267,310	13,274
Governmental Activity Liabilities	<u>\$ 15,528,413</u>	<u>\$ 9,551,932</u>	<u>\$ (8,920,099)</u>	<u>\$ 16,160,246</u>	<u>\$ 566,869</u>
<b><u>Business-type Activities:</u></b>					
Bonds payable					
Revenue Bonds (SRF) 2004A	\$ 1,595,000	\$ -	\$ (140,000)	\$ 1,455,000	\$ 145,000
Lease Purchase Agreement	159,940	-	(10,590)	149,350	11,126
Plus Deferred Amounts					
for Issue Premiums	79,189	-	(7,919)	71,270	7,919
Business-type Activity Long-term Liabilities	<u>\$ 1,834,129</u>	<u>\$ -</u>	<u>\$ (158,509)</u>	<u>\$ 1,675,620</u>	<u>\$ 164,045</u>

\$1,755,000 in general obligation debt shown above is special assessment debt with governmental commitment. For governmental activities, long-term debt is generally liquidated by the general fund. The Neighborhood Improvement District Limited Obligation Temp Notes shown above will in 2014 be refinanced as permanent financing as special assessment debt with governmental commitment.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED**

*General Obligation Bonds*

The City issues general obligation bonds to provide funds for the acquisition, construction and renovation of major capital assets.

General obligation bonds currently outstanding consist of the following:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments 2014</u>	<u>Outstanding December 31, 2014</u>
General Obligation Bonds					
Governmental Activities					
Series 2010	2.7% to 3.25%	\$ 2,785,000	3/1/2020	<u>\$ 270,000</u>	<u>\$ 1,755,000</u>
				<u>\$ 270,000</u>	<u>\$ 1,755,000</u>

On December 23, 2010, the City refinanced the 2001 General Obligation Bonds. The City issued \$2,785,000 of new bonds to retire the old bonds. The interest rates on the bonds vary from 2% to 3.25%. The annual requirements to amortize governmental activities general obligation bonds outstanding as of December 31, 2014, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 275,000	\$ 46,256
2016	280,000	40,700
2017	285,000	33,275
2018	295,000	24,575
2019	305,000	15,194
2020	<u>315,000</u>	<u>5,119</u>
	<u>\$ 1,755,000</u>	<u>\$ 165,119</u>

\$1,755,000 in general obligation debt shown above is special assessment debt with governmental commitment.

For governmental activities, long-term debt is generally liquidated by the general fund.

**CITY OF PARKVILLE, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

The State Constitution permits a city, by vote of two-thirds of the voting electorate, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not exceeding, in the aggregate, an additional 10% of the assessed value of taxable tangible property for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues and/or storm sewer systems, and purchasing or construction of waterworks, electric, or other light plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property. The City debt limit does not exceed the State Constitution limits. By Resolution No. 09-01-14, the City adopted a debt management policy to voluntarily limit its debt burden to no more than 80% of the limit prescribed by state law.

***Defeased Debt – Series 2004***

In prior years, the City defeased these bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the liability for the defeased bonds is not included in the City's financial statements.

***Certificates of Participation***

The City issued certificates of participation series 2006 in the original amount of \$6,405,000 with interest rates ranging from 3.5% to 4.4% and with a final maturity in 2027. Principal payments are scheduled annually ranging from \$75,000 to \$490,000. The balance at December 31, 2014, is \$4,900,000.

Proceeds from the certificates of participation were used for City Hall construction, Rush Creek stabilization, land acquisition and other scheduled capital improvements.

The annual requirements to amortize these certificates of participation are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 270,000	\$ 204,890
2016	290,000	193,758
2017	305,000	181,781
2018	330,000	168,840
2019	355,000	154,443
2020 – 2024	2,140,000	513,600
2025 – 2027	<u>1,210,000</u>	<u>109,120</u>
	<u>\$4,900,000</u>	<u>\$1,526,492</u>

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

*Neighborhood Improvement District Limited Obligation Bonds*

A. Brush Creek Sewer Project

During the year, the City refinanced the Brush Creek Sewer Project Temporary Notes by issuing long term bonds. The funds were used to retire the temporary notes by issuing long term bonds. The interest notes on the bonds vary from 3% to 4% based upon the maturity. The principal payments on the bonds vary from \$210,000 to \$765,000 in 2034, the maturity date of the bonds. The City issued 20 year bonds connected with the project. The annual requirements to amortize the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 228,663
2016	-	187,088
2017	210,000	183,938
2018	215,000	177,563
2019	220,000	171,038
2020 – 2024	1,210,000	749,888
2025 – 2029	1,425,000	538,981
2030 – 2034	<u>2,095,000</u>	<u>245,713</u>
	<u>\$5,375,000</u>	<u>\$2,482,875</u>

B. Brink Meyer Road Neighborhood Improvement District

During the year, the City refinanced the Brink Meyer Road Neighborhood Improvement District Temporary Notes by issuing long term bonds. The City issued twenty year bonds at initial notes. The interest rate on the bonds varies form 3% to 5% based upon the maturity. The principal payment on the bonds varies from \$140,000 to \$550,000 in 2034, the maturity date of the bonds. The annual requirements to amortize the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 180,874
2016	-	147,988
2017	140,000	145,888
2018	145,000	141,613
2019	150,000	137,188
2020 – 2024	810,000	614,988
2025 – 2029	955,000	466,594
2030 – 2034	<u>1,475,000</u>	<u>219,125</u>
	<u>\$3,675,000</u>	<u>\$2,054,258</u>

**CITY OF PARKVILLE, MISSOURI  
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED  
DECEMBER 31, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

*Revenue Bonds (SRF) 2004A*

The City issued Sewerage System Revenue Bonds Series 2004 in the original amount of \$2,750,000 with interest rates ranging from 3.0% to 5.25% and with a final maturity in 2025. Principal payments are scheduled annually ranging from \$30,000 to \$170,000. The balance at December 31, 2014, is \$1,455,000.

Bonds maturing on January 1, 2015, and thereafter may be called at the option of the City for redemption and payment prior to maturity in whole or in part on any date with the consent of the bondholder, or on each June 1 and December 1, commencing December 1, 2013, at the redemption price of 100% of principal amount of the bonds redeemed, plus accrued interest to the redemption date. Bonds maturing on January 1, 2019, January 1, 2020, and January 1, 2021, are not subject to redemption prior to maturity.

Series 2004A (SRF) Sewage System Refunding Revenue Bonds (SRF) are special, limited obligations of the City payable solely from, and secured by a pledge of, the net revenues. The taxing power of the City is not pledged to the payment of the bonds. The bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The annual requirements to amortize these bonds outstanding as of December 31, 2014, are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 145,000	\$ 72,938
2016	150,000	65,688
2017	150,000	58,188
2018	155,000	50,688
2019	160,000	42,550
2020-2024	<u>695,000</u>	<u>87,750</u>
	<u>\$ 1,455,000</u>	<u>\$ 377,802</u>

The Sewerage Revenue Bond ordinance requires that the Sewerage System Fund be accounted for in a separate Enterprise Fund. It also requires that, after sufficient current assets have been set aside to operate the system, all remaining monies held in the Sewerage System Fund be segregated and restricted in separate special reserves and accounts. In accordance with the bond ordinance, these bonds are serviced by the Sewerage System Fund operations and are included as a liability of that fund.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

Restricted assets of the principal and interest account are to be used for payment of current principal and interest on bonds. Restricted assets of debt service are available to pay principal and interest in the event of a deficiency in the principal and interest account. Restricted assets of the depreciation and replacement account are available to operate, maintain, or improve the system, call bonds or for payment of debt service in the event of a deficiency in other restricted assets.

***Lease Purchase Agreement***

In July 2003, the City entered into a lease-purchase agreement wherein the City sold its sewer plant for \$585,000 and leased it back for a period of twenty-two years. The proceeds from the lease-purchase were used to make certain improvements to the sewer plant property. Under the lease the City will have the full use of the property and will make rental payments, which will apply to the principal and interest under the lease.

Required payments under the lease purchase agreement on the sewer plant are as follows:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 11,126	\$ 7,330
2016	11,689	6,767
2017	12,281	6,175
2018	12,902	5,553
2019	13,555	4,900
2020 – 2024	78,794	13,486
2025 – 2027	13,555	225
	<u>\$ 149,351</u>	<u>\$ 44,436</u>

During the year the temporary notes on the Brush Creek Drainage and the Brink Meyer Road Neighborhood Improvement Districts were refinanced into permanent bond financing with a 20-year life. The Brush Creek funds were used to finance the costs of constructing sewer lines for the Brush Creek Sewer Area and other related improvements, including interest and issuance costs. The Brink Meyer funds were used for the Brink Meyer Road Neighborhood Improvement District for the extension of Brink Myers Road and the related retaining wall and the extension of electric and water utilities. The bonds constitute a valid and legally binding indebtedness of the City, payable from special assessments on property within the NIDs which is benefited by the improvements. The faith, credit and resources of the City are irrevocably pledged for principal and interest on the bonds if the assessments are inadequate to support annual debt payments. The first assessments were due December 31, 2014, with revenues dedicated for paying bond debt beginning in 2015. Although no assessments were collected for the Brink Meyer NID, approximately 64% of assessments were collected for the Brush Creek NID (the larger of the two

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED**

issues). All of the delinquent properties are owned by several bank subsidiaries due to foreclosures. While the City is vigorously pursuing its options to enforce payment of the assessments, there is considerable uncertainty as to when, and how much, of the outstanding and future assessments will be collected. Anticipating possible shortfalls with collections, the City has for the past several years accumulated reserves that, at current collection rates, will be sufficient to cover the NID debt payments through 2022, should that be necessary. Additional options are being developed that would extend the ability to cover payments for as long as may be necessary. While the City is confident that most if not all of the assessments will eventually be collected, the City is financially positioned to cover all debt payments in the interim, and as may be needed.

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. To protect itself against risks of loss, the City is a member of Midwest Public Risk of Missouri (MPR), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MPR operates as a purchasing pool and is not a joint venture activity of the City. The City has no control over budgeting, financing, management selection, or the governing body. MPR provides both conventional and self-insurance coverage for its members, including medical, dental, property, casualty, general liability, and workers' compensation. The City participates in property, casualty, general liability, and workers' compensation insurance coverage through MPR.

MPR manages the cash and investment pool, funded by insurance premiums, on behalf of its members. MPR's investment pool consists of interest-bearing deposits, U.S. Treasury strips, U.S. Governmental agency obligations, and collateralized mortgage obligations.

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year, and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year, and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment whether or not the City is a member of MPR at the time of such assessment. Management of the City is not aware of any deficit situation in MPR that would require an accrual of a liability as of December 31, 2013.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 7 – RISK MANAGEMENT – CONTINUED**

MPR's financial statements are presented in its Comprehensive Annual Financial Report for the year ended December 31, 2014.

There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded insurance coverage in any of the past three years.

*Investments – Trust Fund*

The City was the recipient of funds from a resident's estate during the calendar year 2002. One-half of annual earnings are distributed to the City to be used on various city capital projects. The funds were previously held by a trustee for the benefit of the City. In 2011, the City took over management of the fund as a Special Revenue Fund. By Resolution No. 12-01-13, the Board of Aldermen enacted a policy restricting the use of the fund to follow the intentions of the original donor of the fund. The balance of the annual net income after distributions to the City is reinvested in the principal of the fund. On December 31, 2014 the trust assets had an account balance of \$575,112.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

*Litigation*

The City is a defendant in various lawsuits relating to easements, condemnations and other matters as a result of the ordinary course of City activities. The City's management and legal counsel anticipate that the potential claims against the City not covered by insurance, if any, resulting from such matters would not materially affect the financial position of the City.

*Compliance with State Rules on Maximum Percent of Revenue Allowed from Traffic Fines*

Statement of compliance with State rules on maximum percent of revenue allowed from traffic fines in fulfillment of HB103, amending Section 302.341.2 RSMO, effective August 28, 2013, requiring municipalities to report the percent of annual general operating revenue derived from fines and court costs for traffic violations:

General Operating Revenue for 2014	\$4,708,008
All Fines and Court Costs from Traffic Violations Occurring with the City	\$ 260,790
Percent of Total Operating Revenue	5.52%

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

*Compliance with State Rules on Maximum Percent of Revenue Allowed from Traffic Fines- Continued*

The City Court software does not account separately for traffic fines and court costs from other police fines and court costs. However, since total Court revenue, including amended charges, from all sources for 2014 was 5.52% of the General Fund annual operating revenue, the traffic-related portion of that court revenue was 5.52% or less, which is well below the maximum percentage allowed.

**NOTE 9 – INTER-FUND TRANSACTIONS**

Inter-fund transfers for the year ended December 31, 2014, consisted of the following:

Transfer to Reserve Fund (Net)	<u>\$ 317,000</u>
Transfer from Capital Projects Fund (Net)	<u>\$(338,393)</u>
Transfer from Transportation Special Revenue Fund (Net)	<u>\$(343,943)</u>
Transfer to Debt Service Fund (Net)	<u>\$ 220,939</u>
Transfer to Non-Major Funds	<u>\$ 248,088</u>
Transfer from General Fund (Net)	<u>\$(103,690)</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 10 – PENSION PLAN**

*Plan Description*

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 10 – PENSION PLAN- CONTINUED**

LAGERS was created and is governed by statute, section RSMo. 70.600 – 70.755. As such, it is the system’s responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt.

The Missouri Local Government Employees Retirement system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

***Funding Status***

Full-time employees of the City contribute 4% of their gross pay to the pension plan. The June 30, 2013 statutorily required employer contribution rates are 3.7% (General) and 4.3% (Police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

***Annual Pension Cost (APC) and Net Pension Obligation (NPO)***

The subdivision’s annual pension cost and net pension obligation for the current year were as follows:

Annual Required Contribution	\$ 62,687
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	<u>62,687</u>
Actual Contributions	<u>62,687</u>
Increase (Decrease) in NPO	-
NPO Beginning of Year	-
NPO End of Year	<u><u>\$ -</u></u>

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 10 – PENSION PLAN- CONTINUED**

The annual required contribution (ARC) was determined as part of the February 29, 2012 and February 28, 2013 annual valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The amortization period as of February 29, 2012 was 30 years for the General division and 28 years for the Police division. The amortization period as of February 28, 2013 was 29 years for the General division and 26 years for the Police division.

Year Ended <u>June 30,</u>	<u>One-Year Trend Information</u>		Net Pension <u>Obligation</u>
	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	
2012	\$ 61,229	100.0%	\$ 0
2013	\$ 62,067	100.0%	\$ 0
2014	\$ 62,687	100.0%	\$ 0

The above assets and actuarial accrued liability do not include assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City, Missouri.

**NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES**

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES – CONTINUED**

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include highly liquid money market funds, U.S. Treasuries and exchange traded equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include fixed income securities and pooled investments. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the FAS 157 fair value hierarchy in which the fair measurements fall at December 31, 2014.

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level3)</u>
Government Securities:				
Trust Fund	\$ 91,942	\$ 91,942		

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 12 – SUBSEQUENT EVENTS**

The City has evaluated subsequent events through August 4, 2015, the date on which the financial statements were available to be issued.

The City entered into a lease purchase agreement for the sewer plant in prior years that expired in 2025. The City decided in February 2015 that it would be beneficial to retire the lease obligation based upon current interest rates and paid off the lease obligation. The City changed its classification with LAGERS from tier one to tier three.

**NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS**

- Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 – This statement will require the City to change the accounting for the pension costs related to the City’s participation in the Missouri Local Government Employees Retirement System (LAGERS). In addition, the City will also be recognizing a net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to the City’s proportionate share of the collective amounts in LAGERS.
- Statement No. 69, Government Combinations and Disposals of Government Operations – This statement is not likely to impact the City until there is a combination or disposal of operations that is subject to this guidance.
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees – Management will review the special assessment bonds to determine whether there are any changes required by this statement.
- GASBS No. 69, Government Combinations and Disposals of Government Operations, which is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, with earlier implementation encouraged.
- GASBS No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees, which is effective for reporting periods beginning after June 15, 2013, with earlier implementation encouraged.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 14 – RESTATEMENT OF BEGINNING BALANCES**

*Implementation of New GASB Pronouncements*

In 2014 the City adopted the following new accounting standard in order to conform to the following Governmental Accounting Standards Board Statement.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. The Statement reclassified items from assets or liabilities in the statement of financial position into the new categories of deferred outflow or deferred inflow of resources. As a result, costs related to the issuance of debt, previously deferred, were restated as if they had been reported as an outflow of resources when incurred.

The City did not accrue interest expense on temporary notes at the end of 2013 requiring an adjustment to accrued interest payable and net position. The impact on the financial statements was a decrease in beginning net position as follows:

	Statement of Activities	
	Governmental Activities	Business-type Activities
Net Position- January 1, 2014, as previously reported	\$5,513,336	\$3,304,666
Restatement of deferred charge for debt issuance costs	(143,043)	(81,906)
Deferred Refund Difference	(70,431)	-
Restatement of Interest Expense and Interest Payable	(84,263)	-
Net Position-January 1, 2013, restated	<u>\$5,145,168</u>	<u>\$3,222,760</u>

**NOTE 15 – INVESTMENT – LAND AND DEVELOPMENT COSTS**

Two projects that were classified as construction in progress at the end of 2013 were completed in 2014 and moved from temporary to permanent (20-year) financing. Upon completion in 2014, these projects, the Brush Creek Drainage Area Neighborhood Improvement District and the Brink Meyer Road Neighborhood Improvement District, were reclassified as capital assets, with the expenditures considered as investment in land and development costs. Assessments on the benefitted properties were levied in late 2014, with the first payments due on December 31, 2014.

**CITY OF PARKVILLE, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED**  
**DECEMBER 31, 2014**

**NOTE 15 – INVESTMENT – LAND AND DEVELOPMENT COSTS-CONTINUED**

The projects are intended to provide sewer and certain road services needed to enable residential and commercial development of several tracts of land in Parkville, and were begun in 2007. Several events and difficulties caused delays in completing the projects, including the financial and housing market collapses of the Great Recession. At the request of the developers, the initial phase of the Brush Creek project was expanded to include an additional tract, drawing out the construction by several years. The Brink Meyer project experienced construction difficulties which drew out that project as well. The final costs include both the construction costs and the temporary note refinancing costs, including capitalized interest.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information (RSI) includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Modified Approach to Infrastructure Reporting
- Budgetary Comparison Schedule – General Fund

**CITY OF PARKVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2014**

Information needed to support the use of the Modified Approach for Infrastructure Reporting:

**Street Assets**

The street condition rating is accomplished every other year or triennially. Every street of Parkville is visually rated for observed structural conditions to determine the level of preservation need. The field rating reflects the condition of the type of street or parking lot being reviewed. It is the City's goal to repair all streets rated at a 6.0 or above and to maintain all streets within the City at a service level of 5.0 or below for each respective type of street.

A field rating scale has been developed to indicate the overall condition of the observed street.

- 1 Indicates an equivalent of a newly constructed street (crack sealing and minor patching)
- 2 Indicates slight imperfections in the street condition (crack sealing, slurry sealing, and/or patching)
- 3 Indicates some deterioration has occurred and minor maintenance may be required (street needs various repairs to maintain condition; patches; possible milling and overlay)
- 4 Indicates noticeable deterioration maintenance is required (deterioration is significant and visually noticeable; repair mill and overlay)
- 5 Indicates significant maintenance is required (considerable cracking, potholes or other fatigue demands repair work and overlay)
- 6 Indicates serious deficiency (deterioration mandates edge milling, to prevent total base failure, needs overlay)
- 7 Indicates severe deficiency (severe deterioration needing various repairs)
- 8 Indicates major failure (some good street is left within a total replacement street or parking lot condition)
- 9 Indicates nearly total replacement is required (limited salvage of street or parking lot area is possible)
- 10 Indicates total replacement is required.

**CITY OF PARKVILLE, MISSOURI  
REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED  
DECEMBER 31, 2014**

While the City desires to maintain these systems at higher levels in order to avoid significant deferred maintenance costs, minimum acceptable condition levels have been defined as having at least 80 percent of the streets at or below a rating of 5. The following table compares the minimum acceptable conditions levels with the actual condition levels for current and prior years.

Fiscal Year	Number of Streets Rated	Number of Streets Rated ≤ 5	Actual Condition Level	Minimum Acceptable Condition Level
2001	149	140	94.0%	80.0%
2003	174	154	88.5%	80.0%
2005	186	175	94.1%	80.0%
2008	200	196	98.0%	80.0%
2011	203	199	98.0%	80.0%
2014	208	203	98.0%	80.0%

The City's goal is to continually improve the condition of its streets and parking lots. To achieve this goal, it is necessary to perform maintenance activities and replace those assets that can no longer be economically maintained. To maintain the City's streets and parking lots at or above the stated minimum condition level, it is estimated that annual preservation and replacement expenditures must exceed \$400,000 annually. A total of \$41,260 was spent out of the Transportation Fund. The expenditures were for crack seal project (\$17,564), street striping (\$6,902), street materials (\$9,010), and the curb and sidewalk program (\$7,784). The following table compares the budgeted expenditures planned to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

<u>Fiscal Year</u>	<u>Estimated Expenses</u>	<u>Actual Expenses</u>
2005	\$ 246,519	\$ 241,190
2006	\$ 292,227	\$ 292,579
2007	\$ 246,819	\$ 213,183
2008	\$ 256,481	\$ 246,886
2009	\$ 233,000	\$ 233,000
2010	\$ 234,000	\$ 190,172
2011	\$ 205,000	\$ 171,177
2012	\$ 205,000	\$ 193,150
2013	\$ 135,000	\$ 91,236
2014	\$ 245,000	\$ 41,260

**CITY OF PARKVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY DISCUSSION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Budgetary Accounting

The City prepares its budget for the General Fund and Other funds on the cash basis of accounting which approximates the accrual basis. Capital expenditures are budgeted and shown similar to the way the expenditures appear in the Statement of Revenues, Expenditures and Changes in Fund Balance. This basis is consistent with the basis of accounting used in presenting the General Fund in the basic financial statements. All unexpended appropriations lapse at year end.

Through the budget, the Board of Aldermen sets the direction of the City, allocates its resources and establishes its priorities. The Annual Budget assures the efficient and effective uses of the City's economic resources, as well as establishing that the highest priority objectives are accomplished.

The Annual Budget covers the period from January 1, to December 31, and is a vehicle that accurately and openly communicates these priorities to the community, businesses, vendors, employees and other public agencies. Additionally, it establishes the foundation of effective financial planning by providing resource planning, performance measures and controls that permit the evaluation and adjustment of the City's performance.

The City's budget is prepared and based on various expenditure categories; personnel, supplies and services, minor capital outlay and capital improvement programs. The first three listed are considered operational in nature or known as recurring costs. Capital improvement projects are asset acquisitions, facilities, systems, and infrastructure improvements typically over \$1,000 and/or those items 'outside' of the normal operational budget. These are known as one-time costs.

The City collects and records revenue and expenditures within the Governmental Activities. All funding sources are kept separate for both reporting and use of the money. The General Fund is where most City services are funded that are not required to be segregated.

The budget process begins as a team effort in August of each year. Then the individual departments use projected revenue assumptions to prioritize and recommend the next fiscal year's objectives. The City Administrator's Office review all budget proposals and revenue assumptions, as well as all current financial obligations before preparing the document that is proposed to the Board of Aldermen. The Board of Aldermen reviews the Proposed Budget and the final adoption of the budget is scheduled for approval in December.

**CITY OF PARKVILLE, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>			
Taxes	\$ 1,067,700	\$ 1,071,870	\$ 4,170
Licenses	40,900	47,469	6,569
Permits	201,000	331,745	130,745
Franchise Fees	837,000	779,169	(57,831)
Sales Taxes	910,000	1,084,221	174,221
Other Revenue	28,200	103,181	74,981
Court Revenue	290,000	269,935	(20,065)
Interest Income	22,000	6,626	(15,374)
Miscellaneous Revenue	37,000	41,246	4,246
Transfer In	<u>455,000</u>	<u>582,680</u>	<u>127,680</u>
Total Revenues	3,888,800	4,318,142	429,342
<b>Expenditures</b>			
Administration	909,886	907,279	2,607
Police	1,268,586	1,174,585	94,001
Municipal Court	147,313	141,034	6,279
Public Works	241,414	147,694	93,720
Community Development	335,366	290,278	45,088
Street Department	360,137	346,824	13,313
Parks Department	327,008	312,283	14,725
Nature Sanctuary	28,300	27,618	682
Channel 2 & Website	17,600	15,749	1,851
Transfer Out	538,000	538,000	-
IT	<u>46,900</u>	<u>34,167</u>	<u>12,733</u>
Total Expenditures	<u>4,220,510</u>	<u>3,935,509</u>	<u>285,001</u>
Excess of Revenues over Expenditures	<u>\$ (331,710)</u>	<u>\$ 382,633</u>	<u>\$ 714,343</u>

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

**CITY OF PARKVILLE, MISSOURI  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF FUNDING PROGRESS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION  
Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability Entry Age	(b-a) Un-funded Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
02-28-12	\$288,350	\$ 517,839	\$ 229,489	56%	\$1,491,820	15%
02-29-13	\$446,213	\$ 678,863	\$ 232,650	66%	\$1,546,387	15%
02-28-14	\$600,063	\$ 796,059	\$ 195,996	75%	\$1,586,224	12%

**OTHER SUPPLEMENTARY INFORMATION**

CITY OF PARKVILLE, MISSOURI  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	Special Revenue						
	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Court Recoupment Fees	Police Training Fees - LET	
Assets							
Cash and Cash Equivalents	\$ 3,281	\$ 404	\$ 42,781	\$ 45,794	\$ 38,892	\$ 46,262	
Restricted Cash and Investments	-	-	-	-	-	-	
Other Receivables	-	-	-	-	-	-	
Total Assets	\$ 3,281	\$ 404	\$ 42,781	\$ 45,794	\$ 38,892	\$ 46,262	
Liabilities							
Accounts Payable	\$ 1,530	\$ -	\$ -	\$ -	\$ 14	\$ 2,045	
Fund Balances							
Unreserved, Reported in:							
Special Revenue Funds	1,751	404	42,781	45,794	38,878	44,217	
Community Betterment	-	-	-	-	-	-	
Total Fund Balances	1,751	404	42,781	45,794	38,878	44,217	
Total Liabilities and Fund Balances	\$ 3,281	\$ 404	\$ 42,781	\$ 45,794	\$ 38,892	\$ 46,262	

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

CITY OF PARKVILLE, MISSOURI  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2014

	Special Revenue				Permanent Fewson Project	Total Nonmajor Governmental Funds
	TIF Development	Market Place Development	Police Shop	Total		
<b>Assets</b>						
Cash and Cash Equivalents	\$ 12,355	\$ 9,407	\$ 3,971	\$ 203,147	-	\$ 203,147
Restricted Cash and Investments	-	-	-	-	559,301	559,301
Other Receivables	5,448	-	-	5,448	-	5,448
<b>Total Assets</b>	<b>\$ 17,803</b>	<b>\$ 9,407</b>	<b>\$ 3,971</b>	<b>\$ 208,595</b>	<b>\$ 559,301</b>	<b>\$ 767,896</b>
<b>Liabilities</b>						
Accounts Payable	\$ -	\$ -	\$ -	\$ 3,589	\$ 1,410	\$ 4,999
<b>Fund Balances</b>						
Unreserved, Reported in						
Special Revenue Funds	17,804	9,407	3,971	205,006	-	205,006
Community Betterment	-	-	-	-	557,891	557,891
<b>Total Fund Balances</b>	<b>17,804</b>	<b>9,407</b>	<b>3,971</b>	<b>205,006</b>	<b>557,891</b>	<b>762,897</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,804</b>	<b>\$ 9,407</b>	<b>\$ 3,971</b>	<b>\$ 208,595</b>	<b>\$ 559,301</b>	<b>\$ 767,896</b>

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

**CITY OF PARKVILLE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue						
	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Court Recoupment Fees	Police Training Fees - LET	
Revenues							
Investment Earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
TIF Revenue	-	-	-	-	-	-	-
Legal Settlement	-	-	-	-	-	-	-
Miscellaneous	-	1,592	6,539	332	3,368	3,424	3,424
Total Revenues	-	1,592	6,539	332	3,368	3,424	3,424
Expenditures							
Current							
General Government	-	5,000	354	-	-	-	2,588
TIF Expense	-	-	-	-	-	-	-
Capital Outlay	1,530	-	4,225	-	-	-	-
Total Expenditures	1,530	5,000	4,579	-	-	-	2,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,530)	(3,408)	1,960	332	3,368	836	
Other Financing Sources (Uses)							
Other	-	-	-	-	-	-	-
Transfers In (Out)	-	1,500	-	-	-	-	-
Total Other Financing Sources	-	1,500	-	-	-	-	-
Net Change in Fund Balances	(1,530)	(1,908)	1,960	332	3,368	836	
Fund Balances, Beginning of Year	3,281	2,312	40,821	45,462	35,510	43,381	
Fund Balances, End of Year	\$ 1,751	\$ 404	\$ 42,781	\$ 45,794	\$ 38,878	\$ 44,217	

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

**CITY OF PARKVILLE, MISSOURI**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	Special Revenue					Total	Permanent Fewson Project	Total Nonmajor Governmental Funds
	Major Projects	TIF Development	Market Place Development	Police Shop				
<b>Revenues</b>								
Investment Earnings	\$ 188	\$ 100	\$ 10	\$ -	\$ 298	\$ 6,924	\$ 7,222	
TIF Revenue	-	436,968	-	-	436,968	-	436,968	
Legal Settlement	-	-	-	-	-	-	-	
Miscellaneous	3,360	-	-	4,565	23,180	-	23,180	
<b>Total Revenues</b>	<b>3,548</b>	<b>437,068</b>	<b>10</b>	<b>4,565</b>	<b>460,446</b>	<b>6,924</b>	<b>467,370</b>	
<b>Expenditures</b>								
<b>Current</b>								
General Government	-	-	-	3,428	11,370	3,115	14,485	
TIF Expense	-	431,609	1,638	-	433,247	-	433,247	
Capital Outlay	-	-	-	-	5,755	-	5,755	
Brink Meyer Expenses	316,446	-	-	-	330,143	-	330,143	
<b>Total Expenditures</b>	<b>316,446</b>	<b>431,609</b>	<b>1,638</b>	<b>3,428</b>	<b>766,818</b>	<b>3,115</b>	<b>769,933</b>	
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(312,898)</b>	<b>5,459</b>	<b>(1,628)</b>	<b>1,137</b>	<b>(306,372)</b>	<b>3,809</b>	<b>(302,563)</b>	
<b>Other Financing Sources (Uses)</b>								
Other	-	-	-	-	-	-	-	
Transfers In (Out)	249,520	-	-	-	251,020	(2,932)	248,088	
<b>Total Other Financing Sources</b>	<b>249,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>251,020</b>	<b>(2,932)</b>	<b>248,088</b>	
<b>Net Change in Fund Balances</b>	<b>(63,378)</b>	<b>5,459</b>	<b>(1,628)</b>	<b>1,137</b>	<b>(55,352)</b>	<b>877</b>	<b>(54,475)</b>	
<b>Fund Balances, Beginning of Year</b>	<b>63,378</b>	<b>12,345</b>	<b>11,034</b>	<b>2,834</b>	<b>260,358</b>	<b>557,014</b>	<b>817,372</b>	
<b>Fund Balances, End of Year</b>	<b>\$ -</b>	<b>\$ 17,804</b>	<b>\$ 9,406</b>	<b>\$ 3,971</b>	<b>\$ 205,006</b>	<b>\$ 557,891</b>	<b>\$ 762,897</b>	

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

**BRUCE D. CULLEY, C.P.A., P.C.**

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Certified Public Accountants

Member Missouri Society of  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

The Board of Directors  
City of Parkville  
Parkville, Missouri

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Parkville, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Parkville's basic financial statements, and have issued my report thereon dated July 5, 2015.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Parkville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Parkville's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Parkville's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Parkville's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bruce Culley  
Certified Public Accountant

Gladstone, Missouri  
August 5, 2015