 Berberich Trahan & Co.

CITY OF PARKVILLE, MISSOURI

BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006

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 YEAR ENDED DECEMBER 31, 2006

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BASIC FINANCIAL STATEMENTS
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CITY OF PARKVILLE, MISSOURI

LIST OF CITY OFFICIALS

December 31, 2006

MAYOR

Kathryn A. Dusenbery

ALDERMEN

Jim Brooks
Deborah Butcher
David McCoy
David Rittman
Marvin Ferguson
Jeffrey Bay
Marc Sportsman
Brian Atkinson

CITY ADMINISTRATOR

Joe Turner

CITY COLLECTOR

Loretta Stevens

TREASURER

Steve Berg



Berberich Trahan & Co.

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Board of Aldermen
City of Parkville, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 11, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Required Supplementary Information on pages 3 through 13 and 54 through 55, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introductory section and supplementary section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.

January 11, 2008

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, 2006. 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

- The assets of the City of Parkville exceeded its liabilities at the close of the most recent fiscal year by \$3,021,938 (net assets). Of this amount, \$652,888 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$427,799. The net assets increase is found in governmental activities where there is a positive \$567,774 net change. Conversely, a negative \$139,975 change in net assets is reported in business-type activities including Sewer and Grinder pump.
- As of the close of the current fiscal year, the City of Parkville's governmental funds reported combined ending fund balances of \$4,971,904, an increase of \$195,300 in comparison with the prior year. Nearly 17% of this total amount, \$842,290, is available for spending at the government's discretion (unreserved, undesignated fund balance).
- At the end of the current fiscal year, unreserved, undesignated fund balance for the general fund was \$464,767, or approximately 6.5% of total general fund expenditures.
- The City of Parkville's total debt, including compensated absences, increased by \$2,966,740, (29%) during the fiscal year. The key factors in this were the acquisition of a Certificates of Participation agreement to fund construction of a new city hall building.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Parkville's basic financial statements. The City of Parkville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Parkville's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net assets 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 of Parkville 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 of Parkville include general government, public safety, public works, economic development, and culture and recreation. The business-type activities of the City of Parkville include Sewer service and Grinder pump service.

The government-wide financial statements can be found on pages 14-15 of this report.

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 of Parkville, 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 of Parkville 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 of Parkville maintains sixteen individual 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, capital projects fund, and debt service fund, each of which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Parkville adopts an annual appropriated budget for its general fund. 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 16-21 of this report.

Proprietary funds. The City of Parkville 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 of Parkville used enterprise funds to account for its Sewer Service and for Grinder Pump operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Service and for the Grinder Pump operation, with the former considered to be a major fund and the latter a nonmajor fund of the City of Parkville.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

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 26-53 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 of Parkville'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 of Parkville 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 54-55 of this report. Estimated amounts needed to maintain and preserve these assets at the City's established service level are budgeted for annually.

The combining and individual fund statements referred to earlier in connection with nonmajor governmental funds are presented on pages 56-59 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Parkville, assets exceeded liabilities by \$3,021,938 at the close of the most recent fiscal year.

City of Parkville's Net Assets

	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$7,568,976	\$5,019,319	\$485,733	\$800,158	\$8,054,709	\$5,819,477
Capital assets	<u>5,717,663</u>	<u>21,930,096</u>	<u>5,032,617</u>	<u>3,202,945</u>	<u>10,750,280</u>	<u>25,133,041</u>
Total Assets	<u>13,286,639</u>	<u>26,949,415</u>	<u>5,518,350</u>	<u>4,003,103</u>	<u>18,804,989</u>	<u>30,952,518</u>
Long-term liabilities outstanding	10,088,077	6,949,484	3,162,304	3,344,157	13,250,381	10,293,641
Other liabilities	<u>2,499,829</u>	<u>147,476</u>	<u>32,841</u>	<u>60,805</u>	<u>2,532,670</u>	<u>208,281</u>
Total liabilities	<u>12,587,906</u>	<u>7,096,960</u>	<u>3,195,145</u>	<u>3,404,962</u>	<u>15,783,051</u>	<u>10,501,922</u>
Net assets:						
Invested in capital assets, net of related debt	(1,483,029)	14,854,689	2,097,133	(1,448,621)	614,104	13,406,068
Restricted	1,754,946	2,784,394	0	488,380	1,754,946	3,272,774
Unrestricted	<u>426,816</u>	<u>2,213,372</u>	<u>226,072</u>	<u>1,558,382</u>	<u>652,888</u>	<u>3,771,754</u>
Total net assets	<u>\$698,733</u>	<u>\$19,852,455</u>	<u>\$2,323,205</u>	<u>\$598,141</u>	<u>\$3,021,938</u>	<u>\$20,450,596</u>

A portion (\$1,754,946) of the City of Parkville's net assets represents resources that are subject to external restrictions on how they may be used. An additional portion of the City of Parkville's net assets (22 percent) reflect the balance of *unrestricted net assets* (\$652,888) that may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Parkville is able to report positive balances in all three categories of net assets

City of Parkville Changes in Net Assets

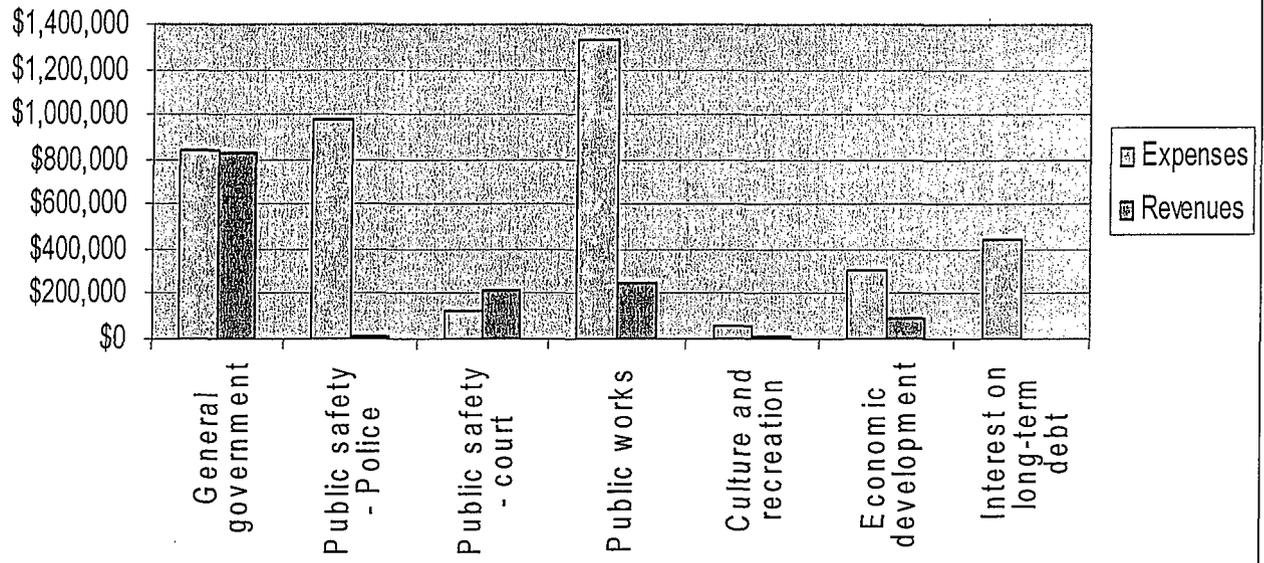
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$574,719	\$516,814	\$1,028,410	\$879,358	\$1,603,129	\$1,396,172
Operating grants and contributions	32,576	10,000	0	0	32,576	10,000
Capital grants and contributions	805,367	0	0	0	805,367	0
General revenues:						
Property taxes	1,030,254	1,516,922			1,030,254	1,516,922
Transportation taxes		328,709			0	328,709
Other taxes	4,101	138,848			4,101	138,848
Franchise taxes	496,479	481,617			496,479	481,617
Sales taxes	1,511,586	1,035,658			1,511,586	1,035,658
Other		94,489				94,489
Unrestricted investment earnings	<u>193,820</u>	<u>102,539</u>	<u>93,140</u>	<u>0</u>	<u>286,960</u>	<u>102,539</u>
Total revenues	<u>4,648,902</u>	<u>4,225,596</u>	<u>1,121,550</u>	<u>879,358</u>	<u>5,770,452</u>	<u>5,104,954</u>
Expenses:						
General government	843,143	747,370			843,143	747,370
Public safety – police	976,696	909,143			976,696	909,143
Public safety – court	125,744	145,688			125,744	145,688
Public works	1,331,631	917,033			1,331,631	917,033
Economic development	301,758	298,255			301,758	298,255
Culture and recreation	56,989	248,746			56,989	248,746
Interest on long-term debt	445,167	331,505			445,167	331,505
Sewer Grinder pump	<u>0</u>	<u>0</u>	<u>987,158</u>	<u>641,451</u>	<u>987,158</u>	<u>641,451</u>
Total expenses	<u>4,081,128</u>	<u>3,597,740</u>	<u>1,261,525</u>	<u>750,978</u>	<u>5,342,653</u>	<u>4,348,718</u>
Change in net assets	<u>567,774</u>	<u>627,856</u>	<u>(139,975)</u>	<u>128,380</u>	<u>427,799</u>	<u>756,236</u>
Net assets - 1/1/06	19,852,455	19,224,599	598,141	469,761	20,450,596	19,694,360
Prior period adjustments	<u>(19,721,496)</u>	<u>0</u>	<u>1,865,039</u>	<u>0</u>	<u>(17,856,457)</u>	<u>0</u>
Net assets - 1/1/06 (restated)	<u>130,959</u>	<u>19,224,599</u>	<u>2,463,180</u>	<u>469,761</u>	<u>2,594,139</u>	<u>19,694,360</u>
Net assets - 12/31/06	<u>\$698,733</u>	<u>\$19,852,455</u>	<u>\$2,323,205</u>	<u>\$598,141</u>	<u>\$3,021,938</u>	<u>\$20,450,596</u>

Governmental activities. Governmental activities increased the City of Parkville's net assets by \$567,774, whereas business-type activities decreased by \$139,975, affecting a total net gain of \$427,779. Key elements of this increase are as follows:

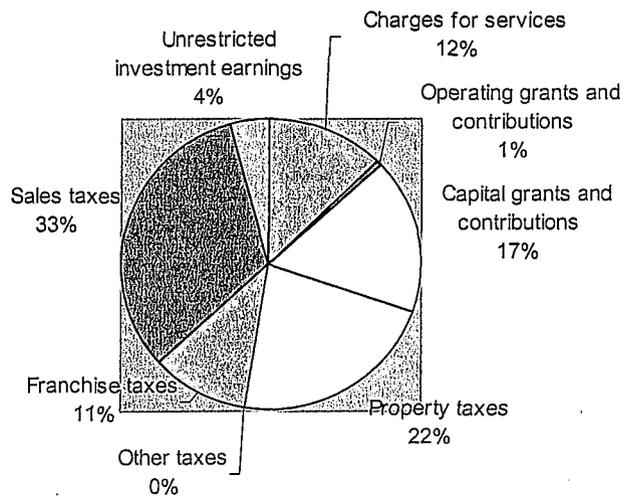
- In the Change in Net Assets table, property taxes report a decrease of \$486,668 in the current fiscal year. The \$1,516,922 reported for 2005, however, includes Parkville Special Road taxes (\$90,626) that are recorded in the Capital Improvement Fund in 2006. Also included in the 2005 figure is \$403,708 collected for River Park bond, sewer special assessments, and other taxes that are recorded in 2006 in Capital Grants. The actual increase in property taxes is \$7,664...less than one percent.
- Another main source of increase in net assets is the donation to the City of two newly constructed streets, Glenn Lane and Country Club Court, located in The National's neighborhood with accepted value of \$250,800.
- Operating grants for governmental activities increased by \$22,576. The new grant awards included a \$10,000 tree grant, \$19,865 Certificate of Participation receivable for reimbursement of 2006 Project Manager salary expenses and \$1320 survey overpayment that was refunded in 2007, and \$1,391 penalties for late payments of NID property assessments.
- Capital grants and contributions include the above-mentioned streets, a donation to the City of four acres of land valued at \$87,120, and a bulletproof vest grant for \$3,995. Recall, too, the River Park bond, sewer assessments, and Parkville Special Road District contributions are now recorded here and in 2006 they were \$324,088 and \$46,100 and \$93,265 respectively.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

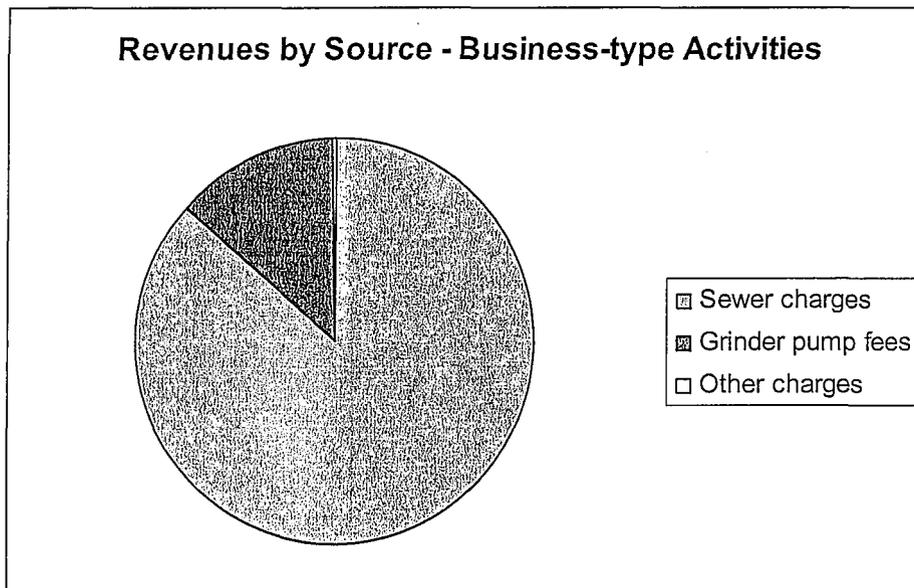
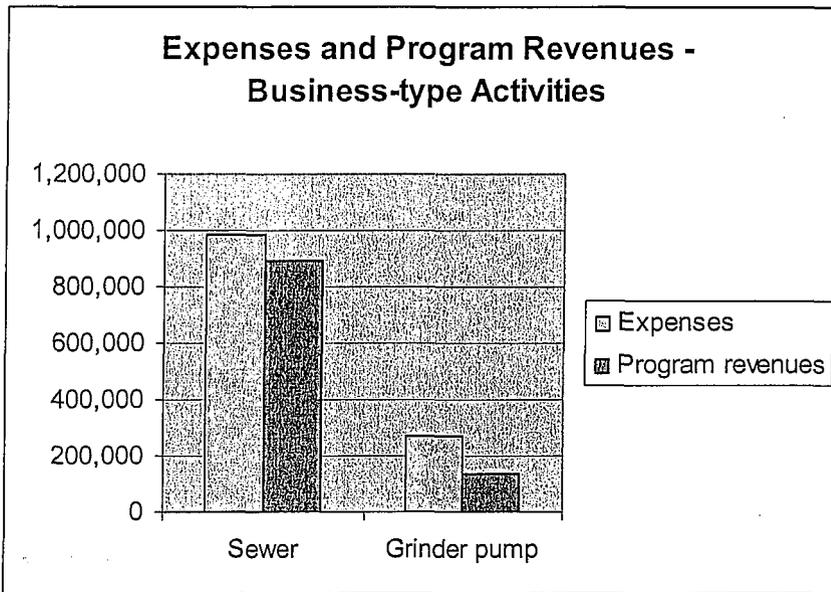
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Business-type activities. The change in net assets for business-type activities decreased the City of Parkville's net assets by \$139,975 due to costs of services greater than charges for services in both sewer and grinder pumps. The City experienced major repair costs involving grinder pumps in 2006, exceeding 2005 expenses by \$117,996. In addition, the sewer fund depreciation expense increased \$160,634 due to sewer plant improvements and grit chamber placed in service during 2006. Though prior period adjustments reduced net assets in governmental activities, they affected an increase in business-type net assets through reclassification of sewer infrastructure and buildings from governmental activities. The resulting net assets for business-type activities in the current fiscal year are \$2,323,205, approximately 77 percent of the total primary government activities.



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Parkville'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 of Parkville's financing requirements. In particular, unreserved fund balance 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 of Parkville's governmental funds reported combined ending fund balances of \$4,971,904. Of that, \$992,748 is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed to prepaid items in general fund and capital projects fund (\$961,578 for Rush Creek bank stabilization).

The general fund is the chief operating fund of the City of Parkville. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$464,767, while total fund balance reached \$495,937. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 15.6 percent of total general fund expenditures, while total fund balance represents 16.7 percent of that same amount.

The fund balance of the City of Parkville's general fund increased by \$52,181 during the current fiscal year. Overall expenditures and revenues were close to the amounts budgeted, however, the City benefited from an insurance settlement of approximately \$66,000 for losses experienced in prior years.

The debt service fund has a total fund balance of \$184,354, all of which is reserved for the payment of debt service. A net decrease in the fund balance during the current year of \$50,453 was due to the total revenues (taxes, special assessments, investment earnings, and miscellaneous) of \$611,873, and total expenditures (principal, interest, and fees) of \$662,326. This reduction was budgeted with the application of existing debt service funds toward bond payments. This was because the previous City Hall bonds were nearing maturity and reserves were no longer needed for that issue.

The capital projects fund has a total fund balance of \$3,553,262. The prepaid amount of \$961,578 included in this total is the payment made to the Corps of Engineers to stabilize the bank on Rush Creek. The remaining fund balance, \$2,591,684, is comprised of the following: \$1,820,000 committed to the completion of the new City Hall, \$659,000 is reserved for debt service, and \$112,684 will be used on capital projects deemed appropriate by the Board of Aldermen.

Proprietary funds. The City of Parkville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer Service at the end of the year amounted to \$441,200. The Grinder pump repair fund suffered a multitude of damage claims from homeowners along with normal maintenance costs resulting in a negative \$170,395 balance in total net assets. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Parkville's business-type activities.

General Fund Budgetary Highlights

There were no amendments to the general fund budget for the current fiscal year. Revenues were nearly one percent above projected figures and expenditures were three quarters of a percent below expected amounts.

General fund revenues were \$28,160 more than projected. Contributing factors include an increase in property taxes of \$11,830 due to new homes construction and \$20,479 increase in utilities franchise fees that increase due to exceptionally hot summers and/or cold winters. Revenues that fell below budget projections include sales taxes at \$81,427 less than expected which is indicative of the economy as a whole. Licenses and permit fees were also down due to a decline in new construction. Another area of note, fines and fees were \$62,375 less than budgeted and that decrease is attributed to a shortage of patrol personnel in the Police Department. Miscellaneous revenues show the greatest increase and is largely due to the insurance settlement mentioned earlier in this report.

General fund expenses were \$15,808 more than projected. The largest portion of costs over budget occurred in legal expenses due to litigations. In the parks and recreation area, new lights and electric pedestals were installed in English Landing Park and combined costs were approximately \$16,500. Also added to the park were new concrete BBQ pads at the shelter sites. Lastly, vehicle gas prices soared across the nation and the patrol cars gasoline expense exceeded that part of the budget by more than \$4,600.

Capital Asset and Debt Administration

Capital assets. The City of Parkville's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$10,750,280.

City of Parkville's Capital Assets (net of depreciation)

	Governmental	Business-type	Total
	activities	activities	
	2006	2006	2006
Buildings and improvements	\$1,102,829	\$3,531,210	\$4,634,039
Machinery and equipment	364,615	84,274	448,889
Infrastructure	43,387	1,309,204	1,352,591
Land	906,486	59,975	966,461
Construction in process	1,850,962	47,954	1,898,916
Infrastructure not being depreciated	1,449,384	0	1,449,384
Total	\$5,717,663	\$5,032,617	\$10,750,280

During 2006, the City entered into a lease agreement with First Bank of Missouri to construct a new City Hall. The construction started in the fall of 2006. The initial expenditures for the City during 2006 were \$1,749,303, including \$ 250,000 for land. Total project costs are estimated to be \$3,570,000.

Additional capital projects included \$292,579 for street asphalt overlay, and curb and sidewalk repairs.

The City also purchased approximately eight acres of land along the Missouri River to be developed for use as parks and recreation. The cost recorded was \$194,469, which included four donated acres valued at \$87,120.

Additional information on the City of Parkville's capital assets can be found in note 5, page 43 of this report.

Long-term debt. At the end of the current fiscal year, the City of Parkville had total debt outstanding of \$13,225,039.

	City of Parkville's Outstanding Debt General Obligation and Revenue Bonds					
	Governmental activities		Business-type activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$3,665,000	\$3,974,000			\$3,665,000	\$3,974,000
Accreted interest payable	65,000	61,832			65,000	61,832
Revenue bonds			\$2,815,000	\$2,985,000	2,815,000	2,985,000
Certificates of Participation	6,405,000	2,750,000			6,405,000	2,750,000
Capital leases/lease-purchase	53,353	88,725	221,686	228,819	275,039	317,544
Total	\$10,188,353	\$6,874,557	\$3,036,686	\$3,213,819	\$13,225,039	\$10,088,376

The City of Parkville's total debt increased by \$3,129,422 (31 percent) during the current fiscal year. During 2006 the City issued new Certificates of Participation in the amount of \$6,405,000. The 2004 Certificates of Participation were wrapped into this debt with \$2,863,767 placed in escrow to cover the 2004 debt obligation. The City, also, entered into a contract to build a new City Hall for the amount of \$3,570,000. Please see note 6 on page 44.

Economic Factors and Next Year's Budgets and Rates

For 2008, the City of Parkville is expecting Property Tax revenue to increase about 6.2%. This represents normal growth for the City of Parkville. Building permits are anticipated to remain constant at about \$160,000. The City is expecting Franchise fees to increase about 18% over 2007 budget due to telecommunications tax being collected. Before 2007 telecommunications companies were not paying the 5% fee on cell phones usage. The City expects Sales Tax to remain constant over 2007. Over all City of Parkville is expecting normal growth.

CITY OF PARKVILLE, MISSOURI

STATEMENT OF NET ASSETS

December 31, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and cash equivalents	\$ 930,043	\$ 5,092	\$ 935,135
Receivables, net of allowance for uncollectibles:			
Taxes	1,574,982	-	1,574,982
Accounts	36,309	109,431	145,740
Other	1,320	-	1,320
Restricted cash and investments	3,788,344	237,784	4,026,128
Deferred charges	245,230	133,106	378,336
Prepaid items	992,748	320	993,068
Capital assets not being depreciated:			
Land	906,486	59,975	966,461
Construction in process	1,850,962	47,954	1,898,916
Infrastructure	1,449,384	-	1,449,384
Capital assets, net of accumulated depreciation:			
Buildings and improvements	1,102,829	3,531,210	4,634,039
Machinery and equipment	364,615	84,274	448,889
Infrastructure	43,387	1,309,204	1,352,591
Total assets	13,286,639	5,518,350	18,804,989
Liabilities:			
Accounts payable and other current liabilities	1,063,818	14,082	1,077,900
Accrued interest payable	147,987	5,274	153,261
Customer deposits	-	13,485	13,485
Unearned revenue	1,288,024	-	1,288,024
Noncurrent liabilities:			
Due within one year	438,688	192,257	630,945
Due in more than one year	9,649,389	2,970,047	12,619,436
Total liabilities	12,587,906	3,195,145	15,783,051
Net assets:			
Invested in capital assets, net of related debt	(1,483,029)	2,097,133	614,104
Restricted for:			
Debt service	36,367	-	36,367
Capital projects	816,758	-	816,758
Other purposes	901,821	-	901,821
Unrestricted	426,816	226,072	652,888
Total net assets	\$ 698,733	\$ 2,323,205	\$ 3,021,938

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI
STATEMENT OF ACTIVITIES
Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 843,143	\$ 335,516	\$ 32,576	\$ 463,452	\$ (11,599)	\$ -	\$ (11,599)
Public safety - police	976,696	3,686	-	3,995	(969,015)	-	(969,015)
Public safety - court	125,744	219,932	-	-	94,188	-	94,188
Public works	1,331,631	-	-	250,800	(1,080,831)	-	(1,080,831)
Culture and recreation	56,989	15,585	-	-	(41,404)	-	(41,404)
Economic development	301,758	-	-	87,120	(214,638)	-	(214,638)
Interest on long-term debt	445,167	-	-	-	(445,167)	-	(445,167)
Total governmental activities	<u>4,081,128</u>	<u>574,719</u>	<u>32,576</u>	<u>805,367</u>	<u>(2,668,466)</u>	<u>-</u>	<u>(2,668,466)</u>
Business-type activities:							
Sewer	987,158	892,978	-	-	-	(94,180)	(94,180)
Grinder pump	274,367	135,432	-	-	-	(138,935)	(138,935)
Total business-type activities	<u>1,261,525</u>	<u>1,028,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,115)</u>	<u>(233,115)</u>
Total government	<u>\$ 5,342,653</u>	<u>\$ 1,603,129</u>	<u>\$ 32,576</u>	<u>\$ 805,367</u>	<u>(2,668,466)</u>	<u>(233,115)</u>	<u>(2,901,581)</u>
General revenues:							
Property tax					1,030,254	-	1,030,254
Franchise tax					496,479	-	496,479
Sales tax					1,511,586	-	1,511,586
Other taxes					4,101	-	4,101
Unrestricted investment earnings					193,820	93,140	286,960
Total general revenues					<u>3,236,240</u>	<u>93,140</u>	<u>3,329,380</u>
Change in net assets					<u>567,774</u>	<u>(139,975)</u>	<u>427,799</u>
Net assets, beginning of year, as previously stated					19,852,455	598,141	20,450,596
Prior period adjustments					<u>(19,721,496)</u>	<u>1,865,039</u>	<u>(17,856,457)</u>
Net assets, beginning of year, as restated					<u>130,959</u>	<u>2,463,180</u>	<u>2,594,139</u>
Net assets, end of year					<u>\$ 698,733</u>	<u>\$ 2,323,205</u>	<u>\$ 3,021,938</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2006

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 264,297	\$ 67,521	\$ 188,283	\$ 409,942	\$ 930,043
Receivables (net of allowance for uncollectibles):					
Taxes	1,018,435	-	556,547	-	1,574,982
Accounts	6,200	30,109	-	-	36,309
Other	-	-	-	1,320	1,320
Restricted cash and investments	-	3,283,916	-	504,428	3,788,344
Prepaid items	31,170	961,578	-	-	992,748
Total assets	\$ 1,320,102	\$ 4,343,124	\$ 744,830	\$ 915,690	\$ 7,323,746
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 78,514	\$ 789,561	\$ -	\$ 177,339	\$ 1,045,414
Accrued payroll liabilities	18,103	301	-	-	18,404
Deferred revenue	727,548	-	560,476	-	1,288,024
Total liabilities	824,165	789,862	560,476	177,339	2,351,842
Fund balances:					
Reserved for:					
Prepaid items	31,170	961,578	-	-	992,748
Unreserved, reported in:					
General fund	464,767	-	-	-	464,767
Special revenue funds	-	-	-	397,393	397,393
Capital projects funds	-	2,591,684	-	(163,470)	2,428,214
Permanent fund	-	-	-	504,428	504,428
Debt service fund	-	-	184,354	-	184,354
Total fund balances	495,937	3,553,262	184,354	738,351	4,971,904
Total liabilities and fund balances	\$ 1,320,102	\$ 4,343,124	\$ 744,830	\$ 915,690	\$ 7,323,746

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS

December 31, 2006

Total fund balance in Governmental Fund Balance Sheet	\$ 4,971,904
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.	5,717,663
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(9,990,834)</u>
Net assets of governmental activities	<u>\$ 698,733</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2006

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 2,670,382	\$ 138,513	\$ 229,424	\$ -	\$ 3,038,319
Licenses and permits	179,375	-	-	-	179,375
Intergovernmental	10,000	-	-	-	10,000
Charges for services	23,690	-	-	-	23,690
Fines and fees	212,885	-	-	-	212,885
Special assessments	-	93,265	370,187	-	463,452
Investment earnings	12,843	163,218	10,871	6,888	193,820
Contributions	3,995	337,920	-	-	341,915
Miscellaneous	143,840	21,185	1,391	19,030	185,446
Total revenues	<u>3,257,010</u>	<u>754,101</u>	<u>611,873</u>	<u>25,918</u>	<u>4,648,902</u>
Expenditures:					
Current:					
General government	728,450	-	-	20,528	748,978
Public safety - police	924,980	-	-	-	924,980
Public safety - court	125,448	-	-	-	125,448
Public works	873,855	58,773	-	-	932,628
Economic development	302,943	-	-	-	302,943
Debt service:					
Principal	3,600	-	309,000	63,795	376,395
Interest	-	-	350,107	3,586	353,693
Bond issuance costs	-	257,864	-	-	257,864
Other	-	-	3,219	-	3,219
Capital outlay	17,251	2,537,431	-	290,874	2,845,556
Total expenditures	<u>2,976,527</u>	<u>2,854,068</u>	<u>662,326</u>	<u>378,783</u>	<u>6,871,704</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 280,483</u>	<u>\$ (2,099,967)</u>	<u>\$ (50,453)</u>	<u>\$ (352,865)</u>	<u>\$ (2,222,802)</u>

(Continued)

CITY OF PARKVILLE, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
(Continued)

Year Ended December 31, 2006

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
Other financing sources (uses):					
Transfers in	\$ -	\$ 115,421	\$ -	\$ 112,881	\$ 228,302
Transfers out	(228,302)	-	-	-	(228,302)
Capital leases	-	-	-	32,023	32,023
Certificates of participation issued	-	6,405,000	-	-	6,405,000
Payment to refunded bond escrow agent	-	(2,863,767)	-	-	(2,863,767)
Bond discount	-	(58,412)	-	-	(58,412)
Total other financing sources (uses)	(228,302)	3,598,242	-	144,904	3,514,844
Net change in fund balances	52,181	1,498,275	(50,453)	(207,961)	1,292,042
Fund balances, beginning of year, as previously stated	1,045,894	2,054,987	729,407	946,312	4,776,600
Prior period adjustment	(602,138)	-	(494,600)	-	(1,096,738)
Fund balances, beginning of year, as restated	443,756	2,054,987	234,807	946,312	3,679,862
Fund balances, end of year	\$ 495,937	\$ 3,553,262	\$ 184,354	\$ 738,351	\$ 4,971,904

CITY OF PARKVILLE, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

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

Net change in fund balances - total governmental funds	\$ 1,292,042
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.	2,294,498
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(2,880,585)
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>(138,181)</u>
Change in net assets of governmental activities	<u>\$ 567,774</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL

Year Ended December 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues:			
Taxes:			
Property	\$ 789,000	\$ 800,830	\$ 11,830
Franchise	476,000	496,479	20,479
Sales	1,454,500	1,373,073	(81,427)
Intergovernmental	-	10,000	10,000
Licenses and permits	227,100	212,885	(14,215)
Charges for services	16,500	23,690	7,190
Fines and fees	241,750	179,375	(62,375)
Investment income	15,000	12,843	(2,157)
Miscellaneous	9,000	147,835	138,835
Total revenues	<u>3,228,850</u>	<u>3,257,010</u>	<u>28,160</u>
Expenditures:			
Administrative	541,382	728,450	(187,068)
Police	962,845	942,229	20,616
Court	161,097	125,448	35,649
Public works	73,486	66,603	6,883
Community development	316,295	302,943	13,352
Street	563,226	482,800	80,426
Parks	270,877	275,927	(5,050)
Neighborhood development	11,000	3,619	7,381
Nature sanctuary	8,600	11,188	(2,588)
Channel 2/website	36,640	27,270	9,370
Contingency	15,271	6,450	8,821
Debt service:			
Principal	-	3,600	(3,600)
Total expenditures	<u>2,960,719</u>	<u>2,976,527</u>	<u>(15,808)</u>
Excess of revenues over expenditures	<u>268,131</u>	<u>280,483</u>	<u>12,352</u>
Other financing uses:			
Transfers out	(268,131)	(228,302)	39,829
Total other financing uses	<u>(268,131)</u>	<u>(228,302)</u>	<u>39,829</u>
Net change in fund balances	<u>-</u>	<u>52,181</u>	<u>52,181</u>
Fund balances, beginning of year, as previously stated	-	1,045,894	1,045,894
Prior period adjustment	-	(602,138)	(602,138)
Fund balances, beginning of year, as restated	<u>-</u>	<u>443,756</u>	<u>443,756</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 495,937</u>	<u>\$ 495,937</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

December 31, 2006

	Major Fund	Non-Major Fund	
	Sewer Service	Grinder Pump Repair	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 5,092	\$ -	\$ 5,092
Accounts receivable	109,431	-	109,431
Restricted cash and investments	237,784	-	237,784
Due from other funds	215,128	-	215,128
Prepaid items	320	-	320
Total current assets	<u>567,755</u>	<u>-</u>	<u>567,755</u>
Noncurrent assets:			
Deferred charges	133,106	-	133,106
Capital assets:			
Land	59,975	-	59,975
Buildings and improvements	4,767,271	-	4,767,271
Machinery and equipment	194,406	49,703	244,109
Construction in progress	47,954	-	47,954
Infrastructure	1,847,350	-	1,847,350
Less accumulated depreciation	(1,929,072)	(4,970)	(1,934,042)
Total capital assets, net of accumulated depreciation	<u>4,987,884</u>	<u>44,733</u>	<u>5,032,617</u>
Total noncurrent assets	<u>5,120,990</u>	<u>44,733</u>	<u>5,165,723</u>
Total assets	<u>5,688,745</u>	<u>44,733</u>	<u>5,733,478</u>
Liabilities:			
Current liabilities:			
Accounts payable	14,082	-	14,082
Accrued interest payable	5,274	-	5,274
Accrued compensated absences	2,521	-	2,521
Customer deposits payable	13,485	-	13,485
Current portion of revenue bonds payable	175,000	-	175,000
Current portion of leases payable	7,495	-	7,495
Due to other funds	-	215,128	215,128
Total current liabilities	<u>217,857</u>	<u>215,128</u>	<u>432,985</u>
Noncurrent liabilities:			
Revenue bonds payable, net	2,763,097	-	2,763,097
Leases payable	214,191	-	214,191
Total noncurrent liabilities	<u>2,977,288</u>	<u>-</u>	<u>2,977,288</u>
Total liabilities	<u>3,195,145</u>	<u>215,128</u>	<u>3,410,273</u>
Net assets:			
Invested in capital assets, net of related debt	2,052,400	44,733	2,097,133
Unrestricted	441,200	(215,128)	226,072
Total net assets	<u>\$ 2,493,600</u>	<u>\$ (170,395)</u>	<u>\$ 2,323,205</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended December 31, 2006

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	Sewer Service	Grinder Pump Repair	Total
Operating revenues:			
Charges for sales and services:			
Sewer charges	\$ 889,213	\$ -	\$ 889,213
Grinder pump fees	-	135,432	135,432
Other charges	3,765	-	3,765
Total operating revenues	<u>892,978</u>	<u>135,432</u>	<u>1,028,410</u>
Operating expenses:			
Costs of sales and services	477,243	269,397	746,640
Administration	107,702	-	107,702
Depreciation	234,875	4,970	239,845
Total operating expenses	<u>819,820</u>	<u>274,367</u>	<u>1,094,187</u>
Operating income (loss)	<u>73,158</u>	<u>(138,935)</u>	<u>(65,777)</u>
Nonoperating revenues (expenses):			
Interest revenue	93,140	-	93,140
Interest expense	(167,338)	-	(167,338)
Total nonoperating revenues (expenses)	<u>(74,198)</u>	<u>-</u>	<u>(74,198)</u>
Change in net assets	<u>(1,040)</u>	<u>(138,935)</u>	<u>(139,975)</u>
Total net assets, beginning of year, as previously stated	629,601	(31,460)	598,141
Prior period adjustment	<u>1,865,039</u>	<u>-</u>	<u>1,865,039</u>
Total net assets, beginning of year, as restated	<u>2,494,640</u>	<u>(31,460)</u>	<u>2,463,180</u>
Total net assets, end of year	<u>\$ 2,493,600</u>	<u>\$ (170,395)</u>	<u>\$ 2,323,205</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended December 31, 2006

	Major Fund <u>Sewer Service</u>	Non-Major Fund <u>Grinder Pump Repair</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 848,663	\$ 143,726	\$ 992,389
Payments to suppliers	(493,031)	(280,462)	(773,493)
Payments to employees	(105,181)	-	(105,181)
Net cash provided by (used in) operating activities	<u>250,451</u>	<u>(136,736)</u>	<u>113,715</u>
Cash flows from financing activities:			
Advances (to) from other funds	<u>(186,439)</u>	<u>186,439</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Payments on leases payable	(7,133)	-	(7,133)
Acquisition and construction of capital assets	(161,460)	-	(161,460)
Purchases of capital assets	(28,739)	(49,703)	(78,442)
Principal paid on capital debt	(170,000)	-	(170,000)
Interest paid on capital debt	(133,572)	-	(133,572)
Net cash used in capital and related financing activities	<u>(500,904)</u>	<u>(49,703)</u>	<u>(550,607)</u>
Cash flows from investing activities:			
Interest received	<u>93,140</u>	<u>-</u>	<u>93,140</u>
Decrease in cash and cash equivalents	(343,752)	-	(343,752)
Cash, beginning of year	<u>586,628</u>	<u>-</u>	<u>586,628</u>
Cash, end of year	<u>\$ 242,876</u>	<u>\$ -</u>	<u>\$ 242,876</u>
Cash consists of:			
Cash and cash equivalents	\$ 5,092	\$ -	\$ 5,092
Restricted deposits and investments	<u>237,784</u>	<u>-</u>	<u>237,784</u>
	<u>\$ 242,876</u>	<u>\$ -</u>	<u>\$ 242,876</u>

(Continued)

CITY OF PARKVILLE, MISSOURI

STATEMENT OF CASH FLOWS
(Continued)

PROPRIETARY FUNDS

Year Ended December 31, 2006

	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	Sewer	Grinder Pump	
	Service	Repair	<u>Total</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 73,158	\$ (138,935)	\$ (65,777)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	234,875	4,970	239,845
Changes in assets and liabilities:			
Accounts receivable	(40,550)	8,294	(32,256)
Prepaid items	(17)	-	(17)
Accounts payable	(15,771)	(11,065)	(26,836)
Accrued compensated absences	2,521	-	2,521
Customer deposits payable	(3,765)	-	(3,765)
Net cash provided by (used in) operating activities	<u>\$ 250,451</u>	<u>\$ (136,736)</u>	<u>\$ 113,715</u>

See accompanying notes to basic financial statements.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2006

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 assets 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 are 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 for which they 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)

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 funds revenues except property taxes for which a 60-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)

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.

Debt Service – 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.

Capital Projects – This fund accounts for the financing and acquisition and construction of various citywide improvements.

The City reports the following major proprietary fund:

Sewer Service – This fund accounts for the provision of waste 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s sewer and grinder pump function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 and the grinder pump fund are charges to customers for sales and services. Operating expenses for the sewer fund and the grinder pump 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 nonoperating 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.

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.

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.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of accounts receivable. At December 31, 2006, management determined that no allowance was necessary.

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

General fund property tax receivable	\$ 727,548
Debt service fund property tax receivable	<u>560,476</u>
	<u>\$ 1,288,024</u>

Property Taxes

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.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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 2006 budget was:

General Fund	\$	0.4860
Capital Projects Fund		0.1838
Debt Service Fund		0.0618
		<hr/>
	\$	0.7316
		<hr/> <hr/>

Taxes receivable represent property taxes levied for 2006 and prior years that have not yet been collected, net of estimated uncollectibles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Cash and Investments

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.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

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 Board Statement No. 34 (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 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.

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. There was no interest capitalized during the year ended December 31, 2006.

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.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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
Infrastructure	35 years

Compensated Absences

City policies permit full-time employees to accumulate sick pay benefits and 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.

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as another financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes.

Concentration of Credit Risk

Unsecured credit is extended to customers for sewer and grinder pump fees. Credit is extended to citizens for special assessments levied by the City for capital improvements. These assessments are secured by loans on the related properties.

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)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

Beginning net assets for governmental activities on the statement of net assets were restated to reflect the removal of certain governmental infrastructure capital assets acquired prior to December 31, 2003, which are not required to be recorded in accordance with GASB 34 as the City is a Phase III government. The effect of this restatement on the beginning balance was a decrease of \$ 19,564,531 in the governmental activities on the statement of net assets which resulted from net capital assets being decreased by \$ 19,564,531. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to more accurately reflect the property and sales tax received. The effect of this restatement on the beginning balance was a decrease of \$ 1,224,565 in the governmental activities on the statement of net assets which resulted from unearned revenue being increased by \$ 1,304,505 and taxes receivable being increased by \$ 79,940. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for the sewer service major proprietary fund on the statement of revenues, expenses and changes in fund net assets and for business-type activities on the statement of net assets were restated to more accurately reflect the cash balance. The effect of this restatement on the beginning balance was an increase of \$ 35,424 in the sewer service major proprietary fund on the statement of revenues, expenses and changes in fund net assets and in the business-type activities on the statement of net assets which resulted from cash being increased by \$ 35,424. There was no effect on current revenue or expenses as a result of this adjustment.

Beginning net assets for the sewer service major proprietary fund on the statement of revenues, expenses and changes in fund net assets and for business-type activities on the statement of net assets were restated to reflect the reclassification of sewer infrastructure and buildings from governmental activities to business-type activities. The effect of this restatement on the beginning balance was an increase of \$ 1,829,615 in the sewer service major proprietary fund on the statement of revenues, expenses and changes in fund net assets and in the business-type activities on the statement of net assets which resulted from net capital assets being increased by \$ 1,829,615. There was no effect on current revenue or expenses as a result of this adjustment.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning fund balance in the general fund on the statement of revenues, expenditures and changes in fund balances was restated to reflect the removal of accrued compensated absences. The effect of this restatement on the beginning balance was an increase of \$ 64,927 in the general fund on the statement of revenues, expenditures and changes in fund balances which resulted from accrued compensated absences being decreased by \$ 64,927. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning fund balance in the general fund on the statement of revenues, expenditures and changes in fund balances was also restated to reflect the adjustments to property tax deferred and sales tax receivable. The effect of this restatement on the beginning balance was a decrease of \$ 667,065 in the general fund on the statement of revenues, expenditures and changes in fund balances which resulted from deferred revenue being increased by \$ 747,005 and taxes receivable being increased by \$ 79,940. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning fund balance in the debt service fund on the statement of revenues, expenditures and changes in fund balances was restated to reflect the adjustment to property tax deferred. The effect of this restatement on the beginning balance was a decrease of \$ 557,500 in the debt service fund on the statement of revenues, expenditures and changes in fund balances which resulted from deferred revenue being increased by \$ 557,500. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning fund balance in the debt service fund on the statement of revenues, expenditures and changes in fund balances was restated to remove accrued interest improperly accrued on long-term debt in prior years. The effect of this adjustment on the beginning balance was an increase of \$ 62,900 in the debt service fund on the statement of revenues, expenditures and changes in fund balances which resulted from accrued interest payable being decreased by \$ 62,900. There was no effect on current revenue or expenditures as a result of this adjustment.

Beginning net assets for governmental activities on the statement of net assets were restated to more accurately reflect the amount of accreted interest accrued. The effect of this adjustment on the beginning balance was an increase of \$ 10,000 in the governmental activities on the statement of net assets which resulted from accrued interest payable being decreased by \$ 10,000. There was no effect on current revenue or expenses as a result of this adjustment.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

1 - Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

Beginning net assets for governmental activities on the statement of net assets were restated to reflect the City's recognition of donated infrastructure assets. The effect of this adjustment on the beginning balance was an increase of \$ 1,057,600 in the governmental activities on the statement of net assets which resulted from capital assets being increased by \$ 1,057,600. There was no effect on current revenue or expenses as a result of this adjustment.

Pending Governmental Accounting Standards Board Statements

At December 31, 2006, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued in April 2004. The objective of this statement is to establish uniform financial reporting standards for other postemployment benefit plans (OPEB plans). The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. This statement provides standards for measurement, recognition, and display of the assets, liabilities, and, where applicable, net assets and changes in net assets of such funds and for related disclosures. The provisions of this statement are effective for periods beginning after December 15, 2007.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was issued in June 2004. This statement establishes standards for the measurement, recognition and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The term "other postemployment benefits" refers to postemployment benefits other than pension benefits and includes (a) postemployment healthcare benefits and, (b) other types of postemployment benefits (i.e., life insurance) if provided separately from a pension plan. The provisions of this statement are effective for periods beginning after December 15, 2008.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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

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 \$ (9,990,834) difference are as follows:

Bonds payable	\$ (3,730,000)
Certificates of participation	(6,405,000)
Capital leases	(53,353)
Accrued interest payable	(147,987)
Compensated absences	(69,121)
Issuance discount	55,630
Costs of issuance	245,230
Deferred refunding difference	<u>113,767</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (9,990,834)</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

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 \$ 2,294,498 difference are as follows:

Capital outlay	\$ 2,479,120
Depreciation expense	<u>(184,622)</u>
Net adjustment to increase net change in fund balances -total governmental funds to arrive at change in net assets of governmental activities	<u>\$ 2,294,498</u>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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 (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 \$ (2,880,585) difference are as follows:

Debt issued or incurred:	
Issuance of certificates of participation	\$ (6,405,000)
Capital leases	(32,023)
Bond issuance costs	257,864
Bond discounts	58,412
Deferred refunding difference	113,767
Principal repayments:	
Bonds	309,000
Certificates of participation	2,750,000
Leases	67,395
	<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ (2,880,585)

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 \$ (138,181) difference are as follows:

Compensated absences	\$ (4,194)
Accrued interest	(85,087)
Amortization of issuance costs	(38,675)
Amortization of bond discounts	(2,782)
Other assets	(4,275)
Accretion of interest-capital appreciation bonds	(3,168)
	<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$ (138,181)

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

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. Annual budgets for all governmental funds are adopted using the modified accrual basis of accounting, further modified by the encumbrance method of accounting, that is, commitments such as purchase orders, contracts and other commitments, in addition to disbursements and accounts payable are recorded as expenditures.

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 appropriate balance from one department to another.

The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Aldermen.

Deficit Fund Balance

The Brush Creek NID capital project fund had a deficit fund balance of \$ 163,470 as of December 31, 2006. The Grinder Pump Repair fund had deficit net assets of \$ 170,395 as of December 31, 2006.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

4 - Deposits and Investments

As of December 31, 2006, the City had the following deposits and investments:

	<u>Reported Amount/ Fair Value</u>
US Treasuries	\$ 481,889
Money market	22,539
Deposits	948,620
Guaranteed investment contracts	224,299
Federated treasury obligation fund (held in trust)	<u>3,283,916</u>
	<u>\$ 4,961,263</u>

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

Cash and cash equivalents	\$ 935,135
Restricted cash and investments	<u>4,026,128</u>
Total deposits and investments	<u>\$ 4,961,263</u>

Interest Rate Risk

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 practice to place operating funds in either money market accounts or Treasury Bills with 3 to 6 month maturities. All longer-term investments are placed in CD's or Treasury securities having maturities of 1 to 5 years. These consist of funds whose use is restricted and are unlikely to be needed prior to maturity (e.g. the Fewson Trust and Sewer Debt Reserve).

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

4 - Deposits and Investments

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 money market mutual funds, guaranteed investment contracts and repurchase agreements. The City's investments in money market mutual funds are rated AAA by Standard & Poor's, and the repurchase agreements and guaranteed investment contracts are unrated.

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, 2006, the carrying amount of the City's deposits was \$ 1,407,494. The City had bank balances of deposits of \$ 948,620 which were covered by federal depository insurance or by collateral held by the City's agent in the City's name. The City does not have a formal deposit policy for custodial credit risk. 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, 2006, the City's investments were not exposed to custodial credit risk.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 462,017	\$ 444,469	\$ -	\$ 906,486
Construction in progress	190,850	1,660,112	-	1,850,962
Infrastructure	1,198,584	250,800	-	1,449,384
Total capital assets not being depreciated	1,851,451	2,355,381	-	4,206,832
Capital assets being depreciated:				
Buildings and improvements	1,570,314	-	-	1,570,314
Machinery and equipment	1,106,379	82,942	(93,121)	1,096,200
Infrastructure	-	44,663	-	44,663
Total capital assets being depreciated	2,676,693	127,605	(93,121)	2,711,177
Less accumulated depreciation for:				
Buildings and improvements	(410,409)	(57,076)	-	(467,485)
Machinery and equipment	(694,570)	(126,270)	89,255	(731,585)
Infrastructure	-	(1,276)	-	(1,276)
Total accumulated depreciation	(1,104,979)	(184,622)	89,255	(1,200,346)
Total capital assets being depreciated, net	1,571,714	(57,017)	(3,866)	1,510,831
Governmental activities capital assets, net	\$ 3,423,165	\$ 2,298,364	\$ (3,866)	\$ 5,717,663
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 59,975	\$ -	\$ -	\$ 59,975
Construction in progress	2,535,280	161,460	(2,648,786)	47,954
Total capital assets not being depreciated	2,595,255	161,460	(2,648,786)	107,929
Capital assets being depreciated:				
Buildings and improvements	2,118,485	2,648,786	-	4,767,271
Machinery and equipment	194,406	49,703	-	244,109
Infrastructure	1,818,611	28,739	-	1,847,350
Total capital assets being depreciated	4,131,502	2,727,228	-	6,858,730
Less accumulated depreciation for:				
Buildings and improvements	(1,050,623)	(185,438)	-	(1,236,061)
Machinery and equipment	(141,578)	(18,257)	-	(159,835)
Infrastructure	(501,996)	(36,150)	-	(538,146)
Total accumulated depreciation	(1,694,197)	(239,845)	-	(1,934,042)
Total capital assets being depreciated, net	2,437,305	2,487,383	-	4,924,688
Business-type activities capital assets, net	\$ 5,032,560	\$ 2,648,843	\$ (2,648,786)	\$ 5,032,617

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

5 - Capital Assets (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:			
General government		\$	40,924
Public safety			33,094
Public works			63,958
Culture and recreation			46,646
			<hr/>
Total depreciation expense - governmental activities		\$	184,622
			<hr/> <hr/>
Business-type activities:			
Water and sewer		\$	234,875
Stormwater			4,970
			<hr/>
Total depreciation expense - business-type activities		\$	239,845
			<hr/> <hr/>

6 - Long-Term Obligations

The following is a summary of the debt transactions of the City for the year ended December 31, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 3,974,000	\$ -	\$ (309,000)	\$ 3,665,000	\$ 290,554
Accreted interest payable on capital appreciation bonds	61,832	3,168	-	65,000	34,446
Certificates of Participation	2,750,000	6,405,000	(2,750,000)	6,405,000	75,000
Less deferred amounts:					
For issue discounts	-	(58,412)	2,782	(55,630)	(2,782)
For deferred refunding difference	-	(113,767)	-	(113,767)	(5,417)
Capital leases	88,725	32,023	(67,395)	53,353	42,693
Compensated absences	61,942	7,179	-	69,121	4,194
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activity long-term liabilities	\$ 6,936,499	\$ 6,275,191	\$ (3,123,613)	\$ 10,088,077	\$ 438,688
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Business-type activities:					
Bonds payable:					
Refunding revenue bonds	\$ 2,985,000	\$ -	\$ (170,000)	\$ 2,815,000	\$ 175,000
Plus deferred amounts:					
For issue premiums	130,338	-	(7,241)	123,097	7,241
Lease purchase agreement	228,819	-	(7,133)	221,686	7,495
Compensated absences	2,985	-	(464)	2,521	2,521
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Business-type activity long-term liabilities	\$ 3,347,142	\$ -	\$ (184,838)	\$ 3,162,304	\$ 192,257
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Obligations (Continued)

Of the \$3,665,000 in general obligation debt shown above, \$3,410,000 is special assessment debt with governmental commitment.

For governmental activities, compensated absences and other long-term debt are generally liquidated by the general fund.

General Obligation Bonds

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

General obligation bonds currently outstanding consist of the following:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments During 2006	Outstanding December 31, 2006
General Obligation Bonds:					
Governmental activities:					
Series 1998	3.70% to 4.45%	\$ 325,000	9/1/2011	\$ 35,000	\$ 130,000
Accreted interest payable capital appreciation bonds				-	65,000
Series 2001	4.50% to 5.50%	3,985,000	3/1/2021	155,000	3,410,000
Series 2003	1.30% to 2.50%	449,000	9/1/2007	119,000	125,000
				<u>\$ 309,000</u>	<u>\$ 3,730,000</u>

The annual requirements to amortize governmental activities general obligation bonds outstanding as of December 31, 2006, are as follows:

	Governmental Activities	
	Principal	Interest
2007	\$ 325,000	\$ 169,738
2008	205,000	158,610
2009	210,000	152,859
2010	225,000	142,641
2011	235,000	132,140
2012-2016	1,105,000	505,325
2017-2021	1,425,000	19,194
	<u>\$ 3,730,000</u>	<u>\$ 1,280,507</u>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Obligations (Continued)

General Obligation Debt Margin

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 avenue and/or storm sewer systems, and purchasing or construction 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.

Certificates of Participation

Proceeds from the certificates of participation are to be used for City Hall renovation, train horns, land acquisition and other scheduled capital improvements.

The annual requirements to amortize these bonds are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 75,000	\$ 265,190
2008	165,000	260,949
2009	175,000	254,870
2010	190,000	248,205
2011	200,000	240,940
2012-2016	1,260,000	1,071,346
2017-2021	1,765,000	765,834
2022-2026	1,730,000	343,420
2027-2031	845,000	18,590
	<u>\$ 6,405,000</u>	<u>\$ 3,469,344</u>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Obligations (Continued)

Capital Leases – Governmental Funds

The City has entered into the following capital leases:

	<u>Police Cars</u>
Cost	\$ 130,115
Accumulated depreciation	32,525
Term	3 years

The annual debt service requirements for the capital leases to be paid with governmental funds at December 31, 2006 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 42,693	\$ 2,739	\$ 45,432
2008	10,660	688	11,348
	<u>\$ 53,353</u>	<u>\$ 3,427</u>	<u>\$ 56,780</u>

Amortization of \$ 29,323 on the assets acquired through capital leases has been included in 2006 depreciation expense in the governmental activities.

Revenue Bonds

Series 1998 Sewer System Refunding Revenue or portions thereof maturing in 2007 and thereafter may be called for redemption and payment prior to the stated maturity thereof on November 1, 2006 and thereafter in whole at any time or in part on any interest payment date at par plus accrued interest.

The bonds are special obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the net income and revenues derived from the operation of the system. The bonds shall not be or constitute a general obligation of the City.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6 - Long-Term Obligations (Continued)

Revenue Bonds (Continued)

Series 2004A Sewage System Refunding Revenue Bonds 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.

Bonds maturing on January 1, 2015 and thereafter may be called 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.

The annual requirements to amortize these bonds outstanding as of December 31, 2006, are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 175,000	\$ 123,815
2008	185,000	117,775
2009	185,000	111,415
2010	195,000	103,620
2011	205,000	95,185
2012-2016	710,000	377,485
2017-2021	790,000	190,981
2022-2026	370,000	19,100
	<u>\$ 2,815,000</u>	<u>\$ 1,139,376</u>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

6 - Long-Term Obligations (Continued)

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 are to be 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 capital lease obligation on the sewer plant are as follows:

	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,495	\$ 10,961
2008	7,874	10,582
2009	8,273	10,183
2010	8,691	9,764
2011	9,131	9,325
2012-2016	53,077	39,202
2017-2021	67,944	24,336
2022-2026	59,201	6,004
	<u>\$ 221,686</u>	<u>\$ 120,357</u>

Defeased Debt

In prior years, the City defeased certain 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. At December 31, 2006, \$ 5,797,830 of the bonds which were considered defeased in prior years remained outstanding.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

6 - Long-Term Obligations (Continued)

Combined Waste Water and Sewerage Revenue Bonds

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.

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.

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 the Mid-America Regional Council Insurance Trust (MARCIT), a not-for-profit corporation consisting of governmental entities incorporated in 1984 to acquire insurance for its members. MARCIT 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. MARCIT 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 MARCIT.

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

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

7 - Risk Management (Continued)

In the event that a deficit occurs with respect to any fiscal year of MARCIT for which the City was a participant at any time during such year, and in the event that MARCIT determines that an assessment is required in order to provide additional funds for the obligations of MARCIT 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 MARCIT at the time of such assessment. Management of the City is not aware of any deficit situation in MARCIT that would require an accrual of a liability as of December 31, 2006. MARCIT's financial statements are presented in its Comprehensive Annual Financial Report for the year ended December 31, 2006.

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.

Retirement Plan

The City retirement plan consists of individual retirement accounts established for employees. All full-time employees after six months of service are eligible to participate. The City contributes five percent of the employee's gross earnings on a monthly basis to the individual retirement accounts. The City's contributions for the year ended December 31, 2006 were \$ 63,273.

Investments – Trust Fund

The City of Parkville was the recipient of funds from a resident's estate during calendar year 2002. The funds are held by a trustee for the benefit of the City. The trustee of the fund is to distribute one-half of the income from the fund to be used on various city projects. The balance of the annual net income is to be reinvested in the principal of the fund. The trust fund is to remain in existence for twenty-one years from the date of the death of the Trustor, April 9, 2001. On that date, April 9, 2022, the balance remaining in the fund is to be distributed to the City. At December 31, 2006, the trust assets had an account balance of \$ 504,428 which are recorded in the permanent trust fund.

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

8 - Commitments and Contingencies

A summary of the City's commitments on uncompleted construction contracts follows:

	<u>Costs to Date</u>	<u>Amount Authorized</u>
General government:		
City Hall	\$ 958,401	\$ 3,640,640
Economic development projects	-	3,503,030
	<u>\$ 958,401</u>	<u>\$ 7,143,670</u>

The City has also entered into a cost sharing agreement with the Army Corp of Engineers

associated with the Emergency Streambank Stabilization Project. The City paid its share of \$ 960,919 during the year ended December 31, 2006. This amount is recorded as a prepaid asset as the project did not commence until January of 2007.

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.

9 - Interfund Transactions

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfer to capital projects fund from:	
General fund	<u>\$ 115,421</u>
Transfer to non-major governmental funds from:	
General fund	<u>\$ 112,881</u>

CITY OF PARKVILLE, MISSOURI

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

9 - Interfund Transactions (Continued)

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.

Due to and due from other funds as of December 31, 2006 are reported in the financial statements as follows:

Due to sewer service fund from:

Non-major enterprise fund	\$ 215,128
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The outstanding balance between proprietary funds was created to reflect the expenses of the non-major fund that were paid by the sewer service fund.

10 - Subsequent Event

On January 5, 2007, the City issued \$ 3,575,000 of limited general obligation temporary notes to finance the Brush Creek drainage area neighborhood improvement project.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF PARKVILLE, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended December 31, 2006

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

Street and Parking Lot Assets

The street and parking lot condition rating is accomplished every other year or triennially. Every street and parking lot 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 and parking lots rated at a 6.0 or above and to maintain all streets within the City at a service level of 5.0 for each respective type of street or parking lot.

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

- 1 - Indicates an equivalent of a newly constructed street or parking lot [crack sealing & minor patching]
- 2 - Indicates slight imperfections in the street or parking lot condition [crack sealing, slurry sealing, and/or patching]
- 3 - Indicates some deterioration has occurred and minor maintenance may be required [Street or parking lot needs various repairs to maintain condition; patches; poss. milling & overlay]
- 4 - Indicates noticeable deterioration maintenance is required [deterioration is significant and visually noticeable; repair mill & 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)

While the City has goals to maintain these systems at higher levels, minimum acceptable condition levels have been defined as having at least 80 percent of the streets and parking lots at or below a rating of 5. The following table compares the minimum acceptable condition levels with the actual condition levels for the current and prior years.

Fiscal Year	Minimum Acceptable Condition Level *	Actual Condition Level *
2004	80	#
2005	80	94
2006	80	94

* Percentage of streets and parking lots rated at 5 or below

Condition assessment not performed in 2004

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 \$ 292,000 annually. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

Fiscal Year	Estimated Expenses	Actual Expenses
2004	306,000	286,038
2005	246,519	241,190
2006	292,227	292,579

OTHER SUPPLEMENTARY INFORMATION

CITY OF PARKVILLE, MISSOURI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS

December 31, 2006

-56-

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Train Depot Restoration
Assets:							
Cash and cash equivalents	\$ 256,142	\$ 5,125	\$ 7,336	\$ 25,727	\$ 3,788	\$ 49,685	\$ 2,397
Restricted cash and investments	-	-	-	-	-	-	-
Other receivable	1,320	-	-	-	-	-	-
Total assets	\$ 257,462	\$ 5,125	\$ 7,336	\$ 25,727	\$ 3,788	\$ 49,685	\$ 2,397
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fund balances:							
Unreserved, reported in:							
Special revenue funds	257,462	5,125	7,336	25,727	3,788	49,685	2,397
Capital projects fund	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-
Total fund balances	257,462	5,125	7,336	25,727	3,788	49,685	2,397
Total liabilities and fund balances	\$ 257,462	\$ 5,125	\$ 7,336	\$ 25,727	\$ 3,788	\$ 49,685	\$ 2,397

(Continued)

CITY OF PARKVILLE, MISSOURI

COMBINING BALANCE SHEET
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

December 31, 2006

	Special Revenue				Total	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Court Recoupment Fees	Police Training Fees - LET	Court	TIF Development		Brush Creek NID	Fewson Project	
Assets:								
Cash and cash equivalents	\$ 17,010	\$ 16,349	\$ 13,869	\$ 12,514	\$ 409,942	\$ -	\$ -	\$ 409,942
Restricted cash and investments	-	-	-	-	-	-	504,428	504,428
Other receivable	-	-	-	-	1,320	-	-	1,320
Total assets	\$ 17,010	\$ 16,349	\$ 13,869	\$ 12,514	\$ 411,262	\$ -	\$ 504,428	\$ 915,690
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 13,869	\$ -	\$ 13,869	\$ 163,470	\$ -	\$ 177,339
Fund balances:								
Unreserved, reported in:								
Special revenue funds	17,010	16,349	-	12,514	397,393	-	-	397,393
Capital projects fund	-	-	-	-	-	(163,470)	-	(163,470)
Permanent fund	-	-	-	-	-	-	504,428	504,428
Total fund balances	17,010	16,349	-	12,514	397,393	(163,470)	504,428	738,351
Total liabilities and fund balances	\$ 17,010	\$ 16,349	\$ 13,869	\$ 12,514	\$ 411,262	\$ -	\$ 504,428	\$ 915,690

CITY OF PARKVILLE, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2006

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Train Depot Restoration
Revenues:							
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	4,101	4,196	-	-	-
Total revenues	-	-	4,101	4,196	-	-	-
Expenditures:							
Current:							
General government	20,528	-	-	-	-	-	-
Debt service:							
Principal	-	63,795	-	-	-	-	-
Interest	-	3,586	-	-	-	-	-
Capital outlay	-	72,398	-	-	46,121	8,885	-
Total expenditures	20,528	139,779	-	-	46,121	8,885	-
Excess (deficiency) of revenues over (under) expenditures	(20,528)	(139,779)	4,101	4,196	(46,121)	(8,885)	-
Other financing sources:							
Transfers in	-	112,881	-	-	-	-	-
Capital leases	-	32,023	-	-	-	-	-
Total other financing sources	-	144,904	-	-	-	-	-
Net change in fund balances	(20,528)	5,125	4,101	4,196	(46,121)	(8,885)	-
Fund balances, beginning of year	277,990	-	3,235	21,531	49,909	58,570	2,397
Fund balances, end of year	\$ 257,462	\$ 5,125	\$ 7,336	\$ 25,727	\$ 3,788	\$ 49,685	\$ 2,397

(Continued)

CITY OF PARKVILLE, MISSOURI

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
(Continued)

NONMAJOR GOVERNMENTAL FUNDS

Year Ended December 31, 2006

	Special Revenue				Total	Capital Projects	Permanent	Total Nonmajor Governmental Funds
	Court Recoupment Fees	Police Training Fees - LET	Court	TIF Development		Brush Creek NID	Fewson Project	
Revenues:								
Investment earnings	\$ -	\$ -	\$ -	\$ 191	\$ 191	\$ -	\$ 6,697	\$ 6,888
Miscellaneous	7,047	3,686	-	-	19,030	-	-	19,030
Total revenues	7,047	3,686	-	191	19,221	-	6,697	25,918
Expenditures:								
Current:								
General government	-	-	-	-	20,528	-	-	20,528
Debt service:								
Principal	-	-	-	-	63,795	-	-	63,795
Interest	-	-	-	-	3,586	-	-	3,586
Capital outlay	-	-	-	-	127,404	163,470	-	290,874
Total expenditures	-	-	-	-	215,313	163,470	-	378,783
Excess (deficiency) of revenues over (under) expenditures	7,047	3,686	-	191	(196,092)	(163,470)	6,697	(352,865)
Other financing sources:								
Transfers in	-	-	-	-	112,881	-	-	112,881
Capital leases	-	-	-	-	32,023	-	-	32,023
Total other financing sources	-	-	-	-	144,904	-	-	144,904
Net change in fund balances	7,047	3,686	-	191	(51,188)	(163,470)	6,697	(207,961)
Fund balances, beginning of year	9,963	12,663	-	12,323	448,581	-	497,731	946,312
Fund balances, end of year	\$ 17,010	\$ 16,349	\$ -	\$ 12,514	\$ 397,393	\$ (163,470)	\$ 504,428	\$ 738,351



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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

Honorable Mayor and Board of Aldermen
City of Parkville, Missouri:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 11, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as Findings 2006-1, 2006-2, 2006-3, 2006-4, 2006-5 and 2006-6 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the deficiencies in the accompanying schedule of findings and responses as Findings 2006-1, 2006-2, 2006-3 and 2006-4 to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

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

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

January 11, 2008

CITY OF PARKVILLE, MISSOURI

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2006

Finding 2006-1 – Cash Receipts and Expenditures – Material Weakness

An important aspect of control in any accounting system is segregation of duties. Segregating certain routine tasks, particularly in the receipts and expenditure cycles can significantly improve controls. Lack of segregation of duties can lead to increased risks of fraud, errors, or material misstatement of the financial statements.

In reviewing the cash receipts and expenditures cycles during our audit, we noted certain duties which appear to be too centralized, which could create a lack of maximum control in this area. One employee receives cash, prepares the deposit, makes the deposit, prepares checks for payment, mails checks, makes the majority of the journal entries, and prepares the bank reconciliation. There is also no formal review of the bank reconciliation and the bank reconciliations are not being prepared timely. Check signers are not reviewing invoices and supporting documents prior to signing checks. We recommend that the City segregate duties in the cash receipts and expenditures cycles, implement review procedures for expenditures and that bank reconciliations be prepared timely and be reviewed by a knowledgeable employee for accuracy and completeness.

Pre-numbered permits are not being used by the Community Development department so the cash receipts are not traceable to a particular permit. Also, cash and checks received in this department are not kept in a locked area overnight and are not turned in for deposit in a timely manner. We recommend that the City implement procedures to track permits issued and the related cash received. We also recommend that cash received and held overnight be locked up and that cash be deposited in a timely manner.

A monthly municipal court activity report is given to accounting from which a batch journal entry is made to record the month's activity. This report is not being reviewed by the accounting department prior to the posting to the general ledger. We recommend that the accounting department agree the daily cash receipts to the monthly report before posting the entry to the general ledger.

Without such procedures cash receipts are exposed to the risk of loss.

Response (Unaudited) – A personnel transition left many procedural functions undone for a period during this fiscal year, placing the Finance department in 'catch-up' mode for some time.

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Finding 2006-2 – Payroll – Material Weakness

An important aspect of control in any accounting system is segregation of duties. Segregating certain routine tasks, particularly in the receipts and expenditure cycles can significantly improve controls. Lack of segregation of duties can lead to increased risks of fraud, errors, or material misstatement of the financial statements.

We noted that the City does not have adequate segregation of duties over its payroll process. One employee is responsible for entering timesheet information, preparing and reviewing the payroll run, and cutting checks and preparing the direct deposits. This same employee also maintains all the information for the employee human resource files. The Board and Treasurer sign the checks but a process needs to be implemented to review and approve the checks and direct deposit amounts before they are mailed or submitted for payment to the payroll ledger. We recommend that the duties within the payroll function be segregated in order to safeguard the City's assets.

We also noted that the timesheets submitted by employees are not readily traceable to the payroll registers due to the timing difference between regular pay and overtime, vacation and sick leave pay. Also, we noted several timesheets during our testwork that were not approved by an appropriate supervisor. We recommend that employees be paid in a timely manner based on the number of hours worked or number of hours taken off as recorded on the employees' timesheets. We also recommend that all timesheets be reviewed and approved by an appropriate supervisor before paychecks are issued.

Response (Unaudited) – Due to City policy requiring Board approval with advance submission of all Bill Paying Ordinances, pay checks must be prepared well in advance of the actual pay dates. It is thus not possible to have the overtime, etc., periods coincide exactly with pay periods. Once this is taken into account it is possible to trace timesheet adjustments to the computer payroll registers. Timesheets are normally approved by supervisors. The "several" unsigned timesheets represent a very small percentage of the total timesheets submitted. The City's finance department is understaffed and it is hoped that additional personnel will be budgeted for in the next fiscal year so that a segregation of duties can be realized.

Finding 2006-3 – Capital Assets – Material Weakness

The City is responsible for maintaining complete and accurate schedules of capital assets with related depreciation. The City does not maintain complete depreciation schedules for capital assets. Significant adjustments were made to record additions and adjustments to capital assets during the audit process. In addition, annual depreciation expense was not calculated or recorded by the City prior to the audit. We recommend that capital asset additions and disposals be identified and recorded in a timely manner. We also recommend that depreciation schedules be updated periodically for these changes and that depreciation expense be calculated and recorded on the general ledger.

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Response (Unaudited) – Capital assets schedules, produced in a spreadsheet format, are maintained for insurance as well as auditing purposes. Determining and recording capital assets often requires more expertise than is possessed by City staff. In the past we have expected and received expert guidance from our auditors to ensure these entries are done correctly.

Finding 2006-4 – Journal Entries – Material Weakness

Preparation of the financial statements in accordance with generally accepted accounting principles is the responsibility of the City's management. During the course of the audit, we identified significant misstatements in the trial balance that were not initially identified by the City's internal control. We recommend that the City review its trial balance and make all necessary adjustments to ensure that the accounts on the trial balance are not materially misstated.

Response (Unaudited) – The journal entry process has been revised allowing one staff member to affect entries generated by all departments.

Finding 2006-5 – Accounts Payable – Significant Deficiency

The City is responsible for tracking its accounts payable balances. A listing of the City's accounts payable at the end of the year was not prepared or recorded on the City's books, resulting in a misstatement of expenditures and liabilities on the City's trial balance. Also, the City does not use its purchase order system when requesting authorization for a purchase. We recommend that the City begin to use its purchase order system so that every purchase is properly authorized before disbursement. We also recommend that the City maintain an updated listing of all accounts payable at all times in order to track all debts owed by the City.

Response (Unaudited) – A listing of year-end accounts payable is performed as an adjusting journal entry recommended by the auditor as part of the audit process. This has been the practice with previous auditors.

Finding 2006-6 – Municipal Court – Significant Deficiency

Every cash account of the City should be recorded on the City's general ledger. We noted that the year-end cash balance of the municipal court was not recorded on the City's books at the beginning or end of the current fiscal year. This resulted in a misstatement of cash on the City's general ledger. We recommend that all activities and functions of the City be recorded on the City's books so that the financial statements are complete.

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Response (Unaudited) – The Municipal Judge has a longstanding policy of keeping the Court finances independent of the City. Court bond activities have no impact on city finances except for any revenue which may be generated. These revenues are recorded when received by the City. It is unclear what advantage would be served by including court cash balances as part of the City finances.