

BRUCE D. CULLEY, C.P.A., P.C.
3000 BROOKTREE LANE, SUITE 210
GLADSTONE, MISSOURI 64119
816-453-1040 FAX: 816-453-0721
bruceculley@sbcglobal.net

Member American Institute of
Certified Public Accountants

Member Missouri Society of
Certified Public Accountants

CITY OF PARKVILLE, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2009

CITY OF PARKVILLE, MISSOURI

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BRUCE D. CULLEY C.P.A., P.C.
3000 Brooktree Lane, Suite 210
Gladstone, MO. 64119
816-453-1040 Fax: 816-453-0721

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Parkville, Missouri

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri (the City) as of and for the year ended December 31, 2009, 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.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri, as of December 31, 2009, 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.

The Management's Discussion and Analysis and the Required Supplementary Information on pages 3 through 12 and 52 through 53, 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. I 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, I did not audit the information and express no opinion on it.

My 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.

Bruce Culley
Certified Public Accountant

Gladstone, Missouri
July 1, 2010

CITY OF PARKVILLE, MISSOURI
Parkville, Missouri 64152

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, 2009. 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 \$5,306,496 (net assets).
- The government's total net assets increased by \$70,646. The net assets increase is found in governmental activities where there is a positive \$39,428 net change, and a positive \$31,218 change in net assets reported in business-type activities.
- As of the close of the current fiscal year, the City of Parkville's governmental funds reported combined ending fund balances of \$3,361,642, a decrease of \$899,271 in comparison with the prior year. The major reason for the decline in the fund balance was for expenditures in Neighborhood Improvement projects including Brink Meyer Road and Rush Creek. These projects were financed by limited obligation temporary notes.
- At the end of the current fiscal year, fund balance for the general fund was \$269,389, or approximately 8.5% of total general fund expenditures. The decline in the general fund was primarily caused by the transfer of funds.
- The City of Parkville's total debt, including compensated absences, increased by \$603,464, (3.2%) during the fiscal year.
- There was a total of \$1,190,000 borrowed on the Neighborhood Improvement District Limited Obligation Notes when they were refinanced during the year.
- The City paid \$233,000 to the State of Missouri as the City's share of repairing the Highway 9 bridge. The City also paid \$108,614 to repair a retaining wall on the Brink Meyer Road project.

Overview of the Financial Statements

This discussion and analysis is 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, streets, economic development, and culture and recreation. The business-type activities of the City of Parkville include sewer service.

The government-wide financial statements can be found on pages 13 - 14 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 three individual major or governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, capital projects fund, and debt service fund, each of which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City 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 15 - 19 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 uses enterprise funds to account for its sewer service operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund is a major fund of the City of Parkville. The basic proprietary fund financial statements can be found on pages 20 - 23 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 24 - 50 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 50 - 51 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 non-major or governmental funds are presented on pages 54 - 57 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 \$5,306,496 at the close of the most recent fiscal year.

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

CITY OF PARKVILLE'S NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Current and						
Other Assets	\$ 5,117,535	\$ 6,180,539	\$ 1,074,549	\$ 938,147	\$ 6,192,084	\$ 7,118,686
Capital Assets	<u>15,587,951</u>	<u>13,905,600</u>	<u>4,216,163</u>	<u>4,494,905</u>	<u>19,804,114</u>	<u>18,400,505</u>
Total Assets	20,705,486	20,086,139	5,290,712	5,433,052	25,996,198	25,519,191
Long-Term						
Liabilities						
Outstanding	15,898,816	15,154,433	2,385,535	2,568,550	18,284,351	17,722,983
Other Liabilities	<u>2,143,177</u>	<u>2,307,642</u>	<u>262,174</u>	<u>252,717</u>	<u>2,405,351</u>	<u>2,560,359</u>
Total						
Liabilities	18,041,993	17,462,075	2,647,709	2,821,267	20,689,702	20,283,342
Net Assets:						
Invested in						
Capital Assets,						
Net of Related						
Debt	(717,666)	(1,636,847)	1,436,591	1,733,082	718,925	96,235
Restricted	1,776,401	3,670,735	-	-	1,776,401	3,670,735
Unrestricted	<u>1,604,758</u>	<u>590,177</u>	<u>1,206,412</u>	<u>878,703</u>	<u>2,811,170</u>	<u>1,468,880</u>
Total Net						
Assets	<u>\$ 2,663,493</u>	<u>\$ 2,624,065</u>	<u>\$ 2,643,003</u>	<u>\$ 2,611,785</u>	<u>\$ 5,306,496</u>	<u>\$ 5,235,850</u>

CITY OF PARKVILLE'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Program Revenues						
Charges for Services	\$ 302,420	\$ 391,782	\$ 958,758	\$ 994,950	\$1,261,178	\$1,386,732
Operating Grants and Contributions	27,259	25,425	-	-	27,259	25,425
Capital Grants and Contributions	437,074	438,631	-	-	437,074	438,631
General Revenues						
Property Taxes	1,152,712	1,175,054	-	-	1,152,712	1,175,054
Other Taxes	38,860	42,238	-	-	38,860	42,238
Franchise Taxes	750,218	698,430	-	-	750,218	698,430
Sales Taxes	1,400,775	1,507,003	-	-	1,400,775	1,507,003
TIF	434,153	421,422	-	-	434,153	421,422
Other	165,317	142,603	-	-	165,317	142,603
Transfers	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Unrestricted Investment Earnings	61,868	220,553	11,639	10,465	73,507	231,018
Total Revenues	<u>4,770,656</u>	<u>5,063,141</u>	<u>970,397</u>	<u>1,005,415</u>	<u>5,741,053</u>	<u>6,068,556</u>
Expenses						
General Government	825,578	891,316	-	-	825,578	891,316
Public Safety	987,369	1,058,107	-	-	987,369	1,058,107
Municipal Court	150,736	166,051	-	-	150,736	166,051
Public Works	1,038,797	938,312	-	-	1,038,797	938,312
Economic Development	293,343	362,573	-	-	293,343	362,573
Culture and Recreation	309,750	311,990	-	-	309,750	311,990
Interest on Long-term Debt	422,631	421,335	-	-	422,631	421,335
Depreciation	268,174	270,077	-	-	268,174	270,077
TIF	434,850	422,575	-	-	434,850	422,575
Sewer Grinder Pump	-	-	939,179	942,241	939,179	942,241
				34,792		34,792
Total Expenses	<u>4,731,228</u>	<u>4,842,336</u>	<u>939,179</u>	<u>977,033</u>	<u>5,670,407</u>	<u>5,819,369</u>
Change in Net Assets	39,428	220,805	31,218	28,382	70,646	249,187
Net Assets,						
Beginning of Year	<u>2,624,065</u>	<u>2,403,260</u>	<u>2,611,785</u>	<u>2,583,403</u>	<u>5,235,850</u>	<u>4,986,663</u>
Net Assets 12/31/09	<u>\$2,663,493</u>	<u>\$2,624,065</u>	<u>\$2,643,003</u>	<u>\$2,611,785</u>	<u>\$5,306,496</u>	<u>\$5,235,850</u>

Governmental Activities. Governmental activities increased the City of Parkville's net assets by \$39,428 and business-type activities increased by \$31,218. Key elements of this increase are as follows:

- Positive revenue results compared to 2008 occurred from increases in franchise taxes of \$51,788.
- The decline in interest rates brought about a decline in interest income of \$158,685. This decline in interest rates is likely to continue into the future.
- Revenue from police ticketing decreased \$35,964.
- Sales tax decreased by \$106,228, reflecting the general economic trend of consumers spending less.

Business-type Activities. The change in net assets for business-type activities increased the City of Parkville's net assets by \$31,218. The net assets for business-type activities in the current fiscal year are \$2,643,003.

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 balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As mentioned earlier in this analysis, at the end of the current fiscal year, the City of Parkville's governmental funds reported combined ending fund balances of \$3,361,642. Of that, \$13,154 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.

The general fund is the chief operating fund of the City of Parkville. At the end of the current fiscal year the general fund balance was \$269,389. The major reason for the decline in the general fund balance during the year was the transfer of \$615,243 of funds. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 8.5% of total general fund expenditures.

The fund balance of the City of Parkville's general fund decreased by \$320,787 during the current fiscal year. The City's actual revenue was less than the budget by \$39,135. Actual expenses were less than budget by \$50,183 which helped to offset the decline in revenue.

The debt service fund has a total fund balance of \$822,737, all of which is reserved for the payment of debt service. There was a net increase in the debt service fund balance of \$656,101. This was brought about by the transfer of reserve funds held in the capital projects fund. Expenses in the debt service fund exceeded revenue by \$211,781. There was an increase in the prior year deficit of \$190,523 by \$21,258.

The capital projects fund has a total fund balance of \$953,623. There were considerable expenditures on capital projects during the year including Brink Meyer Road and Brush Creek. Additional funds of \$1,190,000 were borrowed on the notes when they were refinanced in 2009. The funds are to be used to finish the projects.

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.

The net assets of the sewer service at the end of the year total \$2,643,003. The sewer fund showed a profit of \$31,218 in 2009 and \$63,174 in 2008. Revenue showed a decline of 2% and expenses were about the same as 2008.

General Fund Budgetary Highlights

There were no amendments to the general fund budget for the current fiscal year. Revenues were slightly less than one percent below projected figures and expenditures were 1.6% below expected amounts.

General fund revenues were \$95,491 less than projected. Revenues that fell below budget projections include sales taxes at \$178,079 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 by \$37,530. An increase in franchise fees of \$54,218 helped offset some of the revenue decline.

General fund expenses were \$50,183 less than projected. The largest portion of costs over budget occurred in legal fees incurred by administrative needs. The public works (street department) exceeded budget because of increased activity including street improvements.

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, 2009, totals \$19,804,114. Over 97% of the increase came from increases in capital expenditures from the Neighborhood Improvement District projects.

**City of Parkville's Capital Assets
(Net of Depreciation)**

	Governmental Activities	Business-type activities	Total
	<u>2009</u>	<u>2009</u>	<u>2009</u>
Buildings and Improvements	\$ 3,698,248	\$ 2,788,843	\$ 6,487,091
Machinery and Equipment	310,457	31,893	342,350
Infrastructure	3,449,862	-	3,449,862
Land	806,486	59,975	866,461
Construction in Process	7,322,898	136,854	7,459,752
Infrastructure not being Depreciated	-	<u>1,198,598</u>	<u>1,198,598</u>
Total	<u>\$15,587,951</u>	<u>\$ 4,216,163</u>	<u>\$19,804,114</u>

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

Long-Term Debt. At the end of the current fiscal year, the City of Parkville had total debt outstanding of \$20,689,702.

**City of Parkville's Outstanding Debt
General Obligation Revenue Bonds and Compensated Absences**

	Governmental Activities		Business-type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General Obligation Bonds	\$2,990,000	\$ 3,200,000	\$ -	\$ -	\$ 2,990,000	\$ 3,200,000
Revenue Bonds	-	-	2,270,000	2,455,000	2,270,000	2,455,000
NID Limited Obligation						
Temp Notes -	7,465,000	6,165,000	-	-	7,465,000	6,165,000
Certificates of Participation	5,990,000	6,275,000	-	-	5,990,000	6,275,000
Compensated Absences	41,816	38,816	3,453	3,453	45,269	42,269
Capital Leases/ Lease-Purchase	-	<u>11,263</u>	<u>197,435</u>	<u>205,708</u>	<u>197,435</u>	<u>216,971</u>
Total	<u>\$16,486,816</u>	<u>\$15,690,079</u>	<u>\$2,470,888</u>	<u>\$2,664,161</u>	<u>\$18,957,704</u>	<u>\$18,354,240</u>

The City of Parkville's total long-term debt increased by \$603,464 during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

For 2010, the City of Parkville is expecting property tax revenue to increase about 1.4% over 2009. This is a continuation of the slow growth rate of the last two years caused by the very slow pace of new residential construction since 2008. Building permits are anticipated to hold steady, although conservative budgeting allowed for a drop of as much as 34% to \$68,500 for 2010 in case the construction market should slow even further. Franchise taxes are expected to show a modest increase over 2009 revenues of about 1.6%. With vacancy rates remaining low for housing in Parkville, utility franchise fees yield a fairly predictable and dependable revenue stream for the City. Anticipating a gradual improvement in overall economic activity, the City expects Sales Tax receipts to rebound to about 5% above 2009 levels, though still about 2% below receipts seen in the 2006 – 2008 period. Over all, the City of Parkville is expecting modest, but positive growth in revenue and expenditures for 2010. Revenue receipts for the first 6 months of 2010 give confidence that the budgetary goals will be met or exceeded.

Contacting the City's Financial Management

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,479,128	\$ 695,896	\$ 2,175,024
Receivables, Net of Allowance for Uncollectibles			
Taxes	1,535,771	-	1,535,771
Accounts	2,380	112,454	114,834
Restricted Cash and Investments	1,877,102	139,093	2,016,195
Deferred Charges	210,000	117,927	327,927
Prepaid Items	13,154	720	13,874
Other Assets	-	8,459	8,459
Capital Assets not being Depreciated			
Land	806,486	59,975	866,461
Construction in Progress	7,322,898	136,854	7,459,752
Infrastructure	3,410,303	-	3,410,303
Capital Assets, Net of Accumulated Depreciation			-
Buildings and Improvements	3,698,248	2,788,843	6,487,091
Machinery and Equipment	310,457	31,893	342,350
Infrastructure	39,559	1,198,598	1,238,157
Total Assets	20,705,486	5,290,712	25,996,198
Liabilities			
Accounts Payable and Other Current Liabilities	168,842	50,165	219,007
Accrued Interest Payable	147,510	4,833	152,343
Customer Deposits	-	13,485	13,485
Unearned Revenue	1,411,571	-	1,411,571
Other	8,453	-	8,453
Non Current Liabilities			
Due Within One Year	406,801	193,691	600,492
Due in More Than One Year	15,898,816	2,385,535	18,284,351
Total Liabilities	18,041,993	2,647,709	20,689,702
Net Assets			
Invested in Capital Assets, Net of Related Debt	(717,666)	1,436,591	718,925
Restricted for			
Debt Service	822,737	-	822,737
Capital Projects	953,664	-	953,664
Other Purposes	1,604,758	-	1,604,758
Unrestricted	-	1,206,412	1,206,412
Total Net Assets	\$ 2,663,493	\$ 2,643,003	\$ 5,306,496

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital		Governmental Activities	Business-type Activities	Total
			Operating Contributions	Grants and Contributions			
Primary government:							
Governmental Activities							
General Government	\$ 825,578	\$ 123,921	\$ 27,259	\$ 437,074	\$ (237,324)	\$ -	\$ (237,324)
Public Safety - Police	987,369	-	-	-	(987,369)	-	(987,369)
Public Safety - Court	150,736	178,499	-	-	27,763	-	27,763
Public Works	664,165	-	-	-	(664,165)	-	(664,165)
Culture and Recreation	309,750	-	-	-	(309,750)	-	(309,750)
Economic Development	293,343	-	-	-	(293,343)	-	(293,343)
Depreciation and Amortization	268,174	-	-	-	(268,174)	-	(268,174)
TIF	434,850	-	-	-	(434,850)	-	(434,850)
Interest and Fees	422,631	-	-	-	(422,631)	-	(422,631)
Retaining Wall and Bridge Payment	341,614	-	-	-	(341,614)	-	(341,614)
Other Capital Expenditures	33,018	-	-	-	(33,018)	-	(33,018)
Total Governmental Activities	4,731,228	302,420	27,259	437,074	(3,964,475)	-	(3,964,475)
Business-type Activities							
Sewer	939,179	970,397	-	-	-	31,218	31,218
Total Business-type Activities	939,179	970,397	-	-	-	31,218	31,218
Total Primary Government	\$ 5,670,407	\$ 1,272,817	\$ 27,259	\$ 437,074	(3,964,475)	31,218	(3,933,257)
General Revenues							
Property Tax					1,152,712	-	1,152,712
Franchise Tax					750,218	-	750,218
Sales Tax					1,400,775	-	1,400,775
Unrestricted Investment Earnings					61,868	-	61,868
Intergovernmental					38,860	-	38,860
Other					165,317	-	165,317
TIF					434,153	-	434,153
Total General Revenues					4,003,903	-	4,003,903
Change in Net Assets					39,428	31,218	70,646
Net Assets, Beginning of the Year					2,624,065	2,611,785	5,235,850
Net Assets, End of Year					\$ 2,663,493	\$ 2,643,003	\$ 5,306,496

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

**CITY OF PARKVILLE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Government Funds
Assets					
Cash and Cash Equivalents	\$ 207,716	\$ 237,730	\$ 202,313	\$ 831,369	\$ 1,479,128
Receivables (Net of Allowance for Uncollectibles)					
Taxes	989,405	-	546,366	-	1,535,771
Accounts Receivable	2,380	-	-	-	2,380
Restricted Cash Investments	-	716,362	641,197	519,543	1,877,102
Prepaid Items	12,495	659	-	-	13,154
Total Assets	<u>\$ 1,211,996</u>	<u>\$ 954,751</u>	<u>\$1,389,876</u>	<u>\$ 1,350,912</u>	<u>\$ 4,907,535</u>
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 90,219	\$ 1,128	\$ -	\$ 35,019	\$ 126,366
Bonds Payable	-	-	-	-	-
Accrued Payroll Liabilities	660	-	-	-	660
Unearned Revenue	845,000	-	566,571	-	1,411,571
Other Liabilities	6,728	-	568	-	7,296
Total Liabilities	942,607	1,128	567,139	35,019	1,545,893
Fund Balances					
Reserved For					
Prepaid Items	12,495	659	-	-	13,154
Unreserved, Reported In					
General Fund	256,894	-	-	-	256,894
Special Revenue Funds	-	-	-	796,350	796,350
Capital Projects Funds	-	952,964	-	-	952,964
Permanent Fund	-	-	-	519,543	519,543
Debt Service Fund	-	-	822,737	-	822,737
Total Fund Balances	<u>269,389</u>	<u>953,623</u>	<u>822,737</u>	<u>1,315,893</u>	<u>3,361,642</u>
Total Liabilities and Fund Balance	<u>\$ 1,211,996</u>	<u>\$ 954,751</u>	<u>\$1,389,876</u>	<u>\$ 1,350,912</u>	<u>\$ 4,907,535</u>

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

CITY OF PARKVILLE, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF THE
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Fund Balance in Governmental Fund Balance Sheet	\$ 3,361,642
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.	15,587,951
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(16,286,100)</u>
Net Assets of Governmental Activities	<u>\$ 2,663,493</u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General	Capital Projects	Debt Service	Other Governmental Funds	Total Government Funds
Revenues					
Taxes	\$ 2,928,709	\$ 123,554	\$ 251,443	\$ -	\$ 3,303,706
Licenses and Permits	102,470	-	-	-	102,470
Intergovernmental	38,860	-	-	-	38,860
Charges for Services	21,451	-	-	-	21,451
Fines and Fees	178,499	-	-	-	178,499
Special Assessments	-	107,617	329,457	-	437,074
Investment Earnings	27,139	16,531	2,316	15,882	61,868
Grants	27,259	-	-	-	27,259
TIF Revenue	-	-	-	434,153	434,153
Miscellaneous	127,923	2,816	-	34,578	165,317
Total Revenues	3,452,310	250,518	583,216	484,613	4,770,657
Expenditures					
Current					
General Government	758,411	-	-	56,494	814,905
Public Safety - Police	987,369	-	-	-	987,369
Public Safety - Court	150,736	-	-	-	150,736
Public Works	952,486	-	-	-	952,486
Economic Development	314,772	-	-	-	314,772
Debt Service					
Principal	-	-	385,000	-	385,000
Interest	-	-	403,824	-	403,824
Other	-	-	6,173	-	6,173
TIF Expense	-	-	-	434,850	434,850
Capital Outlay	-	1,782,784	-	-	1,782,784
Capitalized Interest	-	627,028	-	-	627,028
Total Expenditures	3,163,774	2,409,812	794,997	491,344	6,859,927
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	288,536	(2,159,294)	(211,781)	(6,731)	(2,089,270)
Other Financing Sources (Uses)					
Bond Issue	-	1,190,000	-	-	1,190,000
Transfers In	5,920	502,340	867,882	167,975	1,544,117
Transfers Out	(615,243)	(928,875)	-	-	(1,544,118)
Total Other Financing Sources	(609,323)	763,465	867,882	167,975	1,189,999
Net Changes in Fund Balances					
After Other Financing Sources	(320,787)	(1,395,829)	656,101	161,244	(899,271)
Fund Balance, Beginning of Year	590,176	2,349,452	166,636	1,154,649	4,260,913
Fund Balance, End of Year	<u>\$ 269,389</u>	<u>\$ 953,623</u>	<u>\$ 822,737</u>	<u>\$ 1,315,893</u>	<u>\$ 3,361,642</u>

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

**CITY OF PARKVILLE, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2009**

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

Net Change in Fund Balances - Total Government Funds	\$ (899,271)
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.	1,734,090
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.	(793,737)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets	-
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.	(16,333)
Other	<u>14,679</u>
Change in Net Assets of Governmental Activities	<u>\$ 39,428</u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Taxes			
Property	\$ 951,500	\$ 901,269	\$ (50,231)
Franchise	696,000	750,218	54,218
Sales	1,455,300	1,277,221	(178,079)
Intergovernmental	-	38,860	38,860
Licenses and Permits	140,000	102,470	(37,530)
Charges for Services	21,000	21,451	451
Fines and Fees	233,000	178,499	(54,501)
Investment Earnings	28,000	27,139	(861)
Grants	-	27,259	27,259
Miscellaneous	23,000	127,923	104,923
Total Revenues	<u>3,547,800</u>	<u>3,452,309</u>	<u>(95,491)</u>
Expenditures			
Current:			
General Government	709,766	758,411	(48,645)
Public Safety - Police	1,069,539	987,369	82,170
Public Safety - Court	169,341	150,736	18,605
Public Works	92,944	95,711	(2,767)
Community Development	284,261	259,470	24,791
Street	617,370	568,455	48,915
Parks	300,929	288,321	12,608
Neighborhood Development	5,000	21,429	(16,429)
Nature Sanctuary	15,509	6,200	9,309
Channel 2/Website	32,991	27,674	5,317
Total Expenditures	<u>3,297,650</u>	<u>3,163,776</u>	<u>133,874</u>
Excess of Revenues over Expenditures	<u>\$ 250,150</u>	<u>\$ 288,533</u>	<u>\$ 38,383</u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Major Fund
	Sewer Service
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 695,896
Accounts Receivable	112,454
Restricted Cash and Investments	139,093
Prepaid Items	720
Other Assets	8,459
Total Current Assets	956,622
Noncurrent Assets	
Deferred Charges	117,927
Capital Assets	
Land	59,975
Buildings and Improvements	4,735,996
Machinery and Equipment	194,406
Construction in Progress	136,854
Infrastructure	1,843,839
Less Accumulated Depreciation	(2,754,907)
Total Capital Assets	4,216,163
Total Noncurrent Assets	4,334,090
Total Assets	5,290,712
Liabilities	
Current Liabilities	
Accounts Payable and Other Current Liabilities	48,899
Accrued Interest Payable	4,833
Accrued Compensated Absences	1,266
Customer Deposits Payable	13,485
Current Portion of Revenue Bonds Payable	185,000
Current Portion of Leases Payable	8,691
Total Current Liabilities	262,174
Noncurrent Liabilities	
Revenue Bonds Payable, Net	2,196,790
Lease Payable	188,745
Total Noncurrent Liabilities	2,385,535
Total Liabilities	2,647,709
Net Assets	
Invested in Capital Assets, Net of Related Debt	2,643,003
Unrestricted	-
Total Net Assets	\$ 2,643,003
 Difference	-

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

**CITY OF PARKVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Major Fund Sewer Service</u>
Operating Revenues	
Charges for Sales and Services	
Sewer Charges	\$ 958,758
Grinder Pump Fees	-
Total Operating Revenues	<u>958,758</u>
Operating Expenses	
Cost of Sales and Services	627,922
Depreciation	278,742
Total Operating Expenses	<u>906,664</u>
Operating Income (Loss)	52,094
Nonoperating Revenues (Expenses)	
Interest Revenue	11,639
Interest Expense	(32,515)
Loss on Equipment	-
Total Nonoperating Revenues (Expenses)	<u>(20,876)</u>
Transfers In (Out)	<u>-</u>
Change in Net Assets	31,218
Total Net Assets, Beginning of Year	<u>2,611,785</u>
Total Net Assets, End of Year	<u>\$ 2,643,003</u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Major Fund</u> <u>Sewer</u> <u>Service</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 976,904
Payments to Suppliers	(560,130)
Payments to Employers	<u>(44,353)</u>
Net Cash Provided (Used) by Operating Activities	372,421
Cash Flows from Capital and Related Financing Activities	
Payments on Leases Payable	(8,272)
Acquisition and Construction of Capital Assets	(14,912)
Principal Payed on Capital Debt	(174,325)
Interest Paid on Capital Debt	<u>(34,372)</u>
Net Cash Provided (Used) by Financing Activities	(231,881)
Cash Flows from Investing Activities	
Interest Received	<u>11,639</u>
Net Cash Provided (Used) by Investing Activities	<u>11,639</u>
Increase in Cash and Cash Equivalents	152,179
Cash, Beginning of Year	<u>682,810</u>
Cash, End of Year	<u><u>\$ 834,989</u></u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	<u>Major Fund</u> <u>Sewer</u> <u>Service</u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities	
Operating Income	\$ 52,094
Adjustments to Reconcile Operating Income (Loss)	
to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	278,242
Changes in Assets and Liabilities	
Accounts Receivable	18,146
Accounts Payable	9,319
Accrued Compensated Absences	2,187
Other	<u>12,433</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 372,421</u>

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

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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

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

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The City reports the following major governmental funds:

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

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 (GASB). 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 inter-fund activity has not been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer fund are charges to customers for sales and services. Operating expenses for the sewer fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash, Cash Equivalents and Investments

bank. Written custodial agreements are required that provide, among other things, that the collateral be held separate from the assets of the custodial bank.

Statement of Cash Flows

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

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of accounts receivable. At December 31, 2009, 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	\$ 804,943
Debt Service Fund Property Tax Receivable	<u>580,114</u>
	<u>\$ 1,385,057</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.

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.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property Taxes - Continued

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 2009 budget was:

General Fund	\$ 0.4748
General Revenue - Temporary	<u>0.1224</u>
	<u>\$ 0.5972</u>

Taxes receivable represent property taxes levied for 2009 and prior years that have not yet been collected, net of estimated uncollectibles. The assessed value of property located within the City totaled \$176,374,821.

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.

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.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

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

Capital assets, excluding land, are defined by the City as assets with a cost of more than \$2,500 and an estimated useful life of at least one year. All land purchases are capitalized regardless of cost. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical 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. Interest costs of \$627,028 on note obligations connected with the Brink Meyer Road project and the Brush Creek Neighborhood Improvement District have been capitalized. These costs together with construction costs will be amortized when the project is placed in service.

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

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets - Continued

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.

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.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

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 \$(16,286,100) difference are as follows:

Bonds Payable	\$ (2,990,000)
Certificates of Participation Payable	(5,990,000)
Neighborhood Improvement District Limited General Obligation Temporary Notes	(7,465,000)
Accrued Interest Payable	(147,510)
Compensated Absences	(41,816)
Issuance Discount	47,284
Cost of Issuance	210,000
Deferred Refunding Difference	72,099
Other	<u>18,843</u>
Net Adjustment to Reduce Fund Balance	
Total Governmental Funds to Arrive at Net Assets - Governmental Activities	<u><u>\$(16,286,100)</u></u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

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

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

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

Capital Outlay	\$ 1,993,065
Depreciation Expense	<u>(258,975)</u>
Net Adjustment to Increase Net Change in Fund	
Balances - Total Governmental Funds to Arrive at	
Change in Net Assets of Governmental Activities	<u>\$ 1,734,090</u>

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

Debt Issued or Incurred	
Neighborhood Improvement District Debt	\$ 1,190,000
Principal Repayments	
General Obligation Bonds	(210,000)
Certificates of Participation	(175,000)
Leases	<u>(11,263)</u>
Net Adjustment to Increase Net Changes in Fund	
Balances - Total Governmental Funds to Arrive at	
at Changes in Net Assets of Governmental Activities	<u>\$ 793,737</u>

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009**

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

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

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 \$(1,654) difference are as follows:

Prepaid Insurance	\$ 1,500
Compensated Absences	3,000
Amortization of Issuance Costs	(12,634)
Amortization of Deferred Refunding Difference	(5,417)
Amortization of Bond Discounts	(2,782)
Other	<u>14,679</u>
Net Adjustment to Decrease Net Changes in Fund Balances – Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$ (1,654)</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

**CITY OF PARKVILLE, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2009**

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgets and Budgetary Accounting - Continued

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.

NOTE 4 - DEPOSITS AND INVESTMENTS

As of December 31, 2009, the City had the following deposits and investments:

	<u>Reported Amount / Fair Value</u>
US Treasuries and Agency Securities	\$ 1,342,633
Deposits	
Checking Accounts	1,564,601
Certificates of Deposit	889,532
Money Market Accounts	<u>394,453</u>
	<u>\$ 4,191,219</u>

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

Cash and Cash Equivalents	\$ 2,175,024
Restricted Cash and Investments	<u>2,016,195</u>
Total Deposits and Investments	<u>\$ 4,191,219</u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - CONTINUED

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's practice to place operating funds in either money market accounts or savings accounts. All longer-term investments are placed in certificates of deposit 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).

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, 2009, the carrying amount of the City's deposits was \$2,847,537. The City had bank balances of deposits of \$2,909,527 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, 2009, the City's investments were not exposed to custodial credit risk.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 806,486	\$ -	\$ -	\$ 806,486
Construction in Progress	5,432,397	1,890,501	-	7,322,898
Infrastructure	<u>3,410,303</u>	<u>-</u>	<u>-</u>	<u>3,410,303</u>
Total Capital Assets not being Depreciated	9,649,186	1,890,501	-	11,539,687
Capital Assets being Depreciated				
Buildings and Improvements	4,102,498	50,825	-	4,153,323
Machinery and Equipment	1,410,546	-	-	1,410,546
Infrastructure	<u>44,663</u>	<u>-</u>	<u>-</u>	<u>44,663</u>
Total Capital Assets being Depreciated	5,557,707	50,825	-	5,608,532
Less Accumulated Depreciation for				
Buildings and Improvements	(329,339)	(125,736)	-	(455,075)
Machinery and Equipment	(968,126)	(131,963)	-	(1,100,089)
Infrastructure	<u>(3,828)</u>	<u>(1,276)</u>	<u>-</u>	<u>(5,104)</u>
Total Accumulated Depreciation	<u>(1,301,293)</u>	<u>(258,975)</u>	<u>-</u>	<u>(1,560,268)</u>
Total Capital Assets being Depreciated, Net	<u>4,256,414</u>	<u>(208,150)</u>	<u>-</u>	<u>4,048,264</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,905,600</u>	<u>\$ 1,682,351</u>	<u>\$ -</u>	<u>\$ 15,587,951</u>
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 59,975	\$ -	\$ -	\$ 59,975
Construction in Progress	<u>136,854</u>	<u>-</u>	<u>-</u>	<u>136,854</u>
Total Capital Assets not being Depreciated	196,829	-	-	196,829
Capital Assets being Depreciated				
Buildings and Improvements	4,735,996	-	-	4,735,996
Machinery and Equipment	194,406	-	-	194,406
Infrastructure	<u>1,843,839</u>	<u>-</u>	<u>-</u>	<u>1,843,839</u>
Total Capital Assets being Depreciated	6,774,241	-	-	6,774,241
Less Accumulated Depreciation for				
Buildings and Improvements	(1,712,789)	(234,364)	-	(1,947,153)
Machinery and Equipment	(155,003)	(7,510)	-	(162,513)
Infrastructure	<u>(608,373)</u>	<u>(36,868)</u>	<u>-</u>	<u>(645,241)</u>
Total Accumulated Depreciation	<u>(2,476,165)</u>	<u>(278,742)</u>	<u>-</u>	<u>(2,754,907)</u>
Total Capital Assets being Depreciated, Net	<u>4,298,076</u>	<u>(278,742)</u>	<u>-</u>	<u>4,019,334</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,494,905</u>	<u>\$ (278,742)</u>	<u>\$ -</u>	<u>\$ 4,216,163</u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 5 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities	
General Government	\$ 123,367
Public Safety	40,917
Public Works	54,991
Culture and Recreation	<u>39,700</u>
Total Depreciation Expense	<u>\$ 258,975</u>
Business-type activities	
Water and Sewer	<u>\$ 278,742</u>
Total Depreciation Expense	<u>\$ 278,742</u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of the debt transactions of the City for the year ended December 31, 2009:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General Obligation Bonds	\$ 3,200,000	\$ -	\$ (210,000)	\$ 2,990,000	\$ 225,000
Certificates of Participation	6,165,000	-	(175,000)	5,990,000	190,000
Neighborhood Improvement District Limited Obligation Temp Notes	6,275,000	1,190,000	-	7,465,000	-
Less Deferred Amounts					
for Issue Discounts	(50,066)	-	2,782	(47,284)	(2,782)
for Deferred Refunding Difference	(97,516)	-	5,417	(92,099)	(5,417)
Capital Leases	11,263	-	(11,263)	-	-
Compensated Absences	38,816	3,000	-	41,816	-
Governmental Activity Long-term Liabilities	<u>\$ 15,542,497</u>	<u>\$ 1,193,000</u>	<u>\$ (388,064)</u>	<u>\$ 16,347,433</u>	<u>\$ 406,801</u>
Business-type Activities					
Bonds payable					
Refunding Revenue Bonds	\$ 2,455,000	\$ -	\$ (185,000)	\$ 2,270,000	\$ 185,000
Plus Deferred Amounts					
for Issue Premiums	108,615	-	(7,241)	101,374	7,241
Lease Purchase Agreement	205,708	-	(8,273)	197,435	8,691
Compensated Absences	3,453	-	-	3,453	-
Other	(10,953)	-	-	(10,953)	4,975
Business-type Activity Long-term Liabilities	<u>\$ 2,761,823</u>	<u>\$ -</u>	<u>\$ (200,514)</u>	<u>\$ 2,561,309</u>	<u>\$ 205,907</u>

\$2,990,000 in general obligation debt shown above is special assessment debt with governmental commitment.

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED

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:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity Date</u>	<u>Principal Payments During 2009</u>	<u>Outstanding December 31, 2009</u>
General Obligation Bonds					
Governmental Activities					
Series 1998	3.70% to 4.45%	\$ 325,000	9/1/2011	\$ 35,000	\$ 85,000
Series 2001	4.50% to 5.50%	\$3,985,000	3/1/2021	175,000	2,905,000
				<u>\$ 210,000</u>	<u>\$ 2,990,000</u>

The annual requirements to amortize governmental activities general obligation bonds outstanding as of December 31, 2009, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 225,000	\$ 142,641
2011	235,000	132,140
2012	200,000	121,313
2013	210,000	111,880
2014	220,000	101,772
2015 - 2019	1,285,000	329,495
2020 - 2021	615,000	32,059
	<u>\$ 2,990,000</u>	<u>\$ 971,300</u>

**CITY OF PARKVILLE, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2009**

NOTE 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 avenues and/or storm sewer systems, and purchasing or construction of waterworks, electric, or other light plants, provided that the total general obligation indebtedness of the city does not exceed 20% of the assessed valuation of taxable property.

Certificates of Participation

The City issued certificates of participation series 2006 in the original amount of \$6,405,000 with interest rates ranging from 3.5% to 4.4% and with a final maturity in 2027. Principal payments are scheduled annually ranging from \$75,000 to \$490,000. The balance at December 31, 2009, is \$5,990,000.

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

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

	<u>Principal</u>	<u>Interest</u>
2010	\$ 190,000	\$ 248,205
2011	200,000	240,940
2012	215,000	233,105
2013	235,000	224,496
2014	250,000	215,097
2015 - 2019	1,550,000	903,711
2020 - 2024	2,140,000	513,650
2025 - 2027	1,210,000	110,120
	<u>\$ 5,990,000</u>	<u>\$ 2,689,324</u>

**CITY OF PARKVILLE, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2009**

NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED

Neighborhood Improvement District Limited Obligation Temporary Notes

The City issued Neighborhood Improvement District Limited Financial Obligation Temporary Notes Series 2006A and 2007 in the original amount of \$3,575,000 and \$2,700,000, respectively, with an interest rate of 4.0% and a final maturity of August 1, 2009. Proceeds from the temporary notes are being for the Brink Meyer Road Neighborhood Improvement Project and the Brush Creek Drainage Area Neighborhood Improvement.

The Temporary Notes were paid off on August 1, 2009, in a refinancing transaction in which the City borrowed funds to repay the principal amount due on the notes, plus interest and the financing costs. A total \$3,020,000 at 2.25% was borrowed on the Brink Meyer Road Project and \$4,445,000 at 2.25% was borrowed on the Brush Creek Road Project. The principal and interest on both notes are due August 1, 2011

The annual requirements to amortize these notes are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ -	\$ -
2011	\$ 7,465,000	\$ 335,424	\$ 7,800,424

Capital Leases - Governmental Funds

The City has entered into a capital lease for autos. The debt service for the capital lease was paid off during the year as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	<u>\$ 11,994</u>	<u>\$ 547</u>	<u>\$ 12,541</u>

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009**

NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED

Revenue Bonds

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.

The City issued Sewerage System Revenue Bonds Series 2004 in the original amount of \$2,740,000 with interest rates ranging from 3.0% to 5.25% and with a final maturity in 2025. Principal payments are scheduled annually ranging from \$30,000 to \$170,000. The balance at December 31, 2009, is \$2,270,000.

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.

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.

The annual requirements to amortize these bonds outstanding as of December 31, 2009, are as follows:

	<u>Principal</u>	<u>Interest</u>
2010	\$ 195,000	\$ 106,870
2011	205,000	97,413
2012	135,000	89,702
2013	140,000	84,978
2014 - 2018	740,000	327,438
2019 - 2023	825,000	86,826
2024	<u>30,000</u>	<u>1,350</u>
	<u>\$ 2,270,000</u>	<u>\$ 794,577</u>

**CITY OF PARKVILLE, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
 DECEMBER 31, 2009**

NOTE 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 were used to make certain improvements to the sewer plant property. Under the lease the City will have the full use of the property and will make rental payments, which will apply to the principal and interest under the lease.

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

	<u>Principal</u>	<u>Interest</u>
2010	\$ 8,691	\$ 9,764
2011	9,131	9,325
2012	9,594	8,862
2013	10,079	8,377
2014-2018	58,588	33,692
2019-2023	74,997	17,282
2024-2028	26,355	1,329
	<u>\$ 197,435</u>	<u>\$ 88,631</u>

Defeased Debt – Series 2004

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.

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.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED

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

NOTE 7 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. To protect itself against risks of loss, the City is a member of 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.

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, 2009.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 7 - RISK MANAGEMENT - CONTINUED

MARCIT's financial statements are presented in its Comprehensive Annual Financial Report for the year ended December 31, 2009.

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

During the first seven months of the year, the City retirement plan consisted of individual retirement accounts established for employees. All full-time employees after six months of service were eligible to participate. The City contributed five percent of the employee's gross earnings on a monthly basis to the individual retirement accounts. The City's contribution for the first seven months of the year was \$34,597. Effective August, the City adopted a defined benefit pension plan called LAGERS which is further described in Note 10.

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. At December 31, 2009, the trust assets had an account balance of \$519,543 which are recorded in the permanent trust fund.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Litigation

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 9 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended December 31, 2009, consisted of the following:

Transfer from Capital Projects Fund	<u>\$ (426,535)</u>
Transfer to Debt Service Fund	<u>\$ 867,882</u>
Transfer to Non-Major Governmental Funds	<u>\$ 167,975</u>
Transfer from General Fund	<u>\$ (609,323)</u>

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

NOTE 10 – PENSION PLAN

Plan Description

The City of Parkville began participating August 1, 2009, in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri.

LAGERS is a defined benefit pension plan, which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by statute, section RSMo. 70.600-70.755. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401a, and it is tax exempt.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 10 – PENSION PLAN - CONTINUED

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

Funding Policy

The City of Parkville's full-time employees contributed 4% of their salary to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 4.1% (general) and 4.3% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost

For 2009, the political subdivision's annual pension cost of \$47,624 was equal to the required and actual contributions. The required contribution was determined as part of the March 12, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases 4.0% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table, and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 setback 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

NOTE 10 – PENSION PLAN - CONTINUED

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/09	\$ 47,624	100%	0%

Required Supplementary Information
Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	[(b-a)/c]
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability (UAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAL as a Percentage of Covered Payroll</u>
12/31/09	\$47,624	\$819,972	\$772,348	6	\$1,344,639	57

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits with the Benefit Reserve Fund and the Casualty Reserve Fund.

NOTE 11 – DISCLOSURES ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

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

- Level 1 Quoted prices in active markets for identical assets or liabilities

- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2009

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

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

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

Investments

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

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying Statement of Financial Position measured at fair value on a recurring basis and level within the FAS 157 fair value hierarchy in which the fair measurements fall at December 31, 2009.

	2009		
	<u>Fair Value Measurements Using</u>		
<u>Fair Value</u>	<u>Quoted Prices</u> In Active Markets for Identical Assets (Level 1)	<u>Significant</u> Other Observable Inputs (Level 2)	<u>Significant</u> Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 889,532	\$ 889,532	
Money Market Accounts	\$ 394,453	\$ 394,453	
Government Securities	\$1,342,633	\$1,342,633	

**CITY OF PARKVILLE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009**

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 and 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; possible milling and overlay)
- 4 Indicates noticeable deterioration maintenance is required (deterioration is significant and visually noticeable; repair mill and overlay)
- 5 Indicates significant maintenance is required (considerable cracking, potholes or other fatigue demands repair work and overlay)
- 6 Indicates serious deficiency (deterioration mandates edge milling (to prevent total base failure) needs overlay)
- 7 Indicates severe deficiency (severe deterioration needing various repairs)
- 8 Indicates major failure (some good street is left within a total replacement street or parking lot condition)

9 Indicates nearly total replacement is required (limited salvage of street or parking lot area is possible)

10 Indicates total replacement is required.

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.

<u>Fiscal Year</u>	<u>Minimum Acceptable Condition Level*</u>	<u>Actual Condition Level *</u>
2005	80	94
2006	80	94
2007	80	94
2008	80	94
2009	80	94

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

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 only expenditures for streets were the payment to the State of Missouri for a bridge replacement project on Highway 9. 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.

<u>Fiscal Year</u>	<u>Estimated Expenses</u>	<u>Actual Expenses</u>
2005	\$ 246,519	\$ 241,190
2006	\$ 292,227	\$ 292,579
2007	\$ 246,819	\$ 213,183
2008	\$ 256,481	\$ 246,886
2009	\$ 233,000	\$ 233,000

OTHER SUPPLEMENTARY INFORMATION

**CITY OF PARKVILLE, MISSOURI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Special Revenue					Train Depot Restoration
				Nature Sanctuary	Park Donations	Parkland Dedication			
Assets									
Cash and Cash Equivalents	\$ 531,657	\$ 36,574	\$ 13,008	\$ 27,866	\$ 71,832	\$ 46,794	\$ -	\$ -	
Restricted Cash and Investments	-	-	-	-	-	-	-	-	
Other Receivables	-	-	-	-	-	-	-	-	
Total Assets	<u>\$ 531,657</u>	<u>\$ 36,574</u>	<u>\$ 13,008</u>	<u>\$ 27,866</u>	<u>\$ 71,832</u>	<u>\$ 46,794</u>	<u>\$ -</u>	<u>\$ -</u>	
Liabilities									
Accounts Payable	-	-	(3,003)	-	2,790	-	-	-	
Fund Balances									
Unreserved, Reported in:									
Special Revenue Funds	531,657	36,574	16,011	27,866	69,042	46,794	-	-	
Permanent Fund	-	-	-	-	-	-	-	-	
Total Fund Balances	<u>531,657</u>	<u>36,574</u>	<u>16,011</u>	<u>27,866</u>	<u>69,042</u>	<u>46,794</u>	<u>-</u>	<u>-</u>	
Total Liabilities and Fund Balances	<u>\$ 531,657</u>	<u>\$ 36,574</u>	<u>\$ 13,008</u>	<u>\$ 27,866</u>	<u>\$ 71,832</u>	<u>\$ 46,794</u>	<u>\$ -</u>	<u>\$ -</u>	

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Train Depot Restoration
Revenues							
Investment Earnings	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -
TIF Revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	9,159	4,581	13,439	-	-
Total Revenues	-	-	9,159	4,581	13,439	-	-
Expenditures							
Current							
General Government	19,993	12,681	7,226	-	4,185	-	-
Debt Service	-	-	-	-	-	-	-
Principle	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TIF Expense	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total Expenditures	19,993	12,681	7,226	-	4,185	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,993)	(12,681)	1,933	4,581	9,254	-	-
Other Financing Sources (Uses)							
Other	(1,819)	-	-	-	-	-	(2,397)
Transfers In (Out)	90,561	49,255	-	(5,920)	56,000	-	-
Capital Leases	-	-	-	-	-	-	-
Total Other Financing Sources	88,742	49,255	-	(5,920)	56,000	-	(2,397)
Net Change in Fund Balances	68,749	36,574	1,933	(1,339)	65,254	-	(2,397)
Fund Balances, Beginning of Year	462,908	-	14,078	29,205	3,788	46,794	2,397
Fund Balances, End of Year	\$ 531,657	\$ 36,574	\$ 16,011	\$ 27,866	\$ 69,042	\$ 46,794	\$ -

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue					Total
	Court Recoupment Fees	Police Training Fees - LET	Court	TIF Development	Total	
Revenues						
Investment Earnings	\$ -	\$ -	\$ -	\$ 616	\$ 616	\$ 15,882
TIF Revenue	-	-	-	434,153	434,153	434,153
Miscellaneous	2,621	2,721	2,057	-	34,578	34,578
Total Revenues	<u>2,621</u>	<u>2,721</u>	<u>2,057</u>	<u>434,769</u>	<u>469,347</u>	<u>484,613</u>
Expenditures						
Current						
General Government	-	-	-	-	44,085	52,278
Debt Service	-	-	-	-	-	-
Principle	-	-	-	-	-	-
Interest	-	-	-	-	-	-
TIF Expense	-	-	-	434,850	434,850	434,850
Capital Outlay	-	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>434,850</u>	<u>478,935</u>	<u>487,128</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,621</u>	<u>2,721</u>	<u>2,057</u>	<u>(81)</u>	<u>(9,588)</u>	<u>(2,515)</u>
Other Financing Sources (Uses)						
Other	-	-	-	-	(4,216)	(4,216)
Transfers In (Out)	-	-	-	-	189,896	167,975
Capital Leases	-	-	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,680</u>	<u>163,759</u>
Net Change in Fund Balances	<u>2,621</u>	<u>2,721</u>	<u>2,057</u>	<u>(81)</u>	<u>176,092</u>	<u>161,244</u>
Fund Balances, Beginning of Year	<u>23,711</u>	<u>24,862</u>	<u>-</u>	<u>12,515</u>	<u>620,258</u>	<u>1,154,649</u>
Fund Balances, End of Year	<u>\$ 26,332</u>	<u>\$ 27,583</u>	<u>\$ 2,057</u>	<u>\$ 12,434</u>	<u>\$ 796,350</u>	<u>\$ 1,315,893</u>