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CITY OF PARKVILLE, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

CITY OF PARKVILLE, MISSOURI

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Aldermen
City of Parkville, Missouri

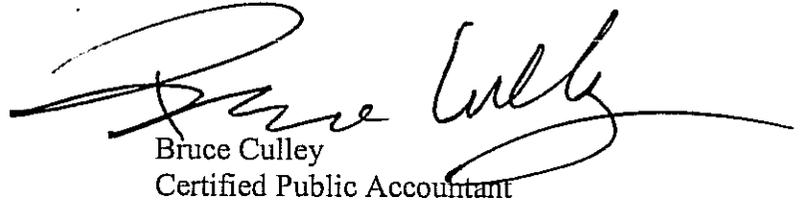
I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri (the City) as of and for the year ended December 31, 2010, which collectively comprise the 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, 2010, 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 my 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
November 7, 2011

CITY OF PARKVILLE, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Parkville, we offer readers of the City of Parkville's financial statements this narrative overview and analysis of the financial activities of the City of Parkville for the fiscal year ended December 31, 2010. 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 exceeded its liabilities at the close of the most recent fiscal year by \$6,300,000 (net assets).
- The government's total net assets increased by \$993,504. The net assets increase is found in governmental activities where there is a positive \$719,797 net change, and a positive \$273,707 change in net assets reported in business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,765,526, an increase of \$403,884 in comparison with the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$602,071, or approximately 19% of total 2010 general fund expenditures.
- General fund revenues were \$187,915 over budgeted revenue for 2010.
- General fund expenses were \$115,531 less than budgeted for 2010.
- The City's total debt decreased by \$552,733, (2.9%) during the fiscal year.
- The City expensed \$537,549 to improve the sewer plant. A major grant for \$201,111 was received to fund a portion of the improvements.
- The City refinanced its general obligation bonds during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; government-wide financial statements (pages 13 – 14), fund financial statements (pages 15 – 23), and notes to the financial statements beginning on page 24. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* (pages 13 – 14) are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net assets* (page 13) presents information on all of the City’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 is improving or deteriorating.

The *statement of activities* (page 14) 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 that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, economic development, and culture and recreation. The business-type activities of the City include sewer service.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the

government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 19 – 22 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 23 – 49 of this report.

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

eligible assets by location, type and physical parameters and performs replicable condition assessments, triennially. Results are summarized using a measurement scale, seen on pages 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 53 – 56 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, assets exceeded liabilities by \$6,300,000 at the close of the most recent fiscal year.

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

**CITY OF PARKVILLE
NET ASSETS SUMMARY
DECEMBER 31, 2010 AND 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and						
Other Assets	\$ 5,620,015	\$ 5,117,535	\$ 903,619	\$ 1,074,549	\$ 6,523,634	\$ 6,192,084
Capital Assets	<u>15,552,076</u>	<u>15,587,951</u>	<u>4,446,068</u>	<u>4,216,163</u>	<u>19,998,144</u>	<u>19,804,114</u>
Total Assets	21,172,091	20,705,486	5,349,687	5,290,712	26,521,778	25,996,198
Bonds and Notes						
Outstanding	15,963,816	16,305,617	2,357,877	2,568,809	18,321,693	18,874,426
Other Liabilities	<u>1,824,986</u>	<u>1,736,376</u>	<u>75,100</u>	<u>78,900</u>	<u>1,900,086</u>	<u>1,815,276</u>
Total Liabilities	17,788,802	18,041,993	2,432,977	2,647,709	20,221,779	20,689,702
Net Assets						
Invested in Capital Assets	-	-	2,088,190	1,436,591	2,088,190	1,436,591
Restricted	2,292,713	1,776,401	28,338	-	2,321,051	1,776,401
Unrestricted	<u>1,090,577</u>	<u>887,092</u>	<u>800,182</u>	<u>1,206,412</u>	<u>1,890,759</u>	<u>2,093,504</u>
Total Net Assets	<u>\$ 3,383,290</u>	<u>\$ 2,663,493</u>	<u>\$ 2,916,710</u>	<u>\$ 2,643,003</u>	<u>\$ 6,300,000</u>	<u>\$ 5,306,496</u>

CITY OF PARKVILLE
STATEMENT OF ACTIVITIES SUMMARY
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program Revenues						
Charges for Services	\$ 399,215	\$ 302,420	\$ 1,005,579	\$ 970,397	\$ 1,404,794	\$ 1,272,817
Operating Grants and Contributions	36,268	27,259	-	-	36,268	27,259
Capital Grants and Contributions	330,722	437,074	201,111	-	531,833	437,074
General Revenues						
Property Taxes	1,329,000	1,152,712	-	-	1,329,000	1,152,712
Franchise Taxes	829,936	750,218	-	-	829,936	750,218
Sales Taxes	1,459,937	1,400,775	-	-	1,459,937	1,400,775
Investment Earnings	72,849	61,868	-	-	72,849	61,868
Intergovernmental	40,675	38,860	-	-	40,675	38,860
Sewer Admin Fee	77,496	-	-	-	77,496	-
TIF	450,768	434,153	-	-	450,768	434,153
Other	177,003	165,317	-	-	177,003	165,317
Total Revenues	5,203,869	4,770,656	1,206,690	970,397	6,410,559	5,741,053
Expenses						
General Government	807,441	825,578	-	-	807,441	825,578
Public Safety - Police	960,098	987,369	-	-	960,098	987,369
Public Safety - Court	138,436	150,736	-	-	138,436	150,736
Public Works	694,216	1,038,797	-	-	694,216	1,038,797
Culture and Recreation	320,244	309,750	-	-	320,244	309,750
Economic Development	279,239	293,343	-	-	279,239	293,343
Depreciation	224,206	268,174	-	-	224,206	268,174
TIF	451,225	434,850	-	-	451,225	434,850
Interest and Fees	438,103	422,631	-	-	438,103	422,631
Other Capital Expenditures	170,864	-	-	-	170,864	-
Sewer	-	-	932,983	939,179	932,983	939,179
Total Expenses	4,484,072	4,731,228	932,983	939,179	5,417,055	5,670,407
Change in Net Assets	719,797	39,428	273,707	31,218	993,504	70,646
Net Assets, Beginning of Year	2,663,493	2,624,065	2,643,003	2,611,785	5,306,496	5,235,850
Net Assets, End of Year	\$ 3,383,290	\$ 2,663,493	\$ 2,916,710	\$ 2,643,003	\$ 6,300,000	\$ 5,306,496

Governmental Activities. Governmental activities increased the City's net assets by \$719,797 and business-type activities increased by \$273,707. Key elements of this increase are as follows:

- The increase in all tax categories was in excess of \$315,000, including property taxes, franchise taxes and sales taxes.
- Major departmental expenses increased by \$47,643 which represented only 1.5% of the City's departmental expenses.
- During 2009 the City expended \$341,614 on public works projects for the Brink Meyer retaining wall repairs and bridge construction.

Business-type Activities. The change in net assets for business-type activities increased the City's net assets by \$273,707. \$201,111 of this increase related to the receipt of a grant to improve the sewer system. The net assets for business-type activities in the current fiscal year are \$2,916,710.

Financial Analysis of the Government's Funds

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

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

As mentioned earlier in this analysis, at the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,765,526. Of that, \$35,482 is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed to prepaid items in the general fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year the general fund balance was \$602,071. 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 18% of total general fund expenditures.

The City's fund balance of the general fund increased by \$322,682 during the current fiscal year. The City's 2010 revenues and transfers in from other funds totaled \$3,802,216 which is \$343,986 higher than 2009. This increase largely relates to the increases in property, franchise and sales taxes. The City's 2010 expenses and transfers out to other funds totaled \$3,469,534, which is \$309,483 lower than the prior year (which included \$341,614 in expenditures for a retaining wall and bridge construction).

The debt service fund has a total fund balance of \$823,675, all of which is reserved for the payment of debt service. There was a net increase in the debt service fund balance of \$938. Expenses in the debt service fund exceeded revenue by \$287,260. This was offset by transfers to the debt service fund of \$220,992. The city refinanced its general obligation bonds during the year.

The capital projects fund has a total fund balance of \$975,494. There were considerable expenditures on capital projects during the year including Brink Meyer Road and Brush Creek. The funds are to be used to finish the projects.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The net assets of the sewer service at the end of the year total \$2,916,710. The sewer fund had revenues exceeding expenditures by \$273,707 in 2010.

General Fund Budgetary Highlights

There were no amendments to the general fund budget for the current fiscal year. General fund revenues were \$187,915 more than projected. Property and franchise tax showed an increase over budget while sales tax was only slightly less than budget.

General fund expenses were \$115,531 less than projected.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2010, totals \$19,998,144. Approximately 60% of the new capital expenditures were for sewer plant improvements.

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

	Governmental Activities <u>2010</u>	Business-type activities <u>2010</u>	Total <u>2010</u>
Buildings and Improvements	\$ 3,598,963	\$ 2,657,031	\$ 6,255,994
Machinery and Equipment	286,850	32,006	318,856
Infrastructure	3,473,485	1,697,056	5,170,541
Land	869,880	59,975	929,855
Construction in Process	<u>7,322,898</u>	<u>-</u>	<u>7,322,898</u>
Total	<u>\$15,552,076</u>	<u>\$ 4,446,068</u>	<u>\$19,998,144</u>

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

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$18,321,693.

**City of Parkville, Missouri
Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General Obligation Bonds	\$ 2,830,000	\$ 2,990,000	\$ -	\$ -	\$ 2,830,000	\$ 2,990,000
Certificates of Participation	5,800,000	5,990,000	-	-	5,800,000	5,990,000
NID Limited Obligation						
Temporary Notes	7,465,000	7,465,000	-	-	7,465,000	7,465,000
Sewer Revenue Bonds – 1998	-	-	70,000	135,000	70,000	135,000
Revenue Bonds (SRF) 2004A	-	-	2,005,000	2,135,000	2,005,000	2,135,000
Capital Leases/						
Lease-Purchase	-	-	188,744	197,435	188,744	197,435
Deferred Amounts	<u>(131,184)</u>	<u>(139,383)</u>	<u>94,133</u>	<u>101,374</u>	<u>(37,051)</u>	<u>(38,009)</u>
Total	<u>\$15,963,816</u>	<u>\$16,305,617</u>	<u>\$2,357,877</u>	<u>\$2,568,809</u>	<u>\$18,321,693</u>	<u>\$18,874,426</u>

The City's total lease note and bond debt decreased by \$552,733 during the current fiscal year.

Economic Factors and Next Year's Budgets and Rates

For 2011, the City of Parkville is expecting Property Tax revenue to increase about 1.5% over 2010. This continues a pattern of fairly stable real estate values coupled with the very slow pace of new residential construction since 2008. Building permits are anticipated to hold steady or decline slightly, fueled by home repairs and remodeling projects along with a small number of new construction starts. Franchise taxes are expected to continue to grow over 2010 revenues by about 5%, with the City benefitting from increased customer demand for telecommunication products and services. With vacancy rates remaining low for housing in Parkville, utility franchise fees are expected to 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 6% above 2010 levels, finally recovering to and exceeding the levels of the 2006 – 2008 periods. Over all, the City of Parkville is expecting modest, but positive growth in revenue for 2011. Revenue receipts for the first 6 months of 2011 give confidence that the budgetary goals for 2011 will be met or exceeded. City expenditures are well within levels anticipated in the 2011 budget.

Contacting the City's Financial Management

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets			
Cash and Cash Equivalents	\$ 1,823,717	\$ 631,667	\$ 2,455,384
Restricted Cash and Investments	1,872,064	28,338	1,900,402
Receivables, Net of Allowance for Uncollectibles			
Taxes	1,672,134	-	1,672,134
Accounts	19,252	135,087	154,339
Deferred Charges	197,366	107,807	305,173
Prepaid Items	35,482	720	36,202
Capital Assets not being Depreciated			
Land	869,880	59,975	929,855
Construction in Progress	7,322,898	-	7,322,898
Infrastructure	3,435,203	-	3,435,203
Capital Assets, Net of Accumulated Depreciation			
Buildings and Improvements	3,598,963	2,657,031	6,255,994
Machinery and Equipment	286,850	32,006	318,856
Infrastructure	<u>38,282</u>	<u>1,697,056</u>	<u>1,735,338</u>
Total Assets	21,172,091	5,349,687	26,521,778
Liabilities			
Accounts Payable and Other Current Liabilities	161,249	59,518	220,767
Accrued Interest Payable	128,920	2,096	131,016
Customer Deposits	-	13,485	13,485
Unearned Revenue	1,495,875	-	1,495,875
Other	38,942	-	38,942
Bonds and Notes			
Due Within One Year	476,801	214,131	690,932
Due in More Than One Year	<u>15,487,015</u>	<u>2,143,747</u>	<u>17,630,762</u>
Total Liabilities	17,788,802	2,432,977	20,221,779
Net Assets			
Invested in Capital Assets, Net of			
Capital Related Debt	-	2,088,190	2,088,190
Restricted for			
Debt Service	823,675	28,338	852,013
Capital Projects	939,824	-	939,824
Permanent Fund	529,214	-	529,214
Unrestricted	<u>1,090,577</u>	<u>800,182</u>	<u>1,890,759</u>
Total Net Assets	<u>\$ 3,383,290</u>	<u>\$ 2,916,710</u>	<u>\$ 6,300,000</u>

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Primary Government			
			Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental Activities								
General Government	\$ 807,441	\$ 161,227	\$ 36,268	\$ 330,722	\$ (279,224)	\$ -	\$ (279,224)	
Public Safety - Police	960,098	237,988	-	-	(722,110)	-	(722,110)	
Public Safety - Court	138,436	-	-	-	(138,436)	-	(138,436)	
Public Works	694,216	-	-	-	(694,216)	-	(694,216)	
Culture and Recreation	320,244	-	-	-	(320,244)	-	(320,244)	
Economic Development	279,239	-	-	-	(279,239)	-	(279,239)	
Depreciation	224,206	-	-	-	(224,206)	-	(224,206)	
TIF	451,225	-	-	-	(451,225)	-	(451,225)	
Interest and Fees	438,103	-	-	-	(438,103)	-	(438,103)	
Other Capital Expenditures	170,864	-	-	-	(170,864)	-	(170,864)	
Total Governmental Activities	4,484,072	399,215	36,268	330,722	(3,717,867)	-	(3,717,867)	
Business-type Activities								
Sewer	932,983	1,005,579	-	201,111	-	273,707	273,707	
Total Business-type Activities	932,983	1,005,579	-	201,111	-	273,707	273,707	
Total Primary Government	\$ 5,417,055	\$ 1,404,794	\$ 36,268	\$ 531,833	(3,717,867)	273,707	(3,444,160)	
General Revenues								
Property Tax					1,329,000	-	1,329,000	
Franchise Tax					829,936	-	829,936	
Sales Tax					1,459,937	-	1,459,937	
Unrestricted Investment Earnings					72,849	-	72,849	
Intergovernmental					40,675	-	40,675	
Sewer Admin Fees					77,496	-	77,496	
TIF					450,768	-	450,768	
Parkland Dedication Contribution					60,000	-	60,000	
Other					117,003	-	117,003	
Total General Revenues					4,437,664	-	4,437,664	
Change in Net Assets					719,797	273,707	993,504	
Net Assets, Beginning of the Year					2,663,493	2,643,003	5,306,496	
Net Assets, End of Year					\$ 3,383,290	\$ 2,916,710	\$ 6,300,000	

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

**CITY OF PARKVILLE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Government Funds
Assets						
Cash and Cash Equivalents	\$ 470,357	\$ 35,011	\$240,966	\$ 214,737	\$ 862,646	\$ 1,823,717
Restricted Cash Investments	-		698,858	643,992	529,214	1,872,064
Receivables (Net of Allowance for Uncollectibles)						
Taxes	1,069,963	-	-	602,171	-	1,672,134
Accounts Receivable	19,252	-	-	-	-	19,252
Prepaid Items	34,823	659	-	-	-	35,482
Total Assets	<u>\$ 1,594,395</u>	<u>\$ 35,670</u>	<u>\$939,824</u>	<u>\$ 1,460,900</u>	<u>\$ 1,391,860</u>	<u>\$ 5,422,649</u>
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	\$ 133,624	\$ 1,410	\$ -	\$ 50	\$ 26,165	\$ 161,249
Unearned Revenue	858,700	-	-	637,175	-	1,495,875
Total Liabilities	992,324	1,410	-	637,225	26,165	1,657,124
Fund Balances						
Reserved For						
Debt Service	-	-	-	823,675	-	823,675
Permanent Fund	-	-	-	-	529,214	529,214
Unreserved, Reported In						
General Fund	602,071	-	-	-	-	602,071
Special Revenue Funds	-	34,260	-	-	836,481	870,741
Capital Projects Funds	-	-	939,824	-	-	939,824
Total Fund Balances	<u>602,071</u>	<u>34,260</u>	<u>939,824</u>	<u>823,675</u>	<u>1,365,695</u>	<u>3,765,525</u>
Total Liabilities and Fund Balance	<u>\$ 1,594,395</u>	<u>\$ 35,670</u>	<u>\$939,824</u>	<u>\$ 1,460,900</u>	<u>\$ 1,391,860</u>	<u>\$ 5,422,649</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, 2010**

Total Fund Balance in Governmental Fund Balance Sheet	\$ 3,765,526
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.	15,552,076
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2)	<u>(15,934,312)</u>
Net Assets of Governmental Activities	<u>\$ 3,383,290</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, 2010

	General Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Government Funds
Revenues						
Taxes	\$ 2,641,445	\$ 734,165	\$ -	\$ 243,263	\$ -	\$ 3,618,873
Licenses and Permits	139,142	-	-	-	-	139,142
Intergovernmental	40,675	-	-	-	-	40,675
Charges for Services	22,085	-	-	-	-	22,085
Fines and Fees	237,988	-	-	-	-	237,988
Special Assessments	-	-	-	330,722	-	330,722
Investment Earnings	28,893	5,600	798	11,407	26,151	72,849
Grants	36,268	-	-	-	-	36,268
TIF Revenue	-	-	-	-	450,768	450,768
Sewer Service Fees	77,496	-	-	-	-	77,496
Parkland Dedication Donation	-	-	-	-	60,000	60,000
Miscellaneous	74,669	-	1,473	-	18,552	94,694
Total Revenues	3,298,661	739,765	2,271	585,392	555,471	5,181,560
Expenditures						
Current						
General Government	782,943	-	-	-	37,561	820,504
Public Safety - Police	996,341	-	-	-	-	996,341
Public Safety - Court	138,436	-	-	-	-	138,436
Public Works	962,782	-	-	-	-	962,782
Economic Development	330,917	-	-	-	-	330,917
Debt Service						
Principal	-	-	-	415,000	-	415,000
Interest	-	-	-	454,059	-	454,059
Other	-	-	-	3,593	-	3,593
TIF Expense	-	-	-	-	451,224	451,224
Capital Outlay	-	190,505	6,131	-	63,394	260,030
Total Expenditures	3,211,419	190,505	6,131	872,652	552,179	4,832,886
Excess (Deficiency) of Revenues Over (Under) Expenditures	87,242	549,260	(3,860)	(287,260)	3,292	348,674
Other Financing Sources (Uses)						
Bond Proceeds	-	-	-	2,787,206	-	2,787,206
Bond Retirement from Refinancing	-	-	-	(2,720,000)	-	(2,720,000)
Transfers In	503,555	-	-	220,992	48,567	773,114
Transfers (Out)	(258,115)	(515,000)	-	-	-	(773,115)
Other (Uses)	-	-	(9,939)	-	(2,057)	(11,996)
Total Other Financing Sources	245,440	(515,000)	(9,939)	288,198	46,510	55,209
Net Changes in Fund Balances						
After Other Financing Sources	332,682	34,260	(13,799)	938	49,802	403,883
Fund Balance, Beginning of Year	269,389	-	953,623	822,737	1,315,893	3,361,642
Fund Balance, End of Year	<u>\$ 602,071</u>	<u>\$ 34,260</u>	<u>\$ 939,824</u>	<u>\$ 823,675</u>	<u>\$ 1,365,695</u>	<u>\$ 3,765,525</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, 2010**

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

Net Change in Fund Balances - Total Government Funds	\$ 403,884
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount depreciation expense exceeds capital asset additions.	(35,374)
The net effect of various miscellaneous transactions involving capital assets (e.g., sales, trade-ins and donations) is to increase net assets.	22,309
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 is the net amount of bond principal payments and retired certificates of participation.	415,000
Refinancing transaction in which the bond proceeds exceeded the bonds retired reported as increase in the fund balance.	(67,206)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(18,816)</u>
Change in Net Assets of Governmental Activities	<u>\$ 719,797</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 AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues			
Taxes			
Property	\$ 966,000	\$ 973,235	\$ 7,235
Franchise	735,000	829,936	94,936
Sales	840,700	838,274	(2,426)
Intergovernmental	40,000	40,675	675
Licenses and Permits	113,300	139,142	25,842
Charges for Services	25,000	22,085	(2,915)
Fines and Fees	199,200	237,988	38,788
Investment Earnings	24,000	28,893	4,893
Grants	52,500	36,268	(16,232)
Sewer Service Fees	77,496	77,496	-
Miscellaneous	37,550	74,669	37,119
Total Revenues	3,110,746	3,298,661	187,915
Expenditures			
Current:			
General Government	804,500	782,943	21,557
Public Safety - Police	1,034,400	996,341	38,059
Public Safety - Court	138,700	138,436	264
Public Works	110,300	105,988	4,312
Community Development	259,800	250,145	9,655
Street	586,100	588,228	(2,128)
Parks	325,450	268,566	56,884
Nature Sanctuary	34,400	51,678	(17,278)
Channel 2/Website	33,300	29,094	4,206
Total Expenditures	3,326,950	3,211,419	115,531
Excess of Revenues over Expenditures	\$ (216,204)	\$ 87,242	\$ 303,446

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

**CITY OF PARKVILLE, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Major Fund
	Sewer Service
Assets	
Current Assets	
Cash and Cash Equivalents	\$ 631,667
Restricted Cash and Investments	28,338
Accounts Receivable	135,087
Prepaid Items	720
Total Current Assets	795,812
Noncurrent Assets	
Deferred Charges	107,807
Capital Assets	
Land	59,975
Buildings and Improvements	5,273,545
Machinery and Equipment	197,573
Construction in Progress	136,854
Infrastructure	1,843,839
Less Accumulated Depreciation	(3,065,718)
Total Capital Assets	4,446,068
Total Noncurrent Assets	4,553,875
Total Assets	5,349,687
Liabilities	
Current Liabilities	
Accounts Payable and Other Current Liabilities	59,518
Accrued Interest Payable	2,096
Customer Deposits Payable	13,485
Current Portion of Revenue Bonds Payable	205,000
Current Portion of Leases Payable	9,131
Total Current Liabilities	289,230
Noncurrent Liabilities	
Revenue Bonds Payable, Net	1,964,133
Lease Payable	179,614
Total Noncurrent Liabilities	2,143,747
Total Liabilities	2,432,977
Net Assets	
Restricted	
Debt Service	28,338
Invested in Capital Assets, Net of Related Debt	2,088,190
Unrestricted	800,182
Total Net Assets	\$ 2,916,710

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, 2010

	<u>Major Fund</u> <u>Sewer</u> <u>Service</u>
Operating Revenues	
Charges for Sales and Services	
Sewer Charges	\$ 995,158
Total Operating Revenues	<u>995,158</u>
Operating Expenses	
Cost of Sales and Services	628,980
Depreciation	<u>272,508</u>
Total Operating Expenses	<u>901,488</u>
Operating Income	93,670
Nonoperating Revenues (Expenses)	
Interest Revenue	10,421
Interest Expense	(31,495)
Grant	<u>201,111</u>
Total Net Nonoperating Revenues	<u>180,037</u>
Change in Net Assets	273,707
Total Net Assets, Beginning of Year	<u>2,643,003</u>
Total Net Assets, End of Year	<u>\$ 2,916,710</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, 2010**

	<u>Major Fund</u> <u>Sewer</u> <u>Service</u>
Cash Flows from Operating Activities	
Receipts from Customers	\$ 1,017,791
Payments to Suppliers	<u>(607,011)</u>
Net Cash Provided by Operating Activities	410,780
Cash Flows from Capital and Related Financing Activities	
Payments on Leases Payable	(8,691)
Acquisition and Construction of Capital Assets	(540,716)
Grant Income for Capital Asset Acquisitions	201,111
Principal Paid on Capital Debt	(213,657)
Interest Paid on Capital Debt	<u>(34,232)</u>
Net Cash (Used) by Financing Activities	(596,185)
Cash Flows from Investing Activities	
Interest Received	<u>10,421</u>
Net Cash Provided by Investing Activities	<u>10,421</u>
(Decrease) in Cash and Cash Equivalents	(174,984)
Cash, Beginning of Year	<u>834,989</u>
Cash, End of Year	<u>\$ 660,005</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, 2010**

	<u>Major Fund</u> <u>Sewer</u> <u>Service</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Operating Income	\$ 93,670
Adjustments to Reconcile Operating Income	
to Net Cash Provided by Operating Activities	
Depreciation Expense	272,508
Changes in Assets and Liabilities	
Accounts Receivable	22,633
Accounts Payable	9,535
Other	<u>12,434</u>
Net Cash Provided by Operating Activities	<u>\$ 410,780</u>

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

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 following the year the taxes are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

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 Fund – 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.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from 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, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash, Cash Equivalents and Investments – Continued

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, 2010, management determined that no allowance was necessary.

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

General Fund Property Tax Receivable	\$ 858,700
Debt Service Fund Property Tax Receivable	<u>637,175</u>
	<u>\$1,495,875</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, 2010

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 2010 budget was:

General Fund	\$ 0.4748
General Revenue - Temporary	<u>0.1795</u>
	<u>\$ 0.6543</u>

Taxes receivable represent property taxes levied for 2010 and prior years that have not yet been collected, net of estimated uncollectibles. The assessed value of property located within the City totaled \$178,951,034.

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, 2010

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. If the expenditure is depreciable, it will be written off from the time it is put in service.

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

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

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

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 as of the bond issuance date. The face amount of debt issued is reported as a financing source. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. 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, 2010**

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 (page 16)

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(15,934,312) difference are as follows:

Bonds Payable	\$ (2,830,000)
Certificates of Participation Payable	(5,800,000)
Neighborhood Improvement District Limited General Obligation Temporary Notes	(7,465,000)
Accrued Interest Payable	(128,920)
Compensated Absences	(38,942)
Issuance Discount	44,502
Cost of Issuance	197,366
Deferred Refunding Difference and Other Net Adjustment to Reduce Fund Balance	<u>86,682</u>
Net Reconciling Item for Long-term Liabilities (page 16)	<u><u>\$(15,934,312)</u></u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

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

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (page 17)

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	\$ 188,831
Depreciation Expense	<u>(224,205)</u>
Net Reconciling Item for Capital Outlays/Depreciation (page 17)	<u>\$ (35,374)</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:

Refinancing of General Obligation Bonds	
New Bond Indebtedness	\$ 2,785,000
Debt Retired with Refinancing	(2,720,000)
Interest and Other Costs	(65,000)
Principal Repayments	
General Obligation Bonds	225,000
Certificates of Participation	<u>190,000</u>
Net Reconciling Item for Long-term Debt Activity (page 17)	<u>\$ 415,000</u>

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010**

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

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities (page 17) – 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 \$(18,816) difference are as follows:

Compensated Absences	\$ (5,874)
Amortization of Issuance Costs	(12,634)
Amortization of Deferred Refunding Difference	(5,417)
Amortization of Bond Discounts	(2,782)
Other	<u>7,891</u>
Net Reconciling Item Relating to Certain Expenses (page 17)	<u>\$ (18,816)</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. The appropriated budget is prepared by fund, function, and department. State statutes set the legal level of budgetary control at the fund level (i.e., the level at which expenditures may not legally exceed appropriations). Department heads may make transfers of appropriations within their departments. Upon written request, the City Administrator or the Board of Aldermen may by ordinance transfer part or all of any unencumbered appropriated balance from one department to another.

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – CONTINUED

Budgets and Budgetary Accounting – Continued

The reported budgetary data represents the final approved budget as adopted by the Board of Aldermen. There were no amendments to the budget in 2010.

NOTE 4 – DEPOSITS AND INVESTMENTS

As of December 31, 2010, the City had the following deposits and investments:

	<u>Reported Amount / Fair Value</u>
US Treasuries and Agency Securities	\$ 823,560
Deposits	
Checking Accounts	229,639
Certificates of Deposit	784,017
Money Market Accounts	<u>2,518,571</u>
	<u>\$4,355,787</u>

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

Cash and Cash Equivalents	\$2,455,385
Restricted Cash and Investments	<u>1,900,402</u>
Total Deposits and Investments	<u>\$4,355,787</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. It is the City'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).

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 4 – DEPOSITS AND INVESTMENTS – CONTINUED

Credit Risk

Missouri statutes prohibit municipalities from investing in derivative, leveraged, or speculative securities. City agents invest funds for restricted debt reserves and unexpended debt proceeds in money market funds.

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, 2010, the carrying amount of the City's deposits was less than pledged securities plus federal deposit insurance. It is City practice to require banks to provide collateral equal to any deposited amounts exceeding federal depository insurance limits.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At December 31, 2010, the City's investments were not exposed to custodial credit risk.

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.

Defeased Debt – Series 2004

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2010

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 806,486	\$ 63,394	\$ -	\$ 869,880
Construction in Progress	7,322,898	-	-	7,322,898
Infrastructure	<u>3,410,303</u>	<u>24,900</u>	-	<u>3,435,203</u>
Total Capital Assets not being Depreciated	11,539,687	88,294	-	11,627,981
Capital Assets being Depreciated				
Buildings and Improvements	4,153,323	-	-	4,153,323
Machinery and Equipment	1,410,546	100,037	-	1,510,583
Infrastructure	<u>44,663</u>	<u>-</u>	<u>-</u>	<u>44,663</u>
Total Capital Assets being Depreciated	5,608,532	100,037	-	5,708,569
Less Accumulated Depreciation for				
Buildings and Improvements	(455,075)	(99,285)	-	(554,360)
Machinery and Equipment	(1,100,089)	(123,644)	-	(1,223,733)
Infrastructure	<u>(5,104)</u>	<u>(1,277)</u>	<u>-</u>	<u>(6,381)</u>
Total Accumulated Depreciation	<u>(1,560,268)</u>	<u>(224,206)</u>	<u>-</u>	<u>(1,784,474)</u>
Total Capital Assets being Depreciated, Net	<u>4,048,264</u>	<u>(124,169)</u>	<u>-</u>	<u>3,924,095</u>
Governmental Activities Capital Assets, Net	<u>\$ 15,587,951</u>	<u>\$ (35,875)</u>	<u>\$ -</u>	<u>\$ 15,552,076</u>
Business-type Activities				
Capital Assets not being Depreciated				
Land	\$ 59,975	\$ -	\$ -	\$ 59,975
Construction in Progress	<u>136,854</u>	<u>-</u>	<u>(136,854)</u>	<u>-</u>
Total Capital Assets not being Depreciated	196,829	-	(136,854)	59,975
Capital Assets being Depreciated				
Buildings and Improvements	4,735,996	98,552	-	4,834,548
Machinery and Equipment	194,406	3,167	-	197,573
Infrastructure	<u>1,843,839</u>	<u>537,549</u>	<u>-</u>	<u>2,381,388</u>
Total Capital Assets being Depreciated	6,774,241	639,268	-	7,413,509
Less Accumulated Depreciation for				
Buildings and Improvements	(1,947,153)	(230,364)	-	(2,177,517)
Machinery and Equipment	(162,513)	(3,054)	-	(165,567)
Infrastructure	<u>(645,241)</u>	<u>(39,091)</u>	<u>-</u>	<u>(684,332)</u>
Total Accumulated Depreciation	<u>(2,754,907)</u>	<u>(272,509)</u>	<u>-</u>	<u>(3,027,416)</u>
Total Capital Assets being Depreciated, Net	<u>4,019,334</u>	<u>366,759</u>	<u>-</u>	<u>4,386,093</u>
Business-type Activities Capital Assets, Net	<u>\$ 4,216,163</u>	<u>\$ 366,759</u>	<u>\$ (136,854)</u>	<u>\$ 4,446,068</u>

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2010**

NOTE 5 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities	
General Government	\$ 121,576
Public Safety	33,759
Public Works	39,199
Parks	29,099
Other	<u>573</u>
Total Depreciation Expense	<u>\$ 224,206</u>
Business-type Activities - Sewer Operations	<u>\$ 272,509</u>

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

One component of Construction in Progress consists of the costs to build the Brink Meyer Road retaining wall. This wall partially collapsed in the Spring of 2009. The City's general fund incurred expenditures in 2009 and 2010 related to this collapse.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2010

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of the debt transactions (bonds, notes and leases) of the City for the year ended December 31, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Bonds Payable					
General Obligation Bonds	\$ 2,990,000	\$ 2,785,000	\$ (2,945,000)	\$ 2,830,000	\$ 285,000
Certificates of Participation	5,990,000	-	(190,000)	5,800,000	200,000
Neighborhood Improvement District					
Limited Obligation Temp Notes	7,465,000	-	-	7,465,000	-
Less Deferred Amounts					
for Issue Discounts	(47,284)	-	2,782	(44,502)	(2,782)
for Deferred Refunding Difference	(92,099)	-	5,417	(86,682)	(5,417)
Governmental Activity					
Liabilities	<u>\$ 16,305,617</u>	<u>\$ 2,785,000</u>	<u>\$ (3,126,801)</u>	<u>\$ 15,963,816</u>	<u>\$ 476,801</u>
<u>Business-type Activities:</u>					
Bonds payable					
Sewer Revenue Bonds - 1998	\$ 135,000	\$ -	\$ (65,000)	\$ 70,000	\$ 70,000
Revenue Bonds (SRF) 2004A	2,135,000	-	(130,000)	2,005,000	135,000
Lease Purchase Agreement	197,435	-	(8,691)	188,744	9,131
Plus Deferred Amounts					
for Issue Premiums	101,374	-	(7,241)	94,133	7,241
Business-type Activity Long-term					
Liabilities	<u>\$ 2,568,809</u>	<u>\$ -</u>	<u>\$ (210,932)</u>	<u>\$ 2,357,877</u>	<u>\$ 221,372</u>

\$2,830,000 in general obligation debt shown above is special assessment debt with governmental commitment.

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2010

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/ Refinancing During 2010</u>	<u>Outstanding December 31, 2010</u>
General Obligation Bonds					
Governmental Activities					
Series 1998	3.70% to 4.45%	\$ 325,000	9/1/2011	\$ 40,000	\$ 45,000
Series 2001	4.50% to 5.50%	\$ 3,985,000	3/1/2021	2,905,000	-
Series 2010	2.7% to 3.25%	\$ 2,785,000	3/1/2020	-	2,785,000
				<u>\$ 2,945,000</u>	<u>\$ 2,830,000</u>

On December 23, 2010, the City refinanced the 2001 General Obligation Bonds. The City issued \$2,785,000 of new bonds to retire the old bonds. The interest rates on the bonds vary from 2% to 3.25%. The sources and uses of the funds were as follows:

2010 Refunding Bonds	\$ 2,785,000
Issue Premium	34,787
Underwriters Discount	(13,925)
Issuance Fund	(18,656)
Proceeds to City	<u>\$ 2,787,206</u>

The annual requirements to amortize governmental activities general obligation bonds outstanding as of December 31, 2010, are as follows:

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 285,000	\$ 47,317
2012	255,000	61,913
2013	265,000	56,713
2014	270,000	51,363
2015	275,000	46,256
2016 - 2020	<u>1,480,000</u>	<u>118,863</u>
	<u>\$ 2,830,000</u>	<u>\$ 382,425</u>

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED

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, 2010, is \$5,800,000.

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>
2011	\$ 200,000	\$ 240,940
2012	215,000	233,105
2013	235,000	224,496
2014	250,000	215,097
2015	270,000	204,890
2016 – 2020	1,650,000	837,584
2021 – 2025	1,950,000	424,178
2026 – 2027	<u>1,030,000</u>	<u>59,840</u>
	<u>\$5,800,000</u>	<u>\$2,440,130</u>

Neighborhood Improvement District Limited Obligation Temporary Notes

The original 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. Additionally, these notes were refinanced again in 2011. See Note 12 – Subsequent Event for a description of the 2011 refinancing details.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Notes Due in 2011	<u>\$7,465,000</u>	<u>\$ 335,424</u>	<u>\$7,800,424</u>

**CITY OF PARKVILLE, MISSOURI
 NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
 DECEMBER 31, 2010**

NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED

Sewer Revenue Bonds - 1998

The City issued Sewer System Refunding Revenue Bonds Series 1998 in the original amount of \$640,000 with interest rates ranging from 3.75% to 4.65% and with a final maturity in 2011. Principal payments are scheduled annually ranging from \$25,000 to \$70,000. The balance at December 31, 2010 is \$70,000.

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 sewer system. The bonds shall not be or constitute a general obligation of the City.

The annual requirements to amortize these bonds outstanding as of December 31, 2010, are as follows:

2011	<u>Principal</u> \$ 70,000	<u>Interest</u> \$ 3,255
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Revenue Bonds (SRF) 2004A

The City issued Sewerage System Revenue Bonds Series 2004 in the original amount of \$2,750,000 with interest rates ranging from 3.0% to 5.25% and with a final maturity in 2025. Principal payments are scheduled annually ranging from \$30,000 to \$170,000. The balance at December 31, 2010, is \$2,005,000.

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED

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

The annual requirements to amortize these bonds outstanding as of December 31, 2010, are as follows:

	<u>Principal</u>	<u>Interest</u>
2011	\$ 135,000	\$ 94,158
2012	135,000	89,703
2013	140,000	84,978
2014	140,000	79,938
2015	145,000	72,938
2016 – 2020	775,000	251,263
2021 – 2025	<u>535,000</u>	<u>53,600</u>
	<u>\$2,005,000</u>	<u>\$ 726,578</u>

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

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.

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010**

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>
2011	\$ 9,131	\$ 9,325
2012	9,594	8,862
2013	10,079	8,377
2014	10,590	7,866
2015	11,126	7,330
2016 – 2020	64,670	27,610
2021 – 2025	<u>73,554</u>	<u>9,497</u>
	<u>\$ 188,744</u>	<u>\$ 78,867</u>

NOTE 7 – RISK MANAGEMENT

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

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 7 – RISK MANAGEMENT – CONTINUED

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

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year, and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year, and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment whether or not the City is a member of MPR at the time of such assessment. Management of the City is not aware of any deficit situation in MPR that would require an accrual of a liability as of December 31, 2010.

MPR's financial statements are presented in its Comprehensive Annual Financial Report for the year ended December 31, 2010.

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

Investments – Trust Fund

The City was the recipient of funds from a resident's estate during 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 trust fund income to be used on various city capital projects. The balance of the annual net income is to be reinvested in the principal of the fund. At December 31, 2010, the trust assets had an account balance of \$529,214 and \$8,555 was transferred to the general fund.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

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.

NOTE 9 – INTER-FUND TRANSACTIONS

Inter-fund transfers for the year ended December 31, 2010, consisted of the following:

Transfer from Transportation Special Revenue Fund	<u>\$ (515,000)</u>
Transfer to Debt Service Fund	<u>\$ 220,992</u>
Transfer to Non-Major Governmental Funds	<u>\$ 36,445</u>
Transfer to General Fund (Net)	<u>\$ 257,563</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.

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010**

NOTE 10 – PENSION PLAN

Plan Description

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

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

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

Funding Status

Full-time employees of the City contribute 4% of their gross pay to the pension plan. The 2010 statutorily required employer contribution rates are 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 (APC) and Net Pension Obligation (NPO)

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

Annual Required Contribution	\$ 52,274
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	52,274
Actual Contributions	52,274
Increase (Decrease) in NPO	-
NPO Beginning of Year	-
NPO End of Year	\$ -

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

NOTE 10 – PENSION PLAN – CONTINUED

The annual required contribution (ARC) was determined as part of the initial 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 of 4.0% per year, compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the RP-2000 Combined Health Table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 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 a closed basis. The amortization period as of the initial actuarial valuation was 30 years for the General division and 30 years for the Police division.

<u>Year Ended</u>	<u>One-Year Trend Information</u>		<u>Net Pension Obligation</u>
<u>June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Obligation</u>
2010	\$ 52,274	100.0%	\$ -

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability Entry Age</u>	<u>(b-a) Un-funded Liability (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAAL as a Percentage of Covered Payroll</u>
02-28-10	\$ 70,422	\$ 274,694	\$ 204,272	26%	\$1,331,420	15%

The above assets and actuarial accrued liability do not include assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2006, annual actuarial valuations. A three-year comparison of trend information and the three year required supplementary information have not been provided since the City has not been in LAGERS for two full years. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010

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

- 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.

**CITY OF PARKVILLE, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2010**

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

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, 2010.

	Fair Value	2010 Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 784,017	\$ 784,017		
Money Market Accounts	\$2,518,571	\$2,518,571		
Government Securities	\$ 823,560	\$ 823,560		

NOTE 12 – SUBSEQUENT EVENT - REFINANCING

Temporary Notes – Brush Creek Drainage NID Project

On August 1, 2011, the City refinanced the temporary notes of \$4,445,000 into new one year notes in the amount of \$4,710,000. The notes have a six month call provision. The difference of \$265,000 was used to pay interest and financing costs of the new notes.

Temporary Notes – Brink Meyer Road NID Project

On August 1, 2011, the City refinanced the temporary notes of \$3,020,000 into a new two year note in the amount of \$3,000,000. The note has a one year call provision. Project funds were used to pay the interest that had accrued on the note and pay for the financing costs.

**CITY OF PARKVILLE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010**

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)

**CITY OF PARKVILLE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION – CONTINUED
DECEMBER 31, 2010**

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
2010	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 \$349,000 annually. A total of \$190,172 was spent out of the Capital Improvements Fund. The major expenditures were for an asphalt overlay (\$91,591) and the curb and sidewalk program (\$90,138). 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
2010	\$ 234,000	\$ 190,172

OTHER SUPPLEMENTARY INFORMATION

CITY OF PARKVILLE, MISSOURI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Court Recoupment Fees
Assets							
Cash and Cash Equivalents	\$ 531,657	\$ 86,312	\$ 13,295	\$ 33,373	\$ 69,142	\$ 43,400	\$ 28,014
Restricted Cash and Investments	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-
Total Assets	<u>\$ 531,657</u>	<u>\$ 86,312</u>	<u>\$ 13,295</u>	<u>\$ 33,373</u>	<u>\$ 69,142</u>	<u>\$ 43,400</u>	<u>\$ 28,014</u>
Liabilities							
Accounts Payable	\$ -	\$ 25,771	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances							
Unreserved, Reported in:							
Special Revenue Funds	531,657	60,541	13,295	33,373	69,142	43,400	28,014
Permanent Fund	-	-	-	-	-	-	-
Total Fund Balances	<u>531,657</u>	<u>60,541</u>	<u>13,295</u>	<u>33,373</u>	<u>69,142</u>	<u>43,400</u>	<u>28,014</u>
Total Liabilities and Fund Balances	<u>\$ 531,657</u>	<u>\$ 86,312</u>	<u>\$ 13,295</u>	<u>\$ 33,373</u>	<u>\$ 69,142</u>	<u>\$ 43,400</u>	<u>\$ 28,014</u>

CITY OF PARKVILLE, MISSOURI
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2010

	Special Revenue				Total	Permanent Fewson Project	Total Nonmajor Governmental Funds
	Police Training Fees - LET	TIF Development	Market Place Development	Other			
Assets							
Cash and Cash Equivalents	\$ 32,457	\$ 12,324	\$ 12,172	\$ 500	\$ 862,646	\$ -	\$ 862,646
Restricted Cash and Investments	-	-	-	-	-	529,214	529,214
Other Receivables	-	-	-	-	-	-	-
Total Assets	\$ 32,457	\$ 12,324	\$ 12,172	\$ 500	\$ 862,646	\$ 529,214	\$ 1,391,860
Liabilities							
Accounts Payable	\$ -	\$ -	\$ -	\$ 394	\$ 26,165	\$ -	\$ 26,165
Fund Balances							
Unreserved, Reported in							
Special Revenue Funds	32,457	12,324	12,172	106	836,481	-	836,481
Permanent Fund	-	-	-	-	-	529,214	529,214
Total Fund Balances	\$ 32,457	\$ 12,324	\$ 12,172	\$ 106	\$ 836,481	\$ 529,214	\$ 1,365,695
Total Liabilities and Fund Balances	\$ 32,457	\$ 12,324	\$ 12,172	\$ 500	\$ 862,646	\$ 529,214	\$ 1,391,860

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Court Recoupment Fees
Revenues							
Parkland Dedication	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ -
Investment Earnings	-	5,600	-	-	-	-	-
TIF Revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	5,889	5,507	100	-	1,682
Total Revenues	-	5,600	5,889	5,507	100	60,000	1,682
Expenditures							
Current							
General Government	-	26,633	8,605	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Principle	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TIF Expense	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	63,394	-
Total Expenditures	-	26,633	8,605	-	-	63,394	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(21,033)	(2,716)	5,507	100	(3,394)	1,682
Other Financing Sources (Uses)							
Other	-	-	-	-	-	-	-
Transfers In (Out)	-	45,000	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-
Total Other Financing Sources	-	45,000	-	-	-	-	-
Net Change in Fund Balances	-	23,967	(2,716)	5,507	100	(3,394)	1,682
Fund Balances, Beginning of Year	531,657	36,574	16,011	27,866	69,042	46,794	26,332
Fund Balances, End of Year	\$ 531,657	\$ 60,541	\$ 13,295	\$ 33,373	\$ 69,142	\$ 43,400	\$ 28,014

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue		TIF Development	Market Place Development	Other	Total	Permanent		Total Nonmajor Governmental Funds	
	Police Training Fees - LET						Fewson Project			
Revenues	\$	-	\$	-	\$	60,000	\$	-	\$	60,000
Parkland Dedication	-	-	-	50	-	5,996	-	20,155	-	26,151
Investment Earnings	-	346	-	-	-	450,768	-	-	-	450,768
TIF Revenue	-	450,768	-	-	-	18,552	-	-	-	18,552
Miscellaneous	4,874	-	-	-	500	535,316	-	-	-	535,316
Total Revenues	4,874	451,114	50	500	394	550,250	1,929	1,929	552,179	
Expenditures										
Current										
General Government	-	-	-	-	394	35,632	-	1,929	-	37,561
Debt Service	-	-	-	-	-	-	-	-	-	-
Principle	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
TIF Expense	-	451,224	-	-	-	451,224	-	-	-	451,224
Capital Outlay	-	-	-	-	-	63,394	-	-	-	63,394
Total Expenditures	-	451,224	-	-	394	550,250	1,929	1,929	552,179	
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,874	(110)	50	106	(14,934)	18,226	18,226	18,226	3,292	
Other Financing Sources (Uses)										
Other	-	-	-	-	(2,057)	(2,057)	-	-	-	(2,057)
Transfers In (Out)	-	-	12,122	-	-	57,122	(8,555)	(8,555)	-	48,567
Capital Leases	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources	-	-	12,122	(2,057)	55,065	46,510	(8,555)	(8,555)	46,510	
Net Change in Fund Balances	4,874	(110)	12,172	(1,951)	40,131	49,802	9,671	9,671	49,802	
Fund Balances, Beginning of Year	27,583	12,434	-	2,057	796,350	1,315,893	519,543	519,543	1,315,893	
Fund Balances, End of Year	\$ 32,457	\$ 12,324	\$ 12,172	\$ 106	\$ 836,481	\$ 1,365,695	\$ 529,214	\$ 529,214	\$ 1,365,695	