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

Member American Institute of
Certified Public Accountants

Member Missouri Society of
Certified Public Accountants

CITY OF PARKVILLE, MISSOURI

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

CITY OF PARKVILLE, MISSOURI

TABLE OF CONTENTS

Independent Auditor's Report ..... 1 – 2

Management's Discussion and Analysis ..... 3 – 11

Basic Financial Statements

- Government-wide Financial Statements
  - Statement of Net Assets 12
  - Statement of Activities 13
- Fund Financial Statements
  - Governmental Funds
    - Balance Sheet 14
    - Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets 15
    - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds ..... 16 – 17
    - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities 18
    - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund 19
  - Proprietary Funds
    - Statement of Net Assets 20
    - Statement of Revenues, Expenditures and Changes in Fund Balances 21
    - Statement of Cash Flows 22
- Notes to Basic Financial Statements ..... 23 – 51

Required Supplementary Information ..... 52 – 53

Other Supplementary Information

- Combining and Individual Fund Statement Schedules
  - Combining Balance Sheet – Nonmajor Governmental Funds ..... 55 – 56
  - Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds ..... 57 – 58

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

Independent Auditor's Report

Honorable Mayor and Board of Aldermen
City of Parkville, Missouri

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Parkville, Missouri (the City) as of and for the year ended December 31, 2011, 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. My responsibility is to express opinions on these financial statements based on my 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, 2011, 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 11 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
August 15, 2012

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

Financial Highlights

1. The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $7,150,022 (net assets).
2. The government's total net assets increased by $850,021. The net assets increase is found in governmental activities where there is a positive $692,755 net change, and a positive $157,267 change in net assets reported in business-type activities.
3. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $3,810,977, an increase of $45,452 from the prior year.
4. At the end of the current fiscal year, fund balance for the general fund was $603,176, or approximately 17% of total 2011 general fund expenditures.
5. General fund revenues were $199,841 over budgeted revenue for 2011.
6. General fund expenses were $110,314 less than budgeted for 2011.
7. The City's total debt decreased by $453,173, (2.5%) during the fiscal year.
8. The City expended $183,574 on capital equipment for the City and $480,157 for BrinkMeyer Road and Brush Creek including interest that was capitalized.
9. The City refinanced the temporary notes on BrinkMeyer Road and Brush Creek adding an additional $245,000 to the temporary notes.
10. The City's proprietary fund showed an increase in net assets of $157,267.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; government-wide financial statements (Pages 12 through 13), fund financial statements (Pages 14 through 19), and notes to the financial statements beginning on Page 23. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* (Page 12) 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 13) 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 through 19 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 20 through 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 through 51 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents certain *required supplemental information* concerning the City's infrastructure reporting. As recommended by American Public Works Association, the modified approach for infrastructure was developed as a compromise to provide an alternative to depreciating eligible infrastructure assets. The basic premise behind the modified approach is that no depreciation is incurred if infrastructure assets are being maintained or preserved at a certain level. The City provides an up-to-date inventory of eligible assets by location, type and physical parameters and performs replicable condition assessments, triennially. Results are summarized using a measurement scale, seen on Pages 52 – 53 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 55 through 58 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 $7,150,022 at the close of the most recent fiscal year.

Governmental Activities. Governmental activities increased the City's net assets by $692,755 and business-type activities increased by $157,267. Revenues were up $137,190 and expenses were up $164,232 from 2010.

Business-type Activities. The change in net assets for business-type activities increased net assets by $157,267 of which $39,998 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 $3,073,977.

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 $3,810,977. Of that, $2,318,809 is *nonspendable, restricted or assigned* for various purposes.

The general fund is the chief operating fund of the City. At the end of the current fiscal year the general fund balance was $603,176. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 17% of total general fund expenditures.

The City's fund balance of the general fund increased by $1,105 during the current fiscal year. The City's 2011 revenues and transfers in from other funds totaled $3,896,941 which is $94,725 higher than 2010. The City's 2011 expenses and transfers out to other funds totaled $3,896,836, which is $426,302 higher than the prior year.

The debt service fund has a total fund balance of $930,939, all of which is reserved for the payment of debt service. There was a net increase in the debt service fund balance of $107,264. Expenses in the debt service fund exceeded revenue by $110,736. This was offset by transfers to the debt service fund of $218,000.

The capital projects fund has a total fund balance of $460,398. There were considerable expenditures on capital projects during the year including BrinkMeyer Road and Brush Creek. The notes payable in connection with BrinkMeyer Road and Brush Creek were refinanced during the year. The major reason for the decline in fund balance was for the payment of interest on the notes and improvements on the projects.

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

CITY OF PARKVILLE, MISSOURI
NET ASSETS SUMMARY
DECEMBER 31, 2011 AND 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 5,781,039	$ 5,620,015	$ 1,086,971	$ 903,619	$ 6,868,010	$ 6,523,634
Capital Assets	15,973,693	15,552,076	4,174,774	4,446,068	20,148,467	19,998,144
Total Assets	21,754,732	21,172,091	5,261,745	5,349,687	27,016,477	26,521,778
Bonds and Notes Outstanding	15,732,015	15,963,816	2,136,721	2,357,877	17,868,736	18,321,693
Other Liabilities	1,946,672	1,824,986	51,047	75,100	1,997,719	1,900,086
Total Liabilities	17,678,687	17,788,802	2,187,768	2,432,977	19,866,455	20,221,779
Net Assets						
Invested in Capital Assets	241,678	(411,740)	2,038,053	2,088,190	2,279,731	1,676,450
Restricted	1,929,825	2,292,713	28,338	28,338	1,958,163	2,321,051
Unrestricted	1,904,542	1,502,317	1,007,586	800,182	2,912,128	2,302,499
Total Net Assets	$ 4,076,045	$ 3,383,290	$ 3,073,977	$ 2,916,710	$ 7,150,022	$ 6,300,000

CITY OF PARKVILLE
STATEMENT OF ACTIVITIES SUMMARY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Program Revenues						
Charges for Services	$ 343,913	$ 399,215	$ 947,588	$ 1,005,579	$ 1,291,501	$ 1,404,794
Operating Grants and Contributions	8,076	36,268	-	-	8,076	36,268
Capital Grants and Contributions	446,314	330,722	35,998	201,111	482,312	531,833
General Revenues						
Property Taxes	1,314,778	1,329,000	-	-	1,314,778	1,329,000
Franchise Taxes	898,765	829,936	-	-	898,765	829,936
Sales Taxes	1,549,084	1,459,937	-	-	1,549,084	1,459,937
Investment Earnings	76,726	72,849	-	-	76,726	72,849
Intergovernmental	41,992	40,675	-	-	41,992	40,675
Sewer Admin Fee	70,000	77,496	-	-	70,000	77,496
TIF	458,121	450,768	-	-	458,121	450,768
Other	133,290	177,003	-	-	133,290	177,003
Total Revenues	5,341,059	5,203,869	983,586	1,206,690	6,324,645	6,410,559
Expenses						
General Government	1,074,457	807,441	-	-	1,074,457	807,441
Public Safety - Police	977,504	960,098	-	-	977,504	960,098
Public Safety - Court	141,755	138,436	-	-	141,755	138,436
Public Works	768,341	694,216	-	-	768,341	694,216
Culture and Recreation	243,818	320,244	-	-	243,818	320,244
Economic Development	296,799	279,239	-	-	296,799	279,239
Depreciation	224,206	224,206	-	-	224,206	224,206
TIF	458,028	451,225	-	-	458,028	451,225
Interest and Fees	288,257	438,103	-	-	288,257	438,103
Other Capital Expenditures	175,139	170,864	-	-	175,139	170,864
Sewer	-	-	826,319	932,983	826,319	932,983
Total Expenses	4,648,304	4,484,072	826,319	932,983	5,474,623	5,417,055
Change in Net Assets	692,755	719,797	157,267	273,707	850,022	993,504
Net Assets, Beginning of Year	3,383,290	2,663,493	2,916,710	2,643,003	6,300,000	5,306,496
Net Assets, End of Year	$ 4,076,045	$ 3,383,290	$ 3,073,977	$ 2,916,710	$ 7,150,022	$ 6,300,000

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 $3,073,977. The sewer fund had revenues exceeding expenditures by $157,266 in 2011. This compares unfavorably with an increase in the net assets of $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 $199,841 more than projected. Property taxes, franchise taxes and sales tax showed an increase over budget.

General fund expenses were $110,314 less than projected. The budget results for other departments are not shown.

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, 2011, totals $20,148,467. Approximately 72% of the 2011 capital expenditures were connected with BrinkMeyer Road and Brush Creek which are being accumulated in the Construction in Progress.

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

	Governmental Activities 2011	Business-type activities 2011	Total 2011
Buildings and Improvements	$ 3,499,678	$ 2,427,007	$ 5,926,685
Machinery and Equipment	308,170	40,600	348,770
Infrastructure	3,492,910	1,647,192	5,140,102
Land	869,880	59,975	929,855
Construction in Process	7,803,055	-	7,803,055
Total	$15,973,693	$ 4,174,774	$20,148,467

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

Long-Term Debt. At the end of the current fiscal year, the City had total debt outstanding of $17,868,736.

City of Parkville, Missouri
Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 2,545,000	$ 2,830,000	$ -	$ -	$ 2,545,000	$ 2,830,000
Certificates of Participation	5,600,000	5,800,000	-	-	5,600,000	5,800,000
NID Limited Obligation Temporary Notes	7,710,000	7,465,000	-	-	7,710,000	7,465,000
Sewer Revenue Bonds – 1998	-	-		70,000		70,000
Revenue Bonds (SRF) 2004A	-	-	1,870,000	2,005,000	1,870,000	2,005,000
Capital Leases/ Lease-Purchase	-		179,613	188,744	179,613	188,744
Deferred Amounts	(122,985)	(131,184)	87,108	94,133	(35,877)	(37,051)
Total	$15,732,015	$15,963,816	$2,136,721	$2,357,877	$17,868,736	$18,321,693

The general government indebtedness decreased $231,801 and the business government indebtedness decreased $221,156.

Economic Factors and Next Year's Budgets and Rates

For 2012, the City of Parkville is expecting Property Tax revenue to increase about 2.6% over 2011. This continues a pattern of fairly stable real estate values coupled with the very slow pace of new construction since 2008. Although building permits are anticipated to continue to increase, fueled by a gradually increasing number of new construction starts, both residential and commercial, along with home repair and remodeling projects, the City has budgeted conservatively and assumed permit revenue will remain flat. Franchise taxes are expected to drop about 2% from 2011 revenues, which included a one-time telecom company settlement. Otherwise, the City expects continued slow growth in franchise fees with steady customer demand for telecommunication products and services and recent increases in electricity rates. A mild winter and lower gas prices will reduce natural gas franchise tax receipts for the first half of 2012, but this may be offset by summer electric use if the summer weather is severe. All in all, vacancy rates have remained low for housing in Parkville, so utility franchise fees tend to average out and can be depended upon 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 hold steady after inflation and to be about 2.6% above 2011 levels, holding near to the levels of the 2006-2008 period. However, we note that competition from a new grocery store outside the City may reduce sales tax revenue for the City from one of the City's major sales tax generators. Excluding anticipated grants (see below); the City has budgeted very cautiously, holding 2012 revenue and expenditure budgets at near 2011 levels. However, City personnel remain optimistic, expecting overall modest, but positive growth in revenue for 2012. Revenue receipts for the first 6 months of 2012 give confidence that the budgetary goals will be met or exceeded. City expenditures are well within levels anticipated in the 2012 budget.

Other factors affecting the City's 2012 financial outlook include receipt of FEMA grants to cover extraordinary expenditures in 2011 for flood-related damage to the City parks along the Missouri River. Also, the City anticipates reaching favorable settlements to litigation related to the collapsed retaining wall along BrinkMeyer Road. As of this writing, FEMA grants have been received, and the City is satisfied that favorable settlements have been obtained in all litigation cases, with no further litigation expected.

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, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	$ 2,168,500	$ 868,150	$ 3,036,650
Restricted Cash and Investments	1,670,188	28,338	1,698,526
Receivables, Net of Allowance for Uncollectibles			
Taxes	1,673,961	-	1,673,961
Accounts	28,645	92,796	121,441
Deferred Charges	184,732	97,687	282,419
Prepaid Items	55,013	-	55,013
Capital Assets not being Depreciated			
Land	869,880	59,975	929,855
Construction in Progress	7,803,055	-	7,803,055
Infrastructure	3,455,903	-	3,455,903
Capital Assets, Net of Accumulated Depreciation			
Buildings and Improvements	3,499,678	2,427,007	5,926,685
Machinery and Equipment	308,170	40,600	348,770
Infrastructure	37,007	1,647,192	1,684,199
Total Assets	21,754,732	5,261,745	27,016,477
Liabilities			
Accounts Payable and Other Current Liabilities	251,830	34,656	286,486
Accrued Interest Payable	102,869	2,906	105,775
Customer Deposits	-	13,485	13,485
Unearned Revenue	1,533,500	-	1,533,500
Other	58,473	-	58,473
Bonds and Notes			
Due Within One Year	461,801	149,594	611,395
Due in More Than One Year	15,270,214	1,987,127	17,257,341
Total Liabilities	17,678,687	2,187,768	19,866,455
Net Assets			
Invested in Capital Assets, Net of Capital Related Debt	241,678	2,038,053	2,279,731
Restricted for			
Debt Service	930,939	28,338	959,277
Capital Projects	460,398	-	460,398
Permanent Fund	538,488	-	538,488
Unrestricted	1,904,542	1,007,586	2,912,128
Total Net Assets	$ 4,076,045	$ 3,073,977	$ 7,150,022

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities							
General Government	$ 1,074,457	$ 147,310	$ 8,076	$ 446,314	$ (472,757)	$ -	$ (472,757)
Public Safety - Police	977,504	196,603	-	-	(780,901)	-	(780,901)
Public Safety - Court	141,755	-	-	-	(141,755)	-	(141,755)
Public Works	768,341	-	-	-	(768,341)	-	(768,341)
Culture and Recreation	243,818	-	-	-	(243,818)	-	(243,818)
Economic Development	296,799	-	-	-	(296,799)	-	(296,799)
Depreciation	234,267	-	-	-	(234,267)	-	(234,267)
TIF	458,028	-	-	-	(458,028)	-	(458,028)
Interest and Fees	288,257	-	-	-	(288,257)	-	(288,257)
Other Capital Expenditures	165,078	-	-	-	(165,078)	-	(165,078)
Total Governmental Activities	4,648,304	343,913	8,076	446,314	(3,850,001)	-	(3,850,001)
Business-type Activities							
Sewer	826,319	947,588	-	35,998	-	157,267	157,267
Total Business-type Activities	826,319	947,588	-	35,998	-	157,267	157,267
Total Primary Government	$ 5,474,623	$ 1,291,501	$ 8,076	$ 482,312	(3,850,001)	157,267	(3,692,734)
General Revenues							
Property Tax					1,314,778	-	1,314,778
Franchise Tax					898,765	-	898,765
Sales Tax					1,549,084	-	1,549,084
Unrestricted Investment Earnings					76,726	-	76,726
Intergovernmental					41,992	-	41,992
Sewer Admin Fees					70,000	-	70,000
TIF					458,121	-	458,121
Other					133,290	-	133,290
Total General Revenues					4,542,756	-	4,542,756
Change in Net Assets					692,755	157,267	850,022
Net Assets, Beginning of the Year					3,383,290	2,916,710	6,300,000
Net Assets, End of Year					$ 4,076,045	$ 3,073,977	$ 7,150,022

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

CITY OF PARKVILLE, MISSOURI
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ 579,669	$ 332,987	$ (23,063)	$ 334,902	$ 944,005	$ 2,168,500
Restricted Cash Investments	-	984	486,724	643,992	538,488	1,670,188
Receivables, Net of Allowance for Uncollectibles						
Taxes	1,076,666	-	-	597,295	-	1,673,961
Accounts Receivable	28,645	-	-	-	-	28,645
Prepaid Items	55,013	-	-	-	-	55,013
Total Assets	$1,739,993	$ 333,971	$ 463,661	$1,576,189	$ 1,482,493	$ 5,596,307
Liabilities and Fund Balance						
Liabilities						
Accounts Payable	$ 248,318	$ -	$ 3,262	$ 250	$ -	$ 251,830
Bonds Payable	-	-	-	-	-	-
Unearned Revenue	888,500	-	-	645,000	-	1,533,500
Total Liabilities	1,136,818	-	3,262	645,250	-	1,785,330
Fund Balances						
Nonspendable						
Prepaids	55,013	-	-	-	-	55,013
Restricted for						
Capital Projects		333,971	460,398	-	-	794,369
Debt Service	-	-	-	930,939	-	930,939
Assigned						
Capital Purposes	-	-	-	-	538,488	538,488
Unassigned						
General Fund	548,163	-	-	-	-	548,163
Special Revenue	-	-	-	-	944,005	944,005
Total Fund Balances	603,176	333,971	460,398	930,939	1,482,493	3,810,977
Total Liabilities and Fund Balances	$1,739,994	$ 333,971	$ 463,660	$1,576,189	$ 1,482,493	$ 5,596,307

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, 2011

Total Fund Balance in Governmental Fund Balance Sheet	$ 3,810,977
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.	15,973,693
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)	(15,708,625)
Net Assets of Governmental Activities	$ 4,076,045

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, 2011

	General Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Government Funds
Revenues						
Taxes	$ 2,776,351	$ 650,319	$ -	$ 318,692	$ -	$ 3,745,362
Licenses and Permits	140,065	-	-	-	-	140,065
Intergovernmental	41,992	-	-	-	-	41,992
Charges for Services	7,245	-	-	-	-	7,245
Fines and Fees	196,603	-	-	60	-	196,663
Special Assessments	-	114,870	-	331,444	-	446,314
Investment Earnings	28,113	-	305	16,893	31,414	76,725
Grants	8,076	-	-	-	-	8,076
TIF Revenue	-	-	-	-	458,121	458,121
Sewer Service Fees	70,000	-	-	-	-	70,000
Miscellaneous	114,496	-	-	-	18,794	133,290
Total Revenues	3,382,941	765,189	305	667,089	508,329	5,323,853
Expenditures						
Current						
General Government	1,021,294	875	-	-	48,595	1,070,764
Public Safety - Police	1,031,850	-	-	-	-	1,031,850
Public Safety - Court	141,755	-	-	-	-	141,755
Public Works	1,054,809	-	-	-	-	1,054,809
Economic Development	336,997	-	-	-	-	336,997
Debt Service						
Principal	-	-	-	485,000	-	485,000
Interest	-	-	336,392	288,257	-	624,649
Other	-	-	-	4,568	-	4,568

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, 2011

	General Fund	Transportation Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Government Funds
TIF Expense	-	-	-	-	458,028	458,028
Capital Outlay	-	171,177	143,765	-	39	314,981
Total Expenditures	3,586,705	172,052	480,157	777,825	506,662	5,523,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	(203,764)	593,137	(479,852)	(110,736)	1,667	(199,548)
Other Financing Sources (Uses)						
Note Proceeds - Refinancing	-	-	7,710,000	-	-	7,710,000
Notes Retired - Refinancing	-	-	(7,465,000)	-	-	(7,465,000)
Transfers In	514,000	244,574	-	218,000	115,131	1,091,705
Transfers (Out)	(309,131)	(538,000)	(244,574)	-	-	(1,091,705)
Total Other Financing Sources	204,869	(293,426)	426	218,000	115,131	245,000
Net Changes in Fund Balances After Other Financing Sources	1,105	299,711	(479,426)	107,264	116,798	45,452
Fund Balance, Beginning of Year	602,071	34,260	939,824	823,675	1,365,695	3,765,525
Fund Balance, End of Year	$ 603,176	$ 333,971	$ 460,398	$ 930,939	$ 1,482,493	$ 3,810,977

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:	
Net Change in Fund Balances - Total Government Funds	$ 45,452
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.	414,185
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.	485,000
Refinancing transaction in which the bond proceeds exceeded the bonds retired reported as increase in the fund balance.	(245,000)
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.	(6,882)
Change in Net Assets of Governmental Activities	$ 692,755

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, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes			
Property	$ 980,300	$ 996,086	$ 15,786
Franchise	767,000	898,765	131,765
Sales	860,000	881,500	21,500
Intergovernmental	41,500	41,992	492
Licenses and Permits	141,050	140,065	(985)
Charges for Services	25,600	7,245	(18,355)
Fines and Fees	222,200	196,603	(25,597)
Investment Earnings	26,000	28,113	2,113
Grants	14,000	8,076	(5,924)
Sewer Service Fees	70,000	70,000	-
Miscellaneous	25,450	114,496	75,046
Transfer In	524,000	514,000	(10,000)
Total Revenues	3,697,100	3,896,941	199,841
Expenditures			
Current:			
General Government	1,014,300	1,021,294	(6,994)
Public Safety - Police	1,113,800	1,031,850	81,950
Public Safety - Court	149,750	141,755	7,995
Public Works	166,550	154,507	12,043
Community Development	280,650	269,984	10,666
Street	653,350	674,557	(21,207)
Parks	337,450	225,745	111,705
Nature Sanctuary	23,900	23,939	(39)
Channel 2/Website	48,400	43,074	5,326
Transfer Out	218,000	309,131	(91,131)
Total Expenditures	4,006,150	3,895,836	110,314
Excess of Revenues over Expenditures	$ (309,050)	$ 1,105	$ 310,155

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUND - SEWER SERVICE
DECEMBER 31, 2011

Assets	
Current Assets	
Cash and Cash Equivalents	$ 868,150
Restricted Cash and Investments	28,338
Accounts Receivable	92,796
Total Current Assets	989,284
Noncurrent Assets	
Deferred Charges	97,687
Capital Assets	
Land	59,975
Buildings and Improvements	5,252,588
Machinery and Equipment	209,573
Construction in Progress	155,473
Infrastructure	1,850,517
Less Accumulated Depreciation	(3,353,352)
Total Capital Assets	4,174,774
Total Noncurrent Assets	4,272,461
Total Assets	5,261,745
Liabilities	
Current Liabilities	
Accounts Payable and Other Current Liabilities	34,656
Accrued Interest Payable	2,906
Customer Deposits Payable	13,485
Current Portion of Revenue Bonds Payable	140,000
Current Portion of Leases Payable	9,594
Total Current Liabilities	200,641
Noncurrent Liabilities	
Revenue Bonds Payable, Net	1,817,108
Lease Payable	170,019
Total Noncurrent Liabilities	1,987,127
Total Liabilities	2,187,768
Net Assets	
Restricted	
Debt Service	28,338
Invested in Capital Assets, Net of Related Debt	2,038,053
Unrestricted	1,007,586
Total Net Assets	$ 3,073,977

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
PROPRIETARY FUND - SEWER SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2011

Operating Revenues	
Charges for Sales and Services	
Sewer Charges	$ 938,491
Total Operating Revenues	938,491
Operating Expenses	
Cost of Sales and Services	499,176
Depreciation and Amortization	297,754
Total Operating Expenses	796,930
Operating Income	141,561
Nonoperating Revenues (Expenses)	
Interest Revenue	9,061
Interest Expense	(29,389)
Other Income	36
Grant	35,998
Total Net Nonoperating Revenues	15,706
Change in Net Assets	157,267
Total Net Assets, Beginning of Year	2,916,710
Total Net Assets, End of Year	$ 3,073,977

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

CITY OF PARKVILLE, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - SEWER SERVICE
FOR THE YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities	
Receipts from Customers	$ 980,782
Payments to Suppliers	(523,318)
Net Cash Provided by Operating Activities	457,464
Cash Flows from Capital and Related Financing Activities	
Payments on Leases Payable	(9,131)
Acquisition of Capital Assets	(16,340)
Grant Income	35,998
Principal Paid on Capital Debt	(205,000)
Interest Paid on Capital Debt	(28,579)
Other	(6,990)
Net Cash (Used) by Financing Activities	(230,042)
Cash Flows from Investing Activities	
Interest Received	9,061
Net Cash Provided by Investing Activities	9,061
Increase in Cash and Cash Equivalents	236,483
Cash, Beginning of Year	660,005
Cash, End of Year	$ 896,488
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	$ 141,561
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	297,754
Changes in Assets and Liabilities	
Accounts Receivable	42,291
Accounts Payable	(24,862)
Prepaids	720
Net Cash Provided by Operating Activities	$ 457,464

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

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

The City reports the following major governmental funds:

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

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

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

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. Revenue and expenses for each of the several debt service obligations are kept separate and accounted for independently of the other obligations so that funds available for each debt service obligation are used only for that obligation.

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.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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

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

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

Equity Classifications

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

1. **Invested in capital assets, net of related debt** – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of these assets.

2. **Restricted net assets** – Consists of net assets with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

3. **Unrestricted net assets** – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted".

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Classifications

The Governmental Accounting Standards Board (GASB) released Statement 54– "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) on March 11, 2009, which is effective for the City's fiscal year ending December 31, 2011. This Statement is intended to improve the usefulness of the amounts reported in fund balance by providing more structured classifications. Under GASB 54, fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** – consists of amounts that are not in a spendable form or are required to be maintained intact.

2. **Restricted Fund Balance** – consists of amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for Debt Service and Restricted for Capital Projects balances reflect amounts that are restricted for debt service and construction or other capital outlay projects.

3. **Committed Fund Balance** – consists of amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (the Board of Aldermen) and do not lapse at year end. The committed fund balance consists of general board reserves.

4. **Assigned Fund Balance** – consists of amounts intended for a specific purpose by the Board of Aldermen that has been delegated authority to assign amounts. This fund balance classification reflects funds assigned for capital projects.

5. **Unassigned Fund Balance** – consists of any remaining fund balance that has not been reported in any other classification.

Cash, Cash Equivalents and Investments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash, Cash Equivalents and Investments – Continued

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

Statement of Cash Flows

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

Receivables and Payables

All trade accounts receivable are shown net of an allowance for uncollectibles. Management records a trade accounts receivable allowance based on percentages of collection estimated from the aging of accounts receivable. At December 31, 2011, management determined that no allowance was necessary.

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

General Fund Property Tax Receivable	$ 888,500
Debt Service Fund Property Tax Receivable	645,000
	$1,533,500

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 2011 budget was:

General Fund	$ 0.4748
General Revenue - Temporary	0.1795
	$ 0.6543

Taxes receivable represent property taxes levied for 2011 and prior years that have not yet been collected. The assessed value of property located within the City totaled $185,288,906.

Prepayments

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

Unamortized Bond Issuance Costs and Bond Premium and Discount

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

Capital Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets – Continued

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

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

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

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

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

Compensated Absences

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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 15)

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $(15,708,625) difference are as follows:

Bonds Payable	$ (2,545,000)
Certificates of Participation Payable	(5,600,000)
Neighborhood Improvement District Limited General Obligation Temporary Notes	(7,710,000)
Accrued Interest Payable	(102,869)
Compensated Absences	(42,982)
Issuance Discount	41,720
Cost of Issuance	184,732
Deferred Refunding Difference and Other	
Net Adjustment to Reduce Fund Balance	81,265
Other	(15,491)
Net Reconciling Item for Long-term Liabilities (Page 16)	$(15,708,625)

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

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

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

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

Capital Outlay	$ 647,391
Depreciation Expense	(234,267)
Other	1,061
Net Reconciling Item for Capital Outlays/Depreciation (Page 18)	$ 414,185

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	$(7,710,000)
Debt Retired with Refinancing	7,465,000
Total	$ (245,000)
Principal Repayments	
General Obligation Bonds	$ 285,000
Certificates of Participation	200,000
Total	$ 485,000

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

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

Another element of that reconciliation states that "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 $(6,882) difference are as follows:

Compensated Absences	$ (4,040)
Amortization of Issuance Costs	(12,634)
Amortization of Deferred Refunding Difference	(5,417)
Amortization of Bond Discounts	(2,782)
Other	17,991
Net Reconciling Item Relating to Certain Expenses (Page 18)	$ (6,882)

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.

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 2011.

NOTE 4 – DEPOSITS AND INVESTMENTS

As of December 31, 2011, the City had the following deposits and investments:

	Reported Amount / Fair Value
US Treasuries and Agency Securities	$1,462,769
Deposits	
Checking Accounts	1,436,517
Money Market Accounts	1,835,890
	$4,735,176

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

Cash and Cash Equivalents	$3,036,650
Restricted Cash and Investments	1,698,526
Total Deposits and Investments	$4,735,176

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 Treasury securities having relatively short maturities. These consist of funds whose use is restricted and are unlikely to be needed prior to maturity (e.g. the Fewson Trust and Sewer Debt Reserve).

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, 2011, 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, 2011, 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. The City debt limit does not exceed the State Constitution limits.

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.

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	$ 869,880	$ -	$ -	$ 869,880
Construction in Progress	7,322,898	480,157	-	7,803,055
Infrastructure	3,435,703	20,200	-	3,455,903
Total Capital Assets not being Depreciated	11,628,481	500,357	-	12,128,838
Capital Assets being Depreciated				
Buildings and Improvements	4,153,323	-	-	4,153,323
Machinery and Equipment	1,518,575	147,034	-	1,665,609
Infrastructure	44,663	-	-	44,663
Total Capital Assets being Depreciated	5,708,569	147,034	-	5,863,595
Less Accumulated Depreciation for				
Buildings and Improvements	(554,360)	(99,285)	-	(653,645)
Machinery and Equipment	(1,223,733)	(133,706)	-	(1,357,439)
Infrastructure	(6,380)	(1,276)	-	(7,656)
Total Accumulated Depreciation	(1,784,473)	(234,267)	-	(2,018,740)
Total Capital Assets being Depreciated, Net	3,924,096	(87,233)	-	3,844,855
Governmental Activities Capital Assets, Net	$ 15,552,577	$ 413,124	$ -	$15,973,693
Business-type Activates				
Capital Assets not being Depreciated				
Land	$ 59,975	$ -	$ -	$ 59,975
Total Capital Assets not being Depreciated	59,975	-	-	59,975
Capital Assets being Depreciated				
Buildings and Improvements	4,834,548	4,340	-	4,838,888
Machinery and Equipment	197,573	12,000	-	209,573
Infrastructure	2,381,388	-	-	2,381,388
Total Capital Assets being Depreciated	7,413,509	16,340	-	7,429,849
Less Accumulated Depreciation for				
Buildings and Improvements	(2,177,517)	(234,364)	-	(2,411,881)
Machinery and Equipment	(165,567)	(3,406)	-	(168,973)
Infrastructure	(684,332)	(49,864)	-	(734,196)
Total Accumulated Depreciation	(3,027,416)	(287,634)	-	(3,315,050)
Total Capital Assets being Depreciated, Net	4,386,093	(271,294)	-	4,114,799
Business-type Activities Capital Assets, Net	$ 4,446,068	$ (271,294)	$ -	$ 4,174,774

NOTE 5 - CAPITAL ASSETS - CONTINUED

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

Governmental Activities	
General Government	$ 124,841
Public Safety	42,602
Public Works	34,729
Parks	28,070
Nature Sanctuary	1,383
Channel 2	2,642
Total Depreciation Expense	$ 234,267
Business-type Activities - Sewer Operations	$ 287,634

Construction in Progress consists of costs incurred to construct infrastructure assets (i.e. - streets, curbs, retaining wall, storm drainage network, and similar items) for two development projects: Brink 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.

Road retaining wall. This wall partially collapsed in the Spring of 2009. The City's general fund incurred expenditures in 2009 and 2011 related to this collapse. As of August 1, 2012, assuming no further legal action (filing of appeals), the City can acknowledge receipt of settlement monies expected to cover the cost of rebuilding the wall.

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, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	$ 2,830,000	$ -	$ (285,000)	$ 2,545,000	$ 255,000
Certificates of Participation	5,800,000	-	(200,000)	5,600,000	215,000
Neighborhood Improvement District					
Limited Obligation Temp Notes	7,465,000	7,710,000	(7,465,000)	7,710,000	7,710,000
Less Deferred Amounts					
for Issue Discounts	(44,502)	-	2,782	(41,720)	(2,782)
for Deferred Refunding Difference	(86,682)	-	5,417	(81,265)	(5,417)
Governmental Activity					
Liabilities	$ 15,963,816	$ 7,710,000	$ (7,941,801)	$ 15,732,015	$ 8,171,801
Business-type Activities:					
Bonds payable					
Sewer Revenue Bonds - 1998	$ 70,000	$ -	$ (70,000)	$ -	$ -
Revenue Bonds (SRF) 2004A	2,005,000	-	(135,000)	1,870,000	140,000
Lease Purchase Agreement	188,744	-	(9,131)	179,613	9,594
Plus Deferred Amounts					
for Issue Premiums	94,133	-	(7,025)	87,108	7,241
Business-type Activity Long-term					
Liabilities	$ 2,357,877	$ -	$ (221,156)	$ 2,136,721	$ 156,835

$2,545000 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.

NOTE 6 - LONG-TERM OBLIGATIONS - CONTINUED

General Obligation Bonds

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

General obligation bonds currently outstanding consist of the following:

	Interest Rates	Original Issue	Final Maturity Date	Principal Payments/ Refinancing During 2011	Outstanding December 31, 2011
General Obligation Bonds					
Governmental Activities					
Series 2010	2.7% to 3.25%	$ 2,785,000	3/1/2020	$ -	$ 2,545,000
				$ -	$ 2,545,000

On December 23, 2010, the City refinanced the 2001 General Obligation Bonds. The City issued $2,785,000 of new bonds to retire the old bonds. The interest rates on the bonds vary from 2% to 3.25%. The annual requirements to amortize governmental activities general obligation bonds outstanding as of December 31, 2011, are as follows:

	Governmental Activities	
	Principal	Interest
2012	$ 255,000	$ 61,913
2013	265,000	56,713
2014	270,000	51,363
2015	275,000	46,256
2016 - 2020	1,480,000	118,863
	$ 2,545,000	$ 335,108

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, 2011, is $5,600,000.

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

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

	Principal	Interest
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	1,030,000	59,840
	$5,600,000	$2,199,190

Neighborhood Improvement District Limited Obligation Temporary Notes

The temporary notes (dated July 2009) were refinanced on July 27, 2011, 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 $3,000,000 at 2% was borrowed on the Brink Meyer Road Project and $4,710,000 at 2% was borrowed on the Brush Creek Road Project. The principal on both notes is due as follows:

	Principal
Notes Due in 2013	$3,000,000
Notes Due in 2012	4,710,000
	$7,710,000

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. The remaining principal on the bonds in the amount of $70,000 was paid in 2011.

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, 2011, is $1,870,000.

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

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

The annual requirements to amortize these bonds outstanding as of December 31, 2011, are as follows:

	Principal	Interest
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	535,000	53,600
	$1,870,000	$ 632,420

NOTE 6 – LONG-TERM OBLIGATIONS – CONTINUED

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.

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:

	Principal	Interest
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	73,554	9,497
	$ 179,613	$ 69,542

NOTE 7 – RISK MANAGEMENT

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

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

In the event that a deficit occurs with respect to any fiscal year of MPR for which the City was a participant at any time during such year, and in the event that MPR determines that an assessment is required in order to provide additional funds for the obligations of MPR for such year, and further, in the event that the City was covered by the types of benefits requiring the assessment during the time period in which the assessment arose, the City is obligated to pay its pro rata share of any such assessment whether or not the City is a member of MPR at the time of such assessment. Management of the City is not aware of any deficit situation in MPR that would require an accrual of a liability as of December 31, 2011.

MPR's financial statements are presented in its Comprehensive Annual Financial Report for the year ended December 31, 2011.

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.

NOTE 7 – RISK MANAGEMENT – CONTINUED

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, 2011, the trust assets had an account balance of $538,486.

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, 2011, consisted of the following:

Transfer from Capital Projects Fund	$ (244,574)
Transfer from Transportation Special Revenue Fund (Net)	$ (293,426)
Transfer to Debt Service Fund	$ 218,000
Transfer to Non-Major Governmental Funds	$ 115,131
Transfer to General Fund (Net)	$ 204,869

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

NOTE 10 – PENSION PLAN

Plan Description

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

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 2011 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	$ 54,957
Interest on Net Pension Obligation	-
Adjustment to Annual Required Contribution	-
Annual Pension Cost	54,957
Actual Contributions	54,957
Increase (Decrease) in NPO	-
NPO Beginning of Year	-
NPO End of Year	$ -

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 7.25% per year, compounded annually (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on the 75% of the RP-2000 Combined Healthy table set back 0 years for men and 0 years for women, and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The amortization period as of February 28, 2011 the initial actuarial valuation was 27 years for the General division and 27 years for the Police division.

One-Year Trend Information

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2010	$ 52,274	100.0%	$ -
2011	$ 54,957	100.0%	$ -

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability Entry Age	(b-a) Un-funded Liability (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
02-28-10	$ 70,422	$ 274,694	$ 204,272	26%	$1,331,420	15%
02-28-11	$186,859	$ 415,164	$ 228,205	45%	$1,335,830	17%

The above assets and actuarial accrued liability do not include assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011, annual actuarial valuations. 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.

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.

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, 2011.

		2011 Fair Value Measurements Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level3)
Government Securities:				
Trust Fund	$332,060	$332,060		
Construction Escrow	$486,717	$486,717		

NOTE 12 – SUBSEQUENT EVENT - REFINANCING

Temporary Notes – Brush Creek Drainage NID Project

On July 26, 2012, the City refinanced the Brush Creek temporary notes of $4,471,000 into new one-year notes totaling $4,855,000.

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.* This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The statement will be effective for the City's 2013 fiscal year.

NOTE 13 – UPCOMING ACCOUNTING PRONOUNCEMENTS – CONTINUED

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. The statement will be effective for the City's 2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* The statement will be effective for the City's 2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will affect the format and reporting of the balance sheet at the government-wide level and also at the fund level.

CITY OF PARKVILLE, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

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

Street and Parking Lot Assets

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

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

1 Indicates an equivalent of a newly constructed street or parking lot (crack sealing and minor patching)

2 Indicates slight imperfections in the street or parking lot condition (crack sealing, slurry sealing, and/or patching)

3 Indicates some deterioration has occurred and minor maintenance may be required (street or parking lot needs various repairs to maintain condition; patches; possible milling and overlay)

4 Indicates noticeable deterioration maintenance is required (deterioration is significant and visually noticeable; repair mill and overlay)

5 Indicates significant maintenance is required (considerable cracking, potholes or other fatigue demands repair work and overlay)

6 Indicates serious deficiency (deterioration mandates edge milling, to prevent total base failure, needs overlay)

7 Indicates severe deficiency (severe deterioration needing various repairs)

8 Indicates major failure (some good street is left within a total replacement street or parking lot condition)

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

10 Indicates total replacement is required.

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

Fiscal Year	Minimum Acceptable Condition Level*	Actual Condition Level *
2005	80	94
2006	80	94
2007	80	94
2008	80	94
2009	80	94
2010	80	94
2011	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 $171,177 was spent out of the Capital Improvements Fund. The major expenditures were for an asphalt overlay ($70,917), the curb and sidewalk program ($80,000), and the Highway 9 bridge. The following table compares the estimated expenditures needed to maintain the system at a minimum acceptable condition level with actual amounts spent for the current and prior years.

Fiscal Year	Estimated Expenses	Actual Expenses
2005	$ 246,519	$ 241,190
2006	$ 292,227	$ 292,579
2007	$ 246,819	$ 213,183
2008	$ 256,481	$ 246,886
2009	$ 233,000	$ 233,000
2010	$ 234,000	$ 190,172
2011	$ 205,000	$ 171,177

OTHER SUPPLEMENTARY INFORMATION

CITY OF PARKVILLE, MISSOURI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Court Recoupment Fees
Assets							
Cash and Cash Equivalents	$ 622,788	$ 84,541	$ (2,691)	$ 34,533	$ 69,452	$ 43,361	$ 30,715
Restricted Cash and Investments	-	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-	-
Total Assets	$ 622,788	$ 84,541	$ (2,691)	$ 34,533	$ 69,452	$ 43,361	$ 30,715
Liabilities							
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balances							
Unreserved, Reported in:							
Special Revenue Funds	622,788	84,541	(2,691)	34,533	69,452	43,361	30,715
Permanent Fund	-	-	-	-	-	-	-
Total Fund Balances	622,788	84,541	(2,691)	34,533	69,452	43,361	30,715
Total Liabilities and Fund Balances	$ 622,788	$ 84,541	$ (2,691)	$ 34,533	$ 69,452	$ 43,361	$ 30,715

CITY OF PARKVILLE, MISSOURI
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Special Revenue					Permanent	Total Nonmajor
	Police Training Fees - LET	TIF Development	Market Place Development	Other	Total	Fewson Project	Governmental Funds
Assets							
Cash and Cash Equivalents	$ 36,575	$ 12,417	$ 12,208	$ 106	944,005	$ -	$ 944,005
Restricted Cash and Investments	-	-	-	-	-	538,488	538,488
Other Receivables	-	-	-	-	-	-	-
Total Assets	$ 36,575	$ 12,417	$ 12,208	$ 106	$ 944,005	$ 538,488	$ 1,482,493
Liabilities							
Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Fund Balances							
Unreserved, Reported in							
Special Revenue Funds	36,575	12,417	12,208	106	944,005	-	944,005
Permanent Fund	-	-	-	-	-	538,488	538,488
Total Fund Balances	36,575	12,417	12,208	106	944,005	538,488	1,482,493
Total Liabilities and Fund Balances	$ 36,575	$ 12,417	$ 12,208	$ 106	$ 944,005	$ 538,488	$ 1,482,493

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue						
	Reserve Funds	Municipal Equip Reserve	Guest Room Tax	Nature Sanctuary	Park Donations	Parkland Dedication	Court Recoupment Fees
Revenues							
Parkland Dedication	$ -	$ -	$ -	$ -	-	$ -	$ -
Investment Earnings	-	-	-	-	-	-	-
TIF Revenue	-	-	-	-	-	-	-
Miscellaneous	-	-	4,014	7,454	310	-	2,701
Total Revenues	-	-	4,014	7,454	310	-	2,701
Expenditures							
Current							
General Government	-	-	20,000	6,294	-	-	-
Debt Service							
Principle	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TIF Expense	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	39	-
Total Expenditures	-	-	20,000	6,294	-	39	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(15,986)	1,160	310	(39)	2,701
Other Financing Sources (Uses)							
Other	-	-	-	-	-	-	-
Transfers In (Out)	91,131	24,000	-	-	-	-	-
Capital Leases	-	-	-	-	-	-	-
Total Other Financing Sources	91,131	24,000	-	-	-	-	-
Net Change in Fund Balances	91,131	24,000	(15,986)	1,160	310	(39)	2,701
Fund Balances, Beginning of Year	531,657	60,541	13,295	33,373	69,142	43,400	28,014
Fund Balances, End of Year	$ 622,788	$ 84,541	$ (2,691)	$ 34,533	$ 69,452	$ 43,361	$ 30,715

CITY OF PARKVILLE, MISSOURI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue					Permanent	Total Nonmajor
	Police Training Fees - LET	TIF Development	Market Place Development	Other	Total	Fewson Project	Governmental Funds
Revenues							
Parkland Dedication	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment Earnings	-	-	36	-	36	31,378	31,414
TIF Revenue	-	458,121	-	-	458,121	-	458,121
Miscellaneous	4,315	-	-	-	18,794	-	18,794
Total Revenues	4,315	458,121	36	-	476,951	31,378	508,329
Expenditures							
Current							
General Government	197	-	-	-	26,491	22,104	48,595
Debt Service							
Principle	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
TIF Expense	-	458,028	-	-	458,028	-	458,028
Capital Outlay	-	-	-	-	39	-	39
Total Expenditures	197	458,028	-	-	484,558	22,104	506,662
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,118	93	36	-	(7,607)	9,274	1,667
Other Financing Sources (Uses)							
Other	-	-	-	-	-	-	-
Transfers In (Out)	-	-	-	-	115,131	-	115,131
Capital Leases	-	-	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	115,131	-	115,131
Net Change in Fund Balances	4,118	93	36	-	107,524	9,274	116,798
Fund Balances, Beginning of Year	32,457	12,324	12,172	106	836,481	529,214	1,365,695
Fund Balances, End of Year	$ 36,575	$ 12,417	$ 12,208	$ 106	$ 944,005	$ 538,488	$ 1,482,493