
CITY OF SHREWSBURY, MISSOURI
FINANCIAL REPORT

For The Fiscal Year Ended December 31, 2013

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Independent Auditors' Report

The Honorable Mayor and
the Board of Aldermen
City of Shrewsbury, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the City of Shrewsbury, Missouri (the City), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the City as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 the City adopted the provisions of GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3- 10, the Budgetary Comparison Information on pages 35 - 39, and the Schedule of Funding Progress on page 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual nonmajor fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RubinBrown LLP

June 5, 2014

Management's Discussion And Analysis

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Shrewsbury, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the City of Shrewsbury exceeded its liabilities by \$5,501,275 (*net position*) in 2013.
- As of December 31, 2013, the City's governmental funds reported combined fund balances of \$5,320,144, an increase of \$35,772 in comparison with the prior year. Over 47% of this total, \$2,516,412 is unassigned and available for use within the City's designation and policies. In accordance with City policy, \$182,683 has been assigned to the 2014 fiscal year budget deficit.
- At December 31, 2013, fund balance for the general fund was \$2,797,337, or 48% of total general fund operating expenditures.
- The City reduced its existing long-term debt by \$770,000 during the year ended December 31, 2013.

Using This Annual Report

This annual report has been prepared in accordance with the Government Accounting Standards Board (GASB) Statement No. 34. As such, the report includes financial statements that show information about the City as a whole and its significant funds. The Statement of Net Position and the Statement of Activities provide information about activities of the City as a whole and present a longer-term view of the City's finances. The fund financial statements present how the City financed its services in the short term, as well as the amounts that remain for future spending.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information and other supplementary information are also included in addition to the basic financial statements.

Government-Wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the City's assets and liabilities using the accrual basis of accounting, with the difference between the two reported as net position. Under accrual accounting, all revenues and expenses are recorded regardless of when cash is received or paid. Over time, increases or decreases in net position serves as an indicator of whether the financial position of the City is improving or deteriorating.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

The Statement of Activities presents information showing how the City's net position changed during the year. All changes in net position are reported when 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). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by the City's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services.

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 fiduciary 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 current sources and uses 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 current 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 funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Fund - Fund financial statements also allow the City to present its Municipal Court Trust Fund. While this fund represents a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not presented as part of the government-wide financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$5,501,275 as of December 31, 2013.

There are three portions of the City's net position: net investment in capital assets (e.g., land, infrastructure, building, vehicles, and equipment, net of related debt); restricted net position; and unrestricted net position which may be used to meet the government's ongoing obligation to citizens and creditors. 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 SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Statement of Net Position

	Governmental Activities	
	2013	2012
Assets		
Current and other assets	\$ 5,776,975	\$ 5,703,102
Capital assets	7,095,639	7,397,165
Total Assets	12,872,614	13,100,267
Deferred Outflow Of Resources		
Deferred amount on refundings	22,800	—
Liabilities		
Current and other liabilities	339,266	322,386
Long-term liabilities	7,054,873	5,978,494
Total Liabilities	7,394,139	6,300,880
Net Position		
Net investment in capital assets	2,000,534	1,639,268
Restricted	2,667,572	2,818,903
Unrestricted	833,169	2,341,216
Total Net Position	\$ 5,501,275	\$ 6,799,387

Unrestricted net position represents the accumulated results of all past years' operations. This means that if the City had to pay off all its liabilities today, there would still be a balance of \$833,169 left for unrestricted purposes.

Changes in Net Position

In 2013, the City's total revenues on a government-wide basis were \$7,147,863 which represents a 1.2% increase in revenue compared to 2012. Of the City's revenues, taxes represent 67%, 25% is generated by charges for services, and 8% of revenues come from grants and contributions and other revenue.

The total cost of all programs and services for 2013 was \$8,445,975. This represents an increase of \$1,936,830 or approximately 29.8% more than the prior year. The majority of the increase (\$1,686,008) reflects the issuance of Tax Increment Finance (TIF) notes representing special, limited obligations of the City, payable solely from incremental sales and real estate taxes generated by the related Kenrick Plaza redevelopment area. Additional increases in the cost of programs and services included an increase in insurance premiums and personnel costs (related to an increase in longevity pay) and capital expenditures. The City's expenses cover a range of typical city services - city administration, police, fire, court, public works, and parks. Of these, public safety (police and court) and the fire department functions together comprise over 75.7% of the total cost of programs and services. The parks function was the next largest with 14.2% of the total costs.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

The following table provides a summary of the City's operations for the years ended December 31, 2013 and 2012:

Statement of Activities

	Governmental Activities	
	2013	2012
Revenues		
Program Revenues		
Charges for services	\$ 1,808,107	\$ 1,634,613
Operating grants and contributions	344,751	383,439
Capital grants and contributions	24,190	25,532
General Revenues		
Property taxes	1,036,880	1,129,634
Sales taxes	2,600,992	2,710,354
Utility taxes	1,088,991	1,061,288
Other taxes	96,985	96,985
Other	146,967	26,660
Total Revenues	7,147,863	7,068,505
Expenses		
General government	692,409	667,068
Public safety	2,219,313	2,090,933
Public works	2,291,965	559,319
Fire and ambulance services	1,880,787	1,825,448
Parks	1,198,633	1,183,164
Interest and fiscal charges	162,868	183,213
Total Expenses	8,445,975	6,509,145
Change In Net Position	(1,298,112)	559,360
Net Position - Beginning Of Year	6,799,387	6,323,120
Prior Period Adjustment (GASB 65)	—	(83,093)
Net Position - End Of Year	\$ 5,501,275	\$ 6,799,387

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Overall, revenues exceeded expenditures by \$35,772 across all funds. However, due to the fact that the City must report expenditures related to the TIF Notes, in the amount of \$1,686,008, on its government-wide Statement of Activities, net position decreased by \$1,298,112. Total revenues increased by 1.2% compared to 2012 while expenses increased by 29.8% (when accounting for the TIF notes). Overall taxes (property and sales) were down 5.3%, utility taxes were up 2.6% and earnings on investments were down 120%. Sales tax receipts in 2013 decreased, suggesting a continued weak economy and decline in the local economy. Charges for services increased significantly in the public safety category, and the fire and ambulance services category, while charges for parks and recreation services decreased by 8.4%. The increase in revenue for public safety charges is mostly due to an increase in municipal court fines. The increase in fire and ambulance service revenue is due to an increase in ambulance fees as a result of increased costs and better ambulance service charge reporting. General government charges for services decreased by 1.8% compared to 2012.

Parks and recreation program revenue decreased by 8.4% in fiscal year 2013 due to an overall decrease in participation in parks and recreation programs and lower than expected purchases of resident pool/center passes. The City received a few grants in fiscal year 2013. All grants received are reimbursement grants, where the funds must first be spent for specific purposes in accordance with the grant terms. Once the City spends the funds, it is eligible for reimbursement. During the year, the City received community development block grant funds (\$15,000) from the St. Louis County Department of Planning. The City also received Federal Department of Justice grant funds for the bulletproof vest program, a grant from the Missouri Department of Transportation for overtime reimbursement, a grant from St. Louis County to go toward CALEA certification (\$1,000), and the Local Law Enforcement Block Grant from the Missouri Department of Public Safety for light bars and siren installation on the police patrol cars (\$8,190).

Financial Analysis Of The City's Funds

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, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$5,320,144, an increase of \$35,772 when compared to the prior year. This increase in the combined fund balance reflects a surplus (revenues over expenditures) in the General fund of \$202,538, a deficit (expenditures over revenues) in the Capital Improvements Fund of \$103,025, a deficit in the Debt Service Fund of \$53,487, and a deficit in the Sewer Lateral Fund of \$10,254 for the year.

Of the total combined fund balance, \$2,516,412 (47%) constitutes an unrestricted (unassigned) fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed as follows:

- 1) To pay for debt service (\$1,325,396);
- 2) To pay for capital improvements (\$911,464);
- 3) To pay for sewer repairs (\$285,947);

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

- 4) To pay for funding of various municipal court and police programs as defined in the Missouri State Statutes (\$68,621);
- 5) To fund the budgetary deficit projected for fiscal year 2014 (\$182,683).

Budgetary Highlights - In the total of all funds, the City budgeted for a decrease in its overall fund balance of \$282,040 for 2013. This anticipated decrease primarily reflected an expected decrease in key City revenues as a result of a continued weak economy. Fortunately, the City experienced an increase in overall fund balance of \$35,772. This difference primarily reflects an unexpected increase in sales tax and utility tax revenue over budget. Sales tax revenue (for all funds) for 2013 was approximately \$127,254 more than budgeted. Utility tax revenue was \$15,991 over budget due to an increase in revenue in electric and water utilities from a very warm spring/summer 2013 season. Additionally, license and permit revenues were approximately \$82,278 more than budgeted for in 2013 as a result of an increase in permit revenue from the Kenrick Plaza Redevelopment and an increase in housing inspection fees due to a significant increase in home sales. Lastly, municipal court fines were favorable to budget by approximately \$207,324.

Actual overall expenditures were 0.5% less than the final amended budget amount. This slightly favorable variance to budget reflects less than anticipated expenditures in the public works, police, administration, and legislative/other departments. Expenditures were over budget in the building and housing, court, and parks and recreation departments, as well as in the sewer lateral program fund. The increase in expenditures in the building and housing and court departments were the result of the hiring of one additional part-time employee in the court department and one permanent building and permit inspector (previously handled by the other City's inspectors in the interim hiring search).

The budgeted deficit in the General Fund was \$153,729. Favorable actual results in total revenues and favorable actual results in expenditures were realized resulting in a final surplus of \$202,538 for the year. Total General Fund revenues were favorable to budget by \$324,483. The favorable revenues are attributed to an unexpected increase in sales tax revenue, utility tax revenue, municipal court revenue and licenses and permit revenues. Revenue shortfalls were experienced in investment income and parks and recreation program revenue, but these shortfalls were offset by the favorable revenue collection in other areas.

Total expenditures in the General Fund were \$31,784 below budget and a result of a continued effort in all departments to contain costs and general operating expenses.

Capital Assets. The City's investment in capital assets (net of depreciation) decreased in the current year by \$301,526.

Major capital asset additions completed during the year include the following:

Public Works Department: backhoe ladder

Police Department: patrol vehicles (2), in-car mobile camera system, emergency light bars for several vehicles, portable radio charging racks and several pieces of body armor

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Fire Department: desktop computers (2) and turnout gear

Parks Department: paint the competition pool

Other: purchase of new accounting software, street paving and surfacing and concrete repairs

Capital Assets

	Capital Assets (Net Of Depreciation) Governmental Activities	
	2013	2012
Land	\$ 706,264	\$ 706,264
Land improvements	774,086	833,165
Buildings	4,030,433	4,277,194
Equipment	647,406	560,959
Furniture and fixtures	32,249	42,897
Vehicles	732,937	792,989
Infrastructure	172,264	183,697
Total	\$ 7,095,639	\$ 7,397,165

Additional information on the City's capital assets can be found in Note 4 found on page 29 of this report.

Debt Administration

At the end of the current year, the City had total bonded debt of \$4,540,502. Of this amount \$1,270,000 is the Series 2008 leasehold refunding revenue bonds (which refinanced the Series 1999 leasehold refunding revenue bonds). Other debt includes the Series 2006 general obligation capital refunding bonds in the amount of \$1,400,000, and \$1,870,502 for the Series 2007 general obligation capital appreciation bonds. All of the above bonds are secured solely by specified revenue sources such as the debt service property tax levy, and the capital improvement sales tax. Additionally, in December of 2013, TIF notes payable were issued. The Series 2013A TIF notes in the amount of \$82,828 and the Series 2013B TIF notes for \$1,603,180 are limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by the related Kenrick Plaza Redevelopment area.

CITY OF SHREWSBURY, MISSOURI

Management's Discussion And Analysis (*Continued*)

Additional information on the City's long-term debt can be found in Note 5 found on pages 30-32 of this report.

Economic Factors and Year 2014 Budget

There are a number of factors that affect the budget over which the City has little or no control. Sales taxes are the single largest category of revenue for the City and they fall into this category. As reviewed earlier, sales tax receipts in the General Fund were 5% over budget, but 3% less than sales tax revenue in 2012. While sales tax revenues were favorable to budget, they were less than last year and continue to remain well below pre-recession levels. The City continues to contain costs where possible, while at the same time providing a high level of public safety and recreation services to the community. However, this continues to remain a challenge for the City.

The City has taken a number of steps to continue to contain costs where feasible in the fiscal year 2014 budget. It is also assumed that sales tax revenues will be close to last year's (2013) budget, but most likely will not increase significantly. In 2014, the City plans to fund the debt payments (principal and interest) for the Series 2008 leasehold refunding revenue bonds from both the City's General Fund and Capital Improvement Fund. The Board made the decision to fund the Series 2008 leasehold revenue bond payments out of both funds in 2014 in order to strike a balance in deficit budgeting between both funds and not put the total fiscal pressure on one fund. With these factors in mind, the City is forecasting a General Fund deficit of \$182,683 and a Capital Improvement Fund deficit of \$188,569 for fiscal year 2014.

In 2009, the City completed the review of the Watson Road commercial corridor study that it contracted with PGAV Urban Consulting to perform. The results of this study concluded that the City could benefit from pursuing redevelopment alternatives along the corridor, particularly in the Kenrick Plaza area. In 2010, the City issued requests for proposal to all interested developers and selected G.J. Grewe Corporation as the City's preferred developer for the upper level Kenrick Plaza. The City entered into a preliminary funding agreement with G.J. Grewe to obtain sufficient funds from the developer in order to finance consultants to assist the City in their due diligence review of proposed development details from the developer. The City entered into a redevelopment agreement with Kenrick Developers, L.L.C. on February 8, 2013 to revitalize the Kenrick Plaza commercial area with subsequent related economic benefit. At the beginning of the year in 2014, the demolition phase of re-development began and by mid spring it was announced that in addition to a Wal-Mart anchor store, a nine-screen movie complex will be built on the site. Construction will continue throughout 2014 and into 2015, with an anticipated fall 2015 Wal-Mart opening.

Requests For Information

This discussion and analysis is intended to provide the City's taxpayers and other constituents with an overview of the financial condition of the City. If you wish to request additional financial information or have any questions, please contact the Finance Director, at City of Shrewsbury, 5200 Shrewsbury Avenue, Shrewsbury, Missouri 63119.

Basic Financial Statements

CITY OF SHREWSBURY, MISSOURI

STATEMENT OF NET POSITION

December 31, 2013

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 4,023,916
Cash and investments - restricted	310,055
Receivables:	
Taxes	1,255,821
Other	157,562
Prepays	29,621
Capital assets:	
Nondepreciable	706,264
Depreciable, net	6,389,375
Total Assets	<u>12,872,614</u>
Deferred Outflow of Resources	
Deferred amount on refundings	<u>22,800</u>
Liabilities	
Accounts payable	225,248
Accrued interest	39,395
Accrued wages	64,307
Refundable deposits	10,316
Long-term liabilities:	
Due within one year	995,688
Due in more than one year	6,059,185
Total Liabilities	<u>7,394,139</u>
Net Position	
Net investment in capital assets	2,000,534
Restricted for:	
Capital projects	911,464
Debt service	1,401,540
Sewer repairs	285,947
Law enforcement	68,621
Unrestricted	833,169
Total Net Position	<u>\$ 5,501,275</u>

CITY OF SHREWSBURY, MISSOURI

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2013

Functions	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
Governmental Activities					
General government	\$ 692,409	\$ 472,342	\$ 6,653	\$ 1,000	\$ (212,414)
Public safety	2,219,313	507,573	—	8,190	(1,703,550)
Public works and planning	2,291,965	42,440	338,098	15,000	(1,896,427)
Fire and ambulance services	1,880,787	324,682	—	—	(1,556,105)
Parks and recreation	1,198,633	461,070	—	—	(737,563)
Interest and fiscal charges	162,868	—	—	—	(162,868)
Total Governmental Activities	\$ 8,445,975	\$ 1,808,107	\$ 344,751	\$ 24,190	(6,268,927)

General Revenues

Property taxes levied for:

General purposes

1,036,880

Sales tax levied for:

General purposes

1,271,435

Park and stormwater purposes

565,769

Capital improvements

480,904

Fire district improvements

282,884

Utility taxes

1,088,991

Other taxes

96,985

Earnings on investments

(4,064)

Miscellaneous

151,031

Total General Revenues

4,970,815

Change in net position

(1,298,112)

Net Position - Beginning Of Year, As Previously Stated

6,882,480

Prior period adjustment (Note 1)

(83,093)

Net Position - Beginning Of Year, As Restated

6,799,387

Net Position - End Of Year

\$ 5,501,275

CITY OF SHREWSBURY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2013

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
Assets					
Cash and investments	\$ 2,048,103	\$ 338,071	\$ 837,795	\$ 799,947	\$ 4,023,916
Restricted cash and investments	—	—	310,055	—	310,055
Receivables:					
Taxes	876,976	11,365	76,450	291,030	1,255,821
Grants	—	—	1,855	—	1,855
Other	154,988	211	—	508	155,707
Due from other funds	317	—	—	—	317
Prepays	29,621	—	—	—	29,621
Total Assets	\$ 3,110,005	\$ 349,647	\$ 1,226,155	\$ 1,091,485	\$ 5,777,292
Liabilities And Fund Balances					
Liabilities					
Accounts payable	\$ 157,229	\$ 63,700	\$ 4,319	\$ —	\$ 225,248
Due to other funds	—	—	317	—	317
Accrued wages	64,307	—	—	—	64,307
Refundable deposits	10,316	—	—	—	10,316
Total Liabilities	231,852	63,700	4,636	—	300,188
Deferred Inflows Of Resources					
Property taxes	80,816	—	—	76,144	156,960
Fund Balances					
Nonspendable:					
Prepays	29,621	—	—	—	29,621
Restricted for:					
Debt service	—	—	310,055	1,015,341	1,325,396
Sewer repairs	—	285,947	—	—	285,947
Capital improvements	—	—	911,464	—	911,464
Law enforcement	68,621	—	—	—	68,621
Total Restricted	68,621	285,947	1,221,519	1,015,341	2,591,428
Assigned to:					
Budgetary deficit	182,683	—	—	—	182,683
Unassigned	2,516,412	—	—	—	2,516,412
Total Fund Balances	2,797,337	285,947	1,221,519	1,015,341	5,320,144
Total Liabilities, Deferred Inflows Of Resources And Fund Balances	\$ 3,110,005	\$ 349,647	\$ 1,226,155	\$ 1,091,485	\$ 5,777,292

CITY OF SHREWSBURY, MISSOURI

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION December 31, 2013

Total Fund Balance - Governmental Funds \$ 5,320,144

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,471,272 and the accumulated depreciation is \$8,375,633.

7,095,639

Unamortized deferred amounts on refundings are reported in the government-wide statement of net position as deferred outflows of resources and are amortized over the life of the related debt.

22,800

Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued compensated absences, vacation	\$ (213,360)	
Net pension obligation	(37,600)	
Bonds payable	(5,117,905)	
Notes payable	(1,686,008)	
Accrued interest	(39,395)	
		(7,094,268)

Property taxes assessed by the City, but not collected within 60 days after year end, are deferred inflows of resources in the fund financial statements. However, revenue for this amount is recognized in the government-wide statements.

156,960

Total Net Position - Governmental Activities \$ 5,501,275

CITY OF SHREWSBURY, MISSOURI

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

For The Year Ended December 31, 2013

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
Revenues					
Taxes	\$ 4,167,267	\$ 42,439	\$ 480,904	\$ 491,991	\$ 5,182,601
Licenses and permits	381,878	—	—	—	381,878
Fines and court costs	509,224	—	—	—	509,224
Investment income	(7,387)	112	3,592	(381)	(4,064)
Charges for services	883,765	—	—	—	883,765
Grants	1,000	—	23,190	—	24,190
Miscellaneous	61,348	—	19,117	—	80,465
Total Revenues	5,997,095	42,551	526,803	491,610	7,058,059
Expenditures					
Current:					
General government	724,506	—	—	—	724,506
Public safety	2,051,979	—	—	—	2,051,979
Public works and planning	2,083,449	—	—	—	2,083,449
Fire and ambulance services	1,783,791	—	—	—	1,783,791
Parks and recreation	836,840	—	—	—	836,840
Capital outlay	—	52,805	297,224	—	350,029
Debt service:					
Principal retirement	—	—	280,000	490,000	770,000
Interest and fiscal charges	—	—	52,604	55,097	107,701
Total Expenditures	7,480,565	52,805	629,828	545,097	8,708,295
Revenues Under Expenditures	(1,483,470)	(10,254)	(103,025)	(53,487)	(1,650,236)
Other Financing Sources					
Issuance of tax increment finance notes	1,686,008	—	—	—	1,686,008
Total Other Financing Sources (Uses)	1,686,008	—	—	—	1,686,008
Net Change In Fund Balances	202,538	(10,254)	(103,025)	(53,487)	35,772
Fund Balances - Beginning Of Year	2,594,799	296,201	1,324,544	1,068,828	5,284,372
Fund Balances - End Of Year	\$ 2,797,337	\$ 285,947	\$ 1,221,519	\$ 1,015,341	\$ 5,320,144

CITY OF SHREWSBURY, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2013

Net Change In Fund Balances - Total Governmental Funds \$ 35,772

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlays	\$ 342,296	
Depreciation expense	<u>(622,246)</u>	
		(279,950)

In the statement of activities, a loss on disposal of capital assets is reported. Conversely, governmental funds do not report any gain or loss on disposal of capital assets; only the proceeds from sales of capital assets are reported.

(21,576)

Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

(563)

The issuance of long-term debt (e.g., bonds) 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 position. Also, governmental funds report the effect of issuance costs and debt discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Interest accretion	(101,737)	
Repayments of principal and accreted interest	770,000	
Issuance of tax increment finance notes	(1,686,008)	
Amortization of deferred amounts on refundings	(5,471)	
		(1,023,216)

Compensated absences, as reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.

(18,320)

Net pension obligation, as reported in the statement of activities, does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds.

(12,043)

Property tax revenues and other tax revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements since they will be collected several months after year end.

21,784

Change In Net Position Of Governmental Activities

\$ (1,298,112)

CITY OF SHREWSBURY, MISSOURI

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MUNICIPAL COURT - AGENCY FUND
December 31, 2013**

Assets

Cash

\$ 25,759

Liabilities

Due to others

\$ 15,353

Court bonds held in trust

10,406

Total Liabilities

\$ 25,759

CITY OF SHREWSBURY, MISSOURI
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2013

1. Summary Of Significant Accounting Policies

The City of Shrewsbury, Missouri (the City) was incorporated in 1913 under the provisions of the Missouri State Statutes as a Fourth Class city. The City operates under a Mayor-Board of Aldermen form of government, consisting of the Mayor and six Aldermen. The City's major operations include public safety (police and fire), public works, municipal court, planning and zoning, parks and recreation, and general administrative services. The accounting policies of the City conform to accounting principles generally accepted in the United States as applicable to governments. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below.

Reporting Entity

The City's financial reporting entity has been determined in accordance with governmental standards for defining the reporting entity and identifying entities to be included in its basic financial statements. These standards identify the City's financial accountability for potential component units as the primary, but not only, criteria for inclusion. The City is financially accountable if it appoints a voting majority of a potential component unit governing body and is able to impose its will on that potential component unit, or there is a potential for the potential component unit to provide specific financial benefits to or impose specific financial burdens on the County. Based on these criteria, the City has determined that its financial reporting entity consists of the City (the primary government) and a blended component unit: the City of Shrewsbury, Missouri Improvements Corporation (the Corporation). The Corporation's purpose is to act on behalf of the City in its acquisition, construction, improvement, extension, repair, remodeling, renovation, and financing of capital improvement projects. The financial information of the Corporation has been incorporated into the City's financial statements using the blending method and has been reported in the City's Capital Improvement Fund. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government.

Basis Of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-Wide And Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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 fiduciary fund financial statements, except that the agency fund does not involve the measurement of results of operations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - This is the City's primary operating fund, which accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in other funds.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Sewer Lateral Fund - The City uses this special revenue fund to account for financial resources billed to residents that are restricted for repair fees associated with lateral breaks.

Capital Improvements Fund - The City uses this capital projects fund to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital expenditures approved by the Board of Aldermen and the Capital Improvements Bond Reserve Fund of the blended Corporation.

Debt Service Fund - The City uses this fund to account for the accumulation of resources for the retirement (payment of principal and interest) of the outstanding bond debt of the City and the usual and customary expenses of the paying agent incurred to retire the bond debt.

Additionally, the City reports the following fiduciary fund type:

Agency Fund - Municipal Court - This fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units for activities for court bonds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and charges for various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Investments

The City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. The City's investments are carried at fair value. Investment income earned on pooled cash and investments is allocated to the various funds. Investment income on restricted cash and investments is credited directly to the related fund.

Restricted Cash

Restricted cash and investments consist of amounts for the leasehold revenue bond issue reserved in accordance with bond indentures.

Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

Depreciation is computed on the straight-line basis, using asset lives as follows:

Land improvements	20 - 30 years
Buildings	7 - 40 years
Equipment	5 - 10 years
Furniture and fixtures	5 years
Vehicles	3 - 15 years
Infrastructure	25 - 50 years

The City has elected to implement the general provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, and has elected not to retroactively record the historical cost of infrastructure placed in service prior to January 1, 2004.

Deferred Outflows Of Resources

In addition to assets, the statement of net position and fund balance sheet includes a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The City has a deferred loss on refunding reported in the statement of net position. A deferred loss on refunding is the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. This item has been reported as deferred outflow on the government-wide statement of net position.

Compensated Absences

Under terms of the City's personnel policy, employees are granted vacation time based on the length of service. Vacation time accrued during one fiscal year may be carried over with written approval, to a maximum of 280 hours (or 371 hours for firemen) plus the current year accrual. Upon termination, the employee is paid for unused vacation or is required to repay the City for used and unearned vacation of the current year. Vacation time earned but unused at year-end has been recorded as an expense in the government-wide financial statements. A liability for unused vacation compensation is reported in the governmental funds financial statements when due. Sick leave is not something to which the employee is automatically entitled and is available only to provide compensation during periods of illness. No portion of sick leave is payable to the employee upon termination and, therefore, has not been reflected in the financial statements.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position and fund balance sheet will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. Certain grants received before eligibility requirements are met are reported as deferred inflows of resources.

In governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

Long-Term Liabilities

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. 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.

Net Position

In the government-wide financial statements, net position is displayed in three components as follows:

Net Investment In Capital Assets - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - This consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The City first applies restricted resources when an expense is incurred for purposes of which both restricted and unrestricted net position are available.

Fund Balance: The governmental fund financial statements present fund balances based upon classifications that comprise a hierarchy that is based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The fund balance classifications are as follows:

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained for use imposed by formal action of the government's highest level of decision making authority.

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee, or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter in which fund the deficit occurs.

Fund Balance Classification Policies And Procedures:

For committed fund balance, the City's highest level of decision-making authority is the Board of Aldermen. The formal action that is required to be taken by the Board to establish, modify, or rescind a fund balance commitment is the adoption of an ordinance.

For assigned fund balance, the Board of Aldermen is authorized to assign amounts to a specific purpose.

The City has elected to maintain at least 20% of the current fiscal year's operating expenditures in unassigned fund balance to provide adequate funding for at least two months of operating expenditures.

For the classification of fund balances, the City considers restricted amounts to have been spent when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. Expenditures are to be spent from restricted fund balance first, followed by committed, assigned, and lastly unassigned.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

New Accounting Standards Adopted

During the year, the City adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities* (GASB No. 65). The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources. As a result of implementing this statement, the following accounts were reclassified:

<u>Item</u>	<u>New Classification</u>	<u>Amount</u>
Governmental Activities		
Unamortized bond issuance costs	Outflow of resources	\$ 83,093
Unamortized deferred amounts on refundings	Deferred outflows of resources	22,800
Governmental Funds		
Deferred revenue (previously included in liabilities)	Deferred inflows of resources	156,960

The City's adoption of GASB No. 65 in 2013 resulted in certain reclassifications and presentation changes to the statement of net position. The effect of these changes has been applied retroactively; as a result, the beginning of year net position has been changed to reflect the expensing of bond issuance costs. The impact of this change on the City's financial statements is as follows:

	<u>January 1, 2013</u>
Net position, as previously reported	\$ 6,882,480
Effect of change in accounting related to bond issuance costs	<u>(83,093)</u>
Net position, as restated	<u>\$ 6,799,387</u>

Estimates And Assumptions

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

2. Cash And Investments

A summary of deposits and investments as of December 31, 2013 is as follows:

	<u>Fair Value</u>
Governmental Activities (Including Agency Fund):	
Cash	\$ 2,038,091
Money Market Fund	7,033
Federated Cash Reserve Fund (Money Market Securities)	258,041
Certificates of deposit	1,971,885
Tennessee Valley Authority Bonds	84,680
	<u>\$ 4,359,730</u>
 Government-wide - Governmental Activities	 \$ 4,333,971
 Fiduciary fund - Municipal Court Agency Fund	 <u>25,759</u>
	<u>\$ 4,359,730</u>

Investment Policy

General

The City's investment activity is conducted in accordance with its adopted policy and the guidelines outlined therein. These guidelines apply to the City's investment of operating, longer-term funds. These guidelines authorize the City to invest funds not immediately needed for the purposes to which the funds are applicable in obligations of the U.S. Treasury, U.S. government agencies, repurchase agreements, certificates of deposit, bankers' acceptances issues by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation, and commercial paper issued by domestic corporations, which has received the highest rating by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Proceeds from bond issues are guided by the related bond indentures.

Custodial Credit Risk

For investments, custodial credit risk is the risk that the City would not be able to recover the value of its investments or collateral securities in the possession of an outside party, in the event of the failure of the counterparty to a transaction. In accordance with its policy, the City addresses custodial credit risk by prequalifying institutions with which the City places investments and diversifying the investment portfolio.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits might not be returned or the City would not be able to recover collateral securities in the possession of an outside party. The City's bank deposits are required by state law and City policy to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the City's cash that is not insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2013, the City's bank balances were entirely insured or collateralized with securities held by the City or by its agent in the City's name.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy minimizes investment risk by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City does business. The following table provides information at December 31, 2013, on the credit ratings of securities associated with the City, as well as the maturities of those securities:

Investment Type	Fair Value	Investment Maturities (In Years)			Credit Risk	
		< 1 Year	1-5 Years	6-10 Years	S&P	Moody's
Money market fund	\$ 7,033	\$ 7,033	\$ —	\$ —	N/A	N/A
Federated cash reserve fund	258,041	258,041	—	—	AAA	Aaa
Negotiable certificates of deposit	1,971,885	—	1,675,994	295,891	N/A	N/A
Tennessee Valley Authority Bonds	84,680	—	—	84,680	AAA	Aaa
	\$ 2,321,639	\$ 265,074	\$ 1,675,994	\$ 380,571		

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for on-going operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing primarily in shorter-term securities.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Concentration Of Credit Risk

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount it may invest with one issuer. However, it is the City's policy to diversify the portfolio so potential losses on individual securities will be minimized. At December 31, 2013, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, the City had the following investments with one issuer, which represented 5% or more of total investments by fund and overall:

		<u>Percent of Fund's</u> <u>Total Investments</u>	<u>Percent of City's</u> <u>Total Investments</u>
General Fund			
Tennessee Valley Authority Bonds	\$ 84,680	9%	—
Certificates of Deposit			
Business Bank	97,543	11%	5%
State Bank India	147,077	16%	7%
Discover Bank	97,743	11%	5%
CitiBank	97,214	11%	5%
Goldman Sachs	54,202	6%	
Comenity Bank Jumbo	99,998	11%	5%
Auburn Bank	106,568	12%	5%
HSBC Bank USA	97,766	11%	5%
Sewer Lateral Fund			
Certificates of Deposit			
First Bank Puerto Rico	96,074	49%	5%
Discover Bank	98,576	51%	5%
Capital Improvements Fund			
Certificates of Deposit			
First Merchants Bank	83,975	19%	—
American Express Centurion Bank	66,000	15%	—
BMW Bank	150,165	33%	7%
First Bank Puerto Rico	99,996	22%	5%
Debt Service Fund			
Certificates of Deposit			
Goldman Sachs	247,810	51%	12%
Georgia Bank	241,769	49%	12%

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

3. Property Tax

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied in October and payable by December 31. A lien is placed on the personal property on January 1 and is then subject to interest and penalties. The assessed value at January 1, 2013, upon which the 2013 levy was based for real estate and personal property, was \$110,701,599. The following is a summary of the 2013 tax rates per \$100 of assessed valuation:

	2013 Tax Rates		
	General Fund	Debt Service Fund	Total
Real property:			
Residential	0.4850	0.4640	.9490
Commercial	0.4790	0.4640	.9430
Personal property	0.5770	0.4640	1.041

Under article VI, Sections 26(b) and 26(c) of the Constitution of the State of Missouri, the City, by vote of the qualified electors thereof and voting thereon, may incur general obligation bonded indebtedness for City purposes in an amount not to exceed ten percent (10%) of the assessed valuation of the taxable tangible property within the City, ascertained by the last completed assessment for State or County purposes. The Missouri Constitution permits cities to become indebted for an additional 10% of the value of taxable, tangible property for the purposes of acquiring rights-of-way; constructing, extending, and improving streets and avenues; and constructing, extending, and improving a sanitary or storm sewer system. A computation of the legal debt margin at December 31, 2013 is as follows:

City Purposes	
Assessed valuation	\$ 110,701,599
Debt limit - 10% of assessed value	\$ 11,070,160
General obligation bonds payable	(3,847,905)
Amount available in Debt Service Fund	1,015,341
Legal Debt Margin	\$ 8,237,596

Property taxes not collected within 60 days of year-end are deferred for fund financial statements but are recognized as revenue in the government-wide financial statements.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance - December 31, 2012	Additions	Retirements	Balance - December 31, 2013
Government Activities				
Capital assets, not being depreciated:				
Land	\$ 706,264	\$ —	\$ —	\$ 706,264
Capital assets, being depreciated:				
Land improvements	1,348,391	—	—	1,348,391
Infrastructure	228,661	—	—	228,661
Buildings	9,581,992	18,490	3,405	9,597,077
Machinery and equipment	1,309,558	256,610	104,287	1,461,881
Furniture and fixtures	289,953	—	—	289,953
Vehicles	1,791,419	67,196	19,570	1,839,045
Total capital assets being depreciated	14,549,974	342,296	127,262	14,765,008
Less accumulated depreciation for:				
Land improvements	515,226	59,079	—	574,305
Infrastructure	44,964	11,433	—	56,397
Buildings	5,304,798	263,405	1,558	5,566,644
Machinery and equipment	748,599	152,389	86,514	814,475
Furniture and fixtures	247,056	10,648	—	257,704
Vehicles	998,430	125,291	17,613	1,106,108
Total accumulated depreciation	7,859,073	622,246	105,685	8,375,633
Total capital assets being depreciated, net	6,690,901	(279,950)	21,576	6,389,375
Governmental activities capital assets, net	\$ 7,397,165	\$ (279,950)	\$ 21,576	\$ 7,095,639

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

Governmental Activities	
General government	\$ 14,418
Public safety	104,593
Public works and planning	72,167
Fire and ambulance services	90,063
Parks	341,005
Total depreciation expense - governmental-type activities	<u>\$ 622,246</u>

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (Continued)

5. Long-Term Debt

The following is a summary of changes in the City's long-term liabilities for the year ended December 31, 2013:

	Balance - December 31, 2012	Additions	Retirements	Balance - December 31, 2013	Current Portion
Governmental Activities					
2006 General obligation capital refunding bonds	\$ 1,655,000	\$ —	\$ 255,000	\$ 1,400,000	\$ 260,000
2007 General obligation capital appreciation bonds	2,058,735	—	188,233	1,870,502	184,176
2007 General obligation capital appreciation bonds - interest accretion	522,433	101,737	46,767	577,403	55,824
2008 Leasehold refunding revenue bonds	1,550,000	—	280,000	1,270,000	325,000
Series 2013A Tax Increment Finance Notes	—	82,828	—	82,828	—
Series 2013B Tax Increment Finance Notes	—	1,603,180	—	1,603,180	—
Net pension obligation	25,557	231,824	219,781	37,600	—
Accrued compensated absences	195,040	192,253	173,933	213,360	170,688
	\$ 6,006,765	\$ 2,211,822	\$ 1,163,714	\$ 7,054,873	\$ 995,688

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Long-term debt at December 31, 2013 includes the following:

Series 2006 general obligation capital refunding bonds issue of \$3,980,000, used to advance refund the 1998 general obligation bonds originally used to purchase equipment and construct capital assets, interest rate 3.58%, due March 1, 2018	\$ 1,400,000
Series 2007 general obligation capital appreciation bonds originally \$2,058,735, used to purchase equipment, construct capital assets and improve streets, accretion rates range from 4% to 4.4%, due March 1, 2022	1,870,502
Series 2008 leasehold refunding revenue bonds issue of \$2,580,000, used to advance refund the 1999 leasehold revenue bonds originally used to construct capital assets, interest rates range from 2.25% to 4%, due March 1, 2018	1,270,000
Series 2013A tax increment financing (TIF) notes not to exceed \$2,000,000, used to make improvements to the TIF redevelopment area, interest rate of 6.5%, due January 28, 2036	82,828
Series 2013B TIF notes not to exceed \$15,050,785, used to make improvements to the TIF redevelopment area, interest rate of 8%, due January 28, 2036	<u>1,603,180</u>
	<u><u>\$ 6,226,510</u></u>

In December 2013, Tax Increment Financing (TIF) notes payable were issued representing special, limited obligations of the City, payable solely from the incremental sales and real estate taxes generated by the related Kenrick Plaza redevelopment area. The notes issued consist of Tax-Exempt Tax Increment Revenue Notes, Series 2013A (Series 2013A) which totaled \$82,828 at December 31, 2013, and are not to exceed \$2,000,000 and Taxable Tax Increment Revenue Notes, Series 2013B (Series 2013B) which totaled \$1,603,180 at December 31, 2013, and are not to exceed \$15,050,785. The Series 2013A and Series 2013B notes bear interest at 6.5% and 8%, respectively, with final maturity on both due on January 28, 2036. The balance at December 31, 2013 represents outstanding notes of \$82,828 and \$1,603,180 on Series 2013A and Series 2013B, respectively. The annual debt service repayments of the TIF notes are contingent upon the amounts of payments in lieu of taxes collected by the special allocation fund. The proceeds from the 2013 TIF notes were used to construct capital assets that are not the property of the City and therefore, the notes are excluded from the investment in capital assets, net of related debt at December 31, 2013.

Capital refunding and capital appreciation bonds are liquidated by the debt service fund. Leasehold refunding revenue bonds are liquidated by the general fund and capital improvement fund.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Maturities

Aggregate maturities required on general obligation and leasehold revenue bonds are as follows:

Years	Series 2006 General Obligation Capital Refunding Bonds		Series 2007 General Obligation Capital Appreciation Bonds		Series 2008 Leasehold Refunding Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 260,000	\$ 45,466	\$ 184,176	\$ 54,236	\$ 325,000	\$ 42,330	\$ 911,208
2015	270,000	35,979	176,280	52,631	175,000	33,449	743,339
2016	280,000	26,134	168,912	50,778	180,000	26,835	732,659
2017	290,000	15,931	161,772	48,965	185,000	19,808	721,476
2018	300,000	5,370	154,459	47,385	405,000	8,100	920,314
2019-2022	—	—	1,024,903	323,408	—	—	1,348,311
Total	\$ 1,400,000	\$ 128,880	\$ 1,870,502	\$ 577,403	\$ 1,270,000	\$ 130,522	\$ 5,377,307

6. Missouri Local Government Employees Retirement System

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 State Statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401a and is tax exempt.

LAGERS 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

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 5.0% (General), 8.9% (Police), and 7.7% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

CITY OF SHREWSBURY, MISSOURI

Notes To Basic Financial Statements (*Continued*)

Annual Pension Cost

The City's annual pension cost for the current year is as follows:

Annual required contribution (February 28, 2013)	\$	231,592
Interest on net pension obligation		1,853
Adjustment to annual required contribution		(1,621)
Annual pension cost		<u>231,824</u>
Contributions made in 2013		<u>219,781</u>
Increase in net pension obligation		12,043
Net pension obligation - beginning of year		<u>25,557</u>
Net pension obligation - end of year	\$	<u><u>37,600</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 29, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 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% to 6.0% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back zero years for men and zero years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back zero years for men and zero 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 payroll on an open basis. The amortization period at February 28, 2011 was 15 years for the General division, 30 years for the Police division, and 5 years for the Fire division. The amortization period as of February 29, 2012 was 28 years for the General division, 30 years for the Police division, and 23 years for the Fire division.

Three-Year Trend Information

<u>For The</u> <u>Fiscal Years</u> <u>Ended June 30</u>	<u>Annual</u> <u>Pension Cost</u> <u>(APC)</u>	<u>Percentage</u> <u>Of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2013	\$ 231,824	95%	\$ 37,600
2012	192,359	112%	25,557
2011	220,216	86%	49,180

Funded Status And Funding Progress

As of February 28, 2013, the Plan was 113% funded. The actuarial accrued liability for benefits was \$6,519,793, and the actuarial value of assets was \$7,347,370, resulting in an overfunded actuarial accrued liability of \$827,577. The covered payroll (annual payroll of active employees covered by the plan) was \$2,923,184, and the ratio of the overfunded AAL to covered payroll was 28%.

The schedule of funding progress, presented as RSI following the notes to basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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; injuries to employees; and natural disasters.

The City is a member of the Missouri Rural Services Workers' Compensation Insurance Trust (MRSWC). The MRSWC is a group self-insured program providing workers' compensation benefits to employees and volunteers of the trusts' members.

The trust requires an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in the assets, liabilities, or fund balances of the insurance trust. However, the City is contingently liable to fund its pro rata share of any deficit incurred by the trust, should the trust cease operation at some future date.

The City also purchases commercial insurance to cover other risks. Settled claims from these risks have not exceeded coverage in any of the past three years.

8. Restricted Net Position

The government-wide statement of net position reports \$2,667,572 of restricted net position, of which \$1,266,032 is restricted by enabling legislation.

9. Federal Forfeiture Activity

The City had no revenues, expenses or ending balance as of December 31, 2013.

Required Supplementary Information

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
GENERAL FUND**

Page 1 Of 2

For The Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget- Positive (Negative)
Revenues				
Taxes:				
Property	\$ 545,000	\$ 545,000	\$ 523,105	\$ (21,895)
Sales	2,084,000	2,084,000	2,188,350	104,350
Utility	1,073,000	1,073,000	1,088,991	15,991
Gasoline	155,000	155,000	158,622	3,622
Miscellaneous	211,985	211,985	208,199	(3,786)
Total Taxes	4,068,985	4,068,985	4,167,267	98,282
Licenses and permits:				
Building permits	27,200	27,200	41,466	14,266
Business licenses	230,050	230,050	263,417	33,367
Other	42,350	42,350	76,995	34,645
Total Licenses And Permits	299,600	299,600	381,878	82,278
Other:				
Fines and court costs	301,900	301,900	509,224	207,324
Investment income	25,000	25,000	(7,387)	(32,387)
Charges for services	895,567	895,567	883,765	(11,802)
Grants	—	—	1,000	1,000
Miscellaneous	39,000	81,560	61,348	(20,212)
Total Other	1,261,467	1,304,027	1,447,950	143,923
Total Revenues	5,630,052	5,672,612	5,997,095	324,483

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
GENERAL FUND**

Page 2 Of 2

For The Year Ended December 31, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget- Positive (Negative)
Expenditures				
General government:				
Boards and commissions	\$ 248,570	\$ 249,570	\$ 219,970	\$ 29,600
Administration	381,966	381,966	376,875	5,091
Municipal buildings	55,605	55,605	47,232	8,373
Insurance	78,135	78,135	80,429	(2,294)
Total General Government	764,276	765,276	724,506	40,770
Other:				
Public safety	2,045,834	2,045,834	2,051,979	(6,145)
Public works and planning	405,348	405,348	397,441	7,907
Fire and ambulance services	1,789,607	1,789,607	1,783,791	5,816
Parks and recreation	820,276	820,276	836,840	(16,564)
Total Other	5,061,065	5,061,065	5,070,051	(8,986)
Total Expenditures	5,825,341	5,826,341	5,794,557	31,784
Revenues Under Expenditures	(195,289)	(153,729)	202,538	356,267
Unbudgeted Activity				
Issuance of tax increment finance notes	—	—	1,686,008	1,686,008
Public works - capital outlay	—	—	(1,686,008)	(1,686,008)
Net Changes In Fund Balance	\$ (195,289)	\$ (153,729)	202,538	\$ 356,267
Fund Balance - Beginning Of Year			2,594,799	
Fund Balance - End Of Year			\$ 2,797,337	

CITY OF SHREWSBURY, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
SEWER LATERAL FUND
For The Year Ended December 31, 2013**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
Revenues			
Property tax	\$ 42,000	\$ 42,439	\$ 439
Investment income	10,000	112	(9,888)
Total Revenues	<u>52,000</u>	<u>42,551</u>	<u>(9,449)</u>
Expenditures			
Capital outlay	35,000	52,805	(17,805)
Net Changes In Fund Balance	<u>\$ 17,000</u>	<u>(10,254)</u>	<u>\$ (27,254)</u>
Fund Balance - Beginning Of Year		<u>296,201</u>	
Fund Balance - End Of Year		<u>\$ 285,947</u>	

CITY OF SHREWSBURY, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION
NOTES TO BUDGETARY COMPARISON INFORMATION
December 31, 2013

1. Budgetary Data

In accordance with the City's charter, the City's Board of Aldermen (Board) adopts an annual budget for its General, Sewer Lateral, Capital Improvements, and Debt Service Funds. The City's budgets are prepared on the modified accrual basis of accounting. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The Director of Finance, with the assistance of the department heads, prepares a budget of estimated revenues and expenditures for the forthcoming year and delivers the budget to the City Administrator.
- The City Administrator reviews the proposed expenditures with the Director of Finance and the department heads and, after necessary revisions have been made, submits the budget and the accompanying written narrative at least 90 days prior to the beginning of each fiscal year to the Board.
- After appropriate public notice, the Board holds a public hearing on the proposed budget.
- After the public hearing, the Board may adopt the budget with or without amendments. In amending the budget, it may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law, for debt service, or for estimated cash deficits, provided that no amendments to the budget shall increase the authorized expenditures to an amount greater than the total of the estimated revenues and unencumbered or undesignated fund balance from any previous fiscal year.
- The budget shall be adopted by the affirmative vote of a majority of the members of the Board on or before the last day of the current fiscal year. The legal level of budgetary control for the City is at the department level for the general fund and the fund level for all other funds.
- If the Board fails to adopt the budget by this date, amounts appropriated for existing City operations during the current fiscal year shall be deemed adopted for the ensuing fiscal year on a prorated month-to-month basis until the Board adopts a budget.
- The City Administrator may transfer all or any part of any unencumbered appropriation balance within a department. The Board may, by ordinance, transfer all or part of an unencumbered appropriation balance from one department to another. Monies held in reserve, contingency or undesignated funds shall be transferred or encumbered only by ordinance of the Board.
- The Board may, by ordinance, make supplemental appropriations, if the City Administrator certifies that funds will be available for such expenditures.
- At the end of each budget period, all unexpended appropriated balances lapse and may be reappropriated in the next budget period.

CITY OF SHREWSBURY, MISSOURI

Notes To Budgetary Comparison Information (*Continued*)

2. Violations Of Budgetary Laws And Regulations

Expenditures exceeded appropriations in the following funds and departments for the year ended December 31, 2013:

Fund / Department	Amount
General / General government: insurance	\$ 2,294
General / Public safety	6,145
General / Parks and recreation	16,564
Sewer Lateral / Capital outlay	17,805
Debt Service / interest and fiscal charges	107

CITY OF SHREWSBURY, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION
LAGERS RETIREMENT SYSTEM
December 31, 2013

Schedule Of Funding Progress

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	OAAL As A Percentage Of Covered Payroll [(b-a)/c]
2013	\$ 7,347,370	\$ 6,519,793	\$ 827,577	113%	\$ 2,923,184	28%
2012	6,927,056	6,269,269	657,787	110%	2,849,395	23%
2011	6,430,859	6,424,695	6,164	100%	3,012,778	0%

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

Supplementary Information

CITY OF SHREWSBURY, MISSOURI

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -
CAPITAL IMPROVEMENTS FUND
For The Year Ended December 31, 2013**

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues				
Sales taxes	\$ 458,000	\$ 458,000	\$ 480,904	\$ 22,904
Investment income	9,000	9,000	3,592	(5,408)
Grant	23,478	23,478	23,190	(288)
Miscellaneous	—	—	19,117	19,117
Total Revenues	490,478	490,478	526,803	36,325
Expenditures				
Capital Outlay:				
Public works	37,000	90,190	87,078	3,112
Public safety	131,935	131,935	125,811	6,124
Court	2,000	2,000	1,352	648
Fire and ambulance services	28,800	28,800	15,769	13,031
Administration	—	—	1,097	(1,097)
Parks and recreation	28,985	28,985	38,859	(9,874)
Other	36,250	36,250	27,258	8,992
Debt Service:				
Principal retirement	280,000	280,000	280,000	—
Interest and fiscal charges	52,638	52,638	52,604	34
Total Expenditures	597,608	650,798	629,828	20,970
Net Changes In Fund Balance	\$ (107,130)	\$ (160,320)	(103,025)	\$ 57,295
Fund Balance - Beginning Of Year			<u>1,324,544</u>	
Fund Balance - End Of Year			<u>\$ 1,221,519</u>	

CITY OF SHREWSBURY, MISSOURI

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS - DEBT SERVICE FUND

For The Year Ended December 31, 2013

	Original And Final Budget	Actual	Variance With Final Budget - Positive (Negative)
Revenues			
Property taxes	\$ 545,000	\$ 491,991	\$ (53,009)
Investment income	15,000	(381)	(15,381)
Total Revenues	560,000	491,610	(68,390)
Expenditures			
Debt Service:			
Principal retirement	490,000	490,000	—
Interest and fiscal charges	54,990	55,097	(107)
Total Expenditures	544,990	545,097	(107)
Net Changes In Fund Balances	\$ 15,010	(53,487)	\$ (68,283)
Fund Balance - Beginning Of Year		1,068,828	
Fund Balance - End Of Year		\$ 1,015,341	