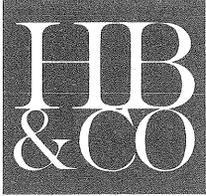

**CITY OF SHREWSBURY,
MISSOURI**

**FINANCIAL REPORT
(Audited)**

Year Ended December 31, 2009

CITY OF SHREWSBURY, MISSOURI
FINANCIAL REPORT

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Hochschild, Bloom & Company LLP
Certified Public Accountants
Consultants and Advisors

INDEPENDENT AUDITORS' REPORT

June 2, 2010

Honorable Mayor and Board of Aldermen
CITY OF SHREWSBURY, MISSOURI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF SHREWSBURY, MISSOURI** (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2009, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and required supplemental information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Hochschild, Bloom & Company LLP

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2009

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, 2009.

Financial Highlights

- The City's financial position was strengthened during 2009 as reflected in the increase in net assets by \$49,564. The City's net assets at year-end total \$5,634,778.
- As of December 31, 2009, the City's governmental funds reported combined fund balances of \$4,917,086. Over 44% of this total, \$2,192,351 is unreserved and available for use within the City's designation and policies.
- The City reduced its existing debt by \$680,000 during the year ended December 31, 2009.
- The City proposed a tax levy transfer option (Proposition T) to the voters in the April 2009 elections. Because the Debt Service Fund position was approved through the series 2006 general obligation bond refinancing issue, the City could benefit by raising the tax levy for the General Fund while simultaneously lowering the tax levy for the Debt Service Fund. This ballot initiative was approved by the voters. The overall tax levy rate to the citizens in 2009 (\$0.914 residential) was actually less than 2008 (\$0.942 residential) while still including the effect of this proposition. The favorable impact to the General Fund revenue stream was approximately \$142,000.

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 Assets 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 sim-

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Overview of the Financial Statements (continued)

ilar to a private-sector business. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets 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 assets. Under accrual accounting, all revenues and expenses are recorded regardless of when cash is received or paid. Over time, increases or decreases in net assets serves as an indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the year. All changes in net assets 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 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 Court Trust Fund. While this fund represents a trust responsibility, these assets are restricted in pur-

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Overview of the Financial Statements (continued)

pose 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 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 \$5,634,778 as of December 31, 2009. The City improved its financial condition by recording a slight increase in net assets.

There are three portions of the City's net assets: invested in capital assets (e.g., land, building, vehicles, and equipment), net of related debt; restricted net assets; and unrestricted net assets 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.

STATEMENT OF NET ASSETS
Governmental Activities
December 31,

	<u>2009</u>	<u>2008</u>
Assets:		
Current and other assets	\$ 5,430,458	6,254,322
Capital assets	8,378,790	8,192,016
Total assets	<u>13,809,248</u>	<u>14,446,338</u>
Liabilities:		
Current and other liabilities	325,181	441,729
Long-term liabilities	7,849,289	8,419,395
Total liabilities	<u>8,174,470</u>	<u>8,861,124</u>
Net assets:		
Invested in capital assets, net of related debt	969,430	1,061,540
Restricted	2,590,568	2,406,228
Unrestricted	<u>2,074,780</u>	<u>2,117,446</u>
Total net assets	<u>\$ 5,634,778</u>	<u>5,585,214</u>

Unrestricted net assets represent 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 \$2,074,780 left for unrestricted purposes.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Government-wide Financial Analysis (continued)

Changes in Net Assets

In 2009, the City's total revenues on a government-wide basis were \$6,881,492 which represents a 7.3% decline in revenue over 2008. Of the City's revenues, taxes represent 69%, 22% is generated by charges for services, and 9% of revenues come from grants and contributions and other revenue.

The total cost of all programs and services for 2009 was \$6,831,928. This represents an increase of \$266,891 or approximately 4% over the prior year. The majority of the increase is due to an increase in public works (Southwoods street slab replacements) 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 54.8% of the total cost of programs and services. The parks function was the next largest with 17.3% of the total costs.

The following table provides a summary of the City's operations for the year ended December 31, 2009:

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Government-wide Financial Analysis (continued)

STATEMENT OF ACTIVITIES
Governmental Activities
For The Years Ended December 31,

	2009	2008
Revenues:		
Program revenues:		
Charges for services	\$ 1,490,872	1,484,099
Operating grants and contributions	373,404	417,205
Capital grants and contributions	76,888	208,893
General revenues:		
Property taxes	1,109,987	1,210,119
Sales taxes	2,472,054	2,644,230
Utility taxes	1,100,166	1,162,937
Other taxes	97,582	105,073
Other	160,539	192,724
Total revenues	6,881,492	7,425,280
Expenses:		
General government	833,539	817,002
Public safety (Police and Emergency Management)	1,977,666	1,995,597
Public works	771,994	579,226
Fire and ambulance services	1,768,999	1,705,845
Parks	1,180,676	1,142,163
Interest and fiscal charges	299,054	325,204
Total expenses	6,831,928	6,565,037
Change in net assets	49,564	860,243
Net assets, beginning of year	5,585,214	4,724,971
Net assets, end of year	\$ 5,634,778	5,585,214

The City's net assets increased by \$49,564 during the current year reflecting the fact that revenues exceeded expenses by the same amount. However, total revenues declined 7.3% compared to 2008 while expenses increased by 4%. Total revenues were impacted significantly by a 6.5% decline in sales tax receipts reflecting the continuing difficult economic conditions experienced as a whole in Shrewsbury and nearby communities. Total revenues were also negatively impacted by a decline in property taxes (8.3%) reflecting lower assessed values coupled with a lower tax levy rate; reduced utility tax (primarily natural gas) receipts (5.4%); and reduced other taxes (county road/bridge) and other revenues (13.3%). These de-

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Government-wide Financial Analysis (continued)

clines were unfortunately not offset by the (one-time) favorable settlement (\$134,391) by AT&T with respect to telecommunications utility taxes on land line services.

All of the City's grants are reimbursement grants, where the funds must be spent for specific purposes and all capital grants have a local match which the City must fund. During the year, the City received grant funds from the St. Louis County Health Department (\$49,068) enabling it to provide recycle carts to its residents and community development block grant funds (\$15,000) from St. Louis County Department of Planning. The City also received FEMA (\$8,550) and Federal Firefighter (\$4,270) grant funds which enabled the fire department to acquire laptop computers and gas detectors equipment.

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 unreserved 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 \$4,917,086, a decrease of \$714,403 when compared to the prior year. This decrease in the combined fund balance primarily reflects the planned spend-down of the 2007 general obligation bond proceeds as the City implements key acquisitions outlined in the bond. Assets acquired with these funds in 2009 include the new ambulance (\$151,959), the aquatic center pool bathhouse renovation (\$385,755), a 2010 patrol police car (\$19,469), and concrete street slab repairs in the Southwoods area (\$256,296).

Of the total combined fund balance, \$2,192,351 (44%) constitutes an unreserved fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

1) to pay for capital improvements (\$1,089,340); 2) to pay for debt service (\$1,382,062); and 3) to pay for sewer repairs (\$253,333).

Budgetary Highlights – In the total of all funds, the City budgeted for a decrease in its overall fund balance of \$790,043 for 2009. This anticipated decrease primarily reflected the continued planned spend-down of the 2007 general obligation bond proceeds (received in 2007) on key asset acquisitions. The actual decrease in overall fund balance was \$708,205 and this difference primarily reflects lower than anticipated overall expenditures as explained below.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Financial Analysis of the City's Funds (continued)

Actual overall expenditures including transfers out were less than budget by \$164,979. This favorable variance to budget reflects the deferred expenditure of planned capital purchases including 2007 general obligation bond items such as a computer desktop and laptop dock (\$1,900), a nitrous oxide kit (\$3,000), a restroom (\$75,000), and Southwoods street slab repairs (\$43,704). The favorable variance also includes deferred Capital Fund expenditures of approximately \$90,000 including street chip seal and other street concrete repairs (\$30,000), and the replacement of the accounting/finance software system (\$60,000). The City expects to complete these (and other) 2007 general obligation bond and Capital Fund projects in the 2010 fiscal year.

Actual overall revenues and other financing sources were \$83,141 less than budget and this unfavorable variance explains the rest of the decrease in overall fund balance. The overall revenues variance primarily reflects a shortfall in property tax collections in the Debt Service Fund versus budget. The budget for property tax collections was derived before the outcome of Proposition T could be predicted and also before the drop in assessed property values was known. These factors led to the shortfall versus budget.

The budgeted deficit in the General Fund was \$38,771. Slightly favorable actual results in total revenues and slightly unfavorable actual results in expenditures (including transfers out) categories were realized resulting in a final deficit of only \$38,184 for the year. Total General Fund revenues and other financing sources were favorable to budget by \$2,328. As outlined earlier, significant shortfalls (\$170,334) in sales tax collections in the General Fund were offset by the (one-time) favorable AT&T land line settlement (\$134,391) and by net favorable (Proposition T) property tax collections (\$113,817). Total revenues also included the (unbudgeted) St. Louis County Health Department grant (\$49,068) for recycling carts.

Total expenditures (including transfers out) in the General Fund were only \$1,741 above budget. This includes the (unbudgeted) expenditure of \$49,069 for the grant funded recycling carts. Higher than planned expenditures in the fire department (\$29,208) stemming from unplanned turnover (replaced with overtime) and in the parks department (\$69,253) reflecting mostly aquatic center expense variances (lifeguards, pool management fees, pool utilities), were offset by below budget (\$77,293) expenditures in the police department and public works department (\$29,067) primarily reflecting delayed refilling of personnel vacancies.

Capital Assets

The City's investment in capital assets (net of depreciation) increased in the current year by \$186,774.

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

- Public Works: Air jack, Club car utility vehicle, Stump grinder, Chain saw, Bobcat hydraulic breaker, Spreader w/gearbox, Heavy vehicle lift, Salt bin building roof.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Capital Assets (continued)

- Parks Department: Aquatic center bathhouse renovation, Color copier, Swim pool grates (initial), Lobby refrigerator, Refurbish city center adult lounge, Treadmill, Elliptical, Brinkop park wall, path, fence, Odenwald ballfield #1 dugout roof.
- General Government: Admin B/W copier, Shredder, Panic alarm system, Computer server with backup system.
- Fire Department: Rescue tool power unit w/hose reels, Ambulance w/stretchers and stair chair, 2 Laptop computers with dock station, 2 Desktop computers, Pulse oximeter, Blood pressure/heart monitor, 3 Multi-gas gas detectors, B/W copier, Refrigerator.
- Police Department, Court, Public Safety Bldg: 3 Police Cars equipped with police package, Voice stress analyzer computer, Faces composite software, Shredder, Color copier, Evidence drop box, Mobile ticketing system, 2 Bldg A/C unit replacements, Front exit door push bar.

CAPITAL ASSETS
Governmental Activities
Net of Accumulated Depreciation
December 31,

	<u>2009</u>	<u>2008</u>
Land	\$ 706,264	706,264
Land improvements	896,360	943,680
Buildings	4,942,131	4,799,140
Equipment	550,878	482,837
Furniture and fixtures	47,790	53,375
Vehicles	1,009,871	919,780
Infrastructure	217,996	228,597
Construction in process	<u>7,500</u>	<u>58,343</u>
Total	<u>\$ 8,378,790</u>	<u>8,192,016</u>

Additional information on the City's capital assets can be found in Note C found on page 26 of this report.

Debt Administration

At the end of the current year, the City had a total debt of \$7,438,735. Of this amount \$2,330,000 is the new 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 \$3,050,000, and \$2,058,735 for the Series

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009

Debt Administration (continued)

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.

Additional information on the City's long-term debt can be found in Note E found on pages 27 and 28 of this report

Economic Factors and Year 2010 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 fell short of budget again by over 7% in 2009 and were less than 2008 actual by the same amount. On average, General Fund sales taxes have declined 3.3% per year since 2005. The City has attempted to contain costs wherever possible while continuing to provide the same high level of public services and recreation options to its residents. This remains a challenge in an environment of declining revenues and rising costs.

The City has taken a number of steps to continue to contain costs wherever feasible in the FY2010 budget. It has also assumed that sales tax revenues will recover to slightly higher levels (1.6%) than 2009 as the economic recovery occurs. The City also plans to fund all of the debt payments (principal and interest) for the Series 2008 leasehold refunding revenue bonds from the City's Capital Improvement Fund in 2010. With these factors in mind, the City is forecasting a General Fund budget deficit of only \$968 in FY2010.

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. The City has been initially approached by one developer who has expressed an interest in participating in the redevelopment of this area. The City currently has forwarded requests for proposal to all interested developers and will be reviewing these responses in July 2010. The City is optimistic that these submittals will lead to the revitalization of the Kenrick Plaza commercial area with related economic benefits in the near future.

Request 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 Rick Jett, Finance Director, at City of Shrewsbury, 5200 Shrewsbury Avenue, Shrewsbury, Missouri 63119.

CITY OF SHREWSBURY, MISSOURI**STATEMENT OF NET ASSETS****DECEMBER 31, 2009**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,569,580
Restricted cash and investments	310,054
Receivables:	
Taxes	1,205,091
Other	217,591
Unamortized bond costs	128,142
Capital assets:	
Land and other nondepreciable assets	713,764
Other capital assets, net of accumulated depreciation	7,665,026
Total Assets	<u>13,809,248</u>
LIABILITIES	
Accounts payable	231,213
Accrued interest payable	59,566
Accrued wages	19,530
Unearned revenue	9,322
Refundable deposits	5,550
Noncurrent liabilities:	
Due within one year	888,697
Due in more than one year	6,960,592
Total Liabilities	<u>8,174,470</u>
NET ASSETS	
Invested in capital assets, net of related debt	969,430
Restricted for:	
Capital projects	894,604
Debt service	1,442,631
Sewer repair	253,333
Unrestricted	2,074,780
Total Net Assets	<u>\$ 5,634,778</u>

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

		<u>Program Revenues</u>		<u>Net Revenues (Expenses) And Change In Net Assets</u>	
FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	
Governmental Activities				<u>Governmental Activities</u>	
General government	\$ 833,539	415,580	-	-	(417,959)
Public safety	1,977,666	324,676	-	12,820	(1,640,170)
Public works	771,994	53,367	373,404	64,068	(281,155)
Fire and ambulance services	1,768,999	321,095	-	-	(1,447,904)
Parks	1,180,676	376,154	-	-	(804,522)
Interest and fiscal charges	299,054	-	-	-	(299,054)
Total Governmental Activities	<u>\$ 6,831,928</u>	<u>1,490,872</u>	<u>373,404</u>	<u>76,888</u>	<u>(4,890,764)</u>
General Revenues					
Taxes:					
Property					1,109,987
Sales					2,472,054
Utility					1,100,166
Other					97,582
Investment income					133,943
Miscellaneous					26,596
Total General Revenues					<u>4,940,328</u>
CHANGE IN NET ASSETS					49,564
NET ASSETS, JANUARY 1					<u>5,585,214</u>
NET ASSETS, DECEMBER 31					<u>\$ 5,634,778</u>

See notes to financial statements

CITY OF SHREWSBURY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General	Sewer Lateral	Capital Improvements	Debt Service	Total Governmental Funds
ASSETS					
Cash and investments	\$ 1,403,730	303,169	1,012,561	850,120	3,569,580
Restricted cash and investments	-	-	310,054	-	310,054
Receivables:					
Taxes	842,266	10,589	70,716	281,520	1,205,091
Other	193,283	3,275	20,096	937	217,591
Total Assets	<u>\$ 2,439,279</u>	<u>317,033</u>	<u>1,413,427</u>	<u>1,132,577</u>	<u>5,302,316</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 162,802	63,700	4,711	-	231,213
Accrued wages	19,530	-	-	-	19,530
Refundable deposits	5,550	-	-	-	5,550
Deferred revenue	59,046	-	9,322	60,569	128,937
Total Liabilities	<u>246,928</u>	<u>63,700</u>	<u>14,033</u>	<u>60,569</u>	<u>385,230</u>
 Fund Balances					
Reserved for:					
Capital projects	-	-	1,089,340	-	1,089,340
Debt service	-	-	310,054	1,072,008	1,382,062
Sewer repair	-	253,333	-	-	253,333
Unreserved	2,192,351	-	-	-	2,192,351
Total Fund Balances	<u>2,192,351</u>	<u>253,333</u>	<u>1,399,394</u>	<u>1,072,008</u>	<u>4,917,086</u>
Total Liabilities And Fund Balances	<u>\$ 2,439,279</u>	<u>317,033</u>	<u>1,413,427</u>	<u>1,132,577</u>	<u>5,302,316</u>

CITY OF SHREWSBURY, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERN-
MENTAL FUNDS TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009

Total Fund Balances - Governmental Funds	\$ 4,917,086
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 governmental funds. The cost of the assets is \$14,886,275 and the accumulated depreciation is \$6,507,485.	8,378,790
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred within the governmental funds financial statements.	119,615
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 interest payable	(59,566)
Unamortized bond costs	128,142
Bonds payable	(7,613,418)
Compensated absences	<u>(235,871)</u>
Total Net Assets Of Governmental Activities	<u><u>\$ 5,634,778</u></u>

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

	<u>General</u>	<u>Sewer Lateral</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 4,168,727	41,961	454,996	522,902	5,188,586
Licenses and permits	319,094	-	-	-	319,094
Fines and court costs	324,641	-	-	-	324,641
Investment income	85,580	15,067	32,519	777	133,943
Charges for services	805,176	-	-	-	805,176
Grants	49,068	-	27,820	-	76,888
Miscellaneous	26,596	-	-	-	26,596
Total Revenues	<u>5,778,882</u>	<u>57,028</u>	<u>515,335</u>	<u>523,679</u>	<u>6,874,924</u>
EXPENDITURES					
Current:					
General government	853,404	-	-	-	853,404
Public safety	1,844,729	-	-	-	1,844,729
Public works and planning	385,440	-	-	-	385,440
Fire and ambulance services	1,697,978	-	-	-	1,697,978
Parks	824,459	-	-	-	824,459
Capital outlay	-	36,674	1,065,127	-	1,101,801
Debt service:					
Principal	-	-	250,000	430,000	680,000
Interest and fees	-	-	84,098	117,418	201,516
Total Expenditures	<u>5,606,010</u>	<u>36,674</u>	<u>1,399,225</u>	<u>547,418</u>	<u>7,589,327</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>172,872</u>	<u>20,354</u>	<u>(883,890)</u>	<u>(23,739)</u>	<u>(714,403)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	327,694	-	327,694
Transfers out	(211,056)	-	(116,638)	-	(327,694)
Total Other Financing Sources (Uses)	<u>(211,056)</u>	<u>-</u>	<u>211,056</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(38,184)	20,354	(672,834)	(23,739)	(714,403)
FUND BALANCES, JANUARY 1	<u>2,230,535</u>	<u>232,979</u>	<u>2,072,228</u>	<u>1,095,747</u>	<u>5,631,489</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,192,351</u>	<u>253,333</u>	<u>1,399,394</u>	<u>1,072,008</u>	<u>4,917,086</u>

See notes to financial statements

CITY OF SHREWSBURY, MISSOURI
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

Net Change In Fund Balances - Governmental Funds \$ (714,403)

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$765,359) exceeded depreciation (\$539,889) in the current period.	225,470
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(38,696)
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements.	6,568
The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds, however, it has no effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt:	
Interest accretion	(92,814)
Principal payments on bonds and notes	680,000
Amortization of bond issuance costs	(9,993)
Amortization of deferred amount on refunding	(5,243)
Under the modified accrual basis of accounting used in the governmental funds financial statements, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when financial resources are available. The net changes of these items are:	
Accrued compensated absences	(11,837)
Accrued interest on bonds	10,512
	10,512
Change In Net Assets Of Governmental Activities	\$ 49,564

CITY OF SHREWSBURY, MISSOURI
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009

ASSETS

Cash

\$ 7,503

LIABILITIES

Court bonds

\$ 7,503

NOTE A - 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 Board of Aldermen. The City's major operations include public safety (police and fire), highways and streets, municipal court, capital improvements, planning and zoning, parks and recreation, and general administrative services. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

1. Reporting Entity

The financial statements of the City include the financial activities of the City and any component units. The criteria used in determining the scope of the reporting entity are based on the provisions of GASB Statement No. 14. The City is the primary government unit. Component units are those entities which are financially accountable to the primary government, either because the City appoints a voting majority of the component unit's Board or because the component unit will provide a financial benefit or impose a financial burden on the City. 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 as a Capital Projects Fund. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government.

2. 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Government-wide and Fund Financial Statements (Continued)

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.

3. 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 is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using 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. Only the portion of special assessments receivable, if any, due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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 specialized funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capital Improvements Funds -- The City uses this 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 consists of the Capital Improvements Funds of the City and the Capital Improvements Bond Reserve Fund of the 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 fund type:

Fiduciary Fund Type - Agency Fund -- 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 payment-in-lieu of taxes and other charges and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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.

4. 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. Interest income earned on pooled cash and invest-

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Investments (Continued)

ments is allocated to the various funds. Interest income on restricted cash and investments is credited directly to the related fund.

The City is authorized 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 issued 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.

5. Restricted Cash

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

6. Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid items. Prepaid items are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

7. Capital Assets

Capital assets, which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the governmental activities columns 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.

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 being computed on the straight-line method, using asset lives as follows:

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Capital Assets (Continued)

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

The City has elected to implement the general provisions of GASB No. 34 and has elected not to retroactively record the historical cost of infrastructure placed in service prior to January 1, 2004.

8. 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 840 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 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.

9. Long-term Obligations

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, if any. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt, if any.

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

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance, if any, represent tentative management plans that are subject to change.

11. Interfund Transactions

Transfers of resources from a fund receiving revenue to the fund through which the resources are to be expended are recorded as transfers. Such transfers are reported as other financing sources (uses) in the governmental fund types.

12. Use of Estimates

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.

NOTE B - CASH AND INVESTMENTS

1. Deposits

Custodial Credit Risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will 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 policies 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 not insured by the Federal Deposit Insurance Corporation (FDIC).

As of December 31, 2009, the City's bank balances were entirely secured or collateralized with securities held by the City or by its agent in the City's name.

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE B - CASH AND INVESTMENTS (Continued)

2. Investments

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

Investments	Fair Market Value	Maturities				Credit Risk
		No Maturity	Less Than One Year	1 - 5 Years	6 - 10 Years	
Primary government:						
Money market funds	\$ 10,036	10,036	-	-	-	Not rated
Repurchase agree- ments	1,080,000	1,080,000	-	-	-	N/A
Negotiable certifi- cates of deposit	2,191,999	-	400,697	1,296,003	495,299	N/A
Government securities:						
FNMA/FHLMC	99,406	-	-	-	99,406	N/A
Total Investments	<u>\$ 3,381,441</u>	<u>1,090,036</u>	<u>400,697</u>	<u>1,296,003</u>	<u>594,705</u>	

Investments Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes investment risk by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business.

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 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.

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.

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE C - CAPITAL ASSETS

Capital asset activity was as follows:

	For The Year Ended December 31, 2009			
	December 31 2008	Additions	Deletions	December 31 2009
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 706,264	-	-	706,264
Construction in process	58,343	343,132	393,975	7,500
Total Capital Assets Not Being Depreciated	<u>764,607</u>	<u>343,132</u>	<u>393,975</u>	<u>713,764</u>
Capital assets being depreciated:				
Land improvements	1,232,172	8,037	-	1,240,209
Buildings	9,099,687	404,963	33,000	9,471,650
Equipment	1,127,566	166,962	90,316	1,204,212
Furniture and fixtures	271,832	4,412	-	276,244
Vehicles	1,715,062	231,828	195,355	1,751,535
Infrastructure	228,661	-	-	228,661
Total Capital Assets Being Depreciated	<u>13,674,980</u>	<u>816,202</u>	<u>318,671</u>	<u>14,172,511</u>
Less - Accumulated depreciated for:				
Land improvements	288,492	55,357	-	343,849
Buildings	4,300,547	245,472	16,500	4,529,519
Equipment	644,729	97,435	88,830	653,334
Furniture and fixtures	218,457	9,997	-	228,454
Vehicles	795,282	121,027	174,645	741,664
Infrastructure	64	10,601	-	10,665
Total Accumulated Depreciation	<u>6,247,571</u>	<u>539,889</u>	<u>279,975</u>	<u>6,507,485</u>
Total Capital Assets Being Depreciated, Net	<u>7,427,409</u>	<u>276,313</u>	<u>38,696</u>	<u>7,665,026</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,192,016</u>	<u>619,445</u>	<u>432,671</u>	<u>8,378,790</u>

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

	For The Year Ended December 31 2009
Governmental Activities	
General government	\$ 10,441
Public safety	75,369
Public works and planning	65,653
Fire and ambulance services	69,426
Parks	<u>319,000</u>
Total	<u>\$ 539,889</u>

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE D - INTERFUND TRANSACTIONS

Individual interfund transactions are as follows:

	<u>Transfers In Capital Improvements</u>
Transfers out:	
General	<u>\$211,056</u>

Interfund transfers may be used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them and 2) use unrestricted revenues collected to finance expenditures in other funds in accordance with budgetary authorization.

NOTE E - LONG-TERM DEBT

A summary of changes are as follows:

	For The Year Ended December 31, 2009			Amounts Due Within One Year	
	Balance December 31 2008	Increases	Decreases		Balance December 31 2009
Governmental Activities					
General obligation capital appreciation bonds	\$ 2,058,735	-	-	2,058,735	
General obligation capital appreciation bonds - interest accretion	126,814	92,814	-	219,628	
General obligation capital refunding bonds	3,480,000	-	430,000	3,050,000	
Less - Deferred amount on refunding	(37,618)	-	(4,100)	(33,518)	
Leasehold refunding revenue bonds	2,580,000	-	250,000	2,330,000	
Less - Deferred amount on refunding	(12,570)	-	(1,143)	(11,427)	
Compensated absences	224,034	264,166	252,329	235,871	
	<u>\$ 8,419,395</u>	<u>356,980</u>	<u>927,086</u>	<u>7,849,289</u>	
Total Long-term Liabilities				<u>888,697</u>	

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE E - LONG-TERM DEBT (Continued)

Long-term debt includes the following:

	<u>December 31</u> <u>2009</u>
Series 2006 general obligation capital refunding bonds issue of \$3,980,000, used to advance refund the 1998 general obligation bonds, interest rate 3.58%, due March 1, 2018.	\$ 3,050,000
Series 2007 general obligation capital appreciation bonds originally \$2,058,735, accretion rates range from 4% to 4.4%, due March 1, 2022.	2,058,735
Series 2008 leasehold refunding revenue bonds issue of \$2,580,000, used to advance refund the 1999 leasehold revenue bonds, interest rates range from 2.25% to 4%, due March 1, 2018.	<u>2,330,000</u>
Total	<u><u>\$ 7,438,735</u></u>

Future long-term debt maturities are as follows:

For The Years Ended December 31	Leasehold Refunding Revenue Bonds		General Obligation Capital Refunding Bonds		General Obligation Capital Appreciation Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 255,000	76,519	445,000	101,225	-	-	877,744
2011	260,000	69,242	465,000	84,936	-	-	879,178
2012	265,000	61,365	485,000	67,931	-	-	879,296
2013	280,000	52,638	255,000	54,685	188,233	19,076	849,632
2014	325,000	42,330	260,000	45,466	184,176	18,907	875,879
2015 - 2019	945,000	88,191	1,140,000	83,414	992,918	105,285	3,354,808
2020 - 2022	-	-	-	-	693,408	76,360	769,768
Total	<u>\$ 2,330,000</u>	<u>390,285</u>	<u>3,050,000</u>	<u>437,657</u>	<u>2,058,735</u>	<u>219,628</u>	<u>8,486,305</u>

NOTE F - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM

1. 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

NOTE F - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
(Continued)

1. Plan Description (Continued)

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 it 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.

2. 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 3.8% (general), 4.9% (police), and 5.7% (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.

3. Annual Pension Cost

For 2009, the City's annual pension cost of \$153,532 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2007 and/or February 29, 2008 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2009 included a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; b) projected salary increases of 4% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back no years for men and no years for women; and e) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven 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, 2009 was 15 years.

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE F - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM
(Continued)

3. Annual Pension Cost (Continued)

Trend Information

<u>For The Fiscal Years Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$153,532	100%	\$ -
2008	156,304	100	-
2007	173,177	100	-

Schedule of Funding Progress

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Actuarial Value Of Assets</u>	<u>Entry Age Actuarial Accrued Liability</u>	<u>Excess Of Assets Over AAL</u>
2009	\$5,703,001	\$5,602,265	\$ 100,736
2008	6,936,341	5,390,298	1,546,043
2007	6,178,512	4,938,001	1,240,511

<u>For The Actuarial Valuation Years Ended February 28/29</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Excess Assets As A Percentage Of Covered Payroll</u>
2009	102%	\$3,054,325	3.3%
2008	129	3,026,815	51.1
2007	125	2,851,050	43.5

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, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, contact the LAGERS' office in Jefferson City, MO.

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE G - 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 if 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.

NOTE H - 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 on September 1 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, 2009, upon which the 2009 levy was based on an assessed value for real estate and personal property was \$121,863,851. The following is a summary of the 2009 tax rates per \$100 of assessed valuation.

	2009 Tax Rates		
	General Fund	Debt Service Fund	Total
Real property:			
Residential	0.4860	0.4280	0.9140
Commercial	0.4810	0.4280	0.9090
Personal property	0.5770	0.4280	1.0050

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 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 purpose of acquiring of 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, 2009 is as follows:

CITY OF SHREWSBURY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE H - PROPERTY TAX (Continued)

	<u>December 31</u> <u>2009</u>
City purposes:	
Assessed valuation	<u>\$ 121,863,851</u>
Debt limit - 10% of assessed value	\$ 12,186,385
General obligations bond payable	(5,328,363)
Amount available in Debt Service Fund	<u>1,072,008</u>
Legal Debt Margin	<u>\$ 7,930,030</u>

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.

NOTE I - RESTRICTED NET ASSETS

The government-wide statement of net assets reports \$2,590,568 of restricted net assets of which \$1,147,937 is restricted by enabling legislation.

NOTE J - COMMITMENT

At December 31, 2009 the City had a construction commitment of approximately \$10,800.

NOTE K - FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes standards for the policies and disclosures for fund balance among other things. GASB 54 will be effective for the City for the year ending December 31, 2011. The City, however, has not yet completed its assessment of the statement or the potential impact of the statement on its financial position.

REQUIRED SUPPLEMENTAL INFORMATION SECTION

CITY OF SHREWSBURY, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes:			
Property	\$ 466,700	580,517	113,817
Sales	2,251,000	2,080,666	(170,334)
Utility	1,061,500	1,100,166	38,666
Gasoline	192,000	183,339	(8,661)
Other	229,300	224,039	(5,261)
Total Taxes	<u>4,200,500</u>	<u>4,168,727</u>	<u>(31,773)</u>
Licenses and permits:			
Building permits	28,200	21,474	(6,726)
Business licenses	230,900	229,614	(1,286)
Other	67,005	68,006	1,001
Total Licenses And Permits	<u>326,105</u>	<u>319,094</u>	<u>(7,011)</u>
Other:			
Fines and court costs	342,500	324,641	(17,859)
Investment income	70,000	85,580	15,580
Charges for services	822,949	805,176	(17,773)
Grants	-	49,068	49,068
Miscellaneous	14,500	26,596	12,096
Total Other	<u>1,249,949</u>	<u>1,291,061</u>	<u>41,112</u>
Total Revenues	<u>5,776,554</u>	<u>5,778,882</u>	<u>2,328</u>
EXPENDITURES			
Current:			
General government:			
Boards and commissions	168,950	199,936	30,986
Administration	544,464	533,655	(10,809)
Municipal buildings	40,135	33,846	(6,289)
Insurance	86,189	85,967	(222)
Total General Government	<u>839,738</u>	<u>853,404</u>	<u>13,666</u>
Other:			
Parks	750,065	824,459	74,394
Public safety	1,926,045	1,844,729	(81,316)
Public works and planning	414,507	385,440	(29,067)
Fire and ambulance services	1,668,770	1,697,978	29,208
Total Other	<u>4,759,387</u>	<u>4,752,606</u>	<u>(6,781)</u>
Total Expenditures	<u>5,599,125</u>	<u>5,606,010</u>	<u>6,885</u>
REVENUES OVER EXPENDITURES	177,429	172,872	(4,557)
OTHER FINANCING USES			
Transfers out	(216,200)	(211,056)	(5,144)
NET CHANGE IN FUND BALANCE	<u>\$ (38,771)</u>	<u>(38,184)</u>	<u>587</u>
FUND BALANCE, JANUARY 1		2,230,535	
FUND BALANCE, DECEMBER 31		<u>\$ 2,192,351</u>	

CITY OF SHREWSBURY, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - SEWER LATERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes	\$ 42,616	41,961	(655)
Investment income	7,500	15,067	7,567
Total Revenues	50,116	57,028	6,912
EXPENDITURES			
Capital outlay	38,523	36,674	(1,849)
NET CHANGE IN FUND BALANCE	\$ 11,593	20,354	8,761
FUND BALANCE, JANUARY 1		232,979	
FUND BALANCE, DECEMBER 31		\$ 253,333	

CITY OF SHREWSBURY, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION - NOTES TO
SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009

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 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.
- 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.

The City's budgets are prepared on the modified accrual basis of accounting.

The City does not budget the City of Shrewsbury Improvements Corporation.

OTHER SUPPLEMENTAL INFORMATION SECTION

CITY OF SHREWSBURY, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Taxes	\$ 484,000	454,996	(29,004)
Investment income	24,000	32,313	8,313
Grants	20,000	27,820	7,820
Total Revenues	528,000	515,129	(12,871)
EXPENDITURES			
Capital outlay:			
Public works	360,000	311,071	(48,929)
Police	65,665	98,378	32,713
Court	1,250	1,184	(66)
Fire and ambulance services	204,100	201,944	(2,156)
Administration	400	8,938	8,538
Public safety building	33,564	13,265	(20,299)
Parks and recreation	413,000	393,771	(19,229)
Other	150,500	36,576	(113,924)
Total Expenditures	1,228,479	1,065,127	(163,352)
REVENUES UNDER EXPENDITURES	(700,479)	(549,998)	150,481
OTHER FINANCING USES			
Transfers out	(118,138)	(116,638)	(1,500)
NET CHANGE IN FUND BALANCE	\$ (818,617)	(666,636)	151,981
FUND BALANCE, JANUARY 1		1,755,976	
FUND BALANCE, DECEMBER 31		\$ 1,089,340	

CITY OF SHREWSBURY, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - SCHEDULE OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND
BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Original And Final Budget	Actual	Over (Under) Budget
REVENUES			
Property taxes	\$ 599,689	522,902	(76,787)
Investment income	3,500	777	(2,723)
Total Revenues	603,189	523,679	(79,510)
EXPENDITURES			
Debt service:			
Principal retirement	430,000	430,000	-
Interest and fees	117,437	117,418	(19)
Total Expenditures	547,437	547,418	(19)
NET CHANGE IN FUND BALANCE	\$ 55,752	(23,739)	(79,491)
FUND BALANCE, JANUARY 1		1,095,747	
FUND BALANCE, DECEMBER 31		\$ 1,072,008	

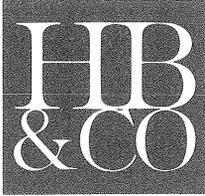
CITY OF SHREWSBURY, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING
BALANCE SHEET - CAPITAL IMPROVEMENTS FUNDS
DECEMBER 31, 2009

	<u>City Of Shrewsbury</u>			<u>City Of</u>	<u>Total</u>
	<u>Capital</u>	<u>Capital</u>	<u>Total</u>	<u>Shrewsbury</u>	
	<u>Improvement</u>	<u>Improvement</u>	<u>Capital</u>	<u>Improvements</u>	
	<u>Series 2007</u>		<u>Improvement</u>	<u>Corporation</u>	
ASSETS					
Cash and investments	\$ 204,058	808,503	1,012,561	-	1,012,561
Restricted cash and investments	-	-	-	310,054	310,054
Taxes receivable	-	70,716	70,716	-	70,716
Other receivable	-	20,096	20,096	-	20,096
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 204,058</u>	<u>899,315</u>	<u>1,103,373</u>	<u>310,054</u>	<u>1,413,427</u>
 LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,280	3,431	4,711	-	4,711
Deferred revenue	-	9,322	9,322	-	9,322
Total Liabilities	<u>1,280</u>	<u>12,753</u>	<u>14,033</u>	<u>-</u>	<u>14,033</u>
 Fund Balances					
Reserved for:					
Capital projects	202,778	886,562	1,089,340	-	1,089,340
Debt service	-	-	-	310,054	310,054
Total Fund Balances	<u>202,778</u>	<u>886,562</u>	<u>1,089,340</u>	<u>310,054</u>	<u>1,399,394</u>
Total Liabilities And Fund Balances	<u>\$ 204,058</u>	<u>899,315</u>	<u>1,103,373</u>	<u>310,054</u>	<u>1,413,427</u>

CITY OF SHREWSBURY, MISSOURI
OTHER SUPPLEMENTAL INFORMATION - COMBINING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - CAPITAL IMPROVEMENTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	City Of Shrewsbury			City Of Shrewsbury	
	Capital Improvement Series 2007	Capital Improvement	Total Capital Improvement	Improvements Corporation	Total
REVENUES					
Taxes	\$ -	454,996	454,996	-	454,996
Investment income	1,054	31,259	32,313	206	32,519
Grants	12,820	15,000	27,820	-	27,820
Total Revenues	<u>13,874</u>	<u>501,255</u>	<u>515,129</u>	<u>206</u>	<u>515,335</u>
EXPENDITURES					
Debt service:					
Principal	-	-	-	250,000	250,000
Interest and fees	-	-	-	84,098	84,098
Capital outlay	<u>834,085</u>	<u>231,042</u>	<u>1,065,127</u>	<u>-</u>	<u>1,065,127</u>
Total Expenditures	<u>834,085</u>	<u>231,042</u>	<u>1,065,127</u>	<u>334,098</u>	<u>1,399,225</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(820,211)</u>	<u>270,213</u>	<u>(549,998)</u>	<u>(333,892)</u>	<u>(883,890)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	327,694	327,694
Transfers out	<u>-</u>	<u>(116,638)</u>	<u>(116,638)</u>	<u>-</u>	<u>(116,638)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>(116,638)</u>	<u>(116,638)</u>	<u>327,694</u>	<u>211,056</u>
NET CHANGE IN FUND BALANCES	(820,211)	153,575	(666,636)	(6,198)	(672,834)
FUND BALANCES, JANUARY 1	<u>1,022,989</u>	<u>732,987</u>	<u>1,755,976</u>	<u>316,252</u>	<u>2,072,228</u>
FUND BALANCES, DECEMBER 31	<u>\$ 202,778</u>	<u>886,562</u>	<u>1,089,340</u>	<u>310,054</u>	<u>1,399,394</u>

INTERNAL CONTROL AND COMPLIANCE SECTION



Hochschild, Bloom & Company LLP

Certified Public Accountants
Consultants and Advisors

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

June 2, 2010

Honorable Mayor and Board of Aldermen
CITY OF SHREWSBURY, MISSOURI

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **CITY OF SHREWSBURY, MISSOURI** (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 2, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

- 16100 Chesterfield Parkway West, Suite 125, Chesterfield, Missouri 63017-4829, 636-532-9525, Fax 636-532-9055
- 1000 Washington Square, P.O. Box 1457, Washington, Missouri 63090-8457, 636-239-4785, Fax 636-239-5448

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated June 2, 2010.

This report is intended solely for the information and use of management, Board of Aldermen, others within the City, appropriate regulatory agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script: "Hochschild, Bloom & Company LLP".

CERTIFIED PUBLIC ACCOUNTANTS