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**CITY OF SHREWSBURY,  
MISSOURI**

**FINANCIAL REPORT  
(Audited)**

Year Ended December 31, 2010

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

## **INDEPENDENT AUDITORS' REPORT**

May 5, 2011

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, 2010, 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, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

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In accordance with *Government Auditing Standards*, we have also issued a report dated May 5, 2011 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.

  
CERTIFIED PUBLIC ACCOUNTANTS

## CITY OF SHREWSBURY, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

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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, 2010.

#### **Financial Highlights**

- The City's financial position weakened slightly during 2010 as reflected in the decrease in net assets of \$14,856. The City's net assets at year-end total \$5,619,922.
- As of December 31, 2010, the City's governmental funds reported combined fund balances of \$4,566,745. Over 46% of this total, \$2,111,149 is unreserved and available for use within the City's designation and policies.
- The City reduced its existing long-term debt by \$700,000 during the year ended December 31, 2010.

#### **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 similar 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.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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**Overview of the Financial Statements (continued)**

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 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 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 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 \$5,619,922 as of

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Government-wide Financial Analysis (continued)**

December 31, 2010. The City's financial condition weakened slightly during the year by recording a slight decrease in net assets.

There are three portions of the City's net assets: invested in capital assets (e.g., land, infrastructure, 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>2010</u>	<u>2009</u>
<b>Assets:</b>		
Current and other assets	\$ 5,070,858	5,430,458
Capital assets	<u>8,119,668</u>	<u>8,378,790</u>
Total assets	<u>13,190,526</u>	<u>13,809,248</u>
<b>Liabilities:</b>		
Current and other liabilities	325,166	325,181
Long-term liabilities	<u>7,245,438</u>	<u>7,849,289</u>
Total liabilities	<u>7,570,604</u>	<u>8,174,470</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	1,103,750	969,430
Restricted	2,513,460	2,590,568
Unrestricted	<u>2,002,712</u>	<u>2,074,780</u>
Total net assets	<u>\$ 5,619,922</u>	<u>5,634,778</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 \$2,002,712 left for unrestricted purposes.

**Changes in Net Assets**

In 2010, the City's total revenues on a government-wide basis were \$6,663,951 which represents a 3.2% decline in revenue over 2009. Of the City's revenues, taxes represent 71%,

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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**Government-wide Financial Analysis (continued)**

22% is generated by charges for services, and 7% of revenues come from grants and contributions and other revenue.

The total cost of all programs and services for 2010 was \$6,678,807. This represents a decrease of \$153,121 or approximately 2% less than the prior year. The majority of the decrease reflects a reduced level of capital expenditures as the remaining proceeds of the 2007 General obligation bond were exhausted. 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 56.8% of the total cost of programs and services. The parks function was the next largest with 17.6% of the total costs.

The following table provides a summary of the City's operations for the year ended December 31, 2010.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

**Government-wide Financial Analysis (continued)**

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

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,443,102	1,490,872
Operating grants and contributions	380,939	373,404
Capital grants and contributions	29,716	76,888
General revenues:		
Property taxes	1,130,080	1,109,987
Sales taxes	2,414,324	2,472,054
Utility taxes	1,084,022	1,100,166
Other taxes	96,985	97,582
Other	84,783	160,539
Total revenues	<u>6,663,951</u>	<u>6,881,492</u>
Expenses:		
General government	803,050	833,539
Public safety (Police and Emergency Management)	2,026,178	1,977,666
Public works	624,933	771,994
Fire and ambulance services	1,765,402	1,768,999
Parks	1,172,645	1,180,676
Interest and fiscal charges	286,599	299,054
Total expenses	<u>6,678,807</u>	<u>6,831,928</u>
Change in net assets	(14,856)	49,564
Net assets, beginning of year	<u>5,634,778</u>	<u>5,585,214</u>
Net assets, end of year	<u>\$ 5,619,922</u>	<u>5,634,778</u>

The City's net assets decreased by \$14,856 during the current year reflecting the fact that expenses exceeded revenues by the same amount. Total revenues declined 3.2% compared to 2009 while expenses decreased by 2.2%. Total revenues were impacted by a 2.3% decline in sales tax receipts reflecting the continuing difficult economic conditions experienced in the City of Shrewsbury. Total revenues were also significantly impacted by a 47% decline in other revenues stemming primarily from declines in business licenses receipts and court fines collections. These declines were unfortunately not offset by the (one-time) favorable recovery of prior (2008 to 2009) cable TV franchise taxes (\$24,421) from AT&T U-verse video services.

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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**Government-wide Financial Analysis (continued)**

All of the City's grants are reimbursement grants, where the funds must be spent for specific purposes and most capital grants have a local match which the City must fund. During the year, the City received community development block grant funds (\$20,000) from the St. Louis County Department of Planning. The City also received Missouri Department of Public Safety LLEBG grant funds (\$9,234) which were used to acquire radios for the police department, and Federal Department of Justice grant funds (\$482) for the bulletproof vest program.

**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 \$4,566,745, a decrease of \$350,341 when compared to the prior year. This decrease in the combined fund balance primarily reflects deficits (expenditures over revenues) incurred in the General fund (\$81,202) and in the Capital Improvements funds (\$298,873) over the year. Expenditures in the Capital Improvements funds include a shift to funding all of the annual debt repayment (\$331,519) for the Series 2008 leasehold refunding revenue bonds as well as the final spend-down (\$202,848) of the 2007 general obligation capital appreciation bond proceeds as the City completed key acquisitions outlined in the bond. Some of the assets acquired with these funds in 2010 include flooring replacements in the City Center building (\$37,557), a replacement software system in the Parks department (\$14,999), a records shelving system in the Public Safety building (\$9,876), and concrete street slab repairs in the Southwoods area (\$95,954).

Of the total combined fund balance, \$2,111,149 (46%) 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 (\$790,466); 2) to pay for debt service (\$1,385,036); and 3) to pay for sewer repairs (\$280,094).

**Budgetary Highlights** – In the total of all funds, the City budgeted for a decrease in its overall fund balance of \$400,495 for 2010. 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 \$350,341 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, 2010

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**Financial Analysis of the City's Funds (continued)**

Actual overall expenditures were less than budget by \$133,262. This favorable variance to budget reflects the deferred expenditure of anticipated capital purchases in 2010 including possible replacement of central A/C units in the Public Safety building (\$8,850), street chip seal work (\$15,000), community development block grant work (\$5,000), and the replacement of the accounting/finance software system (\$60,000). The City expects to complete these and other capital projects as needed in the near future. Actual overall expenditures were also favorably impacted by General Fund department operating expenses which in total were \$34,736 below budget.

Actual overall revenues and other financing sources were \$83,109 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 total revenues in the General Fund (\$114,969) and Capital Improvements Fund (\$15,422 net of asset sales), offset by favorable property tax collections in the Debt Service Fund versus budget (\$44,640).

The budgeted deficit in the General Fund was \$969. Unfavorable actual results in total revenues and favorable actual results in expenditures were realized resulting in a final deficit of \$81,202 for the year. Total General Fund revenues were unfavorable to budget by \$114,969. Shortfalls in sales tax collections in the General Fund (\$82,700) were mostly offset by favorable utility taxes collections (\$82,022) which includes the (one-time) favorable recovery of prior (2008 to 2009) cable TV franchise taxes (\$24,421) from AT&T U-verse video services. Other revenue categories which experienced significant shortfalls to budget include business licenses (\$45,656), fines and court costs (\$38,739), and investment income (\$22,227).

Total expenditures in the General Fund were \$34,736 below budget. Higher than planned expenditures in the parks department (\$46,139) reflecting aquatic center expense variances (lifeguards, pool utilities), were offset by below budget expenditures (reflecting favorable health insurance costs and workers compensation insurance premiums) in the public safety (police/court) department (\$34,021), fire department (\$30,408), and public works department (\$21,979).

**Capital Assets**

The City's investment in capital assets (net of depreciation) decreased in the current year by \$259,122.

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

- Public Works: Dump truck with hopper/salt spreader, 48" grapple bucket, post hole digger attachment, lawn tractor w/36" mower deck, street lines paint striper

CITY OF SHREWSBURY, MISSOURI

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2010

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**Capital Assets (continued)**

- Parks Department: Aquatic center front and rear doors, swim pool grates, 1 concession stand fryer oven, Rectrac software system, utility trailer, LCD projector, stationary exercise bike, 1 riding lawnmower, 3 theater room microphones, refurbish city center flooring in 3 areas
- General Government: 1 Desktop computer, 1 laptop computer
- Fire Department: 18 Firefighting turnout coat/pant sets, 1 desktop computer, 1 laptop docking station (pumper), 2 suction units, 8 portable radios
- Police Department, Court, Public Safety Bldg: 2 Police Cars equipped with police package, 3 desktop computers, 5 portable (grant funded) mobile radios, 6 tasers, CCTV surveillance camera/DVR system booking room, 1 office shredder, 4 Mobile ticketing systems, 1 Bldg A/C unit replacement, 2 office workstation desk replacements, 3 office flooring replacements, sliding records shelving system

**CAPITAL ASSETS**  
**Governmental Activities**  
**Net of Accumulated Depreciation**  
**December 31,**

	<u>2010</u>	<u>2009</u>
Land	\$ 706,264	706,264
Land improvements	840,887	896,360
Buildings	4,742,078	4,942,131
Equipment	589,780	550,878
Furniture and fixtures	57,000	47,790
Vehicles	977,096	1,009,871
Infrastructure	206,563	217,996
Construction in process	-	7,500
Total	<u>\$ 8,119,668</u>	<u>8,378,790</u>

Additional information on the City's capital assets can be found in Note C found on page 25 of this report.

**Debt Administration**

At the end of the current year, the City had a total debt of \$6,738,735. Of this amount \$2,075,000 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 \$2,605,000 and \$2,058,735 for the Series

## CITY OF SHREWSBURY, MISSOURI

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2010

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#### **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 D found on pages 26 and 27 of this report.

#### **Economic Factors and Year 2011 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 by 3.9%, and were less than 2009 by 2.4%. General Fund sales taxes have declined a total of 14.3% since 2007. 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 FY2011 budget. It has also assumed that sales tax revenues will at least repeat the levels achieved in 2010. The City also plans to resume funding the debt payments (principal and interest) for the Series 2008 leasehold refunding revenue bonds from both the City's General Fund and from the Capital Improvement Fund in 2011. With these factors in mind, the City is forecasting a General Fund budget deficit of \$180,996 and a Capital Improvement Fund deficit of \$9,937 in FY2011.

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 is nearing completion of negotiating the site plan details with G.J. Grewe. The City is optimistic that the revitalization of the Kenrick Plaza commercial area with subsequent related economic benefits will be completed 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 the Finance Director, at City of Shrewsbury, 5200 Shrewsbury Avenue, Shrewsbury, Missouri 63119.

**CITY OF SHREWSBURY, MISSOURI****STATEMENT OF NET ASSETS****DECEMBER 31, 2010**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 3,388,327
Restricted cash and investments	310,055
Receivables:	
Taxes	1,112,455
Other	141,872
Unamortized bond costs	118,149
Capital assets:	
Land and other nondepreciable assets	706,264
Other capital assets, net of accumulated depreciation	7,413,404
Total Assets	<u>13,190,526</u>
<b>LIABILITIES</b>	
Accounts payable	235,319
Accrued interest payable	55,423
Accrued wages	28,289
Refundable deposits	6,135
Noncurrent liabilities:	
Due within one year	893,574
Due in more than one year	6,333,062
Due in more than one year - net pension obligation	18,802
Total Liabilities	<u>7,570,604</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	1,103,750
Restricted for:	
Capital projects	790,466
Debt service	1,442,900
Sewer repairs	280,094
Unrestricted	2,002,712
Total Net Assets	<u>\$ 5,619,922</u>

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

	<b>Program Revenues</b>			<b>Net Revenues (Expenses) And Change In Net Assets</b>	
	<b>Charges For Services</b>	<b>Operating Grants And Contributions</b>	<b>Capital Grants And Contributions</b>	<b>Governmental Activities</b>	
<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>				
<b>Governmental Activities</b>					
General government	\$ 803,050	372,708	-	-	(430,342)
Public safety	2,026,178	303,157	-	9,716	(1,713,305)
Public works and planning	624,933	53,611	380,939	20,000	(170,383)
Fire and ambulance services	1,765,402	297,167	-	-	(1,468,235)
Parks	1,172,645	416,459	-	-	(756,186)
Interest and fiscal charges	286,599	-	-	-	(286,599)
Total Governmental Activities	\$ 6,678,807	1,443,102	380,939	29,716	(4,825,050)
<b>General Revenues</b>					
Taxes:					
Property					1,130,080
Sales					2,414,324
Utility					1,084,022
Other					96,985
Investment income					65,965
Miscellaneous					18,818
Total General Revenues					4,810,194
<b>CHANGE IN NET ASSETS</b>					(14,856)
<b>NET ASSETS, JANUARY 1</b>					5,634,778
<b>NET ASSETS, DECEMBER 31</b>					\$ 5,619,922

See notes to financial statements

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

	<b>General</b>	<b>Sewer Lateral</b>	<b>Capital Improvements</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and investments	\$ 1,444,298	333,217	722,575	888,237	3,388,327
Restricted cash and investments	-	-	310,055	-	310,055
Receivables:					
Taxes	791,204	8,787	68,062	244,402	1,112,455
Other	106,148	3,275	32,243	206	141,872
Total Assets	<u>\$ 2,341,650</u>	<u>345,279</u>	<u>1,132,935</u>	<u>1,132,845</u>	<u>4,952,709</u>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 137,720	65,185	32,414	-	235,319
Accrued wages	28,289	-	-	-	28,289
Refundable deposits	6,135	-	-	-	6,135
Deferred revenue	58,357	-	-	57,864	116,221
Total Liabilities	230,501	65,185	32,414	57,864	385,964
 <b>Fund Balances</b>					
Reserved for:					
Capital projects	-	-	790,466	-	790,466
Debt service	-	-	310,055	1,074,981	1,385,036
Sewer repairs	-	280,094	-	-	280,094
Unreserved	2,111,149	-	-	-	2,111,149
Total Fund Balances	2,111,149	280,094	1,100,521	1,074,981	4,566,745
Total Liabilities And Fund Balances	<u>\$ 2,341,650</u>	<u>345,279</u>	<u>1,132,935</u>	<u>1,132,845</u>	<u>4,952,709</u>

**CITY OF SHREWSBURY, MISSOURI**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERN-**  
**MENTAL FUNDS TO THE STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2010**

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Total Fund Balances - Governmental Funds	\$ 4,566,745
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 \$15,121,740 and the accumulated depreciation is \$7,002,072.	8,119,668
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred within the governmental funds financial statements.	116,221
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	(55,423)
Unamortized bond costs	118,149
Bonds payable	(7,015,918)
Compensated absences	(210,718)
Net pension obligation	<u>(18,802)</u>
Total Net Assets Of Governmental Activities	<u>\$ 5,619,922</u>

**CITY OF SHREWSBURY, MISSOURI**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Sewer Lateral	Capital Improvements	Debt Service	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 4,114,244	42,745	450,024	545,476	5,152,489
Licenses and permits	276,421	-	-	-	276,421
Fines and court costs	303,761	-	-	-	303,761
Investment income	42,773	11,586	7,379	4,227	65,965
Charges for services	820,175	-	-	-	820,175
Grants	-	-	29,716	-	29,716
Miscellaneous	9,388	-	9,430	-	18,818
Total Revenues	<u>5,566,762</u>	<u>54,331</u>	<u>496,549</u>	<u>549,703</u>	<u>6,667,345</u>
<b>EXPENDITURES</b>					
Current:					
General government	838,522	-	-	-	838,522
Public safety	1,900,818	-	-	-	1,900,818
Public works and planning	384,187	-	-	-	384,187
Fire and ambulance services	1,690,273	-	-	-	1,690,273
Parks	834,164	-	-	-	834,164
Capital outlay	-	27,570	475,503	-	503,073
Debt service:					
Principal	-	-	255,000	445,000	700,000
Interest and fees	-	-	76,519	101,730	178,249
Total Expenditures	<u>5,647,964</u>	<u>27,570</u>	<u>807,022</u>	<u>546,730</u>	<u>7,029,286</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(81,202)</u>	<u>26,761</u>	<u>(310,473)</u>	<u>2,973</u>	<u>(361,941)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	-	11,600	-	11,600
Transfers in	-	-	331,519	-	331,519
Transfers out	-	-	(331,519)	-	(331,519)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>11,600</u>	<u>-</u>	<u>11,600</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(81,202)</u>	<u>26,761</u>	<u>(298,873)</u>	<u>2,973</u>	<u>(350,341)</u>
FUND BALANCES, JANUARY 1	<u>2,192,351</u>	<u>253,333</u>	<u>1,399,394</u>	<u>1,072,008</u>	<u>4,917,086</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u><u>\$ 2,111,149</u></u>	<u><u>280,094</u></u>	<u><u>1,100,521</u></u>	<u><u>1,074,981</u></u>	<u><u>4,566,745</u></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, 2010**

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Net Change In Fund Balances - Governmental Funds \$ (350,341)

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 depreciation (\$561,584) exceeded capital outlays over the capitalization threshold (\$328,244) in the current period. (233,340)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets. (25,782)

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds financial statements. (3,394)

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	(96,767)
Principal payments on bonds and notes	700,000
Amortization of bond issuance costs	(9,993)
Amortization of deferred amount on refunding	(5,733)

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	25,153
Accrued interest on bonds	4,143
Accrued net pension obligation	(18,802)

Change In Net Assets Of Governmental Activities \$ (14,856)

**CITY OF SHREWSBURY, MISSOURI**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**DECEMBER 31, 2010**

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**ASSETS**

Cash	<u>\$ 4,763</u>
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**LIABILITIES**

Court bonds	<u>\$ 4,763</u>
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**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 City defines its financial reporting entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB 14*. These GASB Statements require for inclusion of component units primarily based upon whether the City's governing body has any significant amount of financial accountability for potential component units (PCU). The City is financially accountable if it appoints a voting majority of a PCU's governing body, and is able to impose its will on that PCU or there is a potential for the PCU to provide specific financial benefits to or impose specific financial burdens 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.

**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 these funds to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital expendi-

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

tures 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 investments 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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. Investments (Continued)**

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. 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:

<b>Asset</b>	<b>Years</b>
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.

**7. 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

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Compensated Absences (Continued)**

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.

**8. Deferred Revenue**

Deferred revenue in the fund financial statements is composed of property tax revenues which are not collected within 60 days following the end of the current period.

**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.

**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

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**12. Use of Estimates (Continued)**

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, 2010, 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.

**2. Investments**

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

<u>Investments</u>	<u>Fair Market Value</u>	<u>Maturities</u>				<u>Credit Risk</u>
		<u>No Maturity</u>	<u>Less Than One Year</u>	<u>1 - 5 Years</u>	<u>6 - 10 Years</u>	
Repurchase agreements	\$ 1,200,000	1,200,000	-	-	-	N/A
Negotiable certificates of deposit	<u>2,158,427</u>	<u>-</u>	<u>634,032</u>	<u>1,260,299</u>	<u>264,096</u>	N/A
Total Investments	<u><u>\$ 3,358,427</u></u>	<u><u>1,200,000</u></u>	<u><u>634,032</u></u>	<u><u>1,260,299</u></u>	<u><u>264,096</u></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

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE B - CASH AND INVESTMENTS (Continued)**

**2. Investments (Continued)**

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.

**NOTE C - CAPITAL ASSETS**

Capital asset activity was as follows:

	For The Year Ended December 31, 2010			
	December 31 2009	Transfers And Additions	Transfers And Deletions	
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 706,264	-	-	706,264
Construction in process	7,500	10,826	18,326	-
Total Capital Assets Not Being Depreciated	<u>713,764</u>	<u>10,826</u>	<u>18,326</u>	<u>706,264</u>
Capital assets being depreciated:				
Land improvements	1,240,209	-	-	1,240,209
Buildings	9,471,650	56,737	-	9,528,387
Equipment	1,204,212	146,883	25,301	1,325,794
Furniture and fixtures	276,244	19,963	-	296,207
Vehicles	1,751,535	112,161	67,478	1,796,218
Infrastructure	228,661	-	-	228,661
Total Capital Assets Being Depreciated	<u>14,172,511</u>	<u>335,744</u>	<u>92,779</u>	<u>14,415,476</u>
Less - Accumulated depreciated for:				
Land improvements	343,849	55,473	-	399,322
Buildings	4,529,519	256,790	-	4,786,309
Equipment	653,334	105,374	22,694	736,014
Furniture and fixtures	228,454	10,753	-	239,207
Vehicles	741,664	121,761	44,303	819,122
Infrastructure	10,665	11,433	-	22,098
Total Accumulated Depreciation	<u>6,507,485</u>	<u>561,584</u>	<u>66,997</u>	<u>7,002,072</u>
Total Capital Assets Being Depreciated, Net	<u>7,665,026</u>	<u>(225,840)</u>	<u>25,782</u>	<u>7,413,404</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,378,790</u>	<u>(215,014)</u>	<u>44,108</u>	<u>8,119,668</u>

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE C - CAPITAL ASSETS (Continued)**

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

	<b>For The Year Ended December 31 2010</b>
<b>Governmental Activities</b>	
General government	\$ 12,555
Public safety	82,985
Public works and planning	67,277
Fire and ambulance services	67,540
Parks	331,227
Total	\$ 561,584

**NOTE D - LONG-TERM DEBT**

A summary of changes are as follows:

	<b>For The Year Ended December 31, 2010</b>			<b>Amounts Due Within One Year</b>	
	<b>Balance December 31 2009</b>	<b>Increases</b>	<b>Decreases</b>		
	<b>Balance December 31 2010</b>				
<b>Governmental Activities</b>					
General obligation capital appreciation bonds	\$ 2,058,735	-	-	2,058,735	-
General obligation capital appreciation bonds - interest accretion	219,628	96,767	-	316,395	-
General obligation capital refunding bonds	3,050,000	-	445,000	2,605,000	465,000
Less - Deferred amount on refunding	(33,518)	-	(4,133)	(29,385)	-
Leasehold refunding revenue bonds	2,330,000	-	255,000	2,075,000	260,000
Less - Deferred amount on refunding	(11,427)	-	(1,600)	(9,827)	-
Compensated absences	235,871	208,319	233,472	210,718	168,574
Total Long-term Liabilities	\$ 7,849,289	305,086	927,739	7,226,636	893,574

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE D - LONG-TERM DEBT (Continued)**

Long-term debt includes the following:

	<b>December 31 2010</b>
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.	\$ 2,605,000
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.	2,075,000
Total	<b>\$ 6,738,735</b>

Future long-term debt maturities are as follows:

<b>For The Years Ended December 31</b>	<b>Leasehold Refunding Revenue Bonds</b>		<b>General Obligation Capital Refunding Bonds</b>		<b>General Obligation Capital Appreciation Bonds</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	
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	27,451	858,007
2014	325,000	42,330	260,000	45,466	184,176	27,216	884,188
2015	175,000	18,321	270,000	35,979	176,280	26,390	701,970
2016-2020	770,000	69,870	870,000	47,435	1,132,527	175,004	3,064,836
2021-2022	-	-	-	-	377,519	60,334	437,853
Total	<b>\$ 2,075,000</b>	<b>313,766</b>	<b>2,605,000</b>	<b>336,432</b>	<b>2,058,735</b>	<b>316,395</b>	<b>7,705,328</b>

**NOTE E - 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 death benefits to plan

**NOTE E - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**  
**(Continued)**

**1. Plan Description (Continued)**

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 4.8% (general), 5.9% (police), and 6.7% (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**

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

Annual required contribution	\$175,722
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual Pension Cost	<u>175,722</u>
Annual contributions	<u>156,920</u>
Increase (decrease) in NPO	18,802
NPO beginning of year	<u>-</u>
NPO End Of Year	<u>\$ 18,802</u>

The annual required contribution (ARC) was determined as part of the February 29, 2008 and/or February 28, 2009 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-

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

**NOTE E - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**  
**(Continued)**

**3. Annual Pension Cost (Continued)**

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 29, 2008 was 15 years for the General division, 15 years for the Police division, and 15 years for the Fire division. The amortization period as of February 28, 2009 was 7 years for the General division, 30 years for the Police division, and 4 years for the Fire division.

**Trend Information**

<b>For The Fiscal Years Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage Of APC Contributed</b>	<b>Net Pension Obligation</b>
2010	\$175,722	89.3%	\$18,802
2009	153,532	100.0	-
2008	156,304	100.0	-

**Schedule of Funding Progress**

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Actuarial Value Of Assets</b>	<b>Entry Age Actuarial Accrued Liability</b>	<b>Excess Of Assets Over AAL</b>
2010	\$5,904,513	\$5,726,737	\$ 177,776
2009	5,703,001	5,602,265	100,736
2008	6,936,341	5,390,298	1,546,043

<b>For The Actuarial Valuation Years Ended February 28/29</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Excess Assets As A Percentage Of Covered Payroll</b>
2010	103%	\$2,885,900	6.2%
2009	102	3,054,325	3.3
2008	129	3,026,815	51.1

**NOTE E - MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM**  
**(Continued)**

**3. Annual Pension Cost (Continued)**

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.

**NOTE F - 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 G - 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, 2010, upon which the 2010 levy was based on an assessed value for real estate and personal property was \$119,877,259. The following is a summary of the 2010 tax rates per \$100 of assessed valuation.

	2010 Tax Rates		
	General Fund	Debt Service Fund	Total
Real property:			
Residential	0.4860	0.4570	0.9430
Commercial	0.4810	0.4570	0.9380
Personal property	0.5770	0.4570	1.0340

**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE G - PROPERTY TAX (Continued)**

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, 2010 is as follows:

	<u>December 31</u> <u>2010</u>
City purposes:	
Assessed valuation	<u>\$ 119,877,259</u>
Debt limit - 10% of assessed value	\$ 11,987,726
General obligations bond payable	(4,980,130)
Amount available in Debt Service Fund	<u>1,074,981</u>
Legal Debt Margin	<u>\$ 8,082,577</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 H - RESTRICTED NET ASSETS**

The government-wide statement of net assets reports \$2,513,460 of restricted net assets of which \$1,070,560 is restricted by enabling legislation.

**NOTE I - FEDERAL FORFEITURE ACTIVITY**

The City had no revenues, expenses, or ending balance as of December 31, 2010.

**NOTE J - 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, 2010**

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Taxes:			
Property	\$ 581,406	587,998	6,592
Sales	2,113,579	2,030,879	(82,700)
Utility	1,002,000	1,084,022	82,022
Gasoline	182,000	187,723	5,723
Other	232,005	223,622	(8,383)
Total Taxes	4,110,990	4,114,244	3,254
Licenses and permits:			
Building permits	24,200	28,662	4,462
Business licenses	230,600	184,944	(45,656)
Other	65,740	62,815	(2,925)
Total Licenses And Permits	320,540	276,421	(44,119)
Other:			
Fines and court costs	342,500	303,761	(38,739)
Investment income	65,000	42,773	(22,227)
Charges for services	839,701	820,175	(19,526)
Miscellaneous	3,000	9,388	6,388
Total Other	1,250,201	1,176,097	(74,104)
Total Revenues	5,681,731	5,566,762	(114,969)
<b>EXPENDITURES</b>			
Current:			
General government:			
Boards and commissions	168,050	171,152	3,102
Administration	546,451	554,634	8,183
Municipal buildings	40,250	33,965	(6,285)
Insurance	78,238	78,771	533
Total General Government	832,989	838,522	5,533
Other:			
Parks	788,025	834,164	46,139
Public safety	1,934,839	1,900,818	(34,021)
Public works and planning	406,166	384,187	(21,979)
Fire and ambulance services	1,720,681	1,690,273	(30,408)
Total Other	4,849,711	4,809,442	(40,269)
Total Expenditures	5,682,700	5,647,964	(34,736)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (969)</b>	<b>(81,202)</b>	<b>(80,233)</b>
FUND BALANCE, JANUARY 1		2,192,351	
FUND BALANCE, DECEMBER 31		\$ 2,111,149	

**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, 2010**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>REVENUES</b>			
Taxes	\$ 42,616	42,745	129
Investment income	8,500	11,586	3,086
Total Revenues	<u>51,116</u>	<u>54,331</u>	<u>3,215</u>
<b>EXPENDITURES</b>			
Capital outlay	<u>35,223</u>	<u>27,570</u>	<u>(7,653)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 15,893</u>	26,761	<u>10,868</u>
FUND BALANCE, JANUARY 1		<u>253,333</u>	
<b>FUND BALANCE, DECEMBER 31</b>		<u>\$ 280,094</u>	

**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, 2010**

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**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, 2010**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>				
Taxes	\$ 483,500	483,500	450,024	(33,476)
Investment income	20,100	20,070	7,378	(12,692)
Grants	20,000	20,000	29,716	9,716
Miscellaneous	-	-	9,430	9,430
Total Revenues	523,600	523,570	496,548	(27,022)
<b>EXPENDITURES</b>				
Capital outlay:				
Public works	164,800	183,754	186,228	2,474
Police	48,082	53,557	59,860	6,303
Court	4,600	4,600	4,016	(584)
Fire and ambulance services	48,500	53,222	44,465	(8,757)
Administration	4,100	4,100	5,870	1,770
Public safety building	38,300	38,176	28,006	(10,170)
Parks and recreation	97,500	94,422	96,016	1,594
Other	134,500	134,500	51,042	(83,458)
Total Expenditures	540,382	566,331	475,503	(90,828)
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	(16,782)	(42,761)	21,045	63,806
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-	-	11,600	11,600
Transfers out	(331,519)	(331,519)	(331,519)	-
Total Other Financing Sources (Uses)	(331,519)	(331,519)	(319,919)	11,600
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (348,301)</b>	<b>(374,280)</b>	<b>(298,874)</b>	<b>75,406</b>
<b>FUND BALANCE, JANUARY 1</b>			1,089,340	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 790,466</b>	

**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, 2010**

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	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>REVENUES</b>			
Property taxes	\$ 500,836	545,476	44,640
Investment income	4,800	4,227	(573)
Total Revenues	505,636	549,703	44,067
<b>EXPENDITURES</b>			
Debt service:			
Principal retirement	445,000	445,000	-
Interest and fees	101,775	101,730	(45)
Total Expenditures	546,775	546,730	(45)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (41,139)</b>	<b>2,973</b>	<b>44,112</b>
<b>FUND BALANCE, JANUARY 1</b>		<b>1,072,008</b>	
<b>FUND BALANCE, DECEMBER 31</b>		<b>\$ 1,074,981</b>	

**CITY OF SHREWSBURY, MISSOURI**  
**OTHER SUPPLEMENTAL INFORMATION - COMBINING**  
**BALANCE SHEET - CAPITAL IMPROVEMENTS FUNDS**  
**DECEMBER 31, 2010**

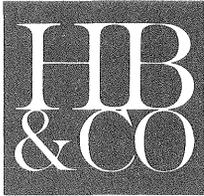
	City Of Shrewsbury			City Of Shrewsbury Improvements Corporation	Total
	Capital Improvement Series 2007	Capital Improvements	Total Capital Improvements		
<b>ASSETS</b>					
Cash and investments	\$ -	722,575	722,575	-	722,575
Restricted cash and investments	-	-	-	310,055	310,055
Taxes receivable	-	68,062	68,062	-	68,062
Other receivable	-	32,243	32,243	-	32,243
<b>Total Assets</b>	<u><u>\$ -</u></u>	<u><u>822,880</u></u>	<u><u>822,880</u></u>	<u><u>310,055</u></u>	<u><u>1,132,935</u></u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	32,414	32,414	-	32,414
<b>Fund Balances</b>					
Reserved for:					
Capital projects	-	790,466	790,466	-	790,466
Debt service	-	-	-	310,055	310,055
<b>Total Fund     Balances</b>	<u><u>-</u></u>	<u><u>790,466</u></u>	<u><u>790,466</u></u>	<u><u>310,055</u></u>	<u><u>1,100,521</u></u>
<b>Total Liabilities And Fund Balances</b>	<u><u>\$ -</u></u>	<u><u>822,880</u></u>	<u><u>822,880</u></u>	<u><u>310,055</u></u>	<u><u>1,132,935</u></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, 2010**

	City Of Shrewsbury			City Of	Total
	Capital Improvement Series 2007	Capital Improvements	Total Capital Improvements	Shrewsbury Improvements Corporation	
<b>REVENUES</b>					
Taxes	\$ -	450,024	450,024	-	450,024
Investment income	70	7,308	7,378	1	7,379
Grants	-	29,716	29,716	-	29,716
Miscellaneous	-	9,430	9,430	-	9,430
Total Revenues	<u>70</u>	<u>496,478</u>	<u>496,548</u>	<u>1</u>	<u>496,549</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	-	-	-	255,000	255,000
Interest and fees	-	-	-	76,519	76,519
Capital outlay	202,848	272,655	475,503	-	475,503
Total Expenditures	<u>202,848</u>	<u>272,655</u>	<u>475,503</u>	<u>331,519</u>	<u>807,022</u>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<u>(202,778)</u>	<u>223,823</u>	<u>21,045</u>	<u>(331,518)</u>	<u>(310,473)</u>
<b>OTHER FINANCING</b>					
<b>SOURCES (USES)</b>					
Proceeds from sale of capital assets	-	11,600	11,600	-	11,600
Transfers in	-	-	-	331,519	331,519
Transfers out	-	(331,519)	(331,519)	-	(331,519)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(319,919)</u>	<u>(319,919)</u>	<u>331,519</u>	<u>11,600</u>
<b>NET CHANGE IN FUND</b>					
<b>BALANCES</b>	<u>(202,778)</u>	<u>(96,096)</u>	<u>(298,874)</u>	<u>1</u>	<u>(298,873)</u>
<b>FUND BALANCES, JANU-</b>					
<b>ARY 1</b>	<u>202,778</u>	<u>886,562</u>	<u>1,089,340</u>	<u>310,054</u>	<u>1,399,394</u>
<b>FUND BALANCES, DECEM-</b>					
<b>BER 31</b>	<u>\$ -</u>	<u>790,466</u>	<u>790,466</u>	<u>310,055</u>	<u>1,100,521</u>

**INTERNAL CONTROL AND COMPLIANCE SECTION**

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**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***

May 5, 2011

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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 5, 2011. 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 May 5, 2011.

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.

*Hochschild, Bloom + Company LLP*  
CERTIFIED PUBLIC ACCOUNTANTS