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***CITY OF SHREWSBURY, MISSOURI***  
***FINANCIAL REPORT***  
*For The Fiscal Year Ended December 31, 2011*

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Shrewsbury, Missouri (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and each major fund of the City as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 32 through 36, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*RubinBrown LLP*

June 6, 2012

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## Management's Discussion And Analysis

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# CITY OF SHREWSBURY, MISSOURI

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Shrewsbury, Missouri (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2011.

### Financial Highlights

- The City's financial position strengthened during 2011 as reflected in the increase in net assets of \$655,148. The City's net assets at year-end total \$6,323,120.
- As of December 31, 2011, the City's governmental funds reported combined fund balances of \$4,996,856. Over 42% of this total, \$2,109,584 is unassigned and available for use within the City's designation and policies.
- The City reduced its existing long-term debt by \$725,000 during the year ended December 31, 2011.

### 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 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

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### Management's Discussion And Analysis (*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 Municipal Court Trust Fund. While this fund represents a trust responsibility, these assets are restricted in purpose and do not represent discretionary assets of the City. Therefore, these assets are not presented as part of the government-wide financial statements.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,323,120 as of December 31, 2011. The City's financial condition strengthened during the year by recording an increase in net assets.

## CITY OF SHREWSBURY, MISSOURI

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### Management's Discussion And Analysis (*Continued*)

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	
	2011	2010
<b>Assets</b>		
Current and other assets	\$ 5,440,070	\$ 5,070,858
Capital assets	7,722,755	8,119,668
<b>Total Assets</b>	<b>13,162,825</b>	<b>13,190,526</b>
<b>Liabilities</b>		
Current and other liabilities	206,880	325,166
Long-term liabilities	6,632,825	7,245,438
<b>Total Liabilities</b>	<b>6,839,705</b>	<b>7,570,604</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	1,325,105	1,103,750
Restricted	2,714,244	2,513,460
Unrestricted	2,283,771	2,002,712
<b>Total Net Assets</b>	<b>\$ 6,323,120</b>	<b>\$ 5,619,922</b>

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 \$2,283,771 left for unrestricted purposes.

#### Changes In Net Assets

In 2011, the City's total revenues on a government-wide basis were \$7,074,115 which represents a 6.2% increase in revenue over 2010. Of the City's revenues, taxes represent 67%, 25% is generated by charges for services, and 8% of revenues come from grants and contributions and other revenue.

The total cost of all programs and services for 2011 was \$6,418,967. This represents a decrease of \$259,840 or approximately 3.9% less than the prior year. The majority of the decrease reflects a reduced level of general government expenditures (personnel costs) and capital expenditures. The City's expenses cover a range of typical city services - city administration, police, fire, court, public works, and parks. Of these, public safety (police and court) and the fire department functions together comprise over 60.9% of the total cost of programs and services. The parks function was the next largest with 17.7% of the total costs.



## CITY OF SHREWSBURY, MISSOURI

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### Management's Discussion And Analysis (*Continued*)

The following table provides a summary of the City's operations for the years ended December 31, 2011 and 2010:

#### Statement Of Activities

	Governmental Activities	
	2011	2010
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 1,758,874	\$ 1,443,102
Operating grants and contributions	361,596	380,939
Capital grants and contributions	119,947	29,716
<b>General Revenues</b>		
Property taxes	1,101,487	1,130,080
Sales taxes	2,504,805	2,414,324
Utility taxes	1,066,443	1,084,022
Other taxes	96,985	96,985
Other	63,978	84,783
<b>Total Revenues</b>	<b>7,074,115</b>	<b>6,663,951</b>
<b>Expenses</b>		
General government	640,516	803,050
Public safety	2,102,775	2,026,178
Public works	527,542	624,933
Fire and ambulance services	1,803,875	1,765,402
Parks	1,138,548	1,172,645
Interest and fiscal charges	205,711	286,599
<b>Total Expenses</b>	<b>6,418,967</b>	<b>6,678,807</b>
<b>Change In Net Assets</b>	<b>655,148</b>	<b>(14,856)</b>
<b>Net Assets - Beginning Of Year</b>	<b>5,667,972</b>	<b>5,682,828</b>
<b>Net Assets - End Of Year</b>	<b>\$ 6,323,120</b>	<b>\$ 5,667,972</b>

## **CITY OF SHREWSBURY, MISSOURI**

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### Management's Discussion And Analysis (*Continued*)

The City's net assets increased by \$655,148 during the current year reflecting the fact that revenues exceeded expenditures by the same amount. Total revenues increased by 6.2% compared to 2010 while expenses decreased by 3.9%. Total revenues were favorable compared to 2010 as represented by a 3.7% increase in sales tax receipts; however, sales tax receipts were still significantly lower than pre-recession levels. The City attributes the increase in sales tax to the opening of a new Petco in the Dierberg's Plaza and a slowly recovering economy. Permit revenue related to building, heating and air conditioning, plumbing, and demolition were significantly more than in 2010. In fiscal year 2011, the City received approximately \$187,900 more in building related permit revenue compared to fiscal year 2010. The large increase in permit revenue is mostly attributed to a large-scale construction project consisting of a total renovation of the Kenrick Glennon Seminary. The City will continue to experience stable revenue collection from permits, but large increases, as was the case in 2011, are not expected in the near future, as growth nationally, regionally, and locally is weak.

The City received several grants in fiscal year 2011. All grants received were reimbursement grants, which stipulated funds be spent for specific purposes. Once the City completes the work, it is eligible for reimbursement. During the year, the City received community development block grant funds (\$15,000) from the St. Louis County Department of Planning. The City also received Missouri Municipal Park Association grant funds (\$100,000) which were used to resurface the grounds at Brinkop Park, and federal Department of Justice grant funds (\$4,947) 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 unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$4,996,856, an increase of \$382,061 when compared to the prior year. This increase in the combined fund balance primarily reflects surpluses (revenues over expenditures) in the General Fund of \$267,678 and in the Capital Improvements Fund of \$133,173 for the year.

Of the total combined fund balance, \$2,109,584 (44%) constitutes an unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted or assigned to indicate that it is not available for new spending because it has already been committed as follows:

- 1) To pay for debt service (\$1,339,246); 2) to pay for sewer repairs (\$307,053); 3) to pay for capital improvements (\$923,680); 4) to pay for funding of various municipal court and police programs as defined in the Missouri State Statutes (\$43,788); and 5) to fund the budgetary deficit projected for fiscal year 2012 (\$266,496).

## **CITY OF SHREWSBURY, MISSOURI**

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### Management's Discussion And Analysis (*Continued*)

**Budgetary Highlights.** In the total of all funds, the City budgeted for a decrease in its overall fund balance of \$177,201 for 2011. This anticipated decrease primarily reflected the expected decrease in key City revenues as a result of a continuing weak economy. Fortunately, the City experienced an increase in overall fund balance of \$382,061. The variance primarily resulted from unexpected permit revenue of approximately \$187,900 mostly due to a large renovation project at the Kenrick Glennon Seminary, an overall increase of 3.7% in sales tax revenue, an increase in ambulance service revenue, and lower than anticipated overall expenditures as explained below.

Actual overall expenditures were less than budget by \$376,007. This favorable variance to budget reflects the deferral of anticipated capital expenditures in 2011 including the replacement of two in-car computers for the police department (\$11,000), replacement of a desktop computer in the Administration Department (\$1,500), replacement of a desktop computer in the Municipal Court (\$2,000), replacement of central A/C units in the Public Safety Building (\$9,000), parking lot sealing at the Public Safety Building (\$12,000), and the replacement of the accounting/finance software system (\$61,000). The City expects to complete these and other capital projects as needed in the near future. Actual overall expenditures were also favorably impacted by a decrease in general fund operating expenses, which in total were \$230,695 below budget.

Actual overall revenues and other financing sources were \$183,255 more than budget and this favorable variance explains the increase in overall fund balance. The overall revenues variance primarily reflects an increase in unexpected revenue from the Kenrick Glennon renovation project in the General Fund (\$187,900) and increase in sales tax revenue in the Capital Improvements Fund, offset by unfavorable property tax collections in the Debt Service Fund versus budget (\$42,408) and unfavorable interest collections across all funds.

The budgeted deficit in the General Fund was \$180,997. Favorable actual results in total revenues and favorable actual results in expenditures were realized resulting in a final surplus of \$267,678 for the year. Total General Fund revenues were favorable to budget by \$218,000. The favorable revenues are mostly attributed to the one-time payment in permit fees from the Kenrick Glennon Seminary and unexpected increase in sales tax revenue. Revenue shortfalls were experienced in other categories including fines and court costs (\$7,506), investment income (\$42,888), but these shortfalls were offset by favorable revenue collections in other areas.

Total expenditures in the General Fund were \$230,695 below budget. Lower than planned expenditures in all departments were experienced in fiscal year 2011. About half of the savings in expenditures are a result of not replacing the City Administrator position that has remained vacant since early 2010 and replacing other vacant positions with entry-level employees. Additional reductions in expenditures are the result of overall below budget health insurance costs and workers compensation insurance premiums.

#### Capital Assets

**Capital Assets.** The City's investment in capital assets (net of depreciation) decreased in the current year by \$396,913.

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

## CITY OF SHREWSBURY, MISSOURI

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### Management's Discussion And Analysis (*Continued*)

- Parks Department: Dry vacuum for the City Center, wireless microphone, motor for leisure pool, and resurfacing of Brinkop Park playground
- Police Department, Court, Public Safety Bldg: 3 in-car computers for police cars,, 4 desktop computers, 1 evidence printer, 1 laptop, 16 sets of body armor, 1 roadside traffic sign, and tuck-pointing on the public safety building

### Capital Assets

	Capital Assets (Net Of Depreciation) Governmental Activities	
	2011	2010
Land	\$ 706,264	\$ 706,264
Land improvements	892,244	840,887
Buildings	4,494,776	4,742,078
Equipment	527,862	589,780
Furniture and fixtures	46,521	57,000
Vehicles	859,958	977,096
Infrastructure	195,130	206,563
<b>Total</b>	<b>\$ 7,722,755</b>	<b>\$ 8,119,668</b>

Additional information on the City's capital assets can be found in Note 3 on page 26 of this report.

### Debt Administration

At the end of the current year, the City had a total debt of \$6,397,650. Of this amount \$1,815,000 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 \$2,140,000, and \$2,058,735 for the Series 2007 general obligation capital appreciation bonds. All of the above bonds are secured solely by specified revenue sources such as the debt service property tax levy, and the capital improvement sales tax.

Additional information on the City's long-term debt can be found in Note 4 found on pages 27 and 28 of this report.

### Economic Factors and Fiscal Year 2012 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 stated earlier, sales tax receipts in the General Fund were 4.1% over budget, and were more 3.7% than 2010. However, General Fund sales tax revenues have declined a total of 10.8% 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.

## **CITY OF SHREWSBURY, MISSOURI**

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### Management's Discussion And Analysis (*Continued*)

The City has taken a number of steps to continue to contain costs wherever feasible in the fiscal year 2012 budget. It has also assumed that sales tax revenues will at least repeat the levels achieved in 2011, but most likely will not increase significantly. The City also plans to continue 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 2012. The Board made the decision to fund the majority of the Series 2008 leasehold revenue bond payments out of the General Fund in 2012, whereas in 2011, the majority of the funding came from the Capital Improvement Fund. With these factors in mind, the City is forecasting a General Fund budget deficit of \$266,496 and a Capital Improvement Fund deficit of \$9,917 in fiscal year 2012.

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 the cost of consultants to assist the City in its 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.

### **Requests for Information**

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

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## **Basic Financial Statements**

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# CITY OF SHREWSBURY, MISSOURI

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## STATEMENT OF NET ASSETS

December 31, 2011

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 3,603,296
Cash and investments - restricted	310,014
Receivables:	
Taxes	1,116,219
Other	314,235
Bonds issuance costs, net	96,306
Capital assets:	
Nondepreciable	706,264
Depreciable, net	7,016,491
<b>Total Assets</b>	<u>13,162,825</u>
<b>Liabilities</b>	
Accounts payable	120,127
Accrued interest	47,362
Accrued wages	33,856
Refundable deposits	5,535
Long-term liabilities:	
Due within one year	898,796
Due in more than one year	5,734,029
<b>Total Liabilities</b>	<u>6,839,705</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	1,325,105
Restricted for:	
Capital projects	923,680
Debt service	1,432,714
Sewer repairs	307,053
Law enforcement	50,797
Unrestricted	2,283,771
<b>Total Net Assets</b>	<u>\$ 6,323,120</u>

# CITY OF SHREWSBURY, MISSOURI

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2011

Functions	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Assets
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
<b>Governmental Activities</b>					
General government	\$ 640,516	\$ 619,592	\$ —	\$ —	\$ (20,924)
Public safety	2,102,775	324,374	—	4,947	(1,773,454)
Public works	527,542	41,774	361,596	15,000	(109,172)
Fire and ambulance services	1,803,875	337,746	—	—	(1,466,129)
Parks and recreation	1,138,548	435,388	—	100,000	(603,160)
Interest and fiscal charges	205,711	—	—	—	(205,711)
<b>Total Governmental Activities</b>	<b>\$ 6,418,967</b>	<b>\$ 1,758,874</b>	<b>\$ 361,596</b>	<b>\$ 119,947</b>	<b>(4,178,550)</b>

### General Revenues

Property taxes levied for:	
General purposes	1,101,487
Sales tax levied for:	
General purposes	1,212,386
Park and stormwater purposes	549,966
Capital improvements	274,982
Fire district improvements	467,471
Utility taxes	1,066,443
Other taxes	96,985
Earnings on investments	40,903
Miscellaneous	23,075
<b>Total General Revenues</b>	<b>4,833,698</b>

Change in net assets	655,148
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<b>Net Assets - Beginning Of Year, As Previously Stated</b>	5,619,922
<b>Prior Period Adjustment (Note 10)</b>	48,050
<b>Net Assets - Beginning Of Year, As Restated</b>	<b>5,667,972</b>
<b>Net Assets - End Of Year</b>	<b>\$ 6,323,120</b>



**CITY OF SHREWSBURY, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2011**

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
<b>Assets</b>					
Cash and investments	\$ 1,656,513	\$ 357,943	\$ 749,983	\$ 838,857	\$ 3,603,296
Restricted cash and investments	—		310,014	—	310,014
Receivables:					
Taxes	765,371	9,535	57,948	283,365	1,116,219
Grants	—	—	115,000	—	115,000
Other	192,735	3,275	2,747	478	199,235
<b>Total Assets</b>	<b>\$ 2,614,619</b>	<b>\$ 370,753</b>	<b>\$ 1,235,692</b>	<b>\$ 1,122,700</b>	<b>\$ 5,343,764</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 54,429	\$ 63,700	\$ 1,998	\$ —	\$ 120,127
Accrued wages	33,856	—	—	—	33,856
Deferred revenue	93,922	—	—	93,468	187,390
Refundable deposits	5,535	—	—	—	5,535
<b>Total Liabilities</b>	<b>187,742</b>	<b>63,700</b>	<b>1,998</b>	<b>93,468</b>	<b>346,908</b>
<b>Fund Balances</b>					
Restricted for:					
Debt service	—	—	310,014	1,029,232	1,339,246
Sewer repairs	—	307,053	—	—	307,053
Capital improvements	—	—	923,680	—	923,680
Law enforcement	50,797	—	—	—	50,797
<b>Total Restricted</b>	<b>50,797</b>	<b>307,053</b>	<b>1,233,694</b>	<b>1,029,232</b>	<b>2,620,776</b>
Assigned to:					
Budgetary deficit	266,496	—	—	—	266,496
Unassigned	2,109,584	—	—	—	2,109,584
<b>Total Fund Balances</b>	<b>2,426,877</b>	<b>307,053</b>	<b>1,233,694</b>	<b>1,029,232</b>	<b>4,996,856</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 2,614,619</b>	<b>\$ 370,753</b>	<b>\$ 1,235,692</b>	<b>\$ 1,122,700</b>	<b>\$ 5,343,764</b>

**CITY OF SHREWSBURY, MISSOURI**

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
December 31, 2011**

**Total Fund Balance - Governmental Funds** \$ 4,996,856

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,133,252 and the accumulated depreciation is \$7,410,497. 7,722,755

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

Accrued compensated absences, vacation	\$ (185,995)	
Net pension obligation	(49,180)	
Bonds payable	(6,431,392)	
Accrued interest	(47,362)	
Unamortized bond issuance costs	96,306	
Unamortized deferred amount on refundings	<u>33,742</u>	
		(6,583,881)

Property taxes assessed by the City, but not collected within 60 days after year end, are deferred in the fund financial statements. However, revenue for this amount is recognized in the government-wide statements. 187,390

**Total Net Assets - Governmental Activities** \$ 6,323,120

**CITY OF SHREWSBURY, MISSOURI**

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

**For The Year Ended December 31, 2011**

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
<b>Revenues</b>					
Taxes	\$ 4,091,089	\$ 41,774	\$ 467,471	\$ 501,587	\$ 5,101,921
Licenses and permits	500,123	—	—	—	500,123
Fines and court costs	324,394	—	—	—	324,394
Investment income	22,612	3,965	11,465	2,861	40,903
Charges for services	899,983	—	—	—	899,983
Grants	—	—	119,947	—	119,947
Miscellaneous	28,332	—	—	—	28,332
<b>Total Revenues</b>	<b>5,866,533</b>	<b>45,739</b>	<b>598,883</b>	<b>504,448</b>	<b>7,015,603</b>
<b>Expenditures</b>					
Current:					
General government	674,153	—	—	—	674,153
Public safety	1,966,241	—	—	—	1,966,241
Public works and planning	391,020	—	—	—	391,020
Fire and ambulance services	1,712,766	—	—	—	1,712,766
Parks and recreation	788,819	—	—	—	788,819
Capital outlay	—	18,780	202,687	—	221,467
Debt service:					
Principal retirement	49,000	—	211,000	465,000	725,000
Interest and fiscal charges	16,856	—	52,387	85,197	154,440
<b>Total Expenditures</b>	<b>5,598,855</b>	<b>18,780</b>	<b>466,074</b>	<b>550,197</b>	<b>6,633,906</b>
<b>Revenues Over (Under) Expenditures</b>	<b>267,678</b>	<b>26,959</b>	<b>132,809</b>	<b>(45,749)</b>	<b>381,697</b>
<b>Other Financing Sources</b>					
Proceeds from sale of capital assets	—	—	364	—	364
<b>Net Change In Fund Balances</b>	<b>267,678</b>	<b>26,959</b>	<b>133,173</b>	<b>(45,749)</b>	<b>382,061</b>
<b>Fund Balances - Beginning Of Year -</b>					
As Previously Stated	2,111,149	280,094	1,100,521	1,074,981	4,566,745
Prior period adjustment (Note 10)	48,050	—	—	—	48,050
<b>Fund Balances - Beginning Of Year -</b>					
As Restated	2,159,199	280,094	1,100,521	1,074,981	4,614,795
<b>Fund Balances - End Of Year</b>	<b>\$ 2,426,877</b>	<b>\$ 307,053</b>	<b>\$ 1,233,694</b>	<b>\$ 1,029,232</b>	<b>\$ 4,996,856</b>

# CITY OF SHREWSBURY, MISSOURI

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES For The Year Ended December 31, 2011

**Net Change In Fund Balances - Total Governmental Funds** \$ 382,061

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

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

Capital outlays	\$ 171,886	
Depreciation expense	<u>(565,746)</u>	(393,860)

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

(3,053)

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

8,061

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and debt discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Interest accretion	(101,262)	
Repayments of principal	725,000	
Amortization of deferred amounts on refundings	(5,470)	
Amortization of bond issuance costs	<u>(21,843)</u>	596,425

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

24,723

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

(30,378)

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

71,169

**Change In Net Assets Of Governmental Activities**

\$ 655,148

**CITY OF SHREWSBURY, MISSOURI**

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**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MUNICIPAL COURT- AGENCY FUND  
December 31, 2011**

<b>Assets</b>	
Cash	\$ 5,131
	<u>                    </u>
<b>Liabilities</b>	
Due to others	\$ 353
Court bonds held in trust	4,778
	<u>                    </u>
<b>Total Liabilities</b>	<u>                    </u> <u>                    </u>

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**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2011**

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**1. Summary Of Significant Accounting Policies**

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

**Reporting Entity**

The City 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 in the City's Capital Improvement Fund. Under the blending method, transactions of a component unit are presented as if they were executed directly by the primary government.

**Basis Of Presentation**

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

**Government-Wide And Fund Financial Statements**

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

## **CITY OF SHREWSBURY, MISSOURI**

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### Notes To Basic Financial Statements (*Continued*)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis Of Accounting And Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as 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 funds.

## **CITY OF SHREWSBURY, MISSOURI**

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### Notes To Basic Financial Statements (*Continued*)

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

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

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

Additionally, the City reports the following fiduciary fund type:

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are 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.

### **Investments**

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

### **Restricted Cash**

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

### **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.



## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

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

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

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

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

#### **Compensated Absences**

Under terms of the City's personnel policy, employees are granted vacation time based on the length of service. Vacation time accrued during one fiscal year may be carried over with written approval, to a maximum of 280 hours (or 371 hours for firemen) plus the current year accrual. Upon termination, the employee is paid for unused vacation or is required to repay the City for used and unearned vacation of the current year. Vacation time earned but unused at year-end has been recorded as an expense in the government-wide financial statements. A liability for unused vacation compensation is reported in 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.

#### **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.

#### **Long-Term Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, 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 as deferred charges.

## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

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.

#### **Net Assets**

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

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

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

**Unrestricted** - This consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

**Fund Balance:** Effective January 1, 2011 the City adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

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

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

## **CITY OF SHREWSBURY, MISSOURI**

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### Notes To Basic Financial Statements (*Continued*)

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

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

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

#### **Fund Balance Classification Policies And Procedures:**

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

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

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

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

#### **Estimates And Assumptions**

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

## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

## 2. Cash And Investments

A summary of deposits and investments as of December 31, 2011 is as follows:

	<u>Fair Value</u>
<b>Governmental Activities (Including Agency Fund):</b>	
Cash less outstanding checks	\$ 27,230
Repurchase Agreement	1,510,000
Federated Cash Reserve Fund (Money Market Securities)	258,000
Certificates of Deposit	<u>2,123,211</u>
	<u>\$ 3,918,441</u>
Government-wide - Governmental Activities	\$ 3,913,310
Fiduciary fund - Municipal Court Agency Fund	<u>5,131</u>
	<u>\$ 3,918,441</u>

### Investment Policy

#### General

The City's investment activity is conducted in accordance with its adopted policy and the guidelines outlined therein. These guidelines apply to the City's investment of operating funds, longer-term funds. Proceeds from bond issues are guided by the related bond indentures. These guidelines authorize the City to invest funds not immediately needed for the purposes to which the funds are applicable in obligations of the U.S. Treasury, U.S. government agencies, repurchase agreements, certificates of deposit, bankers' acceptances 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.

#### Custodial Credit Risk

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, 2011, 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

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### Notes To Basic Financial Statements (*Continued*)

#### Credit Risk

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. The following table provides information at December 31, 2011, on the credit ratings of securities associated with the City, as well as the maturities of those securities:

Investment Type	Fair Value	Investment Maturities (In Years)			Credit Risk	
		< 1 Year	1-5 Years	6-10 Years	S&P	Moody's
Repurchase agreements	\$ 1,510,000	\$ 1,510,000	\$ —	\$ —	AA+	Aaa
Federated cash reserve fund	258,000	258,000	—	—	AAA	Aaa
Negotiable certificates of deposit	2,123,211	969,054	884,345	269,812	N/A	N/A
	\$ 3,891,211	\$ 2,737,054	\$ 884,345	\$ 269,812		

#### Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City 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

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City places no limit on the amount it may invest with one issuer. However, it is the City's policy to diversify the portfolio so potential losses on individual securities will be minimized. At December 31, 2011, the City had no investment with one issuer which represented 5% or more of total investments.

# CITY OF SHREWSBURY, MISSOURI

## Notes To Basic Financial Statements (Continued)

### 3. Capital Assets

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

	Balance - December 31, 2010	Additions	Retirements	Balance - December 31, 2011
<b>Government Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 706,264	\$ —	\$ —	\$ 706,264
Capital assets, being depreciated:				
Land improvements	1,240,209	108,182	—	1,348,391
Infrastructure	228,661	—	—	228,661
Buildings	9,528,387	11,795	—	9,540,182
Machinery and equipment	1,325,794	50,943	158,674	1,218,063
Furniture and fixtures	296,207	966	1,700	295,473
Vehicles	1,796,218	—	—	1,796,218
Total capital assets being depreciated	14,415,476	171,886	160,374	14,426,988
Less accumulated depreciation for:				
Land improvements	399,322	56,825	—	456,147
Infrastructure	22,098	11,433	—	33,531
Buildings	4,786,309	259,097	—	5,045,406
Machinery and equipment	736,014	109,808	155,621	690,201
Furniture and fixtures	239,207	11,445	1,700	248,952
Vehicles	819,122	117,138	—	936,260
Total accumulated depreciation	7,002,072	565,746	157,321	7,410,497
Total capital assets being depreciated, net	7,413,404	(393,860)	3,053	7,016,491
Governmental activities capital assets, net	\$ 8,119,668	\$ (393,860)	\$ 3,053	\$ 7,722,755

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

<b>Governmental Activities</b>	
General government	\$ 12,106
Public safety	80,962
Public works and planning	64,565
Fire and ambulance services	70,273
Parks	337,840
Total depreciation expense - governmental-type activities	<u>\$ 565,746</u>

**CITY OF SHREWSBURY, MISSOURI**

Notes To Basic Financial Statements (*Continued*)

**4. Long-Term Debt**

The following is a summary of changes in the City's long-term liabilities for the year ended December 31, 2011:

	Balance - December 31, 2010	Additions	Retirements	Balance - December 31, 2011	Current Portion
<b>Governmental Activities</b>					
2006 General obligation capital refunding bonds	\$ 2,605,000	\$ —	\$ 465,000	\$ 2,140,000	\$ 485,000
2007 General obligation capital appreciation bonds	2,058,735	—	—	2,058,735	—
2007 General obligation capital appreciation bonds - interest accretion	316,395	101,262	—	417,657	—
2008 Leasehold refunding revenue bonds	2,075,000	—	260,000	1,815,000	265,000
Net pension obligation	18,802	30,378	—	49,180	—
Accrued compensated absences	210,718	183,752	208,475	185,995	148,796
	<u>\$ 7,284,650</u>	<u>\$ 315,392</u>	<u>\$ 933,475</u>	6,666,567	<u>\$ 898,796</u>
Less: Deferred amount on refundings				<u>33,742</u>	
				<u>\$ 6,632,825</u>	

Long-term debt at December 31, 2011 includes the following:

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	\$ 2,140,000
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>1,815,000</u>
	<u>\$ 6,013,735</u>

## CITY OF SHREWSBURY, MISSOURI

### Notes To Basic Financial Statements (Continued)

#### Maturities

Aggregate maturities required on long-term debt for governmental activities are as follows:

Years	Series 2006		Series 2007		Series 2008		Total
	General Obligation		General Obligation		Leasehold Refunding		
	Capital Refunding Bonds		Capital Appreciation Bonds		Revenue Bonds		
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 485,000	\$ 67,931	\$ —	\$ —	\$ 265,000	\$ 61,365	\$ 879,296
2013	255,000	54,685	188,233	36,165	280,000	52,638	866,721
2014	260,000	45,466	184,176	35,864	325,000	42,330	892,836
2015	270,000	35,979	176,280	34,784	175,000	33,449	725,492
2016	280,000	26,134	168,912	33,551	180,000	26,835	715,432
2017-2021	590,000	21,301	1,264,336	260,546	590,000	27,908	2,754,091
2022	—	—	76,798	16,747	—	—	93,545
Total	\$ 2,140,000	\$ 251,496	\$ 2,058,735	\$ 417,657	\$ 1,815,000	\$ 244,525	\$ 6,927,413

## 5. Missouri Local Government Employees Retirement System

#### Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan which provides retirement, disability, and death benefits to plan members and beneficiaries. LAGERS was created and is governed by State Statute, Section RSMo 70.600 - 70.755. As such, it is LAGERS' responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under Internal Revenue Code Section 401a and 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.

#### Funding Status

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 5.8% (general), 6.9% (police), and 7.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by State statute.



## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

#### Annual Pension Cost

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

Annual required contribution (February 28, 2011)	\$	222,815
Interest on net pension obligation		1,410
Adjustment to annual required contribution		<u>(4,009)</u>
Annual pension cost		220,216
Contributions made in 2011		<u>189,838</u>
Increase in net pension obligation		30,378
Net pension obligation - beginning of year		<u>18,802</u>
Net pension obligation - end of year	\$	<u>49,180</u>

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; c) additional projected salary increases ranging from 0% to 6.0% per year, depending on age and division, attributable to seniority/merit; d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back no years for men and no years for women; and e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back no years for men and no 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 29, 2009 was 7 years for the General division, 30 years for the Police division, and 4 years for the Fire division. The amortization period as of February 28, 2010 was 13 years for the General division, 30 years for the Police division, and 8 years for the Fire division.

#### Three-Year Trend Information

For The Fiscal Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2011	\$ 220,216	86%	\$ 49,180
2010	175,722	89%	18,802
2009	153,532	100%	—

## 6. 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.

## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

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.

## 7. 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, 2011, upon which the 2011 levy was based for real estate and personal property, was \$116,745,460. The following is a summary of the 2011 tax rates per \$100 of assessed valuation.

	2011 Tax Rates		
	General Fund	Debt Service	
		Fund	Total
Real property:			
Residential	0.4860	.4730	.9590
Commercial	0.4810	.4730	.9540
Personal property	0.5770	.4730	1.050

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, 2011 is as follows:

## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*Continued*)

<b>City Purposes</b>	
Assessed valuation	<u>\$ 116,745,460</u>
Debt limit - 10% of assessed value	\$ 11,674,546
General obligations bond payable	(4,616,392)
Amount available in Debt Service Fund	<u>1,029,232</u>
<b>Legal Debt Margin</b>	<u>\$ 8,087,386</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.

#### **8. Restricted Net Assets**

The government-wide statement of net assets reports \$2,714,244 of restricted net assets of which \$1,227,986 is restricted by enabling legislation.

#### **9. Federal Forfeiture Activity**

The City had no revenues, expenses or ending balance as of December 31, 2011.

#### **10. Prior Period Adjustment**

A prior period adjustment was recorded in the fund statements and government-wide statements to recognize unrecorded revenue from prior years in the general fund. The fund balance at December 31, 2010 was increased by \$48,050 and a liability was reduced.

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## Required Supplementary Information

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**CITY OF SHREWSBURY, MISSOURI**

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

Page 1 Of 2

For The Year Ended December 31, 2011

	<b>Original And Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>Revenues</b>			
Taxes:			
Property	\$ 570,063	\$ 528,731	\$ (41,332)
Sales	2,022,544	2,105,644	83,100
Utility	1,080,500	1,066,443	(14,057)
Gasoline	185,000	180,804	(4,196)
Other	227,005	209,467	(17,538)
<b>Total Taxes</b>	<b>4,085,112</b>	<b>4,091,089</b>	<b>5,977</b>
Licenses and permits:			
Building permits	28,200	216,564	188,364
Business licenses	217,030	211,509	(5,521)
Other	63,840	72,050	8,210
<b>Total Licenses And Permits</b>	<b>309,070</b>	<b>500,123</b>	<b>191,053</b>
Other:			
Fines and court costs	331,900	324,394	(7,506)
Investment income	65,500	22,612	(42,888)
Charges for services	849,471	899,983	50,512
Miscellaneous	7,500	28,332	20,832
<b>Total Other</b>	<b>1,254,371</b>	<b>1,275,321</b>	<b>20,950</b>
<b>Total Revenues</b>	<b>5,648,553</b>	<b>5,866,533</b>	<b>217,980</b>

**CITY OF SHREWSBURY, MISSOURI**

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

**Page 2 Of 2**

**For The Year Ended December 31, 2011**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>Expenditures</b>			
General government:			
Boards and commissions	\$ 178,275	\$ 204,764	\$ (26,489)
Administration	500,969	360,043	140,926
Municipal buildings	42,600	42,920	(320)
Insurance	65,491	66,426	(935)
<b>Total General Government</b>	<b>787,335</b>	<b>674,153</b>	<b>113,182</b>
Other:			
Public safety	1,991,419	1,966,241	25,178
Public works and planning	411,656	391,020	20,636
Fire and ambulance services	1,747,696	1,712,766	34,930
Parks and recreation	825,588	788,819	36,769
Debt Service:			
Principal retirement	49,000	49,000	—
Interest and fiscal charges	16,856	16,856	—
<b>Total Other</b>	<b>5,042,215</b>	<b>4,924,702</b>	<b>117,513</b>
<b>Total Expenditures</b>	<b>5,829,550</b>	<b>5,598,855</b>	<b>230,695</b>
<b>Net Changes In Fund Balance</b>	<b>\$ (180,997)</b>	<b>267,678</b>	<b>\$ 448,675</b>
<b>Fund Balance - Beginning Of Year - As Previously Stated</b>		<b>2,111,149</b>	
Prior period adjustment		48,050	
<b>Fund Balance - Beginning Of Year - As Restated</b>		<b>2,159,199</b>	
<b>Fund Balance - End Of Year</b>		<b>\$ 2,426,877</b>	

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**CITY OF SHREWSBURY, MISSOURI**

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**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET AND ACTUAL - BUDGET BASIS -  
SEWER LATERAL FUND  
For The Year Ended December 31, 2011**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Property tax	\$ 42,952	\$ 41,774	\$ (1,178)
Investment income	10,000	3,965	(6,035)
<b>Total Revenues</b>	52,952	45,739	(7,213)
<b>Expenditures</b>			
Capital outlay	35,590	18,780	16,810
<b>Net Changes In Fund Balance</b>	<u>\$ 17,362</u>	26,959	<u>\$ 9,597</u>
<b>Fund Balance - Beginning Of Year</b>		<u>280,094</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 307,053</u>	

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# CITY OF SHREWSBURY, MISSOURI

## REQUIRED SUPPLEMENTAL INFORMATION NOTES TO BUDGETARY COMPARISON INFORMATION December 31, 2011

### 1. **Budgetary Data**

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

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



## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (Continued)

#### 2. Other Postemployment Benefits

For The Actuarial Valuation Years Ended February 28/29	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess Of Assets Over AAL	Funded Ratio (a/b)	Annual Covered Payroll (c)	Excess Assets As A Percentage Of Covered Payroll [(b-a)/c]
2011	\$ 6,430,859	\$ 6,424,695	\$ 6,164	100%	\$ 3,012,778	0%
2010	5,904,513	5,726,737	177,776	103%	2,885,900	6%
2009	5,703,001	5,602,265	100,736	102%	3,054,325	3%

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

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## Supplementary Information

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## CITY OF SHREWSBURY, MISSOURI

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGET BASIS - CAPITAL IMPROVEMENTS FUND For The Year Ended December 31, 2011

	Original And Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>			
Sales taxes	\$ 441,342	\$ 467,471	\$ 26,129
Investment income	18,000	11,465	(6,535)
Grant	125,008	119,947	(5,061)
<b>Total Revenues</b>	584,350	598,883	14,533
<b>Expenditures</b>			
<b>Capital Outlay:</b>			
Public works	23,000	16,468	(6,532)
Public safety	58,540	40,036	(18,504)
Court	2,000	—	(2,000)
Fire and ambulance services	9,680	7,522	(2,158)
Administration	3,100	—	(3,100)
Public safety building	33,282	11,795	(21,487)
Parks	122,098	121,715	(383)
Other	79,200	5,151	(74,049)
<b>Debt Service:</b>			
Principal retirement	211,000	211,000	—
interest and fiscal charges	52,387	52,387	—
<b>Total Expenditures</b>	594,287	466,074	128,213
<b>Revenues Over (Under) Expenditures</b>	(9,937)	132,809	142,746
<b>Other Financing Sources</b>			
Proceeds from sale of capital assets	—	364	364
<b>Net Changes In Fund Balance</b>	\$ (9,937)	133,173	\$ 143,110
<b>Fund Balance - Beginning Of Year</b>		1,100,521	
<b>Fund Balance - End Of Year</b>		\$ 1,233,694	

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**CITY OF SHREWSBURY, MISSOURI**

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

**For The Year Ended December 31, 2011**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 544,262	\$ 501,587	\$ 42,675
Investment income	2,594	2,861	(267)
<b>Total Revenues</b>	<u>546,856</u>	<u>504,448</u>	<u>42,408</u>
<b>Expenditures</b>			
Debt Service:			
Principal retirement	465,000	465,000	—
Interest and fiscal charges	85,486	85,197	289
<b>Total Expenditures</b>	<u>550,486</u>	<u>550,197</u>	<u>289</u>
<b>Net Changes In Fund Balances</b>	<u>\$ (3,630)</u>	<u>(45,749)</u>	<u>\$ 42,119</u>
<b>Fund Balance - Beginning Of Year</b>		<u>1,074,981</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 1,029,232</u>	