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***CITY OF SHREWSBURY, MISSOURI***  
***FINANCIAL REPORT***

*For The Fiscal Year Ended December 31, 2012*

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RubinBrown LLP  
Certified Public Accountants  
& Business Consultants

One North Brentwood  
Saint Louis, MO 63105

T 314.290.3300  
F 314.290.3400

W rubinbrown.com  
E info@rubinbrown.com

## Independent Auditors' Report

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

### Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the remaining fund information of the City of Shrewsbury, Missouri (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility For The Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of the City as of December 31, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 - 10, the Budgetary Comparison Information on pages 33 - 37, and the Pension Plan schedules on page 38 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.

### ***Other Information***

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

*RubinBrown LLP*

May 31, 2013

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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, 2012.

### **Financial Highlights**

- The City's financial position strengthened during 2012 as reflected in the increase in net position of \$559,360. The City's total net position at year-end was \$6,882,480.
- As of December 31, 2012, the City's governmental funds reported combined fund balances of \$5,284,372. Over 43% of this total, \$2,316,898 is unassigned and available for use within the City's designation and policies.
- The City reduced its existing long-term debt by \$750,000 during the year ended December 31, 2012.

### **Using This Annual Report**

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

### **Overview Of The Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information and other supplementary information are also included in addition to the basic financial statements.

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

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

## **CITY OF SHREWSBURY, MISSOURI**

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

The Statement of Activities presents information showing how the City's net position changed during the year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by the City's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of the cost of various governmental services.

**Fund Financial Statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories--governmental funds and fiduciary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$6,882,480 as of December 31, 2012. The City's financial condition strengthened during the year by recording an increase in net position.

## CITY OF SHREWSBURY, MISSOURI

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

There are three portions of the City's net position: net investment in capital assets (e.g., land, infrastructure, building, vehicles, and equipment), restricted net position; and unrestricted net position which may be used to meet the government's ongoing obligation to citizens and creditors. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Statement of Net Position

	Governmental Activities	
	2012	2011
<b>Assets</b>		
Current and other assets	\$ 5,786,195	\$ 5,440,070
Capital assets	7,397,165	7,722,755
<b>Total Assets</b>	<b>13,183,360</b>	<b>13,162,825</b>
<b>Liabilities</b>		
Current and other liabilities	322,386	206,880
Long-term liabilities	5,978,494	6,632,825
<b>Total Liabilities</b>	<b>6,300,880</b>	<b>6,839,705</b>
<b>Net Position</b>		
Net investment in capital assets	1,639,268	1,325,105
Restricted	2,818,903	2,714,244
Unrestricted	2,424,309	2,283,771
<b>Total Net Position</b>	<b>\$ 6,882,480</b>	<b>\$ 6,323,120</b>

Unrestricted net position represents the accumulated results of all past years' operations. This means that if the City had to pay off all its restricted liabilities today, there would still be a balance of \$2,424,309 left for unrestricted purposes.

#### Changes in Net Position

In 2012, the City's total revenues on a government-wide basis were \$7,068,505 which represents a .01% decrease in revenue compared to 2011. Of the City's revenues, taxes represent 71%, 23% is generated by charges for services, and 6% of revenues come from grants and contributions and other revenue.

## CITY OF SHREWSBURY, MISSOURI

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

The total cost of all programs and services for 2012 was \$6,509,145. This represents an increase of \$90,178 or approximately 1.4% more than the prior year. The majority of the increase reflects an increase in insurance premiums and personnel costs (related to an increase in longevity pay) and capital expenditures. The City's expenses cover a range of typical city services - city administration, police, fire, court, public works, and parks. Of these, public safety (police and court) and the fire department functions together comprise over 60.2% of the total cost of programs and services. The parks function was the next largest with 18.1% of the total costs.

The following table provides a summary of the City's operations for the years ended December 31, 2012 and 2011:

#### Statement of Activities

	Governmental Activities	
	2012	2011
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 1,634,613	\$ 1,758,874
Operating grants and contributions	383,439	361,596
Capital grants and contributions	25,532	119,947
<b>General Revenues</b>		
Property taxes	1,129,634	1,101,487
Sales taxes	2,710,354	2,504,805
Utility taxes	1,061,288	1,066,443
Other taxes	96,985	96,985
Other	26,660	63,978
<b>Total Revenues</b>	<b>7,068,505</b>	<b>7,074,115</b>
<b>Expenses</b>		
General government	667,068	640,516
Public safety	2,090,933	2,102,775
Public works	559,319	527,542
Fire and ambulance services	1,825,448	1,803,875
Parks	1,183,164	1,138,548
Interest and fiscal charges	183,213	205,711
<b>Total Expenses</b>	<b>6,509,145</b>	<b>6,418,967</b>
<b>Change In Net Position</b>	<b>559,360</b>	<b>655,148</b>
<b>Net Position - Beginning Of Year</b>	<b>6,323,120</b>	<b>5,667,972</b>
<b>Net Position - End Of Year</b>	<b>\$ 6,882,480</b>	<b>\$ 6,323,120</b>

## **CITY OF SHREWSBURY, MISSOURI**

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

The City's net position increased by \$559,360 during the current year reflecting the fact that revenues exceeded expenses by the same amount. Total revenues decreased by .01% compared to 2011 while expenses increased by 1.4%. Total revenues in 2012 were almost the same when compared to 2011. Overall taxes (property and sales) were up by 6.5%, utility taxes were down by 0.5% and earnings on investments were down by 51.1%. Sales tax receipts in 2012 increased significantly and are slowly returning to pre-recession levels, which may indicate a slowly recovering economy. Charges for services increased slightly in the Public Safety category, while charges for fire and ambulance services decreased by 18%. The decrease in fire and ambulance service charges is due to an overall reduction in Medicare reimbursement for ambulance fees, increasing insurance deductibles (making it more difficult to collect on past due accounts), and a neighboring fire district adding an additional ambulance to its fleet, thereby reducing the City's mutual aid calls to that district. General Government charges for services decreased by 22.4% compared to 2011. In fiscal year 2011, the City received approximately \$150,000 in building permit revenue attributed to a large-scale construction project consisting of a total renovation of the Kenrick-Glennon Seminary. The City did not benefit from a large-scale building project in 2012 and the permit revenue returned to normal levels.

Parks and Recreation program revenue increased by 15.6% in fiscal year 2012 due to more participation in parks and recreation programs, an increase in facility rentals and an increase in sales at the City's Aquatic Center. The City received a few grants in fiscal year 2012. All grants received are reimbursement grants, where the funds must 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 federal Department of Justice grant funds (\$1,350) for the bulletproof vest program and a grant from St. Louis County to go toward CALEA certification (\$1,000).

### **Financial Analysis Of The City's Funds**

**Governmental Funds** - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the City's governmental funds reported a combined ending fund balance of \$5,284,372, an increase of \$287,516 when compared to the prior year. This increase in the combined fund balance reflects surpluses (revenues over expenditures) in the General fund of \$167,922, the Capital Improvements Fund of \$90,850, and the Debt Service Fund of \$39,596 for the year.

Of the total combined fund balance, \$2,316,898 (44%) constitutes an unrestricted (unassigned) fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed as follows:

- 1) To pay for debt service (\$1,378,842);
- 2) To pay for capital improvements (\$1,014,530);
- 3) To pay for sewer repairs (\$296,201);
- 4) To pay for funding of various municipal court and police programs as defined in the Missouri State Statutes (\$61,237);
- 5) To fund the budgetary deficit projected for fiscal year 2013 (\$195,290).

## **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 \$333,026 for 2012. This anticipated decrease primarily reflected the expected decrease in key City revenues as a result of a continued weak economy. Fortunately, the City experienced an increase in overall fund balance of \$287,516. This difference primarily reflects an unexpected increase in sales tax revenue over budget. Sales tax revenue (for all funds) for 2012 was \$273,720 more than budgeted. Additionally, licenses and permit revenues were \$77,887 more than budgeted for in 2012, and parks and recreation program revenue were favorable to budget by approximately \$89,000.

Actual overall expenditures were approximately 3% less than budget. This favorable variance to budget reflects less than anticipated expenditures in almost all departments for the following categories: office expenses, repairs, facility expenses and specialized expenses, including expenditures related to conferences and meetings, newspaper publications, departmental supplies and minor equipment. Another contributing factor to the overall favorable budget variance are the deferred expenditures of anticipated capital purchases in 2012; including the replacement of a desktop computer in the police department, office furniture in the Administration Department, an office filing system in the Municipal Court, and replacement of the Council Chambers Roof at City Center. The City expects to complete these and other capital projects as needed in the near future. Actual overall expenditures were also favorably impacted by receiving favorable bids on budgeted capital items, as almost all capital items purchased cost less than budgeted.

Actual overall revenues and other financing sources were \$436,246 more than budget and this favorable variance explains the increase in overall fund balance. The overall revenues variance primarily reflects the more than anticipated increase in sales tax revenue, parks and recreation program revenue and license and permit revenue.

The budgeted deficit in the General Fund was \$283,562. Favorable actual results in total revenues and favorable actual results in expenditures were realized resulting in a final surplus of \$167,922 for the year. Total General Fund revenues were favorable to budget by \$321,105. The favorable revenues are attributed to an unexpected increase in sales tax revenue, license and permit revenue and parks and recreation revenue. Revenue shortfalls were experienced in other categories including fines and court costs and investment income, but these shortfalls were offset by the favorable revenue collection in other areas.

Total expenditures in the General Fund were \$130,379 below budget. Lower than planned expenditures in almost all departments were experienced in fiscal year 2012. Reductions in expenditures are a result of overall below budget expenditures on various department expenses. Additionally, renewal health insurance premiums were less than budgeted.

## CITY OF SHREWSBURY, MISSOURI

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

**Capital Assets.** The City's investment in capital assets (net of depreciation) decreased in the current year by \$325,590.

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

Public Works Department: Ford F-350 Pick-up, Kubota Tractor, and a snow plow.

Police Department: 2012 Chevy Impala (2), desktop computers (5), in-car computers (2), and several pieces of body armor.

Fire Department: self-contained breathing machines.

Parks Department: roof over the main City Center building and two treadmills.

Public Safety Building: water heater and electric heating.

### Capital Assets

	Capital Assets (Net Of Depreciation) Governmental Activities	
	2012	2011
Land	\$ 706,264	\$ 706,264
Land improvements	833,165	892,244
Buildings	4,277,194	4,494,776
Equipment	560,959	527,862
Furniture and fixtures	42,897	46,521
Vehicles	792,989	859,958
Infrastructure	183,697	195,130
<b>Total</b>	<b>\$ 7,397,165</b>	<b>\$ 7,722,755</b>

Additional information on the City's capital assets can be found in Note 3 found on page 27 of this report.

### Debt Administration

At the end of the current year, the City had a total bonded debt of \$5,757,897. Of this amount \$1,550,000 is the Series 2008 leasehold refunding revenue bonds (which refinanced the Series 1999 leasehold refunding revenue bonds). Other debt includes the Series 2006 general obligation capital refunding bonds in the amount of \$1,655,000, 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.

## **CITY OF SHREWSBURY, MISSOURI**

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

Additional information on the City's long-term debt can be found in Note 4 found on pages 28 and 29 of this report.

#### **Economic Factors and Year 2013 Budget**

There are a number of factors that affect the budget over which the City has little or no control. Sales taxes are the single largest category of revenue for the City and they fall into this category. As reviewed earlier, sales tax receipts in the General Fund were 10% over budget, and were more than 2011 by 7.4%. While sales tax revenue receipts are slowly rebounding, they are still well below pre-recession levels. The City continues to contain costs where possible, while at the same time providing a high level of public safety and recreation services to the community. However, this continues to remain a challenge for the City in an environment with little economic development and rising costs.

The City has taken a number of steps to continue to contain costs where feasible in the fiscal year 2013 budget. It has been also assumed that sales tax revenues will be close to last year's (2012) budget, but most likely will not increase significantly. In 2013, the City plans to fund the debt payments (principal and interest) for the Series 2008 leasehold refunding revenue bonds solely from the City's Capital Improvement Fund in 2013. The Board made the decision to fund the Series 2008 leasehold revenue bond payments out of the Capital Improvement Fund in 2013 in order to alleviate fiscal pressure on the General Fund. With these factors in mind, the City is forecasting a General Fund budget deficit of \$195,290 and a Capital Improvement Fund deficit of \$107,130 in fiscal year 2013.

In 2009, the City completed the review of the Watson Road commercial corridor study that it contracted with PGAV Urban Consulting to perform. The results of this study concluded that the City could benefit from pursuing redevelopment alternatives along the corridor, particularly in the Kenrick Plaza area. In 2010, the City issued requests for proposal to all interested developers and selected G.J. Grewe Corporation as the City's preferred developer for the upper level Kenrick Plaza. The City entered into a preliminary funding agreement with G.J. Grewe to obtain sufficient funds from the developer in order to finance consultants to assist the City in their due diligence review of proposed development details from the developer. The City entered into a redevelopment agreement with Kenrick Developers, L.L.C. on February 8, 2013 to revitalize the Kenrick Plaza commercial area with subsequent related economic benefit. The development will include a Wal-Mart store and other anticipated retail and office space available for future tenants. Construction, including demolition and remodeling of existing space and the building of a Wal-Mart store, is anticipated to begin in summer 2013.

#### **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 POSITION

December 31, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and investments	\$ 4,051,245
Cash and investments - restricted	310,014
Receivables:	
Taxes	1,188,796
Other	131,673
Prepays	21,374
Bonds issuance costs, net	83,093
Capital assets:	
Nondepreciable	706,264
Depreciable, net	6,690,901
<b>Total Assets</b>	<u>13,183,360</u>
<b>Liabilities</b>	
Accounts payable	231,812
Accrued interest	38,832
Accrued wages	45,366
Refundable deposits	6,376
Long-term liabilities:	
Due within one year	924,496
Due in more than one year	5,053,998
<b>Total Liabilities</b>	<u>6,300,880</u>
<b>Net Position</b>	
Net investment in capital assets	1,639,268
Restricted for:	
Capital projects	1,014,530
Debt service	1,446,935
Sewer repairs	296,201
Law enforcement	61,237
Unrestricted	2,424,309
<b>Total Net Position</b>	<u>\$ 6,882,480</u>

# CITY OF SHREWSBURY, MISSOURI

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2012

Functions	Expenses	Program Revenues			Net (Expense) Revenue And Changes In Net Position
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	
<b>Governmental Activities</b>					
General government	\$ 667,068	\$ 480,867	\$ 32,278	\$ 1,000	\$ (152,923)
Public safety	2,090,933	331,197	—	1,350	(1,758,386)
Public works and planning	559,319	42,522	351,161	15,000	(150,636)
Fire and ambulance services	1,825,448	276,841	—	—	(1,548,607)
Parks and recreation	1,183,164	503,186	—	8,182	(671,796)
Interest and fiscal charges	183,213	—	—	—	(183,213)
<hr/>					
<b>Total Governmental Activities</b>	<b>\$ 6,509,145</b>	<b>\$ 1,634,613</b>	<b>\$ 383,439</b>	<b>\$ 25,532</b>	<b>(4,465,561)</b>

### General Revenues

Property taxes levied for:	
General purposes	1,129,634
Sales tax levied for:	
General purposes	1,288,107
Park and stormwater purposes	605,211
Capital improvements	302,606
Fire district improvements	514,430
Utility taxes	1,061,288
Other taxes	96,985
Earnings on investments	20,014
Miscellaneous	6,646
<b>Total General Revenues</b>	<b>5,024,921</b>

Change in net position	559,360
<b>Net Position - Beginning Of Year</b>	<b>6,323,120</b>
<b>Net Position - End Of Year</b>	<b>\$ 6,882,480</b>

**CITY OF SHREWSBURY, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2012**

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
<b>Assets</b>					
Cash and investments	\$ 1,858,415	\$ 349,189	\$ 1,000,385	\$ 843,256	\$ 4,051,245
Restricted cash and investments	—	—	310,014	—	310,014
Receivables:					
Taxes	812,141	9,813	73,660	293,182	1,188,796
Grants	—	—	17,783	—	17,783
Other	110,132	3,275	—	483	113,890
Due from other funds	317	—	—	—	317
Prepays	21,374	—	—	—	21,374
<b>Total Assets</b>	<b>\$ 2,802,379</b>	<b>\$ 362,277</b>	<b>\$ 1,401,842</b>	<b>\$ 1,136,921</b>	<b>\$ 5,703,419</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 88,755	\$ 66,076	\$ 76,981	\$ —	\$ 231,812
Due to other funds	—	—	317	—	317
Accrued wages	45,366	—	—	—	45,366
Deferred revenue	67,083	—	—	68,093	135,176
Refundable deposits	6,376	—	—	—	6,376
<b>Total Liabilities</b>	<b>207,580</b>	<b>66,076</b>	<b>77,298</b>	<b>68,093</b>	<b>419,047</b>
<b>Fund Balances</b>					
Nonspendable:					
Prepays	21,374	—	—	—	21,374
Restricted for:					
Debt service	—	—	310,014	1,068,828	1,378,842
Sewer repairs	—	296,201	—	—	296,201
Capital improvements	—	—	1,014,530	—	1,014,530
Law enforcement	61,237	—	—	—	61,237
<b>Total Restricted</b>	<b>61,237</b>	<b>296,201</b>	<b>1,324,544</b>	<b>1,068,828</b>	<b>2,750,810</b>
Assigned to:					
Budgetary deficit	195,290	—	—	—	195,290
Unassigned	2,316,898	—	—	—	2,316,898
<b>Total Fund Balances</b>	<b>2,594,799</b>	<b>296,201</b>	<b>1,324,544</b>	<b>1,068,828</b>	<b>5,284,372</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 2,802,379</b>	<b>\$ 362,277</b>	<b>\$ 1,401,842</b>	<b>\$ 1,136,921</b>	<b>\$ 5,703,419</b>

**CITY OF SHREWSBURY, MISSOURI**

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**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
December 31, 2012**

**Total Fund Balance - Governmental Funds** \$ 5,284,372

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$15,256,238 and the accumulated depreciation is \$7,859,073. 7,397,165

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	\$ (195,040)	
Net pension obligation	(25,557)	
Bonds payable	(5,786,168)	
Accrued interest	(38,832)	
Unamortized bond issuance costs	83,093	
Unamortized deferred amount on refundings	<u>28,271</u>	
		(5,934,233)

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. 135,176

**Total Net Position - Governmental Activities** \$ 6,882,480

**CITY OF SHREWSBURY, MISSOURI**

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

**For The Year Ended December 31, 2012**

	Major Funds				Total Governmental Funds
	General Fund	Sewer Lateral Fund	Capital Improvements Fund	Debt Service Fund	
<b>Revenues</b>					
Taxes	\$ 4,297,037	\$ 42,522	\$ 514,430	\$ 590,169	\$ 5,444,158
Licenses and permits	378,462	—	—	—	378,462
Fines and court costs	331,532	—	—	—	331,532
Investment income	13,542	1,631	2,131	2,710	20,014
Charges for services	888,385	—	—	—	888,385
Grants	1,000	—	24,532	—	25,532
Miscellaneous	57,798	—	11,712	—	69,510
<b>Total Revenues</b>	<b>5,967,756</b>	<b>44,153</b>	<b>552,805</b>	<b>592,879</b>	<b>7,157,593</b>
<b>Expenditures</b>					
Current:					
General government	706,052	—	—	—	706,052
Public safety	1,967,638	—	—	—	1,967,638
Public works and planning	390,484	—	—	—	390,484
Fire and ambulance services	1,750,175	—	—	—	1,750,175
Parks and recreation	812,370	—	—	—	812,370
Capital outlay	—	55,005	308,711	—	363,716
Debt service:					
Principal retirement	140,000	—	125,000	485,000	750,000
Interest and fiscal charges	33,115	—	28,244	68,283	129,642
<b>Total Expenditures</b>	<b>5,799,834</b>	<b>55,005</b>	<b>461,955</b>	<b>553,283</b>	<b>6,870,077</b>
<b>Net Change In Fund Balances</b>	<b>167,922</b>	<b>(10,852)</b>	<b>90,850</b>	<b>39,596</b>	<b>287,516</b>
<b>Fund Balances - Beginning 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>
<b>Fund Balances - End Of Year</b>	<b>\$ 2,594,799</b>	<b>\$ 296,201</b>	<b>\$ 1,324,544</b>	<b>\$ 1,068,828</b>	<b>\$ 5,284,372</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, 2012

**Net Change In Fund Balances - Total Governmental Funds** \$ 287,516

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	\$ 266,737	
Depreciation expense	<u>(564,284)</u>	(297,547)

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.

(28,043)

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.

8,530

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

Interest accretion	(104,776)	
Repayments of principal	750,000	
Amortization of deferred amounts on refundings	(5,471)	
Amortization of bond issuance costs	<u>(13,213)</u>	626,540

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.

(9,045)

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.

23,623

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.

(52,214)

**Change In Net Position Of Governmental Activities**

\$ 559,360

**CITY OF SHREWSBURY, MISSOURI**

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**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
MUNICIPAL COURT - AGENCY FUND  
December 31, 2012**

<b>Assets</b>	
Cash	\$ 7,659
	<hr/>
<b>Liabilities</b>	
Due to others	\$ 353
Court bonds held in trust	7,306
	<hr/>
<b>Total Liabilities</b>	<b>\$ 7,659</b>
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**CITY OF SHREWSBURY, MISSOURI**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**December 31, 2012**

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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 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 position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

## **CITY OF SHREWSBURY, MISSOURI**

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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 for various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

### **Investments**

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

### **Restricted Cash**

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

### **Capital Assets**

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

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

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

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

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

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

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

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

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

*Committed* - amounts constrained 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.

## **CITY OF SHREWSBURY, MISSOURI**

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

*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, 2012 is as follows:

	<u>Fair Value</u>
<b>Governmental Activities (Including Agency Fund):</b>	
Cash less outstanding checks	\$ 2,165,320
Federated Cash Reserve Fund (Money Market Securities)	258,000
Certificates of deposit	<u>1,945,598</u>
	<u>\$ 4,368,918</u>
 Government-wide - Governmental Activities	 \$ 4,361,259
 Fiduciary fund - Municipal Court Agency Fund	 <u>7,659</u>
	<u>\$ 4,368,918</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. These guidelines authorize the City to invest funds not immediately needed for the purposes to which the funds are applicable in obligations of the U.S. Treasury, U.S. government agencies, repurchase agreements, certificates of deposit, bankers' acceptances issues by domestic commercial banks possessing the highest rating issued by Moody's Investor Services, Inc. or Standard and Poor's Corporation, and commercial paper issued by domestic corporations, which has received the highest rating by Moody's Investor Services, Inc. or Standard and Poor's Corporation. Proceeds from bond issues are guided by the related bond indentures.

#### Custodial Credit Risk

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

## CITY OF SHREWSBURY, MISSOURI

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

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits 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, 2012, 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.

### **Credit Risk**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy minimizes investment risk by prequalifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business. The following table provides information at December 31, 2012, 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
Federated cash reserve fund	\$ 258,000	\$ 258,000	\$ —	\$ —	AAA	Aaa
Negotiable certificates of deposit	1,945,598	847,120	793,864	304,614	N/A	N/A
	\$ 2,203,598	\$ 1,105,120	\$ 793,864	\$ 304,614		

### **Interest Rate Risk**

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

### **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, 2012, 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, 2012 was as follows:

	Balance - December 31, 2011	Additions	Retirements	Balance - December 31, 2012
<b>Government Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 706,264	\$ —	\$ —	\$ 706,264
Capital assets, being depreciated:				
Land improvements	1,348,391	—	—	1,348,391
Infrastructure	228,661	—	—	228,661
Buildings	9,540,182	41,810	—	9,581,992
Machinery and equipment	1,218,063	154,530	63,035	1,309,558
Furniture and fixtures	295,473	3,280	8,800	289,953
Vehicles	1,796,218	67,117	71,916	1,791,419
Total capital assets being depreciated	14,426,988	266,737	143,751	14,549,974
Less accumulated depreciation for:				
Land improvements	456,147	59,079	—	515,226
Infrastructure	33,531	11,433	—	44,964
Buildings	5,045,406	259,392	—	5,304,798
Machinery and equipment	690,201	119,787	61,389	748,599
Furniture and fixtures	248,952	6,904	8,800	247,056
Vehicles	936,260	107,689	45,519	998,430
Total accumulated depreciation	7,410,497	564,284	115,708	7,859,073
Total capital assets being depreciated, net	7,016,491	(297,547)	28,043	6,690,901
Governmental activities capital assets, net	\$ 7,722,755	\$ (297,547)	\$ 28,043	\$ 7,397,165

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

<b>Governmental Activities</b>	
General government	\$ 11,176
Public safety	75,543
Public works and planning	69,559
Fire and ambulance services	71,871
Parks	336,135
Total depreciation expense - governmental-type activities	\$ 564,284

**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, 2012:

	Balance - December 31, 2011	Additions	Retirements	Balance - December 31, 2012	Current Portion
<b>Governmental Activities</b>					
2006 General obligation capital refunding bonds	\$ 2,140,000	\$ —	\$ 485,000	\$ 1,655,000	\$ 255,000
2007 General obligation capital appreciation bonds	2,058,735	—	—	2,058,735	188,233
2007 General obligation capital appreciation bonds - interest accretion	417,657	104,776	—	522,433	45,231
2008 Leasehold refunding revenue bonds	1,815,000	—	265,000	1,550,000	280,000
Net pension obligation	49,180	192,359	(215,982)	25,557	—
Accrued compensated absences	185,995	180,918	171,873	195,040	156,032
	<u>\$ 6,666,567</u>	<u>\$ 478,053</u>	<u>\$ 705,891</u>	6,006,765	<u>\$ 924,496</u>
Less: Deferred amount on refundings				<u>28,271</u>	
				<u>\$ 5,978,494</u>	

Long-term debt at December 31, 2012 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	\$ 1,655,000
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>1,550,000</u>
	<u>\$ 5,263,735</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 General Obligation Capital Refunding Bonds		Series 2007 General Obligation Capital Appreciation Bonds		Series 2008 Leasehold Refunding Revenue Bonds		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
	2013	\$ 255,000	\$ 54,685	\$ 188,233	\$ 45,231	\$ 280,000	
2014	260,000	45,466	184,176	44,866	325,000	42,330	901,838
2015	270,000	35,979	176,280	43,527	175,000	33,449	734,235
2016	280,000	26,134	168,912	41,989	180,000	26,835	723,870
2017	290,000	15,931	161,772	40,484	185,000	19,808	712,995
2018-2022	300,000	5,370	1,179,362	306,336	405,000	8,100	2,204,168
Total	\$ 1,655,000	\$ 183,565	\$ 2,058,735	\$ 522,433	\$ 1,550,000	\$ 183,160	\$ 6,152,893

## 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 5.7% (general), 7.9% (police), and 8.7% (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 29, 2012)	\$ 239,714
Interest on net pension obligation	3,566
Adjustment to annual required contribution	<u>(50,921)</u>
Annual pension cost	192,359
Contributions made in 2012	<u>215,982</u>
Decrease in net pension obligation	(23,623)
Net pension obligation - beginning of year	<u>49,180</u>
Net pension obligation - end of year	<u><u>\$ 25,557</u></u>

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 29, 2012 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, 2010 was 13 years for the General division, 30 years for the Police division, and 8 years for the Fire division. The amortization period as of February 28, 2011 was 15 years for the General division, 30 years for the Police division, and 5 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
2012	\$ 192,359	112%	\$ 25,557
2011	220,216	86%	49,180
2010	175,722	89%	18,802

#### Funded Status And Funding Progress

As of February 29, 2012, the Plan was 110% funded. The actuarial accrued liability for benefits was \$6,269,269, and the actuarial value of assets was \$6,927,056, resulting in an overfunded actuarial accrued liability of \$657,787. The covered payroll (annual payroll of active employees covered by the plan) was \$2,849,395, and the ratio of the overfunded AAL to covered payroll was 23%.

## CITY OF SHREWSBURY, MISSOURI

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

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

## 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.

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, 2012, upon which the 2012 levy was based for real estate and personal property, was \$115,646,810. The following is a summary of the 2012 tax rates per \$100 of assessed valuation.

	2012 Tax Rates		
	General Fund	Debt Service Fund	Total
Real property:			
Residential	0.4860	0.5000	0.9860
Commercial	0.4810	0.5000	0.9810
Personal property	0.5770	0.5000	1.0770

## CITY OF SHREWSBURY, MISSOURI

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### Notes To Basic Financial Statements (*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, 2012 is as follows:

<b>City Purposes</b>	
Assessed valuation	\$ 115,646,810
Debt limit - 10% of assessed value	\$ 11,564,681
General obligations bond payable	(4,236,168)
Amount available in Debt Service Fund	1,068,828
<b>Legal Debt Margin</b>	<b>\$ 8,397,341</b>

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 Position**

The government-wide statement of net position reports \$2,818,903 of restricted net position, of which \$1,371,968 is restricted by enabling legislation.

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

The City had no revenues, expenses or ending balance as of December 31, 2012.

### **10. Subsequent Events**

On February 8, 2013 the City entered into a redevelopment agreement with a developer for the development of the Kenrick Plaza Redevelopment Area. The redevelopment area has been designated a tax increment financing district in accordance with the Sections 99.800 to 99.865 of the Revised Statutes of Missouri (TIF Act). The City has agreed to reimburse the developer for a maximum reimbursable amount of eligible project costs not to exceed (a) \$15,000,000 plus issuance costs, if the developer causes the creation of the District and the imposition of the District sales tax in accordance with the agreement and the District agrees to deposit District revenues in the District revenues account or (b) otherwise, \$11,250,000 plus issuance costs.

The City may issue limited obligation TIF notes or bonds to finance their obligations to reimburse the developer. Incremental City revenues will be accounted for in a special allocation fund.

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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, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>Revenues</b>				
Taxes:				
Property	\$ 555,508	\$ 555,508	\$ 591,679	\$ 36,171
Sales	2,054,600	2,054,600	2,261,890	207,290
Utility	1,119,200	1,119,200	1,061,288	(57,912)
Gasoline	185,000	185,000	159,157	(25,843)
Other	227,000	227,000	223,023	(3,977)
<b>Total Taxes</b>	<b>4,141,308</b>	<b>4,141,308</b>	<b>4,297,037</b>	<b>155,729</b>
Licenses and permits:				
Building permits	33,800	33,800	64,891	31,091
Business licenses	210,825	210,825	239,510	28,685
Other	55,950	55,950	74,061	18,111
<b>Total Licenses And Permits</b>	<b>300,575</b>	<b>300,575</b>	<b>378,462</b>	<b>77,887</b>
Other:				
Fines and court costs	331,900	331,900	331,532	(368)
Investment income	46,000	46,000	13,542	(32,458)
Charges for services	814,868	814,868	888,385	73,517
Grants	—	—	1,000	1,000
Miscellaneous	12,000	12,000	57,798	45,798
<b>Total Other</b>	<b>1,204,768</b>	<b>1,204,768</b>	<b>1,292,257</b>	<b>87,489</b>
<b>Total Revenues</b>	<b>5,646,651</b>	<b>5,646,651</b>	<b>5,967,756</b>	<b>321,105</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, 2012**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget- Positive (Negative)</b>
<b>Expenditures</b>				
General government:				
Boards and commissions	\$ 231,376	\$ 236,376	\$ 235,231	\$ 1,145
Administration	396,530	396,530	345,639	50,891
Municipal buildings	50,350	50,350	51,500	(1,150)
Insurance	75,046	75,046	73,682	1,364
<b>Total General Government</b>	<b>753,302</b>	<b>758,302</b>	<b>706,052</b>	<b>52,250</b>
Other:				
Public safety	2,005,070	2,005,070	1,967,638	37,432
Public works and planning	414,353	414,353	390,484	23,869
Fire and ambulance services	1,741,220	1,741,220	1,750,175	(8,955)
Parks and recreation	826,086	838,153	812,370	25,783
Debt Service:				
Principal retirement	140,000	140,000	140,000	—
Interest and fiscal charges	33,115	33,115	33,115	—
<b>Total Other</b>	<b>5,159,844</b>	<b>5,171,911</b>	<b>5,093,782</b>	<b>78,129</b>
<b>Total Expenditures</b>	<b>5,913,146</b>	<b>5,930,213</b>	<b>5,799,834</b>	<b>130,379</b>
<b>Net Changes In Fund Balance</b>	<b>\$ (266,495)</b>	<b>\$ (283,562)</b>	<b>167,922</b>	<b>\$ 451,484</b>
<b>Fund Balance - Beginning Of Year</b>			<b>2,426,877</b>	
<b>Fund Balance - End Of Year</b>			<b>\$ 2,594,799</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, 2012**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Property tax	\$ 42,952	\$ 42,522	\$ (430)
Investment income	4,000	1,631	(2,369)
<b>Total Revenues</b>	46,952	44,153	(2,799)
<b>Expenditures</b>			
Capital outlay	35,600	55,005	(19,405)
<b>Net Changes In Fund Balance</b>	<u>\$ 11,352</u>	<u>(10,852)</u>	<u>\$ (22,204)</u>
<b>Fund Balance - Beginning Of Year</b>		<u>307,053</u>	
<b>Fund Balance - End Of Year</b>		<u>\$ 296,201</u>	

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**CITY OF SHREWSBURY, MISSOURI**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**NOTES TO BUDGETARY COMPARISON INFORMATION**  
**December 31, 2012**

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**1. Budgetary Data**

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

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

**CITY OF SHREWSBURY, MISSOURI**

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Notes To Budgetary Comparison Information (*Continued*)

**2. Violations Of Budgetary Laws And Regulations**

Expenditures exceeded appropriations in the following funds and departments for the general fund for the year ended December 31, 2012:

<u>Fund / Department</u>	<u>Amount</u>
General: Fire and ambulance services	\$ 8,955
Sewer Lateral: Capital outlay	19,405

**CITY OF SHREWSBURY, MISSOURI**

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**LAGERS RETIREMENT SYSTEM**  
**December 31, 2012**

**Schedule Of Funding Progress**

Actuarial Valuation Date	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded AAL (OAAAL)	Funded Ratio (a/b)	Covered Payroll (c)	OAAAL As A Percentage Of Covered Payroll [(b-a)/c]
2012	\$ 6,927,056	\$ 6,269,269	\$ 657,787	110%	\$ 2,849,395	23%
2011	6,430,859	6,424,695	6,164	100%	3,012,778	0%
2010	5,904,513	5,726,737	177,776	103%	2,885,900	6%

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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)
<b>Revenues</b>				
Sales taxes	\$ 448,000	\$ 448,000	\$ 514,430	\$ 66,430
Investment income	9,500	9,500	2,131	(7,369)
Grant	15,000	15,000	24,532	9,532
Miscellaneous	—	—	11,712	11,712
<b>Total Revenues</b>	<b>472,500</b>	<b>472,500</b>	<b>552,805</b>	<b>80,305</b>
<b>Expenditures</b>				
<b>Capital Outlay:</b>				
Public works	67,500	67,500	62,369	5,131
Public safety	46,070	91,582	77,380	14,202
Court	6,000	6,000	1,131	4,869
Fire and ambulance services	82,100	82,100	85,951	(3,851)
Administration	4,825	4,825	3,386	1,439
Public safety building	13,782	13,782	10,247	3,535
Parks and recreation	86,890	94,040	58,298	35,742
Other	22,000	22,000	9,949	12,051
<b>Debt Service:</b>				
Principal retirement	125,000	125,000	125,000	—
Interest and fiscal charges	28,250	28,250	28,244	6
<b>Total Expenditures</b>	<b>482,417</b>	<b>535,079</b>	<b>461,955</b>	<b>73,124</b>
<b>Net Changes In Fund Balance</b>	<b>\$ (9,917)</b>	<b>\$ (62,579)</b>	<b>90,850</b>	<b>\$ 153,429</b>
<b>Fund Balance - Beginning Of Year</b>			<u>1,233,694</u>	
<b>Fund Balance - End Of Year</b>			<u>\$ 1,324,544</u>	

**CITY OF SHREWSBURY, MISSOURI**

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

**For The Year Ended December 31, 2012**

	<u>Original And Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Property taxes	\$ 553,244	\$ 590,169	\$ 36,925
Investment income	2,000	2,710	710
<b>Total Revenues</b>	<b>555,244</b>	<b>592,879</b>	<b>37,635</b>
<b>Expenditures</b>			
Debt Service:			
Principal retirement	485,000	485,000	—
Interest and fiscal charges	68,481	68,283	198
<b>Total Expenditures</b>	<b>553,481</b>	<b>553,283</b>	<b>198</b>
<b>Net Changes In Fund Balances</b>	<b><u>\$ 1,763</u></b>	<b>39,596</b>	<b><u>\$ 37,437</u></b>
<b>Fund Balance - Beginning Of Year</b>		<b><u>1,029,232</u></b>	
<b>Fund Balance - End Of Year</b>		<b><u>\$ 1,068,828</u></b>	