

***CITY OF PASADENA HILLS, MISSOURI***

***FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
FEBRUARY 28, 2008***

# ***CITY OF PASADENA HILLS, MISSOURI***

## **CONTENTS**

	PAGE
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	2
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement Of Net Assets	7
Statement Of Activities	8
Balance Sheet - Governmental Funds	9
Reconciliation Of The Statement Of Net Assets Of Governmental Funds To The Balance Sheet	10
Combined Statement Of Revenues, Expenditures And Changes In Fund Balances - All Governmental Fund Types	11
Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities	12
Notes To Financial Statements	13
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Budgetary Comparison Schedule - General Fund	22
Budgetary Comparison Schedule - Sanitation Fund	23
Note To Required Supplementary Information	24

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Aldermen  
***CITY OF PASADENA HILLS, MISSOURI***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pasadena Hills, Missouri, as of and for the year ended February 29, 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Pasadena Hills, Missouri, as of February 29, 2008, and the respective changes in the financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 6 and 22 through 24 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.

*Botz, Deal + Company*

August 3, 2011

**CITY OF PASADENA HILLS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FEBRUARY 29, 2008**

The discussion and analysis of the City of Pasadena Hills, Missouri's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended February 29, 2008. It should be read in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

The City increased its net assets by \$179,444 to \$1,726,536. Net assets increased principally as a result of greater tax collections. Tax collections increased as a result of higher levy to meet annual debt service on its general obligation bond. Intergovernmental tax collections, principally of sales taxes were substantially higher than those of the prior year. Consolidation of the City's bank accounts and higher earnings rates resulted in greater interest income. Interest charges increased as a result of the City's general obligation bond debt service being in place for a full year.

Capital assets, in particular, infrastructure, increased about \$290,000 as a result of the City's completion of its street lighting project, as well as continued street and sidewalk improvements.

**REPORT LAYOUT**

This report consists of Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statement, notes to the financial statements, and supplementary information. The first two statements are highly condensed and present a government-wide view of the City's finances in compliance with Governmental Accounting Standards Board (GASB No. 34). Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, public works, planning, inspection and engineering, municipal courts and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City, giving a broad perspective on the City's overall financial condition.

**Basic Financial Statements**

- The government-wide financial statements are reported on the accrual basis of accounting. The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities.
- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. The governmental activities are reported on the accrual basis of accounting.

**Basic Financial Statements - continued**

- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user’s analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. Each of the City’s major governmental funds are presented in their own column. A budgetary comparison for the General Fund and major special revenue funds are presented as required supplementary information.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City’s financial condition.

**THE CITY AS A WHOLE**

**Government-wide Financial Analysis**

The City's combined net assets were \$1,726,536 as of February 29, 2008. This analysis focuses on the net assets (table 1) and changes in general revenues (Table 2) and significant expenses of the City’s governmental activities.

The City's net assets consist of its investment in capital assets (e.g., land, buildings and improvements, vehicles, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Table 1**

	2008		2007		Increase (Decrease)
Current and other assets	\$ 1,003,233	\$	1,036,912	\$	(33,679)
Capital assets	2,391,845		2,190,257		201,588
Total assets	<u>3,395,078</u>		<u>3,227,169</u>		<u>167,909</u>
Current and other liabilities	90,028		22,441		67,587
Long-term liabilities	1,578,514		1,657,676		(79,162)
Total liabilities	<u>1,668,542</u>		<u>1,680,117</u>		<u>(11,575)</u>
Net assets:					
Invested in capital assets	813,331		532,581		280,750
Restricted	233,626		388,004		(154,378)
Unrestricted	679,579		626,507		53,072
Total net assets	<u>\$ 1,726,536</u>	\$	<u>1,547,092</u>	\$	<u>179,444</u>

**Government-wide Financial Analysis - continued**

Governmental activities increased the City's net assets by \$179,444. The key elements of this increase for the fiscal year ending February 29 and 28, are as follows:

**Table 2**

	2008	2007	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 246,513	\$ 202,463	\$ 44,050
Capital grants and contributions	38,000	-	38,000
General revenues:			
Taxes	587,392	471,669	115,723
Interest income	30,307	14,552	15,755
Miscellaneous	2,278	4,804	(2,526)
Total revenues	<u>904,490</u>	<u>693,488</u>	<u>211,002</u>
Expenses:			
Administrative	162,720	213,805	(51,085)
Public safety	112,144	105,383	6,761
Public works	191,882	118,686	73,196
Sanitation	180,790	173,711	7,079
Sewer Lateral	2,500	5,000	(2,500)
Interest and fiscal charges	75,010	45,171	29,839
Total expenses	<u>725,046</u>	<u>661,756</u>	<u>63,290</u>
Change in net assets	179,444	31,732	147,712
Net assets, beginning of year	1,547,092	1,515,360	31,732
Net assets, end of year	<u>\$ 1,726,536</u>	<u>\$ 1,547,092</u>	<u>\$ 179,444</u>

Total 2008 revenues shown in Table 2 of \$904,490 reflect an increase of \$211,002 over 2007 revenues of \$693,438. Revenues increased due to an increase in the Debt Service Fund tax rate and the receipt of \$38,000 in CDBG grant funds in 2008.

Administrative expenses decreased approximately \$51,000 and Public Works increased approximately \$73,000 due to the City changing where depreciation was charged for certain capital assets. Management feels certain capital assets are more appropriately allocated to public works.

**Governmental Funds**

The following table presents the amount of revenues from various sources on the modified accrual basis of accounting for the fiscal year ending February 29 and 28.

**Table 3**

	2008	2007	Increase (Decrease)
<b>Governmental Funds:</b>			
Taxes	\$ 572,911	\$ 481,941	\$ 90,970
Licenses and permits	13,854	9,056	4,798
Fines and court costs	19,021	11,361	7,660
Investment income	30,307	14,552	15,755
Charges for service	203,450	162,070	41,380
Miscellaneous	40,278	8,397	31,881
Total general revenues	<u>\$ 879,821</u>	<u>\$ 687,377</u>	<u>\$ 192,444</u>

Taxes increased approximately \$90,000 from FYE 2007 to FYE 2008 because property taxes revenue in for debt service increased approximately \$80,000. Charges for service increased approximately \$41,000 due to an increase in rate for sanitation services. Finally, miscellaneous revenue increased due to \$38,000 in CDBG grants received in FYE 2008.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the fiscal year 2008, the City had \$2,391,845 invested in a broad range of capital assets, net of depreciation. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$290,113 or 12% over the prior fiscal year.

**Table 4**

	2008	2007	Increase (Decrease)
Land	\$ 11,980	\$ 11,980	-
Buildings and improvements	162,715	162,715	-
Equipment	5,303	5,303	-
Infrastructure	2,526,790	2,236,677	290,113
Total	<u>\$ 2,706,788</u>	<u>\$ 2,416,675</u>	<u>\$ 290,113</u>

The most significant additions to capital assets this fiscal year were the addition of streetlights.

### DEBT

During the fiscal year ending February 28, 2006, the City issued general obligation bonds totaling \$1,700,000. The bonds are paid back from a dedicated property tax and have an interest rate of 4.705%. Semi-annual payments of principal and interest will be made through March 1, 2034. More detailed information on the City's long-term liabilities is presented in the note 8 to the financial statements.

## **THE CITY'S FUNDS**

At the close of the City's fiscal year on February 29, 2008, the governmental funds of the City reported a combined fund balance of \$925,671. This ending balance includes an increase in fund balance of \$28,919 in the City's General Fund from the excess of revenues over expenditures. Total fund balance decreased by \$127,436 from current year activity.

### **General Fund Budgetary Highlights**

For the fiscal year ending February 29, 2008, actual revenues were \$441,739 compared to the budget amount of \$446,600. Budgeted revenues increased \$85,020 principally as a result of higher tax collections related to the City's general obligation bond and receipt of Community Development Block Grants greater than those anticipated at the time the budgeted was initially formulated.

For the fiscal year ended February 29, 2008 actual expenditures were \$586,374 as compared to the budget amount of \$615,400. Budgeted expenditures decreased \$138,310 principally as a result of lower capital expenditures resulting from a decision not to carry out all planned capital improvement projects.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City does not anticipate significant or material changes in the basis of most revenue sources. It does anticipate resolution of telecommunication class action litigation which the City is a party to. This will result in one-time revenue enhancement and raise revenues permanently.

Fiscal year 2008 marks completion of The City's rehabilitation program, which was financed with general obligation bond issue proceeds. From this point forward, the City expects capital improvement spending to return to previous, lower levels.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact:

Jeffrey Blume, Treasurer  
3915 Roland Boulevard  
Pasadena Hills, Missouri 63121-2517

**CITY OF PASADENA HILLS, MISSOURI**

STATEMENT OF NET ASSETS

FEBRUARY 29, 2008

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 845,524
Receivables:	
Property taxes	48,544
Other taxes	65,982
Customer accounts, net of allowance of \$13,017	36,404
Prepaid	6,779
Capital assets - net:	
Nondepreciable	11,980
Depreciable	<u>2,379,865</u>
TOTAL ASSETS	<u>3,395,078</u>
<b>LIABILITIES</b>	
Accounts payable	29,785
Court bonds payable	6,000
Deferred revenue	17,108
Interest payable	37,135
Noncurrent liabilities:	
Due in one year	65,114
Due in more than one year	<u>1,513,400</u>
TOTAL LIABILITIES	<u>1,668,542</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	813,331
Restricted:	
Capital projects	65,364
Debt service	113,848
Sanitary sewer lateral program	54,414
Unrestricted	<u>679,579</u>
TOTAL NET ASSETS	<u>\$ 1,726,536</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASADENA HILLS, MISSOURI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

<b>Functions/Programs</b>	Expenses	Program Revenue		Net (Expense) Revenue and Change in Net Assets
<b>Governmental Activities</b>		Charges for Service	Capital Grants and Contributions	Governmental Activities
Administrative	\$ 162,720	\$ 13,854	\$ -	\$ (148,866)
Public safety	112,144	19,021	-	(93,123)
Public works	191,882	-	38,000	(153,882)
Sanitation	180,790	203,450	-	22,660
Sewer lateral	2,500	10,188	-	7,688
Interest and fiscal charges	75,010	-	-	(75,010)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 725,046	\$ 246,513	\$ 38,000	(440,533)
Taxes:				
Sales				284,830
Utility				68,161
Property				225,571
Franchise				8,830
Interest income				30,307
Other miscellaneous revenue				2,278
TOTAL GENERAL REVENUES				619,977
CHANGE IN NET ASSETS				179,444
NET ASSETS - BEGINNING OF YEAR				1,547,092
NET ASSETS - END OF YEAR				\$ 1,726,536

The accompanying notes are an integral part of these financial statements.

**CITY OF PASADENA HILLS, MISSOURI**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**FEBRUARY 29, 2008**

	General Fund	Sanitation Fund	Capital Improvements Fund	Debt Service Fund	Non-major Sewer Lateral Fund	Total
<b>ASSETS AND OTHER DEBITS</b>						
Cash and investments	\$ 624,268	\$ 31,739	\$ 52,194	\$ 83,464	\$ 53,859	\$ 845,524
Receivables:						
Property taxes	4,435	-	13,170	30,384	555	48,544
Other taxes	65,982	-	-	-	-	65,982
Customer accounts, net of allowance of \$13,017	-	36,404	-	-	-	36,404
Due from (to) other funds	33,192	(33,192)	-	-	-	-
Prepaid items	6,779	-	-	-	-	6,779
<b>TOTAL ASSETS</b>	<u>\$ 734,656</u>	<u>\$ 34,951</u>	<u>\$ 65,364</u>	<u>\$ 113,848</u>	<u>\$ 54,414</u>	<u>\$ 1,003,233</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 29,785	\$ -	\$ -	\$ -	\$ -	\$ 29,785
Court bonds payable	6,000	-	-	-	-	6,000
Deferred revenue	21,548	-	-	20,229	-	41,777
<b>TOTAL LIABILITIES</b>	<u>57,333</u>	<u>-</u>	<u>-</u>	<u>20,229</u>	<u>-</u>	<u>77,562</u>
<b>FUND BALANCES:</b>						
Fund balances:						
Reserved:						
Street improvement	-	-	65,364	-	-	65,364
Debt service payments	-	-	-	93,619	-	93,619
Prepaid items	6,779	-	-	-	-	6,779
Undesignated:						
General fund	670,544	-	-	-	-	670,544
Sanitation	-	34,951	-	-	-	34,951
Special revenue	-	-	-	-	54,414	54,414
<b>TOTAL FUND BALANCES</b>	<u>677,323</u>	<u>34,951</u>	<u>65,364</u>	<u>93,619</u>	<u>54,414</u>	<u>925,671</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 734,656</u>	<u>\$ 34,951</u>	<u>\$ 65,364</u>	<u>\$ 113,848</u>	<u>\$ 54,414</u>	<u>\$ 1,003,233</u>

The accompanying notes are an integral part of these financial statements.

***CITY OF PASADENA HILLS, MISSOURI***  
RECONCILIATION OF THE STATEMENT OF NET ASSETS  
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET  
AS OF FEBRUARY 29, 2008

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

Total fund balance per balance sheet	\$ 925,671
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,391,845
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	24,669
Liabilities recorded in the statement of net assets that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(37,135)
Long-term liabilities, including bonds payable and notes payable are not due and payable in the current period and therefore, are not reported in the funds.	<u>(1,578,514)</u>
Net assets of governmental activities	<u><u>\$ 1,726,536</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASADENA HILLS, MISSOURI**

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED FEBRUARY 29, 2008

	General Fund	Sanitation Fund	Capital Improvements Fund	Debt Service Fund	Nonmajor Sewer Lateral Fund	Total
<b>REVENUES</b>						
Taxes	\$ 347,995	\$ -	\$ 70,048	\$ 144,680	\$ 10,188	\$ 572,911
Licenses and permits	13,854	-	-	-	-	13,854
Fines and court costs	19,021	-	-	-	-	19,021
Investment income	22,752	481	2,367	4,707	-	30,307
Charges for service	-	203,450	-	-	-	203,450
Grants	38,000	-	-	-	-	38,000
Miscellaneous	117	-	-	-	2,161	2,278
<b>TOTAL REVENUES</b>	<u>441,739</u>	<u>203,931</u>	<u>72,415</u>	<u>149,387</u>	<u>12,349</u>	<u>879,821</u>
<b>EXPENDITURES</b>						
Current:						
Administrative	157,973	-	-	-	-	157,973
Public safety	112,144	-	-	-	-	112,144
Public works	108,104	-	-	-	2,500	110,604
Sanitation	-	180,790	-	-	-	180,790
Capital outlay	208,153	-	-	81,960	-	290,113
Debt service:						
Principal, interest and fiscal charges	-	-	17,007	138,626	-	155,633
<b>TOTAL EXPENDITURES</b>	<u>586,374</u>	<u>180,790</u>	<u>17,007</u>	<u>220,586</u>	<u>2,500</u>	<u>1,007,257</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(144,635)	23,141	55,408	(71,199)	9,849	(127,436)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	173,554	12,119	(100,204)	(87,540)	2,071	-
<b>CHANGE IN FUND BALANCE</b>	28,919	35,260	(44,796)	(158,739)	11,920	(127,436)
<b>FUND BALANCE - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	600,404	(309)	110,160	252,358	42,494	1,005,107
Corrections of errors	48,000	-	-	-	-	48,000
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED</b>	<u>648,404</u>	<u>(309)</u>	<u>110,160</u>	<u>252,358</u>	<u>42,494</u>	<u>1,053,107</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 677,323</u>	<u>\$ 34,951</u>	<u>\$ 65,364</u>	<u>\$ 93,619</u>	<u>\$ 54,414</u>	<u>\$ 925,671</u>

The accompanying notes are an integral part of these financial statements.

***CITY OF PASADENA HILLS, MISSOURI***  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED FEBRUARY 29, 2008

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

Change in fund balance-total governmental funds	\$ (127,436)
Revenues that do not provide current financial resources are not included in the fund financial statements.	24,669
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	290,113
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(88,525)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.	1,461
Payment of bond principal and note payments are expenditures in the governmental funds, but the payments reduce long-term liabilities in the statement of net assets.	<u>79,162</u>
Change in net assets of governmental activities	<u><u>\$ 179,444</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF PASADENA HILLS, MISSOURI**  
NOTES TO FINANCIAL STATEMENTS  
February 29, 2008

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Pasadena Hills, Missouri (the City) was incorporated in 1982 under the provisions of the Missouri State Statutes. The City operates under a Mayoral form of government. The Board of Aldermen consists of four aldermen and the Mayor. The City functions under a constitutional charter approved by its citizens in 1982. The significant accounting policies applied by the City in the preparation of the accompanying financial statements are summarized below:

**A. REPORTING ENTITY**

The City applies the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), to determine which governmental organizations should be included in the reporting entity. The inclusion or exclusion of component units is based on the elected officials accountability to their constituents. The financial reporting entity follows the same accountability. In addition, the financial statements of the reporting entity should allow the user to distinguish between the primary government (including its blended component units, which are, in substance, part of the primary government) and discretely presented component units. Criteria for inclusion of an entity into the primary governmental unit (in blended or discrete presentation) includes, but is not limited to, legal standing, fiscal dependency, imposition of will and the primary recipient of services. The City presently has no component units included within its reporting entity.

**B. BASIC FINANCIAL STATEMENTS**

Basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements, and
- Notes to the basic financial statements.

The government-wide financial statements consist of the statement of net assets and the statement of activities and report information on all of the nonfiduciary activities of the Primary Government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. All internal balances in the statement of net assets have been eliminated.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes: charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

B. **BASIC FINANCIAL STATEMENTS** - continued

Separate fund based financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Sanitation Fund, Debt Service Fund and Capital Improvements Fund. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

C. **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. Revenues are recorded when earned or, for property tax revenues, in the period for which levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental funds 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City in general considers revenues available if they are collected within 120 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due.

For the governmental funds financial statements, the City considers all revenues susceptible to accrual and recognizes revenue if the accrual criteria are met. Specifically, sales taxes, franchise taxes, licenses, interest, special assessments, charges for services, and other miscellaneous revenue are considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period.

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions.

The City reports the following major governmental funds:

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

C. **MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION** - continued

**Sanitation Fund** - This fund is used to account for the fees charged and the costs incurred to provide solid waste removal services to the citizens of the City.

**Capital Improvements Fund** - The fund is used to account for taxes and grants to be used for the construction, repair and maintenance of streets, roads and bridges.

**Debt Service Fund** - This fund is used to accumulate resources that will be used to retire the debt of the City.

The other governmental funds of the City are considered nonmajor. It is a special revenue fund, which accounts for specific revenue sources that are legally restricted to expenditures for specific purposes.

D. **CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads, sidewalks, traffic lights, street lights, sewer lines and similar items), are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$500 or more and an estimated useful life in excess of one year. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives is not capitalized. As allowed by GASB 34, the government-wide financial statements do not reflect infrastructure assets completed prior to March 1, 2004.

Substantially all of the City's infrastructure is owned by a trust established by the City's founders, when the City was formed as a village in 1928. These assets are the responsibility of duly elected trustees of the trust. The trustees are unrelated parties to the City's Mayor or Aldermen.

On May 9, 2000, the City entered into a 50 year lease with the trustees to "maintain and care for" certain subject assets owned by the trust. Since that date, the City has assumed responsibility for maintaining, repairing and restoring substantially all assets owned by the trust, except trees. Amounts expended for these purposes are accounted for as infrastructure.

Capital assets of the City are depreciated using a straight-line method over the following estimated useful lives:

<u>Major Group</u>	<u>Life</u>
Buildings and improvements	20 - 40 years
Equipment	5 - 20 years
Vehicles	5 - 20 years
Infrastructure	20 - 40 years

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

E. **ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Actual results could vary from the estimates that management uses.

F. **INTERFUND TRANSACTIONS**

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions are reported as transfers.

G. **COMPENSATED ABSENCES**

Under terms of the City's personnel policy, employees are granted vacation time based on length of service. Vacation time accrued during one fiscal year may be carried over and used only in the subsequent fiscal year. Upon termination, the employees are not paid for unused vacation. Sick leave is accumulated based upon length of service and is available only to provide compensation during periods of illness. Upon retirement an employee is not eligible to receive payment for a portion of unused sick leave. Since unused compensated absences are not paid at termination no liability is recognized by the City.

H. **LONG-TERM LIABILITIES**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the unamortized portion of applicable premium or discount. Bond issuance costs, including underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, and issuance costs are included in interest expense.

I. **NET ASSETS AND FUND EQUITY**

In government-wide financial statements net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal on related debt. Net assets invested in capital assets, net of related debt does not include the unspent proceeds of capital debt. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws and regulations of other governments). All other net assets are considered unrestricted. It is the City's policy to use restricted funds before unrestricted funds. The City has restricted net assets totaling \$233,626 all of which are restricted by enabling legislation.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

I. **NET ASSETS AND FUND EQUITY - continued**

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

J. **INVESTMENTS**

The City is authorized to invest funds not immediately needed for the purposes to which the funds are applicable, in obligations of the United States Treasury, United States Government Agencies, Repurchase Agreements, Certificates of Deposit, Banker's Acceptance and Commercial Paper.

2. **BUDGETS AND BUDGETARY ACCOUNTING**

The City's budget period is March 1 through February 29. The Treasurer proposes the budget to the Board of Aldermen for review, usually each January. The Board then reviews, recommends, and changes as it deems appropriate. The Board then approves the budgets. Under Missouri law, expenditures may not legally exceed budgeted appropriations at the fund level.

3. **CASH AND TEMPORARY INVESTMENTS**

The City's bank deposits are required by state law to be secured by the deposit of certain securities specified by 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. As of February 29, 2008, the carrying amount of the City's bank deposits totaled \$845,524 with bank balances of \$856,900. The balances were covered by federal depository insurance or collateralized by securities held by the pledging financial institution but not in the City's name.

4. **PROPERTY TAX**

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on September 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The adjusted assessed value at January 1, 2007, upon which the 2007 levy was based on real, personal and public utility property, was \$15,233,140.

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund	\$ 0.2230	\$ 0.2400	\$ 0.3100
Debt Service Fund	1.0022	1.0022	1.0022
Road and Bridge	0.1050	0.1050	0.1050

5. **INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Due to/from other funds at February 29, 2008 are as follows:

	<u>DUE TO</u>	<u>DUE FROM</u>
General Fund	\$ 33,192	\$ -
Sanitation	-	33,192

The outstanding balances between funds result mainly from the time lag between the dates that the reimbursable expenditures occur and the payments are made.

Interfund transfers for the period ending February 29, 2008 are as follows:

	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General Fund	\$ 173,554	\$ -
Sanitation Fund	12,119	-
Capital Improvements Fund	-	100,204
Debt Service Fund	-	87,540
Sewer Lateral Fund	2,071	-

## 6. CAPITAL ASSETS

Capital asset activity for the primary government for the year ended February 29, 2008 is as follows:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	DELETIONS AND TRANSFERS	BALANCE, END OF YEAR
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,980	\$ -	\$ -	\$ 11,980
Capital assets, being depreciated:				
Buildings and improvements	162,715	-	-	162,715
Equipment	5,303	-	-	5,303
Infrastructure	2,236,677	290,113	-	2,526,790
Total capital assets, being depreciated	2,404,695	290,113	-	2,694,808
Less accumulated depreciation for:				
Buildings and improvements	( 40,792)	( 4,216)	-	( 45,008)
Equipment	( 2,115)	(530)	-	( 2,645)
Infrastructure	( 182,783)	( 84,507)	-	( 267,290)
Total accumulated Depreciation	(225,690)	(89,253)	-	( 314,943)
Total capital assets, being depreciated, net	2,179,005	200,860	-	2,379,865
Total governmental Activities	\$ 2,190,985	\$ 200,860	\$ -	\$ 2,391,845

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental activities:	
Administrative	\$ 4,746
Public works	84,507
Total depreciation expense-governmental activities	\$ 89,253

## 7. LONG-TERM DEBT

### General Obligation Bonds

On April 4, 2004, the City's citizens approved Proposition S, authorizing the City to issue general obligation bonds not to exceed \$2,000,000 for the purpose of repairing and restoring city streets and appearances. On August 30, 2004, the Board of Aldermen passed an ordinance authorizing execution of a bond indenture totaling \$1,700,000. The bond bears an interest rate of 4.705% with semi-annual payments of \$69,313. The bond matures on March 1, 2025.

7. **LONG-TERM DEBT** - continued

At February 29, 2008, balance outstanding is as follows:

General Obligation Bonds - Series 2004 \$1,578,514

The annual debt service requirements to maturity on the refunding bonds are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 65,114	\$ 73,513	\$ 138,627
2010	68,213	70,413	138,626
2011	71,460	67,166	138,626
2012	74,862	63,764	138,626
2013	78,426	60,200	138,626
2014	82,159	56,467	138,626
2015	86,070	52,556	138,626
2016	90,167	48,459	138,626
2017	94,460	44,166	138,626
2018	98,956	39,670	138,626
2019	103,667	34,959	138,626
2020	108,602	30,024	138,626
2021	114,772	23,854	138,626
2022	119,188	19,438	138,626
2023	124,861	13,765	138,626
2024	130,805	7,821	138,626
2025	66,732	1,580	68,312
TOTAL	\$ <u>1,578,514</u>	\$ <u>707,815</u>	\$ <u>2,286,329</u>

A summary of changes in long-term liabilities is as follows:

	<u>BALANCE, BEGINNING OF YEAR</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE, END OF YEAR</u>	<u>DUE WITHIN ONE YEAR</u>
Governmental activities:					
General Obligation Bonds	\$ 1,640,669	\$ -	\$ ( 62,155)	\$ 1,578,514	\$ 65,114
Note payable	17,007	-	( 17,007)	-	-
Subtotal governmental activities	\$ <u>1,657,676</u>	\$ <u>-</u>	\$ <u>( 79,162)</u>	\$ <u>1,578,514</u>	\$ <u>65,114</u>

8. **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Expenditures exceeded appropriations in the following functional expenditure categories:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Expenditures Over Appropriations</u>
Sanitation Fund	\$ 180,790	\$ 166,400	\$ 14,390
Debt Service Fund	220,586	76,400	144,186
Capital Improvement Fund	17,007	-	17,007

9. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to tort; theft of; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages these risks through the purchase of traditional insurance and participation in insurance trusts.

The City, along with various other local municipal governments, participates in insurance trusts for general liability, employment practice liability and error and omissions (Missouri Public Entity Risk Management Fund). The purpose of these trusts is to distribute the cost of self-insurance over similar entities. The trusts require an annual premium payment to cover estimated claims payable and reserves for claims for each entity. The members of the trusts have no legal interest in the assets, liabilities or fund balances of the insurance trusts. However, the City retains a contingent liability to fund its pro rata share of any deficit incurred by the trusts should the trusts cease operations at some future date. The City's premiums payments to the trusts were \$2,745 for the fiscal year ending February 29, 2008.

The City also purchases commercial insurance to cover risks related to property, travel and workers compensation. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

10. **PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended February 29, 2008, an adjustment was made to the beginning fund balance in the General to correct certain accrual items reflected on the cash basis in the prior year's financial statements. The affect on beginning fund balance was an increase of \$48,000.

11. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 3, 2011, the date the financial statements were available to be issued, the date the financial statements were available to be issued.

12. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), establishes standards for the policies and disclosures for fund balance among other things. GASB 54 will be effective for the City for the year ending February 28, 2011.

The City, however, has not yet completed its assessment of these statements or the potential impact on its financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF PASADENA HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes	\$ 322,200	\$ 349,500	\$ 347,995	\$ (1,505)
Licenses and permits	9,280	14,100	13,854	(246)
Fines and court costs	12,000	12,500	19,021	6,521
Other	18,100	70,500	60,869	(9,631)
TOTAL REVENUES	<u>361,580</u>	<u>446,600</u>	<u>441,739</u>	<u>(4,861)</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	169,660	151,300	157,973	(6,673)
Public safety	110,500	109,500	112,144	(2,644)
Public works	97,800	94,800	108,104	(13,304)
Capital outlay	375,750	259,800	208,153	51,647
TOTAL EXPENDITURES	<u>753,710</u>	<u>615,400</u>	<u>586,374</u>	<u>29,026</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(392,130)	(168,800)	(144,635)	(33,887)
<b>OTHER FINANCING SOURCES</b>				
Transfer in (out)	-	-	173,554	(173,554)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (392,130)</u>	<u>\$ (168,800)</u>	<u>28,919</u>	<u>\$ 197,719</u>
<b>FUND BALANCES - BEGINNING</b>				
<b>OF YEAR, AS PREVIOUSLY STATED</b>			600,404	
Correction of errors			<u>48,000</u>	
<b>FUND BALANCES - BEGINNING</b>			648,404	
<b>OF YEAR, AS RESTATED STATED</b>			<u>648,404</u>	
<b>FUND BALANCES -</b>				
<b>END OF YEAR</b>			<u>\$ 1,325,727</u>	

**CITY OF PASADENA HILLS, MISSOURI**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**SANITATION FUND**  
**FOR THE YEAR ENDED FEBRUARY 29, 2008**

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES</b>				
Charges for sevice	\$ 222,872	\$ 186,600	\$ 203,450	\$ 16,850
Other	-	-	481	481
TOTAL REVENUES	<u>222,872</u>	<u>186,600</u>	<u>203,931</u>	<u>17,331</u>
<b>EXPENDITURES</b>				
Current:				
Sanitation	<u>220,000</u>	<u>166,400</u>	<u>180,790</u>	<u>(14,390)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	2,872	20,200	23,141	31,721
<b>OTHER FINANCING SOURCES</b>				
Transfer in (out)	<u>-</u>	<u>-</u>	<u>12,119</u>	<u>(12,119)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 2,872</u>	<u>\$ 20,200</u>	35,260	<u>\$ 19,602</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>			<u>(309)</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 34,951</u>	

***CITY OF PASADENA HILLS, MISSOURI***  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED FEBRUARY 29, 2008

**1. BUDGETARY INFORMATION**

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote 2 of the notes to the financial statements.