

CITY OF GRAIN VALLEY, MISSOURI

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

CITY OF GRAIN VALLEY, MISSOURI

TABLE OF CONTENTS

INTRODUCTORY SECTION

PRINCIPAL OFFICIALS iii

MANAGEMENT'S DISCUSSION AND ANALYSIS..... iv

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT..... 1

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

 Statement of Net Assets..... 4

 Statement of Activities 5

Government Fund Financial Statements:

 Balance Sheet..... 6

 Reconciliation of the Governmental Funds Balance Sheet to the Statement
 of Net Assets 8

 Statement of Revenues, Expenditures, and Changes in Fund Balance 10

 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 12

Proprietary Fund Financial Statements:

 Statement of Net Assets..... 13

 Statement of Revenues, Expenses, and Changes in Fund Net Assets..... 14

 Statement of Cash Flows 15

 Notes to Financial Statements..... 18

REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MD&A:

 Missouri Local Government Employees Retirement System..... 55

 Schedules of Revenues, Expenditures, and Changes in Fund Balance --
 Actual and Budget -- Major Funds:

 General Fund 56

 Park 57

 Street 58

 Public Health..... 59

 2011 G O Bond 60

CITY OF GRAIN VALLEY, MISSOURI

TABLE OF CONTENTS

SUPPLEMENTAL INFORMATION:

Combining Statements of Non-major Governmental Funds:

Combining Balance Sheet.....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	62
Budgetary Comparison Schedules -- Major Governmental Funds	63
Budgetary Comparison Schedules -- Non-Major Governmental Funds.....	65

CITY OF GRAIN VALLEY, MISSOURI

Principal Officials

MAYOR/BOARD OF ALDERMAN

Mike Todd Mayor
Scott ShaferWard 1
Terry BeebeWard 1
Nancy Totton.....Ward 2
Yolanda West.....Ward 2
Bob HeadleyWard 3
Mike Scully.....Ward 3

ADMINISTRATION

Alexa Barton City Administrator
Cathy Bowden..... Finance Director

Independent Certified Public Accountants Troutt, Beeman & Co., P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Grain Valley's Annual Financial Report provides readers with a narrative overview and analysis of the City's financial performance during the fiscal year that ended on December 31, 2011. We encourage readers to consider the information presented here in conjunction with the letter of transmittal at the front of this report, the City's basic financial statements, and notes to the financial statements, to enhance their understanding of the activities and financial health of The City of Grain Valley.

FINANCIAL HIGHLIGHTS

- Net assets of the City increased \$948,777 or 3.3% during fiscal 2011 with a \$320,512 increase attributed to business-type activities offset by a \$628,265 increase in governmental activities. The increase is the result of operating revenue in the water and sewer funds exceeding expenditures. The increase in governmental activities resulted from expenditures being less than the revenues.
- Unrestricted net assets increased \$854,524 to \$6,665,551. \$592,377 of this amount is attributed to Governmental Activities and \$262,148 in business-type activities.
- \$5.2 million in General Obligation Bonds were issued in December of 2011. This is the balance of voter approved 2005 bonds for infrastructure improvements.
- During fiscal 2011, the City's governmental expenditures of \$7,724,943 were \$264,247 more than the \$7,460,696 generated in taxes and other revenues for governmental programs. This excess in expenditures relates to the utilization of existing bond proceeds to pay for the I-70 Interchange project and Park trails.

This discussion and analysis is intended to serve as an introduction to the City's *Basic Financial Statements*. The Basic Financial Statements contain three components: government-wide financial statements, fund financial statements (including component unit statements), and notes to the financial statements. In addition, this report contains other *Required Supplementary Information*, a *Supplemental Information* section that presents *combining statements* for non-major governmental funds (along with actual and budget comparison schedules), and a *Statistical Section* which includes supplemental disclosure information.

The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the City's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.
 - *Governmental Fund* statements tell how *general government* services like public safety, public works, health and welfare, and parks, trails, and storm water were financed in the short-term as well as what remains for future spending.
 - *Proprietary Fund* statements offer short-term and long-term financial information about the activities the City government operates similar to a private business.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required components, a section is included with combining statements that provide further detail about our non-major governmental funds, each of which are added together and presented in single columns in each of the basic financial statements.

Government-Wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or current position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, consideration should be given to additional non-financial factors such as changes in the City's property tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into three categories:

- *Governmental activities:* Most of the City's basic services are included here, such as public safety, roads and bridges, parks and recreation, and general administration. Sales taxes, property taxes, charges for services, and State and Federal grants finance most of these activities.
- *Business-type activities:* The City charges fees to customers to help cover the costs of certain services it provides. The City's only Enterprise Fund is the Water/Sewer Fund.
- *Component units:* The City currently has no situations or relationships which would be classified as component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*, not the City as a whole. Funds are accounting mechanisms that the City uses to keep track of and segregate specific sources of funding and spending for particular purposes.

- Some funds are required by state law and/or by bond covenants.
- The Finance Director establishes other funds to control and manage resources for particular purposes (i.e. Debt Service and Capital Projects Funds) or to show that certain taxes and grants are used appropriately (i.e. Special Revenue Funds).
- *Governmental funds*: Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out, and (2) the balances left at year-end are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the subsequent page of the governmental funds statement that explains the relationship (or differences) between the two types of statements.
- *Proprietary funds*: Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
 - The City's *Enterprise Funds* are classified as a business-type activity on the government-wide statements, but more detailed information is provided in the Proprietary Fund Statements, such as its cash flows.

Government-Wide Financial Analysis

Net Assets. As discussed earlier, net assets may serve as a useful indicator of a government's financial position. As of December 31, 2011, the City's net assets were \$29,303,646. Table A provides a summary of the City's governmental and business-type net assets for fiscal 2011.

Table A
Combined Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Assets						
Current and other assets						
Cash and other assets	\$ 8,609,976	\$ 13,006,933	\$ 6,794,370	\$ 7,359,876	\$ 15,404,346	\$ 20,366,809
Total capital assets	23,741,766	23,443,685	14,941,546	14,638,648	38,683,312	38,082,333
Total assets	\$ 32,351,742	\$ 36,450,618	\$ 21,735,916	\$ 21,998,524	\$ 54,087,658	\$ 58,449,142
Liabilities						
Current and other liabilities	\$ 3,583,699	\$ 2,134,710	\$ 802,237	\$ 1,500,525	\$ 4,385,936	\$ 3,635,235
Long-term debt outstanding	17,467,084	20,215,840	6,050,613	5,294,421	23,517,697	25,510,261
Total liabilities	\$ 21,050,783	\$ 22,350,550	\$ 6,852,850	\$ 6,794,946	\$ 27,903,633	\$ 29,145,496
Net Assets						
Invested in Capital Assets, net of debt	\$ 7,412,101	\$ 7,478,773	\$ 10,590,747	\$ 11,456,213	\$ 18,002,848	\$ 18,934,986
Restricted:						
Capital projects & other	338,758	1,141,731	-	215,898	338,758	1,357,629
Debt service	1,008,392	2,345,480	1,023,000	-	2,031,392	2,345,480
Unrestricted	2,541,708	3,134,084	3,269,319	3,531,467	5,811,027	6,665,551
Total net assets	\$ 11,300,959	\$ 14,100,068	\$ 14,883,066	\$ 15,203,578	\$ 26,184,025	\$ 29,303,646

Total net assets for the City at December 31, 2011, were \$29,303,646 with \$15,203,578 attributed to business-type activities and \$14,100,068 attributable to governmental activities.

At the end of fiscal 2011, the City had \$38,082,333 invested in a variety of capital assets, including land, buildings, construction in progress, law enforcement equipment, heavy equipment for the maintenance of roads and bridges, as well as, the addition of infrastructure. This was a decrease of \$600,979 over 2010.

The largest portion of the City's net assets represents the investment in capital assets, net of related debt, which is restricted for the purpose of providing services to the City of Grain Valley citizens; therefore, they are not available for future spending. Because they are not available for future spending, the resources needed to liquidate the related debt must be provided from other sources, primarily sales and property taxes.

Although the City's investment in 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.

The \$1,357,629 of restricted assets for capital projects represent unspent bond proceeds for road and park projects while the \$2,345,480 restricted for debt service are funds collected and being held to pay off bonds and restricted for that use.

The City has issued debt in relation to MODOT I-70 Interchange Project which the City is cost sharing. The debt is paid with revenue generated from the debt service property tax levy.

Governmental Activities. Table B (see next page) presents fiscal 2010 and 2011 revenues and expenditures for the primary government as they are reported in the Statement of Activities in the basic financial statements. The revenues and expenditures include the Governmental Funds (General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds) and Enterprise Funds (Water and Sewer Fund).

Sales taxes increased 1.0% with economic conditions suppressing retail activity universally. Residential and commercial growth have both slowed in most communities reflective of general economic conditions which corresponds directly with the flat sales tax revenue. Sales taxes make up 23.9% of revenue in the governmental funds.

Property taxes for general purposes remained flat in 2011. The above mentioned slow-down in new construction kept assessed value growth and the associated property tax revenue at this relatively flat level.

Table B
City of Grain Valley, Missouri - Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2011	2010	2011	2010	2011
Revenues						
<u>Program Revenues</u>						
Charges for Services	\$ 566,601	\$ 631,994	\$ 3,568,014	\$ 4,081,012	\$ 4,134,615	\$ 4,713,006
Operating Grants and Contributions	476,070	498,566	-	-	476,070	498,566
Capital Grants and Contributions	13,365	61,963	138,233	-	151,598	61,963
<u>General Revenues</u>						
Taxes:						
Property Taxes-general purposes	1,262,451	2,514,259	-	-	1,262,451	2,514,259
Property Taxes-specific purposes	1,547,732	502,275	-	-	1,547,732	502,275
Franchise Taxes	1,261,120	1,224,407	-	-	1,261,120	1,224,407
Sales Taxes	1,424,275	1,632,759	-	-	1,424,275	1,632,759
Unrestricted Investment Earnings	116,571	127,102	-	29,315	116,571	156,417
Miscellaneous	109,141	247,645	105,237	32,250	214,378	279,895
Total Revenues	6,777,326	7,440,970	3,811,484	4,142,577	10,588,810	11,583,547
Expenses						
Governmental Activities:						
General Government:	998,647	811,046	-	-	998,647	811,046
Municipal Court	119,405	123,655	-	-	-	-
Public Safety	1,766,506	1,813,608	-	-	1,766,506	1,813,608
Planning & Engineering	432,381	421,924	-	-	-	-
Economic Development Projects	-	571,657	-	-	-	-
Public Works	1,992,279	933,540	-	-	1,992,279	933,540
Parks and Recreation	951,999	1,150,018	-	-	951,999	1,150,018
Public Health	140,000	287,905	-	-	-	-
Interest on Long-term Debt	765,069	699,352	-	-	765,069	699,352
Business-type Activities	-	-	3,815,523	3,822,065	3,815,523	3,822,065
Total Expenses	7,166,286	6,812,705	3,815,523	3,822,065	10,981,809	10,634,770
Changes in net assets before transfers	(388,960)	628,265	(4,039)	320,512	(392,999)	948,777
Transfers & Loss on Disp of Assets	-	-	-	-	-	-
Changes in net assets	(388,960)	628,265	(4,039)	320,512	(392,999)	948,777
Net Assets at beginning of year, as resated	11,689,919	13,471,803	14,887,105	14,883,066	26,577,024	28,354,869
Net Assets at end of year	\$ 11,300,959	\$ 14,100,068	\$ 14,883,066	\$ 15,203,578	\$ 26,184,025	\$ 29,303,646

Public Works decreased \$1,058,739 as work on major road construction projects and other projects was funded in the prior year. Parks and Recreation increased \$198,019 with the completion of the 40 HWY Loop Trail.

Business-type Activities: Modest rate increases in the Water/Sewer Funds helped to increase revenue and cash reserves in the enterprise fund which will be used for future capital projects.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds Overview. The City of Grain Valley uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As described earlier, the City's governmental funds provide information on short-term inflows and outflows, as well as what remains for future spending. Such information is useful in assessing the City's financing requirements. For example, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is supplemental to the information presented in the previous section (Table B).

At the end of fiscal 2011, the City of Grain Valley reported a combined fund balance of \$11,989,241 in the Governmental Funds. Of the total combined fund balance, 26% consists of unrestricted fund balance. This is the portion of fund balance which serves as a measure of current available financial resources. This share of the fund balance is further divided into General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Funds. Total fund balance increased \$5,571,599 in fiscal 2011 largely due to \$5,100,433 in bond proceeds.

The restricted fund balance represents resources not available for spending or those on which legal restriction have been placed.

The General Fund, Park Fund, Transportation Fund, Public Health Fund, GO Bond Fund, 2011 GO Bond Fund, and Debt Service Fund are the City's seven major governmental funds.

General Fund. The General Fund of the City of Grain Valley accounts for all transactions not required to be accounted for in other funds. As the City's major operating fund, the General Fund accounts for ordinary operating expenditures financed primarily by property taxes, sales tax, and charges for services. The General Fund completed the year with a fund balance of \$3,450,114, increasing by \$498,701 from 2010. The fund balance is 95.8% unrestricted while the remaining 4.2% is non-spendable, restricted, or assigned.

Park Fund. The Park Fund accounts for Parks and Recreation property tax, sales tax, and user fees collected for the purpose of providing parks services for the City. This includes land purchasing, parks constructing, equipping, maintaining, and operating the parks and recreation facilities. The Park Fund ending fund balance was \$558,817; an increase of \$68,930 from the prior year's ending balance.

Transportation Fund. The Transportation Fund accounts for the operations and maintenance of roads and bridges within the City. Financing is provided primarily by a ½ cent transportation sales tax and other intergovernmental revenues from the State. The Transportation Fund ended with a restricted fund balance of \$106,582. \$3469 of the balance is nonspendable.

GO Bond Fund. The GO Bond Fund accounts for the monies from the 2008 Bond proceeds. The bonds were issued for street improvements, park, and storm water improvements. At the end of 2011 the fund had a restricted balance of \$444,208.

2011 GO Bond Fund. The 2011 GO Bond Fund accounts for the monies from the 2011 Bond proceeds. The bonds were issued for the I-70 Interchange and street improvements. At the end of 2011 the fund had a restricted balance of \$5,100,433.

Public Health Fund. The Public Health Fund is a special revenue fund supported by property tax levy to provide health related programs. The fund has a restricted fund balance of \$175,324.

Debt Service Fund. The Debt Service Fund accounts for revenue generated by property tax levy for payment of general obligation bonds. The fund has a restricted fund balance of \$2,310,047.

General Fund Budgetary Highlights

The City Council revised the budget of the General Fund once in 2011. The amendment decreased appropriations of \$126,308 which was a 3.8% decrease over the original budget with actual expenditures \$36,164 below the final approved budget.

Actual revenues exceeded final budgeted revenues by \$263,793. The five major reasons for this surplus were:

- Taxes exceeded budget by \$117,615.
- Intergovernmental revenue fell short of budget by (\$13,470).
- Fees and fines exceeded budget by \$72,058.
- Charges for services exceeded budget by \$5,473.
- Licenses and permits exceeded budget by \$4,130.
- Miscellaneous revenues exceeded budget by \$54,550

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City of Grain Valley's investment in capital assets for governmental and business-type activities is \$38,082,333, net of accumulated depreciation. This includes land, buildings, improvements, equipment, roads, bridges, and construction in progress. The total decrease in capital assets was 1.6% over the prior year. Major capital asset projects funded this year are as follows:

- Parks 40 HWY Loop Trail (\$256,386)

Additional information on the City's capital assets can be found in Note 4.

Debt Administration. The City of Grain Valley had various forms of debt during fiscal 2011. Table C below shows the City's outstanding debt by type for 2010 and 2011:

	Governmental		Business-type		Total	
	2010	2011	2010	2011	2010	2011
General Obligation Bonds	15,105,000	19,379,676	-	-	15,105,000	19,379,676
Certificates of Participation	1,945,000	1,830,000	-	-	1,945,000	1,830,000
Sewerage Revenue Bonds	-	-	6,335,000	5,845,000	6,335,000	5,845,000
Capital Leases	58,997	50,036	-	-	58,997	50,036
Total	\$ 17,108,997	\$ 21,259,712	\$ 6,335,000	\$ 5,845,000	\$ 23,443,997	\$ 27,104,712

The City's debt for governmental activities increased in fiscal 2011 from \$17,108,997 to \$21,259,712 or 24.3%. The increase was the result of issuance of \$5,234,676 in General Obligation Bonds for the I-70 Interchange project. All other principal and interest payments were made according to schedule.

Debt for business-type activities decreased by \$490,000 with no new debt issued and payments on all outstanding debt made according to existing amortization schedules.

Total debt increased a net of \$3,660,715.

Additional information on the City's long-term debt can be found in Note 6.

ECONOMIC FACTORS, 2011 BUDGET, AND TAX RATES

- The City's fiscal 2011 General Fund budgeted revenues increased 3.6% from the fiscal 2010 budget. This is the result of increases in paid property taxes and a onetime insurance payment for property loss. Budgeted expenditures increased 2%. This is the result of increased legal fees, consultant costs and capital items purchased. Revenues in the governmental funds increased by 9.9% due to payment of protested property tax, increased sales tax and court fines.
- The City has a 1 cent general sales tax as well as ½ cent sales tax for Park, ½ cent for Transportation, and ½ cent for capital improvement. Sales tax revenue increased 15.4% as a result of new and expanded businesses and an increase in local shopping due to the high cost of gas.
- The City's 2011 property tax levies have been adopted by the City Council and approved by the State Auditor's Office. The levies total \$1.7365 per \$100 of assessed value compared to 2010 rates totaling \$1.6666, or an increase of 4.2%. 63% of the increase was for debt service. The increase will generate about the same amount of revenue for the General, Park, and Public Health Funds because of the lower assessments.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for our citizens, taxpayers, customers, investors, creditors, and other interested parties, and also to show our accountability for the monies entrusted to our care. If you have questions about this report or need additional financial information, contact Director of Finance, The City of Grain Valley, 711 Main Street, Grain Valley, Missouri 64029.

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and Members of the
Board of Alderman
City of Grain Valley, Missouri

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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.

As discussed in Note 21 to the basic financial statements, items were noted which required restatement. As a result, net assets have been restated.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grain Valley, Missouri, as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 iv through xiv and 63 through 69 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 managements responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Loud, Gorman & Co., P.C.
Harrisonville, Missouri
April 17, 2012

BASIC FINANCIAL STATEMENTS

Basic Financial Statements are provided so that the users of the financial report may obtain an overview of the City's financial position prior to a presentation of comparable data on a detailed basis for individual funds.

**CITY OF GRAIN VALLEY, MO
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Pooled cash and investments	\$ 10,633,226	\$ 3,236,177	\$ 13,869,403
Cash and investments-restricted	269,427	1,541,353	1,810,780
Taxes receivable, net	1,471,823	-	1,471,823
Accrued interest	1,515	6,016	7,531
Accounts receivable, net	104,847	629,547	734,394
Unamortized debt issuance costs	314,367	321,143	635,510
Deferred charges, net of amortization	-	1,540,922	1,540,922
Inventories	-	64,554	64,554
Prepaid expenses	211,728	20,164	231,892
Capital assets:			
Land and construction in progress	4,025,627	249,386	4,275,013
Buildings and improvements	5,192,403	147,438	5,339,841
Land improvements	1,905,273	38,778	1,944,051
Furniture and equipment	876,460	332,704	1,087,801
Vehicles	723,185	211,341	20,240,264
Infrastructure	16,430,875	19,517,079	35,947,954
Less: accumulated depreciation	<u>(5,710,138)</u>	<u>(5,858,078)</u>	<u>(11,568,216)</u>
Total capital assets	<u>23,443,685</u>	<u>14,638,648</u>	<u>38,082,333</u>
Total assets	<u>36,450,618</u>	<u>21,998,524</u>	<u>58,449,142</u>
LIABILITIES			
Accounts payable and accrued expenses	293,101	530,188	823,289
Salaries and benefits payable	49,951	10,396	60,347
Deferred revenues	205,990	-	205,990
Liabilities payable from restricted assets	-	312,400	312,400
Bond costs, net of amortization	120,000	-	120,000
Long-term liabilities:			
Due within one year:			
Bonds, capital leases, and contracts	1,200,113	570,000	1,770,113
Compensated absences	38,801	6,473	45,274
Accrued interest	226,754	71,068	297,822
Due in more than one year:			
Bonds, capital leases, and contracts	20,059,599	5,275,000	25,334,599
Compensated absences	116,404	19,421	135,825
Sales tax agreement	39,837	-	39,837
Total liabilities	<u>22,350,550</u>	<u>6,794,946</u>	<u>29,145,496</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,478,773	11,456,213	18,934,986
Restricted for:			
Capital projects	371,649	190,000	561,649
Parks	266,695	-	266,695
Road and street	95,788	-	95,788
Police and court	200	-	200
Debt service	2,345,480	-	2,345,480
Public health	175,324	-	175,324
Prepaid items	211,728	20,164	231,892
Employee benefits	20,347	5,734	26,081
Unrestricted	<u>3,134,084</u>	<u>3,531,467</u>	<u>6,665,551</u>
Total net assets	<u>\$ 14,100,068</u>	<u>\$ 15,203,578</u>	<u>\$ 29,303,646</u>

See accompanying notes.

CITY OF GRAIN VALLEY, MO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Charges for			Program Revenue		Capital Grants and		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Services	Operating Grants and Contributions	Contributions	Contributions	Governmental Activities	Primary Government Business-type Activities	Total		
Primary government:										
General government activities:										
Municipal court	\$ 811,046	\$ 94,730	\$ -	\$ -	\$ -	\$ (716,316)	\$ -	\$ -	\$ (716,316)	
Public safety	123,655	215,858	-	-	-	92,203	-	-	92,203	
Planning and engineering	1,813,608	10,741	206,572	-	-	(1,596,295)	-	-	(1,596,295)	
Economic development	421,924	54,953	-	-	-	(366,971)	-	-	(366,971)	
Street	571,657	-	54,785	-	-	(516,872)	-	-	(516,872)	
Parks and recreation	933,540	-	237,209	-	61,963	(696,331)	-	-	(696,331)	
Public health	1,150,018	255,712	-	-	-	(832,343)	-	-	(832,343)	
Interest on long-term debt	287,905	-	-	-	-	(287,905)	-	-	(287,905)	
Total governmental activities	699,352	631,994	498,566	-	61,963	(699,352)	-	-	(699,352)	
	6,812,705					(5,620,182)			(5,620,182)	
Business-type activities,										
Water and sewer	3,822,065	4,081,012	-	-	-	-	258,947	258,947	258,947	
Total primary government	\$ 10,634,770	\$ 4,713,006	\$ 498,566	\$ -	\$ 61,963	\$ (5,620,182)	\$ -	\$ 258,947	\$ (5,361,235)	
General revenues:										
Taxes:										
Property taxes, levied for general purposes									2,514,259	2,514,259
Property taxes, levied for specific purposes									502,275	502,275
Franchise taxes and other taxes									1,224,407	1,224,407
Sales taxes									1,632,759	1,632,759
Investment earnings									127,102	156,417
Miscellaneous									247,645	279,895
Total general revenues, special items, and transfers									6,248,447	6,310,012
Change in net assets									628,265	948,777
Net assets - beginning, as restated									13,471,803	28,354,869
Net assets - ending									\$ 14,100,068	\$ 29,303,646

See accompanying notes.

**CITY OF GRAIN VALLEY, MO
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Park</u>	<u>Street</u>	<u>Public Health</u>
ASSETS				
Pooled cash and investments	\$ 1,979,348	\$ 142,108	\$ -	\$ 157,277
Cash and investments-restricted	29,297	236,680	3,450	-
Taxes receivable, net	568,551	125,630	128,024	28,289
Due from other funds	985,903	-	-	-
Accrued interest	-	-	-	-
Other receivables	14,663	76,875	250	-
Prepays	<u>46,520</u>	<u>7,456</u>	<u>3,469</u>	<u>-</u>
Total assets	<u>\$ 3,624,282</u>	<u>\$ 588,749</u>	<u>\$ 135,193</u>	<u>\$ 185,566</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 31,455	\$ 9,895	\$ 13,744	\$ 5,000
Salaries and benefits payable	42,233	6,230	1,488	-
Due to other funds	-	-	13,175	-
Deferred revenue	81,097	13,156	-	5,242
Other liabilities	<u>19,383</u>	<u>651</u>	<u>204</u>	<u>-</u>
Total liabilities	<u>174,168</u>	<u>29,932</u>	<u>28,611</u>	<u>10,242</u>
Fund balances:				
Nonspendable,				
Prepaid items	46,520	7,456	3,469	-
Restricted:				
Capital projects	-	-	-	-
Parks and recreation	-	314,681	-	-
Employee benefits	13,747	3,150	3,450	-
Debt service	-	233,530	-	-
Road and street	-	-	99,663	-
Public health	-	-	-	175,324
Police and court	200	-	-	-
Assigned to,				
Capital outlay	83,725	-	-	-
Unassigned	<u>3,305,922</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>3,450,114</u>	<u>558,817</u>	<u>106,582</u>	<u>175,324</u>
Total liabilities and fund balances	<u>\$ 3,624,282</u>	<u>\$ 588,749</u>	<u>\$ 135,193</u>	<u>\$ 185,566</u>

See accompanying notes.

<u>GO Bond</u>	<u>2011 GO Bond</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,332,538	\$ 5,100,508	\$ 1,849,539	\$ 71,908	\$ 10,633,226
-	-	-	-	269,427
-	-	564,554	56,775	1,471,823
-	-	-	-	985,903
1,515	-	-	-	1,515
-	-	-	13,059	104,847
-	-	-	-	57,445
<u>\$ 1,334,053</u>	<u>\$ 5,100,508</u>	<u>\$ 2,414,093</u>	<u>\$ 141,742</u>	<u>\$ 13,524,186</u>
\$ 124,574	\$ 75	\$ -	\$ 88,120	\$ 272,863
-	-	-	-	49,951
765,271	-	-	207,457	985,903
-	-	104,046	2,449	205,990
-	-	-	-	20,238
<u>889,845</u>	<u>75</u>	<u>104,046</u>	<u>298,026</u>	<u>1,534,945</u>
-	-	-	-	57,445
444,208	5,100,433	-	26,299	5,570,940
-	-	-	-	314,681
-	-	-	-	20,347
-	-	2,310,047	-	2,543,577
-	-	-	-	99,663
-	-	-	-	175,324
-	-	-	-	200
-	-	-	-	83,725
-	-	-	(182,583)	3,123,339
<u>444,208</u>	<u>5,100,433</u>	<u>2,310,047</u>	<u>(156,284)</u>	<u>11,989,241</u>
<u>\$ 1,334,053</u>	<u>\$ 5,100,508</u>	<u>\$ 2,414,093</u>	<u>\$ 141,742</u>	<u>\$ 13,524,186</u>

See accompanying notes.

**CITY OF GRAIN VALLEY, MO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

Fund balances - total governmental funds	\$	11,989,241
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		23,443,685
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. This amount represents the net of discounts and premiums on long-term obligations.		194,367
Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.		(226,754)
Expenditures benefiting future periods are not reported in the governmental funds, yet are reflected as prepaid items in the statement of net assets		154,283
Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the government-wide statements:		
Bonds and capital leases		(21,259,712)
Sales tax agreement		(39,837)
Compensated absences		(155,205)
Net Assets of Governmental Activities in the Statement of Net Assets	\$	<u>14,100,068</u>

See accompanying notes.

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CITY OF GRAIN VALLEY, MO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE --
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>General Fund</u>	<u>Park</u>	<u>Street</u>	<u>Public Health</u>
REVENUES				
Taxes	\$ 2,739,606	\$ 520,420	\$ 281,854	\$ 85,154
Intergovernmental	206,572	61,963	237,209	-
Charges for services	71,473	255,712	-	-
Fees and fines	304,809	-	-	-
Investment earnings	60,682	7,426	51	1,930
Other	<u>261,078</u>	<u>742</u>	<u>5,332</u>	<u>219</u>
Total revenues	<u>3,644,220</u>	<u>846,263</u>	<u>524,446</u>	<u>87,303</u>
EXPENDITURES				
General government	570,580	-	-	-
Municipal court	123,655	-	-	-
Public safety	1,741,346	-	-	-
Planning and engineering	421,924	-	-	-
Economic development	29,028	-	-	-
Street	-	-	469,323	-
Parks and recreation	-	746,361	-	-
Public health	-	-	-	33,254
Capital outlay	224,602	268,393	15,441	-
Debt service:				
Principal	54,734	115,000	-	-
Interest and other charges	<u>5,549</u>	<u>91,639</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>3,171,418</u>	<u>1,221,393</u>	<u>484,764</u>	<u>33,254</u>
Excess (deficiency) of revenues over expenditures	<u>472,802</u>	<u>(375,130)</u>	<u>39,682</u>	<u>54,049</u>
OTHER FINANCING SOURCES (USES):				
Issuance of long-term debt	45,773	-	-	-
Discount of bond issuance	-	-	-	-
Transfers in	-	444,060	3,540	-
Transfers out	<u>(18,540)</u>	<u>-</u>	<u>(40,000)</u>	<u>(95,860)</u>
Total other financing sources and uses	<u>27,233</u>	<u>444,060</u>	<u>(36,460)</u>	<u>(95,860)</u>
Net change in fund balances	500,035	68,930	3,222	(41,811)
Fund balances (deficit) - beginning, as restated	<u>2,950,079</u>	<u>489,887</u>	<u>103,360</u>	<u>217,135</u>
Fund balances (deficit) - ending	<u>\$ 3,450,114</u>	<u>\$ 558,817</u>	<u>\$ 106,582</u>	<u>\$ 175,324</u>

See accompanying notes.

<u>GO Bond</u>	<u>2011 GO Bond</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,638,037	\$ 608,629	\$ 5,873,700
-	-	-	54,785	560,529
-	-	-	-	327,185
14,544	-	42,469	-	304,809
-	-	-	-	127,102
<u>14,544</u>	<u>-</u>	<u>1,680,506</u>	<u>663,414</u>	<u>7,460,696</u>
-	-	-	-	570,580
-	-	-	-	123,655
-	-	-	-	1,741,346
-	-	-	-	421,924
-	-	-	564,142	593,170
-	-	-	-	469,323
-	-	-	-	746,361
573,623	-	-	16,765	33,254
-	-	960,000	-	1,098,824
-	81,896	617,688	-	1,129,734
<u>573,623</u>	<u>81,896</u>	<u>1,577,688</u>	<u>580,907</u>	<u>7,724,943</u>
<u>(559,079)</u>	<u>(81,896)</u>	<u>102,818</u>	<u>82,507</u>	<u>(264,247)</u>
-	5,234,676	-	-	5,280,449
-	(52,347)	-	-	(52,347)
-	-	-	-	447,600
<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>(243,200)</u>	<u>(447,600)</u>
<u>(50,000)</u>	<u>5,182,329</u>	<u>-</u>	<u>(243,200)</u>	<u>5,228,102</u>
(609,079)	5,100,433	102,818	(160,693)	4,963,855
<u>1,053,287</u>	<u>-</u>	<u>2,207,229</u>	<u>4,409</u>	<u>7,025,386</u>
<u>\$ 444,208</u>	<u>\$ 5,100,433</u>	<u>\$ 2,310,047</u>	<u>\$ (156,284)</u>	<u>\$ 11,989,241</u>

See accompanying notes.

CITY OF GRAIN VALLEY, MO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - total governmental funds: \$ 4,963,855

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. This is the amount by which capital outlays, which are over the capitalization threshold, exceeded depreciation in the current period:

Capital outlay	674,407
Loss on disposal of assets	2,741
Proceeds from sales of capital assets	(22,467)
Depreciation expense	(952,762)
	(298,081)

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Net Assets reports repayment as a reduction to long-term liabilities. This is the amount by which proceeds exceed repayments:

Payments on sales tax agreement	311
Issuance of debt	(5,280,449)
Repayment of principal	1,129,734
	(4,150,404)

Governmental funds report premiums and discounts as other financing sources. In contrast, those items are capitalized on the Statement of Net Assets and amortized over the life of the bonds on the Statement of Activities. This is the net amount of premiums, discounts, and amortization:

Premiums/discounts	134,243
Amortization of premiums/discounts	(2,249)
	131,994

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Prepaid expense	(3,809)
Accrued interest not reflected on governmental funds	15,524
Compensated absences	(30,814)
	(19,099)

Change in net assets of governmental activities \$ 628,265

See accompanying notes.

**CITY OF GRAIN VALLEY, MO
STATEMENT OF NET ASSETS
PROPRIETARY FUND
DECEMBER 31, 2011**

	Water and Sewer
ASSETS:	
Current assets:	
Pooled cash and investments	\$ 3,236,177
Cash and investments-restricted	1,541,353
Receivables, net:	
Billed	404,899
Unbilled	224,648
Interest	6,016
Inventories	64,554
Prepaid expenses	20,164
Total current assets	5,497,811
Non-current assets:	
Unamortized debt issue costs	321,143
Deferred charges, net of amortization	1,540,922
Capital assets, net	14,638,648
Total non-current assets	16,500,713
	21,998,524
 LIABILITIES:	
Current liabilities:	
Accounts payable	530,188
Salaries and benefits payable	10,396
Accrued interest payable	71,068
Customer deposits	312,400
Compensated absences	6,473
Bonds, notes, and loans payable	570,000
Total current liabilities	1,500,525
Non-current liabilities:	
Compensated absences	19,421
Bonds, notes, and loans payable	5,275,000
Total non-current liabilities	5,294,421
	6,794,946
 NET ASSETS:	
Invested in capital assets, net of related debt	11,456,213
Restricted for prepaid items	20,164
Restricted for employee benefits	5,734
Restricted for capital outlay	190,000
Unrestricted	3,531,467
	\$ 15,203,578

See accompanying notes.

CITY OF GRAIN VALLEY, MO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS --
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	Water and Sewer
REVENUES,	
Charges for services	\$ <u>4,081,012</u>
 OPERATING EXPENSES:	
Personnel services	633,523
Contractual services	41,449
Materials and supplies	132,896
Maintenance and repairs	102,775
Insurance	18,230
Utilities	70,194
Water purchases	1,341,627
Sewer services	391,184
Depreciation and amortization	<u>789,324</u>
	<u>3,521,202</u>
Operating income	<u>559,810</u>
 NON-OPERATING REVENUES (EXPENSES):	
Interest income	29,315
Miscellaneous income	32,250
Interest expense	(300,333)
Loss on disposal of assets	<u>(530)</u>
	<u>(239,298)</u>
Increase in net assets	<u>320,512</u>
Total net assets - beginning	<u>14,883,066</u>
Total net assets - ending	<u>\$ 15,203,578</u>

See accompanying notes.

CITY OF GRAIN VALLEY, MISSOURI

**STATEMENT OF CASH FLOWS -- PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Received from customers	\$ 4,037,070
Payments to employees and fringe benefits	(629,727)
Payments for operations	<u>(2,045,863)</u>
Net cash provided by operating activities	<u>1,361,480</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Bond issuance costs	(11,000)
Proceeds from sale of capital assets	13,862
Acquisition and construction of capital assets	(212,231)
Principal paid on capital debt and leases	(490,000)
Interest paid on capital debt and leases	<u>(305,688)</u>
Net cash used by capital and related financing activities	<u>(1,005,057)</u>
CASH FLOWS FROM INVESTING ACTIVITIES,	
Investment income	<u>34,910</u>
Net increase in cash and cash equivalents	391,333
Cash and cash equivalents, Beginning of the year	<u>4,386,197</u>
Cash and cash equivalents, End of the year	<u>\$ 4,777,530</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 559,810</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization expense	789,324
Nonoperating income	32,250
Changes in assets and liabilities:	
Receivables, net	(45,191)
Inventories	13,786
Prepaid items	(7,998)
Accounts payable and accrued liabilities	25,517
Due to other funds	(11,750)
Customer deposits	1,250
Compensated absences	<u>4,482</u>
Total adjustments	<u>801,670</u>
Net cash provided by operating activities	<u>\$ 1,361,480</u>
Noncash investing, capital, and financing activities:	
Capital asset write-offs, all fully depreciated	\$ 135,929
Assets acquired from governmental funds, \$20,000 cost and accumulated depreciation	-

See accompanying notes.

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NOTES TO FINANCIAL STATEMENTS

The Notes to the Financial Statements include a summary of the accounting policies followed and information used by the City that are judged to be most appropriate for full disclosure in the preparation of the financial statements.

CITY OF GRAIN VALLEY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the City of Grain Valley, Missouri (the City), have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

- A. Reporting Entity: The City of Grain Valley, Missouri, was incorporated in 1945 and is located in Jackson County, Missouri. Grain Valley is a fourth class city and operates under the board of aldermen-administrator form of government and provides services to its residents in many areas, including law enforcement, water and sewer services, community enrichment and various social services. The City Administrator is the chief administrative officer of the City. The accompanying financial statements present the City's primary government and any component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Management has considered all potential component units and has determined there are no entities outside of the primary government that should be blended into or discretely presented with the City's financial statements.

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. With regard to FASB pronouncements issued after November 30, 1989, for its proprietary fund activities, the City has elected not to adopt any of those pronouncements. The City has also refrained from implementing FASB pronouncements issued after November 30, 1989.

- B. Government-Wide and Fund Financial Statements: The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report information on all of the activities of the City and its component units. *Governmental activities*, which are normally supported by taxes and governmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

B. Government-Wide and Fund Financial Statements (Continued):

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 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 as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds include other Special Revenue and Capital Projects funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for non-major funds are presented with Combining and Individual Fund Statements and Schedules.

- C. Measurement Focus, Basis of Accounting, and Basis of Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments are reported only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

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. Charges for sales and services (other than utility) and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received.

The City reports the following major governmental funds:

The General Fund is the primary operating fund. Expenditures from this fund provide basic City services, such as police protection, planning, inspection, engineering, animal control, civil defense, municipal court, and overall basic services such as finance and data processing, personnel, and general administration of the City.

Revenue sources include taxes, which include property taxes, sales taxes, franchise taxes, and cigarette taxes. Other revenues include other fees and licenses, and revenue gathered from the municipal court and investment earnings.

The Park Fund accounts for taxes collected and expended for operations and improvements to the City's parks, community center, and pool.

The Transportation and Street Fund accounts for sales tax collected and other resources to be used for road and bridge projects within the City and operation and maintenance of the City's streets, curbs, etc.

The Public Health Fund accounts for property taxes levied for health related programs.

The G.O. Bond Fund accounts for bond proceeds and other financial resources segregated for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The 2011 G.O. Bond Fund accounts for bond proceeds and other financial resources segregated for the construction of street infrastructure.

The Debt Service Fund accounts for property taxes collected and expended for the servicing of general long-term debt not being financed by proprietary funds.

The City reports the following nonmajor governmental funds:

The Old Towne TIF Fund accounts for incremental property and sales taxes to be used to finance improvements in the special district.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued):

The Capital Improvements Fund accounts for sales tax collected to be used for acquiring capital equipment and improving City facilities and infrastructure.

The Grain Valley Marketplace TIF Fund accounts for the activity in the special district approved in 2010, including any amounts due from the developer, future incremental tax revenues, and the issuance of any TIF bonds to finance eligible improvements made in the District.

The Grain Valley Marketplace NID Fund accounts for the amounts due from the developer and future special assessment tax revenues to service any bonds issued to finance eligible improvements made in the NID district.

The Grain Valley Marketplace CID Fund accounts for the amounts due from the developer and future incremental sales tax revenues to service any bonds issued to finance eligible improvements made in the CID district.

Proprietary fund level financial statements are used to account for activities, which are similar to those found in the private-sector. The measurement focus is upon determination of net income, financial position, and cash flows. The City reports the following proprietary fund:

Water and Sewer Fund accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, billing, collection, and related debt service.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of the activity, i.e., charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Fund Equity - Government-Wide Statements: Equity is classified as net assets and displayed in three components:

- (1) Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- (2) Restricted net assets: Consists of net assets with constraints placed on the use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
- (3) Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

It is the City's policy to first use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

E. Fund Equity: In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form – prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Board of Alderman-the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board of Alderman removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

E. Fund Equity (Continued):

Assigned fund balance - This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The Board of Alderman and the City Administrator have the authority to assign amounts to be used for specific purposes. Assigned fund balance include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

F. Budgets: The reported budgetary data represents the final approved budget after amendments as adopted by the Board of Alderman. Annual operating budgets are adopted for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds. Missouri law requires budgets to be adopted for all governmental funds. The City prepares its budgets on the modified accrual basis of accounting for its governmental funds and the accrual basis for its proprietary funds. The Board of Alderman has amended the budget at various times during the year and has performed the following procedures in establishing the City's budget:

- (1) Prior to November 30, the City Administrator submits to the Board of Alderman a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- (2) Public hearings are conducted to obtain taxpayer comments.
- (3) Prior to January 1, the budget is legally enacted through the passage of an ordinance.
- (4) The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Alderman. This constitutes the City's legal level of budgetary control.
- (5) Appropriations lapse at year-end, but may be reappropriated in the following fiscal year.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

G. Pooled Cash, Investments, and Restricted Assets: State statutes authorize the City to invest in banking institutions and obligations of municipalities, repurchase agreements, U.S. government agency obligations, and obligations of the U.S. Treasury. Cash resources of the individual governmental fund types are combined to form a pool of cash and investments. At December 31, 2011, the City's cash was deposited in demand accounts, certificates of deposit, and money markets. Investments with maturities of less than one year are stated at cost, which approximates fair value. All investments are stated at cost, which approximates fair value. Interest income on pooled cash and investments is allocated based upon each fund's respective average cash balance.

Certain proceeds of federal grants are classified as restricted assets on the balance sheet because their use is limited by applicable grant agreements. Assets are also restricted for court bonds, debt service reserve requirements, and refunding customer meter deposits.

H. Statement of Cash Flows: A statement of cash flows has been presented in accordance with Governmental Accounting Standards Board Statement 9 for the Proprietary Fund. For purposes of the statement of cash flows, demand deposits, and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

I. Accounts Receivable: Accounts receivable for water and sewer services are accounted for in the Water and Sewer Funds and include billed amounts as well as an accrual for the earned but unbilled services from the previous billing date through December 31, 2011. Accounts receivable in the General Fund represents charges for property, sales, and franchise taxes. All accounts receivable are stated net of allowances. The amount of the allowance in the governmental funds was \$114,106.

J. Interfund Receivables and Payables: Transactions between funds that are representative of cash overdrafts from pooled cash and investing are reported as interfund receivables or payables.

K. Interfund Transactions: During the course of normal operations, the City has transactions between funds, including expenditures and transfers of resources to provide services and construct assets. Legally authorized transfers are treated as transfers and are included in the results of operations of both Governmental and Proprietary Funds.

L. Inventory: Inventory, which consists principally of maintenance supplies, gasoline, and oil, is valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when purchased.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

M. Unamortized Debt Issuance Costs: Costs incurred in issuing and refunding bonds have been capitalized and recorded as unamortized debt issuance costs. These costs are amortized, using the straight-line method, over the period that the related bonds are outstanding.

N. Capital Assets: Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges), are reported in the applicable government or business-type activities columns in the government-wide statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost if purchased or constructed, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation on all assets is computed using the straight-line method over the following estimated lives:

Major Assets

Buildings	40 years
Plant, structure, and lines	50-60 years
Infrastructure	50 years
Equipment and vehicles	3-10 years

GASB Statement 34 requires the reporting and depreciation of the new infrastructure expenditures effective with the beginning of the implementation year.

O. Compensated Absences: Accumulated vacation and sick leave, that is expected to be liquidated with expendable available financial resources, is reported as an expenditure and a fund liability of the governmental fund that will pay it. Accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

P. Long-Term Obligations: Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- Q. Encumbrances: Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control. Encumbrances outstanding at year-end, if any, are reported as reservations of fund balance for subsequent year expenditures. When expenditures are incurred in subsequent years relating to amounts previously encumbered, such amounts are, if material, reappropriated in the year expended.

- R. Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- S. Total Columns on Combined Statements: Total columns on the combined statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

2. DEPOSITS AND INVESTMENTS:

At December 31, 2011, the carrying amount of the City's cash on hand, demand deposits, and certificates of deposit in financial institutions was \$600, \$13,127,563, and \$2,318,489, respectively. The bank balances of demand deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the City. All deposits were held by a qualified depository.

At December 31, 2011, the City's investments consisted of the following:

	Carrying Amount	Fair Value	Investment Rating
Money Market	\$ 233,531	\$ 233,531	NA

Interest Rate Risk

Interest rate risk is the risk that changes interest rates that will adversely affect the fair value of an investment. The City does not have a formal policy for interest rate risk. However, the City does manage its exposure to fair value loss arising from interest rate changes on internally invested funds by reviewing the portfolio on an ongoing basis for changes in effective yield amounts. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk of investments 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 investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize demand deposits with securities held by the financial institution's agent and in the City's name.

At December 31, 2011, the City had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	> 5
Investment type, Money Market	\$ 233,531	\$ 233,531	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer.

Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, and certificates of deposit. Statutes also require that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by statutes and approved by the State. The City may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (b) repurchase agreements maturing and becoming payable within 90 days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

The City's general credit risk policy is to apply to prudent person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probability safety of their capital, as well as the probable income to be derived.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS (Continued):

At December 31, 2011, the carrying value of deposits and investments are summarized as follows:

Investments, Money markets	<u>\$ 233,531</u>
Certificates of deposit	2,318,489
Cash on hand	600
Deposits	<u>13,127,563</u>
	<u>15,446,652</u>
Total	<u>\$ 15,680,183</u>

Deposits and investments of the City are reflected in the government-wide financial statements as follows:

Pooled cash and investments	\$ 13,869,403
Restricted cash	<u>1,810,780</u>
Total	<u>\$ 15,680,183</u>

3. ACCOUNTS RECEIVABLE:

As a result of providing water and sanitation services to its citizens, the City has extended credit to them. Accounts receivable are presented net of allowance for doubtful accounts of \$120,000 for the Water & Sewer fund.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS:

A. Capital asset activity for the year ended December 31, 2011, consisted of the following:

	<u>Balance</u> <u>1/1/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>12/31/2011</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,661,524	\$ 258,987	\$ -	\$ 2,920,511
Construction in progress	<u>937,193</u>	<u>216,467</u>	<u>48,544</u>	<u>1,105,116</u>
Total capital assets not being depreciated	<u>3,598,717</u>	<u>475,454</u>	<u>48,544</u>	<u>4,025,627</u>
Capital assets being depreciated:				
Buildings and improvements	5,198,218	-	5,815	5,192,403
Furniture and equipment	856,761	91,558	71,859	876,460
Infrastructure	16,419,456	11,419	-	16,430,875
Land improvements	1,849,748	314,512	258,987	1,905,273
Vehicles	<u>749,388</u>	<u>88,995</u>	<u>115,198</u>	<u>723,185</u>
Total capital assets being depreciated	<u>25,073,571</u>	<u>506,484</u>	<u>451,859</u>	<u>25,128,196</u>
Less accumulated depreciation:				
Buildings and improvements	1,221,149	137,477	5,815	1,352,811
Furniture and equipment	385,429	108,391	64,978	428,842
Infrastructure	2,411,707	547,537	-	2,959,244
Land improvements	357,147	85,946	-	443,093
Vehicles	<u>555,090</u>	<u>73,411</u>	<u>102,353</u>	<u>526,148</u>
Total accumulated depreciation	<u>4,930,522</u>	<u>952,762</u>	<u>173,146</u>	<u>5,710,138</u>
Total capital assets being depreciated, net	<u>20,143,049</u>	<u>(446,278)</u>	<u>278,713</u>	<u>19,418,058</u>
Governmental activities capital assets, net	<u>\$23,741,766</u>	<u>\$ 29,176</u>	<u>\$ 327,257</u>	<u>\$23,443,685</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

4. CAPITAL ASSETS (Continued):

A. Capital asset activity for the year ended December 31, 2011, consisted of the following (Continued):

	<u>Balance</u> <u>1/1/2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 171,725	\$ -	\$ -	\$ 171,725
Construction in progress	87,820	25,328	35,487	77,661
Total capital assets not being depreciated	<u>259,545</u>	<u>25,328</u>	<u>35,487</u>	<u>249,386</u>
Capital assets being depreciated:				
Buildings and improvements	147,438	-	-	147,438
Furniture and equipment	460,927	20,000	148,223	332,704
Land improvements	38,778	-	-	38,778
Vehicles	221,810	-	10,469	211,341
Infrastructure	19,224,986	322,791	30,698	19,517,079
Total capital assets being depreciated	<u>20,093,939</u>	<u>342,791</u>	<u>189,390</u>	<u>20,247,340</u>
Less accumulated depreciation:				
Buildings and improvements	56,162	3,728	-	59,890
Furniture and equipment	235,508	51,976	133,831	153,653
Land improvements	18,811	3,192	-	22,003
Vehicles	144,120	20,764	10,469	154,415
Infrastructure	4,957,337	541,478	30,698	5,468,117
Total accumulated depreciation	<u>5,411,938</u>	<u>621,138</u>	<u>174,998</u>	<u>5,858,078</u>
Total capital assets being depreciated, net	<u>14,682,001</u>	<u>(278,347)</u>	<u>14,392</u>	<u>14,389,262</u>
Business-type activities capital assets, net	<u>\$14,941,546</u>	<u>\$ (253,019)</u>	<u>\$ 49,879</u>	<u>\$14,638,648</u>

B. Depreciation expense was charged to the function/programs of the primary government as follows:

Government activities:	
General government	\$ 209,652
Public safety	72,262
Streets and highways	440,766
Parks and recreation	<u>230,082</u>
Total depreciation expense, governmental	<u>\$ 952,762</u>
Business-type activities,	
Water and sewer	<u>\$ 601,138</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN:

- A. Plan Description: The City of Grain Valley 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 the system's responsibility to administer the law in accordance with the expressed intent of the general assembly. The plan is qualified under Internal Revenue Code Section 401(a) and is tax exempt.

The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to LAGERS, PO Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

- B. Funding Status: The City of Grain Valley's full-time employees do not contribute to the pension plan. The political subdivision is required by state statute to contribute to an actuarially determined rate; the current rate is 9.5% (general) and 11.0% (police) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

C. Annual Pension Cost (APC) and Net Pension Obligation (NPO):

Annual required contribution	\$ 213,380
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>213,380</u>
Actual contributions	<u>213,380</u>
Increase (decrease) in NPO	-
NPO beginning of year	-
NPO end of year	<u><u>\$ -</u></u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

5. PENSION PLAN (Continued):

The annual required contribution (ARC) was determined as part of the February 28, 2009 and February 28, 2010, annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included (a) a rate of return on the investment of present and future assets of 7.5% 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 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 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 as of February 28, 2009 was 19 years for the General division and 19 years for the Police division. The amortization period as of February 28, 2010 was 18 years for the General division and 18 years for the Police division.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 220,736	100%	\$ -
6/30/10	\$ 232,987	100%	\$ -
6/30/11	\$ 213,380	100%	\$ -

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT:

Changes in long-term debt of the City for the year ended December 31, 2011, consisted of the following:

Governmental Activities					
	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Amounts Due Within One Year
General obligation bonds	\$ 15,105,000	\$ 5,234,676	\$ 960,000	\$ 19,379,676	\$ 1,040,000
Certificates of participation	1,945,000	-	115,000	1,830,000	130,000
Capital leases	58,997	45,773	54,734	50,036	30,113
	<u>17,108,997</u>	<u>5,280,449</u>	<u>1,129,734</u>	<u>21,259,712</u>	<u>1,200,113</u>
Other liabilities, Compensated absences	124,391	64,979	34,165	155,205	38,801
	<u>\$ 17,233,388</u>	<u>\$ 5,345,428</u>	<u>\$ 1,163,899</u>	<u>\$ 21,414,917</u>	<u>\$ 1,238,914</u>

Business-Type Activities					
	Balance January 1, 2011	Additions	Retirements	Balance December 31, 2011	Amounts Due Within One Year
Revenue bonds	\$ 6,335,000	-	\$ 490,000	\$ 5,845,000	\$ 570,000
Other liabilities, Compensated absences	21,412	14,419	9,937	25,894	6,473
	<u>\$ 6,356,412</u>	<u>\$ 14,419</u>	<u>\$ 499,937</u>	<u>\$ 5,870,894</u>	<u>\$ 576,473</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

The compensated absences liability attributable to governmental activities will be liquidated primarily by the General Fund. The liability for compensated absences has been calculated using the vesting method, which leaves amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Total City debt at December 31, 2011, consisted of the following:

Governmental funds:

\$1,640,000, Series 1998 general obligation bond, issued to refund the 1988, 1989, and 1990 bonds, due in annual installments of \$25,000 to \$200,000, through March 1, 2012; interest at 4.25% to 5.5%	\$ 200,000
\$3,500,000, Series 2002 general obligation bonds, issued for construction of parks, water, sewer, and streets improvements, due in annual installments of \$170,000 to \$500,000, through March 1, 2017, interest at 2% to 5.25%	525,000
\$9,620,000, Series 2005, general obligation bonds, issued for the refunding of the 1998A bonds and the 2002 bonds, due in annual installments of \$125,000 to \$1,345,000, through March 1, 2019, interest at 3.5% to 4.5%	8,215,000
\$6,940,000, Series 2008A, general obligation bonds, issued for park and public infrastructure, due in annual installments of \$1,225,000 to \$415,000, through March 1, 2028, interest at 4% to 4.35%	5,205,000
\$5,234,676 Series 2011 general obligation bonds, issued for construction of street infrastructure, due in annual installments of \$592,468 to \$305,118, through March 1, 2031, interest at 3.2% to 4.9%	<u>5,234,676</u>
	<u>19,379,676</u>
\$2,335,000 Series 2006 certificate of participation, issued for construction and improvement to the Community Center, due in annual installments of \$100,000 to \$430,000, through September 1, 2020, interest at 4.25% to 5%	<u>1,830,000</u>
Total governmental funds	<u><u>\$ 21,209,676</u></u>

CITY OF GRAIN VALLEY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Proprietary fund:

\$2,505,000, Series 2004A Waterworks and Sewerage System Revenue Bonds due in annual installments of \$75,000 to \$335,000, through October 1, 2016, interest at 2.1% to 4.8%	\$ 1,495,000
\$5,705,000, Series 2001 Waterworks and Sewerage System Revenue Bonds due in annual installments of \$25,000 to \$450,000, through October 1, 2020, interest at 4.375% to 5.125%	<u>4,350,000</u>
Total proprietary fund	<u>\$ 5,845,000</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Aggregate annual principal and interest payments applicable to long-term debt are:

Years ending December 31,	Principal	Interest	General Obligation Bonds
2012	\$ 1,040,000	\$ 573,207	\$ 1,613,207
2013	1,130,000	520,645	1,650,645
2014	1,250,000	486,685	1,736,685
2015	1,365,000	434,123	1,799,123
2016	1,485,000	371,260	1,856,260
2017-2021	6,453,635	1,677,600	8,131,235
2022-2026	4,124,231	1,935,584	6,059,815
2027-2031	2,531,810	1,771,956	4,303,766
	<u>\$ 19,379,676</u>	<u>\$ 7,771,060</u>	<u>\$ 27,150,736</u>

Years ending December 31,	Principal	Interest	Certificates of Participation
2012	\$ 130,000	\$ 84,050	\$ 214,050
2013	140,000	78,525	218,525
2014	150,000	72,575	222,575
2015	165,000	65,825	230,825
2016	185,000	58,648	243,648
2017-2020	1,060,000	147,120	1,207,120
	<u>\$ 1,830,000</u>	<u>\$ 506,743</u>	<u>\$ 2,336,743</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

<u>Years ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Sales Tax Revenue Bonds</u>
2012	\$ 570,000	\$ 284,273	\$ 854,273
2013	620,000	258,627	878,627
2014	695,000	229,907	924,907
2015	740,000	197,072	937,072
2016	780,000	161,236	941,236
2017-2020	<u>2,440,000</u>	<u>263,530</u>	<u>2,703,530</u>
	<u>\$ 5,845,000</u>	<u>\$ 1,394,645</u>	<u>\$ 7,239,645</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Bond Reserve Accounts:

Under the Series 2001 Combined Waterworks/Sewerage System Revenue Bonds, the City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. Further, after providing funds for current operations and principal and interest, excess funds will be deposited at a rate of \$1,000 monthly into a depreciation and replacement account until a balance of \$100,000 is reached. In addition, the City will make a deposit in the reserve account of \$570,500.

At December 31, 2011, the City was in compliance with these requirements.

Under the Series 2004 Combined Waterworks/Sewerage System Revenue Bonds, the City is required to deposit monies into a debt service account sufficient to meet maturity dates of principal and interest. Further, after providing funds for current operations and principal and interest, excess funds will be deposited at a rate of \$1,000 monthly into a depreciation and replacement account until a balance of \$100,000 is reached. In addition, the City will make a deposit in the reserve account of \$230,000.

At December 31, 2011, the City was in compliance with these requirements.

Rates and fees established and charged were sufficient to satisfy bond covenant responsibilities for the water and sewer fund for the year ended December 31, 2011.

The City is authorized to issue industrial revenue bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. Bonds are secured by the property financed and are payable solely from payments received on the underlying lease agreement. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, State of Missouri, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, no building asset or bond liability has been reflected in the financial statements. At December 31, 2011, the City has one outstanding industrial revenue bond issue with a total principal amount of \$3,020,000.

The Missouri State Constitution permits a city, by a vote of either two-thirds or four-sevenths of the voting electorate, depending on the date of the election, to incur general obligation indebtedness for "city purposes" not to exceed 10% of the assessed value of taxable tangible property and to incur additional general obligation indebtedness not to exceed, in the aggregate, an additional 10% of the assessed value of taxable tangible property, for the purpose of acquiring rights-of-way, construction, extending and improving streets and avenues, and/or sanitary or storm sewer systems, and purchasing or constructing waterworks, electric, or other light plants, provided the total general obligation indebtedness does not exceed 20% of the assessed valuation of taxable property.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

At December 31, 2011, the City's general obligation debt limit was \$31,715,994 and the legal debt margin was \$14,646,365.

The City has entered into an agreement to reimburse \$75,000 to a local business for the infrastructure improvements it made, and is payable from sales taxes collected by the City from this business. In 2011, \$311 was reimbursed by the City.

7. CAPITAL LEASES:

The City has entered into lease agreements for financing capital equipment. The lease agreements qualify as capital leases for accounting purposes, therefore have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset		
2011 Crown Victorias	\$	45,773
2010 Crown Victorias		45,541
2009 Crown Victorias		44,338
2009 Dodge Durango		21,481
2009 Charger		23,425
Total assets acquired	\$	180,558

The future minimum lease payments and the present value of the remaining minimum lease payments as of December 31, 2011, are as follows:

Years Ending December 31		General Fund
2012	\$	32,799
2013		16,546
2014		4,136
		53,481
Less: amount representing interest		3,445
Present value of future minimum lease payments	\$	50,036

CITY OF GRAIN VALLEY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

8. RESTRICTED CASH:

Restricted cash and investments at December 31, 2011, consisted of the following:

<u>Account</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Water & Sewer Fund</u>	<u>Total</u>
Police	\$ 100	\$ -	\$ -	\$ 100
Municipal court	15,450	-	-	15,450
Customer deposits	-	-	316,813	316,813
Health plan and flex benefits	13,747	6,600	5,734	26,081
Reserve for debt service	<u>-</u>	<u>233,530</u>	<u>1,218,806</u>	<u>1,452,336</u>
	<u>\$ 29,297</u>	<u>\$ 240,130</u>	<u>\$ 1,541,353</u>	<u>\$ 1,810,780</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

9. LEGAL MATTERS:

There are a number of claims or lawsuits to which the City is, or may be, a party as a result of certain law enforcement activities, injuries and various other matters and complaints arising in the ordinary course of activities. The City also participates in federal and state assigned grant programs which are subject to financial and compliance requirements with each applicable grant, and any disallowed costs resulting from such audits become the liability of the City. The City's management and legal counsel anticipate the potential claims against the City, if any, which are not covered by insurance, resulting from such matters would not materially affect the financial position of the City.

10. TAX REVENUES:

The tax revenue, including interest and penalties collected thereon, for the year ended December 31, 2011, is as follows:

<u>Type</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>
Property	\$ 921,101	\$ 502,275	\$ 1,593,158
Railroad	12,128	3,674	20,947
Franchise	1,095,431	-	-
Cigarette	-	25,033	-
City sales	676,415	391,420	-
Park sales	-	283,070	-
Transportation sales	-	281,854	-
Other	<u>34,531</u>	<u>8,731</u>	<u>23,932</u>
	<u>\$ 2,739,606</u>	<u>\$ 1,496,057</u>	<u>\$ 1,638,037</u>

The assessed valuation of the tangible property for the purpose of local taxation as of May 31, 2011, was as follows:

Real estate	\$ 131,499,152
Personal property	27,080,814
TIF	<u>2,362,839</u>
	<u>\$ 160,942,805</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

10. TAX REVENUES (Continued):

The tax levy per \$100 of assessed valuation of tangible real and personal property for the calendar year 2011 was as follows:

General Fund	\$	0.5685
Parks and Recreation Fund		0.1255
Health Fund		0.0500
Debt Service Funds		<u>0.9925</u>
	\$	<u>1.7365</u>

Property taxes may attach as an enforceable lien on property as of January 1. Taxes are levied no later than November 1 and are due and payable at that time. All unpaid taxes levied by November 1 become delinquent January 1 of the following year.

11. INTERFUND TRANSACTIONS:

Interfund receivable and payable balances at December 31, 2011, were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 985,903	\$ -
Special Revenue Funds:		
Transportation	-	13,175
Capital Improvement	-	28,811
Marketplace TIF	-	159,465
Marketplace NID	-	7,631
Marketplace CID	-	11,550
Capital Project Fund, General Obligation Bond	<u>-</u>	<u>765,271</u>
	<u>\$ 985,903</u>	<u>\$ 985,903</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

11. INTERFUND TRANSACTIONS (Continued):

Transfers during the year ended December 31, 2011, were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 18,540
Special Revenue Funds:		
Park	444,060	-
Transportation and Street	3,540	40,000
Public Health	-	95,860
Capital Improvement	-	243,200
General Obligation Bond	-	50,000
	\$ 447,600	\$ 447,600

In general, transfers are used to (1) move revenues from the fund that collects the money to the fund that expends the money, (2) move receipts restricted or earmarked for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in a fund to provide operating advances to other funds in accordance with budgetary authorizations.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

12. INTERGOVERNMENTAL REVENUE:

Intergovernmental revenue during the year ended December 31, 2011, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
State:		
Department of Natural Resources:		
Recycling	\$ -	\$ 328
Trail	-	61,635
Department of Public Safety,		
Police Grant	206,572	-
Department of Revenue:		
Motor Vehicle Fuel Tax	-	172,709
Motor Vehicle Fees	-	64,500
County	-	54,785
	<u>\$ 206,572</u>	<u>\$ 353,957</u>

CITY OF GRAIN VALLEY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

13. 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; workers' compensation, and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the prior year and no significant losses in the past three fiscal years.

14. DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional.

Employees may contribute up to 25% of their annual base salary to a maximum limit of \$16,500 per year. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Investments are managed by the plan's trustee, and the choice of the investment option(s) is made by the participants.

The City does not make a contribution for either full-time or part-time employees participating in the plan

15. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

For the year ended December 31, 2011, in violation of Missouri state statutes and the City's budgetary process, the City had actual expenditures in excess of budget in the following funds:

Special Revenue Funds:	
Street	\$ 16,439
GO Bonds	140,198
Old Towne TIF	31,057
Capital Improvements	16,765
Marketplace TIF	161,321
Marketplace NID	9,712
Marketplace CID	<u>11,550</u>
	<u>\$ 387,042</u>

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

15. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued):

For the year ended December 31, 2011, in violation of Missouri state statutes and the City's budgetary process, the City had budgeted a deficit without adequate fund balance in the following funds:

Special Revenue Funds:

Marketplace TIF	\$	161,321
Marketplace NID		9,712
Marketplace CID		<u>11,550</u>
	\$	<u><u>182,583</u></u>

For the year ended December 31, 2011, in violation of Missouri state statutes, the City did not adopt a budget for the Market Place TIF, Marketplace NID, or the Marketplace CID funds.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

16. COMMITMENTS:

In 2008, the City entered into an agreement with the Missouri Highways and Transportation Commission to share the cost of an interchange project estimated at approximately \$16,000,000. The City is obligated to pay half the cost or \$8,000,000. If the project expenses are in excess of the \$16,000,000 estimate the City would be obligated to fund the rest. At this time the City does not anticipate the project will cost more than the original estimates.

In 2011, the City issued approximately \$5,250,000 of general obligation bonds for the project, and is committed to the future funding of the interchange project that is anticipated to start in 2012.

In 2009, the City entered into an agreement with the City of Blue Springs, Missouri, for sewer services. The City agreed to finance a portion of the Sni-A-Bar Wastewater Treatment Plant improvements. After the expansion is complete the City will own 47.5% of the capacity within the expanded portion, and will be obligated for 47.5% of the debt service associated with the improvements. The City's total debt service will be approximately \$19,000,000. A partial debt service payment of approximately \$400,000 will be made in 2012, and debt service payments of approximately \$1,000,000 will start in 2013, and continue until the bonds are paid off in 2029.

In 2009, the City entered into an agreement with the Missouri Highways and Transportation Commission for the improvement of various roads within the City. The cost of the project is approximately \$3,500,000, and is to be funded by the Missouri Highways and Transportation Commission. If the project expenses are in excess of the cost estimates the City would be obligated to fund the rest. At this time the City does not anticipate the projects will cost more than the original estimates.

In 2010, the City entered into an agreement with a Developer to redevelop portions of the City. The City agreed to issue Tax Increment Financing (TIF) bonds to reimburse the Developer \$1,500,000 in eligible site development costs. Additionally, the City committed to issuing up to an additional \$3,500,000 in TIF bonds to reimburse the Developer for eligible construction costs. The total costs of the projects are estimated at approximately \$25,000,000, and are estimated to be completed by 2013.

17. WATER AND SEWER SERVICE CONTRACTS:

On April 15, 1992, the City entered into a contract with the City of Independence to purchase water through the year 2012, with an option to renew at that time. The contract provided the City the right to an increased water supply at a cost of \$708,840, representing a share of plant expansion costs. This cost has been capitalized as a deferred charge and is amortized over the estimated useful life of the expansion.

On October 15, 2004, the City entered into a contract with Tri-County Water Authority (Tri-County) which requires the City to purchase a minimum of 50,000 gallons of water per day through October 18, 2024. As part of this agreement, the City is also billed by Tri-County

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

17. WATER AND SEWER SERVICE CONTRACTS (Continued):

for the pro-rata portion of the debt service it incurred to construct the water tower and lines required to provide the necessary water capacity. It is the City's understanding that the pro-rata debt service billings are based on the total amount of bonds that were issued to finance other Tri-County projects as well and that approximately \$3 million of the proceeds have not been expended. As a result, an adjustment is expected to be made by Tri-County to future debt service charges to reflect the City's actual pro-rata portion of the total project costs. Also, it is anticipated that the tower and water lines will be conveyed to the City upon retirement of the Tri-County bond issue which financed their construction.

The City also has a contract to provide a minimum of \$1,000,000 gallons of water per day to the City of Blue Springs, Missouri. The water capacity under this contract is acquired by the City from Tri-County and runs concurrent with the twenty year term of that agreement. The Blue Springs' usage is separately metered by Tri-County and includes its share of capital costs. The usage is billed to the City by Tri-County and reimbursed by Blue Springs for the amount billed. In 2010, the City changed its method of recognizing the amounts related to this contract to a reimbursement basis as opposed to reflecting them as revenues and expenses. In 2011, \$1,563,982 was billed by Tri-County and \$1,440,885 had been reimbursed by Blue Springs.

The City has contracted with the City of Blue Springs to provide sewerage disposal service through the year 2026 and shared the costs of expanding the sewer treatment plant. The City's \$2,550,974 has been capitalized as a deferred charge and is being amortized over the estimated useful life of the expansion. This agreement may be amended or terminated at any time upon mutual agreement of the two cities.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS:

Water and sewer services are primarily financed by user charges and are accounted for in a combined enterprise fund. The City's estimate of the segmented financial data as of and for the year ended December 31, 2011, for these funds are as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Operating revenues	\$ 2,416,396	\$ 1,664,616	\$ 4,081,012
Depreciation expense	546,406	192,213	738,619
Amortization expense	25,352	25,353	50,705
Operating income (loss)	(118,794)	678,604	559,810
Net income (loss)	(226,081)	546,593	320,512
Property, plant, and equipment additions	239,912	128,207	368,119
Working capital	2,050,011	1,947,275	3,997,286
Total fixed assets, net of accumulated depreciation	9,064,296	5,574,352	14,638,648
Revenue bonds	2,922,500	2,922,500	5,845,000

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

19. NET ASSETS:

Net assets are comprised of three categories: Net assets invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The first category reflects the portion of net assets which is associated with non-liquid, capital assets, less the outstanding debt (net) related to these capital assets. The related debt (net) is the debt less the outstanding liquid assets and any associated unamortized costs. Restricted net assets are restricted assets, (usually cash) that must be spent for specific purposes. Net assets, which are neither restricted or related to capital assets, are reported as unrestricted net assets.

The City issued debt to finance the construction of infrastructure.

Capital assets, net	\$ 38,082,333
Total debt	(27,104,712)
Debt service reserve	800,500
Premium/discount	2,056,432
Unspent bond proceeds	<u>5,100,433</u>
Invested in capital assets, net of related debt	<u>\$ 18,934,986</u>

CITY OF GRAIN VALLEY, MISSOURI
NOTES TO FINANCIAL STATEMENTS

20. PLEDGED REVENUES:

The City has pledged future water and sewer revenues, net of specified operating expenses, to repay debt issues totaling \$8,210,000. The Series 2001 and 2004 bonds were issued in the amount of \$5,705,000 and \$2,505,000, respectively. Proceeds from the bonds were used to fund the infrastructure for the water and sewer system. The bonds are payable from the water and sewer fund net revenues and are payable through 2020 and 2016, respectively. The total interest and principal remaining to be paid on the bonds is \$5,524,390 and \$1,715,255, respectively. Principal and interest paid for the current year are \$500,711 and \$289,622, respectively.

In 2012, the City has also pledged sewer revenues to pay for the debt service of the Sni-A-Bar wastewater treatment plant improvements. Total debt service is approximately \$17,000,000 on the bonds.

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

21. PRIOR PERIOD ADJUSTMENT:

The City has identified the following items which required a restatement of beginning net assets and fund balances for the year ended December 31, 2011.

	<u>Fund Balances - General Fund</u>	<u>Fund Balances - Park Fund</u>	<u>Fund Balances - Public Health Fund</u>	<u>Fund Balances- Debt Service Fund</u>
Net assets and fund balances as originally reported December 31, 2010	\$ 2,197,696	\$ 324,049	\$ 148,438	\$ 904,298
Deferred taxes	857,820	189,078	78,325	1,485,522
Property taxes receivable	<u>(105,437)</u>	<u>(23,240)</u>	<u>(9,628)</u>	<u>(182,591)</u>
Net assets and fund balances as restated December 31, 2010	<u>\$ 2,950,079</u>	<u>\$ 489,887</u>	<u>\$ 217,135</u>	<u>\$ 2,207,229</u>
	<u>Net Assets- Governmental Activities</u>			
Net assets and fund balances as originally reported December 31, 2010	\$ 11,300,959			
Prior period adjustments made to the fund financial statements as detailed above	2,289,849			
Unearned revenues	<u>(119,005)</u>			
Net assets and fund balances as restated December 31, 2010	<u>\$ 13,471,803</u>			

CITY OF GRAIN VALLEY, MISSOURI

NOTES TO FINANCIAL STATEMENTS

22. STABILIZATION AGREEMENT:

The City has adopted a stabilization agreement which sets aside 25% of budgeted General Fund expenditures of the prior fiscal year. The 25% stabilization is divided into two reserve categories, the Emergency Reserve and the Budget Stabilization Reserve. If the reserves are spent below the required levels, the City must develop and implement a plan to replenish those reserves. The progress of the replenishments shall be reported in the City's annual budget and quarterly financial reports.

23. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through April 17, 2012, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

OTHER THAN MD&A

CITY OF GRAIN VALLEY, MISSOURI

REQUIRED SUPPLEMENTARY INFORMATION

1. MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM:

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b-a) Unfunded Accrued Liability (UAL)</u>
02/28/09	\$ 1,169,247	\$ 1,820,080	\$ 650,833
02/28/10	\$ 1,516,127	\$ 2,147,947	\$ 631,820
02/29/11	\$ 1,877,622	\$ 2,371,234	\$ 493,612

<u>Actuarial Valuation Date</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>[(b-a)/c] UAL as a Percent of Covered Payroll</u>
02/28/09	64%	\$ 2,292,894	28%
02/28/10	71%	\$ 2,430,673	26%
02/29/11	79%	\$ 2,049,654	24%

Note: 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 valuation, please contact the LAGERS office in Jefferson City.

2. BUDGETARY DATA:

The City's prepares its budget on the basis of accounting consistent with accounting principles generally accepted in the United States of America for all governmental funds. Expenditures may not legally exceed the budgeted appropriations for each fund, and all appropriations lapse at year-end.

**CITY OF GRAIN VALLEY, MO
BUDGETARY COMPARISON SCHEDULE --
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 2,660,246	\$ 2,573,750	\$ 2,739,606	\$ 165,856
Intergovernmental	217,000	205,530	206,572	1,042
Charges for services	64,000	64,000	71,473	7,473
Fees and fines	355,880	278,830	304,809	25,979
Investment earnings	57,000	50,000	60,682	10,682
Other	51,000	246,489	261,078	14,589
	<u>3,405,126</u>	<u>3,418,599</u>	<u>3,644,220</u>	<u>225,621</u>
EXPENDITURES:				
Current:				
General government	666,617	627,426	570,580	56,846
Municipal court	118,740	126,625	123,655	2,970
Public safety	1,758,075	1,728,300	1,741,346	(13,046)
Planning and engineering	481,774	432,750	421,924	10,826
Economic development	82,740	31,000	29,028	1,972
Capital outlay	180,191	202,481	224,602	(22,121)
Debt service:				
Principal	47,875	55,500	54,734	766
Interest and other charges	-	3,500	5,549	(2,049)
	<u>3,336,012</u>	<u>3,207,582</u>	<u>3,171,418</u>	<u>36,164</u>
Excess of revenues over expenditures	<u>69,114</u>	<u>211,017</u>	<u>472,802</u>	<u>261,785</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from long-term debt	-	-	45,773	45,773
Transfers in	79,240	-	-	-
Transfers out	(66,080)	(18,540)	(18,540)	-
Total other financing sources and uses	<u>13,160</u>	<u>(18,540)</u>	<u>27,233</u>	<u>45,773</u>
Net change in fund balances	82,274	192,477	500,035	307,558
Fund balances - beginning, as restated	<u>2,950,079</u>	<u>2,950,079</u>	<u>2,950,079</u>	<u>-</u>
Fund balances - ending	<u>\$ 3,032,353</u>	<u>\$ 3,142,556</u>	<u>\$ 3,450,114</u>	<u>\$ 307,558</u>

**CITY OF GRAIN VALLEY, MO
BUDGETARY COMPARISON SCHEDULE --
PARK
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 483,639	\$ 461,800	\$ 520,420	\$ 58,620
Intergovernmental	75,000	60,000	61,963	1,963
Charges for services	281,000	260,400	255,712	(4,688)
Investment earnings	4,000	7,000	7,426	426
Miscellaneous	1,100	1,300	742	(558)
	<u>844,739</u>	<u>790,500</u>	<u>846,263</u>	<u>55,763</u>
EXPENDITURES:				
Current,				
Parks and recreation	744,490	748,670	746,361	2,309
Capital outlay	106,960	270,500	268,393	2,107
Debt service:				
Principal	115,000	115,000	115,000	-
Interest and other charges	91,525	91,725	91,639	86
	<u>1,057,975</u>	<u>1,225,895</u>	<u>1,221,393</u>	<u>4,502</u>
Excess (deficiency) of revenues over expenditures	<u>(213,236)</u>	<u>(435,395)</u>	<u>(375,130)</u>	<u>60,265</u>
OTHER FINANCING SOURCES,				
Transfers in	<u>394,060</u>	<u>394,060</u>	<u>444,060</u>	<u>50,000</u>
Net change in fund balances	180,824	(41,335)	68,930	110,265
Fund balances - beginning, as restated	<u>489,887</u>	<u>489,887</u>	<u>489,887</u>	<u>-</u>
Fund balances - ending	<u>\$ 670,711</u>	<u>\$ 448,552</u>	<u>\$ 558,817</u>	<u>\$ 110,265</u>

**CITY OF GRAIN VALLEY, MO
BUDGETARY COMPARISON SCHEDULE --
STREET
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 252,000	\$ 240,000	\$ 281,854	\$ 41,854
Intergovernmental	200,977	198,600	237,209	38,609
Investment earnings	2,500	500	51	(449)
Miscellaneous	74,100	4,725	5,332	607
	<u>529,577</u>	<u>443,825</u>	<u>524,446</u>	<u>80,621</u>
EXPENDITURES:				
Current,				
Street	462,321	453,775	469,323	(15,548)
Capital outlay	68,030	14,550	15,441	(891)
	<u>530,351</u>	<u>468,325</u>	<u>484,764</u>	<u>(16,439)</u>
Excess (deficiency) of revenues over expenditures	<u>(774)</u>	<u>(24,500)</u>	<u>39,682</u>	<u>64,182</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,540	3,540	3,540	-
Transfers out	(40,000)	(40,000)	(40,000)	-
Total other financing sources and uses	<u>(36,460)</u>	<u>(36,460)</u>	<u>(36,460)</u>	<u>-</u>
Net change in fund balances	(37,234)	(60,960)	3,222	64,182
Fund balances - beginning	<u>103,360</u>	<u>103,360</u>	<u>103,360</u>	<u>-</u>
Fund balances - ending	<u>\$ 66,126</u>	<u>\$ 42,400</u>	<u>\$ 106,582</u>	<u>\$ 64,182</u>

**CITY OF GRAIN VALLEY, MO
BUDGETARY COMPARISON SCHEDULE --
PUBLIC HEALTH
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 88,188	\$ 89,288	\$ 85,154	\$ (4,134)
Investment earnings	1,850	1,700	1,930	230
Miscellaneous	900	200	219	19
	<u>90,938</u>	<u>91,188</u>	<u>87,303</u>	<u>(3,885)</u>
EXPENDITURES:				
Current,				
Public health	27,895	33,700	33,254	446
Capital outlay	-	-	-	-
	<u>27,895</u>	<u>33,700</u>	<u>33,254</u>	<u>446</u>
Excess (deficiency) of revenues over expenditures	<u>63,043</u>	<u>57,488</u>	<u>54,049</u>	<u>(3,439)</u>
OTHER FINANCING USES,				
Transfers out	<u>(95,860)</u>	<u>(95,860)</u>	<u>(95,860)</u>	<u>-</u>
Net change in fund balances	(32,817)	(38,372)	(41,811)	(3,439)
Fund balances - beginning, as restated	<u>217,135</u>	<u>217,135</u>	<u>217,135</u>	<u>-</u>
Fund balances - ending	<u>\$ 184,318</u>	<u>\$ 178,763</u>	<u>\$ 175,324</u>	<u>\$ (3,439)</u>

**CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 2011 G.O. BOND
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
Current,				
Economic development	\$ -	\$ 95,000	\$ -	\$ 95,000
Debt service,				
Interest and other charges	-	55,000	81,896	(26,896)
	-	150,000	81,896	68,104
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	5,234,676	5,234,676	-
Discount on bond issuance	-	-	(52,347)	(52,347)
Total other financing sources	-	5,234,676	5,182,329	(52,347)
Net change in fund balances	-	5,084,676	5,100,433	15,757
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ 5,084,676	\$ 5,100,433	\$ 15,757

CITY OF GRAIN VALLEY, MO
BALANCE SHEET --
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	<u>Old Towne TIF</u>	<u>Capital Improvements</u>	<u>Marketplace TIF</u>	<u>Marketplace NID</u>	<u>Marketplace CID</u>	<u>Total Governmental Funds</u>
ASSETS:						
Cash and investments	\$ 71,908	-	-	-	-	\$ 71,908
Taxes receivable, net	2,449	54,326	-	-	-	56,775
Other receivables	13,059	-	-	-	-	13,059
Total assets	<u>\$ 87,416</u>	<u>\$ 54,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,742</u>
LIABILITIES AND FUND BALANCES:						
Accounts payable	\$ 84,183	-	1,856	2,081	-	\$ 88,120
Due to other funds	-	28,811	159,465	7,631	11,550	207,457
Deferred revenue	2,449	-	-	-	-	2,449
Total liabilities	<u>\$ 86,632</u>	<u>28,811</u>	<u>161,321</u>	<u>9,712</u>	<u>11,550</u>	<u>298,026</u>
Fund balances:						
Restricted:						
Capital projects	784	25,515	-	-	-	26,299
Unassigned	-	-	(161,321)	(9,712)	(11,550)	(182,583)
Total fund balances (deficit)	<u>784</u>	<u>25,515</u>	<u>(161,321)</u>	<u>(9,712)</u>	<u>(11,550)</u>	<u>(156,284)</u>
Total liabilities and fund balances	<u>\$ 87,416</u>	<u>\$ 54,326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,742</u>

CITY OF GRAIN VALLEY, MO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Old Towne TIF</u>	<u>Capital Improvements</u>	<u>Marketplace TIF</u>	<u>Marketplace NID</u>	<u>Marketplace CID</u>	<u>Total-Other Governmental Funds</u>
REVENUES:						
Taxes	\$ 326,774	\$ 281,855	\$ -	\$ -	\$ -	\$ 608,629
Intergovernmental	54,785	-	-	-	-	54,785
Total revenues	<u>381,559</u>	<u>281,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>663,414</u>
EXPENDITURES:						
Economic development	381,559	-	161,321	9,712	11,550	564,142
Capital outlay	-	16,765	-	-	-	16,765
Total expenditures	<u>381,559</u>	<u>16,765</u>	<u>161,321</u>	<u>9,712</u>	<u>11,550</u>	<u>580,907</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>265,090</u>	<u>(161,321)</u>	<u>(9,712)</u>	<u>(11,550)</u>	<u>82,507</u>
OTHER FINANCING USES,						
Transfers out	<u>-</u>	<u>(243,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(243,200)</u>
Net change in fund balances	<u>-</u>	<u>21,890</u>	<u>(161,321)</u>	<u>(9,712)</u>	<u>(11,550)</u>	<u>(160,693)</u>
Fund balances - beginning	<u>784</u>	<u>3,625</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,409</u>
Fund balances (deficit) - ending	<u>\$ 784</u>	<u>\$ 25,515</u>	<u>\$ (161,321)</u>	<u>\$ (9,712)</u>	<u>\$ (11,550)</u>	<u>\$ (156,284)</u>

**CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 GO BONDS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES,				
Investment earnings	\$ -	\$ 12,000	\$ 14,544	\$ 2,544
EXPENDITURES,				
Capital outlay	-	433,425	573,623	(140,198)
Deficiency of revenues over expenditures	-	(421,425)	(559,079)	(137,654)
OTHER FINANCING USES,				
Transfers out	-	-	(50,000)	(50,000)
Net change in fund balances	-	(421,425)	(609,079)	(187,654)
Fund balances - beginning	1,053,287	1,053,287	1,053,287	-
Fund balances - ending	<u>\$ 1,053,287</u>	<u>\$ 631,862</u>	<u>\$ 444,208</u>	<u>\$ (187,654)</u>

**CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 DEBT SERVICE
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,605,426	\$ 1,615,000	\$ 1,638,037	\$ 23,037
Investment earnings	14,000	35,500	42,469	6,969
	<u>1,619,426</u>	<u>1,650,500</u>	<u>1,680,506</u>	<u>30,006</u>
EXPENDITURES,				
Debt service:				
Principal	960,000	960,000	960,000	-
Interest and other charges	619,752	617,752	617,688	64
	<u>1,579,752</u>	<u>1,577,752</u>	<u>1,577,688</u>	<u>64</u>
Net change in fund balances	39,674	72,748	102,818	30,070
Fund balances - beginning, as restated	<u>2,207,229</u>	<u>2,207,229</u>	<u>2,207,229</u>	<u>-</u>
Fund balances - ending	<u>\$ 2,246,903</u>	<u>\$ 2,279,977</u>	<u>\$ 2,310,047</u>	<u>\$ 30,070</u>

**CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 OLD TOWNE TIF
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 308,502	\$ 308,502	\$ 326,774	\$ 18,272
Intergovernmental	34,000	42,000	54,785	12,785
	<u>342,502</u>	<u>350,502</u>	<u>381,559</u>	<u>31,057</u>
EXPENDITURES,				
Current,				
Economic development	-	350,502	381,559	(31,057)
Net change in fund balances	342,502	-	-	-
Fund balances - beginning	784	784	784	-
Fund balances - ending	<u>\$ 343,286</u>	<u>\$ 784</u>	<u>\$ 784</u>	<u>\$ -</u>

**CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 CAPITAL IMPROVEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES,				
Taxes	\$ 252,000	\$ 244,000	\$ 281,855	\$ 37,855
EXPENDITURES,				
Capital outlay	3,100	-	16,765	(16,765)
Excess of revenues over expenditures	248,900	244,000	265,090	21,090
OTHER FINANCING USES,				
Transfers out	(243,200)	(243,200)	(243,200)	-
Net change in fund balances	5,700	800	21,890	21,090
Fund balances - beginning	3,625	3,625	3,625	-
Fund balances - ending	\$ 9,325	\$ 4,425	\$ 25,515	\$ 21,090

CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 MARKETPLACE TIF
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES,				
Current,				
Economic development	\$ -	\$ -	\$ 161,321	\$ (161,321)
Net change in fund balances	-	-	(161,321)	(161,321)
Fund balances - beginning	-	-	-	-
Fund balances (deficit) - ending	\$ -	\$ -	\$ (161,321)	\$ (161,321)

CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 MARKETPLACE NID
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES,				
Current,				
Economic development	\$ -	\$ -	\$ 9,712	\$ (9,712)
Net change in fund balances	-	-	(9,712)	(9,712)
Fund balances - beginning	-	-	-	-
Fund balances (deficit) - ending	\$ -	\$ -	\$ (9,712)	\$ (9,712)

CITY OF GRAIN VALLEY, MO
 BUDGETARY COMPARISON SCHEDULE --
 MARKETPLACE CID
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES,				
Current,				
Economic development	\$ -	\$ -	\$ 11,550	\$ (11,550)
Net change in fund balances	-	-	(11,550)	(11,550)
Fund balances - beginning	-	-	-	-
Fund balances (deficit) - ending	\$ -	\$ -	\$ (11,550)	\$ (11,550)