

CITY OF PECULIAR, MISSOURI
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

CITY OF PECULIAR, MISSOURI

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CITY OF PECULIAR, MISSOURI

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
of the City Council
City of Peculiar, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Peculiar, Missouri (the City), as of and for the year ended September 30, 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 an opinion 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 1, the City of Peculiar, Missouri, prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, and each major fund of the City of Peculiar, Missouri, as of September 30, 2011, and the respective changes in financial position – modified cash basis, thereof for the year ended in conformity with the basis of accounting described in Note 1.

Accounting principles generally accepted in the United States of America require that the information on pages 42 through 46 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The information on pages 47 through 50 is presented as supplementary information for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harrisonville, Missouri
November 30, 2011

CITY OF PECULIAR, MISSOURI

STATEMENT OF NET ASSETS -- MODIFIED CASH BASIS
SEPTEMBER 30, 2011

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 979,275	\$ 229,544	\$ 1,208,819
Restricted cash	6,358	5,147,845	5,154,203
Bond costs, net of amortization	-	110,053	110,053
Internal balances	(166,000)	166,000	-
Capital assets:			
Land	1,081,800	157,500	1,239,300
Construction in progress	-	321,488	321,488
Infrastructure	11,460,335	8,928,478	20,388,813
Vehicles	1,320,721	-	1,320,721
Buildings and improvements	233,676	-	233,676
Office equipment and furniture	145,214	-	145,214
Machinery and equipment	18,282	500,625	518,907
Less: accumulated depreciation	<u>(2,896,772)</u>	<u>(2,832,684)</u>	<u>(5,729,456)</u>
Total capital assets	<u>11,363,256</u>	<u>7,075,407</u>	<u>18,438,663</u>
Total assets	<u>12,182,889</u>	<u>12,728,849</u>	<u>24,911,738</u>
LIABILITIES			
Court bonds payable	6,326	-	6,326
Accrued liabilities	160	17,540	17,700
Meter deposits	-	191,232	191,232
Long-term liabilities:			
Due within one year	8,347	439,000	447,347
Due in more than one year	<u>878,460</u>	<u>9,503,946</u>	<u>10,382,406</u>
Total liabilities	<u>893,293</u>	<u>10,151,718</u>	<u>11,045,011</u>
NET ASSETS			
Invested in capital assets, net of related debt	10,476,449	1,539,727	12,016,176
Restricted for:			
Municipal court	32	-	32
Capital projects	159,966	-	159,966
Parks	289,636	-	289,636
Streets	11,577	-	11,577
Debt service	13,432	396,724	410,156
Unrestricted	<u>338,504</u>	<u>640,680</u>	<u>979,184</u>
Total net assets	<u>\$ 11,289,596</u>	<u>\$ 2,577,131</u>	<u>\$ 13,866,727</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

STATEMENT OF ACTIVITIES -- MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities:							
Elected officials	\$ 35,411	\$ -	\$ -	\$ -	\$ (35,411)	\$ -	\$ (35,411)
Administrative/finance	300,397	53,623	-	-	(246,774)	-	(246,774)
Law enforcement	791,233	291,414	53,107	-	(446,712)	-	(446,712)
Public works	182,766	-	99,959	-	(82,807)	-	(82,807)
Streets	830,623	-	135,846	-	(694,777)	-	(694,777)
Parks	137,316	986	-	-	(136,330)	-	(136,330)
Courts	103,097	-	-	-	(103,097)	-	(103,097)
Planning	96,743	3,300	-	-	(93,443)	-	(93,443)
Facilities	79,300	-	-	-	(79,300)	-	(79,300)
Interest on long-term debt	41,195	-	-	-	(41,195)	-	(41,195)
Total governmental activities	<u>2,598,081</u>	<u>349,323</u>	<u>288,912</u>	<u>-</u>	<u>(1,959,846)</u>	<u>-</u>	<u>(1,959,846)</u>
Business-type activities,							
Water, sewer, and trash	2,107,235	2,134,047	-	-	-	26,812	26,812
Total business-type activities	<u>2,107,235</u>	<u>2,134,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,812</u>	<u>26,812</u>
Total primary government	<u>\$ 4,705,316</u>	<u>\$ 2,483,370</u>	<u>\$ 288,912</u>	<u>\$ -</u>	<u>(1,959,846)</u>	<u>26,812</u>	<u>(1,933,034)</u>
General revenues:							
Taxes:							
Property taxes					384,021	-	384,021
Franchise and other miscellaneous taxes					500,281	-	500,281
Local sales tax					791,501	-	791,501
Investment earnings					6,857	120,868	127,725
Miscellaneous					73,956	20,462	94,418
Special item - loss on sale of asset					(67)	-	(67)
Transfers					(178,815)	178,815	-
Total general revenues					<u>1,577,734</u>	<u>320,145</u>	<u>1,897,879</u>
Change in net assets					(382,112)	346,957	(35,155)
Net assets - beginning					<u>11,671,708</u>	<u>2,230,174</u>	<u>13,901,882</u>
Net assets - ending					<u>\$ 11,289,596</u>	<u>\$ 2,577,131</u>	<u>\$ 13,866,727</u>

See accompanying notes.
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CITY OF PECULIAR, MISSOURI

BALANCE SHEET-- MODIFIED CASH BASIS --
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

	<u>General Fund</u>	<u>Park Fund</u>	<u>Road & Street Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvement Fund</u>	<u>East Growth Fund</u>	<u>West Growth Fund</u>	<u>Total Governmental Funds</u>
ASSETS								
ASSETS:								
Cash	\$ 505,317	\$ 289,415	\$ -	\$ -	\$ 58,350	\$ 118,474	\$ 7,719	\$ 979,275
Due from others funds	-	221	11,577	38,321	70,623	1,000	1,000	122,742
Restricted cash	6,358	-	-	-	-	-	-	6,358
Total assets	\$ 511,675	\$ 289,636	\$ 11,577	\$ 38,321	\$ 128,973	\$ 119,474	\$ 8,719	\$ 1,108,375
LIABILITIES AND FUND BALANCES								
LIABILITIES:								
Due to other funds	\$ 265,653	\$ -	\$ -	\$ 23,089	\$ -	\$ -	\$ -	\$ 288,742
Other payables	6,486	-	-	-	-	-	-	6,486
Total liabilities	272,139	-	-	23,089	-	-	-	295,228
FUND BALANCES:								
Restricted:								
Municipal Court	32	-	-	-	-	-	-	32
Parks	-	289,636	-	-	-	-	-	289,636
Streets	-	-	11,577	-	-	-	-	11,577
Debt service	-	-	-	13,432	-	-	-	13,432
Capital projects	-	-	-	-	128,973	22,274	8,719	159,966
Assigned:								
Debt service	-	-	-	1,800	-	-	-	1,800
Capital projects	-	-	-	-	-	97,200	-	97,200
Unassigned	239,504	-	-	-	-	-	-	239,504
Total fund balances	239,536	289,636	11,577	15,232	128,973	119,474	8,719	813,147
Total liabilities and fund balances	\$ 511,675	\$ 289,636	\$ 11,577	\$ 38,321	\$ 128,973	\$ 119,474	\$ 8,719	\$ 1,108,375

See accompanying notes.
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CITY OF PECULIAR, MISSOURI

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET --
MODIFIED CASH BASIS -- TO THE STATEMENT OF NET ASSETS -- MODIFIED CASH BASIS
SEPTEMBER 30, 2011

Fund balances - total governmental funds	\$	813,147
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.		11,363,256
Long-term liabilities (such as Notes Payable, Capital Leases, and Bonds Payable) 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.		<u>(886,807)</u>
Net Assets of governmental activities in the Statement of Net Assets	\$	<u>11,289,596</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE --
MODIFIED CASH BASIS -- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Park Fund	Road & Street Fund	Debt Service Fund	Capital Improvement Fund	East Growth Fund	West Growth Fund	Total
REVENUES:								
Taxes	\$ 710,974	\$ 146,237	\$ 146,190	\$ 143,936	\$ 166,358	\$ -	\$ -	\$ 1,313,695
Franchise fees	362,108	-	-	-	-	-	-	362,108
Licenses and permits	42,777	986	-	-	300	1,000	2,000	47,063
Intergovernmental	153,066	-	135,846	-	-	-	-	288,912
Charges for services	9,315	-	-	-	-	-	-	9,315
Fees and fines	292,945	-	-	-	-	-	-	292,945
Investment income	3,525	2,054	-	-	57	994	227	6,857
Other	53,773	22,084	-	-	1,000	-	-	76,857
	<u>1,628,483</u>	<u>171,361</u>	<u>282,036</u>	<u>143,936</u>	<u>167,715</u>	<u>1,994</u>	<u>2,227</u>	<u>2,397,752</u>
EXPENDITURES:								
Elected officials	35,411	-	-	-	-	-	-	35,411
Administrative/finance	272,666	-	-	-	-	-	-	272,666
Law enforcement	755,110	-	-	-	-	-	-	755,110
Public works	182,766	-	-	-	-	-	-	182,766
Streets	-	-	274,425	-	-	-	-	274,425
Parks	-	123,032	-	-	-	-	-	123,032
Courts	102,750	-	-	-	-	-	-	102,750
Planning	96,743	-	-	-	-	-	-	96,743
Facilities	79,300	-	-	-	-	-	-	79,300
Capital outlay	-	18,182	-	-	217,045	-	41,812	277,039
Debt service:								
Principal	7,941	-	-	-	-	-	-	7,941
Interest and fiscal charges	12,807	28,388	-	-	-	-	-	41,195
	<u>1,545,494</u>	<u>169,602</u>	<u>274,425</u>	<u>-</u>	<u>217,045</u>	<u>-</u>	<u>41,812</u>	<u>2,248,378</u>
Excess (deficiency) of revenues over expenditures	82,989	1,759	7,611	143,936	(49,330)	1,994	(39,585)	149,374
OTHER FINANCING SOURCES USES,								
Transfers out	-	-	-	(143,029)	-	-	-	(143,029)
Net change in fund balances	82,989	1,759	7,611	907	(49,330)	1,994	(39,585)	6,345
FUND BALANCES, October 1, 2010	<u>156,547</u>	<u>287,877</u>	<u>3,966</u>	<u>14,325</u>	<u>178,303</u>	<u>117,480</u>	<u>48,304</u>	<u>806,802</u>
FUND BALANCES, September 30, 2011	<u>\$ 239,536</u>	<u>\$ 289,636</u>	<u>\$ 11,577</u>	<u>\$ 15,232</u>	<u>\$ 128,973</u>	<u>\$ 119,474</u>	<u>\$ 8,719</u>	<u>\$ 813,147</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS -- MODIFIED CASH BASIS --
TO THE STATEMENT OF ACTIVITIES -- MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Net change in fund balances - total governmental funds	\$	6,345
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.		(360,612)
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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		7,941
Governmental funds do not present transfers of assets to other funds		<u>(35,786)</u>
Change in Net Assets of governmental activities	\$	<u>(382,112)</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

**STATEMENT OF NET ASSETS -- MODIFIED CASH BASIS --
 PROPRIETARY FUND
 SEPTEMBER 30, 2011**

ASSETS:

Current assets:

Cash	\$	229,544
Due from funds		<u>272,259</u>
Total current assets		<u>501,803</u>

Non-current assets:

Restricted cash	5,147,845
Bond costs, net of amortization	110,053

Capital assets:

Construction in progress	321,488
Land	157,500
Infrastructure	8,928,478
Equipment and furniture	500,625
Less accumulated depreciation	<u>(2,832,684)</u>
Net capital assets	<u>7,075,407</u>

Total assets	<u>12,835,108</u>
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LIABILITIES:

Current liabilities:

Accrued expenses	17,090
Due to funds	106,259
Meter deposits	191,232
Taxes collected-payable	450
Current portion of long-term obligations	<u>439,000</u>
Total current liabilities	754,031

Non-current liabilities,

Bonds and notes payable	<u>9,503,946</u>
	<u>10,257,977</u>

NET ASSETS:

Invested in capital assets, net of related debt	1,539,727
Restricted for debt service	396,724
Unrestricted	<u>640,680</u>
	<u>\$ 2,577,131</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS --
MODIFIED CASH BASIS -- PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

OPERATING REVENUES,	
Charges for services	\$ <u>2,134,047</u>
OPERATING EXPENSES:	
Personnel services	494,744
Contractual and professional services	714,936
Materials and supplies	131,468
Repairs and maintenance	57,246
Insurance	15,444
Utilities	75,930
Depreciation	<u>297,056</u>
	<u>1,786,824</u>
Income from operations	<u>347,223</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	120,868
Tower rental	20,462
Interest expense	<u>(320,411)</u>
	<u>(179,081)</u>
Net income before transfers	168,142
Transfers in	<u>143,029</u>
Net income before contributions	311,171
CONTRIBUTIONS	<u>35,786</u>
Change in net assets	346,957
TOTAL NET ASSETS, October 1, 2010	<u>2,230,174</u>
TOTAL NET ASSETS, September 30, 2011	<u>\$ 2,577,131</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

**STATEMENT OF CASH FLOWS -- MODIFIED CASH BASIS
 PROPRIETARY FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES:

Received from customers	\$ 2,134,047
Payments to employees and fringe benefits	(494,744)
Payments to vendors and suppliers	(989,354)
Other receipts	<u>20,462</u>

Net cash provided by operating activities 670,411

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating transfers from other funds	143,029
Net advances to other funds	<u>(54,710)</u>

Net cash provided by noncapital financing activities 88,319

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Bond discount	(113,361)
Proceeds from capital debt	3,125,000
Acquisition and construction of capital assets	(398,631)
Principal paid on capital debt and leases	(546,300)
Interest and fiscal charges paid on capital debt and leases	<u>(320,411)</u>

Net cash provided by capital and related financing activities 1,746,297

CASH FLOWS FROM INVESTING ACTIVITIES,

Investment income	<u>120,868</u>
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Net increase in cash and cash equivalents 2,625,895

Cash and cash equivalents, October 1, 2010 2,751,494

Cash and cash equivalents, September 30, 2011 \$ 5,377,389

Reconciliation of operating income to net cash provided by operating activities,

Operating income	<u>\$ 347,223</u>
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Adjustments to reconcile operating income to net cash provided by operating activities:

Depreciation and amortization expense	297,056
Miscellaneous nonoperating income	20,462
Changes in assets and liabilities:	
Accrued liabilities	(5,779)
Meter deposits	<u>11,449</u>

Total adjustments 323,188

Net cash provided by operating activities \$ 670,411

See accompanying notes.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. The Entity: The City of Peculiar, Missouri (the "City"), was incorporated in 1953 and covers an area of approximately four square miles in Cass County, Missouri. Peculiar is a fourth class city and is governed by a Mayor/Board of Aldermen form of government. A board of six aldermen, two from each of the three wards of the City, and a mayor are elected to two-year terms by the residents to administer the City government. The City Administrator is the chief administrative officer of the City. The City provides services to approximately 2,600 residents in the area, including law enforcement, water and sewer services, streets and public works, planning and zoning, community enrichment and development, and various social services. Fire protection services are provided by a fire district which is a separate governmental entity. Primary and secondary education services are provided by the Raymore-Peculiar School District, also a separate governmental entity.

B. Principles Used to Determine Scope of Entity: In determining the financial reporting entity, the City complies with the provisions of Governmental Accounting Standards Board Statement No. 14, "*The Financial Reporting Entity*," and includes all component units of which the City appointed a voting majority of the units' board and the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

The City has developed criteria to determine whether outside agencies with activities which benefit the citizens of the City, including joint agreements, should be included within its financial reporting entity. The criteria include, but are not limited to, whether the City exercises oversight responsibility, which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters, scope of public service and special financing relationships.

The City has determined that no other outside agency meets the above criteria and, therefore, no other agency has been included as a component unit in the City's financial statements. In addition, the City is not aware of any entity which could exercise such oversight which would result in the City being considered a component unit of the entity.

C. Basis of Presentation: The City complies with accounting principles generally accepted in the United States of America (GAAP) except for the use of the modified cash basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- C. Basis of Presentation (Continued): In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standard Board (FASB) pronouncements issued through November 30, 1989 (when applicable) and Accounting Principles Board (APB) opinions have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The accounting and reporting framework and the more significant accounting policies are discussed in this or subsequent footnotes.

Government-Wide Financial Statements: The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements: The fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The governmental group is further categorized into the general, special revenue, debt service, and capital outlay fund groups. For purposes of major fund determination, each fund group will be considered a major fund. Detailed information supporting the special revenue fund group and capital outlay fund group will be provided in the other supplementary information section.

The funds of the financial reporting entity are described below:

Governmental Fund Types

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position.

The following are the City's Governmental fund types:

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

C. Basis of Presentation (Continued):

The General Fund is the principal operating fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.

The Special Revenue Funds are used to account for revenues derived from specific taxes, governmental grants, or other revenue sources which are restricted to finance particular functions or activities of the City.

The Park & Recreation Fund accounts for revenues received and expenditures paid for recreational services provided by the Park and Recreation Board.

The Road and Street Fund accounts for state and local revenues that are restricted for local street expenditures.

The Debt Service Fund is used for the accumulation of resources for, and payment of, principal, interest, and fiscal changes on general obligation long-term debt. This bond issue is a general obligation issue that supports the water improvement project.

The Capital Projects Funds are used to account for financial resources segregated for the acquisition or construction of major capital facilities other than those financed by Enterprise funds

The Proprietary Fund is used to account for the City's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is based upon determination of net income. The Proprietary Fund has three departments in which the City provides services to the public: water, wastewater sewer, and trash sanitation.

- D. Measurement Focus: Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. In the government-wide statement of net assets and the statement of activities, both governmental and business-like activities are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting as defined in Item b below.

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

D. Measurement Focus (Continued):

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus as applied to the modified cash basis of accounting is used as appropriate.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

- E. Basis of Accounting: In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

If the City utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

E. Basis of Accounting (Continued):

In the Modified Accrual Basis, revenues would be recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Expenditures (including capital outlay) would be recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reportable when due.

In the Accrual Basis, revenues would be recognized when earned. Expenses (including depreciation and amortization) would be recorded when the liability was incurred or an economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions would be recognized when the exchange took place.

F. Assets, Liabilities, and Equity:

Cash: For the purpose of financial reporting, cash includes all demand money market and savings accounts.

Restricted Cash and Investments: Certain cash and investment accounts are restricted for capital projects, debt service, and compliance with bond covenants, court bonds held, and customer meter deposits.

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 with a maturity of three months or less when purchased are considered to be cash equivalent.

Capitalized Assets - Governmental Funds: Capitalized assets, which include capital assets and infrastructure, are expensed when purchased for fund statement presentation in governmental funds. Capitalized assets purchased in the proprietary fund for fund statement presentation and in all government-wide financial statements are reported as an asset and depreciated.

As the City did not include capitalized asset accounting prior to September 30, 2004, a list of capital assets purchased prior to September 30, 2003, was prepared using various sources. Capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Assets, Liabilities, and Equity (Continued):

In accordance with GASB 34, the recording of infrastructure for governmental funds could be delayed for four years from the effective date beginning October 1, 2003. After GASB 34 implementation, management decided to utilize this deferral of infrastructure recording and initially recorded infrastructure in year ended September 30, 2008.

Capitalized Assets - Proprietary Funds

All capitalized assets in the proprietary fund are recorded at cost and depreciated over their estimated useful life.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,000 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Building and building improvements	25-50 years
Machinery and equipment	5-10 years
Land improvements	10-20 years
Vehicles	5-7 years
Office equipment and furniture	3-10 years
Infrastructure	25-50 years
Computer equipment, hard & soft	3-5 years

Long-Term Debt: All long-term debt is recorded in the governmental funds as either a note payable or bonds issued in the government-wide financial statements. In the fund statements, bond issuance proceeds are recorded as revenues and principal payments on debt service are recorded as expenditures of the period.

Compensated Absences: The City's policy allows employees to accumulate paid time off (PTO) hours each year and carryover to the following year. A maximum dollar limit, depending upon years of continuous employment, is paid upon termination for these hours. In addition, police enforcement officers earn compensation time and are paid for unused time upon termination. As these financial statements are prepared on the modified cash basis of accounting, this possible liability is not recorded.

Equity Classification: Government-Wide Statements - Equity is classified as net assets and displayed in three components as follows:

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

F. Assets, Liabilities, and Equity (Continued):

- a. Invested in capital assets, net of related debt consists of 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 improvement of those assets.
- b. Restricted net assets consists of net assets with constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provision or enabling legislation.
- c. Unrestricted net assets do not meet the definition of "restricted."

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.

Fund Financial Statements - Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

G. Revenues, Expenditures, and Expenses:

Program Receipts: In the Statement of Activities, modified cash basis receipts that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. The City has the following program revenues in each activity:

Administrative/Finance	Permits and fees
Law Enforcement	Fines and grants
Public works	Motor vehicle franchise fees
Streets	Intergovernmental revenue
Parks	Permits and fees
Planning	Permits and fees

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

G. Revenues, Expenditures, and Expenses (Continued):

Sales Tax: Local sales taxes are collected and remitted monthly by the Department of Revenue, State of Missouri. The City collects an amount equivalent to 1 cent sales tax to the general fund, ½ cent sales tax to the capital improvements fund, ½ cent transportation sales tax to the general fund, and ½ cent sales tax for the park fund.

Property Tax: Each budget year, the City approves a tax rate for the upcoming fiscal year. The general fund and debt service fund receives property tax. Cass County collects property taxes and remits the portion of the City's share to the City.

Gasoline/Vehicle Tax: The City receives a share of the state gasoline and vehicle tax charged and collected by the State. These taxes support the general fund.

Franchise Fees: Franchise fees are collected by the City from utility companies for the use of City right of way. This revenue supports the general fund.

Licenses and Permits: The City requires various businesses to be licensed or obtain permits in order to conduct business within the City. This revenue supports the general fund, special revenue fund, and capital outlay fund.

Charges for Services: The City provides several services for which the charges are collected and support the general fund.

Operating Revenues and Expenses: Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses: In the government-wide financial statements, expenses are reported on the modified cash basis and are classified by function for both governmental and business-type activities. There have been certain allocations of indirect expenses to functions in the statement of activities. In the fund financial statements, expenditures are classified as Governmental Funds - by department and Proprietary Fund - by operating and non-operating. In the fund financial statements, governmental funds report expenditures of financial resources. The proprietary fund reports expenses relating to use of economic resources.

H. Internal and Interfund Balances and Activities: In the process of aggregating the financial information for the government-wide statement of net assets and statement of activities, some amounts reported as Interfund activity and balances in the fund financial statements have been eliminated or reclassified.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

H. Internal and Interfund Balances and Activities (Continued):

Fund Financial Statements - Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

Interfund Reimbursements - Repayments from funds responsible for certain expenditures/expenses to funds that initially paid for them are not reported as adjustments to expenditures or revenues but as transfers.

Government-Wide Financial Statements - Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements.

I. Use of Estimates: The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the City requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense). Accordingly, actual results could differ from those estimates.

J. Differences from GAAP: As discussed in Note 1E, the City reports both the government-wide financial statements and the fund financial statements on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

K. 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

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

K. Fund Equity (Continued):

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.

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 an 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.

2. COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government, the City is subject to various federal, state and local laws and regulations. An analysis of the City's compliance with significant laws, regulations, grants, and contracts over City resources is as follows:

A. Fund Accounting Requirements: The City complies in all material respects with state and local laws and regulations requiring the use of separate funds. The legally required funds used by the City include the following:

Fund	Required by
Debt Service	State Law
Road and Street	State Law
Capital Improvement	Board Ordinance
East and West Growth	Board Ordinance

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

2. COMPLIANCE AND ACCOUNTABILITY (Continued):

- B. Uninsured and Under-Collateralized Deposits: In accordance with state law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. government agency securities and certain state or political subdivision debt obligations. At September 30, 2011, all of the City's deposits were collateralized.
- C. Property Taxes: The assessed valuation of property, including railroad and utility properties, located in the City as of May 31, 2010, on which the fiscal year 2010 levy was based, is as follows:

Real estate	\$ 45,504,934
Personal property	<u>7,755,068</u>
Total	<u>\$ 53,260,002</u>

The tax levies per \$100 of assessed valuation of tangible real and personal property for the calendar year 2010, were as follows:

General Fund	\$.4470
Debt Service	<u>.2500</u>
	<u>\$.6970</u>

Taxes are levied no later than October 31 and are due and payable at that time. All unpaid taxes levied by October 31 become delinquent January 1 of the following year. Property taxes may attach as an enforceable lien on property as of January 1.

- D. Net Asset/Fund Equity Restriction: State law prohibits the creation of a deficit fund balance in any individual fund. As of September 30, 2011, the City had no deficit fund balances.

3. DEPOSITS AND INVESTMENTS:

At September 30, 2011, the carrying amount of the City's demand deposits and certificates of deposits in financial institutions were \$3,000,492 and \$382,461, 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.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued):

At September 30, 2011, the City's investments consisted of the following:

	Carrying Amount	Fair Value
Money Market	\$ 1,136,829	\$ 1,136,829
State Revolving Fund (Controlled by State)	1,843,240	1,843,240
	\$ 2,980,069	\$ 2,980,069

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The City generally intends to buy and hold the securities in its portfolios, and to sell only when a gain is present or when a swap that offers substantial economic gain is available. During the next fiscal year, the City does not intend to sell any securities at a loss in order to meet cash requirements.

At September 30, 2011, the City had the following investments and maturities:

	Investment maturities (in years)			
	Value	Less than one	1-5	Greater than five
Investment type:				
Money Market	\$ 1,136,829	\$ 1,136,829	\$ -	\$ -
State Revolving Fund	1,843,240	-	580,310	1,262,930
	\$ 2,980,069	\$ 1,136,829	\$ 580,310	\$ 1,262,930

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

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Continued):

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.

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.

A reconciliation of cash and cash equivalents is as follows:

Cash on hand	\$	1,386
Demand deposits		2,999,106
State Revolving Fund		1,843,240
Certificates of deposit		382,461
Money markets		<u>1,136,829</u>
Total	\$	<u>6,363,022</u>

4. RESTRICTED CASH:

Restricted cash in the general fund at September 30, 2011, consisted of the following:

Restricted for municipal bonds.	\$	<u>6,358</u>
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CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

4. RESTRICTED CASH (Continued):

Restricted cash in the proprietary fund at September 30, 2011, consisted of the following:

Restricted for meter deposits	\$ 230,547
Restricted for bond covenant requirements	<u>4,917,298</u>
	<u>\$ 5,147,845</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS:

Capital asset activity resulting from modified cash basis transactions for the fiscal year ended September 30, 2011, was as follows:

	<u>Balance at 10/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 9/30/2011</u>
Governmental activities:				
Capital assets not being depreciated,				
Land	\$ 1,081,800	\$ -	\$ -	\$ 1,081,800
Total not being depreciated	<u>1,081,800</u>	<u>-</u>	<u>-</u>	<u>1,081,800</u>
Capital assets being depreciated:				
Buildings and improvements	1,280,000	26,295	-	1,306,295
Office equipment and furniture	84,202	19,406	-	103,608
Machinery and equipment	125,808	18,182	84,102	59,888
Vehicles	207,381	54,421	13,700	248,102
Infrastructure	<u>11,460,335</u>	<u>-</u>	<u>-</u>	<u>11,460,335</u>
Total being depreciated	<u>13,157,726</u>	<u>118,304</u>	<u>97,802</u>	<u>13,178,228</u>
Less accumulated depreciation for:				
Buildings and improvements	260,080	32,043	-	292,123
Office equipment and furniture	59,176	9,603	-	68,779
Machinery and equipment	70,889	6,277	48,316	28,850
Vehicles	111,620	45,250	10,732	146,138
Infrastructure	<u>1,978,107</u>	<u>382,775</u>	<u>-</u>	<u>2,360,882</u>
Total accumulated depreciation	<u>2,479,872</u>	<u>475,948</u>	<u>59,048</u>	<u>2,896,772</u>
Capital assets being depreciated, net	<u>10,677,854</u>	<u>(357,644)</u>	<u>38,754</u>	<u>10,281,456</u>
Governmental capital assets, net	<u>\$ 11,759,654</u>	<u>\$ (357,644)</u>	<u>\$ 38,754</u>	<u>\$ 11,363,256</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Governmental activities:	
General government	\$ 27,731
Police	36,123
Municipal court	347
Streets	397,463
Parks	<u>14,284</u>
	<u>\$ 475,948</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS (Continued):

Capital asset activity, resulting from modified cash basis transactions, for the year ended September 30, 2011:

	<u>Balance at</u> <u>10/1/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>9/30/2011</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 157,500	\$ -	\$ -	\$ 157,500
Construction in progress	<u>3,120</u>	<u>318,368</u>	<u>-</u>	<u>321,488</u>
Total capital assets not being depreciated	<u>160,620</u>	<u>318,368</u>	<u>-</u>	<u>478,988</u>
Other capital assets:				
Vehicles and equipment	382,403	118,222	-	500,625
Infrastructure	<u>8,882,335</u>	<u>46,143</u>	<u>-</u>	<u>8,928,478</u>
Total other capital assets	<u>9,264,738</u>	<u>164,365</u>	<u>-</u>	<u>9,429,103</u>
Less accumulated depreciation for:				
Machinery and equipment	212,048	109,310	-	321,358
Infrastructure	<u>2,278,572</u>	<u>232,754</u>	<u>-</u>	<u>2,511,326</u>
Total accumulated depreciation	<u>2,490,620</u>	<u>342,064</u>	<u>-</u>	<u>2,832,684</u>
Other capital assets, net	<u>6,774,118</u>	<u>(177,699)</u>	<u>-</u>	<u>6,596,419</u>
Business-type capital assets, net	<u>\$ 6,934,738</u>	<u>\$ 140,669</u>	<u>\$ -</u>	<u>\$ 7,075,407</u>

Depreciation expense was charged to functions as follows in the Statement of Activities:

Business-type activities:	
Sewer	\$ 199,617
Water	<u>94,133</u>
	<u>\$ 293,750</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT:

Governmental Activities

Changes in the debt for the year ended September 30, 2011, consisted of the following:

	Balance October 1, 2010	Additions	Retirements	Balance September 30, 2011	Amount Due Within One Year
Governmental activities:					
Notes payable	\$ 259,748	\$ -	\$ 7,941	\$ 251,807	\$ 8,347
Certificates of participation	635,000	-	-	635,000	-
	<u>\$ 894,748</u>	<u>\$ -</u>	<u>\$ 7,941</u>	<u>\$ 886,807</u>	<u>\$ 8,347</u>

Note Payable

In July 2010, the City entered into a note payable agreement in the amount of \$260,000 for the purpose of purchasing a building for the Police Department and Municipal Court. Principal and interest payments are due monthly, with the final payment due on August 1, 2030. The City has not pledged general tax revenues, funds, or money to pay this obligation.

Years ending September 30,	Principal	Interest	Total
2012	\$ 8,347	\$ 12,401	\$ 20,748
2013	8,774	11,974	20,748
2014	9,223	11,525	20,748
2015	9,695	11,053	20,748
2016	10,191	10,557	20,748
2017-2021	59,331	44,409	103,740
2022-2026	76,143	27,597	103,740
2027-2030	70,103	6,843	76,946
	<u>\$ 251,807</u>	<u>\$ 136,359</u>	<u>\$ 388,166</u>

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Refunding Certificate of Participation

In November 2007, \$635,000 of insured Refunding Certificates of Participation were issued for the purpose of refunding previously delivered and outstanding Certificates of Participation (Park Project, Series 2002). Rental payments are due January 1, starting on January 1, 2019, with the final payment due on January 1, 2027. Interest payments are due on July 1 and January 1. Rental payments are payable from funds appropriated by the City through Park revenues. The City has not pledged general tax revenues, funds, or money to pay this obligation.

The base lease between the City as lessor and Southwest Trust Company, N.A. as lessee and trustee transfer. A leasehold interest in certain real estate held by the City to the trustee. The term of the base lease is November 14, 2007, through January 1, 2027, on the date the certificates have been paid in full, whichever is earlier. Future minimum lease payments are as follows:

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 28,275	\$ 28,275
2013	-	28,275	28,275
2014	-	28,275	28,275
2015	-	28,275	28,275
2016	-	28,275	28,275
2017-2021	153,750	132,673	286,423
2022-2026	390,000	66,240	456,240
2027	91,250	2,041	93,291
	<u>\$ 635,000</u>	<u>\$ 342,329</u>	<u>\$ 977,329</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Business-Type Activities

Changes in the debt for the year ended September 30, 2011, consisted of the following:

	<u>Balance October 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2011</u>	<u>Amount Due Within One Year</u>
1994 Water Pollution Control Revenue Bonds	\$ 918,000	\$ -	\$ 169,000	\$ 749,000	\$ 180,000
1999A Water Pollution Control Revenue Bonds	830,000	-	75,000	755,000	75,000
1999A Water Pollution Control General Obligation Bonds	935,000	-	75,000	860,000	80,000
2002 NID Sallee Estates Sewer Installation Project	78,000	-	4,000	74,000	4,000
2006 NID Industrial Park Sewer Expansion Project	225,000	-	-	225,000	10,000
2007 Refunding Certificates of Participation	1,895,000	-	-	1,895,000	-
2007 Combined Waterworks & Sewerage System Bonds	605,000	-	-	605,000	-
2011 Combined Waterworks & Sewerage System Bonds	-	3,125,000	-	3,125,000	90,000
SRF Note Payable	<u>1,878,246</u>	<u>-</u>	<u>223,300</u>	<u>1,654,946</u>	<u>-</u>
	<u>\$ 7,364,246</u>	<u>\$ 3,125,000</u>	<u>\$ 546,300</u>	<u>\$ 9,942,946</u>	<u>\$ 439,000</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Neighborhood Improvement District (NID)

On April 15, 2002, the City issued \$103,000 in Neighborhood Improvement District-Sallee Estates Sewer Installment Project General Obligation Bonds to finance a sewer project in the Sallee Estates Addition. This issue is to be repaid through a special tax assessment on the citizens of the District benefitted. Bonds are due in annual installments varying from year to year until maturity on March 1, 2022. Interest is due on March 1 and September 1. Interest rates range from 5% to 5.8%.

On March 22, 2006, the City issued \$225,000 in Neighborhood Improvement District-Industrial Park Expansion Project General Obligation Bonds to finance the project. This issue is to be repaid through a special tax assessment levied on owners of property benefitting. Bonds are due in annual installments beginning in 2012 until maturity on March 1, 2026. Interest is due on March 1 and September 1. Interest rates range from 4.5% to 5%.

Neighborhood Improvement District Bonds are general obligation issues even though their purpose is for business activity asset.

As special assessment taxes are used to liquidate the debt, the revenue and expense transactions are accounted for in the Debt Service Fund (a governmental fund). In years when special assessment revenues do not meet the required payments, enterprise funds have been required.

The bond proceeds were used to produce capital assets which are recorded in the enterprise fund. The corresponding liability for bonds payable are also recorded in the enterprise fund. The capital asset is depreciated annually and the liability reduction paid by the debt service fund results in calculations affecting capital assets net of related debt. Future minimum NID general obligation bond payments are as follows.

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

The bond proceeds were used to produce capital assets which are recorded in the enterprise fund. The corresponding liability for bonds payable are also recorded in the enterprise fund. The capital asset is depreciated annually and the liability reduction paid by the debt service fund results in calculations affecting capital assets net of related debt. Future minimum NID general obligation bond payments are as follows:

Years ending September 30,	Principal	Interest	Total
2012	\$ 14,000	\$ 14,995	\$ 28,995
2013	15,000	14,065	29,065
2014	15,000	13,325	28,325
2015	16,000	12,556	28,556
2016	22,000	11,617	33,617
2017-2021	113,000	41,160	154,160
2022-2026	104,000	12,636	116,636
	\$ 299,000	\$ 120,354	\$ 419,354

The above NID payments are scheduled to be paid with tax dollars obtained from special assessments unless a tax shortage occurs. Over the life of the NID, tax dollars have been calculated to meet all payment obligations.

General Obligation Bonds

On June 1, 1999, the City issued \$1,500,000 of Water Pollution Control General Obligation Bonds (State Revolving Fund Program-Multiple Participant Series). The purpose was for the extension and improvement of the City's combined waterworks and sewerage system. This issue can either be paid by an annual tax levy approved by the Board or by revenues of the enterprise fund. Bonds are due in annual installments varying from year to year until maturity on January 1, 2019. Interest is payable on January 1 and July 1. Interest rate ranges from 3.625% to 5.25%.

Bond proceeds were used to produce capital assets which are recorded in the enterprise fund. The corresponding liability for bonds payable is also recorded in the enterprise fund. Capital assets are depreciated annually and the liability reduction paid by the debt service fund results in calculation affecting capital assets net of related debt. Future minimum general obligation bond payments are as follows:

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

Years ending September 30,	Principal	Interest	Total
2012	\$ 80,000	\$ 41,900	\$ 121,900
2013	85,000	37,769	122,769
2014	90,000	33,175	123,175
2015	110,000	27,925	137,925
2016	115,000	22,019	137,019
2017-2019	<u>380,000</u>	<u>29,250</u>	<u>409,250</u>
	<u>\$ 860,000</u>	<u>\$ 192,038</u>	<u>\$ 1,052,038</u>

The above general obligation issue payments are scheduled to be paid with tax dollars levied by the Board on an annual basis. If tax dollars are not adequate to make the payments, then enterprise funds will be required.

Revenue Bonds

On August 1, 1994, the City issued \$2,605,000 in Water Pollution Control Revenue Bonds (State Revolving Fund Program-Multiple Participant Series). The funds were used for expansion and improvement of the enterprise fund systems. Bond and interest payments are to be paid with enterprise fund revenues. Bonds are due July 1 from year to year until maturity on July 1, 2015. Interest is payable on January 1 and July 1. Interest rates range from 4.25% to 6.05%.

On June 1, 1999, the City issued \$1,365,000 in Water Pollution Control Revenue Bonds (State Revolving Fund Program-Multiple Participant Series). The purpose was for the extension and improvement of the City's combined waterworks and sewerage system. Bonds and interest payments are to be made with enterprise revenues. Bonds are due in annual installments varying from year to year until maturing on January 1, 2020. Interest is payable on January 1 and July 1. Interest rates range from 3.625% to 5.25%.

On November 14, 2007, the City issued \$605,000 in Combined Waterworks and Sewerage System Refunding Revenue Bonds. The funds are to be used for refunding the Series 1993 and 1994B balances and new funds for additional improvements. Bonds and interest payments are to be made with enterprise revenues. Bonds are due in annual installments varying from year to year until maturity on January 1, 2018. Interest is payable on January 1 and July 1. Interest rates range from 4.1% to 4.2%.

On February 24, 2011, the City issued \$3,125,000 in Combined Waterworks and Sewerage System Revenue Bonds. The funds are to be used for improvement of the City's combined waterworks and sewerage system. Bond and interest payments are to be made with

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

enterprise revenues. Bonds are due in annual installments varying from year to year until maturity on January 1, 2013. Interest is payable on January 1 and July 1. Interest ranges from 1% to 5.75%.

Future minimum revenue bond payments are as follows:

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 345,000	\$ 249,777	\$ 594,777
2013	361,000	233,844	594,844
2014	369,000	216,678	585,678
2015	379,000	198,731	577,731
2016	370,000	176,111	546,111
2017-2021	1,435,000	660,387	2,095,387
2022-2026	845,000	-	845,000
2027-2031	1,130,000	-	1,130,000
	<u>\$ 5,234,000</u>	<u>\$ 1,735,528</u>	<u>\$ 6,969,528</u>

Revenue bonds are collateralized by the revenue of the water and sewer systems. Ordinances provide that the revenue of the system is to be used to pay operating and maintenance expenses to include debt service. As long as bonds are outstanding, monies derived from operations cannot be directed to the general government or municipal functions of the City.

The City maintains its records and this report has been prepared using the modified cash basis of accounting. Article II, Section 2.2 u (ii) of Series 1994A, Combined Waterworks and Sewage System Refunding and Improvement Bonds, states that the City shall maintain system records in accordance with generally accepted governmental accounting standards defined in the Governmental Accounting, Auditing and Financial Reporting Manual (1988 Ed.) issued by the Government Finance Officers' Association.

Proceeds from the original bond sales were placed in trust to establish reserve and debt servicing accounts. These accounts have not been maintained as required.

Rates and fees established and charged were sufficient to satisfy bond covenant responsibilities for the year ended September 30, 2011.

The City, by ordinance, also participates in the State Revolving Fund Program (SRF) Series 1994A and Series 1999A. These programs require the state to place 70% of the total bond issue in an escrow trust for the City. The interest earned on the escrow funds is

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT (Continued):

transferred to the trust debt service fund to help pay the City's required interest payments on the bonds. As principal payments are made, the state reclaims 70% of the principal payment. The state SRF reserve is included in the bond issue trust funds and the City has elected to record the SRF reserve as a restricted investment on their statement of net assets. A corresponding liability is also recorded.

Refunding Certificate of Participation

In November 2007, \$1,895,000 on insured Refunding Certificates of Participation were issued for the purpose of refunding previously delivered and outstanding certificates of participation (Series 2003 and 2004). Rental payments are due January 1, starting on January 1, 2019, with the final payment due on January 1, 2027. Interest payments are due on July 1 and January 1. Rental payments are payable with enterprise operating funds. The City annually appropriates (budgets) funding for this debt.

The base lease between the City, as lessor, and Southwest Trust Company N.A., as lessee and trustee, transfer a leasehold interest in certain real property held by the City to the trustee. The term of the base lease is November 14, 2007 through January 1, 2027, or the date the certificates have been paid in full, whichever is earlier. Future minimum lease payments are as follows:

<u>Years ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 84,822	\$ 84,822
2013	-	84,822	84,822
2014	-	84,822	84,822
2015	-	84,822	84,822
2016	-	84,822	84,822
2017-2021	461,250	398,013	859,263
2022-2026	1,170,000	198,719	1,368,719
2027	263,750	6,123	269,873
	<u>\$ 1,895,000</u>	<u>\$ 1,026,965</u>	<u>\$ 2,921,965</u>

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

7. INTERFUND TRANSACTIONS:

Interfund due from and due to balances at September 30, 2011, were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 265,653
Parks Fund	221	-
Street Fund	11,577	-
Capital Improvement Fund	70,623	-
East Growth Fund	1,000	-
West Growth Fund	1,000	-
Debt Service Fund	38,321	23,089
Proprietary Fund	<u>272,259</u>	<u>106,259</u>
	<u>\$ 395,001</u>	<u>\$ 395,001</u>

Interfund transactions occurred in several areas during the current year.

1. The City's general fund collects property taxes and distributes the appropriate amounts to the debt service fund.
2. Bond payments are made with tax dollars out of the enterprise fund for waterworks improvements. The liability for these bonds is recorded in the enterprise fund. A transfer of tax dollars is made to the enterprise fund to make the payments.
3. Fund transfers were made from the debt service fund to the enterprise fund.

Transfers during the year ended September 30, 2011, were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Debt Service Fund	\$ -	\$ 143,029
Proprietary Fund	<u>143,029</u>	<u>-</u>
	<u>\$ 143,029</u>	<u>\$ 143,029</u>

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

8. EMPLOYEE PENSION PLAN:

Plan Description

The City participates in the Missouri Local Government Employees Retirement System (LAGERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for local government entities in Missouri. LAGERS is a defined benefit pension plan that 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 it is tax exempt.

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

Funding Status

The City's full-time employees do not contribute to the pension plan. The political subdivision is required by state statute to contribute at an actuarially determined rate; the current rate is 15.5% (general) and 14% (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.

Annual Pension Cost and Net Pension Obligation (NPO)

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

Annual required contribution	\$ 142,040
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>142,040</u>
Actual contributions	<u>140,904</u>
Increase (decrease) in NPO	1,136
NPO beginning of the year	-
NPO end of the year	<u><u>\$ 1,136</u></u>

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

8. **EMPLOYEE PENSION PLAN (Continued):**

The annual required contribution (ARC) was determined as part of the February 29, 2008, and/or February 28, 2009, annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011, included (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation; (c) additional projected salary increases ranging from 0% to 6% per year, depending on age and division, attributable to seniority/merit; (d) pre-retirement mortality based on the RP-2000 Combined Healthy Table set back 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 a closed basis. The amortization period at February 29, 2008, was 18 years for the General division and 30 years for the Police division.

Three-Year Trend Information			
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 172,629	100%	\$ -
2010	\$ 147,941	100%	\$ -
2011	\$ 142,040	99%	\$ 1,136

9. **DEFERRED COMPENSATION PLAN:**

The City provides for a deferred compensation plan for their employees. Funds are paid to and retained by ING in individual employee accounts. There is no cost to the City in the operation of this plan. The deferred compensation plan is designed to comply with Internal Revenue Code 457.

10. **COUNTY ROAD TAX:**

Road tax is remitted to the county by the state to be distributed to each City for the purpose of road upkeep. The county distributes these funds after the City makes the expenditure and submits the appropriate paperwork.

CITY OF PECULIAR, MISSOURI

NOTES TO FINANCIAL STATEMENTS

11. RISK MANAGEMENT:

The City is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage has been purchased by the City to cover all risks.

12. CONTINGENCIES:

The City is a defendant in various lawsuits arising from normal business activities. Management has reviewed pending litigation with legal counsel and believes that ultimate liability, if any, resulting from these matters will not materially affect the City's financial position.

Additionally, the City's sewer and water utilities are subject to federal and state regulations relating to the discharge of materials into the environment. Compliance with these provisions has not had, nor does the City expect such compliance to have, any material effect upon the financial condition of the City. Management of the City believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

13. MAJOR SUPPLIERS:

During the year ended September 30, 2011, the City relied upon the Public Water Supply District #2 (PWSD #2) for water which was resold to customers. The City has an ongoing contract with PWSD #2 to purchase water. PWSD #2 makes rate adjustments periodically which the City has absorbed.

14. SEGMENT INFORMATION:

Water, sewer, and trash 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 September 30, 2011, for these funds are as follows:

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

14. SEGMENT INFORMATION (Continued):

	<u>Water</u>	<u>Sewer</u>	<u>Trash</u>	<u>Total</u>
Operating revenues	\$ 820,152	\$ 1,044,918	\$ 268,977	\$ 2,134,047
Depreciation and amortization	95,786	201,270	-	297,056
Operating income (loss)	(28,651)	352,556	23,318	347,223
Net income (loss)	(46,706)	370,345	23,318	346,957
Property, plant, and equipment additions	72,764	325,868	-	398,632
Total fixed assets, net of accumulated depreciation	1,951,467	5,123,940	-	7,075,407
Revenue bonds	3,066,500	1,562,500	-	4,629,000
State revolving fund loan	1,654,946	-	-	1,654,946
General obligation bonds	860,000	-	-	860,000
Neighborhood Improvement District Bonds	-	299,000	-	299,000
Certificates of participation	1,250,000	1,250,000	-	2,500,000

15. EVALUATION OF SUBSEQUENT EVENTS:

The City has evaluated subsequent events through November 30, 2011, the date which the financial statements were available to be issued.

CITY OF PECULIAR, MISSOURI
NOTES TO FINANCIAL STATEMENTS

16. GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS:

The City implemented the following statement during the year ended September 30, 2011:

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued March 2009, will be effective for the City beginning with its year ended September 30, 2011. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the City beginning with its year ended September 30, 2011. This Statement updates and improves the existing standards regarding financial reporting of certain financial instruments and external investment pools.

The GASB had issued the following statement not yet implemented by the City. The statement which might impact the City is as follows:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multi-Employer Plans*, will be effective for the City beginning with its year ending September 30, 2012. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers).

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued December 2010, will be effective for the City beginning with its year ending September 30, 2013. This Statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in several pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued June 2011, will be effective for the City beginning with its year ending September 30, 2013. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

CITY OF PECULIAR, MISSOURI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY ACCOUNTING

The City prepares its budget for all governmental funds on the modified cash basis of accounting. This basis is consistent with the basis of accounting used in preparing and presenting the basic financial statements. All unexpended appropriations lapse at year-end.

- 1) Prior to September 1, management submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) A public hearing is conducted to obtain taxpayer comments. Prior to this hearing, the budget document is made available for public inspection.
- 3) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- 4) Any transfer of budgeted amounts between object levels within any fund or any revisions that alter the total expenditures of any fund must be approved by the Board of Aldermen.
- 5) Budgets are prepared on the modified cash basis of accounting which corresponds to the fund statements.
- 6) Actual expenditures may not legally exceed the budgeted expenditures in any budgeted fund.

MISSOURI LOCAL GOVERNMENT EMPLOYEES RETIREMENT SYSTEM:

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
02/28/09	\$ 743,263	\$ 1,310,039	\$ 566,776
02/28/10	\$ 981,135	\$ 1,409,541	\$ 428,406
02/28/11	\$ 1,123,003	\$ 1,536,995	\$ 413,992

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percent of Covered Payroll
02/28/09	57%	\$ 1,201,950	47%
02/28/10	70%	\$ 1,022,913	42%
02/28/11	73%	\$ 879,029	47%

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.

CITY OF PECULIAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 156,547	\$ 156,547	\$ 156,547	\$ -
Resources (Inflows):				
Taxes	630,000	700,000	710,974	10,974
Franchise fees	360,000	360,000	362,108	2,108
Licenses and permits	61,000	48,000	42,777	(5,223)
Intergovernmental	160,000	155,000	153,066	(1,934)
Charges for services	12,000	10,000	9,315	(685)
Fees and fines	348,000	299,000	292,945	(6,055)
Investment income	2,000	2,000	3,525	1,525
Other	41,000	47,500	53,773	6,273
	<u>1,614,000</u>	<u>1,621,500</u>	<u>1,628,483</u>	<u>6,983</u>
Amounts available for appropriation	<u>1,770,547</u>	<u>1,778,047</u>	<u>1,785,030</u>	<u>6,983</u>
Charges to appropriations (Outflows):				
Elected officials	129,000	80,450	35,411	45,039
Administrative/finance	283,000	272,500	272,666	(166)
Law enforcement	669,421	755,921	755,110	811
Public works	185,000	187,500	182,766	4,734
Courts	97,500	100,500	102,750	(2,250)
Planning	129,800	99,800	96,743	3,057
Facilities	96,000	91,500	79,300	12,200
Emergency management	-	2,000	-	2,000
Debt service:				
Principal	24,000	21,000	7,941	13,059
Interest and fiscal charges	-	-	12,807	(12,807)
Total charges to appropriations	<u>1,613,721</u>	<u>1,611,171</u>	<u>1,545,494</u>	<u>65,677</u>
Ending budgetary fund balance	<u>\$ 156,826</u>	<u>\$ 166,876</u>	<u>\$ 239,536</u>	<u>\$ 72,660</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
PARK FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 287,877	\$ 287,877	\$ 287,877	\$ -
Resources (Inflows):				
Taxes	171,000	180,000	146,237	(33,763)
Licenses and permits	-	3,000	986	(2,014)
Investment income	3,000	-	2,054	2,054
Other	26,000	22,000	22,084	84
	<u>200,000</u>	<u>205,000</u>	<u>171,361</u>	<u>(33,639)</u>
Amounts available for appropriation	<u>487,877</u>	<u>492,877</u>	<u>459,238</u>	<u>(33,639)</u>
Charges to appropriations (Outflows):				
Parks	119,100	126,100	123,032	3,068
Capital outlay	20,000	20,000	18,182	1,818
Debt service, Interest and fiscal charges	33,000	30,000	28,388	1,612
Total charges to appropriations	<u>172,100</u>	<u>176,100</u>	<u>169,602</u>	<u>6,498</u>
Ending budgetary fund balance	<u>\$ 315,777</u>	<u>\$ 316,777</u>	<u>\$ 289,636</u>	<u>\$ (27,141)</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
ROAD AND STREET FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 3,966	\$ 3,966	\$ 3,966	\$ -
Resources (Inflows):				
Taxes	136,000	160,000	146,190	(13,810)
Intergovernmental	<u>60,000</u>	<u>185,000</u>	<u>135,846</u>	<u>(49,154)</u>
	<u>196,000</u>	<u>345,000</u>	<u>282,036</u>	<u>(62,964)</u>
Amounts available for appropriation	<u>199,966</u>	<u>348,966</u>	<u>286,002</u>	<u>(62,964)</u>
Charges to appropriations (Outflows), Streets	<u>201,000</u>	<u>345,000</u>	<u>274,425</u>	<u>70,575</u>
Total charges to appropriations	<u>201,000</u>	<u>345,000</u>	<u>274,425</u>	<u>70,575</u>
Ending budgetary fund balance	<u>\$ (1,034)</u>	<u>\$ 3,966</u>	<u>\$ 11,577</u>	<u>\$ 7,611</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 178,303	\$ 178,303	\$ 178,303	\$ -
Resources (Inflows):				
Taxes	155,000	155,000	166,358	11,358
Licenses and permits	24,000	24,000	300	(23,700)
Investment income	-	-	57	57
Other	-	-	1,000	1,000
	<u>179,000</u>	<u>179,000</u>	<u>167,715</u>	<u>(11,285)</u>
Amounts available for appropriation	<u>357,303</u>	<u>357,303</u>	<u>346,018</u>	<u>(11,285)</u>
Charges to appropriations (Outflows), Capital outlay	<u>318,000</u>	<u>318,000</u>	<u>217,045</u>	<u>100,955</u>
Total charges to appropriations	<u>318,000</u>	<u>318,000</u>	<u>217,045</u>	<u>100,955</u>
Ending budgetary fund balance	<u>\$ 39,303</u>	<u>\$ 39,303</u>	<u>\$ 128,973</u>	<u>\$ 89,670</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI
BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
EAST GROWTH FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 117,480	\$ 117,480	\$ 117,480	\$ -
Resources (Inflows):				
Licenses and permits	-	-	1,000	1,000
Investment income	-	-	994	994
	-	-	1,994	1,994
Amounts available for appropriation	<u>117,480</u>	<u>117,480</u>	<u>119,474</u>	<u>1,994</u>
Charges to appropriations (Outflows),				
Capital outlay	-	-	-	-
Total charges to appropriations	<u>24,000</u>	<u>21,000</u>	<u>-</u>	<u>21,000</u>
Ending budgetary fund balance	<u>\$ 93,480</u>	<u>\$ 96,480</u>	<u>\$ 119,474</u>	<u>\$ 22,994</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
 WEST GROWTH FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 48,304	\$ 48,304	\$ 48,304	\$ -
Resources (Inflows):				
Licenses and permits	-	-	2,000	2,000
Investment income	-	-	227	227
	-	-	2,227	2,227
Amounts available for appropriation	48,304	48,304	50,531	2,227
Charges to appropriations (Outflows),				
Capital outlay	-	45,000	41,812	3,188
Total charges to appropriations	24,000	66,000	41,812	24,188
Ending budgetary fund balance	\$ 24,304	\$ (17,696)	\$ 8,719	\$ 26,415

See accompanying notes.

CITY OF PECULIAR, MISSOURI
 BUDGETARY COMPARISON SCHEDULE -- MODIFIED CASH BASIS --
 DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Beginning budgetary fund balance	\$ 14,325	\$ 14,325	\$ 14,325	\$ -
Resources (Inflows), Taxes	<u>145,000</u>	<u>145,000</u>	<u>143,936</u>	<u>(1,064)</u>
	<u>145,000</u>	<u>145,000</u>	<u>143,936</u>	<u>(1,064)</u>
Amounts available for appropriation	<u>159,325</u>	<u>159,325</u>	<u>158,261</u>	<u>(1,064)</u>
Charges to appropriations (Outflows), Transfers to other funds	<u>145,000</u>	<u>145,000</u>	<u>143,029</u>	<u>1,971</u>
Total charges to appropriations	<u>145,000</u>	<u>190,000</u>	<u>143,029</u>	<u>46,971</u>
Ending budgetary fund balance	<u>\$ 14,325</u>	<u>\$ (30,675)</u>	<u>\$ 15,232</u>	<u>\$ 45,907</u>

See accompanying notes.

CITY OF PECULIAR, MISSOURI

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND
REPORT TO MANAGEMENT**

To the Honorable Mayor
and Members of the
City Council
City of Peculiar, Missouri

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Peculiar, Missouri, as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the City's internal control to be a significant deficiency:

Significant Deficiency

Prior Year Significant Deficiency:

Financial Statement Preparation: Current auditing standards require us to inform you that the City does not have personnel with certified expertise to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

The City has engaged an outside accountant who acts as the City's Controller. In this capacity, internal, modified cash basis financial statements are prepared monthly. However, the outside accountant does not prepare the City's year-end statements and related footnote disclosures for audit purposes.

We understand that management does not find it cost effective to hire personnel with the expertise to prepare the financial statements and related footnote disclosures.

Management Comments

During our audit, we became aware of a matter that is an opportunity for improving operating efficiency. Our comments and suggestions regarding that matter follows.

Current Year Management Comment:

Sinking Fund Requirements: In accordance with its bond covenants, the City is required to deposit funds into sinking fund accounts to provide for principal and interest payments, depreciation and replacement reserves, and debt service reserves. Certain of these accounts were underfunded at September 30, 2011. The City is in technical default of its bond covenants when these sinking fund requirements are not met. As of September 30, 2011, there were adequate monies to cover these sinking fund requirements. The City is in the process of establishing these funds and funding them as set forth in the covenants.

Prior Year Management Comments:

Accounting System: Currently, the outside accountant manually prepares journal entries for a large amount of the information entered into the City's accounting package. The bank reconciliations and numerous other supporting schedules are also prepared by hand. This approach is time consuming and laborious, and it is potentially an area where multiple errors can occur. Based upon our inquiries and past experience with this accounting package, it is possible that the City's system is capable of performing the above tasks. We feel this would be an excellent method of increasing the efficiency and accuracy of the accounting process. We would recommend that this approach be investigated. There may be some initial training or implementation costs, but the overall benefit to the City will prove to be well worth the costs. Management has begun this process for the 2011-2012 fiscal year.

Journal Entries: Outside accounting personnel currently utilize journal entries to record a significant amount of the cash receipts to the City's accounting system. The City's accounting system is capable of recording receipts through its cash receipts process. We recommend that the City discontinue the separate reporting done through the journal entry process and concentrate efforts on the general ledger and the cash receipts process within the accounting system. Implementation of this suggestion would save a substantial amount of duplication of effort. Management is beginning to eliminate the volume of journal entries by utilizing the individual modules of the software. This process began with the start of the new fiscal year on October 1, 2011.

This communication is intended solely for the information and use of management, the City of Peculiar, Missouri, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Harrisonville, Missouri
November 30, 2011

November 30, 2011

To the Honorable Mayor and Members
of the Board of Aldermen
City of Peculiar, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Peculiar, Missouri, for the year ended September 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Peculiar, Missouri, are described in Note 1 to the financial statements. No new accounting policies were adopted, except for Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, and the application of all other existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the City of Peculiar, Missouri's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached adjusting journal entry report lists the material entries needed to bring the financial statements into conformity with generally accepted accounting principles.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Aldermen and management of the City of Peculiar, Missouri, and is not intended to be and should not be used by anyone other than these specified parties.

TROUTT, BEEMAN & CO., P.C.
Harrisonville, Missouri

Client: 5490 - CITY OF PECULIAR, MISSOURI
Engagement: 2011 - CITY OF PECULIAR, MISSOURI
Period Ending: 9/30/2011
Trial Balance: 50 - Proprietary Fund Trial Balance
Workpaper: 50 - Adjusting Journal Entries Report

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 201		E-2		
To record transfer of assets to proprietary fund				
50-100-500-30	Capital Assets		7,890.00	
50-100-500-30	Capital Assets		76,212.00	
50-100-500-35	Accumulated Depreciation - Capita Assets			5,129.00
50-100-500-35	Accumulated Depreciation - Capita Assets			43,187.00
50-900-900-90	Capital Contributions			35,786.00
Total			84,102.00	84,102.00
Adjusting Journal Entries JE # 202		E		
To adjust assets and record depreciation				
50-100-500-25	Accumulated Depreciation - Infrastructure		32.00	
50-600-700-10	Meter Expense		1,331.00	
50-900-100-50	Depreciation		7,933.00	
50-100-500-20	Infrastructure			584.00
50-100-500-30	Capital Assets			750.00
50-100-500-35	Accumulated Depreciation - Capita Assets			7,962.00
Total			9,296.00	9,296.00
Adjusting Journal Entries JE # 203		N-11		
To reclass bond costs				
51-100-500-52	Bond Costs		113,359.00	
51-600-100-10	Bond issuance costs			113,359.00
Total			113,359.00	113,359.00
Adjusting Journal Entries JE # 204		F		
To record amortization				
51-900-100-25	Amoritzation		3,306.00	
51-100-500-53	Accumulated Amortization			3,306.00
Total			3,306.00	3,306.00