

CITY OF CRESTWOOD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF CRESTWOOD, MISSOURI

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INDEPENDENT AUDITORS' REPORT



The Honorable Mayor and Board of Aldermen
and City Administrator of
CITY OF CRESTWOOD, MISSOURI

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Crestwood, Missouri, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of City of Crestwood, Missouri, as of December 31, 2010, and the respective changes in the financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 31 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Botz, Deal & Company
June 16, 2011

**CITY OF CRESTWOOD, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

The discussion and analysis of the City of Crestwood, Missouri's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended December 31, 2010. It should be read in conjunction with the accompanying basic financial statement.

FINANCIAL HIGHLIGHTS

- On a government-wide basis the assets of the City of Crestwood, Missouri exceeded its liabilities for the most recent fiscal year by \$17,746,984.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,344,172. Total governmental funds expenditures exceeded revenues by \$115,633.
- The City paid the remaining outstanding balance on its Annual Appropriation Note in 2010.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$3,585,674. Of this balance, the Board of Aldermen designated \$571,033 as cash reserves.
- The City's total long-term liabilities decreased by \$1,157,515 during the current fiscal year, as a result of continued annual payments on Certificates of Participation and the payoff of the Annual Appropriation Note.

REPORT LAYOUT

The report consists of the Management's Discussion and Analysis (MD&A), government-wide statements, fund financial statements, notes to the financial statements, and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as police, fire, public works, parks and recreation and general government administration. The City currently does not have any business-type activities. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operation. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities reflect capital assets including infrastructure and long-term liabilities. Governmental activities are reported on the full accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of city programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own column and the remaining funds are combined into a column title "Other Non-major Funds". Budgetary comparisons for the General Fund and major special revenue funds are presented as required supplementary information. The City does not prepare a budget for the Tax Increment Financing Fund and the Sappington House Fund.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The MD&A is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

THE CITY AS A WHOLE

Government-wide Financial Analysis

The City's net assets were \$17,746,984 as of December 31, 2010. This analysis focuses on the net assets (Table 1), and changes in general revenues (Table 2) and significant expenses of the City's governmental activities.

The City's net assets consist of its investment in capital assets (e.g., land, buildings, improvements, vehicles, infrastructure and equipment); less accumulated depreciation and any related debt used to acquire those assets that is still outstanding and unrestricted balances. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1

	2010	2009	Increase (Decrease)
Current and other assets	\$ 7,127,020	\$ 7,259,798	\$ (132,778)
Capital assets	13,805,333	14,188,216	(382,883)
Total assets	<u>20,932,353</u>	<u>21,448,014</u>	<u>(515,661)</u>
Current and other liabilities	575,089	718,537	(143,448)
Long-term liabilities	2,610,280	3,767,795	(1,157,515)
Total liabilities	<u>3,185,369</u>	<u>4,486,332</u>	<u>(1,300,963)</u>
Net assets:			
Invested in capital assets, net of related debt	11,790,333	11,233,216	557,117
Restricted	957,326	1,490,074	(532,748)
Unrestricted	4,999,325	4,238,392	760,933
Total net assets	<u>\$ 17,746,984</u>	<u>\$ 16,961,682</u>	<u>\$ 785,302</u>

Governmental activities increased the City's net assets by \$785,302. The key elements of this increase are as follows:

Table 2

	2010	2009	Increase (Decrease)
Revenues:			
Program revenues:			
Charges for service	\$ 1,747,928	\$ 1,908,243	\$ (160,315)
Operating grants and contributions	15,966	21,444	(5,478)
Capital grants	442,689	621,985	(179,296)
General revenues:			
Taxes	9,526,929	10,009,658	(482,729)
Miscellaneous	121,205	122,319	(1,114)
Investment income	46,360	14,085	32,275
Total revenues	<u>11,901,077</u>	<u>12,697,734</u>	<u>(796,657)</u>
Expenses:			
General government	1,385,158	1,349,693	35,465
Public works	2,392,354	2,308,379	83,975
Public safety:			
Police	3,008,922	2,819,660	189,262
Fire	2,727,264	2,656,992	70,272
Courts	117,275	130,308	(13,033)
Parks and recreation	1,443,786	1,375,539	68,247
Interest and fiscal charges	136,797	194,044	(57,247)
Total expenses	<u>11,211,556</u>	<u>10,834,615</u>	<u>376,941</u>
Increase in net assets	689,521	1,863,119	(1,173,598)
Net assets, beginning of year	16,961,682	14,749,388	2,212,294
Prior year correction	95,781	349,175	(253,394)
Net assets, end of year	<u>\$ 17,746,984</u>	<u>\$ 16,961,682</u>	<u>\$ 785,302</u>

Total 2010 revenues shown in Table 2 were \$11,901,077, compared with total revenues of \$12,697,734 in 2009 represent decrease in total revenues of \$796,657, an overall decrease of 6.3%. This is primarily due to a decrease in sales tax revenues during 2010 of approximately \$330,000 and a decrease in capital grants of approximately \$179,000. Utility taxes and licenses and permits each decreased approximately \$100,000 from 2009 to 2010.

Total 2010 expenses increased to \$11,211,556 from \$10,834,615 in 2009. The expense item having the most significant affect on the increase of expenses was employee benefits. The remainder of the increase was attributable to inflation.

Governmental Funds

The following table presents the amount of governmental funds revenue from various sources on the modified accrual basis of accounting.

Table 3

	Fiscal Year Ending 2010	Fiscal Year Ending 2009	Increase (Decrease)	Percentage Change
Taxes	\$ 9,530,788	\$ 9,901,110	\$ (370,322)	(3.7) %
Licenses and permits	780,177	877,347	(97,170)	(11.1)
Fines and forfeitures	307,088	332,596	(25,508)	(7.7)
Charges for service	660,663	698,300	(37,637)	(5.4)
Investment income	46,360	14,085	32,275	229.14
Grants	458,655	643,429	(184,774)	(28.7)
Other revenue	121,205	122,319	(1,114)	(0.9)
Total general Revenues	<u>\$ 11,904,936</u>	<u>\$ 12,589,186</u>	<u>\$ (684,250)</u>	(5.4)

Total 2010 revenues in the governmental funds decreased \$684,250 or 5.4%. A majority of the decrease is due to a decrease in sales tax and grants of approximately \$330,000 and \$185,000, respectively.

Revenues exceeded expenditures in the General Fund by \$237,912 in 2010. General Fund expenditures decreased \$748,957 in 2010 compared to 2009. This was almost entirely attributable to a decrease in debt service expenditures of \$984,544 relating to the Annual Appropriation Notes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2010, the City had \$13,805,333 invested in a broad range of capital assets, net of depreciation, including police, fire and public works equipment, buildings, park facilities and roads. (See Table 4.) This amount represents a net decrease (including additions and deductions) of \$382,883.

	2010	2009	Increase (Decrease)
Land	\$ 1,908,703	\$ 1,908,703	\$ -
Construction in progress	-	1,088,692	(1,088,692)
Buildings and improvements	13,181,381	13,181,381	-
Vehicles	1,962,428	1,843,374	119,054
Machinery and equipment	2,174,071	2,012,572	161,499
Infrastructure	4,858,472	3,585,192	1,273,280
Total	<u>\$ 24,085,055</u>	<u>\$ 23,619,914</u>	<u>\$ 465,141</u>

The most significant additions to capital assets this fiscal year were the completion of the Pardee Road Bridge and improvement to the City's parks. More detailed information on the City's capital assets is presented in note 5 of the financial statements.

Debt

At year-end, the City had \$2,015,000 in outstanding debt compared to \$3,258,018 at the end of the prior fiscal year, a decrease of 38%.

	2010	2009	Increase (Decrease)
Certificates of Participation	\$ 2,015,000	\$ 2,955,000	\$ (940,000)
Annual Appropriation Note	-	303,018	(303,018)
Total	<u>\$ 2,015,000</u>	<u>\$ 3,258,018</u>	<u>\$ (1,243,018)</u>

During the fiscal year, the City made payments on principal totaling \$1,243,018. More detailed information on the City's long-term liabilities is presented in note 6 of the financial statements.

THE CITY'S FUNDS

General Fund Budgetary Highlights

For 2010, actual revenues in the General Fund were \$8,499,132 as compared to the budget amount of \$8,711,290. The \$212,158 negative variance was primarily due to lower sales tax receipts.

For 2010, actual expenditures in the General Fund were \$8,261,220 compared to the budget amount of \$8,464,560. The City was under budget by \$203,340. This was due primarily to lower Workman's Comp payments, lower employee deductible reimbursement payments, and departmental under-spending .

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City, like many surrounding municipalities, has experienced the impact of a declining economy. For fiscal year 2011, revenues will be conservatively estimated at an amount less than 2010.

The City also plans to reduce expenditures, departmentally-wide, to account for the decline in budgeted revenues. Unfortunately, this may result in further deference of maintenance to City infrastructure and alterations to the City's five-year plan.

The City will continue to focus on building fund balances, reducing debt, and providing a quality level of services to the citizens of the City of Crestwood, Missouri.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

If you have questions about this report or need additional financial information, contact Greg Kremer, Finance Officer of Crestwood, Missouri, One Detjen Drive, MO, 63126.

CITY OF CRESTWOOD, MISSOURI
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 3,865,375
Taxes receivables:	
Property tax	903,860
Sales	1,276,324
Other	201,783
Other receivables	41
Other assets	4,206
Cash and investments - restricted	849,507
Cost of issuance	25,924
Capital assets - net:	
Nondepreciable	1,908,703
Depreciable	11,896,630
TOTAL ASSETS	<u><u>20,932,353</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	324,138
Accrued wages	208,408
Refundable deposits	17,602
Interest payable	24,941
Noncurrent liabilities:	
Due in one year	985,000
Due in more than one year	1,625,280
TOTAL LIABILITIES	<u><u>3,185,369</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	11,790,333
Restricted:	
Capital projects	782,682
Sewer repairs	174,644
Unrestricted	4,999,325
TOTAL NET ASSETS	<u><u>\$ 17,746,984</u></u>

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

CITY OF CRESTWOOD, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Service</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Change in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Assets</u>
Governmental Activities					Governmental
					Activities
General government	\$ 1,385,158	\$ 780,177	\$ -	\$ -	\$ (604,981)
Public works	2,392,354	138,821	-	388,851	(1,864,682)
Public safety:					
Police	3,008,922	307,088	15,966	-	(2,685,868)
Fire	2,727,264	-	-	53,838	(2,673,426)
Courts	117,275	-	-	-	(117,275)
Parks and recreation	1,443,786	521,842	-	-	(921,944)
Interest and fiscal charges	136,797	-	-	-	(136,797)
TOTAL GOVERNMENTAL					
ACTIVITIES	<u>\$ 11,211,556</u>	<u>\$ 1,747,928</u>	<u>\$ 15,966</u>	<u>\$ 442,689</u>	<u>(9,004,973)</u>
General Revenues:					
Taxes:					
Sales					5,665,261
Property					1,121,135
Property - Prop S					539,504
Utilities					1,708,191
Other					492,838
Investment income					46,360
Miscellaneous					121,205
TOTAL GENERAL REVENUES					<u>9,694,494</u>
CHANGE IN NET ASSETS					<u>689,521</u>
NET ASSETS - BEGINNING OF YEAR,					
AS PREVIOUSLY STATED					16,961,682
Correction of error					95,781
NET ASSETS - BEGINNING OF YEAR, AS RESTATED					<u>17,057,463</u>
NET ASSETS - END OF YEAR					<u>\$ 17,746,984</u>

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

CITY OF CRESTWOD, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	General Fund	Sewer Lateral	Capital Improvement	Park & Stormwater	Debt Service For Certificates of Participation Series 2001	Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 2,361,263	\$ 145,436	\$ 612,460	\$ 225,482	\$ -	\$ 520,734	\$ 3,865,375
Taxes receivables:							
Property tax	856,138	31,359	-	-	-	16,363	903,860
Sales	813,358	-	199,182	234,332	-	29,452	1,276,324
Other	201,783	-	-	-	-	-	201,783
Other receivables	41	-	-	-	-	-	41
Other assets	4,206	-	-	-	-	-	4,206
Cash and investments - restricted	-	-	-	-	849,507	-	849,507
Due to/from other funds	58,345	(2,151)	(28,960)	(27,234)	-	-	-
TOTAL ASSETS	\$ 4,295,134	\$ 174,644	\$ 782,682	\$ 432,580	\$ 849,507	\$ 566,549	\$ 7,101,096
LIABILITIES							
Accounts payable and accrued liabilities	\$ 237,924	\$ -	\$ -	\$ 1,648	\$ -	\$ 45,816	\$ 285,388
Accrued salaries	208,408	-	-	-	-	-	208,408
Deferred revenue	245,526	-	-	-	-	-	245,526
Refundable deposits	17,602	-	-	-	-	-	17,602
TOTAL LIABILITIES	709,460	-	-	1,648	-	45,816	756,924
FUND BALANCES							
Reserved for:							
Debt service	-	-	-	-	849,507	-	849,507
Unreserved:							
Designated cash reserves	571,033	-	-	-	-	-	571,033
Undesignated	3,014,641	174,644	782,682	430,932	-	520,733	4,923,632
TOTAL FUND BALANCE	3,585,674	174,644	782,682	430,932	849,507	520,733	6,344,172
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,295,134	\$ 174,644	\$ 782,682	\$ 432,580	\$ 849,507	\$ 566,549	\$ 7,101,096

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

CITY OF CRESTWOOD, MISSOURI
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF DECEMBER 31, 2010

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

Total fund balance per balance sheet	\$ 6,344,172
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	13,805,333
Receivables not collected in the current period are not available to pay current expenditures and, therefore, are deferred in the funds.	245,526
Bond issuance costs are amortized over the life of the bonds on the statement of net assets.	25,924
Liabilities recorded in the statement of net assets that do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(63,691)
Long-term liabilities, including certificates of participation and employee benefits are not due and payable in the current period and therefore, are not reported in the funds.	<u>(2,610,280)</u>
Net assets of governmental activities	<u><u>\$ 17,746,984</u></u>

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

CITY OF CRESTWOOD, MISSOURI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	General Fund	Sewer Lateral	Capital Improvement	Park & Stormwater	Debt Services For Certificates Of Participation Series 2001	Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes:							
Sales	\$ 3,386,535	\$ -	\$ 1,052,874	\$ 1,225,852	\$ -	\$ -	\$ 5,665,261
Property	1,124,435	-	-	-	-	-	1,124,435
Property - Prop S	541,971	-	-	-	-	-	541,971
Utility	1,706,283	-	-	-	-	-	1,706,283
Other	492,838	-	-	-	-	-	492,838
Licenses and permits	780,177	-	-	-	-	-	780,177
Fines and forfeitures	307,088	-	-	-	-	-	307,088
Charges for services	-	138,821	-	521,842	-	-	660,663
Investment earnings	11,243	429	1,708	323	63	32,594	46,360
Grants	69,804	-	388,851	-	-	-	458,655
Other	78,758	-	14,114	15,751	-	12,582	121,205
TOTAL REVENUES	8,499,132	139,250	1,457,547	1,763,768	63	45,176	11,904,936
EXPENDITURES							
Current:							
General government	1,137,616	-	147,016	-	-	-	1,284,632
Public works	1,232,881	209,994	711,650	304,928	-	-	2,459,453
Public safety:							
Police	2,827,905	-	28,901	-	-	-	2,856,806
Fire	2,634,512	-	7,200	-	-	-	2,641,712
Courts	117,275	-	-	-	-	-	117,275
Parks and recreation	-	-	-	971,932	-	25,491	997,423
Capital outlay	-	-	287,822	-	-	-	287,822
Debt service:							
Principal, interest and fiscal charges	311,031	-	-	-	1,064,415	-	1,375,446
TOTAL EXPENDITURES	8,261,220	209,994	1,182,589	1,276,860	1,064,415	25,491	12,020,569
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	237,912	(70,744)	274,958	486,908	(1,064,352)	19,685	(115,633)
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(827,223)	-	(736,962)	502,175	1,062,010	-	-
CHANGE IN FUND BALANCES	(589,311)	(70,744)	(462,004)	989,083	(2,342)	19,685	(115,633)
FUND BALANCES - BEGINNING							
OF YEAR, AS PREVIOUSLY STATED	4,079,204	-	-	-	-	-	4,079,204
Correction of error	95,781	-	-	-	-	-	95,781
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	4,174,985	245,388	1,244,686	(558,151)	851,849	501,048	6,459,805
FUND BALANCES - END OF YEAR	\$ 3,585,674	\$ 174,644	\$ 782,682	\$ 430,932	\$ 849,507	\$ 520,733	\$ 6,344,172

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

CITY OF CRESTWOOD, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

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

Change in fund balance-total governmental funds	\$ (115,633)
Revenues that do not provide current financial resources are not included in the fund financial statements.	(3,859)
The acquisition of capital assets requires the use of current financial resources but has no effect on net assets.	465,141
The cost of capital assets is allocated over their estimated useful lives and are reported as depreciation expense in the statement of activities.	(848,024)
Interest is reported as an expenditure when due in the governmental funds but is accrued in the statement of activities.	16,775
Bond issue costs are amortized over the life of the bonds in the statement of activities.	(21,144)
Certain long-term liabilities are are reported as an expenditure when payable from current resources in the governmental funds, however they are reported as an expense in the statement of net assets when incurred.	38,750
The costs of providing employee benefits in future periods are recognized as a expense in the statement of activities when the benefit is earned, however it is not recongnized as an expenditure until paid.	(85,503)
Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	<u>1,243,018</u>
Change in net assets of governmental activities	<u>\$ 689,521</u>

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

CITY OF CRESTWOOD, MISSOURI
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Crestwood, Missouri is a charter city governed by a mayor and an eight member board of aldermen.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. Generally accepted accounting principles include all relevant Government Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The City defines its financial reporting entity in accordance with Governmental Accounting Standards Board Statements No. 14 and No. 39. The criteria for including a potential component unit within the reporting entity includes the governing body's ability to exercise financial accountability. Financial accountability includes control or dependence over budget adoption, taxing authority, funding and appointment of the respective board. Based upon the application of these criteria, the City does not have any component units.

Government-Wide Financial Statements

Government-Wide Financial Statements - The Statement of Net Assets and the Statement of Activities present financial information about the City as a whole. These statements include the financial activities of the primary government and distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of net assets presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Amounts reported as program revenues include (a) charges to customer or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted interest earnings, gains and other miscellaneous revenue not properly included among program revenues are presented instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

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

Fund Financial Statements

Fund Financial Statements - Following the government-wide financial statements are separate financial statements for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The total fund balances for all governmental funds is reconciled to total net assets for governmental activities as shown on the Statement of Net Assets. The net change in fund balance for all governmental funds is reconciled to the total change in net assets as shown on the Statement of Activities in the government-wide financial statements.

The fund financial statements of the City are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

Governmental Fund Types - Governmental funds are those through which most governmental functions are financed. The acquisition uses and balances of the City's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of and changes in financial position rather than upon net income.

The following are the City's governmental major funds:

General - The General Fund is the general operating fund of the City. All general tax revenues and other revenues that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays the general operating expenditures, the fixed charges and the capital improvement costs that are not paid through other funds.

Sewer Lateral Fund - The Sewer Lateral Fund is used to account for financial resources collected for sewer lateral repairs.

Capital Improvement Fund - The Capital Improvement Fund is used to account for financial resources to be used for the acquisition, construction or maintenance of major capital items.

Park and Stormwater Fund - The Park and Stormwater Fund is used to account for financial resources to be used for the operations of park and stormwater activities as well as the acquisition, construction or maintenance of major capital items related to parks and stormwater projects.

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest and related costs for the Series 2001 Certificates or Participation.

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current financial resources generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are reported. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the governmental-wide statements and the statements for governmental funds.

Revenues are recognized in the accounting period in which they become both measurable and available. The term "available" is defined as collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For the City, available generally means expected to be received within sixty days of fiscal year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Expenditures for compensated absences and principal and interest on long-term debt are not recognized until due.

GASB 33 groups non-exchange transactions into the following four classes, based upon their principal characteristics: derived tax revenues, imposed non-exchange revenues, government mandated non-exchange transactions, and voluntary non-exchange transactions.

The City recognizes assets from derived tax revenue transactions (such as sales and utilities gross receipt taxes) in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The City recognizes assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The City recognizes revenues from property taxes, net of estimated uncollectible amounts, in the period for which the taxes are levied. Imposed non-exchange revenues also include permits and court fines and forfeitures.

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

Measurement Focus and Basis of Accounting - continued

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33, have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

Budget and Budgetary Accounting

An annual budget is legally adopted through passage of an appropriation ordinance by the Board of Aldermen for the General Fund, Capital Improvement Fund, Park and Stormwater Fund and the Sewer Lateral Fund, prior to the beginning of each fiscal year. The Board of Aldermen follow the procedures outlined below in establishing the budgetary data reflected in the accompanying basic financial statements:

- Department heads prepare departmental operating budgets and the Finance Officer makes revenue projections on or before September 15. The Finance Department edits and assembles the data for review.
- The City Administrator and Finance Officer review and revise departmental operating budgets based upon estimated revenue projections and operational priorities.
- At least forty-five days prior to the beginning of each fiscal year, the City Administrator shall submit to the Board of Aldermen a proposed final budget and accompanying written narrative.
- The Ways and Means Committee review a preliminary budget approximately three months prior to the new fiscal year to discuss revenue and fund balance projections, and proposed expenditures for all funds.
- Following any recommendations by the Way and Means Committee, the Board of Aldermen conducts budget work sessions in which board members express their opinions on the proposed budget.
- Based on the Board's recommendations, a budget ordinance is prepared. After a fifteen-day public notice, the Board of Aldermen holds a public hearing to hear taxpayer comments of the proposed budget.
- The budget is then adopted by ordinance.
- Budgeted expenditures cannot legally exceed appropriations at the fund level. Revenue estimates are adjusted to reflect any unencumbered or undesignated balance from the previous year.

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

Budget and Budgetary Accounting - continued

- During the year, the City Administrator may transfer all or any part of any unencumbered appropriation balance among accounts within a department. The Board of Aldermen may, by motion of the Board, transfer part of all of any unencumbered appropriation balance from one department to another. Supplemental appropriations may be made by ordinance of the Board of Aldermen if the City Administrator certifies that funds will be available for such expenditures.
- At the end of each budget period, all appropriated balances lapse and may be reappropriated in the next budget period.
- The City's budgets are prepared on the modified accrual basis.

Cash and Investments

Cash and cash equivalents are considered to be certificates of deposit, demand deposits, repurchase agreements, cash on hand, deposits in bank money market accounts and short-term investments.

Restricted Cash and Investments

Restricted cash and investments are comprised of cash deposits with banks and money market mutual funds. The funds are restricted for escrow reserve (as required by the certificates of participation offering circular.)

Capital Assets and Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at original or estimated original cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives for depreciable assets are as follows:

<u>Major Group</u>	<u>Life</u>
Buildings and structures	40 years
Improvements other than buildings	3 - 15 years
Furniture, fixtures, and equipment	3 - 15 years
Infrastructure	20 - 40 years

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

Capital Assets and Depreciation - continued

General infrastructure assets acquired after January 1, 2002, were recorded as capital assets and consist of the road network assets that were acquired or that received substantial improvements and are reported at historical cost. The costs of normal maintenance and repairs that do not add value to the asset or materially extend the assets lives are not capitalized.

Compensated Absences

Under terms of the City's personnel policy, vacations accrue immediately after employment and employees are eligible for vacation time after six months employment with the City. Upon termination, the employee is entitled to payment for accrued vacation benefits. Sick leave is accumulated based upon length of service and is available only to provide compensation during periods of illness. No portion of sick leave is payable to the employee upon termination, The accrued benefit liability for unused vacation and comp time in the amount of \$254,512 has been recorded in the government-wide financial statements.

Property Tax Revenue

The City's property tax is levied each year on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Taxes are levied on October 1 and payable by December 31. A lien is placed on the property on January 1 and is then subject to interest and penalties. The adjusted assessed value at January 1, 2010, upon which the 2010 levy was based on real, personal and public utility property, was \$275,141,849.

The City's tax rate was levied as follows:

	Real Estate		Personal Property
	Residential	Commercial	
General Fund*	\$.430	\$.606	\$.479
Road and Bridge	.105	.105	.105

* General Fund tax rate includes Prop S tax.

Interfund Transactions

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires the City to make estimates and assumptions that affect the reported amounts of assets and liabilities at fiscal year-end and revenues and expenditures during the reporting period. Accordingly, actual results may differ from those estimates.

Reserved Fund Balance

Reserved fund balance represents the portion of fund balance that is not available for subsequent year appropriations or is legally segregated for a specific future use.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The statement of net assets report \$957,326 of restricted net assets, all of which is restricted by enabling legislation. All other net assets are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. CASH AND INVESTMENTS

Deposits - The City's bank deposits are required by state law to be secured by the deposit of certain securities specified at RSMo 30.270 with the City or trustee institution. The value of the securities must amount to the total of the city's cash not insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2010, the carrying amount of the City's bank deposits totaled \$1,651,745 with bank balances of \$1,865,505. The entire bank balance was covered by the FDIC or was covered by collateral pledged in the name of the City and held by the pledging bank's trust department or agent.

Investments - State statutes and City policy authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, collateralized public deposits (certificates of deposit) and repurchase agreements.

Interest Rate Risk - The City minimizes the risk that the market values of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter-term securities. Investments are limited to maturities of five years or less from the date of purchase. The weighted average of maturities should not exceed three years.

Custodial Credit Risk - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City minimizes credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the City does business and diversifying the portfolio so that potential losses on individual securities is minimized.

Concentration of Credit Risk - It is the City's policy to limit investments to the maximum percentages as follows:

U.S. treasuries and securities having principal and/or interest guaranteed by the U.S government	100%
Collateralized time and demand deposits	100
Collateralized repurchase agreements	50

	Fair Value	Less Than One Year	Ratings	Percentage Of Total Investments
Marshall Government money market fund	\$ 2,111,079	\$ 2,111,079	N/A	68.9%
Federal Home Loan Bank Discount Notes	849,507	849,507	N/A	27.7
Stock	102,551	102,551	N/A	3.3
Total Investments	<u>3,063,137</u>	<u>3,063,137</u>		
Cash in bank	1,651,745	1,651,745		
Total Cash and Investments	<u>\$ 4,714,882</u>	<u>\$ 4,714,882</u>		

3. CAPTIAL ASSETS

The following is a summary of changes in capital assets for the period ended December 31, 2010:

	Balance, Beginning Of Year	Additions	Deletions	Balance, End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,908,703	\$ -	\$ -	\$ 1,908,703
Construction in progress	1,088,692	44,171	(1,132,863)	-
Total capital assets, not being depreciated	<u>2,997,395</u>	<u>44,171</u>	<u>(1,132,863)</u>	<u>1,908,703</u>
Capital assets, being depreciated:				
Buildings and improvements	13,181,381	-	-	13,181,381
Vehicles	1,843,374	119,054	-	1,962,428
Machinery and equipment	2,012,572	161,499	-	2,174,071
Infrastructure	3,585,192	1,273,280	-	4,858,472
Total capital assets, being depreciated	<u>20,622,519</u>	<u>1,553,833</u>	<u>-</u>	<u>22,176,352</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,274,693)	(442,862)	-	(6,717,555)
Vehicles	(1,401,461)	(100,658)	-	(1,502,119)
Machinery and equipment	(1,146,286)	(122,347)	-	(1,268,633)
Infrastructure	(609,258)	(182,157)	-	(791,415)
Total accumulated depreciation	<u>(9,431,698)</u>	<u>(848,024)</u>	<u>-</u>	<u>(10,279,722)</u>
Total capital assets, being depreciated, net	<u>11,190,821</u>	<u>705,809</u>	<u>-</u>	<u>11,896,630</u>
Total governmental activities	<u>\$ 14,188,216</u>	<u>\$ 749,980</u>	<u>\$ (1,132,863)</u>	<u>\$ 13,805,333</u>

Within the statement of activities, depreciation expense is charged to functions of the primary government as follows:

Governmental activities:	
General government	\$ 53,902
Parks and recreation	436,299
Public works	223,207
Police	108,323
Fire	26,293
Total depreciation expense, governmental activities	<u>\$ 848,024</u>

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

Due to/from other funds at December 31, 2010 are as follows:

	<u>Due To</u>	<u>Due From</u>
General Fund	\$ 58,345	\$ -
Sewer Lateral Fund	-	2,151
Capital Improvement Fund	-	28,960
Parks and Stormwater Fund	-	27,234

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

Interfund transfers for the period ending December 31, 2010 are as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>
General Fund	\$ 827,223	\$ -
Capital Improvement Fund	736,962	-
Parks and Stormwater Fund	-	502,175
Debt Service Fund	-	1,062,010

Transfers were made to the Debt Service Fund from the Parks and Stormwater Fund to pay the certificates of participation relating to the construction of the aquatic center. In addition, the General Fund and Capital Improvement Fund provided fund to the Parks and Stormwater Fund.

5. **LONG-TERM DEBT**

Long-term debt consists of the following:

2001 certificates of participation of \$8,495,000 used for constructing an aquatic center and improving related park facilities. Principal payments from \$700,000 to \$1,030,000 are due on April 1 of each year from 2003 through 2012. Interest rates ranges from 3.9% to 5%. \$2,015,000

The annual principal and interest requirements to maturity of the long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 985,000	\$ 75,633	\$ 1,060,633
2012	1,030,000	25,750	1,055,750
	<u>\$ 2,015,000</u>	<u>\$ 101,383</u>	<u>\$ 2,116,383</u>

5. **LONG-TERM DEBT** - continued

The following is a summary of changes in long-term debt:

	BALANCE, BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE, END OF YEAR	DUE WITHIN ONE YEAR
Governmental Activities:					
Certificates of participation	\$ 2,955,000	\$ -	\$ (940,000)	\$ 2,015,000	\$ 985,000
Annual appropriation note	303,019	-	(303,019)	-	-
Other postemployment benefit obligations	242,013	52,337	-	294,350	-
Net pension obligation	-	46,418	-	46,418	-
Compensated absences	267,763	-	(13,251)	254,512	-
Subtotal Governmental Activities	<u>\$ 3,767,795</u>	<u>\$ 98,755</u>	<u>\$ (1,256,270)</u>	<u>\$ 2,610,280</u>	<u>\$ 985,000</u>

6. **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 which provides retirement, disability and death benefits to plan members and beneficiaries. LAGERS was created and is governed by 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 qualified under the Internal Revenue Code Section 401(a) and it is tax exempt. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, Missouri 65102 or by calling 1-800-447-4334.

Funding Policy

The City's full-time employees do not contribute to the pension plan. The City is required to contribute at an actuarially determined rate; the current rate is 3.3% (general), 8.6% (police) and 7.3% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

Annual Pension Cost and Net Pension Obligation (NPO)

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

Annual required contribution	\$ 346,393
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	<u>346,393</u>
Actual contributions	<u>(299,975)</u>
Increase (decrease) in NPO	46,418
NPO beginning of year	-
NPO end of year	<u>\$ 46,418</u>

6. **PENSION PLAN - continued**

Annual Pension Cost and Net Pension Obligation (NPO) - 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 included: (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually; (b) projected salary increases of 4% 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 the 1971 Group annuity Mortality table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 29, 2008 was 15 years for the General division, 18 years for the Police division and 18 years for the Fire division. The amortization period as of February 28, 2009 was 7 years for the General division, 30 years for the Police division and 30 years for the Fire division. Three-year trend information follows:

Year Ending June 30,	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2008	\$ 313,699	100.0%	\$ -
2009	267,146	100.0	-
2010	346,393	86.6	46,417

Funded Status and Funding Progress - As of February 28, 2010, the most recent actuarial valuation available, the plan was 102 percent funded. The actuarial accrued liability for benefits was \$12,905,845, and the actuarial value of assets was \$13,180,077, resulting in an overfunded actuarial accrued liability (AAL) of \$274,232. The covered payroll (annual payroll of active employees covered by the plan) was \$4,933,812.

The schedule of funding progress, presented as RSI following the notes to the financial statements.

7. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

Plan Description

The City of Crestwood, Missouri administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members, until the retiree reaches the age of 65. Benefit provisions are established through a committee of City employees that meets annually to determine benefit provisions and costs to both the City and to plan members. The Retiree Health Plan does not issue a separate publicly available financial report.

7. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

Funding Policy

Contribution requirements are also determined annually by the committee of City employees. The City contributes a percentage of the cost of current-year premiums for eligible retired plan members and their spouses. The percentage is different depending on the level of coverage the retiree chooses. For fiscal year 2010, the City contributed \$38,743 to the plan. Plan members receiving benefits contribute the remainder of their premium costs.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost of, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$	90,281
Interest on net OPEB obligation		9,681
Adjustment to annual required contribution		<u>(8,882)</u>
Annual OPEB cost (expense)		91,080
Contributions made		<u>(38,743)</u>
Increase in net OPEB obligation		52,337
Net OPEB obligation - beginning of year		<u>242,013</u>
Net OPEB obligation - end of year	\$	<u>294,350</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year 2010 was as follows:

Year Ending December 31,	Annual OPEB Cost (AOC)	Percentage Of AOC Contributed	Net OPEB Obligation
2008	\$ 181,167	10.6%	\$ 181,167
2009	103,118	22.4	242,013
2010	91,080	42.5	294,350

Funded Status and Funding Progress

As of December 31, 2010, the actuarial accrued liability for benefits was \$848,277, all of which was unfunded. The covered payroll (annual payroll of active members covered by the plan) was \$4,933,812, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 6.0 percent.

7. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

Funded Status and Funding Progress - continued

The projection of future benefit payment for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of event far into the future. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

Marital status - marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables used from the National Center for Health Statistics. The 1989 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - the expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 9.3 percent initially, reduced to an ultimate rate of 5.6 percent after 6 years, was used.

Health insurance premiums - 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.8 percent was based on projected changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual report of the board of trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance trust Funds* for an intermediate growth scenario.

7. **POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - continued**

Methods and Assumptions - continued

Payroll growth rate - the expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was 27 years.

8. **RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is a member of the St. Louis Area Insurance Trust (SLAIT), which is a not-for-profit, self-insurance risk pool formed by various St. Louis County municipalities.

In order to operate as a group self-insurer of workers' compensation, SLAIT was formed to August 1986. In addition to insurance protection, the program provides risk management services with emphasis on loss control, claims administration and management information services. The trust is also able to provide the required excess reinsurance at a discount based on volume and the existence of the loss control program. Coverage is provided by the trust for general and auto liability subject to a \$500 deductible per occurrence. SLAIT is fully funded by its member participants and employs an outside service company to process all claims.

The trust requires an annual premium payment by members to cover estimated claims payable and reserves for claims. The members of the trust have no legal interest in the assets, liabilities or fund lances of the insurance trust. However, the City retains a contingent liability to fund its pro rata share of any deficit incurred by the trust should the trust cease operation at some future date. The City's 2010 expenditures for the trust totaled \$236,911 to SLAIT.

The City also purchase commercial insurance to cover risk related to travel, public official liability, earthquakes and employee blanket bonds. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

9. **DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets and liabilities of the deferred compensation plan are not included in the accompanying basic financial statements.

10. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through June 16, 2011, the date the financial statements were available to be issued. No subsequent events or transactions had occurred that would have materially impacted the financial statements as presented.

11. **PRIOR PERIOD ADJUSTMENT**

During 2011, the City determined that it is the owner of 3,335 shares of Sun Life Financial, Inc. which was received as part of the company's demutualization in 2000. These shares were never recorded as an asset of the City. As a result, a prior period adjustment was reflected in both the statement of activities and the statement of revenues, expenditures and changes in fund balance increasing beginning net assets and beginning fund balance of the General Fund by \$95,781. It is the City's intent to sell these shares as soon as possible.

12. **FUTURE ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund type Definitions (GASB 54), establishes standards for the policies and disclosures for fund balance among other things. GASB 54 will be effective for the City for the year ending December 31, 2011.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Taxes:				
Sales	\$ 3,546,300	\$ 3,546,300	\$ 3,386,535	\$ (159,765)
Property	1,074,000	1,074,000	1,124,435	50,435
Property - Prop S	542,000	542,000	541,971	(29)
Utility	1,698,500	1,698,500	1,706,283	7,783
Other	512,500	512,500	492,838	(19,662)
Licenses and permits	856,200	856,200	780,177	(76,023)
Fines and forfeitures	369,500	369,500	307,088	(62,412)
Investment earnings	15,000	15,000	11,243	(3,757)
Grants	2,609	63,790	69,804	6,014
Other	33,500	33,500	78,758	45,258
TOTAL REVENUES	<u>8,650,109</u>	<u>8,711,290</u>	<u>8,499,132</u>	<u>(212,158)</u>
EXPENDITURES				
Current:				
General government:				
Mayor's office	16,343	16,343	12,550	3,793
Board of Aldermen	44,069	44,069	38,988	5,081
City Clerk's office	144,853	144,853	138,597	6,256
Finance department	178,759	178,759	161,739	17,020
City administrator	237,044	237,044	235,340	1,704
General supporting services	528,033	528,033	446,022	82,011
MIS	121,159	111,659	104,380	7,279
Public works:				
General public works	432,425	433,425	419,423	14,002
Administrative services	298,298	295,498	288,604	6,894
Maintenance services	400,522	415,822	392,560	23,262
Mechanical services	153,371	139,871	132,294	7,577
Public Safety:				
Police	2,781,387	2,798,599	2,814,305	(15,706)
Fire	2,606,391	2,669,729	2,648,112	21,617
Courts	139,550	139,550	117,275	22,275
Debt service:				
Principal, interest and fiscal charges	311,306	311,306	311,031	275
TOTAL EXPENDITURES	<u>8,393,510</u>	<u>8,464,560</u>	<u>8,261,220</u>	<u>203,340</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	256,599	246,730	237,912	(8,818)
OTHER FINANCING (USES)				
Transfers in (out)	-	(478,848)	(827,223)	348,375
CHANGE IN FUND BALANCE	256,599	(232,118)	(589,311)	<u>\$ (357,193)</u>
FUND BALANCES - BEGINNING OF YEAR, AS PREVIOUSLY STATED	-	-	4,079,204	
Correction of error	-	-	95,781	
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	<u>4,174,985</u>	<u>4,174,985</u>	<u>4,174,985</u>	
FUND BALANCES - END OF YEAR	<u>\$ 4,431,584</u>	<u>\$ 3,942,867</u>	<u>\$ 3,585,674</u>	

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SEWER LATERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGET		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES				
Charges for services	\$ 149,200	\$ 149,200	\$ 138,821	\$ (10,379)
Investment earnings	800	800	429	(371)
TOTAL REVENUES	<u>150,000</u>	<u>150,000</u>	<u>139,250</u>	<u>(10,750)</u>
EXPENDITURES				
Current:				
Public works	<u>150,000</u>	<u>210,000</u>	<u>209,994</u>	<u>6</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	(60,000)	(70,744)	<u>\$ (10,744)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>245,388</u>	<u>245,388</u>	<u>245,388</u>	
FUND BALANCE - END OF YEAR	<u>\$ 245,388</u>	<u>\$ 185,388</u>	<u>\$ 174,644</u>	

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Sales taxes	\$ 1,098,400	\$ 1,098,400	\$ 1,052,874	\$ (45,526)
Investment earnings	4,000	4,000	1,708	(2,292)
Grants	95,080	427,797	388,851	(38,946)
Other	-	-	14,114	14,114
TOTAL REVENUES	<u>1,197,480</u>	<u>1,530,197</u>	<u>1,457,547</u>	<u>(72,650)</u>
EXPENDITURES				
Current:				
General government:				
General supporting services:				
Contractual services	38,750	38,750	39,809	(1,059)
Management information systems:				
Capital outlay	66,750	110,921	97,707	13,214
Public works:				
Street maintenance:				
Contractual services	754,250	754,250	590,151	164,099
Commodities	28,500	28,500	2,445	26,055
Capital outlay	120,000	120,000	119,054	946
Public safety:				
Police:				
Contractual services	5,700	5,700	-	5,700
Capital outlay	42,136	42,136	28,901	13,235
Fire:				
Contractual services	10,000	10,000	9,500	500
Capital outlay	8,000	8,000	7,200	800
Parks:				
Capital outlay	-	294,491	287,822	6,669
TOTAL EXPENDITURES	<u>1,074,086</u>	<u>1,412,748</u>	<u>1,182,589</u>	<u>230,159</u>
EXCESS OF REVENUES OVER EXPENDITURES	123,394	117,449	274,958	157,509
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(600,000)	(736,962)	(736,962)	-
CHANGE IN FUND BALANCE	(476,606)	(619,513)	(462,004)	<u>\$ 157,509</u>
FUND BALANCE - BEGINNING OF YEAR	<u>1,244,686</u>	<u>1,244,686</u>	<u>1,244,686</u>	
FUND BALANCE - END OF YEAR	<u>\$ 768,080</u>	<u>\$ 625,173</u>	<u>\$ 782,682</u>	

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
PARKS AND STORMWATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	BUDGET		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE (NEGATIVE)
REVENUES				
Sales taxes	\$ 1,290,400	\$ 1,290,400	\$ 1,225,852	\$ (64,548)
Charges for services:				
Aquatic Center	320,000	320,000	277,485	(42,515)
Community Center	60,000	60,000	52,303	(7,697)
Recreation programs	239,000	239,000	187,170	(51,830)
Historic facility	7,000	7,000	4,884	(2,116)
Investment earnings	500	500	386	(114)
Other	14,500	14,500	15,751	1,251
TOTAL REVENUES	<u>1,931,400</u>	<u>1,931,400</u>	<u>1,763,831</u>	<u>(167,569)</u>
EXPENDITURES				
Current:				
Public works:				
Street maintenance:				
Contractual services	6,000	6,000	5,085	915
Park maintenance:				
Personnel services	197,978	202,474	198,329	4,145
Contractual services	103,270	98,125	87,262	10,863
Commodities	17,150	17,799	14,252	3,547
Parks and recreation:				
Recreation services:				
Personnel services	412,512	394,865	365,179	29,686
Contractual services	195,120	205,220	183,296	21,924
Commodities	52,650	53,687	38,579	15,108
Capital outlay	24,000	24,000	10,849	13,151
Aquatic center:				
Personnel services	28,008	32,255	32,174	81
Contractual services	275,700	283,183	277,752	5,431
Commodities	42,000	39,896	37,142	2,754
Capital outlay	9,500	6,384	4,122	2,262
Historic facilities:				
Contractual services	22,450	21,870	21,629	241
Commodities	750	1,330	1,210	120
Debt service:				
Principal, interest and fiscal charges	1,062,326	1,062,326	1,064,415	(2,089)
TOTAL EXPENDITURES	<u>2,449,414</u>	<u>2,449,414</u>	<u>2,341,275</u>	<u>108,139</u>
EXCESS OF REVENUES OVER EXPENDITURES	(518,014)	(518,014)	(577,444)	(59,430)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	600,000	1,564,185	1,564,185	-
CHANGE IN FUND BALANCE	<u>81,986</u>	<u>1,046,171</u>	<u>986,741</u>	<u>\$ (59,430)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>293,698</u>	<u>293,698</u>	<u>293,698</u>	
FUND BALANCE - END OF YEAR	<u>\$ 375,684</u>	<u>\$ 1,339,869</u>	<u>\$ 1,280,439</u>	

Note: The City budgets the Parks and Stormwater Fund and the Debt Service for the Certificates of Participation - Series 2001 Fund together.

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010

1. BUDGETARY INFORMATION

The City prepares its budget on a basis consistent with generally accepted accounting principles. The budgetary process is detailed in footnote 1 of the notes to the financial statements.

CITY OF CRESTWOOD, MISSOURI
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
FOR THE YEAR ENDED DECEMBER 31, 2010

Defined Benefit Pension Plan

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
2/29/2008	\$ 15,745,474	\$ 12,802,345	\$ (2,943,129)	123 %	\$ 5,317,080	- %
2/28/2009	12,473,302	12,408,183	(65,119)	101	4,806,592	-
2/28/2010	13,180,077	12,905,845	(274,232)	102	4,933,812	-

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, 2006 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

Other Post Employment Benefits

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
12/31/2008	\$ -	\$ 162,051	\$ 162,051	- %	\$ 5,362,486	3.0 %
12/31/2009	-	242,013	242,013	-	4,806,592	5.0
12/31/2010	-	294,350	294,350	-	4,933,812	6.0

SUPPLEMENTAL INFORMATION

CITY OF CRESTWOOD, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Tax Increment Financing Fund	Sappington House Fund	Total
ASSETS			
Cash and investments	\$ 1	\$ 520,733	\$ 520,734
Taxes receivable:			
Property	16,363	-	16,363
Sales	29,452	-	29,452
TOTAL ASSETS	\$ 45,816	\$ 520,733	\$ 566,549
LIABILITIES			
Accounts payable	\$ 45,816	\$ -	\$ 45,816
FUND BALANCE			
Unreserved	-	520,733	520,733
TOTAL LIABILITIES AND FUND BALANCE	\$ 45,816	\$ 520,733	\$ 566,549

CITY OF CRESTWOOD, MISSOURI

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Tax Increment Financing Fund	Sappington House Fund	Total
REVENUES			
Investment earnings	\$ -	\$ 32,594	\$ 32,594
Other	-	12,582	12,582
TOTAL REVENUES	<u>-</u>	<u>45,176</u>	<u>45,176</u>
EXPENDITURES			
Current:			
Parks and recreation	-	25,491	25,491
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	19,685	19,685
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>501,048</u>	<u>501,048</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 520,733</u></u>	<u><u>\$ 520,733</u></u>