

CITY OF PASADENA HILLS, MISSOURI

PRIMARY GOVERNMENT

FINANCIAL STATEMENTS

FEBRUARY 28, 2007

INDEX

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis (unaudited)	3 - 4
Government-wide Statement of Net Assets	5
Government-wide Statement of Activities	6
Governmental Funds Balance Sheet	7
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	8 - 9
Governmental Funds Statement of Revenue, Expenditures and Changes in Fund Balances	10 - 11
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances to Statement of Activities	12 - 14
Notes to Financial Statements	15 - 22
Required Supplementary Information: Statement of Revenue and Expenditures and Changes in Fund Balances - Budget to Actual (Cash Basis)	23 - 29



Huber, Ring, Helm & Co., P.C.
CPAs • Advisors

1600 S. Brentwood Blvd.
Suite 600
St. Louis, MO 63144-1334
314-962-9474 (fax)

2897 Highway K
Suite 201
O'Fallon, MO 63368-7863
636-240-7391 (fax)
314-962-0300

Independent Auditor's Report

Board of Aldermen
City of Pasadena Hills, Missouri

We have audited the accompanying primary government financial statements - cash basis of the City of Pasadena Hills, Missouri (the "City") as of and for the year ended February 28, 2007. These financial statements are the responsibility of the management of the City of Pasadena Hills, Missouri. 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. These 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 described in Note 2, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effects of not maintaining a complete record of its general fixed assets, the primary government financial statements present fairly, in all material respects, the assets, liabilities, equity, revenue, expenditures and changes in fund balance - cash basis of the primary government of the City of Pasadena Hills, Missouri as of and for the year ended February 28, 2007 on the basis of accounting described in Note 2.

1.

www.hrh-advantage.com
Offices located in St. Louis and O'Fallon, Missouri

An Independent Member of DFK International
Member of Missouri and Illinois Societies of Certified Public Accountants and the American Institute of Certified Public Accountants

Board of Aldermen
City of Pasadena Hills, Missouri

The management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 23 through 29 are not a required part of the basic financial statements but are supplementary information required to accompany those financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2009, on our consideration of the City of Pasadena Hills, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Hulver, Ruzg, Helm + Co., P.C.

St. Louis, Missouri
December 29, 2009

MANAGEMENTS DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Pasadena Hills, Missouri (the City) financial performance provides an overview of the City's financial activities for the year ended February 28, 2007 (fiscal year). Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City's total combined net assets of about \$1,585,000 increased about \$32,000 during the fiscal year.
- The City's total combined revenues of about \$694,000 exceeded expenses by about \$32,000.
- The City's single program activity – Sanitation, experienced revenues of about \$174,000 which exceeded expenses by about \$2,000.
- The City's total assets of about \$3,265,000 consist overwhelmingly of cash and cash equivalents (30%) and plant, property and equipments (67%).
- Liabilities decreased about \$116,000 to about \$1,680,000, from about \$1,796,000 at February 28, 2006, primarily as a result of debt payments.

USING THIS ANNUAL REPORT

This annual report consists of two separate government wide financial statements. The *Statement of Government Funds and Net Assets*, provides information about the financial position, resources and any restrictions on net assets. The *Statement of Activities and Changes in Net Assets* provides information about the City's activities and sources of funding for those activities.

Because of its relatively simple structure and the nature of its resources and activities, the City has chosen to combine its funds and net assets statements and its activities and changes in net assets statements. The City believes this presentation provides the informed financial statement reader with both a succinct and complete presentation of financial position and activities and ample financial information upon which to make an informed decision about the financial health of the City.

REPORTING THE CITY AS A WHOLE

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF ACTIVITIES

One of the most important questions asked about the City's finances is "Is the City better off or worse off as a result of the year's activities?" The statements of net assets and net revenues / expenses report information about the city as a whole and about its activities in a way that helps answer this question. These statements include the City's assets and liabilities using the accrual basis, which is similar to the accounting used by most private-sector companies. Likewise, on a combined basis, all of the fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities, as one way to measure the City financial health, or financial position. Over time, increases or decreases in the City's net assets is one indicator of whether it financial health in improving or deteriorating. You will need to consider other non-financial factors, however, such as

changes in the City's property tax base and the condition of the City's roads and other capital assets, to assess the overall health of the City.

Capital assets increased by a little more than \$300,000 in the current fiscal year from about \$1,875,000 at February 28, 2006 to about \$2,190,000 at February 28, 2007. This fiscal year marks the final year of significant capital improvement spending related to Proposition S, which was passed in April 2004 and authorized the City to incur general obligation debt of up to \$2 million.

In this fiscal year, the City began making regular debt service payments on its general obligation debt. These two factors, debt service and continued significant capital asset spending, are primarily responsible for the almost \$400,000 decrease in cash in the current fiscal year.

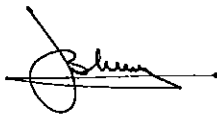
The City continues to fund some capital additions as well as all governmental activities through its general fund, resulting in a deficit. The City's capital improvement fund continues to meet debt service related to debt incurred to purchase the City's city hall. During the current fiscal year, this debt which was an adjustable rate mortgage was liquidated.

The City has a single program related activity – sanitation. The City and a neighboring community contract with a third party vendor for refuse removal. Generally, the City sets billing rates for this service to result in a self-funding or breakeven activity. In other words, net revenue / expense should be at or near zero in any given year. This year was no exception.

Almost 30% of the City's total assets of about \$3,265,000 are represented by cash and cash equivalents. An additional almost 67% is represented by plant, property and equipment, either owned or as leasehold improvements. As a result, the City's financial position is very strong.



James P. McLaughlin, Mayor



Jeffrey B. Blume, Treasurer

CITY OF PASADENA HILLS, MISSOURI
GOVERNMENT-WIDE STATEMENT OF NET ASSETS

FEBRUARY 28, 2007

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 963,291
Accounts receivable - net of allowance	93,277
Prepaid expenses	18,836
Capital assets	
Land and improvements	19,167
Other capital assets, net of depreciation and amortization	2,171,090
Other assets	145
Total assets	<u>3,265,806</u>
LIABILITIES	
Court bond deposits	6,425
Accounts payable and other current liabilities	16,016
Bond and notes payable (including current portion of note payable of \$79,162)	1,657,676
Total liabilities	<u>1,680,117</u>
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Invested in capital assets net of related debt	532,581
Restricted for:	
Capital improvement	135,646
Debt service	252,358
Unrestricted	665,104
Total net assets	<u>\$ 1,585,689</u>

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

CITY OF PASADENA HILLS, MISSOURI

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

YEAR ENDED FEBRUARY 28, 2007

Functions / Programs	Expenses	Charges for Services	Program Revenues Net (Expense) Revenue and Change in Net Assets
PRIMARY GOVERNMENT			
Governmental activities			
General government and administration	\$ 213,805	\$ 20,416	\$ (193,389)
Public safety	105,383		(105,383)
Public works	118,686		(118,686)
Sanitation	173,711	171,775	(1,936)
Sewer lateral	5,000	10,272	5,272
Interest on long-term debt	45,171		(45,171)
Total governmental activities	<u>661,756</u>	<u>202,463</u>	<u>(459,293)</u>
Total primary government	<u>\$ 661,756</u>	<u>\$ 202,463</u>	<u>(459,293)</u>
GENERAL REVENUE			
Taxes, levied for general purposes and debt service			119,771
Gross receipt taxes			65,157
Intergovernmental			286,741
Interest and investment earnings			14,552
Other revenue			4,804
Total general revenue			<u>491,025</u>
CHANGE IN NET ASSETS			31,732
NET ASSETS BEGINNING OF YEAR			<u>1,553,957</u>
NET ASSETS END OF YEAR			<u>\$ 1,585,689</u>

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

CITY OF PASADENA HILLS, MISSOURI

**GOVERNMENTAL FUNDS
BALANCE SHEET**

FEBRUARY 28, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer Lateral</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 571,271	\$ 108,657	\$ 37,221	\$ 252,358	\$ 969,507
Due from other funds	10,232		5,272		15,504
Other assets	12,203				12,203
Total assets	<u>\$ 593,706</u>	<u>\$ 108,657</u>	<u>\$ 42,493</u>	<u>\$ 252,358</u>	<u>\$ 997,214</u>
LIABILITIES					
Court bond	\$ 6,425				\$ 6,425
Accrued expenses and other current liabilities	16,016				16,016
Due to other funds		\$ 15,504			15,504
Total liabilities	<u>22,441</u>	<u>15,504</u>			<u>37,945</u>
COMMITMENTS AND CONTINGENCIES					
FUND BALANCES					
Reserved for:					
Capital improvement		93,153			93,153
Debt service				\$ 252,358	252,358
Sewer lateral			\$ 42,493		42,493
Unreserved for					
General	571,265				571,265
Total fund balances	<u>571,265</u>	<u>93,153</u>	<u>42,493</u>	<u>252,358</u>	<u>959,269</u>
Total liabilities and fund balances	<u>\$ 593,706</u>	<u>\$ 108,657</u>	<u>\$ 42,493</u>	<u>\$ 252,358</u>	<u>\$ 997,214</u>

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

CITY OF PASADENA HILLS, MISSOURI

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS

FEBRUARY 28, 2007

	Total Governmental Funds	Adjustments to Accrual Basis (1)	Long-Term Assets, Liabilities (2)	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS					
Cash and cash equivalents	\$ 969,508	\$ (6,217)			\$ 963,291
Accounts receivable - net of allowance		93,277			93,277
Due from other funds	15,404			\$ (15,404)	
Prepaid expenses	12,203	6,778			18,981
Capital assets					18,981
Land and improvements			\$ 19,167		19,167
Other capital assets, net of depreciation and amortization			2,171,090		2,171,090
Other assets					0
Total assets	<u>\$ 997,115</u>	<u>\$ 93,838</u>	<u>\$ 2,190,257</u>	<u>\$ (15,404)</u>	<u>\$ 3,265,806</u>
LIABILITIES					
Court bond deposits	\$ 6,425				\$ 6,425
Accounts payable and other current liabilities	5,467	10,549			16,016
Due to other funds	15,404			\$ (15,404)	
Accrued interest					
Bond and notes payable (including current portion of note payable of \$79,162)			\$ 1,657,676		1,657,676
Total liabilities	<u>27,296</u>	<u>10,549</u>	<u>1,657,676</u>	<u>(15,404)</u>	<u>1,680,117</u>
COMMITMENTS AND CONTINGENCIES					
FUND BALANCES/ NET ASSETS					
	<u>969,819</u>	<u>83,289</u>	<u>532,581</u>		<u>1,585,689</u>
Total liabilities and fund balances/net assets	<u>\$ 997,115</u>	<u>\$ 93,838</u>	<u>\$ 2,190,257</u>	<u>\$ (15,404)</u>	<u>\$ 3,265,806</u>

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

CITY OF PASADENA HILLS, MISSOURI

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS (CONTINUED)

FEBRUARY 28, 2007

- (1) Accrual adjustments represent the net amounts of receivables and payables of the prior and current years to convert the City's cash basis financial statements to the accrual basis.
- (2) When capital assets (land, buildings, leasehold improvements and equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Cost of capital assets	\$ 2,416,675
Accumulated depreciation	<u>226,418</u>
	<u>\$ 2,190,257</u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities both current and non-current are reported in the statement of net assets. The amount borrowed is received in the governmental funds and increases fund balance.

Current portion of note payable	\$ 79,162
Long-term debt - bonds	<u>1,578,514</u>
	<u>\$ 1,657,676</u>

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

CITY OF PASADENA HILLS, MISSOURI

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

YEAR ENDED FEBRUARY 28, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer Lateral</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUE					
Property taxes	\$ 55,494			\$ 64,277	\$ 119,771
Gross receipt taxes	65,157				65,157
Licenses and permits	9,056				9,056
Intergovernmental	221,283	\$ 65,458			286,741
Court fines	11,361				11,361
Interest and investment earnings	8,257	3,129	\$ 517	2,649	14,552
Other revenue	8,397				8,397
Trash revenue	162,070				162,070
Sewer lateral fees			10,272		10,272
Total revenue	<u>541,075</u>	<u>68,587</u>	<u>10,789</u>	<u>66,926</u>	<u>687,377</u>
EXPENDITURES					
Current					
General government	199,988				199,988
Public safety	105,383				105,383
Public works	118,686				118,686
Sanitation	173,711				173,711
Capital improvements	132,365	105,452		157,692	395,509
Sewer lateral			5,000		5,000
Debt service					
Principal				78,243	78,243
Interest		2,452		42,719	45,171
Total expenditures	<u>730,133</u>	<u>107,904</u>	<u>5,000</u>	<u>278,654</u>	<u>1,121,691</u>
REVENUE OVER (UNDER) EXPENDITURES	(189,058)	(39,317)	5,789	(211,728)	(434,314)

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

CITY OF PASADENA HILLS, MISSOURI

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	<u>General</u>	<u>Capital Improvement</u>	<u>Sewer Lateral</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				144,635	144,635
Transfers out		(144,635)			(144,635)
Total other financing sources (uses)		(144,635)		144,635	
NET CHANGE IN FUND BALANCES	(189,058)	(183,952)	5,789	(67,093)	(434,314)
FUND BALANCES BEGINNING OF YEAR	<u>791,215</u>	<u>277,105</u>	<u>36,704</u>	<u>276,732</u>	<u>1,381,756</u>
FUND BALANCES END OF YEAR	<u>\$ 602,157</u>	<u>\$ 93,153</u>	<u>\$ 42,493</u>	<u>\$ 209,639</u>	<u>\$ 947,442</u>

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

CITY OF PASADENA HILLS, MISSOURI

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

YEAR ENDED FEBRUARY 28, 2007

	Total Governmental Funds	Adjustments to Accrual Basis (1)	Capital Related Items (3)	Long-term Debt Transactions (4)	Statement of Activities Totals
REVENUE					
Property taxes	\$ 119,771				\$ 119,771
Gross receipt taxes	65,157				65,157
Licenses and permits	9,056				9,056
Intergovernmental	286,741				286,741
Court fines	11,361				11,361
Interest and investment earnings	14,552				14,552
Other revenue	8,397				8,397
Trash revenue	162,070	\$ 6,112			168,182
Sewer lateral fees	10,272				10,272
Total revenue	687,377	6,112			693,489
EXPENDITURES					
Current					
General government	199,988	(66,553)	\$ 80,371		213,806
Public safety	105,383				105,383
Public works	118,686				118,686
Sanitation	173,711				173,711
Capital improvements	395,509		(395,509)		
Sewer lateral	5,000				5,000
Debt service					
Principal	78,243			\$ (78,243)	
Interest and other charges	2,452			42,719	45,171
Total expenditures	1,078,972	(66,553)	(315,138)	(35,524)	661,757
REVENUE OVER (UNDER) EXPENDITURES	(391,595)	72,665	315,138	35,524	31,732

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

CITY OF PASADENA HILLS, MISSOURI

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	Total Governmental Funds	Adjustments to Accrual Basis (1)	Capital Related Items (3)	Long-term Debt Transactions (4)	Statement of Activities Totals
OTHER FINANCING SOURCES (USES)					
Transfers in				15,523	15,523
Transfers out				(15,523)	(15,523)
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCES	<u>\$ (391,595)</u>	<u>\$ 72,665</u>	<u>\$ 315,138</u>	<u>\$ 35,524</u>	<u>\$ 31,732</u>

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

CITY OF PASADENA HILLS, MISSOURI

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED FEBRUARY 28, 2007

- (1) See explanation on page 9.
- (3) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$	395,509
Depreciation expense		80,371
Difference	\$	<u>315,138</u>

- (4) Interest expense in the statement of activities differs from the amount reported in governmental funds, because additional accrued interest was calculated for bonds.

\$ 42,719

Repayment of notes payable is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance, because current financial resources have been used; for the City as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Principal payment on note payable

\$ (78,243)

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

CITY OF PASADENA HILLS, MISSOURI
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ORGANIZATION

The City of Pasadena Hills, Missouri (the “City”) was incorporated in 1982. The City operates under a Mayoral form of government. The Board of Aldermen consists of four aldermen and the Mayor. The City functions under a constitutional charter approved by its citizens in 1982.

General Statement

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board (“GASB”)*, the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below. For the fiscal year ended February 28, 2005, the City implemented the financial reporting requirements of GASB Statement No. 34.

Financial Reporting Entity

The City’s basic financial statements include the accounts of all City operations. The criteria for including other organizations as component units within the City’s reporting entity, as set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization’s board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The government-wide financial statements (the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental activities columns, has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The City receives no operating or capital grants or contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Basis of Accounting

As it is statutorily required, the City maintains its books and records using the cash basis of accounting. In total, the City's financial statements are prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. This is accomplished by making certain adjustments. The following adjustments have been made:

- Accrued expenses - costs the City is obliged to pay but for which it has not been billed or the bill was received after year-end.
- Taxes and other revenues receivable - revenues billed by and/or collected by other governmental entities for which the City has a right of receipt.
- All plant and property and equipment acquired.

As necessary, the City's various funds enter into transactions with or for the benefit of one another. The balances resulting from these transactions are eliminated as adjustments.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements. All funds are considered major funds.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses, and balance of current financial resources. The City has presented the following major governmental funds:

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

General Fund

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Improvement Fund

This fund is used to account for resources and expenditures of the half-cent Capital Improvement Tax.

Sewer Fund

This fund is used to account for the resources and expenditures of the Lateral Sewer Tax.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid primarily from taxes levied by the City. The payment of principal and interest on the note payable is shown on the Debt Service Fund and the corresponding amount is shown as a transfer from the Capital Improvement Fund to finance the payment. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported on the cash basis, and the reconciliation adjustments, as presented, convert the combined governmental funds to amounts shown on the government-wide statements.

Budgetary Control

The City establishes the fiscal year as the twelve-month period beginning March 1. The City maintains a cash basis budget for revenues and expenditures. The Treasurer proposes the budget to the Board of Aldermen for review, usually each January. The Board then reviews, recommends, as it deems appropriate, changes, additions, or deletions, and approves the budget. Under Missouri law, expenditures may not legally exceed budgeted appropriations at the fund level. If expenditures for a fund exceed the budget, either the budget must be amended or the Board of Aldermen must pass a resolution authorizing the expenditures in excess of the budget. Budgeted amounts are as originally adopted or as amended by the Board of Aldermen.

Cash and Investments

Excess funds are invested in the City's money market accounts or short-term time deposits. All cash and short-term time deposits are entirely insured with securities pledged to the City by the holding institution. Investments are included at fair value.

Inter-fund Due To/From

Inter-fund due to/from outstanding between the funds have been eliminated.

Transactions between Funds

Inter-fund transfers are included in the fund balance statements between the Capital Improvement Fund and the Debt Service Fund to finance the payment of principal and interest on the note payable. These transfers have been eliminated.

Capital Assets

Capital assets, which include land, building, equipment and leasehold improvements, are reported in the governmental activities in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical costs are not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets capitalized have an original cost of \$500 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land improvements	20 years
Buildings and improvements	40 years
Equipment	10 years
Leasehold improvements	20-40 years

Compensated Absences

The City does not accrue compensated absence liability since it is not considered material.

Nature and Purpose of Reservations and Designations of Fund Balances

The Fund balance reserve for Capital Improvements and Sewer represents the availability of funds ear-marked for capital outlay and lateral sewer repairs, respectively. The Fund balance reserve for Debt Service represents the amount available for the purpose of paying the principal and interest on the bonds as they become due.

Net Assets

Net assets represents 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 borrowing used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City, or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 3 – BUDGET BASIS OF ACCOUNTING

The City of Pasadena Hills, Missouri prepares its annual budget on a cash basis, which differs from accounting principles generally accepted in the United States of America (GAAP basis). The budget and all transactions are presented in accordance with the City's method in the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual to provide a meaningful comparison of actual results with the budget.

NOTE 4 – DEPOSITS

State statutes require that all deposits in financial institutions be fully collateralized by United States Government obligations or its agencies and instrumentalities or direct obligations of Missouri or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at February 28, 2007. At year-end, the carrying amount of the City's deposits were \$963,141, excluding petty cash of \$150, and the respective bank balances totaled \$1,009,006.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended February 28, 2007 was as follows:

Depreciation and amortization expenses of \$80,371 were charged as direct expenses to the general government and administration program of the primary government.

Description	Balance March 1, 2006	Additions	Retirements	Balance February 28, 2007
Land	\$ 11,980			\$ 11,980
Total Capital Assets not being depreciated	11,980			11,980
Land improvements	7,187			7,187
Building and improvements	154,272	\$ 1,256		155,528
Equipment	5,303			5,303
Leasehold improvements	1,842,424	394,253		2,236,677
Total Capital Assets being depreciated and amortized	2,009,186	395,509		2,404,695
Total accumulated depreciation and amortization	(146,047)	(80,371)		(226,418)
Total Capital Assets being depreciated and amortized, net	1,863,139	315,138		2,178,277
Governmental Activities Capital Assets, net	\$ 1,875,119	\$ 315,138		\$ 2,190,257

NOTE 6 – LONG-TERM DEBT

At February 28, 2007, note and bond payable consisted of the following:

- On April 4, 2004, the City’s citizens approved Proposition S, authorizing the City to incur indebtedness in the form of general obligation bonds in an amount not to exceed \$2,000,000 for the purpose of repairing and restoring city streets and appurtenances. On August 30, 2004, the Board of Aldermen passed an ordinance authorizing execution of a bond indenture with a bank in the amount of \$1,700,000. This bond bears interest at a rate of 4.705% with semi-annual payments for a term of 20 years beginning on March 1, 2005. The bond indenture is secured by the full faith and credit of the City. On September 14, 2004, the City executed the bond indenture and immediately drew \$50,000 thereon. The structure of the bond indenture is such that only interest will be paid until the entire amount is withdrawn, at which time the principal will be amortized over the remaining term.
- In March 1998, the City purchased property for use as its City Hall. The property was purchased in part with funds from a bank loan which is secured by a first deed of trust. The loan matures in March 2008. It is a variable rate loan. During fiscal year 2007, this note had an interest rate of 7.25%.

Principle maturities over the next two years until maturity are as follows:

Year ended	Amount
<u>February</u> 2008	<u>\$ 15,541</u>
2009	<u>1,466</u>
	<u><u>\$ 17,007</u></u>

Changes in Outstanding Debt

Transactions for the year ended February 28, 2007 are summarized as follows:

	Balance February 28, 2006	Additions	Retirements or Payments	Balance February 28, 2007	Due Within One Year
General					
Obligation Bonds	\$ 1,700,000		\$ 121,486	\$ 1,578,514	\$ 62,155
Note payable	32,415	\$ 62,155	15,408	79,162	17,007
Total	<u>\$ 1,732,415</u>	<u>\$ 62,155</u>	<u>\$ 136,894</u>	<u>\$ 1,657,676</u>	<u>\$ 79,162</u>

NOTE 7 – PROPERTY TAX

Annual tax assessments are based on assessed valuation for real, personal, and commercial property of record within the City on the first day of January of each year. Annual tax assessments become delinquent on the thirty-first day of December of the respective year.

NOTE 8 – PENSION PLAN

The City does not provide a pension plan for its employees.

NOTE 9 – INSURANCE RISKS

The City is exposed to various risks of litigation and casualties. The City manages these risks by purchasing insurance. The coverage of the policies has not changed significantly from the prior year. The City has a substantial portion of its insurance policies through self-insured pools. As a member of the self-insured pool, the City may become liable for deficits of the pool created if claims should exceed existing reserves. This would be paid through additional assessment by pool to members. There were no settlements in excess of insurance for the past three years.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The City is subject to examination by federal and state authorities who determine compliance with laws, conditions and laws and regulations governing other grants given to the City in the current and prior years. There is no such examination currently pending, contemplated or, to the best of the City's knowledge, planned.

The City has an unrecorded liability which consists of estimated repairs of sewer lateral of private homes within the City limits that have claims under the sewer lateral program that have been incurred but not reported. The City is obligated to reimburse sewer lateral repair costs to a maximum of \$2,500 per residence in return for collecting a fee that was approved by a vote of the citizens. The amount of the contingent liability has not been determined. However, it is not expected to be material.

SUPPLEMENTARY INFORMATION

CITY OF PASADENA HILLS

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS)**

YEAR ENDED FEBRUARY 28, 2007

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Original and Final Budget</u>
REVENUE		
Property taxes		
Real estate tax	\$ 44,607	\$ 25,000
Personal property tax	8,835	6,000
Railroad and utilities tax	2,052	800
Total property taxes (1)	<u>55,494</u>	<u>31,800</u>
Gross receipt taxes		
St. Louis Water Co.	3,887	5,000
Telephone	7,417	8,300
Laclede Gas	29,727	29,000
Ameren UE	24,126	23,000
Total gross receipt taxes	<u>65,157</u>	<u>65,300</u>
Licenses and permits		
Auto license stickers	4,080	3,800
Permits and inspections	4,868	4,500
Dog tags	108	200
Total licenses and permits	<u>9,056</u>	<u>8,500</u>
Intergovernmental taxes		
Sales tax	145,434	150,000
Gasoline tax	32,850	35,000
Cigarette tax	4,037	4,100
Motor vehicle sales tax	15,745	14,500
Road and bridge tax	14,091	11,200
Local option use tax	9,126	7,700
Total intergovernmental taxes	<u>221,283</u>	<u>222,500</u>

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS) (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	Actual	Original and Final Budget
Court fines		
Court fine	12,656	10,000
Bond forfeiture (refund)	(1,256)	
Total court fines	11,400	10,000
Miscellaneous revenue and interest income		
Cable TV franchise	6,964	9,000
Interest income	8,257	21,000
Other income	1,433	
Total miscellaneous revenue and interest income	16,654	30,000
Trash account		
Trash contract Pasadena Park	59,633	59,900
Trash fees	100,862	109,700
Penalty fees	1,575	3,200
Total trash account	162,070	172,800
Total revenue	541,114	540,900
EXPENDITURES		
Personnel services		
Clerical salary	36,652	37,800
Government salaries	21,036	15,000
Payroll taxes	5,639	4,300
Total personnel services	63,327	57,100

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS) (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	Actual	Original and Final Budget
Operating costs		
Auto stickers	538	500
Computer expense	2,131	1,000
Election expense	451	600
Website expense	564	700
Insurance	1,176	6,400
Maintenance	2,819	2,000
Postage meter expense	330	1,000
Copier lease	3,376	3,000
Professional organization expense	614	1,800
Codification		2,500
Miscellaneous - other	5,393	2,000
Newspaper announcements		200
Office supplies	1,322	2,000
Printing		
Postage	1,280	2,300
Community events	2,076	4,000
Telephone	169	2,000
Historical preservation	448	5,000
Utilities	13,313	5,000
Court administrative costs	5,658	
Office furnishings		
City Hall supplies	272	300
Total operating costs	41,930	42,300
Contractual		
Audit expense	5,200	
Building inspections	3,088	3,500
City attorney	1,700	6,000
Judge	1,800	1,800
Attorney's fees	21,496	18,500
Total contractual	33,284	29,800

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS) (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	Actual	Original and Final Budget
Police protection	105,383	105,500
Sanitation		
Trash contract	173,254	173,600
Bank service charges	423	
Miscellaneous trash expense	34	
Total sanitation	173,711	173,600
Ground maintenance/snow removal	82,479	73,000
Repairs and maintenance		
Street light utility		4,500
Street light repair		2,500
Street repair and maintenance	14,180	7,500
City beautification	1,150	3,000
Pond maintenance	8,420	3,000
Mosquito control	385	800
Supplies	236	200
Fountain repair	6,604	
Other repairs and maintenance	5,230	
Total repairs and maintenance	36,205	21,500
Capital additions		
Street improvements	65,049	175,000
Fountain and tower improvements	175,654	75,000
City Gates	145,159	30,000
Tower improvements	7,241	40,000
Other	2,406	429,000
Total capital additions	395,509	749,000

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS) (CONTINUED)**

YEAR ENDED FEBRUARY 28, 2007

	<u>Actual</u>	<u>Original and Final Budget</u>
Total expenditures	<u>931,828</u>	<u>1,222,000</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES - NET CHANGE IN FUND BALANCE	<u>\$ (390,714)</u>	<u>\$ (681,100)</u>

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS)**

YEAR ENDED FEBRUARY 28, 2007

<u>SPECIAL REVENUE FUND</u>	<u>Actual</u>	<u>Original and Final Budget</u>
REVENUE		
Capital improvement tax	\$ 65,458	\$ 66,000
Interest	3,646	
Sewer lateral fees	<u>10,272</u>	<u>10,000</u>
Total revenue	<u>79,376</u>	<u>76,000</u>
 EXPENDITURES		
Interest	2,452	
Sewer lateral	<u>5,000</u>	<u>3,000</u>
Total expenditures	<u>7,452</u>	<u>3,000</u>
 EXCESS OF REVENUE OVER EXPENDITURES	71,924	73,000
 OTHER FINANCING SOURCES AND (USES)		
Transfer out		<u>(15,523)</u>
Total other financing		<u>(15,523)</u>
 EXCESS OF REVENUE OVER EXPENDITURES AND OTHER FINANCING USES - NET CHANGE IN FUND BALANCE	<u>\$ 71,924</u>	<u>\$ 57,477</u>

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

CITY OF PASADENA HILLS, MISSOURI

**REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUE AND EXPENDITURES
AND NET CHANGE IN FUND BALANCES
BUDGET TO ACTUAL (CASH BASIS)**

YEAR ENDED FEBRUARY 28, 2007

<u>DEBT SERVICE FUND</u>	<u>Actual</u>	<u>Original and Final Budget</u>
REVENUE		
Property taxes		
Real estate tax	\$ 64,277	\$ 104,000
Personal property tax		23,000
Interest income	2,649	
Total revenue	<u>66,926</u>	<u>127,000</u>
EXPENDITURES		
Debt service		
Principal	78,243	
Interest	42,719	66,200
Taxes and assessments		100
Total expenditures	<u>120,962</u>	<u>66,300</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	 (54,036)	 60,700
OTHER FINANCING SOURCES		
Transfer in	144,635	15,523
Total other financing sources	<u>144,635</u>	<u>15,523</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES AND OTHER FINANCING SOURCES - NET CHANGE IN FUND BALANCE	 <u>\$ 90,599</u>	 <u>\$ 76,223</u>

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