

**The City of Festus, Missouri**

**Financial Statements, Independent Auditor's Reports  
and Supplementary Information**

**September 30, 2011**



**The City of Festus, Missouri**  
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**For the year ended September 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT



Honorable Mayor and  
City Council  
City of Festus, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, (the City), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Festus' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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 opinions.

The financial statements of the Festus Public Library Foundation, Inc. (the Foundation) have not been audited, and we were not engaged to audit the Foundation financial statements as part of our audit of the City's basic financial statements. The Foundation's financial activities are included in the City's basic financial statements as a discretely presented component unit.

As more fully described in Note 12, the City has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United State of America (GASB 45), which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note 15, the City has adopted the provisions of Governmental Accounting Standards Board No. 54. "Fund Balance Reporting and Governmental Fund Type Definitions" as of and for the year ended September 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2012, on our consideration of the City of Festus, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

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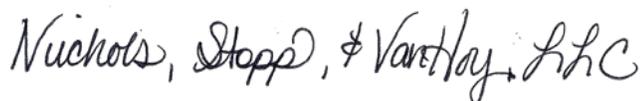
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compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 13 and 45 through 49 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 Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor budgetary comparison information, and the schedule of expenditures of federal awards 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 basic 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 basic financial statements as a whole.



Creve Coeur, Missouri  
June 29, 2012

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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As management of the City of Festus, Missouri, we offer readers of the City of Festus's Financial Statements this narrative overview and analysis of the financial activities of the City of Festus, Missouri for the Fiscal Year ended September 30, 2011. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes and supplementary information that follow this Management's Discussion and Analysis.

## FINANCIAL HIGHLIGHTS

- The assets of the City, as reported by the Statement of Net Assets, exceeded its liabilities at the close of the most recent fiscal year by \$ 35,077,779 (net assets). Of this amount, \$ 11,153,925 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the 2011 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 10,177,319 an increase of \$ 2,317,252 in comparison with the prior year, after adjustments. 94 % of this total amount is available for spending at the government's discretion (unassigned fund balance). Of this amount the City tries to maintain a balance of \$1,200,000 for emergency purposes in the General Fund and \$1,000,000 in the City Transportation Tax Fund, these amounts are reviewed by council.
- As of the close of the 2011 fiscal year, the City of Festus' Proprietary Funds reported combined ending net assets of \$ 10,985,596, an increase of \$ 664,115 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,976,939 or 33% of total general fund expenditures.
- The City's total debt decreased by \$ 1,042,000 during the current fiscal year to a total of \$ 14,226,069. This includes the capital lease for the purchase and remodeling of the Library building at 400 West Main Street.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Festus, Missouri's basic financial statements. The City of Festus, Missouri's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Festus, Missouri's finances, in a manner similar to a private-sector business. Note the government-wide financial statements exclude fiduciary fund activities.

The two government-wide statements are the *statement of net assets* and the *statement of activities*. These statements report the City's net assets and how they have changed.

The *statement of net assets* presents information on all the City of Festus' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Festus, Missouri is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing and related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued vacation leave).

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

The government-wide financial statements distinguish functions of the City of Festus, Missouri that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Not only do the government-wide financial statements include the City itself (known as the primary government), but also one legally separate agency. Financial information for the component unit are shown separately from the financial information presented for the primary government. The *governmental activities* of the City of Festus, Missouri include general government, judicial, building and planning, public safety, parks and recreation, public works and a public library. The City of Festus, Missouri operates two *business-type activities* that include a municipal airport and a water and sewer department.

**FUND FINANCIAL STATEMENTS**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Festus, Missouri like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Festus, Missouri can be divided into two categories: governmental funds and proprietary funds.

**GOVERNMENTAL FUNDS**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on *near-term inflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and the government-wide *financial statements*.

The City of Festus, Missouri maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, City Transportation Tax Fund, County Transportation Tax Fund, and Capital Reserve Fund, which are considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplementary information section in this report.

The City of Festus, Missouri adopts an annual appropriated budget for all of its major governmental funds and all other governmental funds. Budgetary comparison statements have been provided for all budgeted funds to demonstrate legal compliance with the respective adopted budget.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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**PROPRIETARY FUNDS**

Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has two enterprise funds, which are the municipal airport fund and the water and sewer fund. The proprietary fund financial statements provide separate information for the Airport and the Water and Sewer funds since both are considered to be major funds of the City. The Airport was sold in February 2011, so this will be the final year to report the Airport Fund.

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Festus's progress in funding its obligations to provide pension benefits to its employees.

**OTHER SUPPLEMENTARY INFORMATION**

The combining and individual fund statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS-FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

This is the eighth year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Therefore, a comparative analysis of government-wide data is provided.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Festus, Missouri, assets exceeded liabilities by \$ 35,077,779 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

**City of Festus Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>
<i>Assets</i>						
Current & Other Assets	\$14,155,234	\$15,296,537	\$11,267,357	\$11,433,193	\$25,422,591	\$26,729,730
Capital Assets, Net	14,918,066	16,035,631	9,618,316	9,334,281	24,536,382	25,369,912
<b>Total Assets</b>	<b>29,073,300</b>	<b>31,332,168</b>	<b>20,885,673</b>	<b>20,767,474</b>	<b>49,958,973</b>	<b>52,099,642</b>
<i>Liabilities</i>						
Long-Term Liabilities	5,292,365	4,975,559	9,975,704	9,250,510	15,268,069	14,226,069
Other Liabilities	3,360,775	2,264,426	588,488	531,368	3,949,263	2,795,794
<b>Total Liabilities</b>	<b>8,653,140</b>	<b>7,239,985</b>	<b>10,530,929</b>	<b>9,781,878</b>	<b>19,217,332</b>	<b>17,021,863</b>
<i>Net Assets</i>						
Invested in Capital Assets, Net of Related Debt	13,138,674	14,260,410	5,522,197	6,495,981	18,660,871	20,756,391
Restricted	(460,475)	16,167	126,008	3,151,296	(334,467)	3,167,463
Unassigned	7,741,961	9,815,606	4,673,276	1,338,319	12,415,237	11,153,925
<b>Total Net Assets</b>	<b>\$20,420,160</b>	<b>\$24,092,183</b>	<b>\$10,321,481</b>	<b>\$10,985,596</b>	<b>\$30,741,641</b>	<b>\$35,077,779</b>

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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.

An additional portion of the City's net assets 9.03 % represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 11,153,925 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2011, the City of Festus, Missouri is able to report positive balances in all of the net assets for the current year-end.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

Key elements of the changes in net assets are as follows:

City of Festus Statement of Activities	Government Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$1,746,463	\$ 1,776,203	\$ 3,901,511	\$ 3,909,985	\$5,647,974	\$5,686,188
Operating Grants	288,705	269,017	-	-	288,705	269,017
Capital Grants & Contributions	800,281	563,686	952,325	50,206	1,752,606	613,892
General Revenues:						
Taxes	7,688,580	7,935,572	-	-	7,688,580	7,935,572
Licenses (taxes)	184,088	195,989	-	-	187,088	195,989
Investment Income	52,406	43,639	171,170	164,455	223,576	208,094
Gain/Loss, on disposal	(201)	(1,947)	-	1,930,029	(201)	1,928,082
Miscellaneous	114,863	77,499	8,195	26,729	123,058	104,228
<b>Total Revenue</b>	<b>10,875,185</b>	<b>10,859,658</b>	<b>5,033,201</b>	<b>6,081,404</b>	<b>15,908,386</b>	<b>16,941,062</b>
<b>Expenses</b>						
Administration	689,749	689,929	-	-	689,749	689,929
Court	132,782	144,477	-	-	132,782	144,477
Building Department	400,083	399,038	-	-	400,083	399,038
Police	2,263,170	2,262,492	-	-	2,263,170	2,262,492
Dispatch	492,885	510,714	-	-	492,885	510,714
Fire	389,387	379,047	-	-	389,387	379,047
Emergency Management	32,631	29,837	-	-	32,631	29,837
Street	1,813,298	1,828,230	-	-	1,813,298	1,828,230
Health	108,452	110,853	-	-	108,452	110,853
Library	322,286	339,618	-	-	322,286	339,618
Parks	561,611	616,123	-	-	561,611	616,123
Public Works	-	-	-	-	-	-
Non-Departmental Economic	1,410,090	1,379,079	-	-	1,410,090	1,379,079
Development	-	-	-	-	-	-
Interest and Fiscal Charges	102,417	95,631	-	-	102,417	95,631
Airport	-	-	56,288	8,606	56,288	8,606
Water and Sewer	-	-	3,934,141	3,811,250	3,934,141	3,811,250
<b>Total Expenses</b>	<b>8,718,841</b>	<b>8,785,068</b>	<b>3,990,429</b>	<b>3,819,856</b>	<b>12,709,270</b>	<b>12,604,924</b>
Special Items:						
Transfers	(273,549)	1,597,433	273,549	(1,597,433)	-	-
<b>Increase (decrease)</b>	<b>\$ 1,882,795</b>	<b>\$ 3,672,023</b>	<b>\$ 1,316,321</b>	<b>\$ 664,115</b>	<b>\$ 3,199,116</b>	<b>\$ 4,336,138</b>

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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## **SIGNIFICANT CHANGES IN NET ASSETS**

### **Governmental Activities:**

Some of the changes noted are:

- Property taxes increased by 1.5% or \$ 10,845 from the prior year. Taxes – other also increased 3.4% for the year for the Government Activities Funds. The sales tax collections net of reimbursements for all governmental funds, increased \$ 344,125 or 6.7%. The utility gross receipts tax had a decrease of \$ 131,379 or (13.2%) compared to last year's receipts, the majority of this decrease is due to the cell phone companies paying back and current taxes after a court settlement in the prior year. The state gas tax decreased slightly by (1.6%) and the vehicle sales tax increased by 8.7% compared to last year. The City's business licenses increased by 6.5% and building permits decreased from last year by 3.4%.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City and to be used towards improvements to City parks. The City has collected \$ 79,849 for the fiscal year ending 2011 and \$ 74,218 for the fiscal year ending 2010. The Tourism Board opted to wait until the next fiscal year to see if the City would match funds to improve the ball fields.
- The City has set up a special allocation fund to deposit 50% of sales tax revenues generated from the Lowe's and Home Depot stores, which will get reimbursed back to them for certain infrastructure costs (see notes to the financial statements for more detail).

## **FINANCIAL ANALYSIS OF THE CITY OF FESTUS, MISSOURI'S FUNDS**

As noted earlier, City of Festus, Missouri uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **GOVERNMENTAL FUNDS**

The focus of the City of Festus, Missouri's governmental funds is to provide information on inflows and balances of available expendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of year 2011, the unassigned fund balance of the general fund was \$ 1,976,939, while the total fund balance was \$ 2,461,673. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 33% of total general fund expenditures and transfers out of \$ 6,009,687, while total fund balance represents 41.0% of total general fund expenditures and transfers out.

The fund balance of the City's general fund decreased by \$ 59,847 or (2.4%), from the adjusted prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were up over \$90,000 as compared to the previous year. This increase in revenues was offset by the increase in expenditures of approximately \$ 102,000. Also the transfers-in decreased by \$ 123,776, since the Capital Reserve fund transferred funds set aside for police cars into General Revenue in 2010. The transfers-out decreased by \$ 26,873, which was mainly due to not setting aside money for the Dispatch 911 system in 2011.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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**GOVERNMENTAL FUNDS (continued)**

- General Fund expenditures increased due to various reasons including an over \$ 52,000 improvement to the boiler system at City Hall, hiring the fire inspector and code inspector replacements several months prior to the others retired, and additional legal fees required for public hearings.

Changes in fund balances for other major governmental funds can be described as follows:

- The City Transportation Fund balance decreased by \$ 175,008 or (6.4%) from the prior-year. The expenditures increased by \$ 365,789, with an increase in engineering fees of over \$ 21,000 and additional cost of gasoline of \$20,495. There was an increase in capital purchases of over \$ 281,000 due to paying for the \$ 124,000 overage on the Nova Chip project and adding the Gamel Cemetery road project. At the end of September 30, 2011, the unreserved fund balance of \$2,558,595 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$ 58 or .03% from the prior year. At the end of September 30, 2011 the unreserved fund balance of \$228,138 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There was deferred revenue in the amount of \$ 426,158 available at September 30, 2011. Both revenues and expenditures decreased by approximately \$35,000 way the projects are funded plus the County reimbursement.

**PROPRIETARY FUNDS**

Business-type activities increased the City's net assets by \$ 664,115, which is an increase of more than 6.4% over the prior fiscal year. Key elements of this change are as follows:

- The City's Municipal Airport had a decrease in net assets of \$ 163,886 or (100%) from the prior year. The City's Municipal Airport was sold in February 2011 and the fund was closed.
- The Water and Sewer Fund had an increase in net assets in the amount of \$ 828,001 or 8% from the prior year. The City water sales increased in the amount of \$ 34,924 or 1.4% from the prior year. The City sewer sales decreased in the amount of \$ 21,165 or (1.8%).

**CAPITAL ASSETS**

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2011 amounts to \$25,369,912 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and bridges. The increase in the City of Festus' investment in capital assets for the current fiscal year was 3.4%, (a 7.5% increase for governmental activities and a (3.0%) decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

**Governmental Activities:**

- Construction in Progress decreased predominately due to over \$1,100,000 of the N. 5<sup>th</sup> and Mill Street project and nearly \$300,000 of the 2010 overlay project being completed and capitalized and then over \$800,000 of Sunshine Drive project being added.
- Buildings and Other Improvements included improvements on the stone building, new boilers and other improvements to the heating system at City Hall, and a new rest room at West City Park.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

**Governmental Activities (continued)**

- Office equipment was purchased for various departments including a plotter for the Building Dept. and computer software for the Fire Dept. Also there were reductions of computers retired by various departments and a microfilm reader traded in at the Library.
- There were no additions or deletions to Automotive Equipment for the year.
- Machinery and equipment acquired during the year included air packs for the Fire Department replacing outdated air packs, paid for primarily with a grant. The Police Department retired various radar units, light bars and video cameras. The Street Department acquired two V-box spreaders, a chipper and parts for the street sweeper, they also removed damaged spreaders and other equipment. The Parks Department purchased a walk-behind mower and a stump grinder.
- Additions to infrastructure included street overlays from 2010 project - \$ 483,063 and from 2011 project - \$605,691, the North 5<sup>th</sup> and Mill street project - \$ 1,114,720, and the Gamel Cemetery street project - \$ 190,690.
- Land Improvements included new sidewalks on Delmar and Huber streets, and a parking lot at the back building of public works.

**Business-Type Activities:**

- In February 2011, the airport was sold, so all of its assets were removed from the listing.
- The City purchased some effluent meters to monitor flow out of the City. It has since been determined that the information gathered by those meters would not be a huge benefit to the City so the meters are being held for sale.
- A new pickup truck was purchased for the water department at a cost of \$24,467.
- Two new fuel tanks were purchased and a canopy was built at the public works building.
- 8" water main extensions were put in place at a cost of \$ 119,460 and a 6" extension at a cost of \$ 11,236.
- A bubbler system was installed at West City Park treatment plant at a cost of \$ 125,247. We received a rebate from Ameren for installing this system and will receive savings on the monthly utility bills.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2010	2011	2010	2011	2010	2011
Land	\$ 1,472,936	\$ 1,506,298	\$ 242,549	\$ 194,059	\$ 1,715,485	\$ 1,700,357
Assets held for sale				52,432		52,432
Construction in Progress	1,590,467	949,975	115,739	24,947	1,706,206	974,922
Systems and Improvements			8,119,251	8,174,621	8,119,251	8,174,621
Buildings and Other Improvements	3,710,428	3,665,523	177,901	78,207	3,888,329	3,743,730
Office Equipment	117,259	112,598	900		118,159	112,598
Automotive Equipment	896,767	643,082	196,364	161,942	1,093,131	805,024
Machinery and Equipment	531,894	545,120	704,461	625,984	1,236,355	1,171,104
Furniture and Fixtures			243	2,500	243	2,500
Computer Equipment			14,578	11,496	14,578	11,496
Infrastructure	4,124,690	6,252,279			4,124,690	6,252,279
Land Improvements	2,473,626	2,360,756	46,331	8,093	2,519,957	2,368,849
Capital Assets, Net	\$ 14,918,067	\$ 16,035,631	\$ 9,618,317	\$ 9,334,281	\$ 24,536,384	\$ 25,369,912

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

**LONG - TERM DEBT**

**Governmental Activities:**

At the end of September 30, 2011 the City had outstanding long-term debt obligations for governmental activities in the amount of \$ 4,975,559 compared to \$5,292,365 in 2010. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$447,580 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 12 years. Capital lease obligations outstanding totaled \$1,598,086, which include a capital lease for computers, a capital lease for the library project, and a lease for a fire truck. The Certificate of Participation was issued to purchase the fire-training center and that portion was paid off in 2010. The Notes Payable is the balance due to Lowe's and Home Depot for reimbursement of infrastructure costs, which is to be repaid with a specified portion of the sales tax collected by those companies. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

**Business-type Activities:**

At the end of September 30, 2011, the City had outstanding long-term debt obligations for business-type activities in the amount of \$ 9,250,510 compared to \$ 9,975,704 in 2010. The Neighborhood Improvement District (NID) Bonds totaling \$172,428 have various maturity dates out to 2022. The Certificates of Participation Series 2005 is for the installation of the 18" parallel sewer line, net of the discount and the \$ 865,470 is due in annual installments through 2025. The revenue bonds consist of various series and installments, which are due through July 2023. The notes payable includes the SRF-2001C and SRF-2002B. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2010	2011	2010	2011	2010	2011
Capital Leases	\$ 1,736,701	\$ 1,598,086	\$ -	\$ -	\$ 1,736,701	\$ 1,598,086
Revenue Bonds			6,487,210	5,954,497	6,487,210	5,954,497
NID	476,456	447,580	183,552	172,428	660,008	620,008
Certificates of Participation	80,000	-	904,802	865,470	984,802	865,470
Notes Payable	2,999,208	2,929,893	2,400,140	2,258,115	5,399,348	5,188,008
<b>Total</b>			\$			
	\$ 5,292,365	\$ 4,975,559	9,975,704	\$ 9,250,510	\$ 15,268,069	\$ 14,226,069

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES**

In the general fund, the following significant variances occurred between budget, amended (final) budget and actual expenditures:

- General revenues showed an increase of \$ 288,669 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Sales Tax, Utility Gross Receipts, 911 Tax, and Court Fines and all had revenues higher than budget. The only area where the revenues were under budget was Grants and that was from a program reimbursement not being due since the monies were not expended. The variance in service charges was due to the actual number of trash customers being more than the number used for the budget.
- Under administration, salaries and benefits were under budget since we were without a city administrator for several months. The legal fees and the other capital outlay were over budget due to the public hearing for the city administrator's termination and other legal matters. The department was under total operating budget by \$49,147.
- Since the court staff chose to take comp time rather than overtime, the overtime paid was under budget. This also caused benefits to be under budget. The maintenance expenses and contracts were also under the amounts budgeted, this was due in part to new computers. The court was \$ 8,083, under operating budget for the year.
- The building department also used comp time rather than paid overtime, so their wages and benefits were under budget. Also monies budgeted for legal fees and engineering fees were not needed. The utilities and maintenance costs dropped as well as postage and printing costs. The building department was \$ 23,667 under budget.
- The police department was under budget by \$108,884, which included over \$48,675 in savings in wages and overtime and \$ 31,660 under budget in benefits, the savings can be attributed to not replacing a retiree and other officers for several months after leaving.
- Dispatch was \$14,444 under budget in total, which includes savings in overtime, benefits, 911 expense, and training.
- The fire department volunteer firefighters were 13% under budget and the vehicle and maintenance expenses were \$15,898 or 50% under budget due mainly to only spending 51% of their heavy equipment maintenance line, and only 12% or \$ 1,176 of the Light Equipment maintenance line.
- The Emergency Management budget was under by 41% or \$9,229, primarily due to not needing to spend monies on the Citizen Corp or to replenish the emergency supplies.
- The street department utilized only 93% of personal services and 90% of benefits for an overall amount under budget of \$37,199.
- The non-departmental budget was right on budget being within \$ 211 of budgeted operating expenses.

Other significant variances occurred between budget, amended budget and actual expenditures for other major governmental funds can be described below:

- The City's Transportation Tax Fund showed sales tax revenues coming in \$ 24,522 more than what was budgeted and the investment income coming in \$12,925 more than budget.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2011 (UNAUDITED)

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**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)**

- Expenditures for the City's Transportation Tax Fund were \$118,951 under the amount budgeted. The primary categories for this were wages and benefits under budget, in part due to the allowing of comp time rather than paid overtime. Other areas of budget savings include material and supply, which was \$51,327 under budget and special expenses, which were \$37,501 under budget. The capital outlay being over budget is due to reclassification of city wages utilized in producing the asset capitalized.
- The County Transportation Tax Fund showed grant revenue under budget by \$ 144,431, which was a result of the street projects that weren't completed during the budget year. The tax revenue is over budget by \$ 437,080 since the tax revenues are requested from County after we spend the money on a Capital project. Capital Outlay expenditures in this fund were only under budget by \$152,998, since some of the projects budgeted were not yet complete and the expenditures will need to be re-budgeted next year.

Variations noted in non-major governmental funds, include:

- Property taxes in all funds were 4% over what was projected, due to a higher collection rate of delinquent taxes.
- The Storm Water Fund showed operating expenses under budget by \$130,001 due to not proceeding with the storm drain projects and the capital portion of the budget was under since the lining of the pipes was not completed until after the fiscal year ended.

**SUBSEQUENT EVENT**

On June 1, 2012 the City refinanced the loan on the library building by paying off the lease payable and issuing bonds.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Festus, Missouri's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance and Administration, 711 West Main Street, Festus, MO 63028.

**The City of Festus, Missouri**  
**Statement of Net Assets**  
**September 30, 2011**

	Primary Government			Component
	Governmental Activities	Business Type Activities	Total	Unit Festus Public Library Foundation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,726,838	\$ 1,534,923	\$ 7,261,761	\$ 4,362
Investments	3,191,543	1,125,570	4,317,113	-
Restricted cash	54,924	339,460	394,384	1,056
Restricted investments	15,153	3,233,379	3,248,532	10,425
Receivables, net				
Taxes	4,603,814	-	4,603,814	-
Special assessments	550,582	149,974	700,556	-
Service charges	-	409,564	409,564	-
Interest	4,002	37,323	41,325	-
Grants	355,147	-	355,147	-
Court	180,897	-	180,897	-
Other	252,899	62,792	315,691	-
Prepaid items	335,048	59,231	394,279	-
Inventory	-	326,883	326,883	-
Investment in joint venture	-	4,041,919	4,041,919	-
Debt issue costs	25,690	112,175	137,865	-
Other noncurrent assets	-	-	-	-
Capital assets:				
Land and construction in progress	2,456,273	219,006	2,675,279	-
Other capital assets, net	13,579,358	9,115,275	22,694,633	-
Total Assets	<u>\$ 31,332,168</u>	<u>\$ 20,767,474</u>	<u>\$ 52,099,642</u>	<u>\$ 15,843</u>
<b>LIABILITIES</b>				
Checks written in excess of cash balance	\$ 195,136	\$ -	\$ 195,136	\$ -
Accounts payable	217,533	138,216	355,749	-
Accrued payroll	209,332	34,052	243,384	-
Accrued payroll liabilities-other	50,389	11,771	62,160	-
Accrued interest	1,953	82,089	84,042	-
Deposits payable	-	265,231	265,231	-
Fund held for others	50,021	-	50,021	-
Unearned revenue	1,250,433	-	1,250,433	-
Other liabilities	289,629	9	289,638	-
Noncurrent liabilities:			-	
Due Within One Year	172,688	754,654	927,342	-
Due in More Than One Year	4,802,871	8,495,856	13,298,727	-
Total Liabilities	<u>\$ 7,239,985</u>	<u>\$ 9,781,878</u>	<u>\$ 17,021,863</u>	<u>\$ -</u>
<b>NET ASSETS</b>				
Invested in capital assets, net	\$ 14,260,410	\$ 6,495,981	\$ 20,756,391	\$ -
Restricted:				
Debt service funds	16,167	3,151,296	3,167,463	-
Sewer line extension	-	-	-	-
Other purposes	-	-	-	15,843
Unrestricted	9,815,606	1,338,319	11,153,925	-
Total Net Assets	<u>\$ 24,092,183</u>	<u>\$ 10,985,596</u>	<u>\$ 35,077,779</u>	<u>\$ 15,843</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Activities**  
**For the year ended September 30, 2011**

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Assets			Component Unit (unaudited) Festus Public Library Fndn.
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Business-Type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
Administration	\$ 689,929	\$ -	\$ 2,640	\$ -	\$ (687,289)	\$ -	\$ (687,289)	\$ -
Court	144,477	503,772	-	-	359,295	-	359,295	-
Building Department	399,038	78,380	-	-	(320,658)	-	(320,658)	-
Police	2,262,492	3,606	78,470	-	(2,180,416)	-	(2,180,416)	-
Dispatch	510,714	73,290	-	-	(437,424)	-	(437,424)	-
Fire	379,047	16,150	-	-	(362,897)	-	(362,897)	-
Emergency Management	29,837	-	-	-	(29,837)	-	(29,837)	-
Street	1,828,230	49,695	-	563,686	(1,214,849)	-	(1,214,849)	-
Health	110,853	16,157	-	-	(94,696)	-	(94,696)	-
Library	339,618	61,429	6,750	-	(271,439)	-	(271,439)	-
Parks	616,123	49,543	793	-	(565,787)	-	(565,787)	-
Non-departmental	1,379,079	924,181	180,364	-	(274,534)	-	(274,534)	-
Interest and Fiscal Charges	95,631	-	-	-	(95,631)	-	(95,631)	-
Total Government Activities	\$ 8,785,068	\$ 1,776,203	\$ 269,017	\$ 563,686	\$ (6,176,162)	\$ -	\$ (6,176,162)	\$ -
Business-type Activities:								
Airport	\$ 8,606	\$ -	\$ -	\$ -	\$ -	\$ (8,606)	\$ (8,606)	\$ -
Water and Sewer	3,811,250	3,909,985	-	50,206	-	148,941	148,941	-
Total Business-type Activities	\$ 3,819,856	\$ 3,909,985	\$ -	\$ 50,206	\$ -	\$ 140,335	\$ 140,335	\$ -
Total Primary Government	\$ 12,604,924	\$ 5,686,188	\$ 269,017	\$ 613,892	\$ (6,176,162)	\$ 140,335	\$ (6,035,827)	\$ -
<b>Component Units:</b>								
Festus Public Library Foundation	\$ 3,721	\$ -	\$ -	\$ -				\$ (3,721)
Total Component Units	\$ 3,721	\$ -	\$ -	\$ -				\$ (3,721)
<b>General Revenues</b>								
Taxes:								
Sales tax					\$ 5,742,499	\$ -	\$ 5,742,499	\$ -
Property tax					737,222	-	737,222	-
Taxes - other					1,455,851	-	1,455,851	-
Licenses (taxes)					195,989	-	195,989	-
Investment income					43,639	164,455	208,094	228
Gain/Loss on Disposal of Assets					(1,947)	1,930,029	1,928,082	-
Miscellaneous					77,499	26,729	104,228	6,425
Transfers (net)					1,597,433	(1,597,433)	-	-
Total General Revenues					\$ 9,848,185	\$ 523,780	\$ 10,371,965	\$ 6,653
<b>Change in Net Assets</b>					3,672,023	664,115	4,336,138	2,932
<b>Net Assets, Beginning</b>					20,420,160	10,321,481	30,741,641	12,911
<b>Net Assets, Ending</b>					\$ 24,092,183	\$ 10,985,596	\$ 35,077,779	\$ 15,843

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Balance Sheet - Governmental Funds**  
**September 30, 2011**

<b>Assets</b>	<b>General Fund</b>	<b>City Transportation Tax</b>	<b>County Transportation Tax</b>	<b>Capital Reserve</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 741,577	\$ 1,184,700	\$ -	\$ 2,162,557	\$ 1,638,004	\$ 5,726,838
Investments	897,453	1,148,301	-	269,335	876,454	3,191,543
Restricted cash	18,182	-	-	-	908	19,090
Restricted investments	15,153	-	-	-	-	15,153
Receivables, net						
Taxes	610,653	210,591	515,025	-	337,652	1,673,921
Special assessments	-	-	-	-	550,582	550,582
Interest	1,044	1,349	-	424	1,185	4,002
Grants	18,479	-	335,048	1,620	-	355,147
Court	180,897	-	-	-	-	180,897
Other	225,779	3,300	-	758	23,063	252,900
Prepaid items	184,340	75,174	-	-	75,534	335,048
Due from other funds	300,394	-	-	-	-	300,394
Total Assets	<u>\$ 3,193,951</u>	<u>\$ 2,623,415</u>	<u>\$ 850,073</u>	<u>\$ 2,434,694</u>	<u>\$ 3,503,382</u>	<u>\$ 12,605,515</u>
<b>Liabilities</b>						
Checks written in excess of cash balance	\$ -	\$ -	\$ 195,136	\$ -	\$ -	\$ 195,136
Accounts payable	126,948	15,924	124	-	74,537	217,533
Accrued payroll	60,722	4,870	480	-	6,635	72,707
Accrued payroll liabilities - other	39,120	5,398	37	-	5,834	50,389
Due to other funds	-	-	-	-	300,394	300,394
Funds held for others	49,221	800	-	-	-	50,021
Unearned revenue	240,385	-	426,158	-	583,891	1,250,434
Accrued interest	-	-	-	-	1,953	1,953
Other liabilities	215,882	37,828	-	-	35,919	289,629
Noncurrent liabilities:						
Due within one year	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	-
Total Liabilities	<u>\$ 732,278</u>	<u>\$ 64,820</u>	<u>\$ 621,935</u>	<u>\$ -</u>	<u>\$ 1,009,163</u>	<u>\$ 2,428,196</u>
<b>Fund Balance</b>						
Nonspendable:						
Prepaid items	\$ 184,340	\$ 75,174	\$ -	\$ -	\$ 75,534	\$ 335,048
Interfund advances	300,394	-	-	-	-	300,394
Restricted:						
Debt service	-	-	-	-	16,167	16,167
Unassigned:						
General fund	1,976,939	-	-	-	-	1,976,939
Special revenue fund	-	2,483,421	228,138	2,434,694	2,402,518	7,548,771
Total Fund Balances	<u>\$ 2,461,673</u>	<u>\$ 2,558,595</u>	<u>\$ 228,138</u>	<u>\$ 2,434,694</u>	<u>\$ 2,494,219</u>	<u>\$ 10,177,319</u>
Total Liabilities and Fund Balances	<u>\$ 3,193,951</u>	<u>\$ 2,623,415</u>	<u>\$ 850,073</u>	<u>\$ 2,434,694</u>	<u>\$ 3,503,382</u>	<u>\$ 12,605,515</u>

**The City of Festus, Missouri**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
**For the year ended September 30, 2011**

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Total Fund Balances - Governmental Funds	\$ 10,177,319
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	35,834
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,035,631
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	25,689
Long-term debt group cash is not accounted for in the fund financial statements.	2,929,893
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued compensated balances	(136,624)
Bonds and notes payable outstanding	<u>(4,975,559)</u>
Net Assets of Governmental Activities	<u><u>\$ 24,092,183</u></u>

**The City of Festus, Missouri**  
**Combined Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended September 30, 2011**

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 245,741	\$ -	\$ -	\$ -	\$ 491,482	\$ 737,223
Taxes - other	3,644,138	1,127,522	952,080	-	1,474,610	7,198,350
Intergovernmental	-	-	-	-	6,576	6,576
Special assessments	-	-	-	-	49,695	49,695
Grant revenue	171,260	-	563,686	-	21,765	756,711
Licenses and permits	270,869	3,499	-	-	471	274,839
Fines and penalties	501,115	-	-	-	46,170	547,285
Investment income	13,071	16,925	58	3,034	10,550	43,638
Building lease payments	-	-	-	-	47,100	47,100
Other	100,075	2,405	-	-	100,236	202,716
Service charges	997,471	-	-	-	-	997,471
Total Revenues	<u>\$ 5,943,740</u>	<u>\$ 1,150,351</u>	<u>\$ 1,515,824</u>	<u>\$ 3,034</u>	<u>\$ 2,248,655</u>	<u>\$ 10,861,604</u>
<b>Expenditures</b>						
Current:						
Administration	\$ 587,259	\$ -	\$ -	\$ -	\$ -	\$ 587,259
Court	141,740	-	-	-	-	141,740
Building department	385,000	-	-	-	-	385,000
Police	2,134,142	-	-	-	16,538	2,150,680
Dispatch	506,236	-	-	-	-	506,236
Fire	192,043	-	-	-	-	192,043
Emergency management	13,310	-	-	-	-	13,310
Street	420,913	810,438	-	-	-	1,231,351
Health	-	-	-	-	103,256	103,256
Library	-	-	-	-	247,641	247,641
Parks	-	-	-	-	483,868	483,868
Non-departmental	1,049,689	-	-	-	252,563	1,302,252
Capital outlay	503,844	510,991	1,515,766	-	88,605	2,619,206
Debt service:						
Principal	-	-	-	-	82,832	82,832
Interest and fiscal charges	-	-	-	-	95,111	95,111
Total Expenditures	<u>\$ 5,934,176</u>	<u>\$ 1,321,429</u>	<u>\$ 1,515,766</u>	<u>\$ -</u>	<u>\$ 1,370,414</u>	<u>\$ 10,141,785</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>9,564</u>	<u>(171,078)</u>	<u>58</u>	<u>3,034</u>	<u>878,241</u>	<u>719,819</u>
<b>Other Financing Sources (Uses)</b>						
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	6,100	-	-	2,103,605	381,192	2,490,897
Transfers out	(75,511)	(3,930)	-	(14,243)	(799,780)	(893,464)
Total Other Financing Sources	<u>\$ (69,411)</u>	<u>\$ (3,930)</u>	<u>\$ -</u>	<u>\$ 2,089,362</u>	<u>\$ (418,588)</u>	<u>\$ 1,597,433</u>
<b>Net Change in Fund Balance</b>	(59,847)	(175,008)	58	2,092,396	459,653	2,317,252
<b>Fund Balance (Deficit), October 1 (restated)</b>	2,521,520	2,733,603	228,080	342,298	2,034,566	7,860,067
<b>Fund Balance (Deficit), September 30</b>	<u>\$ 2,461,673</u>	<u>\$ 2,558,595</u>	<u>\$ 228,138</u>	<u>\$ 2,434,694</u>	<u>\$ 2,494,219</u>	<u>\$ 10,177,319</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the year ended September 30, 2011**

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Net Change in Fund Balances - Governmental Funds \$ 2,317,252

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold exceeded the depreciation in the current period.

Depreciation expense	(1,104,756)	
Capital outlays	<u>2,619,206</u>	1,514,450

Gain/(Loss) on capital assets sold (1,947)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. (145,891)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and in the treatment of long-term debt and related items.

Amortization of 2005 COP Underwriter Discount	(144)	
Amortization of 2005 & 2008 COP Cost of Issuance	<u>(1,642)</u>	(1,786)
Payment of 2005 COP Interest		(520)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences		<u>(9,535)</u>
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Change in Net Assets of Governmental Activities \$ 3,672,023

The City of Festus, Missouri  
Statement of Net Assets  
Proprietary Funds  
September 30, 2011

	Business-type Activities Enterprise Funds		
	Airport	Water & Sewer	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ -	\$ 1,534,923	\$ 1,534,923
Investments	-	1,125,570	1,125,570
Restricted cash	-	339,460	339,460
Restricted investments	-	3,233,379	3,233,379
Receivables, net			
Special assessments	-	149,974	149,974
Service charges	-	409,564	409,564
Interest	-	37,323	37,323
Grants	-	-	-
Other	-	62,792	62,792
Prepaid items	-	59,231	59,231
Inventory	-	326,883	326,883
Total Current Assets	<u>\$ -</u>	<u>\$ 7,279,099</u>	<u>\$ 7,279,099</u>
<b>Noncurrent Assets</b>			
Investments in joint venture	\$ -	\$ 4,041,919	\$ 4,041,919
Debt issue costs	-	112,175	112,175
Non-depreciable capital assets:			
Land and construction in progress	-	219,006	219,006
Depreciable capital assets:			
Other capital assets, net	-	9,115,275	9,115,275
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ 13,488,375</u>	<u>\$ 13,488,375</u>
Total Assets	<u>\$ -</u>	<u>\$ 20,767,474</u>	<u>\$ 20,767,474</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Checks written in excess of cash balance	\$ -	\$ -	\$ -
Accounts payable	-	138,216	138,216
Payroll and compensated absences payable	-	34,052	34,052
Accrued payroll liabilities - other	-	11,771	11,771
Accrued interest	-	82,089	82,089
Revenue bonds and NID bonds payable - current	-	607,515	607,515
Capital leases - current	-	-	-
Notes payable - current	-	147,139	147,139
Deposits payable	-	265,231	265,231
Due to other funds	-	-	-
Other liabilities	-	9	9
Total Current Liabilities	<u>\$ -</u>	<u>\$ 1,286,022</u>	<u>\$ 1,286,022</u>
<b>Long-Term Liabilities</b>			
Revenue bonds payable and neighborhood improvement district bonds, net of bond premiums & discounts	\$ -	\$ 6,384,880	\$ 6,384,880
Capital leases	-	-	-
Notes payable	-	2,110,976	2,110,976
Total Long-Term Liabilities	<u>\$ -</u>	<u>\$ 8,495,856</u>	<u>\$ 8,495,856</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 9,781,878</u>	<u>\$ 9,781,878</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	\$ -	\$ 6,495,981	\$ 6,495,981
Restricted for:			
Debt reserve funds	-	3,151,296	3,151,296
Sewer line extension	-	-	-
Unrestricted	-	1,338,319	1,338,319
Total Net Assets	<u>\$ -</u>	<u>\$ 10,985,596</u>	<u>\$ 10,985,596</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Revenue, Expenses and Changes in Net Assets**  
**Proprietary Funds**  
**For the year ended September 30, 2011**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	Airport	Water & Sewer	Total
<b>Operating Revenues</b>			
Water and sewer collections and fees	\$ -	\$ 3,907,917	\$ 3,907,917
Other revenues	-	2,068	2,068
Total Operating Revenues	<u>\$ -</u>	<u>\$ 3,909,985</u>	<u>\$ 3,909,985</u>
<b>Operating Expenses</b>			
Personnel expenses	\$ -	\$ 925,410	\$ 925,410
Materials and supplies	-	92,491	92,491
Purchased water	-	1,349,040	1,349,040
Utilities and maintenance	-	203,858	203,858
Depreciation and amortization	-	568,466	568,466
Treatment plant	-	242,815	242,815
Other	8,606	91,180	99,786
Total Operating Expenses	<u>\$ 8,606</u>	<u>\$ 3,473,260</u>	<u>\$ 3,481,866</u>
Operating Income (Loss)	(8,606)	436,725	428,119
<b>Non-operating Revenues (Expenses)</b>			
Interest income	\$ 1,451	\$ 163,004	\$ 164,455
Miscellaneous income	-	26,729	26,729
Gain/loss on disposal of assets	1,946,874	(16,845)	1,930,029
Interest expense	-	(337,990)	(337,990)
Total Non-operating Revenues (Expenses)	<u>\$ 1,948,325</u>	<u>\$ (165,102)</u>	<u>\$ 1,783,223</u>
Income (Loss) Before Capital Contributions and Transfers	1,939,719	271,623	2,211,342
Capital contributions	-	50,206	50,206
Transfers in (out)	(2,103,605)	506,172	(1,597,433)
	<u>\$ (2,103,605)</u>	<u>\$ 556,378</u>	<u>\$ (1,547,227)</u>
Change in Net Assets	(163,886)	828,001	664,115
Net Assets, October 1	<u>163,886</u>	<u>10,157,595</u>	<u>10,321,481</u>
Net Assets, September 30	<u>\$ -</u>	<u>\$ 10,985,596</u>	<u>\$ 10,985,596</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended September 30, 2011**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<u>Airport</u>	<u>Water and Sewer</u>	<u>Totals</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities:			
Receipts from customers	\$ 446	\$ 3,981,067	\$ 3,981,513
Payments to suppliers	(42,169)	(2,131,844)	(2,174,013)
Payments to employees	-	(956,163)	(956,163)
Other receipts (payments)	2,283	(170,715)	(168,432)
Net Cash Flows from Operating Activities	<u>(39,440)</u>	<u>722,345</u>	<u>682,905</u>
Cash Flows from Noncapital Financing Activities:			
Grants and other contributions	-	50,206	50,206
Transfer in / (out)	(2,103,605)	506,172	(1,597,433)
Net Cash Used by Noncapital Financing Activities	<u>(2,103,605)</u>	<u>556,378</u>	<u>(1,547,227)</u>
Cash Flows from Capital and Related Financing Activities:			
Payments of long-term debt	-	(733,150)	(733,150)
Proceeds from notes payable	-	-	-
Interest on debt	-	(337,990)	(337,990)
Acquisition and construction of capital assets	-	(260,319)	(260,319)
Proceeds from sales of capital assets	2,141,594	(16,845)	2,124,749
Net Cash Used by Capital and Related Financing Activities	<u>2,141,594</u>	<u>(1,348,304)</u>	<u>793,290</u>
Cash Flows from Investing Activities:			
Proceeds from sale of investments	-	3,192,210	3,192,210
Purchase of investments	-	(2,998,761)	(2,998,761)
Miscellaneous income	-	109,795	109,795
Interest on investments	1,451	163,004	164,455
Net Cash Used by Investing Activities	<u>1,451</u>	<u>466,248</u>	<u>467,699</u>
Net Increase in Cash and Cash Equivalents	\$ -	\$ 396,667	\$ 396,667
Cash and Cash Equivalents, October 1	<u>-</u>	<u>1,477,716</u>	<u>1,477,716</u>
Cash and Cash Equivalents, September 30	<u>\$ -</u>	<u>\$ 1,874,383</u>	<u>\$ 1,874,383</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Cash flows from operating activities:			
Operating Profit (Loss)	\$ (8,606)	\$ 436,725	\$ 428,119
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation Expense	-	367,995	367,995
Gain/(loss) on disposal	-	-	-
(Increase) decrease in:			
Accounts receivable	-	68,334	68,334
Prepaid items	1,202	(10,339)	(9,137)
Inventories	-	(144,747)	(144,747)
Other current assets	2,729	-	2,729
Increase (decrease) in:			
Checks written in excess of cash balance	(33,264)	-	(33,264)
Accounts payable	(1,502)	6,870	5,368
Accrued liabilities	-	(29,225)	(29,225)
Net cash provided by (used in) operating activities	<u>\$ (39,441)</u>	<u>\$ 695,613</u>	<u>\$ 656,172</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies**

The significant accounting and financial reporting policies applied by the City of Festus, Missouri (the City) conform to U.S. generally accepted accounting principles as applicable to governmental entities. The following is a summary of the more significant policies:

**The Financial Reporting Entity**

The City defines its financial reporting entity in accordance with provisions established by the Governmental Accounting Standards Board (GASB). Such standards require inclusion of component units based upon whether the City's governing body has any significant amount of financial accountability for potential component units (PCU). The City is financially accountable if it appoints a voting majority of a PCU's governing body and is able to impose its will on the PCU or there is a potential for the PCU to provide specific financial benefits to, or impose specific financial burdens on, the City. The City's financial reporting entity consists of the City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Unit**

The discretely presented component unit column in the basic financial statements include the financial data of the City's component unit. It is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The following entity is discretely presented in the basic financial statements as a governmental fund type:

**Festus Public Library Foundation, Inc.** - The City Council appoints the Library Board. The Library Board then appoints three members from the Library Board and four members from the community to serve as the governing body of the foundation. The purpose of the component unit is to establish future expansion and repair of the library building, and to update and add to the collection of books, materials, and equipment in the library. Separate financial statements are not prepared for the Festus Public Library Foundation, Inc.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. 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 reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments and compensated absences, are recorded only when payment is due (i.e. matured).

Property taxes, sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

*General Fund* - The General Fund is the primary operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

*City Transportation Tax Fund* - The City Transportation Tax Fund is comprised of taxes collected to maintain roads and streets within the city.

*County Transportation Tax Fund* - The County Transportation Tax Fund is comprised of taxes collected to maintain roads and streets within the city.

*Capital Reserve Fund* - The Capital Reserve Fund is comprised of monies from General Fund as well as proceeds from the airport sale that have been set aside for future capital projects.

The City reports the following major proprietary funds:

*Water and Sewer Fund* - The Water and Sewer Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

*Airport Fund* - The Airport fund was also used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City discontinued operations and disposed of the airport on February 23, 2011.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport and Water and Sewer Enterprise Funds are charges for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

**Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**Cash, Cash Equivalents, and Investments**

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. GASB State No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, requires that all investments be reported in the financial statements at fair value. Fair value is established as readily determinable current market value for equity and debt securities.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Allowance for Uncollectable Accounts**

Allowance for uncollectable accounts is as follows:

	<u>Sept. 30, 2011</u>
Business-type Activities - Water and Sewer Enterprise Fund	<u>\$ 86,192</u>

**Due To/From Other Funds**

Noncurrent portions of long-term interfund loans receivable (reported in "advances to" asset accounts) are equally offset by fund balance reserve account which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of long-term interfund loans receivable (reported in "due from" asset accounts) are considered "available spendable resources" and are subject to elimination upon consolidation. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statements as "internal balances".

**Inventory and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain proceeds of the Water and Sewer Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

**Capital Assets**

Capital assets which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

In accordance with GASB Statement No. 34, infrastructure assets constructed, purchased, or donated effective October 1, 2003 are reported in the government-wide financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Capital Assets (continued)**

Depreciation is being computed on the straight-line method, using asset lives as follows:

<u>Asset</u>	<u>Years</u>
Buildings and other improvements	15-30
Office equipment	3-10
Automotive equipment	4-6
Machinery and equipment	5-7
Infrastructure	20-50

**Compensated Absences**

Vacation

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. The entire accumulated vacation leave is accrued when incurred in the government-wide financial statements. For governmental funds, the expenditure for vacation leave is recorded in the fund when the employees who have accumulated vacation leave are paid. Therefore, current portion of the liability is not reported in the governmental funds. A schedule of the accrual for vacation leave follows:

	<b>Total</b>	<b>Amounts Due Within One Year</b>
Governmental Activities	\$ 105,814	\$ 105,814
Business Type Activities	15,402	15,402
	\$ 121,216	\$ 121,216

Sick Leave

Sick leave is accumulated by eligible employees at a rate of 1 day for every full month of service and is available for use after six months of being a regular full-time employee. Unused accumulated sick leave is not eligible to be paid to the employee when separation of employment occurs and consequently is accounted for in the period the sick leave is taken and no liability is recorded.

Comp Time

A non-exempt employee who works more than 40 hours during a work week can receive a comparable amount of compensatory time off during the same work week after approval by the department supervisor. If the supervisor determines that the comp time cannot be taken during the same work week, the supervisor shall grant the accrual of comp time at the rate of one and one-half times or grant pay at the rate of one and one-half times the employee's regular hourly rate. An employee may accrue up to a maximum of 100 hours of banked comp time.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Unearned Revenue**

Unearned revenue is composed of delinquent property tax receivables, protested utility taxes, and insurance proceeds not used which are measureable but not available and, therefore, not recognized as revenue in the accompanying governmental fund financial statements.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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 cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for subsequent year appropriations or legally restricted by outside parties for use of specific purpose.

**Property Taxes**

The City's property tax calendar is as follows:

- Property is assessed by the County on January 1 each year.
- The tax levy ordinance is adopted and filed with the county clerk on or before September 1.
- Property taxes are due to be collected on or before December 31.
- Property taxes attach as an enforceable lien on property as of January 1.

**Grant Revenue**

Resources received by the City from other governments are accounted for within applicable funds based on the purpose and requirements of each grant. Revenues are recognized on an accounting basis consistent with the Fund's measurement objective.

Revenues related to expenditure-driven grants are recognized to the extent expenditures are incurred. Any excess or deficiency of grant revenues received compared to expenditures incurred is recorded as deferred revenue or amounts receivable from the grantor.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 1 - Summary of Significant Accounting Policies (concluded)**

**Interfund Transactions**

In the fund financial statements, the City has the following types of transactions among funds:

Transfers - Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

**Use of Estimates**

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and the accompanying notes. Actual results could differ from those estimates.

**Note 2 - Cash and Investments**

Deposits and investments held by at the City at September 30, 2011 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>2011 Cost</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 1,944
Deposits	n/a	7,259,817
Total Unrestricted Deposits		<u>\$ 7,261,761</u>
Restricted Deposits:		
Escrow account	n/a	\$ 908
Demand deposits	n/a	117,673
Deposits	n/a	275,803
Total Restricted Deposits		<u>\$ 394,384</u>
Unrestricted Investments:		
Certificate of deposit	1/6/12	\$ 1,536,620
Certificate of deposit	1/12/12	245,000
Certificate of deposit	1/29/12	548,310
Certificate of deposit	2/29/12	733,712
Certificate of deposit	4/8/12	238,272
Certificate of deposit	7/10/12	515,199
Certificate of deposit	7/28/13	500,000
Total Unrestricted Investments		<u>\$ 4,317,113</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 2 - Cash and Investments (concluded)**

Restricted Investments:			
Certificate of deposit	12/15/11	\$	15,153
Certificate of deposit	1/29/12		138,667
Certificate of deposit	4/8/12		25,256
Guaranteed investment contract	6/30/23		14,744
Guaranteed investment contract	6/30/23		47,500
Guaranteed investment contract	6/30/23		1,952,489
Guaranteed investment contract	6/30/23		8,844
Guaranteed investment contract	6/30/23		305,626
Guaranteed investment contract	6/30/23		740,253
Total Restricted Investments		\$	<u>3,248,532</u>

Investments are recorded at cost, which approximates market.

**Interest Rate Risk** - The City's investment policy minimizes the risk that the market value of securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in short-term securities. Investments in banker's acceptance and commercial paper shall mature and become payable not more than 180 days from the date of purchase. All other investments shall mature and become payable not more than five years from the date of purchase. The City's established investment policy has limited the City's investment portfolio to a weighted-average maturity that does not exceed three years.

**Credit Risk** - State law permits Cities to invest in obligations of the State of Missouri or U.S. Government and obligations of government agencies that mature or become payable in one year or less from the date of issue.

**Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, 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. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with Federal Deposit Insurance Corporation ("FDIC") insurance, are at least equal to the amount on deposit at all times.

**Concentration of Credit Risks** - The City places no limit on the amount the City may invest in any one issuer. More than 5% of the City's total unrestricted investments are with U.S. federal agencies.

**Note 3 - Capital Assets**

Capital asset activity for the year ended September 30, 2011 was as follows:

Governmental Activities:	Balance	Additions	Reductions	Balance
	Sept. 30, 2010			Sept. 30, 2011
Land	\$ 1,472,936	\$ 33,363	\$ -	\$ 1,506,299
Construction in process	1,590,466	1,031,573	(1,672,065)	949,974
Buildings and other improvements	5,814,365	152,704	(10,764)	5,956,305
Office equipment	313,729	27,128	(46,974)	293,883
Automotive equipment	3,711,204	18,867	(18,867)	3,711,204
Machinery and equipment	1,899,641	198,008	(224,552)	1,873,097
Infrastructure	5,086,810	2,394,165	-	7,480,975
Land improvements	<u>3,462,826</u>	<u>63,659</u>	<u>(15,003)</u>	<u>3,511,482</u>
Total Capital Assets	23,351,977	3,919,467	(1,988,225)	25,283,219

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 3 - Capital Assets (continued)**

	<u>Balance</u> <u>Sept. 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2011</u>
Less: Accumulated depreciation				
Buildings and other improvements	2,103,937	196,732	(9,887)	2,290,782
Office equipment	196,470	31,446	(46,631)	181,285
Automotive equipment	2,814,435	272,552	(18,867)	3,068,120
Machinery and equipment	1,367,747	184,055	(223,825)	1,327,977
Infrastructure	962,122	266,576	-	1,228,698
Land improvements	989,200	176,529	(15,003)	1,150,726
Total Accumulated Depreciation	<u>8,433,911</u>	<u>1,127,890.00</u>	<u>(314,213.00)</u>	<u>9,247,588</u>
 <b>Governmental Activities Capital Assets, net</b>	 <u>\$ 14,918,066</u>	 <u>\$ 2,791,577</u>	 <u>\$ (1,674,012)</u>	 <u>\$ 16,035,631</u>
 <b>Business-type Activities</b>				
Land	\$ 242,549	\$ -	\$ (48,490)	\$ 194,059
Assets to be sold	-	52,432	-	52,432
Construction in process	115,738	201,474	(292,266)	24,946
Systems and improvements	11,197,254	306,401	(521,715)	10,981,940
Buildings and other improvements	827,329	12,273	(649,697)	189,905
Automotive equipment	581,265	24,467	-	605,732
Machinery and equipment	1,446,229	-	(32,789)	1,413,440
Furniture and fixtures	7,642	2,720	-	10,362
Computer equipment	39,828	-	(12,079)	27,749
Total Capital Assets	<u>14,457,834</u>	<u>599,767</u>	<u>(1,557,036)</u>	<u>13,500,565</u>
Less: Accumulated depreciation				
Systems and improvements	3,031,672	244,549	(476,995)	2,799,226
Buildings and other improvements	649,426	4,366	(542,095)	111,697
Automotive equipment	384,902	58,890	-	443,792
Machinery and equipment	741,768	68,621	(22,934)	787,455
Furniture and fixtures	7,400	463	-	7,863
Computer equipment	24,350	3,082	(11,181)	16,251
Total Accumulated Depreciation	<u>4,839,518</u>	<u>379,971</u>	<u>(1,053,205)</u>	<u>4,166,284</u>
 <b>Business-type Activities Capital Assets, net</b>	 <u>\$ 9,618,316</u>	 <u>\$ 219,796</u>	 <u>\$ (503,831)</u>	 <u>\$ 9,334,281</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 3 - Capital Assets (concluded)**

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2011 as follows:

	Amount
<b>Governmental Activities:</b>	
Administration	\$ 61,588
Court	138
Building department	12,655
Police	86,710
Dispatch	3,266
Fire	180,333
Street	502,572
Emergency Management	16,527
Non-Departmental	22,943
Health	6,658
Library	86,194
Parks	125,172
Vehicle	-
Total Depreciation Expense - Governmental Activities	\$ 1,104,756
 <b>Business-type Activities:</b>	
Airport	\$ -
Water and Sewer	550,106
Total Depreciation Expense - Business-type Activities	\$ 550,106

**Note 4 - Long-Term Debt**

Long-term liability activity for the year ended September 30, 2011 was as follows:

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 1,736,700	\$ -	\$ (138,614)	\$ 1,598,086	\$ 140,203
NID bonds	476,455	-	(28,875)	447,580	32,485
Certificates of Participation	80,000	-	(80,000)	-	-
Less: Discount	(144)	144	-	-	-
Notes payable	2,999,209	-	(69,316)	2,929,893	-
Total Governmental Activities:	\$ 5,292,220	\$ 144	\$ (316,805)	\$ 4,975,559	\$ 172,688

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 4 - Long-Term Debt (continued)**

	<b>Balance September 30, 2010</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2011</b>	<b>Amounts Due Within One Year</b>
<b>Business-type activities:</b>					
Revenue bonds	\$ 6,515,000	\$ -	\$ (540,000)	\$ 5,975,000	\$ 550,000
Add: Premium	152,139	-	(12,165)	139,974	-
Less: On Refunding	(179,930)	19,451	-	(160,479)	-
NID Bonds	183,553	-	(11,125)	172,428	12,515
Certificates of Participation	915,000	-	(40,000)	875,000	45,000
Less: Discount	(10,198)	669	-	(9,529)	-
Note payable	2,400,140	-	(142,025)	2,258,115	147,139
<b>Total Business-type Activities:</b>	<b>\$ 9,975,704</b>	<b>\$ 20,120</b>	<b>\$ (745,315)</b>	<b>\$ 9,250,509</b>	<b>\$ 754,654</b>

Capital Leases

	<b>September 30, 2011</b>
<b>Governmental Activities:</b>	
Capital lease \$1,600,000 for library project, due in monthly installments through July 1, 2028, interest payable at 4.85%.	\$ 1,432,681
Capital lease \$3500,000 for 2008 fire truck, due in monthly installments through October 1, 2013, interest payable at 3.750%.	147,906
Capital lease \$12,483 for 2010 voice recorder, due in annual installments through March 25, 2014, interest payable at 13.90%.	10,092
Capital lease \$24,947 for 2010 computer, due in monthly installments through October 15, 2012, interest payable at 4.380%.	7,406
Total:	<b>\$ 1,598,086</b>

**Business-type Activities:**

There were no business-type capital leases for the year ended September 30, 2011.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 4 - Long-Term Debt (continued)**

Capital Leases (continued)

The assets acquired through capital leases are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>
Assets:		
Automobile equipment	\$ 312,420	\$ -
Building (Library Project)	1,542,657	-
Voice Recorder	12,483	-
Computer	24,947	-
Less: Payments/Reductions	(294,421)	-
Total Assets:	\$ 1,598,086	\$ -

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of September 30, 2011 are as follows:

<b>For the years ending September 30,</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
2012	\$ 214,042	\$ -	\$ 214,042
2013	206,635	-	206,635
2014	134,683	-	134,683
2015	125,092	-	125,092
2016-2020	625,461	-	625,461
2021-2025	625,461	-	625,461
2026-2030	354,429	-	354,429
Total minimum lease payments	\$ 2,285,803	\$ -	\$ 2,285,803
Less: Amount representing interest	(687,717)	-	(687,717)
Total minimum lease payments, net	\$ 1,598,086	\$ -	\$ 1,598,086

Neighborhood Improvement District Bonds

The total amount of the Neighborhood Improvement District Bonds Series 2002 is \$875,000. This amount is split between the governmental activities and the business-type activities.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 4 - Long-Term Debt (continued)**

Neighborhood Improvement District Bonds (continued)

**September 30,  
2011**

**Governmental Activities:**

\$631,654 Neighborhood Improvement District Limited General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3% to 5.55%.

\$ 447,580

**Business-type Activities:**

\$243,346 Neighborhood Improvement District Limited General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3% to 5.55%.

172,428

Total: \$ 620,008

Annual debt service requirements to maturity for the Neighborhood Improvement District Bonds are as follows:

<b>For The Years Ended September 30</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 32,485	\$ 22,702	\$ 55,187	\$ 12,515	\$ 8,746	\$ 21,261
2013	32,486	21,200	53,686	12,514	8,167	20,681
2014	32,485	19,632	52,117	12,514	7,563	20,077
2015	36,095	17,925	54,020	13,905	6,905	20,810
2016-2020	209,351	58,802	268,153	80,649	22,653	103,302
2021-2022	104,678	5,909	110,587	40,331	2,276	42,607
	<u>\$ 447,580</u>	<u>\$ 146,170</u>	<u>\$ 593,750</u>	<u>\$ 172,428</u>	<u>\$ 56,310</u>	<u>\$ 228,738</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 4 - Long-Term Debt (continued)**

Certificates of Participation

The total amount of the Certificates of Participation, Series 2005, is \$875,000. This amount is located in the business-type activities.

	<u>September 30,</u> <u>2011</u>
<b>Governmental Activities:</b>	
\$230,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2010, interest payable at 3.4% to 3.9%.	\$ -
<b>Business-type Activities:</b>	
\$1,070,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2025, interest payable at 3.4% to 4.5%.	<u>875,000</u>
Total:	<u><u>\$ 875,000</u></u>

Annual debt service requirements to maturity for the Certificates of Participation are as follows:

<b>For The</b> <b>Years Ended</b> <b>September 30</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ -	\$ -	\$ -	\$ 45,000	\$ 36,610	\$ 81,610
2013	-	-	-	45,000	34,855	79,855
2014	-	-	-	45,000	33,100	78,100
2015	-	-	-	50,000	31,185	81,185
2016-2020	-	-	-	270,000	123,537	393,537
2021-2025	-	-	-	340,000	57,634	397,634
2026-2030	-	-	-	80,000	1,800	81,800
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,000</u>	<u>\$ 318,721</u>	<u>\$ 1,193,721</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 4 - Long-Term Debt (continued)**

Tax Increment Financing Debt

**September 30,  
2011**

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**Governmental Activities:**

The City has entered into an agreement on February 26, 2003 for the development of a Lowe's store within the City limits. Whereas, the City has agreed to reimburse Lowe's a portion of certain City and State infrastructure costs for up to a maximum aggregate amount of \$1,800,000 plus interest until the company either receives the total amount of the final project costs or fifteen (15) years from the full execution of this agreement. The City is to deposit 50% of the 1.5% sales tax generated from the business into a special allocation fund to be released on a quarterly basis.

\$ 1,280,053

The City has entered into agreement on June 25, 2003 with Home Depot for the redevelopment of the Gannon Plaza Area in the City limits to include a Home Depot store. Whereas, the City has agreed to reimburse Home Depot a portion of site preparation costs and City improvements for up to a maximum aggregate amount of \$1,800,000 plus interest until the company either receives the total amount of the final project costs or fifteen (15) years from the full execution of this agreement. A portion of the amount to be reimbursed will be comprised of sales tax reimbursement and a portion will be comprised of tax abatement. The City shall deposit 50% of the 1% sales tax generated within the redeveloped area, less the base taxable sales, into the special allocation fund to be released on an annual basis.

1,649,840

Total: \$ 2,929,893

Revenue Bonds Payable

**September 30,  
2011**

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**Business-type Activities**

\$3,960,000 Revenue Bonds, Series 2003, due in annual installments through July 1, 2019, interest payable at 3.036%.

\$ 1,735,000

\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.

2,645,000

\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.

1,595,000

Total: \$ 5,975,000

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 4 - Long-Term Debt (concluded)**

Notes Payable

	<u>September 30, 2011</u>
<b>Business-type Activities</b>	
State Revolving Fund (SRF) - 2001C, no interest	\$ 305,626
State Revolving Fund (SRF) - 2002B, no interest	<u>1,952,489</u>
Total:	<u><u>\$ 2,258,115</u></u>

The debt maturity of the bonds, excluding amount maturing after September 30, 2011, which were remitted prior to the current fiscal year-end and the SRF note, are as follows:

<u>For The Years Ended September 30</u>	<u>Revenue Bonds</u>			<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 550,000	\$ 275,362	\$ 825,362	\$ 147,139	\$ -	\$ 147,139
2013	560,000	253,639	813,639	153,039	-	153,039
2014	580,000	230,897	810,897	155,072	-	155,072
2015	640,000	207,424	847,424	156,875	-	156,875
2016-2020	2,515,000	659,412	3,174,412	998,003	-	998,003
2021-2023	1,130,000	101,750	1,231,750	647,987	-	647,987
	<u>\$ 5,975,000</u>	<u>\$ 1,728,484</u>	<u>\$ 7,703,484</u>	<u>\$ 2,258,115</u>	<u>\$ -</u>	<u>\$ 2,258,115</u>

In conjunction with SRF - 2001C and 2002B notes, a reserve account has been established with a non-interest loan funded with federal capitalization grants and matching funds from the State of Missouri.

When fully funded, this loan (reserve account) will be funded in an amount equal to 33.33% for the Series 2001C and 70% for the Series 2002B of the outstanding principal amount of such bonds. The reserve account is held in trust. As the principal amount of such bonds is repaid, the amount held in the reserve account will be reduced such that the reserve account will equal 33.33% and 70%, respectively, of the remaining principal balance of such bonds.

The \$4,450,000 Series 2003 Revenue Bonds are in the name of the City. The Jefferson County Water Authority (the Authority), a joint venture, is using \$490,000 debt proceeds for construction costs and intends to pay the future debt service payments. Therefore, \$490,000 of the debt has been recorded on the books of the Authority.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 5 - Employee Retirement Plan**

Plan Description

The City participates in 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 - 70.555. As such, it is the system's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and it is tax exempt. The Missouri Local Government Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to LAGERS, P.O. Box 1665, Jefferson City, MO 65102 or by calling 1-800-447-4334.

Funding Status

Full-time employees of the City of Festus do not contribute to the pension plan. The June 30th statutory required contribution rates are 10.6% (General), 8.8% (Police) and 19.2% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual Pension Cost and Net Pension Obligation (NPO)

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

Annual required contribution	\$ 456,030
Interest on net pension obligation	-
Adjustment to annual required contribution	-
Annual pension cost	456,030
Actual contributions	379,417
Increase (decrease) in NPO	76,613
NPO beginning of year	-
NPO end of year	\$ 76,613

The annual required contribution (ARC) was determined as part of the February 29, 2008 and February 28, 2009 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2011 included: (a) a rate of return on the investment of present and future assets of 7.25% per year, compounded annually, (b) projected salary increases of 3.5% per year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 6.0% per year, depending on age and division, attributable to seniority/merit, (d) pre-retirement mortality based on 75% of the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e) post-retirement mortality based on 105% of the 1994 Group Annuity Mortality table set back 0 years for men and 0 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 29, 2008 was 15 years for the General division, 15 years for the Police division and 26 years for the Fire division. The amortization period as of February 28, 2009 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 5 - Employee Retirement Plan (continued)**

Three-year Trend Information			
For the Years Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 374,521	100%	\$ -
2010	345,648	100%	-
2011	456,030	83.2%	76,613

**Required Supplementary Information**  
Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Entry Age Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)
2/28/2009	\$ 5,909,305	\$ 8,147,421	\$ 2,238,116
2/28/2010	6,131,872	8,327,195	2,195,323
2/28/2011	5,628,349	8,383,662	2,755,313

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage Of Covered Payroll
2/28/2009	73%	\$ 3,809,759	59%
2/28/2010	74%	3,752,986	58%
2/28/2011	67%	3,668,271	75%

Note: The above assets and actuarial accrued liability do not include the assets and present value of benefits associated with the Benefit Reserve Fund and the Casualty Reserve Fund. The actuarial assumptions were changed in conjunction with the February 28, 2011 annual actuarial valuations. For a complete description of the actuarial assumptions used in the annual valuations, please contact the LAGERS office in Jefferson City.

**Note 6 - Due From and Due To Other Funds**

There were no due from/due to other fund balances at September 30, 2011. Balances in the Library Fund of (\$300,000), NID Assessment Fund of (\$394) and General Fund of \$300,394 have been eliminated upon consolidation in the government-wide financial statements.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

**Note 7 - Interfund Transfers**

Individual fund transfers are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ 6,100	\$ 75,511	\$ (69,411)
	Library Fund	78,267	-	78,267
	Park Fund	296,990	-	296,990
	Capital Reserve Fund	2,103,605	14,243	2,089,362
	LLEBG Fund	2,005	-	2,005
	City Transportation Tax Fund	-	3,930	(3,930)
	Storm Water Tax Fund	-	293,608	(293,608)
	Capital Improvement Fund	-	506,172	(506,172)
	NID Assessment Fund	3,930	-	3,930
	Total Governmental Activities	2,490,897	893,464	1,597,433
Business Type Activities:	Airport Fund	-	2,103,605	(2,103,605)
	Water Administration Fund	506,172	-	506,172
	Total Business-type Activities	506,172	2,103,605	(1,597,433)
	Total Transfers	\$ 2,997,069	\$ 2,997,069	\$ -

Interfund transfers were used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund that ordinance or budget requires to expend them, 2) use restricted revenues collected in the General Fund to finance capital improvements and other funds in accordance with budgetary authorization, or 3) move revenues in excess of current year expenditures to other funds.

**Note 8 - Insurance**

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability, and worker's compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2012. MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis.

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid an assessment totaling \$374,261 for MIRMA's fiscal year ended June 30, 2011. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 9 - Claims and Contingencies**

Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed and determinable in amount. At this time, a reasonable estimate as to the amount or range of potential loss and/or gain cannot be provided.

Federal and State Assisted Programs

The City has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as inappropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds, if determined necessary, will be immaterial. No provision has been made in the accompanying financial statements for the potential refund of grant monies.

**Note 10 - Joint Ventures**

Festus-Crystal City Sewage Treatment Commission

The City of Festus and the City of Crystal City, Missouri participate in the Festus-Crystal City Sewage Treatment Commission (the Commission) which was formed for the purpose of operating and maintaining a sewage treatment facility for the two cities. Both City Councils appoint two members to the Commission. The City of Festus is committed to pay monthly to the Commission an amount equal to 61-63% of the previous month's costs of operation and maintenance of the shared facility and repairs and replacements of equipment. The City of Crystal City is committed to pay the remaining 37-39% of described costs. Complete financial statements of the Commission can be obtained directly from its administrative offices. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 61-63% ownership of the Commission. The City's interest in the joint venture at September 30, 2011 is \$4,041,919 and its share of the Commission's net gain before adding back depreciation assets financed by grants from other governments is \$69,072. For the year ended September 30, 2011, the City's cost for sewage treatment services provided by the Commission was \$226,591, which includes the City's share of operating expenses, capital, and reserve.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2011 were both \$29,026. Commission management stated that no long-term liabilities were outstanding at September 30, 2011. For the year ended September 30, 2010, total receipts and disbursements were \$484,475 and \$484,475, respectively, resulting in a net change in the Commission's equity of (\$0).

Jefferson County Water Authority

The City of Festus entered into a joint venture with the City of Herculaneum to form the Jefferson County Water Authority (JCWA) in January 2000 to provide water to the two city's residents. It has been determined that the JCWA is a joint venture with no equity interest, as defined under GASB Statement No. 14.

The JCWA is governed by an eight member board which is appointed by the City of Festus and the City of Herculaneum. Each City appoints four members to the JCWA board. The JCWA is designed to be self-sufficient.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 10 - Joint Ventures (continued)**

The Authority currently makes a portion of debt service payments for the City of Festus Water Works and Sewage Revenue Refunding Bond Series 2003. Separate financial statements are prepared for the Jefferson County Water Authority and may be obtained by contacting the City of Festus.

**Note 11 - Concentration**

The City entered into a water rate agreement to purchase all water from the Jefferson County Water Authority.

**Note 12 - Other Post Employment Benefits**

In addition to the pension benefits described in Note 5, the City allows employees who retire from the City to participate in the City's health, dental and vision insurance plans. Upon meeting the retirement requirements of LAGERS, the employees can elect to participate in the City's plans. The City pays for employee premiums for five years or until they reach age 65, but employees must pay for 100% of their spouse or dependents coverage for each plan they elect to participate. Future retirees will not be allowed to cover their spouse or dependents beyond the COBRA allowed time period. The difference between the amount the retiree is required to pay and the actual cost to the City is considered to be a post employment benefit. The City has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan. During the year ended September 30, 2011, 9 retirees and 5 retirees' spouses participated in the City's insurance plans and paid premiums totaling \$38,433. COBRA premiums paid (not by City) totaled \$17,670.

**Note 13 - Subsequent Events**

On June 1, 2012 the City refinanced the loan on the library building by paying off the lease payable and issuing bonds.

**Note 14 - Operating Leases**

The City entered into a sixty month operating lease agreement with Neopost in August 2010. The total of the lease is \$14,221. Payments applied in fiscal year 2010 totaled \$2844. Payments due for fiscal year 2012, 2013, 2014 and 2015 are \$2,844, \$2,844, \$2,844 and \$1,896.

**Note 15 - Adoption of New Accounting Policy**

The City has adopted the provisions of Governmental Accounting Standards Board Statement Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 30, 2011. The objective of this statement is to provide clearer fund balance classifications and is effective for periods beginning after June 15, 2010.

**Note 16 - New Accounting Pronouncements**

GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources and is effective for periods beginning after December 15, 2011. Effects of the City's financial statements as a result of the adoption of this new pronouncements are unknown.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2011**

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**Note 17 - Prior Period Adjustment**

Beginning fund balance of the NID Assessment Fund reported in the other governmental funds column of the balance sheet - governmental funds statement has been restated to remove long-term debt incorrectly reported in last year's financial statements. The effect of this adjustment will decrease beginning fund balance of the City. This adjustment will have no material effect on the operations of the City.

Fund Balance, as Previously stated September 30, 2010	(460,475)
Prior Period Adjustment	<u>476,456</u>
Fund Balance, as Restated September 30, 2010	<u><u>15,981</u></u>

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
<b>Revenues</b>				
Property taxes	\$ 236,205	\$ 236,205	\$ 245,741	\$ 9,536
Taxes - other	3,468,000	3,468,000	3,644,138	176,138
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	45,495	175,220	171,260	(3,960)
Licenses and permits	245,000	245,000	270,869	25,869
Fines and penalties	555,600	485,600	501,115	15,515
Investment income	10,000	10,000	13,071	3,071
Other	51,338	47,307	100,075	52,768
Service charges	987,739	987,739	997,471	9,732
Total Revenues	<u>\$ 5,599,377</u>	<u>\$ 5,655,071</u>	<u>\$ 5,943,740</u>	<u>\$ 288,669</u>
<b>Expenditures</b>				
Current:				
Administration	\$ 683,107	\$ 636,406	\$ 587,259	\$ (49,147)
Court	149,823	149,823	141,740	(8,083)
Building department	408,667	408,667	385,000	(23,667)
Police	2,210,557	2,243,026	2,134,142	(108,884)
Dispatch	505,680	520,680	506,236	(14,444)
Fire	257,233	257,233	192,043	(65,190)
Emergency management	22,539	22,539	13,310	(9,229)
Street	457,839	458,112	420,913	(37,199)
Non-departmental	1,040,400	1,049,900	1,049,689	(211)
Capital outlay	246,992	468,548	503,844	35,296
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 5,982,837</u>	<u>\$ 6,214,934</u>	<u>\$ 5,934,176</u>	<u>\$ (280,758)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(383,460)	(559,863)	9,564	569,427
<b>Other Financing Sources (Uses)</b>				
Transfers in	6,100	6,100	6,100	-
Transfers out	(68,906)	(80,256)	(75,511)	4,745
Total Other Financing Sources (Uses)	<u>(62,806)</u>	<u>(74,156)</u>	<u>(69,411)</u>	<u>4,745</u>
<b>Net Change in Fund Balance</b>	<u>\$ (446,266)</u>	<u>\$ (634,019)</u>	\$ (59,847)	<u>\$ 574,172</u>
<b>Fund Balance, October 1</b>			<u>2,521,520</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,461,673</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**City Transportation Tax Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,103,000	1,103,000	1,127,522	24,522
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	1,500	1,500	3,499	1,999
Fines and penalties	-	-	-	-
Investment income	4,000	4,000	16,925	12,925
Other	1,500	1,500	2,405	905
Service charges	-	-	-	-
Total Revenues	<u>\$ 1,110,000</u>	<u>\$ 1,110,000</u>	<u>\$ 1,150,351</u>	<u>\$ 40,351</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	941,391	958,891	810,438	(148,453)
Non-departmental	-	-	-	-
Capital outlay	85,278	481,489	510,991	29,502
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,026,669</u>	<u>\$ 1,440,380</u>	<u>\$ 1,321,429</u>	<u>\$ (118,951)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	83,331	(330,380)	(171,078)	159,302
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(3,930)	(3,930)	(3,930)	-
Total Other Financing Sources (Uses)	<u>(3,930)</u>	<u>(3,930)</u>	<u>(3,930)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 79,401</u>	<u>\$ (334,310)</u>	\$ (175,008)	<u>\$ 159,302</u>
<b>Fund Balance, October 1</b>			<u>2,733,603</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,558,595</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**County Transportation Tax Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	515,000	515,000	952,080	437,080
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	757,717	708,117	563,686	(144,431)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	100	100	58	(42)
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 1,272,817</u>	<u>\$ 1,223,217</u>	<u>\$ 1,515,824</u>	<u>\$ 292,607</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	13,780	14,640	-	(14,640)
Non-departmental	-	-	-	-
Capital outlay	1,787,146	1,668,764	1,515,766	(152,998)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,800,926</u>	<u>\$ 1,683,404</u>	<u>\$ 1,515,766</u>	<u>\$ (167,638)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(528,109)	(460,187)	58	460,245
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (528,109)</u>	<u>\$ (460,187)</u>	\$ 58	<u>\$ 460,245</u>
<b>Fund Balance, October 1</b>			<u>228,080</u>	
<b>Fund Balance, September 30</b>			<u>\$ 228,138</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Reserve Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,000	2,000	3,034	1,034
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ 3,034</u>	<u>\$ 1,034</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	2,000	2,000	3,034	1,034
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,101,050	2,103,605	2,555
Transfers out	(13,330)	(14,243)	(14,243)	-
Total Other Financing Sources (Uses)	<u>(13,330)</u>	<u>2,086,807</u>	<u>2,089,362</u>	<u>2,555</u>
<b>Net Change in Fund Balance</b>	<u>\$ (11,330)</u>	<u>\$ 2,088,807</u>	<u>\$ 2,092,396</u>	<u>\$ 3,589</u>
<b>Fund Balance, October 1</b>			<u>342,298</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,434,694</u>	

**City of Festus, Missouri**  
**Notes to the Required Supplementary Information**  
**For the year ended September 30, 2011**

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**Note 1 - Explanation of Budgetary Process**

Budgets are adopted on an accrual basis. An annual appropriated budget is adopted for the governmental funds except proceeds from notes payable and related expenses. All annual appropriations lapse at fiscal year-end.

In August, all departments submit requests for appropriation to the City's budget committee so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. During September, the budget is presented to the City Council for review. Prior to October 1, the budget is enacted by the City Council through passage of an ordinance. Expenditures may not legally exceed budgeted appropriations at the activity level. Budgeted amounts in the accompanying financial statements include transfers and revisions to the original budget ordinance. The City Administrator is authorized to transfer appropriations between budget line items within departments. The City Council must approve transfers between funds and departments.

The Library has a negative fund balance due to debt.

**The City of Festus, Missouri**  
**Combining Balance Sheet - Non-Major Governmental Funds**  
**September 30, 2011**

	<b>Special Revenue Funds</b>											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
<b>Assets</b>												
Cash and cash equivalents	\$ 144,297	\$ 96,045	\$ 91,189	\$ 18,514	\$ 12,322	\$ 445,537	\$ 157,765	\$ -	\$ 116,587	\$ 2,653	\$ 553,095	\$ 1,638,004
Investments	130,028	60,000	178,255	-	-	445,250	62,921	-	-	-	-	876,454
Restricted cash	-	-	-	-	-	908	-	-	-	-	-	908
Restricted investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables (net)												
Taxes	5,443	7,485	60,162	-	-	114,047	22,327	-	22,903	-	105,285	337,652
Special assessments	-	-	-	550,582	-	-	-	-	-	-	-	550,582
Interest	185	90	233	-	-	586	91	-	-	-	-	1,185
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Court	-	-	-	-	-	-	-	-	-	-	-	-
Other	17,754	246	1,458	-	3,605	-	-	-	-	-	-	23,063
Prepaid items	2,807	21,292	50,620	-	-	815	-	-	-	-	-	75,534
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 300,514</u>	<u>\$ 185,158</u>	<u>\$ 381,917</u>	<u>\$ 569,096</u>	<u>\$ 15,927</u>	<u>\$ 1,007,143</u>	<u>\$ 243,104</u>	<u>\$ -</u>	<u>\$ 139,490</u>	<u>\$ 2,653</u>	<u>\$ 658,380</u>	<u>\$ 3,503,382</u>
<b>Liabilities</b>												
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	181	3,060	12,300	-	-	58,996	-	-	-	-	-	74,537
Accrued payroll	792	2,333	3,510	-	-	-	-	-	-	-	-	6,635
Accrued payroll liabilities-other	1,494	831	3,509	-	-	-	-	-	-	-	-	5,834
Due to other funds	-	300,000	-	394	-	-	-	-	-	-	-	300,394
Funds held for others	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	5,216	17,922	7,171	550,582	-	3,000	-	-	-	-	-	583,891
Accrued interest	-	-	-	1,953	-	-	-	-	-	-	-	1,953
Other liabilities	-	-	1,145	-	-	17,387	-	-	-	-	17,387	35,919
Noncurrent liabilities:												
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-	-
Due in More Than One Year	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ 7,683</u>	<u>\$ 324,146</u>	<u>\$ 27,635</u>	<u>\$ 552,929</u>	<u>\$ -</u>	<u>\$ 79,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,387</u>	<u>\$ 1,009,163</u>
<b>Fund Balance</b>												
Nonspendable:												
Prepaid items	\$ 2,807	\$ 21,292	\$ 50,620	\$ -	\$ -	\$ 815	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,534
Interfund advances	-	-	-	-	-	-	-	-	-	-	-	-
Restricted:												
Debt service	-	-	-	16,167	-	-	-	-	-	-	-	16,167
Unreserved:												
General fund	-	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	290,024	(160,280)	303,662	-	15,927	926,945	243,104	-	139,490	2,653	640,993	2,402,518
Total Fund Balance	<u>\$ 292,831</u>	<u>\$ (138,988)</u>	<u>\$ 354,282</u>	<u>\$ 16,167</u>	<u>\$ 15,927</u>	<u>\$ 927,760</u>	<u>\$ 243,104</u>	<u>\$ -</u>	<u>\$ 139,490</u>	<u>\$ 2,653</u>	<u>\$ 640,993</u>	<u>\$ 2,494,219</u>
Total Liabilities and Fund Balance	<u>\$ 300,514</u>	<u>\$ 185,158</u>	<u>\$ 381,917</u>	<u>\$ 569,096</u>	<u>\$ 15,927</u>	<u>\$ 1,007,143</u>	<u>\$ 243,104</u>	<u>\$ -</u>	<u>\$ 139,490</u>	<u>\$ 2,653</u>	<u>\$ 658,380</u>	<u>\$ 3,503,382</u>

**The City of Festus, Missouri**  
**Combining Schedule of Revenue, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the year ended September 30, 2011**

<b>Special Revenue Funds</b>												
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
<b>Revenues</b>												
Property taxes	\$ 131,062	\$ 180,210	\$ 180,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 491,482
Taxes - other	-	-	-	-	-	587,215	79,849	-	220,976	-	586,570	1,474,610
Intergovernmental	-	-	-	-	6,576	-	-	-	-	-	-	6,576
Special assessments	-	-	-	49,695	-	-	-	-	-	-	-	49,695
Grant revenue	-	4,830	-	-	2,883	-	-	14,052	-	-	-	21,765
Licenses and permits	471	-	-	-	-	-	-	-	-	-	-	471
Fines and penalties	3,617	36,405	2,800	-	-	-	3,348	-	-	-	-	46,170
Investment income	1,492	864	1,872	411	16	4,137	780	-	75	4	899	10,550
Building lease payments	-	47,100	-	-	-	-	-	-	-	-	-	47,100
Other	12,005	29,744	53,139	-	-	5,348	-	-	-	-	-	100,236
<b>Total Revenues</b>	<b>\$ 148,647</b>	<b>\$ 299,153</b>	<b>\$ 238,021</b>	<b>\$ 50,106</b>	<b>\$ 9,475</b>	<b>\$ 596,700</b>	<b>\$ 83,977</b>	<b>\$ 14,052</b>	<b>\$ 221,051</b>	<b>\$ 4</b>	<b>\$ 587,469</b>	<b>\$ 2,248,655</b>
<b>Expenditures</b>												
Current:												
Police	\$ -	\$ -	\$ -	\$ -	\$ 8,150	\$ -	\$ -	\$ 8,388	\$ -	\$ -	\$ -	\$ 16,538
Health	103,256	-	-	-	-	-	-	-	-	-	-	103,256
Library	-	247,641	-	-	-	-	-	-	-	-	-	247,641
Parks	-	-	483,868	-	-	-	-	-	-	-	-	483,868
Street	-	-	-	-	-	-	-	-	-	-	-	-
Non-departmental	-	-	-	1,000	-	36,460	-	-	215,103	-	-	252,563
Capital outlay	1,645	4,672	16,256	-	-	56,563	1,800	7,669	-	-	-	88,605
Debt service:												
Principal	-	53,956	-	28,876	-	-	-	-	-	-	-	82,832
Interest and fiscal charges	-	71,137	-	23,974	-	-	-	-	-	-	-	95,111
<b>Total Expenditures</b>	<b>\$ 104,901</b>	<b>\$ 377,406</b>	<b>\$ 500,124</b>	<b>\$ 53,850</b>	<b>\$ 8,150</b>	<b>\$ 93,023</b>	<b>\$ 1,800</b>	<b>\$ 16,057</b>	<b>\$ 215,103</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,370,414</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	43,746	(78,253)	(262,103)	(3,744)	1,325	503,677	82,177	(2,005)	5,948	4	587,469	878,241
<b>Other Financing Sources (Uses)</b>												
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	78,267	296,990	3,930	-	-	-	2,005	-	-	-	381,192
Transfers out	-	-	-	-	-	(293,608)	-	-	-	-	(506,172)	(799,780)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 78,267</b>	<b>\$ 296,990</b>	<b>\$ 3,930</b>	<b>\$ -</b>	<b>\$ (293,608)</b>	<b>\$ -</b>	<b>\$ 2,005</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (506,172)</b>	<b>\$ (418,588)</b>
<b>Net Change in Fund Balance</b>	43,746	14	34,887	186	1,325	210,069	82,177	-	5,948	4	81,297	459,653
<b>Fund Balance (Deficit), October 1</b>	249,085	(139,002)	319,395	15,981	14,602	717,691	160,927	-	133,542	2,649	559,696	2,034,566
<b>Fund Balance (Deficit), September 30</b>	<b>\$ 292,831</b>	<b>\$ (138,988)</b>	<b>\$ 354,282</b>	<b>\$ 16,167</b>	<b>\$ 15,927</b>	<b>\$ 927,760</b>	<b>\$ 243,104</b>	<b>\$ -</b>	<b>\$ 139,490</b>	<b>\$ 2,653</b>	<b>\$ 640,993</b>	<b>\$ 2,494,219</b>

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Health Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 125,975	\$ 125,975	\$ 131,062	\$ 5,087
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	400	400	471	71
Fines and penalties	2,050	2,050	3,617	1,567
Investment income	700	700	1,492	792
Other	3,000	8,500	12,005	3,505
Service charges	-	-	-	-
Total Revenues	<u>\$ 132,125</u>	<u>\$ 137,625</u>	<u>\$ 148,647</u>	<u>\$ 11,022</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	111,050	116,550	103,256	(13,294)
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	20,328	20,328	1,645	(18,683)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 131,378</u>	<u>\$ 136,878</u>	<u>\$ 104,901</u>	<u>\$ (31,977)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	747	747	43,746	42,999
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 747</u>	<u>\$ 747</u>	\$ 43,746	<u>\$ 42,999</u>
<b>Fund Balance, October 1</b>			<u>249,085</u>	
<b>Fund Balance, September 30</b>			<u>\$ 292,831</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Library Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 173,223	\$ 173,223	\$ 180,210	\$ 6,987
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	12,813	12,813	4,830	(7,983)
Licenses and permits	29,200	29,200	36,405	7,205
Fines and penalties	300	300	864	564
Investment income	72,000	47,100	47,100	-
Other	35,000	35,000	29,744	(5,256)
Service charges	-	-	-	-
Total Revenues	<u>\$ 322,536</u>	<u>\$ 297,636</u>	<u>\$ 299,153</u>	<u>\$ 1,517</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	251,688	251,688	247,641	(4,047)
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	19,641	19,641	4,672	(14,969)
Debt Service:				
Principal	53,956	53,956	53,956	-
Interest and fiscal charges	71,137	71,137	71,137	-
Total Expenditures	<u>\$ 396,422</u>	<u>\$ 396,422</u>	<u>\$ 377,406</u>	<u>\$ (19,016)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(73,886)	(98,786)	(78,253)	20,533
<b>Other Financing Sources (Uses)</b>				
Transfers in	73,886	82,767	78,267	(4,500)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>73,886</u>	<u>82,767</u>	<u>78,267</u>	<u>(4,500)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (16,019)</u>	\$ 14	<u>\$ 16,033</u>
<b>Fund Balance, October 1</b>			(139,002)	
<b>Fund Balance, September 30</b>			<u>\$ (138,988)</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Park Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 173,223	\$ 173,223	\$ 180,210	\$ 6,987
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	1,200	1,200	2,800	1,600
Investment income	1,200	1,200	1,872	672
Other	46,500	46,500	53,139	6,639
Service charges	-	-	-	-
Total Revenues	<u>\$ 222,123</u>	<u>\$ 222,123</u>	<u>\$ 238,021</u>	<u>\$ 15,898</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	518,564	518,564	483,868	(34,696)
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	10,950	14,632	16,256	1,624
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 529,514</u>	<u>\$ 533,196</u>	<u>\$ 500,124</u>	<u>\$ (33,072)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(307,391)	(311,073)	(262,103)	48,970
<b>Other Financing Sources (Uses)</b>				
Transfers in	287,500	290,882	296,990	6,108
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>287,500</u>	<u>290,882</u>	<u>296,990</u>	<u>6,108</u>
<b>Net Change in Fund Balance</b>	<u>\$ (19,891)</u>	<u>\$ (20,191)</u>	\$ 34,887	<u>\$ 55,078</u>
<b>Fund Balance, October 1</b>			<u>319,395</u>	
<b>Fund Balance, September 30</b>			<u>\$ 354,282</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**NID Assessment Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	50,000	50,000	49,695	(305)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	411	(89)
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 50,500</u>	<u>\$ 50,500</u>	<u>\$ 50,106</u>	<u>\$ (394)</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	1,277	1,277	1,000	(277)
Capital outlay	-	-	-	-
Debt Service:				
Principal	28,876	28,876	28,876	-
Interest and fiscal charges	24,082	24,082	23,974	(108)
Total Expenditures	<u>\$ 54,235</u>	<u>\$ 54,235</u>	<u>\$ 53,850</u>	<u>\$ (385)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(3,735)	(3,735)	(3,744)	(9)
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,930	3,930	3,930	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,930</u>	<u>3,930</u>	<u>3,930</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 195</u>	<u>\$ 195</u>	\$ 186	<u>\$ (9)</u>
<b>Fund Balance, October 1 (restated)</b>			<u>15,981</u>	
<b>Fund Balance, September 30</b>			<u>\$ 16,167</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Law Enforcement Training Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	7,500	7,500	6,576	(924)
Special assessments	-	-	-	-
Grant revenue	-	-	2,883	2,883
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	16	16
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 7,500</u>	<u>\$ 7,500</u>	<u>\$ 9,475</u>	<u>\$ 1,975</u>
<b>Expenditures</b>				
Current:				
Police	\$ 9,000	\$ 9,000	\$ 8,150	\$ (850)
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 8,150</u>	<u>\$ (850)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(1,500)	(1,500)	1,325	2,825
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,500)</u>	<u>\$ (1,500)</u>	\$ 1,325	<u>\$ 2,825</u>
<b>Fund Balance, October 1</b>			<u>14,602</u>	
<b>Fund Balance, September 30</b>			<u>\$ 15,927</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Storm Water Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	575,000	575,000	587,215	12,215
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,000	2,000	4,137	2,137
Other	-	-	5,348	5,348
Service charges	-	-	-	-
Total Revenues	<u>\$ 577,000</u>	<u>\$ 577,000</u>	<u>\$ 596,700</u>	<u>\$ 19,700</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	166,461	166,461	36,460	(130,001)
Capital outlay	175,000	196,000	56,563	(139,437)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 341,461</u>	<u>\$ 362,461</u>	<u>\$ 93,023</u>	<u>\$ (269,438)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	235,539	214,539	503,677	289,138
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(287,500)	(287,500)	(293,608)	(6,108)
Total Other Financing Sources (Uses)	<u>(287,500)</u>	<u>(287,500)</u>	<u>(293,608)</u>	<u>(6,108)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (51,961)</u>	<u>\$ (72,961)</u>	\$ 210,069	<u>\$ 283,030</u>
<b>Fund Balance, October 1</b>			<u>717,691</u>	
<b>Fund Balance, September 30</b>			<u>\$ 927,760</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Tourism Tax Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	80,000	80,000	79,849	(151)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,500	1,500	3,348	1,848
Other	-	-	780	780
Service charges	-	-	-	-
Total Revenues	<u>\$ 81,500</u>	<u>\$ 81,500</u>	<u>\$ 83,977</u>	<u>\$ 2,477</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	81,500	1,800	1,800	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 81,500</u>	<u>\$ 1,800</u>	<u>\$ 1,800</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	-	79,700	82,177	2,477
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ 79,700</u>	\$ 82,177	<u>\$ 2,477</u>
<b>Fund Balance, October 1</b>			<u>160,927</u>	
<b>Fund Balance, September 30</b>			<u>\$ 243,104</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Local Law Enforcement Block Grant Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	14,297	14,297	14,052	(245)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 14,297</u>	<u>\$ 14,297</u>	<u>\$ 14,052</u>	<u>\$ (245)</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ 8,388	\$ 8,388
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	16,547	16,547	7,669	(8,878)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 16,547</u>	<u>\$ 16,547</u>	<u>\$ 16,057</u>	<u>\$ (490)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(2,250)	(2,250)	(2,005)	245
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,250	2,250	2,005	(245)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,250</u>	<u>2,250</u>	<u>2,005</u>	<u>(245)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
<b>Fund Balance, October 1</b>			-	
<b>Fund Balance, September 30</b>			<u>\$ -</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Sales Tax Reimbursement Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	230,000	230,000	220,976	(9,024)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	60	60	75	15
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 230,060</u>	<u>\$ 230,060</u>	<u>\$ 221,051</u>	<u>\$ (9,009)</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	230,060	230,060	215,103	(14,957)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 230,060</u>	<u>\$ 230,060</u>	<u>\$ 215,103</u>	<u>\$ (14,957)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	-	-	5,948	5,948
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	\$ 5,948	<u>\$ 5,948</u>
<b>Fund Balance, October 1</b>			<u>133,542</u>	
<b>Fund Balance, September 30</b>			<u>\$ 139,490</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Federal Forfeiture Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	4	4
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 4</u>
<b>Expenditures</b>				
Current:				
Police	\$ 2,468	\$ 2,468	\$ -	\$ (2,468)
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 2,468</u>	<u>\$ 2,468</u>	<u>\$ -</u>	<u>\$ (2,468)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(2,468)	(2,468)	4	2,472
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,468)</u>	<u>\$ (2,468)</u>	\$ 4	<u>\$ 2,472</u>
<b>Fund Balance, October 1</b>			<u>2,649</u>	
<b>Fund Balance, September 30</b>			<u>\$ 2,653</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Improvement Special Revenue Fund**  
**For the year ended September 30, 2011**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	575,000	575,000	586,570	11,570
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	899	399
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 575,500</u>	<u>\$ 575,500</u>	<u>\$ 587,469</u>	<u>\$ 11,969</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	575,500	575,500	587,469	11,969
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers out	(538,000)	(538,000)	(506,172)	31,828
Total Other Financing Sources (Uses)	<u>(538,000)</u>	<u>(538,000)</u>	<u>(506,172)</u>	<u>31,828</u>
<b>Net Change in Fund Balance</b>	<u>\$ 37,500</u>	<u>\$ 37,500</u>	\$ 81,297	<u>\$ 43,797</u>
<b>Fund Balance, October 1</b>			<u>559,696</u>	
<b>Fund Balance, September 30</b>			<u>\$ 640,993</u>	



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and  
City Council  
City of Festus, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2012. Our report was qualified due to the City not implementing GASB 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-3 that we consider to be significant deficiencies in internal control over financial reporting.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective

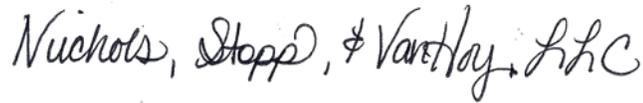
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of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

We noted certain matters that we reported to management of the City, in a separate letter dated June 29, 2012.

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Nichols, Stopp, & VanHoy, LLC". The signature is written in a cursive, slightly slanted style.

Creve Coeur, Missouri  
June 29, 2012



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor  
City Council  
City of Festus, Missouri

Compliance

We have audited the City of Festus, Missouri's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material*

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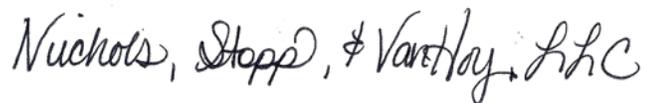
*weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-4 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Creve Coeur, Missouri  
June 29, 2012

**The City of Festus, Missouri**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2011**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures
<b>U.S. Department of Justice</b>			
Direct programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0567	12,047
FY2011 Task Force Overtime	16.XXX	20-D-11-SL-0144	<u>11,066</u>
Total U.S. Department of Justice			23,113
<b>U.S. Department of Transportation</b>			
Passed through:			
Missouri Department of Transportation Highway Safety Division-			
State and Community Highway Safety	20.600	11-PT-02-49	13,997
Alcohol Open Container Requirements	20.607	11-154-AL-31	22,980
Alcohol Open Container Requirements	20.607	11-154-AL-33	7,497
Central Missouri State University -			
State and Community Highway Safety	20.600	N/A	852
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	N/A	1,406
Child Safety and Child Booster Seats Incentive Grants	20.613	N/A	396
Missouri Highways and Transportation Commission - Highway Planning and Construction	20.205	STP-2600(602)	<u>563,726</u>
Total U.S. Department of Transportation			610,854
<b>U.S. Department of Homeland Security</b>			
Direct Programs:			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-02480	<u>109,725</u>
Total U.S. Department of Homeland Security			<u>109,725</u>
Total Schedule of Expenditures of Federal Awards			<u><u>\$ 743,692</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

**The City of Festus, Missouri**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the year ended September 30, 2011**

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**Note 1 - General**

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. This Schedule includes all federal awards administered by the City.

**Note 2 - Basis of Presentation**

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means federal financial assistance and Federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the Schedule includes expenditures of both cash and noncash awards.

**Note 3 - Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the City's accompanying financial statements.

**Note 4 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

**Note 5 - Matching Revenues**

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures.

**Note 6 - Subrecipients**

During the year ended September 30, 2011, the City passed through \$3,515 of federal funds under the Alcohol Open Container Requirements Grant (CFDA #20.607) to another local city.

**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2011**

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**Section 1 - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material Weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Significant Deficiencies identified? \_\_\_\_\_ X Yes \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ X Yes \_\_\_\_\_ No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Significant Deficiencies identified? \_\_\_\_\_ X Yes \_\_\_\_\_ None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? \_\_\_\_\_ Yes \_\_\_\_\_ X No

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X No

**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2011**

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**Section 2 - Financial Statement Findings**

2011-1 **Condition:** Documentation of the components of internal controls has not been prepared.

**Criteria:** Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters In An Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

**Cause:** The City did not prepare the required documentation.

**Effect:** SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the City may not be able to ensure that controls are in place, communicated and operating effectively.

**Recommendation:** We recommend that the City develop the required internal control documentation. In addition, we recommend referring to the COSO internal control guidance and tools as a means to begin the process. Those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

**Client Response:** Since the end of the fiscal year the City has developed an internal control narrative to go along with the existing purchasing policy, investment policy and employee policy (which includes sections regarding use of city equipment, employee conduct, business ethics, and other relevant items). The City will continue to work on developing a more thorough internal control document.

2011-2 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

**Criteria:** Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, is effective for periods ending on or after December 15, 2008.

**Cause:** The City of Festus has not obtained an actuarial valuation of its other post employment benefits (OPEB).

**Effect:** Liabilities could be understated due to not recording OPEB liability in the financial statements.

**Recommendation:** We recommend the City of Festus obtain an actuarial valuation of its other post employment benefits to be in compliance with GASB 45.

**Client Response:** Due to budgetary restraints, management has again determined that the value of the actuarial valuation of the other post employment benefits did not warrant the cost. The City will re-evaluate the benefits versus the cost for the next year, and will go out for RFP for actuarial services if it is deemed to be of value to the City and its citizens.

**The City of Festus, Missouri**  
**Schedule of Findings and Questioned Costs**  
**For the year ended September 30, 2011**

---

**Section 2 - Financial Statement Findings (continued)**

2011-3 **Condition:** During our audit, we noted there is no formal risk assessment in place.

**Criteria:** A risk assessment is part of the overall system of internal controls established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Cause:** Management has not prepared documentation of risk assessment, including identified risk and mitigation controls.

**Effect:** Not performing a risk assessment may result in certain risk not being identified by the City's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper risk assessment procedures.

**Recommendation:** We recommend that the City perform a risk assessment to address various risk including the risk of fraud and develop a plan to manage identified risk.

**Client Response:** The City will look at performing an annual risk assessment and will include it in the internal control policy.

**Section 3 - Federal Award Findings and Questioned Cost**

2011-4 **Condition:** The Schedule of Expenditures of Federal Awards (SEFA) contained errors.

**Criteria:** OMB Circular A-133 requires auditees to prepare an accurate SEFA containing awards expended, CFDA title and number, award number, name of the Federal agency, and name of the pass-through entity.

**Cause:** Management was unaware of the reporting requirements for federal awards in which a local cost match was required.

**Effect:** Federal expenditures reported on the SEFA were over stated.

**Recommendation:** We recommend that management develop internal controls over reporting and consult with outside accountants when needed to ensure an accurate SEFA is prepared.

**Client Response:** The City prepared the schedule of expenditures for the prior audit, which included the City cost match as well as the federal award. The prior SEFA was prepared by outside accountants as part of the audit with the City's understanding that they had adequate knowledge of the reporting requirements. The City is now aware that the report is 100% the City's responsibility and will take proper steps to ensure that future reports are accurate.

**The City of Festus, Missouri**  
**Follow-Up on Prior Audit Findings For An Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the City of Festus, Missouri, on the applicable findings in the prior audit report issued for the year end September 30, 2010.

**Prior Year Financial Statement Findings**

2010-01 **Criteria:** Statement on Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters In An Audit*, which is effective for periods ending on or after December 15, 2009, considers inadequate documentation of the components of internal control to be at least a significant deficiency. SAS No. 115 supersedes SAS No. 112.

**Condition:** Documentation of the components of internal controls has not been prepared.

**Context:** During our review of internal controls, we noted that the City has not formally documented its internal controls.

**Effect:** SAS 115 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the City may not be able to ensure that controls are in place, communicated and operating effectively.

**Cause:** The City did not prepare the required documentation.

**Recommendation:** We recommend that the City develop the required internal control documentation. In addition, we recommend referring to the COSO internal control guidance and tools as a means to begin the process. Those charged with governance have a responsibility to understand the controls and ensure they are operating effectively.

**Views of responsible officials and planned corrective actions:** The City is currently reviewing internal controls to develop an internal control document.

**Status:** Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2011-1.

2010-02 **Criteria:** All cash and investments held by the City must be secured through the Federal Deposit Insurance Corporation (FDIC) or securities pledged by a financial institution.

**Condition:** The City holds a bank account with a financial institution that was under collateralized by \$2,495.

**Context:** During our audit of cash and investment balances, we noted that the City did not fully pledge a bank balance with one of its financial institutions and thereby the under pledged amount is considered a significant deficiency.

**Effect:** There is a risk that the City's under collateralized balance may not be returned to the City in the case of a bank failure because the balance is not covered under FDIC or other pledged securities.

**Cause:** Adequate oversight was not in place to ensure all bank account balances were secured through FDIC or other pledged securities.

**The City of Festus, Missouri**  
**Follow-Up on Prior Audit Findings For An Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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**Prior Year Financial Statement Findings (continued)**

2010-02 **Recommendation:** We recommend that the City periodically review all account balances to ensure they are fully secured.

**Views of responsible officials and planned corrective actions:** The Finance Director did not realize that the Bank's pledge only included the original invested amount and not the interest earned. Once it was determined that they were under-pledged, the Bank released the interest earnings and will continue paying interest when earned so as to not exceed the amount pledged.

**Status:** Management has corrected this issue and all accounts are now covered by FDIC insurance or pledged securities.

2010-03 **Criteria:** Governmental Accounting Standards Board Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,*" is effective for periods ending on or after December 15, 2008.

**Condition:** An actuarial valuation has not been obtained for other post employment benefits.

**Context:** During our audit, it was noted that the City has not obtained an actuarial valuation of its other post employment benefits (OPEB).

**Effect:** Liabilities could be understated due to not recording OPEB liability in the financial statements.

**Cause:** The City of Festus has not obtained an actuarial valuation of its other post employment benefits (OPEB).

**Recommendation:** We recommend the City of Festus obtain an actuarial valuation of its other post employment benefits to be in compliance with GASB 45.

**Views of responsible officials and planned corrective actions:** Due to budgetary restraints, management has again determined that the value of the actuarial valuation of the other post employment benefits did not warrant the cost. The City will re-evaluate the benefits versus the cost for the next year, and will go out for RFP for actuarial services if it is deemed to be of value to the City and its citizens.

**Status:** The City has not implemented procedures to obtain an actuarial valuation of its other post employment benefits therefore this finding is repeated in the current year at 2011-2.

2010-04 **Criteria:** Credit card transactions should be supported by receipts.

**Condition:** Some July 2010 credit card transactions were not supported by receipts.

**Context:** During our audit, we noted some July 2010 credit card transactions that were not supported by receipts.

**Effect:** Lack of supporting documentation for expenses increases the risk of paying for unusual and/or unauthorized items or amounts and possible miscoding of expenses.

**The City of Festus, Missouri**  
**Follow-Up on Prior Audit Findings For An Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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**Prior Year Financial Statement Findings (continued)**

2010-04 **Cause:** The City was missing some receipts to support July 2010 credit card transactions.

**Recommendation:** We recommend that the City obtain receipts to support all credit card transactions to ensure amounts being paid are not unusual or inappropriate and are properly coded.

**Views of responsible officials and planned corrective actions:** Upper management was told about the need for receipts to be turned in, and while those receipts could not be located, missing receipts for subsequent credit card purchases have not been a problem.

**Status:** Management is now obtaining receipts to support all credit card transactions.

2010-05 **Criteria:** A cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared on a monthly basis to determine that all cash transactions have been recorded properly and to discover bank errors.

**Condition:** The police evidence account is not being reconciled on a timely basis and is not being reconciled to the bank statement balance.

**Context:** During our audit, we noted that the police evidence account is not being reconciled on a timely basis and is not being reconciled to the bank statement balance. We consider this to be a material weakness.

**Effect:** Lack of monthly cash reconciliations increase the risk of accumulating errors which make reconciling them to a particular period more difficult to identify and potential bank errors are unidentified.

**Cause:** The police evidence account is not being reconciled on a timely basis and is not being reconciled to the bank statement balance.

**Recommendation:** We recommend that the police evidence account be reconciled in a timely manner on a monthly basis to the bank statement balance.

**Views of responsible officials and planned corrective actions:** The bank statements for the police evidence account had previously been mailed directly to the police department. It wasn't until the last couple of years that the Finance Department realized that this account even existed. The Finance Department is now receiving quarterly statements and will work with the police personnel to reconcile this account on a quarterly basis.

**Status:** Management has corrected this issue and now reconciles this account on a quarterly basis.

**The City of Festus, Missouri**  
**Follow-Up on Prior Audit Findings For An Audit of Financial**  
**Statements Performed in Accordance with Government Auditing Standards**

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**Prior Year Financial Statement Findings (continued)**

2010-06 **Criteria:** Revenue and expenditure journal entries should be coded to the respective account codes and not be netted into one account.

**Condition:** Journal entries to adjust cash to actual in the money market account are being netted in the miscellaneous income account.

**Context:** During our audit, we noted that journal entries to adjust cash to actual in the money market account are being netted in the miscellaneous income account when revenue and expenditures should be recorded in separate accounts.

**Effect:** Improper coding of revenue and expenditures can lead to inaccurate financial statements.

**Cause:** Journal entries to adjust cash to actual in the money market account are being netted in the miscellaneous income account.

**Recommendation:** We recommend that adjustments not be netted to one account but separated based on their nature of being an income or expenditure.

**Views of responsible officials and planned corrective actions:** Amounts adjusted were immaterial to the client and cost versus benefit of spending time to reconcile amounts was not cost effective.

**Status:** Management has not corrected this issue, but because the amount netted is immaterial we will not report this as a finding in the current year.

**Prior Year Federal Award Findings and Questioned Costs**

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended September 30, 2010.