

The City of Festus, Missouri

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

September 30, 2013



The City of Festus, Missouri
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For the year ended September 30, 2013

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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 City of Festus, Missouri, (the City) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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,

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Missouri, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note 14, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-14 and 45-49 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.

Other Information

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 basic financial statements. Such 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 basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2014, 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 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* in considering City of Festus, Missouri's internal control over financial reporting and compliance.

Nichols, Stopp, & VanHay, LLC

Creve Coeur, Missouri
May 22, 2014

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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, 2013. 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 Position, exceeded its liabilities at the close of the most recent fiscal year by \$ 39,182,869 (net position). Of this amount, \$ 6,018,425 (unrestricted) 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 2013 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 11,912,216 an increase of \$ 965,526 in comparison with the prior year, after adjustments. 26 % of this total amount is available for spending at the government's discretion (General Fund unassigned balance) and an additional 69% is available for spending in the Special Revenue Funds. Of these amounts the City is working on new reserve policy which for General Fund would require a balance equal to 50% of budgeted operating expenditures.
- As of the close of the 2013 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$12,251,918, an increase of \$ 712,972 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 3,118,547 or 54.4% of total general fund expenditures or 62.4% of operating expenditures.
- The City's total debt decreased by \$ 699,816 during the current fiscal year to a total of \$ 12,563,265.

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 position* and the *statement of activities*. These statements report the City's net assets and how they have changed.

The *statement of net position* presents information on all the City of Festus' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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). 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 one *business-type activity* that is 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 (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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 one enterprise fund, which is the water and sewer fund. The proprietary fund financial statements provide information for the Water and Sewer fund since it is considered to be a major fund of the City. .

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 tenth year that the City has presented its financial statements under the 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 position 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 \$ 39,182,869 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

City of Festus Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2013	2012	2013	2012	2013
Assets						
Current & Other Assets	\$16,130,731	\$17,193,858	\$11,589,379	\$11,609,911	\$27,720,110	\$28,803,769
Capital Assets, Net	16,690,666	17,037,269	9,210,783	9,047,998	25,901,449	26,085,267
Total Assets	32,821,397	34,231,127	20,800,162	20,657,909	53,621,559	54,889,036
<i>Deferred Outflows/Resouces</i>	-	-	-	-	-	-
Liabilities						
Long-Term Liabilities	4,759,270	4,718,643	8,503,811	7,809,852	13,263,081	12,528,495
Other Liabilities	2,413,288	2,581,533	551,049	596,139	2,964,337	3,177,672
Total Liabilities	7,172,558	7,300,176	9,054,860	8,405,991	16,227,418	15,706,167
<i>Deferred Inflows/Resouces</i>	-	-	-	-	-	-
Net Position						
Invested in Capital Assets, Net	14,702,150	15,240,672	6,795,944	6,921,917	21,498,094	19,240,543
Restricted:						
Debt Service	1,844	16,839	2,969,579	2,777,433	2,971,423	2,794,272
Enabling Legislation	6,804,239	8,207,583	-	-	6,804,239	8,207,583
Unrestricted	4,140,606	3,465,857	1,979,779	2,552,568	6,120,385	6,018,425
Total Net Position	\$25,648,839	\$26,930,951	\$11,745,302	\$12,251,918	\$37,394,141	\$39,182,869

The largest portion of the City's net position 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 position 28.1 % represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$ 6,018,425 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2013, the City of Festus, Missouri is able to report positive balances in all of the net position for the current year-end.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2012	2013	2012	2013	2012	2013
Revenues						
Program Revenues:						
Charges for Services	\$ 2,023,265	\$ 1,779,100	\$ 4,367,414	\$ 4,362,126	\$6,390,679	\$6,141,226
Operating Grants	179,729	152,854	-	-	179,729	152,854
Capital Grants & Contributions	567,615	636,031	102,625	124,122	670,240	760,153
General Revenues:						
Taxes	7,478,773	7,383,808	-	-	7,478,773	7,383,808
Licenses (taxes)	198,507	191,184	-	-	198,507	191,184
Investment Income	34,961	32,870	146,303	137,730	181,264	170,600
Gain/Loss, on disposal	(9,039)	(8,071)	(17,673)	(31,861)	(26,712)	(39,932)
Gain/Loss, Joint Venture	-	-	-	(11,968)	-	(11,968)
Miscellaneous	140,336	149,511	5,922	5,506	146,258	155,017
Total Revenue	10,614,147	10,317,287	4,604,591	4,585,655	15,218,738	14,902,942
Expenses						
Administration	675,698	713,349	-	-	675,698	713,349
Court	143,274	166,315	-	-	143,274	166,315
Building Department	340,057	339,107	-	-	340,057	339,107
Police	2,200,661	2,128,385	-	-	2,200,661	2,128,385
Dispatch	507,062	583,659	-	-	507,062	583,659
Fire	380,013	376,516	-	-	380,013	376,516
Emergency Management	21,164	17,955	-	-	21,164	17,955
Street	1,586,648	1,735,380	-	-	1,586,648	1,735,380
Health	110,483	108,365	-	-	110,483	108,365
Library	329,005	351,136	-	-	329,005	351,136
Parks	629,792	597,129	-	-	629,792	597,129
Public Works	-	-	-	-	-	-
Non-Departmental	1,672,176	1,356,719	-	-	1,672,176	1,356,719
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	111,457	55,758	-	-	111,457	55,758
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,194,885	4,217,683	4,194,885	4,217,683
Total Expenses	8,707,490	8,529,773	4,194,885	4,217,683	12,902,375	12,747,456
Special Items:						
Transfers	(350,000)	(345,000)	350,000	345,000	-	-
Increase (decrease)	\$ 1,556,657	\$ 1,442,514	\$ 759,706	\$ 712,972	\$ 2,316,363	\$ 2,155,486

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

SIGNIFICANT CHANGES IN NET ASSETS

Governmental Activities:

Some of the changes noted are:

- Property taxes increased by 2.41% or \$ 17,892 from the prior year. Taxes – other increased by 7.5% for the year for the Governmental Activities Funds. The sales tax collections net of reimbursements for all governmental funds, decreased \$ 268,431 or (5.2)% - there is a decrease of (\$452,037) from County T-Tax since the prior year included deferred revenue for a street project and the street overlays were delayed for 2013. The utility gross receipts tax had an increase of \$3,633 or .4% compared to last year's receipts. The state gas tax increased by .3% and the vehicle sales tax increased by \$6,394 or 9.3% compared to last year. The City's business licenses decreased by (3.7)% and building permits increased from last year by \$34,486 and Occupancy Permits increased by \$2,525.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City. In 2012 the citizens voted to increase the Tourism tax to 5%. The City has collected \$ 206,739 for the fiscal year ending 2013 and \$ 106,414 for the fiscal year ending 2012. The Tourism Board has chosen to match funds up to \$150,000 to improve the ball fields-project started 2012 and to set aside \$30,000 per year towards the cost of a concession stand at Sunset Park.
- 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 2013, the unassigned fund balance of the general fund was \$ 3,118,547, while the total fund balance was \$ 3,586,110. 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 54.3% of total general fund expenditures and transfers out of \$ 5,734,479, while total fund balance represents 62.5% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$ 462,035 or 14.8%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were down \$ 195,216 as compared to the previous year. There was also a increase in expenditures of approximately \$ 134,095. Also the transfers-in increased by \$ 128,944, since the Capital Reserve fund transferred funds set aside for second half of the Dispatch 911 system plus transferred for new phone system, accounting software and police vehicles. The transfers-out increased to \$ 47 in 2013.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures increased due to various reasons including capital expenditures in 2013 of \$150,802 for console for new dispatch system, over \$133,000 for new equipped police cars and over \$82,000 for new accounting software training, servers, data transfers and first installment; other differences included -not replacing several employees for two to six months after termination and lower liability insurance.

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

- The City Transportation Fund balance increased by \$ 154,209 or 5.8% from the prior-year. The expenditures increased by \$ 187,387, with an increase in operating expenses of \$69,217 and an increase in capital purchases of \$ 118,650 due to increasing the street repair projects. At the end of September 30, 2013, the spendable portion of the fund balance of \$2,777,463 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$ 258 or .1% from the prior year. At the end of September 30, 2013 the fund balance of \$230,212 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 \$1,032,047 available at September 30, 2013. The overlay street project was delayed until the following budget year thus leaving the funds at County awaiting a request for reimbursement.

PROPRIETARY FUNDS

Business-type activities – Water and Sewer Fund, increased the City's net position by \$ 506,616, which is an increase of more than 4.3% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales decreased in the amount of \$ 60,157 or 2.1% from the prior year. The City sewer sales decreased in the amount of \$ 17,229 or 1.4%.

CAPITAL ASSETS

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2013 amounts to \$26,085,268 (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 .7%, (a 2.1% increase for governmental activities and a (1.8%) 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 Dispatch 911 project being completed and the Sunset Park outdoor lighting being capitalized.
- Buildings and Other Improvements included new dugouts out Sunset Park and a new HVAC system for the Police squad room.
- Office equipment (mainly computers, copiers and software) was purchased for various departments including the new accounting software. Also there were reductions of computers retired by various departments.
- Additions to Automotive Equipment for the year included four new police vehicles and a used SUV for Public Works. There were several police vehicles disposed of during the year and several vehicles were moved to other departments.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

Governmental Activities (continued)

- Office equipment (mainly computers, copiers and software) was purchased for various departments including the new accounting software. Also there were reductions of computers retired by various departments.
- Additions to Automotive Equipment for the year included four new police vehicles and a used SUV for Public Works. There were several police vehicles disposed of during the year and several vehicles were moved to other departments.
- Machinery and equipment acquired during the year included radios and transmitter for the Fire Department; radar and video equipment for Police; 911 equipment for Dispatch; and irrigation system and dugout benches for the Parks Department. Also during the year several items were retired – including the old 911 system, damaged protective netting for ball field, and outdated vests and radar equipment from Police. Also there was a backhoe transferred to Parks from the Water Department.
- Additions to infrastructure and land improvements included street projects - \$909,881 for the Central Avenue street project and \$16,678 for the N 8th Street project. Also, in 2013 there was new outdoor lighting installed at ball fields and \$ 2,500 of new fencing at park.

Business-Type Activities:

- Increases to Construction in Progress included Edgewood water main and Festus-Crystal City Sewer improvements of a fine screen, monorail project, and a dimminutor. The Tanglewood flushing system was completed and capitalized.
- There was additional lining added to the sewers at a cost of \$115,262.
- The Vactor truck had capitalized improvements of \$15,679.
- There were also improvements to the Valentine water main for \$30,721.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2012	2013	2012	2013	2012	2013
Land	\$ 1,506,298	\$ 1,520,742	\$ 194,059	\$ 194,059	\$ 1,700,357	\$ 1,714,801
Assets held for sale	3,899		52,432	52,432	56,331	52,432
Construction in Progress	400,421	281,824	23,097	72,288	423,518	354,112
Systems and Improvements			8,151,580	8,027,120	8,151,580	8,027,120
Buildings and Other Improvements	3,519,861	3,391,355	73,537	68,867	3,593,398	3,460,222
Office Equipment	91,544	296,261			91,544	296,261
Automotive Equipment	478,108	373,990	115,537	83,731	593,645	457,721
Machinery and Equipment	432,075	506,805	579,063	531,900	1,011,138	1,038,705
Furniture and Fixtures			2,228	1,956	2,228	1,956
Computer Equipment			11,664	8,566	11,664	8,566
Infrastructure	5,954,426	5,611,157			5,954,426	5,611,157
Land Improvements	4,304,035	5,055,135	7,586	7,079	4,311,621	5,062,214
Capital Assets, Net	\$ 16,690,667	\$ 17,037,269	\$ 9,210,783	\$ 9,047,998	\$ 25,901,450	\$ 26,085,267

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2013 the City had outstanding long-term debt obligations for governmental activities in the amount of \$ 4,718,643 compared to \$4,759,270 in 2012. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$382,611 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 10 years. Capital lease obligations outstanding totaled \$63,987, which include a capital lease for accounting software and a capital lease for a voice recorder. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building. 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, 2013, the City had outstanding long-term debt obligations for business-type activities in the amount of \$ 7,844,622 compared to \$ 8,503,811 in 2012. The Neighborhood Improvement District (NID) Bonds totaling \$145,558, net of discount, 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 \$ 776,808 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	
	2012	2013	2012	2013	2012	2012
Capital Leases	\$ 82,062	\$ 63,987	\$ -	\$ -	\$ 82,062	\$ 63,987
Revenue Bonds			5,411,783	4,929,549	5,411,783	4,929,549
NID	415,095	382,611	159,913	145,558	575,008	528,169
Certificates of Participation	1,440,000	1,350,000	821,139	776,808	2,261,139	2,126,808
Net Pension Obligation ***	-	164,967	-	34,770	-	199,737
Notes Payable	2,822,113	2,757,078	2,110,976	1,957,937	4,933,089	4,715,015
Total	\$ 4,759,270	\$ 4,718,643	\$ 8,503,811	\$ 7,844,622	\$ 13,263,081	\$ 12,563,265

*** See Note 5 for information on Net Pension Obligation

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 \$ 125,598 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Sales Tax, Utility Gross Receipts, Merchants Licenses and Building Permits, and all had revenues higher than budget. The major reason for the increase was sales tax which was \$90,423 over budgeted. The areas where the revenues were under budget included court fines which we thought would come in higher based on the previous year. Also under budget was the traffic grants, which due to turn over in staff the City was unable cover the full amount of the grant.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- Under administration, the department was under total operating budget by \$68,465 or 90%. This included savings of over \$2,800 in bank fees, over \$17,500 in legal fees, over \$3,500 in utility bills, over \$10,500 in salaries & benefits and over \$15,900 in maintenance contracts.
- The court was \$ 7,421, under operating budget for the year. Their office supplies and printing were \$ 3,980 under amount budgeted.
- The building department was under budget on the unemployment expense and the vehicle expenses for gas and maintenance. The building department was \$ 17,257 or 5% under budget.
- The police department was under budget by \$132,103 or 6%, which included over \$85,300 in savings in wages and benefits, the savings can be attributed to not replacing officers for several months after leaving. In addition there was \$4,648 under amount budgeted for utilities and almost \$18,000 under amount budgeted for vehicle expenses.
- Dispatch was \$18,858 under budget in total, which includes savings in benefits, utilities, maintenance contracts, and training.
- The Fire department volunteer firefighters were 22% under budget and the vehicle and maintenance expenses were \$3,277 under budget due mainly to only spending 64% of their heavy equipment maintenance line. Total expenses were under budget by \$33,423.
- The Emergency Management budget was under by 54% or \$10,618, primarily due to not needing to spend monies on the Citizen Corp or to replenish the emergency supplies.
- The street department was under budget by \$ 39,169 or 12%.
- The non-departmental budget was under operating budget by \$ 24,455 or 3%. The retiree/COBRA insurance benefits were under budget by \$15,954 and the rental building expenses were \$8,808 under budget. However the street light electricity was over budget by \$9,715.

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 \$ 44,165 more than what was budgeted and the investment income coming in \$ 1,551 more than budget. Plus there were insurance claims of \$ 16,316 and asset sales of \$ 2,000 that had not been budgeted. The grant revenue was \$ 30,527 under amount budgeted due to delays in the Central Avenue project. There was a budget amendment for grant revenue reducing the amount by \$ 787,607 for the American Legion and Horine Road projects delayed until the following year.
- Operating expenditures for the City's Transportation Tax Fund were \$ 237,476 or 24% 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 \$84,453 or 40% under budget, and special expenses, which were \$ 62,070 under budget. The capital outlay being over budget is due to a wrong estimation of the Central Avenue project progress.
- The County Transportation Tax Fund showed taxes under budget by \$ 510,517, since the tax revenues are requested from County after we spend the money on a Capital project. Capital Outlay expenditures in this fund were under budget by \$ 5,517, since the overlay project budgeted was not started 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 Library Fund's Fines & Penalties was over budget by 13% or \$ 4,339. The Library operating expenses were under budget by \$17,334, with majority of savings in salaries and benefits.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2013

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- The Park Fund operating expenses were under budget by \$ 72,530, this is in part due to \$ 45,735 of wages and benefits being capitalized, thus the capital expenses were over budget. Also the equipment maintenance was under budget by \$8,092 or 26%.
- The Storm Water Fund showed operating expenses under budget by \$ 83,049 due to not proceeding with as many storm drain projects and the capital portion of the budget was under by \$5,632 since the lining of the pipes was under the anticipated amount. There was a \$40,000 CDBG grant received that was not included in the budget.
- Tourism Fund taxes were \$86,739 over budget due to collecting back taxes, which is also why the fines and penalties are over budget. The expenses were under budget in part due to a delay in getting MODOT approval to put a welcome sign up on the highway.
- NID Assessment Fund's revenues were over budget by \$15,759 or 31% due to collection of delinquent years assessments.

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 Position
September 30, 2013

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents	\$ 5,686,322	\$ 2,074,315	\$ 7,760,637
Investments	5,286,758	1,729,978	7,016,736
Restricted cash and cash equivalents	50,085	333,401	383,486
Restricted investments	15,205	2,858,337	2,873,542
Receivables, net			
Taxes	5,073,652	-	5,073,652
Special assessments	451,585	122,796	574,381
Service charges	-	493,677	493,677
Interest	2,569	31,164	33,733
Grants	65,787	-	65,787
Court	258,654	-	258,654
Other	117,659	61,601	179,260
Prepaid items	185,582	35,627	221,209
Inventory	-	143,181	143,181
Investment in joint venture	-	3,725,834	3,725,834
Capital assets:			
Land and construction in progress	1,802,566	266,346	2,068,912
Other capital assets, net	15,234,703	8,781,652	24,016,355
Total Assets	<u>34,231,127</u>	<u>20,657,909</u>	<u>54,889,036</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Checks written in excess of cash balance	-	-	-
Accounts payable	281,713	154,325	436,038
Accrued payroll	212,525	41,031	253,556
Accrued payroll liabilities-other	41,044	14,831	55,875
Accrued interest	8,445	69,706	78,151
Deposits payable	-	281,438	281,438
Fund held for others	42,914	-	42,914
Unearned revenue	1,775,314	-	1,775,314
Other liabilities	219,578	38	219,616
Noncurrent liabilities:			
Due Within One Year	145,369	792,587	937,956
Due in More Than One Year	4,573,274	7,052,035	11,625,309
Total Liabilities	<u>7,300,176</u>	<u>8,405,991</u>	<u>15,706,167</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Invested in capital assets, net	15,240,672	6,921,917	22,162,589
Restricted:			
Debt service	16,839	2,777,433	2,794,272
Enabling legislation	8,207,583	-	8,207,583
Unrestricted	3,465,857	2,552,568	6,018,425
Total Net Position	<u>\$ 26,930,951</u>	<u>12,251,918</u>	<u>\$ 39,182,869</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Activities
For the year ended September 30, 2013

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Administration	\$ 713,349	\$ -	\$ 3,750	\$ -	\$ (709,599)	\$ -	\$ (709,599)
Court	166,315	577,414	-	-	411,099	-	411,099
Building Department	339,107	100,374	-	-	(238,733)	-	(238,733)
Police	2,128,385	10,235	34,765	-	(2,083,385)	-	(2,083,385)
Dispatch	583,659	75,818	-	-	(507,841)	-	(507,841)
Fire	376,516	14,850	-	-	(361,666)	-	(361,666)
Emergency Management	17,955	-	-	-	(17,955)	-	(17,955)
Street	1,735,380	61,819	-	636,031	(1,037,530)	-	(1,037,530)
Health	108,365	15,652	-	-	(92,713)	-	(92,713)
Library	351,136	60,772	13,896	-	(276,468)	-	(276,468)
Parks	597,129	53,715	669	-	(542,745)	-	(542,745)
Non-departmental	1,356,719	808,451	99,774	-	(448,494)	-	(448,494)
Interest and Fiscal Charges	55,758	-	-	-	(55,758)	-	(55,758)
Total Government Activities	<u>\$ 8,529,773</u>	<u>\$ 1,779,100</u>	<u>\$ 152,854</u>	<u>\$ 636,031</u>	<u>\$ (5,961,788)</u>	<u>\$ -</u>	<u>\$ (5,961,788)</u>
Business-type Activities:							
Water and Sewer	<u>4,217,683</u>	<u>4,362,126</u>	<u>-</u>	<u>124,122</u>	<u>-</u>	<u>268,565</u>	<u>268,565</u>
Total Business-type Activities	<u>\$ 4,217,683</u>	<u>\$ 4,362,126</u>	<u>\$ -</u>	<u>\$ 124,122</u>	<u>\$ -</u>	<u>\$ 268,565</u>	<u>\$ 268,565</u>
Total Primary Government	<u>\$ 12,747,456</u>	<u>\$ 6,141,226</u>	<u>\$ 152,854</u>	<u>\$ 760,153</u>	<u>\$ (5,961,788)</u>	<u>\$ 268,565</u>	<u>\$ (5,693,223)</u>
General Revenues							
Taxes:							
Sales tax					\$ 4,938,168	\$ -	\$ 4,938,168
Property tax					802,452	-	802,452
Taxes - other					1,643,188	-	1,643,188
Licenses (taxes)					191,184	-	191,184
Investment income					32,870	137,730	170,600
Gain/Loss on Disposal of Assets					(8,071)	(43,829)	(51,900)
Miscellaneous					149,511	5,506	155,017
Transfers (net)					(345,000)	345,000	-
Total General Revenues					<u>\$ 7,404,302</u>	<u>\$ 444,407</u>	<u>\$ 7,848,709</u>
Change in Net Position					1,442,514	712,972	2,155,486
Net Position, October 1 (restated)					<u>25,488,437</u>	<u>11,538,946</u>	<u>37,027,383</u>
Net Position, September 30					<u>\$ 26,930,951</u>	<u>\$ 12,251,918</u>	<u>\$ 39,182,869</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Balance Sheet - Governmental Funds
September 30, 2013

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,564,476	\$ 1,070,476	\$ 221,152	\$ 289,785	\$ 2,540,433	\$ 5,686,322
Investments	1,266,096	1,568,403	-	1,618,208	834,051	5,286,758
Restricted cash	11,694	-	-	-	-	11,694
Restricted investments	15,205	-	-	-	-	15,205
Receivables, net						
Taxes	635,800	217,215	1,044,836	-	418,723	2,316,574
Special assessments	-	-	-	-	451,585	451,585
Interest	693	872	-	445	559	2,569
Grants	8,158	56,654	-	-	975	65,787
Court	258,654	-	-	-	-	258,654
Other	89,508	343	-	-	27,808	117,659
Prepaid items	134,205	28,809	-	-	22,568	185,582
Due from other funds	301,191	-	-	-	-	301,191
Total Assets	<u>4,285,680</u>	<u>2,942,772</u>	<u>1,265,988</u>	<u>1,908,438</u>	<u>4,296,702</u>	<u>14,699,580</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 4,285,680</u>	<u>\$ 2,942,772</u>	<u>\$ 1,265,988</u>	<u>\$ 1,908,438</u>	<u>\$ 4,296,702</u>	<u>\$ 14,699,580</u>
Liabilities						
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	104,560	75,958	3,729	-	97,466	281,713
Accrued payroll	67,356	5,977	-	-	8,999	82,332
Accrued payroll liabilities - other	30,426	3,609	-	-	7,009	41,044
Due to other funds	-	-	-	-	301,191	301,191
Funds held for others	42,914	-	-	-	-	42,914
Unearned revenue	23,995	-	1,032,047	-	9,033	1,065,075
Accrued interest	-	-	-	-	1,702	1,702
Other liabilities	157,806	43,266	-	-	18,506	219,578
Total Liabilities	<u>427,057</u>	<u>128,810</u>	<u>1,035,776</u>	<u>-</u>	<u>443,906</u>	<u>2,035,549</u>
Deferred Inflows of Resources						
Unavailable resources - property taxes	13,859	-	-	-	27,717	41,576
Unavailable resources - special assessments	-	-	-	-	451,585	451,585
Unavailable resources - court bonds	258,654	-	-	-	-	258,654
Total Deferred Inflows of Resources	<u>272,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,302</u>	<u>751,815</u>
Fund Balance						
Nonspendable:						
Prepaid items	134,205	28,809	-	-	22,568	185,582
Interfund advances	301,191	-	-	-	-	301,191
Restricted:						
Debt service	-	-	-	-	16,839	16,839
Special revenue fund	-	2,777,463	230,212	1,908,438	3,291,470	8,207,583
Assigned:						
Encumbrances	32,167	7,690	-	-	42,617	82,474
Unassigned:						
General fund	3,118,547	-	-	-	-	3,118,547
Total Fund Balances	<u>3,586,110</u>	<u>2,813,962</u>	<u>230,212</u>	<u>1,908,438</u>	<u>3,373,494</u>	<u>11,912,216</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,285,680</u>	<u>\$ 2,942,772</u>	<u>\$ 1,265,988</u>	<u>\$ 1,908,438</u>	<u>\$ 4,296,702</u>	<u>\$ 14,699,580</u>

The City of Festus, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the year ended September 30, 2013

Total Fund Balances - Governmental Funds	\$ 11,912,216
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	2,795,469
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,037,269
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	41,576
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	(130,193)
Accrued net pension obligation	(164,967)
Accrued interest payable	(6,743)
Bonds and notes payable outstanding	<u>(4,553,676)</u>
Net Position of Governmental Activities	<u><u>\$ 26,930,951</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, 2013

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 253,625	\$ -	\$ -	\$ -	\$ 507,251	\$ 760,876
Taxes - other	3,754,872	1,152,665	39,483	-	1,634,336	6,581,356
Intergovernmental	-	-	-	-	7,898	7,898
Special assessments	-	-	-	-	61,819	61,819
Grant revenue	30,438	636,031	-	2,700	51,812	720,981
Licenses and permits	289,733	1,825	-	-	482	292,040
Fines and penalties	579,962	-	-	-	55,260	635,222
Investment income	8,172	9,551	258	5,477	5,333	28,791
Building lease payments	59,360	-	-	-	-	59,360
Other	82,645	59,030	-	-	109,491	251,166
Service charges	884,269	-	-	-	-	884,269
Total Revenues	\$ 5,943,076	\$ 1,859,102	\$ 39,741	\$ 8,177	\$ 2,433,682	\$ 10,283,778
Expenditures						
Current:						
Administration	\$ 599,970	\$ -	\$ -	\$ -	\$ -	\$ 599,970
Court	163,993	-	-	-	-	163,993
Building department	315,837	-	-	-	-	315,837
Police	1,999,730	-	-	-	12,441	2,012,171
Dispatch	530,383	-	-	-	-	530,383
Fire	184,041	-	-	-	-	184,041
Emergency management	9,132	-	-	-	-	9,132
Street	275,405	756,457	-	-	-	1,031,862
Health	-	-	-	-	96,294	96,294
Library	-	-	-	-	251,164	251,164
Parks	-	-	-	-	457,198	457,198
Non-departmental	921,345	-	-	2,700	277,226	1,201,271
Capital outlay	526,860	944,355	39,483	-	347,604	1,858,302
Debt service:						
Principal	168,871	96	-	-	32,730	201,697
Interest and fiscal charges	38,865	1	-	-	21,071	59,937
Total Expenditures	\$ 5,734,432	\$ 1,700,909	\$ 39,483	\$ 2,700	\$ 1,495,728	\$ 8,973,252
Excess (Deficiency) of Revenues over Expenditures	208,644	158,193	258	5,477	937,954	1,310,526
Other Financing Sources (Uses)						
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	253,438	-	-	-	446,695	700,133
Transfers out	(47)	(3,984)	-	(315,938)	(725,164)	(1,045,133)
Total Other Financing Sources	\$ 253,391	\$ (3,984)	\$ -	\$ (315,938)	\$ (278,469)	\$ (345,000)
Net Change in Fund Balance	462,035	154,209	258	(310,461)	659,485	965,526
Fund Balance (Deficit), October 1	3,124,075	2,659,753	229,954	2,218,899	2,714,009	10,946,690
Fund Balance (Deficit), September 30	\$ 3,586,110	\$ 2,813,962	\$ 230,212	\$ 1,908,438	\$ 3,373,494	\$ 11,912,216

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, 2013

Net Change in Fund Balances - Governmental Funds	\$	965,526
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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.

Capital outlays	1,640,924	
Depreciation expense	<u>(1,286,250)</u>	
		354,674

Gain/(Loss) on capital assets sold		(8,071)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Interest earned on 2005 COP cash account	4	
Deferred property tax revenue	<u>41,576</u>	
		41,580

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 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.

Repayments:		
Capital lease obligations payable	110,398	
Neighborhood Improvement District Bonds	32,485	
Certificates of Participation	<u>90,000</u>	
		232,883

Payment of Interest on Long-Term Debt		4,179
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New capital lease proceeds		(92,324)
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Pension obligations		(46,061)
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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>(9,872)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>1,442,514</u></u>
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The City of Festus, Missouri
Statement of Net Position
Proprietary Funds
September 30, 2013

	Water & Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,074,315
Investments	1,729,978
Restricted cash and cash equivalents	333,401
Restricted investments	2,858,337
Receivables, net	
Special assessments	122,796
Service charges	493,677
Interest	31,164
Grants	-
Other	61,601
Prepaid items	35,627
Inventory	143,181
Total Current Assets	7,884,077
Noncurrent Assets	
Investments in joint venture	3,725,834
Non-depreciable capital assets:	
Land and construction in progress	266,346
Depreciable capital assets:	
Other capital assets, net	8,781,652
Total Noncurrent Assets	12,773,832
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 20,657,909
Liabilities	
Current Liabilities	
Checks written in excess of cash balance	\$ -
Accounts payable	154,325
Payroll and compensated absences payable	41,031
Accrued payroll liabilities - other	14,831
Accrued interest	69,706
Revenue bonds and NID bonds payable, net of discounts and premiums - current portion	637,515
Notes payable - current portion	155,072
Deposits payable	281,438
Due to other funds	-
Other liabilities	38
Total Current Liabilities	1,353,956
Long-Term Liabilities	
Revenue bonds and NID bonds payable, net of discounts and premiums	5,214,400
Net pension obligation	34,770
Notes payable	1,802,865
Total Long-Term Liabilities	7,052,035
Total Liabilities	8,405,991
Deferred Inflows of Resources	-
Net Position	
Invested in Capital Assets, Net of Related Debt	6,921,917
Restricted for:	
Debt reserve funds	2,777,433
Unrestricted	2,552,568
Total Net Position	12,251,918
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 20,657,909

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Funds
For the year ended September 30, 2013

	Water & Sewer
Operating Revenues	
Water and sewer collections and fees	\$ 4,279,925
Grant revenues	42,403
Other revenues	39,798
Total Operating Revenues	4,362,126
Operating Expenses	
Personnel expenses	946,369
Materials and supplies	214,501
Purchased water	1,565,850
Utilities and maintenance	242,860
Depreciation and amortization	537,396
Treatment plant	271,103
Other	149,263
Total Operating Expenses	3,927,342
Operating Income (Loss)	434,784
Non-operating Revenues (Expenses)	
Interest income	137,730
Miscellaneous income	5,506
Gain (loss) on disposal of assets	(43,829)
Interest expense	(290,341)
Total Non-operating Revenues (Expenses)	(190,934)
Income (Loss) Before Capital Contributions and Transfers	243,850
Capital contributions	124,122
Transfers in (out)	345,000
	469,122
Change in Net Position	712,972
Net Position, October 1 (restated)	11,538,946
Net Position, September 30	\$ 12,251,918

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2013

		Water and Sewer
Increase (Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Receipts from customers	\$	4,268,145
Payments to suppliers		(2,245,690)
Payments to employees		(935,523)
Other receipts (payments)		(94,117)
Net Cash Flows from Operating Activities		992,815
Cash Flows from Noncapital Financing Activities:		
Grants and other contributions		172,931
Transfer in (out)		345,000
Net Cash Used by Noncapital Financing Activities		517,931
Cash Flows from Capital and Related Financing Activities:		
Payments of long-term debt		(770,693)
Interest on debt		(296,661)
Acquisition and construction of capital assets		(239,596)
Net Cash Used by Capital and Related Financing Activities		(1,306,950)
Cash Flows from Investing Activities:		
Proceeds from sale of investments		2,205,030
Purchase of investments		(2,779,060)
Miscellaneous income		5,506
Interest on investments		139,860
Net Cash Used by Investing Activities		(428,664)
Net Increase in Cash and Cash Equivalents	\$	(224,868)
Cash and Cash Equivalents, October 1		2,632,584
Cash and Cash Equivalents, September 30	\$	2,407,716
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Profit (Loss)	\$	434,784
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		540,496
Amortization expense		(3,100)
(Increase) decrease in:		
Accounts receivable		(4,444)
Prepaid items		12,651
Inventories		(4,212)
Increase (decrease) in:		
Accounts payable		(2,218)
Deposits payable		8,012
Accrued payroll liabilities		10,846
Net cash provided by (used in) operating activities	\$	992,815
Noncash Capital and Related Financing and/or Investing Activities:		
None		

See Notes to the Financial Statements

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

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); the City has determined that there are no other governmental units that should be included in the financial statements.

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.

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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

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 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.

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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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

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 Water and Sewer Enterprise Fund is charges for sales and services. Operating expenses for the Enterprise Fund 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 Statement 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.

Allowance for Uncollectable Accounts

Allowance for uncollectable accounts is as follows:

	<u>Sept. 30, 2013</u>
Governmental Activities - General Fund	\$ 58,443
Business-type Activities - Water and Sewer Enterprise Fund	72,555
	<u>\$ 130,998</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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 proprietary 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, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, 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.

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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:

	Total	Amounts Due Within One Year
Governmental Activities	\$ 97,721	\$ 97,721
Business Type Activities	<u>17,318</u>	<u>17,318</u>
	<u>\$ 115,039</u>	<u>\$ 115,039</u>

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.

Compensatory 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.

Unearned Revenue

Unearned revenue is composed of protested utility taxes, insurance proceeds and other items 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 position. 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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

Long-Term Obligations (continued)

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

The government-wide and proprietary financial statements are classified in the following categories:

Invested in Capital Assets, Net of Related Debt - represents capital assets, net of accumulated depreciation, less the outstanding balance of any notes, leases or other borrowings that are attributable to the acquisition, construction or improvements of the assets. New assets invested in capital assets, net of related debt, excludes unspent bond and loan proceeds.

Restricted - represents net position that is legally restricted or identified for specific purposes by outside parties or by law through constitutional provisions or enabling legislation

Unrestricted - represents net position that is the residual assets and represent assets available for future operations or distribution

The governmental fund equities, under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, are classified in the following categories:

Nonspendable - represents fund balances that cannot be spent because they are either a) not in spendable form (i.e. inventory and prepaid items) or b) legally or contractually required to be maintained intact

Restricted - represents fund balances that can be used only for specific purposes due to a) constitutional provisions or enabling legislation or b) externally imposed constraints such as creditors, grantors, laws or other governments

Committed - represents fund balances that can be used only for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution

Assigned - represents fund balances that are any amounts for which it is the City's intent that the funds be used for specific purposes but there is no legal or binding restrictions or commitments (i.e. assignments made by the City's management)

Unassigned - represents fund balances that are residual amounts for the government's general fund and includes all spendable amounts not contained in the other classifications

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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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, 2013 consisted of the following:

Type	Maturities	2013 Cost
Unrestricted Deposits:		
Petty cash	n/a	\$ 2,344
Demand deposits	n/a	7,758,293
Total Unrestricted Deposits		7,760,637
Restricted Deposits:		
Demand deposits	n/a	383,486
Total Restricted Deposits		383,486
Total Unrestricted and Restricted Deposits		\$ 8,144,123

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 2 - Cash and Investments (continued)

Unrestricted Investments:		
Certificate of deposit	11/29/13	\$ 249,000
Certificate of deposit	12/2/13	249,000
Certificate of deposit	1/5/14	1,387,670
Certificate of deposit	1/10/14	245,000
Certificate of deposit	1/12/14	500,000
Certificate of deposit	2/3/14	249,000
Certificate of deposit	2/5/14	249,000
Certificate of deposit	2/6/14	249,000
Certificate of deposit	5/23/14	250,000
Certificate of deposit	5/29/14	249,000
Certificate of deposit	6/8/14	267,087
Certificate of deposit	7/10/14	523,252
Certificate of deposit	7/28/15	500,000
Federal Home Loan Bank callable bond	2/2/16	499,727
Certificate of deposit	7/25/16	750,000
Fannie Mae callable bond	7/26/16	<u>600,000</u>
Total Unrestricted Investments		<u>7,016,736</u>
Restricted Investments:		
Certificate of deposit	12/15/13	15,205
Certificate of deposit	1/5/14	163,923
Guaranteed investment contract	6/30/23	12,721
Guaranteed investment contract	6/30/23	50,000
Guaranteed investment contract	6/30/23	1,654,757
Guaranteed investment contract	6/30/23	8,504
Guaranteed investment contract	6/30/23	303,180
Guaranteed investment contract	6/30/23	<u>665,253</u>
Total Restricted Investments		<u>2,873,543</u>
Total Unrestricted and Restricted Investments		<u><u>\$ 9,890,279</u></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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 2 - Cash and Investments (continued)

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, 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 Risk - 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, 2013 was as follows:

	Balance Sept. 30, 2012	Additions	Reductions	Balance Sept. 30, 2013
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 1,506,299	\$ 14,443	\$ -	\$ 1,520,742
Construction in process	400,419	1,106,406	(1,225,001)	281,824
Total Non-depreciable capital assets	<u>\$ 1,906,718</u>	<u>\$ 1,120,849</u>	<u>\$ (1,225,001)</u>	<u>\$ 1,802,566</u>
Depreciable capital assets:				
Assets to be sold	\$ 3,899	\$ -	\$ (3,899)	\$ -
Buildings and other improvements	5,999,787	75,632	-	6,075,419
Office equipment	288,534	275,089	(78,458)	485,165
Automotive equipment	3,638,433	184,444	(163,663)	3,659,214
Machinery and equipment	1,768,333	275,344	(124,644)	1,919,033
Infrastructure	7,530,061	-	-	7,530,061
Land improvements	5,625,588	1,067,484	-	6,693,072
Total Depreciable capital assets	<u>24,854,635</u>	<u>1,877,993</u>	<u>(370,664)</u>	<u>26,361,964</u>
Less: Accumulated depreciation				
Buildings and other improvements	2,479,925	204,315	(176)	2,684,064
Office equipment	196,989	80,989	(89,074)	188,904
Automotive equipment	3,160,326	301,332	(176,434)	3,285,224
Machinery and equipment	1,336,259	201,619	(125,651)	1,412,227
Infrastructure	1,575,636	397,706	(54,437)	1,918,905
Land improvements	1,321,552	316,385	-	1,637,937
Total Accumulated Depreciation	<u>10,070,687</u>	<u>1,502,346</u>	<u>(445,772)</u>	<u>11,127,261</u>
Depreciable capital assets, net	<u>\$ 14,783,948</u>	<u>\$ 375,647</u>	<u>\$ 75,108</u>	<u>\$ 15,234,703</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 3 - Capital Assets (continued)

	Balance Sept. 30, 2012	Additions	Reductions	Balance Sept. 30, 2013
<u>Business-type Activities</u>				
Non-depreciable capital assets:				
Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	23,097	89,657	(40,467)	72,287
Total Non-depreciable capital assets	\$ 217,156	\$ 89,657	\$ (40,467)	\$ 266,346
Depreciable capital assets:				
Assets to be sold	\$ 52,432	\$ -	\$ -	\$ 52,432
Systems and improvements	11,204,654	163,187	(127,843)	11,239,998
Buildings and other improvements	189,905	-	-	189,905
Automotive equipment	607,233	32,618	(15,679)	624,172
Machinery and equipment	1,421,050	9,550	(56,012)	1,374,588
Furniture and fixtures	10,362	-	-	10,362
Computer equipment	31,745	729	(1,075)	31,399
Total Depreciable capital assets	13,517,381	206,084	(200,609)	13,522,856
Less: Accumulated depreciation				
Systems and improvements	3,045,486	257,472	(97,161)	3,205,797
Buildings and other improvements	116,369	4,670	-	121,039
Automotive equipment	491,696	48,745	-	540,441
Machinery and equipment	841,988	55,534	(54,834)	842,688
Furniture and fixtures	8,134	272	-	8,406
Computer equipment	20,081	3,915	(1,163)	22,833
Total Accumulated Depreciation	4,523,754	370,608	(153,158)	4,741,204
Depreciable Capital Assets, net	\$ 8,993,627	\$ (164,524)	\$ (47,451)	\$ 8,781,652

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2013 as follows:

	Amount
Governmental Activities:	
Administration	\$ 68,732
Court	1,052
Building department	9,253
Police	68,714
Dispatch	29,093
Fire	191,149
Street	666,418
Emergency Management	4,843
Non-Departmental	25,691
Health	11,752
Library	88,108
Parks	121,445
Total Depreciation Expense - Governmental Activities	\$ 1,286,250

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 3 - Capital Assets (continued)

	Amount
Business-type Activities:	
Water and Sewer	\$ 540,496
Total Depreciation Expense - Business-type Activities	\$ 540,496

Note 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2013 was as follows:

	Balance September 30, 2012	Additions	Reductions	Balance September 30, 2013	Amounts Due Within One Year
Governmental Activities:					
Capital leases	\$ 82,061	\$ 92,324	\$ (110,398)	\$ 63,987	\$ 32,884
NID bonds	415,095	-	(32,485)	382,610	32,485
Certificates of Participation	1,440,000	-	(90,000)	1,350,000	80,000
Net pension obligation (Note 5)	118,906	46,061	-	164,967	-
Notes payable	2,822,114	-	(65,035)	2,757,079	-
Total Governmental Activities:	\$ 4,878,176	\$ 138,385	\$ (297,918)	\$ 4,718,643	\$ 145,369
Business-type activities:					
Revenue bonds	\$ 5,425,000	\$ -	\$ (560,000)	\$ 4,865,000	\$ 580,000
Add: Premium	127,809	-	(12,167)	115,642	-
Less: Discount	(59,268)	8,177	-	(51,091)	-
NID Bonds	159,913	-	(12,515)	147,398	12,515
Less: Discount	(2,062)	221	-	(1,841)	-
Certificates of Participation	830,000	-	(45,000)	785,000	45,000
Less: Discount	(8,861)	668	-	(8,193)	-
Net pension obligation (Note 5)	24,891	9,879	-	34,770	-
Note payable	2,110,976	-	(153,039)	1,957,937	155,072
Total Business-type Activities:	\$ 8,608,398	\$ 18,945	\$ (782,721)	\$ 7,844,622	\$ 792,587

Capital Leases

	September 30, 2013
Governmental Activities:	
Capital lease \$12,483 for 2010 voice recorder, due in annual installments through March 25, 2014, interest payable at 13.90%.	2,796
Capital lease \$92,324 for 2013 computer software, due in annual installments through February 2015, interest imputed at 4.00%.	61,191
Total:	\$ 63,987

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 4 - Long-Term Debt (continued)

Capital Leases (continued)

Business-type Activities:

There were no business-type capital leases for the year ended September 30, 2013.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Voice Recorder	\$ 12,483	\$ -
Accounting Software	61,191	-
Less: Payments/Reductions	(9,687)	-
Total Assets:	\$ 63,987	\$ -

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, 2013 are as follows:

For the years ending September 30,	Governmental Activities	Business-type Activities	Total
2014	\$ 36,933	\$ -	\$ 36,933
2015	32,370	-	32,370
Total minimum lease payments	\$ 69,303	\$ -	\$ 69,303
Less: Amount representing interest	(5,316)	-	(5,316)
Total minimum lease payments, net	\$ 63,987	\$ -	\$ 63,987

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.

	September 30, 2013
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%.	\$ 382,610

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 4 - Long-Term Debt (continued)

Neighborhood Improvement District Bonds (continued)

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%.

147,398

Total: \$ 530,008

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

For the years ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 32,485	\$ 19,580	\$ 52,065	\$ 12,515	\$ 7,615	\$ 20,130
2015	36,095	17,878	53,973	13,905	6,952	20,857
2016	36,095	16,042	52,137	13,905	6,238	20,143
2017	39,704	14,075	53,779	15,296	5,474	20,770
2018	43,315	11,911	55,226	16,685	4,589	21,274
2019-2022	194,921	22,605	217,526	75,087	8,708	83,795
	<u>\$ 382,615</u>	<u>\$ 102,091</u>	<u>\$ 484,706</u>	<u>\$ 147,393</u>	<u>\$ 39,576</u>	<u>\$ 186,969</u>

Certificates of Participation

The total amount of the Certificates of Participation Series 2012 is \$1,440,000. This amount is located in the governmental activities. The total amount of the Certificates of Participation Series 2005 is \$830,000. This amount is located in the business-type activities.

September 30,
2013

Governmental Activities:

\$1,440,000 Certificates of Participation, Series 2012, due in annual installments through January 1, 2028, interest payable at 3.0% to 4.0%.

\$ 1,350,000

Business-type Activities:

\$1,070,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2025, interest payable at 3.4% to 4.5%.

785,000

Total: \$ 2,135,000

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 4 - Long-Term Debt (continued)

Certificates of Participation (continued)

Annual debt service requirements to maturity for the Certificates of Participation Series 2012 and Series 2005 are as follows:

For the years ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 80,000	\$ 31,865	\$ 111,865	\$ 45,000	\$ 33,100	\$ 78,100
2015	80,000	31,025	111,025	50,000	31,185	81,185
2016	80,000	29,985	109,985	50,000	29,110	79,110
2017	80,000	28,785	108,785	50,000	27,035	77,035
2018	85,000	27,380	112,380	55,000	24,856	79,856
2019-2023	440,000	108,710	548,710	310,000	86,333	396,333
2024-2028	505,000	41,500	546,500	225,000	15,637	240,637
	<u>\$ 1,350,000</u>	<u>\$ 299,250</u>	<u>\$ 1,649,250</u>	<u>\$ 785,000</u>	<u>\$ 247,256</u>	<u>\$ 1,032,256</u>

Tax Increment Financing Debt

**September 30,
2013**

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.

\$ 1,155,715

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.

1,601,364

Total: \$ 2,757,079

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 4 - Long-Term Debt (continued)

Revenue Bonds Payable

	<u>September 30, 2013</u>
Business-type Activities:	
\$3,960,000 Revenue Bonds, Series 2003, due in annual installments through July 1, 2019, interest payable at 3.036%.	\$ 1,085,000
\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.	2,260,000
\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.	<u>1,520,000</u>
Total:	<u><u>\$ 4,865,000</u></u>

Notes Payable

	<u>September 30, 2013</u>
Business-type Activities:	
State Revolving Fund (SRF) - 2001C, no interest	\$ 303,180
State Revolving Fund (SRF) - 2002B, no interest	<u>1,654,757</u>
Total:	<u><u>\$ 1,957,937</u></u>

Annual debt service requirements to maturity for the Revenue Bonds Series 2003, Series 2002B, Series 2001C, and Notes Payable are as follows:

For the years ending September 30,	Revenue Bonds			Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 580,000	\$ 230,897	\$ 810,897	\$ 155,072	\$ -	\$ 155,072
2015	640,000	207,424	847,424	156,875	-	156,875
2016	485,000	182,709	667,709	165,043	-	165,043
2017	505,000	158,132	663,132	167,910	-	167,910
2018	520,000	132,591	652,591	177,637	-	177,637
2019-2023	<u>2,135,000</u>	<u>287,731</u>	<u>2,422,731</u>	<u>1,135,400</u>	<u>-</u>	<u>1,135,400</u>
	<u><u>\$ 4,865,000</u></u>	<u><u>\$ 1,199,484</u></u>	<u><u>\$ 6,064,484</u></u>	<u><u>\$ 1,957,937</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,957,937</u></u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 4 - Long-Term Debt (continued)

Notes Payable (continued)

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.

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 12.6% (General), 10.8% (Police) and 21.2% (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	\$ 477,209
Interest on net pension obligation	10,425
Adjustment to annual required contribution	<u>(8,887)</u>
Annual pension cost	478,747
Actual contributions	<u>422,807</u>
Increase (decrease) in NPO	55,940
NPO beginning of year	<u>143,797</u>
NPO end of year	<u><u>\$ 199,737</u></u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 5 - Employee Retirement Plan (continued)

The annual required contribution (ARC) was determined as part of the February 28, 2010 and February 28, 2011 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2013 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 28, 2010 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division. The amortization period as of February 28, 2011 was 30 years for the General division, 30 years for the Police division and 30 years for the Fire division.

Three-year Trend Information

For the Years Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2011	\$ 456,030	83.2%	\$ 76,613
2012	468,400	85.7%	143,797
2013	478,747	88.3%	199,737

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)
2/28/2011	\$ 5,628,349	\$ 8,383,662	\$ 2,755,313
2/29/2012	6,325,689	8,679,415	2,353,726
2/28/2013	7,010,970	8,948,030	1,937,060

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage Of Covered Payroll
2/28/2011	67%	\$ 3,668,271	75%
2/29/2012	73%	3,787,362	62%
2/28/2013	78%	3,518,438	55%

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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 6 - Due From and Due To Other Funds

There were no due from/due to other fund balances at September 30, 2013. Balances in the Library Fund of (\$300,000), NID Assessment Fund of (\$1,191) and General Fund of \$301,191 have been eliminated upon consolidation in the government-wide financial statements.

Note 7 - Interfund Transfers

Individual fund transfers are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ 253,438	\$ (47)	\$ 253,391
	Library Fund	4,000	-	4,000
	Park Fund	438,664	-	438,664
	Capital Reserve Fund	-	(315,938)	(315,938)
	Tourism Tax	-	(80,207)	(80,207)
	City Transportation Tax Fund	-	(3,984)	(3,984)
	Storm Water Tax Fund	-	(299,957)	(299,957)
	Capital Improvement Fund	-	(345,000)	(345,000)
	LLEBG Fund	47	-	47
	NID Assessment Fund	3,984	-	3,984
	Total Governmental Activities	700,133	(1,045,133)	(345,000)
Business Type Activities:	Water Administration Fund	345,000	-	345,000
	Total Business-type Activities	345,000	-	345,000
	Total Transfers	\$ 1,045,133	\$ (1,045,133)	\$ -

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 coverage 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, 2014. 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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 8 - Insurance (continued)

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 incurred \$368,221 in insurance expense for the year ended September 30, 2013. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

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 62-64% of the previous month's costs of operation and maintenance of the shared facility and repairs. Capital expenditures are shared 50/50 by the cities. The City of Crystal City is committed to pay the remaining 36-38% of described costs. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 62-64% ownership of the Commission. The City's interest in the joint venture at September 30, 2013 is \$3,725,833. The change in value of the joint venture resulted in a loss of \$171,237 for the year ended September 30, 2013. For the year ended September 30, 2013, the City's cost for sewage treatment services provided by the Commission was \$258,953, which includes the City's share of operating expenses. Separate financial statements are prepared for the Festus-Crystal City Sewage Treatment Commission and may be obtained by contacting the administrative offices of the Commission.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2013 were both \$25,648. Commission management stated that no long-term liabilities were outstanding at September 30, 2013. For the year ended September 30, 2013, total receipts and disbursements were \$577,276 and \$577,276, respectively, resulting in a net change in the Commission's equity of (\$0).

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 10 - Joint Ventures (continued)

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 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, 2013, 8 retirees and 1 retirees' spouses participated in the City's insurance plans and paid premiums totaling \$23,946. COBRA premiums paid (not by City) totaled \$5,429.

Note 13 - Operating Leases

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

Note 14 - Adoption of New Accounting Pronouncements

Effective October 1, 2012, the City adopted GASB Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*. The objective of this statement is to provide guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of government's net assets that is applicable to a future period. Deferred inflows of resources represent the acquisition of net assets that is applicable to a future reporting period.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2013

Note 14 - Adoption of New Accounting Pronouncements (continued)

Effective October 1, 2012, the City adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Note 15 - Subsequent Events

The City has evaluated events subsequent to September 30, 2013 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through May 22, 2014, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

Note 16 - Prior Period Adjustments

Due to the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the City has removed bond issue costs from the books and treated the net change as a prior period adjustment to governmental and business-type activities beginning net position. There were also additional adjustments made due to incorrect reporting of long-term liabilities for net pension obligations in the prior year.

Governmental Activities:

Beginning Net Position, as originally stated September 30, 2012	\$ 25,648,839
Prior Period Adjustment 1	(41,496)
Prior Period Adjustment 2	<u>(118,906)</u>
Beginning Net Position, as restated September 30, 2012	<u><u>\$ 25,488,437</u></u>

Business-type Activities

Beginning Net Position, as originally stated September 30, 2012	\$ 11,745,302
Prior Period Adjustment 1	(181,465)
Prior Period Adjustment 2	<u>(24,891)</u>
Beginning Net Position, as restated September 30, 2012	<u><u>\$ 11,538,946</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 243,665	\$ 243,665	\$ 253,625	\$ 9,960
Taxes - other	3,578,000	3,578,000	3,754,872	176,872
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	40,033	40,033	30,438	(9,595)
Licenses and permits	250,000	250,000	289,733	39,733
Fines and penalties	727,500	727,500	579,962	(147,538)
Investment income	8,000	8,000	8,172	172
Building lease payments	56,040	56,040	59,360	3,320
Other	54,050	54,050	82,645	28,595
Service charges	860,190	860,190	884,269	24,079
Total Revenues	<u>\$ 5,817,478</u>	<u>\$ 5,817,478</u>	<u>\$ 5,943,076</u>	<u>\$ 125,598</u>
Expenditures				
Current:				
Administration	\$ 668,435	\$ 668,435	\$ 599,970	\$ (68,465)
Court	171,414	171,414	163,993	(7,421)
Building department	323,814	333,094	315,837	(17,257)
Police	2,131,833	2,131,833	1,999,730	(132,103)
Dispatch	549,241	549,241	530,383	(18,858)
Fire	217,464	217,464	184,041	(33,423)
Emergency management	19,750	19,750	9,132	(10,618)
Street	314,574	314,574	275,405	(39,169)
Non-departmental	945,800	945,800	921,345	(24,455)
Capital outlay	296,380	557,893	526,860	(31,033)
Debt Service:				
Principal	168,873	168,873	168,871	(2)
Interest and fiscal charges	38,869	38,869	38,865	(4)
Total Expenditures	<u>\$ 5,846,447</u>	<u>\$ 6,117,240</u>	<u>\$ 5,734,432</u>	<u>\$ (382,808)</u>
Excess (Deficiency) of Revenues over Expenditures	(28,969)	(299,762)	208,644	508,406
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	100,000	253,438	253,438	-
Transfers out	(22,774)	(22,774)	(47)	22,727
Total Other Financing Sources (Uses)	<u>77,226</u>	<u>230,664</u>	<u>253,391</u>	<u>22,727</u>
Net Change in Fund Balance	<u>\$ 48,257</u>	<u>\$ (69,098)</u>	\$ 462,035	<u>\$ 531,133</u>
Fund Balance, October 1			<u>3,124,075</u>	
Fund Balance, September 30			<u>\$ 3,586,110</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,108,500	1,108,500	1,152,665	44,165
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	1,454,165	666,558	636,031	(30,527)
Licenses and permits	3,000	3,000	1,825	(1,175)
Fines and penalties	-	-	-	-
Investment income	8,000	8,000	9,551	1,551
Building lease payments	-	-	-	-
Other	1,500	1,500	59,030	57,530
Service charges	-	-	-	-
Total Revenues	<u>\$ 2,575,165</u>	<u>\$ 1,787,558</u>	<u>\$ 1,859,102</u>	<u>\$ 71,544</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	964,911	993,933	756,457	(237,476)
Non-departmental	-	-	-	-
Capital outlay	1,879,798	860,289	944,355	84,066
Debt Service:				
Principal	96	96	96	-
Interest and fiscal charges	1	1	1	-
Total Expenditures	<u>\$ 2,844,806</u>	<u>\$ 1,854,319</u>	<u>\$ 1,700,909</u>	<u>\$ (153,410)</u>
Excess (Deficiency) of Revenues over Expenditures	(269,641)	(66,761)	158,193	224,954
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(3,984)	(3,984)	(3,984)	-
Total Other Financing Sources (Uses)	<u>(3,984)</u>	<u>(3,984)</u>	<u>(3,984)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (273,625)</u>	<u>\$ (70,745)</u>	\$ 154,209	<u>\$ 224,954</u>
Fund Balance, October 1			<u>2,659,753</u>	
Fund Balance, September 30			<u>\$ 2,813,962</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	550,000	550,000	39,483	(510,517)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	100	100	258	158
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 550,100</u>	<u>\$ 550,100</u>	<u>\$ 39,741</u>	<u>\$ (510,359)</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	532,493	45,000	39,483	(5,517)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 532,493</u>	<u>\$ 45,000</u>	<u>\$ 39,483</u>	<u>\$ (5,517)</u>
Excess (Deficiency) of Revenues over Expenditures	17,607	505,100	258	(504,842)
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 17,607</u>	<u>\$ 505,100</u>	\$ 258	<u>\$ (504,842)</u>
Fund Balance, October 1			<u>229,954</u>	
Fund Balance, September 30			<u>\$ 230,212</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	2,700	2,700	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	5,000	5,000	5,477	477
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 5,000</u>	<u>\$ 7,700</u>	<u>\$ 8,177</u>	<u>\$ 477</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	2,700	2,700	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ 2,700</u>	<u>\$ 2,700</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	5,477	477
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(162,550)	(315,938)	(315,938)	-
Total Other Financing Sources (Uses)	<u>(162,550)</u>	<u>(315,938)</u>	<u>(315,938)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (157,550)</u>	<u>\$ (310,938)</u>	<u>\$ (310,461)</u>	<u>\$ 477</u>
Fund Balance, October 1			<u>2,218,899</u>	
Fund Balance, September 30			<u>\$ 1,908,438</u>	

City of Festus, Missouri
Notes to the Required Supplementary Information
For the year ended September 30, 2013

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, 2013

	Special Revenue Funds											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Local Law Enforcement Block Grant	Totals
Assets												
Cash and cash equivalents	\$ 245,443	\$ 132,032	\$ 215,153	\$ 19,732	\$ 22,834	\$ 734,326	\$ 236,381	\$ 128,958	\$ 20,694	\$ 784,880	\$ -	\$ 2,540,433
Investments	100,000	50,000	110,000	-	-	250,051	75,000	-	-	249,000	-	834,051
Restricted cash	-	-	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables, net												
Taxes	7,391	10,163	64,489	-	-	117,610	72,430	38,092	-	108,548	-	418,723
Special assessments	-	-	-	451,585	-	-	-	-	-	-	-	451,585
Interest	60	30	65	-	-	148	45	-	-	211	-	559
Grants	-	975	-	-	-	-	-	-	-	-	-	975
Court	-	-	-	-	-	-	-	-	-	-	-	-
Other	20,612	493	2,794	-	3,909	-	-	-	-	-	-	27,808
Prepaid items	2,341	7,950	10,514	-	-	1,763	-	-	-	-	-	22,568
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>\$ 375,847</u>	<u>\$ 201,643</u>	<u>\$ 403,015</u>	<u>\$ 471,317</u>	<u>\$ 26,743</u>	<u>\$ 1,103,898</u>	<u>\$ 383,856</u>	<u>\$ 167,050</u>	<u>\$ 20,694</u>	<u>\$ 1,142,639</u>	<u>\$ -</u>	<u>\$ 4,296,702</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 375,847</u>	<u>\$ 201,643</u>	<u>\$ 403,015</u>	<u>\$ 471,317</u>	<u>\$ 26,743</u>	<u>\$ 1,103,898</u>	<u>\$ 383,856</u>	<u>\$ 167,050</u>	<u>\$ 20,694</u>	<u>\$ 1,142,639</u>	<u>\$ -</u>	<u>\$ 4,296,702</u>
Liabilities												
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,104	2,544	20,665	-	538	54,699	-	-	-	17,916	-	97,466
Accrued payroll	1,074	2,874	4,083	-	-	968	-	-	-	-	-	8,999
Accrued payroll liabilities-other	1,400	1,541	3,309	-	-	759	-	-	-	-	-	7,009
Due to other funds	-	300,000	-	1,191	-	-	-	-	-	-	-	301,191
Funds held for others	-	-	-	-	-	-	-	-	-	-	-	-
Unearned revenue	110	5,923	-	-	-	3,000	-	-	-	-	-	9,033
Accrued interest	-	-	-	1,702	-	-	-	-	-	-	-	1,702
Other liabilities	-	-	590	-	-	17,916	-	-	-	-	-	18,506
Noncurrent liabilities:												
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-	-
Due in More Than One Year	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>\$ 3,688</u>	<u>\$ 312,882</u>	<u>\$ 28,647</u>	<u>\$ 2,893</u>	<u>\$ 538</u>	<u>\$ 77,342</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,916</u>	<u>\$ -</u>	<u>\$ 443,906</u>
Deferred Inflows of Resources												
Unavailable resources - property taxes	7,391	10,163	10,163	-	-	-	-	-	-	-	-	27,717
Unavailable resources - special assessments	-	-	-	451,585	-	-	-	-	-	-	-	451,585
Unavailable resources - court bonds	-	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>7,391</u>	<u>10,163</u>	<u>10,163</u>	<u>451,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,302</u>
Fund Balance												
Nonspendable:												
Prepaid items	\$ 2,341	\$ 7,950	\$ 10,514	\$ -	\$ -	\$ 1,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,568
Interfund advances	-	-	-	-	-	-	-	-	-	-	-	-
Restricted:												
Debt service	-	-	-	16,839	-	-	-	-	-	-	-	16,839
Special revenue funds	362,427	(129,352)	333,914	-	26,205	1,001,953	383,856	167,050	20,694	1,124,723	-	3,291,470
Assigned												
Encumbrances	-	-	19,777	-	-	22,840	-	-	-	-	-	42,617
Unassigned												
General fund	-	-	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	<u>\$ 364,768</u>	<u>\$ (121,402)</u>	<u>\$ 364,205</u>	<u>\$ 16,839</u>	<u>\$ 26,205</u>	<u>\$ 1,026,556</u>	<u>\$ 383,856</u>	<u>\$ 167,050</u>	<u>\$ 20,694</u>	<u>\$ 1,124,723</u>	<u>\$ -</u>	<u>\$ 3,373,494</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 375,847</u>	<u>\$ 201,643</u>	<u>\$ 403,015</u>	<u>\$ 471,317</u>	<u>\$ 26,743</u>	<u>\$ 1,103,898</u>	<u>\$ 383,856</u>	<u>\$ 167,050</u>	<u>\$ 20,694</u>	<u>\$ 1,142,639</u>	<u>\$ -</u>	<u>\$ 4,296,702</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, 2013

	Special Revenue Funds											Totals
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Local Law Enforcement Block Grant	
Revenues												
Property taxes	\$ 135,267	\$ 185,992	\$ 185,992	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 507,251
Taxes - other	-	-	-	-	-	599,899	206,739	228,542	-	599,156	-	1,634,336
Intergovernmental	-	-	-	-	7,898	-	-	-	-	-	-	7,898
Special assessments	-	-	-	61,819	-	-	-	-	-	-	-	61,819
Grant revenue	-	7,485	-	-	3,909	40,000	-	-	-	-	418	51,812
Licenses and permits	482	-	-	-	-	-	-	-	-	-	-	482
Fines and penalties	2,837	37,339	2,564	4,076	-	-	8,444	-	-	-	-	55,260
Investment income	654	367	611	2	29	1,741	500	83	24	1,322	-	5,333
Building lease payments	-	-	-	-	-	-	-	-	-	-	-	-
Other	12,687	34,164	56,421	-	-	-	-	-	6,219	-	-	109,491
Service charges	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 151,927	\$ 265,347	\$ 245,588	\$ 65,897	\$ 11,836	\$ 641,640	\$ 215,683	\$ 228,625	\$ 6,243	\$ 600,478	\$ 418	\$ 2,433,682
Expenditures												
Current:												
Police	\$ -	\$ -	\$ -	\$ -	\$ 10,447	\$ -	\$ -	\$ -	\$ 1,529	\$ -	\$ 465	\$ 12,441
Street	-	-	-	-	-	-	-	-	-	-	-	-
Health	96,294	-	-	-	-	-	-	-	-	-	-	96,294
Library	-	251,164	-	-	-	-	-	-	-	-	-	251,164
Parks	-	-	457,198	-	-	-	-	-	-	-	-	457,198
Non-departmental	-	-	-	1,331	-	80,506	2,817	192,572	-	-	-	277,226
Capital outlay	-	12,642	203,680	-	-	119,368	9,714	-	2,200	-	-	347,604
Debt service:												
Principal	41	204	-	32,485	-	-	-	-	-	-	-	32,730
Interest and fiscal charges	-	1	-	21,070	-	-	-	-	-	-	-	21,071
Total Expenditures	\$ 96,335	\$ 264,011	\$ 660,878	\$ 54,886	\$ 10,447	\$ 199,874	\$ 12,531	\$ 192,572	\$ 3,729	\$ -	\$ 465	\$ 1,495,728
Excess (Deficiency) of Revenues over Expenditures	55,592	1,336	(415,290)	11,011	1,389	441,766	203,152	36,053	2,514	600,478	(47)	937,954
Other Financing Sources (Uses)												
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	4,000	438,664	3,984	-	-	-	-	-	-	47	446,695
Transfers out	-	-	-	-	-	(299,957)	(80,207)	-	-	(345,000)	-	(725,164)
Total Other Financing Sources (Uses)	\$ -	\$ 4,000	\$ 438,664	\$ 3,984	\$ -	\$ (299,957)	\$ (80,207)	\$ -	\$ -	\$ (345,000)	\$ 47	\$ (278,469)
Net Change in Fund Balance	55,592	5,336	23,374	14,995	1,389	141,809	122,945	36,053	2,514	255,478	-	659,485
Fund Balance (Deficit), October 1	309,176	(126,738)	340,831	1,844	24,816	884,747	260,911	130,997	18,180	869,245	-	2,714,009
Fund Balance (Deficit), September 30	\$ 364,768	\$ (121,402)	\$ 364,205	\$ 16,839	\$ 26,205	\$ 1,026,556	\$ 383,856	\$ 167,050	\$ 20,694	\$ 1,124,723	\$ -	\$ 3,373,494

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 130,150	\$ 130,150	\$ 135,267	\$ 5,117
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	100	100	482	382
Fines and penalties	2,750	2,750	2,837	87
Investment income	500	500	654	154
Building lease payments	-	-	-	-
Other	9,000	9,000	12,687	3,687
Service charges	-	-	-	-
Total Revenues	<u>\$ 142,500</u>	<u>\$ 142,500</u>	<u>\$ 151,927</u>	<u>\$ 9,427</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	117,824	117,824	96,294	(21,530)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	41	41	41	-
Interest and fiscal charges	1	1	-	(1)
Total Expenditures	<u>\$ 117,866</u>	<u>\$ 117,866</u>	<u>\$ 96,335</u>	<u>\$ (21,531)</u>
Excess (Deficiency) of Revenues over Expenditures	24,634	24,634	55,592	30,958
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 24,634</u>	<u>\$ 24,634</u>	\$ 55,592	<u>\$ 30,958</u>
Fund Balance, October 1			<u>309,176</u>	
Fund Balance, September 30			<u>\$ 364,768</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 178,930	\$ 178,930	\$ 185,992	\$ 7,062
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	7,400	7,400	7,485	85
Licenses and permits	-	-	-	-
Fines and penalties	33,000	33,000	37,339	4,339
Investment income	600	600	367	(233)
Building lease payments	-	-	-	-
Other	29,500	34,327	34,164	(163)
Service charges	-	-	-	-
Total Revenues	<u>\$ 249,430</u>	<u>\$ 254,257</u>	<u>\$ 265,347</u>	<u>\$ 11,090</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	268,498	268,498	251,164	(17,334)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	6,000	10,827	12,642	1,815
Debt Service:				
Principal	204	204	204	-
Interest and fiscal charges	2	2	1	(1)
Total Expenditures	<u>\$ 274,704</u>	<u>\$ 279,531</u>	<u>\$ 264,011</u>	<u>\$ (15,520)</u>
Excess (Deficiency) of Revenues over Expenditures	(25,274)	(25,274)	1,336	26,610
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	11,007	7,007	4,000	(3,007)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,007</u>	<u>7,007</u>	<u>4,000</u>	<u>(3,007)</u>
Net Change in Fund Balance	<u>\$ (14,267)</u>	<u>\$ (18,267)</u>	\$ 5,336	<u>\$ 23,603</u>
Fund Balance, October 1			<u>(126,738)</u>	
Fund Balance, September 30			<u>\$ (121,402)</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 178,930	\$ 178,930	\$ 185,992	\$ 7,062
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	2,000	2,000	2,564	564
Investment income	800	800	611	(189)
Building lease payments	-	-	-	-
Other	49,000	49,000	56,421	7,421
Service charges	-	-	-	-
Total Revenues	<u>\$ 230,730</u>	<u>\$ 230,730</u>	<u>\$ 245,588</u>	<u>\$ 14,858</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	529,728	529,728	457,198	(72,530)
Non-departmental	-	-	-	-
Capital outlay	143,000	189,000	203,680	14,680
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 672,728</u>	<u>\$ 718,728</u>	<u>\$ 660,878</u>	<u>\$ (57,850)</u>
Excess (Deficiency) of Revenues over Expenditures	(441,998)	(487,998)	(415,290)	72,708
Other Financing Sources (Uses)				
Lease purchase payments	-	-	-	-
Transfers in	406,000	452,000	438,664	(13,336)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>406,000</u>	<u>452,000</u>	<u>438,664</u>	<u>(13,336)</u>
Net Change in Fund Balance	<u>\$ (35,998)</u>	<u>\$ (35,998)</u>	\$ 23,374	<u>\$ 59,372</u>
Fund Balance, October 1			<u>340,831</u>	
Fund Balance, September 30			<u>\$ 364,205</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	61,819	11,881
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	4,076	4,076
Investment income	200	200	2	(198)
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 50,138</u>	<u>\$ 50,138</u>	<u>\$ 65,897</u>	<u>\$ 15,759</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,400	1,331	(69)
Capital outlay	-	-	-	-
Debt Service:				
Principal	32,485	32,485	32,485	-
Interest and fiscal charges	21,200	21,200	21,070	(130)
Total Expenditures	<u>\$ 54,685</u>	<u>\$ 55,085</u>	<u>\$ 54,886</u>	<u>\$ (199)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,547)	(4,947)	11,011	15,958
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	3,984	3,984	3,984	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,984</u>	<u>3,984</u>	<u>3,984</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (563)</u>	<u>\$ (963)</u>	\$ 14,995	<u>\$ 15,958</u>
Fund Balance, October 1			<u>1,844</u>	
Fund Balance, September 30			<u>\$ 16,839</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, 2013

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	9,000	9,000	7,898	(1,102)
Special assessments	-	-	-	-
Grant revenue	-	-	3,909	3,909
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	29	29
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	\$ 9,000	\$ 9,000	\$ 11,836	\$ 2,836
 Expenditures				
Current:				
Police	\$ 12,000	\$ 12,000	\$ 10,447	\$ (1,553)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	\$ 12,000	\$ 12,000	\$ 10,447	\$ (1,553)
 Excess (Deficiency) of Revenues over Expenditures	 (3,000)	 (3,000)	 1,389	 4,389
 Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
 Net Change in Fund Balance	 \$ (3,000)	 \$ (3,000)	 \$ 1,389	 \$ 4,389
 Fund Balance, October 1			 24,816	
 Fund Balance, September 30			 \$ 26,205	

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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	578,000	578,000	599,899	21,899
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	40,000	40,000
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,000	2,000	1,741	(259)
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 580,000</u>	<u>\$ 580,000</u>	<u>\$ 641,640</u>	<u>\$ 61,640</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	163,555	163,555	80,506	(83,049)
Capital outlay	125,000	125,000	119,368	(5,632)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 288,555</u>	<u>\$ 288,555</u>	<u>\$ 199,874</u>	<u>\$ (88,681)</u>
Excess (Deficiency) of Revenues over Expenditures	291,445	291,445	441,766	150,321
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(289,000)	(289,000)	(299,957)	(10,957)
Total Other Financing Sources (Uses)	<u>(289,000)</u>	<u>(289,000)</u>	<u>(299,957)</u>	<u>(10,957)</u>
Net Change in Fund Balance	<u>\$ 2,445</u>	<u>\$ 2,445</u>	\$ 141,809	<u>\$ 139,364</u>
Fund Balance, October 1			<u>884,747</u>	
Fund Balance, September 30			<u>\$ 1,026,556</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	120,000	120,000	206,739	86,739
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	8,444	8,444
Investment income	500	500	500	-
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 120,500</u>	<u>\$ 120,500</u>	<u>\$ 215,683</u>	<u>\$ 95,183</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	14,050	14,050	2,817	(11,233)
Capital outlay	28,950	18,950	9,714	(9,236)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 43,000</u>	<u>\$ 33,000</u>	<u>\$ 12,531</u>	<u>\$ (20,469)</u>
Excess (Deficiency) of Revenues over Expenditures	77,500	87,500	203,152	115,652
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(58,500)	(104,500)	(80,207)	24,293
Total Other Financing Sources (Uses)	<u>(58,500)</u>	<u>(104,500)</u>	<u>(80,207)</u>	<u>24,293</u>
Net Change in Fund Balance	<u>\$ 19,000</u>	<u>\$ (17,000)</u>	\$ 122,945	<u>\$ 139,945</u>
Fund Balance, October 1			<u>260,911</u>	
Fund Balance, September 30			<u>\$ 383,856</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	230,000	230,000	228,542	(1,458)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	83	83
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 228,625</u>	<u>\$ (1,375)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	230,000	230,000	192,572	(37,428)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 192,572</u>	<u>\$ (37,428)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	36,053	36,053
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 36,053	<u>\$ 36,053</u>
Fund Balance, October 1			<u>130,997</u>	
Fund Balance, September 30			<u>\$ 167,050</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	24	24
Building lease payments	-	-	-	-
Other	-	2,915	6,219	3,304
Service charges	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 2,915</u>	<u>\$ 6,243</u>	<u>\$ 3,328</u>
Expenditures				
Current:				
Police	\$ 2,653	\$ 2,653	\$ 1,529	\$ (1,124)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	2,200	2,200	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 2,653</u>	<u>\$ 4,853</u>	<u>\$ 3,729</u>	<u>\$ (1,124)</u>
Excess (Deficiency) of Revenues over Expenditures	(2,653)	(1,938)	2,514	4,452
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,653)</u>	<u>\$ (1,938)</u>	\$ 2,514	<u>\$ 4,452</u>
Fund Balance, October 1			<u>18,180</u>	
Fund Balance, September 30			<u>\$ 20,694</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	578,000	578,000	599,156	21,156
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	1,322	822
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 578,500</u>	<u>\$ 578,500</u>	<u>\$ 600,478</u>	<u>\$ 21,978</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	578,500	578,500	600,478	21,978
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(345,000)	(345,000)	(345,000)	-
Total Other Financing Sources (Uses)	<u>(345,000)</u>	<u>(345,000)</u>	<u>(345,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 233,500</u>	<u>\$ 233,500</u>	\$ 255,478	<u>\$ 21,978</u>
Fund Balance, October 1			<u>869,245</u>	
Fund Balance, September 30			<u>\$ 1,124,723</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, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	13,500	13,500	418	(13,082)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	-	-
Building lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 13,500</u>	<u>\$ 13,500</u>	<u>\$ 418</u>	<u>\$ (13,082)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ 465	\$ 465
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	15,000	15,000	-	(15,000)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 465</u>	<u>\$ (14,535)</u>
Excess (Deficiency) of Revenues over Expenditures	(1,500)	(1,500)	(47)	1,453
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	1,500	1,500	47	(1,453)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>47</u>	<u>(1,453)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance, October 1			-	
Fund Balance, September 30			<u>\$ -</u>	

INDEPENDENT AUDITOR'S 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*



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Honorable Mayor and
City Council
City of Festus, Missouri

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Festus, Missouri, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Festus, Missouri's basic financial statements and have issued our report thereon dated May 22, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Festus, Missouri's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Festus, Missouri's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Festus, Missouri's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-2 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Festus, Missouri's financial statements are free from 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

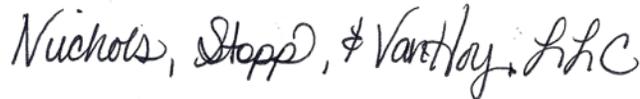
provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-1.

City of Festus, Missouri's Response to Findings

City of Festus, Missouri's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Festus, Missouri's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Creve Coeur, Missouri
May 22, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and
City Council
City of Festus, Missouri

Report on Compliance for Each Major Federal Program

We have audited 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 City of Festus, Missouri's major federal programs for the year ended September 30, 2013. City of Festus, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Festus, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. 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 City of Festus, Missouri'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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Festus, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Festus, Missouri's, complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

Management of City of Festus, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Festus, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the

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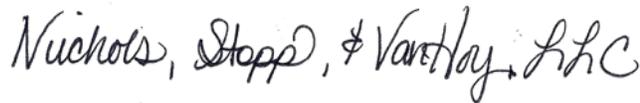
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purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Festus, Missouri'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 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Creve Coeur, Missouri
May 22, 2014

The City of Festus, Missouri
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through:			
Jefferson County, Missouri -			
Community Development Block Grant/Entitlement Grant	14.218	N/A	\$ 40,000
Total U.S Department of Housing and Urban Development			40,000
U.S. Department of Justice			
Direct programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-LLEBG-022	419
Equitable Sharing Program	16.922	MO 0500 300	5,183
FY2012 Task Force Overtime	16.XXX	S-11-0136	3,362
Total U.S. Department of Justice			8,964
U.S. Department of Transportation			
Highway Safety Cluster			
Passed through:			
Missouri Department of Transportation Highway Safety Division -			
State and Community Highway Safety	20.600	13-PT-02-078	12,446
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	13K8-03-035	15,756
Total Highway Safety Cluster			28,202
Passed through:			
Missouri Department of Transportation Highway Safety Division -			
Feasibility Study	20.XXX	AIR 056-114A	2,700
Central Missouri State University -			
Alcohol Open Container Requirements	20.607	12-154-AL-083	697
Missouri Highways and Transportation Commission -			
Highway Planning and Construction	20.205	STP-2600(604)	625,000
Highway Planning and Construction	20.205	N/A	4,585
Total U.S. Department of Transportation			661,184

The City of Festus, Missouri
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures
Institute of Museum and Library Services			
Passed through:			
State of Missouri - Grants to States	45.310	2013-LBE2-EEXC2CN2-7001	<u>975</u>
Total Institute of Museum and Library Services			<u>975</u>
U.S. Environmental Protection Agency			
Passed through:			
Missouri Department of Natural Resources - Capitalization Grants for Drinking Water State Revolving Funds	66.468	ER12-DWSA-MO6010276	<u>42,403</u>
Total U.S. Environmental Protection Agency			<u>42,403</u>
Total Schedule of Expenditures of Federal Awards			<u><u>\$ 753,526</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, 2013

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, 2013, the City passed through \$3,131 of federal funds under the Alcohol Impaired Driving Countermeasures Incentive Grant (CFDA #20.601) to another local city.

The City of Festus, Missouri
Schedule of Findings and Questioned Costs
For the year ended September 30, 2013

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Modified

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? _____ Yes X None Reported

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

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, 2013

Section 2 - Financial Statement Findings

2013-1 **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.

Management's 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 issue a RFP for actuarial services if it is deemed to be of value to the City and its citizens. The contact person is Patricia Parsons, Finance Director.

2013-2 **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.

Management's Response: The City will look at performing an annual risk assessment and will include it in the internal control policy. The contact person is Patricia Parsons, Finance Director.

Section 3 - Federal Award Findings and Questioned Cost

None

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

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, 2011.

Prior Year Financial Statement Findings

2012-1 **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.

Management's 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 issue a RFP for actuarial services if it is deemed to be of value to the City and its citizens. The contact person is Patricia Parsons, Finance Director.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2013-1.

2012-2 **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.

Management's Response: The City will look at performing an annual risk assessment and will include it in the internal control policy. The contact person is Patricia Parsons, Finance Director.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2013-2.

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

Prior Year Financial Statement Findings (continued)

2012-3 **Condition:** During the year, the actual expenditures of the Library Fund and Federal Forfeiture Fund exceeded the budgeted expenditures.

Criteria: Missouri Statutes requires political subdivisions to prepare an annual budget in which expenditures are not to exceed the budget.

Cause: Oversight

Effect: The City is in violation of Missouri Revised Statutes.

Recommendation: The City should periodically review its actual expenditures as compared to budgeted amounts. An amended budget should be prepared and approved as necessary to comply with statutes.

Management's Response: The actual expense for the Library building was budgeted and paid from the General Fund. Due to the fact that the building is a Library asset, an entry was made to post donated revenues and matching expense transfer to the Long-Term Debt fund. While a budget amendment should have been made to reflect this, it should be noted that the expense had been approved by council before being paid and the net effect of revenues minus expenditures in the Library fund was zero. As to the Federal Forfeiture Fund, this was an entry to reflect the receipt of a vehicle, resulting in a posting to donated revenues and a matching expense transfer to the Long-Term Debt fund. The vehicle was received at the end of the fiscal year and the accounting department was not aware of the receipt of the vehicle until after the end of the fiscal year; it was too late to make a budget amendment. The accounting department will try to avoid these budgetary oversights in the future.

Status: Management has corrected this issue.

Prior Year Federal Award Findings and Questioned Costs

None