

The City of Festus, Missouri

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

September 30, 2014



The City of Festus, Missouri
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For the year ended September 30, 2014

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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, 2014, 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 13, 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, 2014, 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.

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 June 1, 2015, 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, & VanHoy, LLC

Creve Coeur, Missouri
June 1, 2015

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

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, 2014. 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 \$ 41,882,270 (net position). Of this amount, \$ 7,017,899 (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 2014 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 13,355,797 an increase of \$ 1,443,581 in comparison with the prior year, after adjustments. 7.4% 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. The City passed a new reserve policy which for General Fund would require a balance equal to 50% of operating expenditures to be held for emergency expenditures, for the 2014 fiscal year that committed balance is \$2,618,406.
- As of the close of the 2014 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$13,185,390, an increase of \$ 933,472 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,118,136 or 20.6% of total general fund expenditures or 21.4% of operating expenditures. This does not include the new committed fund balance of \$2,618,406, which is 50% of operating expenditures.
- The City's total debt decreased by \$ 1,020,951 during the current fiscal year to a total of \$ 11,542,314.

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, 2014

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 fourteen 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, 2014

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 eleventh 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 \$ 41,882,270 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, 2014

City of Festus Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Current & Other Assets	\$17,193,858	\$18,318,647	\$11,609,911	\$11,823,265	\$28,803,769	\$30,141,912
Capital Assets, Net	17,037,269	17,269,646	9,047,998	9,031,866	26,085,267	26,301,512
Total Assets	34,231,127	35,588,293	20,657,909	20,855,131	54,889,036	56,443,424
<i>Deferred Outflows Resources</i>	-	-	-	-	-	-
Liabilities						
Long-Term Liabilities	4,718,643	4,486,916	7,844,622	7,055,398	12,563,265	11,542,314
Other Liabilities	2,581,533	2,404,497	561,369	614,343	3,142,902	3,018,840
Total Liabilities	7,300,176	6,891,413	8,405,991	7,669,741	15,706,167	14,561,154
<i>Deferred Inflows Resources</i>	-	-	-	-	-	-
Net Position						
Invested in Capital Assets, Net	15,240,672	15,618,418	6,921,917	7,429,981	22,162,589	23,048,399
Restricted:						
Debt Service	16,839	7,808	2,777,433	2,590,554	2,794,272	2,598,362
Enabling Legislation	8,207,583	9,217,610	-	-	8,207,583	9,217,610
Unrestricted	3,465,857	3,853,044	2,552,568	3,164,855	6,018,425	7,017,899
Total Net Position	\$26,930,951	\$28,696,880	\$12,251,918	\$13,185,390	\$39,182,869	\$41,882,270

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 \$ 7,017,899 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2014, 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, 2014

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 1,779,100	\$ 1,767,830	\$ 4,362,126	\$ 4,523,290	\$ 6,141,226	\$ 6,291,120
Operating Grants	152,854	416,352	-	-	152,854	416,352
Capital Grants & Contributions	636,031	712,538	124,122	295,257	760,153	1,007,795
General Revenues:						
Taxes	7,383,808	8,384,125	-	-	7,383,808	8,384,125
Licenses (taxes)	191,184	198,849	-	-	191,184	198,849
Investment Income	32,870	30,972	137,730	133,004	170,600	163,976
Gain/Loss, on disposal	(8,071)	(7,321)	(31,861)	(713)	(39,932)	(8,034)
Gain/Loss, Joint Venture	-	-	(11,968)	-	(11,968)	-
Miscellaneous	149,511	123,981	5,506	6,261	155,017	130,242
Total Revenue	10,317,287	11,627,326	4,585,655	4,957,099	14,902,942	16,584,425
Expenses						
Administration	713,349	708,110	-	-	713,349	708,110
Court	166,315	163,599	-	-	166,315	163,599
Building Department	339,107	328,847	-	-	339,107	328,847
Police	2,128,385	2,154,285	-	-	2,128,385	2,154,285
Dispatch	583,659	578,224	-	-	583,659	578,224
Fire	376,516	380,037	-	-	376,516	380,037
Emergency Management	17,955	14,450	-	-	17,955	14,450
Street	1,735,380	2,658,514	-	-	1,735,380	2,658,514
Health	108,365	111,470	-	-	108,365	111,470
Library	351,136	342,742	-	-	351,136	342,742
Parks	597,129	632,265	-	-	597,129	632,265
Public Works	-	-	-	-	-	-
Non-Departmental	1,356,719	1,493,065	-	-	1,356,719	1,493,065
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	55,758	53,883	-	-	55,758	53,883
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,217,683	4,265,533	4,217,683	4,265,533
Total Expenses	8,529,773	9,619,491	4,217,683	4,265,533	12,747,456	13,885,024
Special Items:						
Transfers	(345,000)	(241,906)	345,000	241,906	-	-
Increase (decrease)	\$ 1,442,514	\$ 1,765,929	\$ 712,972	\$ 933,472	\$ 2,155,486	\$ 2,699,401

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

SIGNIFICANT CHANGES IN NET ASSETS

Governmental Activities:

Some of the changes noted are:

- Taxes are up 13.6% over 2013, this is primarily due to the fact that County Transportation Tax is included in revenue in the year of reimbursement and in 2013 only \$39,483 was included versus \$936,745 in 2014. The City collected sales tax had an approximate 2% increase from the prior year. Utility Gross Receipts were up 1% while the 911 Tax was down 7.5%. The State Gas Tax, Vehicle Sales Tax, and Cable Franchise tax were all up over the prior year.
- 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 \$ 237,913 for the fiscal year ending 2014 and \$ 206,739 for the fiscal year ending 2013. The Tourism Board has chosen to fund a stage at the West City Park in 2015 and to continue setting 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 2014, the unassigned fund balance of the general fund was \$ 1,118,136, while the total fund balance was \$ 4,201,869. 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 20.5% of total general fund expenditures and transfers out of \$ 5,465,653, while total fund balance represents 76.9% of total general fund expenditures and transfers out. On July 28, 2014 the City Council passed Ordinance # 4174 establishing a reserve policy which requires that the general fund reserve fund balance be equal to 50% of the general fund operating expenses. This reserve balance is reflected as a Committed – Contingency balance and for 2014 is \$ 2,618,406. This amount would have previously been included as part of the unassigned fund balance.

The fund balance of the City's general fund increased by \$ 615,759 or 17.2%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were up \$ 76,025 as compared to the previous year. There was also a decrease in expenditures of approximately \$ 314,132. The transfers-in decreased by \$ 191,127, and the transfers-out increased by \$ 45,306 in 2014.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures decreased due to various reasons including capital expenditures from \$526,860 in 2013 to only \$183,489 in 2014. Also the Fire Truck loan was paid off in 2013 which reduced expenditures by \$76,877.
- The City made a change in LAGERS (retirement) to increase employees' benefits and this caused an increase in expenditures over all funds with full time employees. Increase for all funds was \$129,823.

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

- The City Transportation Fund balance increased by \$ 139,318 or 5% from the prior-year. The expenditures increased by \$ 323,858, with a decrease in operating expenses of \$21,635 and an increase in capital purchases of \$345,493 due to increasing the major street projects. At the end of September 30, 2014, the spendable portion of the fund balance of \$2,925,740 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$ 90 or .1% from the prior year. At the end of September 30, 2014 the fund balance of \$230,302 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 \$715,177 available at September 30, 2014 for future transportation projects.

PROPRIETARY FUNDS

Business-type activities – Water and Sewer Fund, increased the City's net position by \$ 933,472, which is an increase of more than 7.6% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales increased in the amount of \$ 124,289 or 4.4% from the prior year. The City sewer sales also increased in the amount of \$ 40,814 or 3.3%. Other income items increased by \$163,227 including the contributed revenue, tap-on fees and miscellaneous.

CAPITAL ASSETS

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2014 amounts to \$26,301,512 (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 .8%, (a 1.4% increase for governmental activities and a (.2%) decrease for business-type activities).

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

Governmental Activities:

- Construction in Progress increased predominately due to American Legion street project not being completed plus the engineering of the Horine Road street project. Sunset Park projects were capitalized, including parking lot and fencing.
- Buildings and Other Improvements only had the removal of the announcer stand at West City Park ball field.
- Office equipment change consisted of a Library copier purchased and one retired, a plotter purchased for Street Department, a website upgrade and 3 computers moved from Administration to Emergency Management.
- Additions to Automotive Equipment for the year included a vehicle for the Parks Department and two new police Tahoes including decals and equipment. There were two police vehicles disposed of during the year.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

Governmental Activities (continued)

- Machinery and equipment acquired during the year included phone systems for all departments; radar and video equipment for Police vehicles; a surveillance camera for Police; 2 scoreboards with netting and bleachers for Parks; handheld GPS mapping system for Building Department; variable speed fan and thermal camera for the Fire Department; and a Bobcat track loader with bucket for Street Department. Items retired included phone systems, scoreboard, and 3 v-box spreaders.
- Additions to infrastructure and land improvements included street projects – Huber and Edgewood overlays, 2014 Novachip of parts of Mueller, West City Park, Sunshine, Holly, 6th & 9th Streets. A donation was made to the City of the roads at Sawyers Ridge (valued at \$240,000). Also, in 2014 there was fencing, sidewalks, infield conditioning, grading at Sunset Park plus a parking lot at South Adams Park and redid the singles tennis court.

Business-Type Activities:

- Increases to Construction in Progress included work on the Pounds and Twin Tanks booster systems and Well #10 variable frequency system. The Festus-Crystal City Sewer improvements of a fine screen, monorail project, and a dimminutor were completed and capitalized.
- There was additional lining added to the sewers at a cost of \$ 92,577.
- Sawyers Ridge donated water mains and sewer mains valued at \$100,000 each.
- There were also improvements to the Edwards water main.
- Machinery and Equipment purchases included a tool chest, gas chain saw, plate compactor and various trash pumps.
- A 2000 Chevy truck, phone system, and a chlorinator were removed from service.

City of Festus Capital Assets <i>(net of depreciation)</i>	Government Activities		Business-type Activities		Total Capital Assets	
	2013	2014	2013	2014	2013	2014
Land	\$ 1,520,742	\$ 1,520,742	\$ 194,059	\$ 194,059	\$ 1,714,801	\$ 1,714,801
Assets held for sale			52,432	52,432	52,432	52,432
Construction in Progress	281,824	1,259,498	72,288	74,381	354,112	1,333,879
Systems and Improvements			8,034,199	8,116,607	8,034,199	8,116,607
Buildings and Other Improvements	3,391,355	3,182,161	68,867	64,196	3,460,222	3,246,357
Office Equipment	296,261	243,745			296,261	243,745
Automotive Equipment	373,990	218,318	83,731	36,247	457,721	254,565
Machinery and Equipment	506,805	518,778	531,900	487,506	1,038,705	1,006,284
Furniture and Fixtures			1,956	1,684	1,956	1,684
Computer Equipment			8,566	4,754	8,566	4,754
Infrastructure	5,611,157	4,652,761			5,611,157	4,652,761
Land Improvements	5,055,135	5,673,643			5,055,135	5,673,643
Capital Assets, Net	\$ 17,037,269	\$ 17,269,646	\$ 9,047,998	\$ 9,031,866	\$ 26,085,267	\$ 26,301,512

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2014 the City had outstanding long-term debt obligations for governmental activities in the amount of \$ 4,486,916 compared to \$ 4,718,643 in 2013. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$ 350,126 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 9 years. Capital lease obligations outstanding totaled \$ 31,102, which includes a capital lease for accounting software. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building. Also included is the Net Pension Obligation (see Note 5). 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, 2014, the City had outstanding long-term debt obligations for business-type activities in the amount of \$ 7,055,398 compared to \$ 7,844,622 in 2013. The Neighborhood Improvement District (NID) Bonds totaling \$133,262, 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 \$ 732,477 is due in annual installments through 2025, however this COP was paid off in December 2014. 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	
	2013	2014	2013	2014	2013	2014
Capital Leases	\$ 63,987	\$ 31,102	\$ -	\$ -	\$ 63,987	\$ 31,102
Revenue Bonds			4,929,549	4,345,558	4,929,549	4,345,558
NID	382,611	350,126	145,558	133,262	528,169	483,388
Certificates of Participation	1,350,000	1,270,000	776,808	732,477	2,126,808	2,002,477
Net Pension Obligation ***	164,967	194,697	34,770	41,236	199,737	235,933
Notes Payable	2,757,078	2,640,991	1,957,937	1,802,865	4,715,015	4,443,856
Total	\$ 4,718,643	\$ 4,486,916	\$ 7,844,622	\$ 7,055,398	\$ 12,563,265	\$ 11,542,314

*** 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 \$ 263,731 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Sales Tax, Utility Gross Receipts, Merchants Licenses, Building Permits and Court Fines, and all had revenues higher than budget. The major reason for the increase was sales tax which was \$77,221 over budgeted. The areas where the revenues were under budget included 911 Tax which has steadily decreased over the years as land-line phones decrease. 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, 2014

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- Under administration, the department was under total operating budget by \$37,391 or 5.6%. This included savings of over \$3,000 in bank fees, over \$5,000 in janitorial services, over \$7,500 in salaries & benefits and over \$6,500 in maintenance expense and contracts.
- The court was \$ 14,453, under operating budget for the year. Their salaries and benefits were \$ 10,537 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 \$ 11,477 or 3.5% under budget.
- The police department was under budget by \$142,343 or 6.5%, which included over \$82,800 in savings in wages and benefits, the savings can be attributed to not replacing officers for several months after leaving. In addition there was \$5,457 under amount budgeted for maintenance contracts and over \$30,000 under amount budgeted for vehicle expenses.
- Dispatch was \$28,266 under budget in total, which includes savings in salaries, benefits, utilities, maintenance contracts, and training.
- The Fire department volunteer firefighters were 18% under budget and the building/grounds maintenance expenses were \$2,750 under budget and the maintenance contracts were \$ 2,595 under budget. Total Fire expenses were under budget by \$30,156.
- The Emergency Management budget was under by 10% or \$1,480, primarily due to not spending monies on training.
- The Street department was under budget by \$ 46,824 or 15.7%.
- The non-departmental budget was under operating budget by \$ 42,163 or 4%. The retiree/COBRA insurance and HRA benefits were under budget by \$7,718; the rental building expenses were \$4,743 under budget and the street light electricity was under budget by \$21,537.

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 \$ 31,078 more than what was budgeted and the investment income coming in \$ 1,187 more than budget. There was Contributed Revenue of \$ 266,962 that was not budgeted, which included \$ 240,000 of streets donated from Sawyers Ridge. The grant revenue was \$ 83,069 under amount budgeted due to delays in the American Legion project.
- Operating expenditures for the City's Transportation Tax Fund were \$ 208,566 or 22% 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 hot and cold mix, which was \$41,787 or 60% under budget, and sidewalks, which were \$ 25,726 under budget. The capital outlay being over budget is due to donation of streets and accounting for the asset.
- The County Transportation Tax Fund showed taxes over budget by \$ 376,745, 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 \$ 138,524, since the NovaChip project came in under budget and the Huber overlay project was not completed and some expenditures will need to be re-budgeted next year.

Variations noted in non-major governmental funds, include:

- Property taxes in all funds were 7% over what was projected, due to a higher collection rate of delinquent taxes.
- The Library Fund's Fines & Penalties was over budget by 11% or \$ 3,595. The Library operating expenses were under budget by \$ 8,381, with majority of savings in salaries and benefits.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
FOR THE YEAR ENDING SEPTEMBER 30, 2014

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- The Park Fund operating expenses were under budget by \$ 26,562, this is in part due to \$ 9,867 of wages and benefits being capitalized, thus the capital expenses were over budget. Also the equipment maintenance was under budget by \$4,849 and the Firecracker Festival was under budget by 10%.
- The Storm Water Fund showed operating expenses under budget by \$ 103,725 due to not proceeding with as many storm drain projects and the capital portion of the budget was over by \$34,135 since the engineering fees for the creek slope A project were capitalized. There was a \$49,037 CDBG grant received that was not included in the budget.
- Tourism Fund taxes were \$52,913 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 the continued delay in getting MODOT approval to put a welcome sign up on the highway, resulting in the \$12,950 budgeted not being spent on the sign and the \$5,400 not being spent on cutting grass at the sign.
- NID Assessment Fund's revenues were under budget by \$10,374 or 21% due to assessments not being paid.

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, 2014

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents	\$ 5,298,352	\$ 1,220,910	\$ 6,519,262
Investments	6,749,530	3,164,323	9,913,853
Restricted cash and cash equivalents	48,053	307,036	355,089
Restricted investments	15,216	2,671,449	2,686,665
Receivables, net			
Taxes	4,904,813	-	4,904,813
Special assessments	412,560	111,124	523,684
Service charges	-	448,840	448,840
Interest	5,109	30,041	35,150
Grants	243,248	-	243,248
Court	295,260	-	295,260
Other	162,611	69,336	231,947
Prepaid items	183,895	37,499	221,394
Inventory	-	153,295	153,295
Investment in joint venture	-	3,609,412	3,609,412
Capital assets:			
Land and construction in progress	2,780,240	268,440	3,048,680
Other capital assets, net	14,489,406	8,763,426	23,252,832
Total Assets	<u>35,588,293</u>	<u>20,855,131</u>	<u>56,443,424</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Liabilities			
Checks written in excess of cash balance	-	-	-
Accounts payable	312,258	203,082	515,340
Accrued payroll	222,065	37,528	259,593
Accrued payroll liabilities-other	50,715	12,705	63,420
Accrued interest	8,162	63,202	71,364
Deposits payable	-	287,717	287,717
Fund held for others	29,512	-	29,512
Unearned revenue	1,465,449	-	1,465,449
Other liabilities	316,336	10,109	326,445
Noncurrent liabilities:			
Due Within One Year	147,197	860,780	1,007,977
Due in More Than One Year	4,339,719	6,194,618	10,534,337
Total Liabilities	<u>6,891,413</u>	<u>7,669,741</u>	<u>14,561,154</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Net Position			
Invested in capital assets, net	15,618,418	7,429,981	23,048,399
Restricted:			
Debt service	7,808	2,590,554	2,598,362
Enabling legislation	9,217,610	-	9,217,610
Unrestricted	3,853,044	3,164,855	7,017,899
Total Net Position	<u>\$ 28,696,880</u>	<u>\$ 13,185,390</u>	<u>\$ 41,882,270</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Activities
For the year ended September 30, 2014

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		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
Administration	\$ 708,110	\$ -	\$ 4,313	\$ -	\$ (703,797)	\$ -	\$ (703,797)
Court	163,599	575,339	-	-	411,740	-	411,740
Building Department	328,847	89,145	-	-	(239,702)	-	(239,702)
Police	2,154,285	5,820	44,046	-	(2,104,419)	-	(2,104,419)
Dispatch	578,224	79,108	-	-	(499,116)	-	(499,116)
Fire	380,037	14,500	-	-	(365,537)	-	(365,537)
Emergency Management	14,450	-	-	-	(14,450)	-	(14,450)
Street	2,658,514	39,025	-	712,538	(1,906,951)	-	(1,906,951)
Health	111,470	13,256	441	-	(97,773)	-	(97,773)
Library	342,742	58,775	9,468	-	(274,499)	-	(274,499)
Parks	632,265	63,648	8,112	-	(560,505)	-	(560,505)
Non-departmental	1,493,065	829,214	349,972	-	(313,879)	-	(313,879)
Interest and Fiscal Charges	53,883	-	-	-	(53,883)	-	(53,883)
Total Government Activities	<u>\$ 9,619,491</u>	<u>\$ 1,767,830</u>	<u>\$ 416,352</u>	<u>\$ 712,538</u>	<u>\$ (6,722,771)</u>	<u>\$ -</u>	<u>\$ (6,722,771)</u>
Business-type Activities:							
Water and Sewer	<u>4,265,533</u>	<u>4,523,290</u>	<u>-</u>	<u>295,257</u>	<u>-</u>	<u>553,014</u>	<u>553,014</u>
Total Business-type Activities	<u>\$ 4,265,533</u>	<u>\$ 4,523,290</u>	<u>\$ -</u>	<u>\$ 295,257</u>	<u>\$ -</u>	<u>\$ 553,014</u>	<u>\$ 553,014</u>
Total Primary Government	<u>\$ 13,885,024</u>	<u>\$ 6,291,120</u>	<u>\$ 416,352</u>	<u>\$ 1,007,795</u>	<u>\$ (6,722,771)</u>	<u>\$ 553,014</u>	<u>\$ (6,169,757)</u>
General Revenues							
Taxes:							
Sales tax					\$ 5,913,760	\$ -	\$ 5,913,760
Property tax					761,683	-	761,683
Taxes - other					1,708,682	-	1,708,682
Licenses (taxes)					198,849	-	198,849
Investment income					30,972	133,004	163,976
Gain/Loss on Disposal of Assets					(7,321)	(713)	(8,034)
Miscellaneous					123,981	6,261	130,242
Transfers (net)					(241,906)	241,906	-
Total General Revenues					<u>\$ 8,488,700</u>	<u>\$ 380,458</u>	<u>\$ 8,869,158</u>
Change in Net Position					1,765,929	933,472	2,699,401
Net Position, October 1					<u>26,930,951</u>	<u>12,251,918</u>	<u>39,182,869</u>
Net Position, September 30					<u>\$ 28,696,880</u>	<u>\$ 13,185,390</u>	<u>\$ 41,882,270</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Balance Sheet - Governmental Funds
September 30, 2014

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,222,032	\$ 980,430	\$ 135,892	\$ 262,354	\$ 2,697,644	\$ 5,298,352
Investments	2,194,375	1,620,126	-	1,638,938	1,296,091	6,749,530
Restricted cash	12,207	-	-	-	-	12,207
Restricted investments	15,216	-	-	-	-	15,216
Receivables, net						
Taxes	690,140	244,013	874,850	-	454,821	2,263,824
Special assessments	-	-	-	-	412,560	412,560
Interest	1,742	852	-	1,732	783	5,109
Grants	8,827	181,879	-	-	52,541	243,247
Court	295,260	-	-	-	-	295,260
Other	134,673	6,150	3,488	-	18,300	162,611
Prepaid items	132,696	27,540	-	-	23,659	183,895
Due from other funds	300,810	-	-	-	-	300,810
Total Assets	<u>5,007,978</u>	<u>3,060,990</u>	<u>1,014,230</u>	<u>1,903,024</u>	<u>4,956,399</u>	<u>15,942,621</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,007,978</u>	<u>\$ 3,060,990</u>	<u>\$ 1,014,230</u>	<u>\$ 1,903,024</u>	<u>\$ 4,956,399</u>	<u>\$ 15,942,621</u>
Liabilities						
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	102,904	44,437	68,751	-	96,167	312,259
Accrued payroll	73,020	7,853	-	-	9,392	90,265
Accrued payroll liabilities - other	39,321	4,725	-	-	6,669	50,715
Due to other funds	-	-	-	-	300,810	300,810
Funds held for others	29,512	-	-	-	-	29,512
Unearned revenue	33,419	-	-	-	9,033	42,452
Accrued interest	-	-	-	-	1,570	1,570
Other liabilities	226,037	50,695	-	-	39,603	316,335
Total Liabilities	<u>504,213</u>	<u>107,710</u>	<u>68,751</u>	<u>-</u>	<u>463,244</u>	<u>1,143,918</u>
Deferred Inflows of Resources						
Unavailable resources - property taxes	6,636	-	-	-	13,273	19,909
Unavailable resources - sales taxes	-	-	715,177	-	-	715,177
Unavailable resources - special assessments	-	-	-	-	412,560	412,560
Unavailable resources - court bonds	295,260	-	-	-	-	295,260
Total Deferred Inflows of Resources	<u>301,896</u>	<u>-</u>	<u>715,177</u>	<u>-</u>	<u>425,833</u>	<u>1,442,906</u>
Fund Balance						
Nonspendable:						
Prepaid items	132,696	27,540	-	-	23,659	183,895
Interfund advances	300,810	-	-	-	-	300,810
Restricted:						
Debt service	-	-	-	-	7,808	7,808
Special revenue fund	-	2,925,740	230,302	1,903,024	4,158,544	9,217,610
Assigned:						
Encumbrances	31,821	-	-	-	-	31,821
Committed:						
Contingency	2,618,406	-	-	-	-	2,618,406
Unassigned:						
General fund	1,118,136	-	-	-	(122,689)	995,447
Total Fund Balances	<u>4,201,869</u>	<u>2,953,280</u>	<u>230,302</u>	<u>1,903,024</u>	<u>4,067,322</u>	<u>13,355,797</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,007,978</u>	<u>\$ 3,060,990</u>	<u>\$ 1,014,230</u>	<u>\$ 1,903,024</u>	<u>\$ 4,956,399</u>	<u>\$ 15,942,621</u>

See Notes to the Financial Statements

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, 2014

Total Fund Balances - Governmental Funds	\$ 13,355,797
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	2,676,837
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,269,646
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	19,909
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	(131,801)
Accrued net pension obligation	(194,697)
Accrued interest payable	(6,592)
Bonds and notes payable outstanding	(4,292,219)
Net Position of Governmental Activities	\$ 28,696,880

The City of Festus, Missouri
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended September 30, 2014

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 261,117	\$ -	\$ -	\$ -	\$ 522,234	\$ 783,351
Taxes - other	3,827,991	1,170,078	936,745	-	1,687,630	7,622,444
Intergovernmental	-	-	-	-	6,453	6,453
Special assessments	-	-	-	-	39,025	39,025
Grant revenue	40,542	712,538	-	-	65,519	818,599
Licenses and permits	287,995	-	-	-	707	288,702
Fines and penalties	576,605	-	-	-	46,985	623,590
Investment income	9,694	10,687	90	5,725	4,773	30,969
Lease payments	63,890	-	-	-	-	63,890
Other	42,946	274,650	-	-	153,370	470,966
Service charges	908,321	-	-	-	-	908,321
Total Revenues	<u>\$ 6,019,101</u>	<u>\$ 2,167,953</u>	<u>\$ 936,835</u>	<u>\$ 5,725</u>	<u>\$ 2,526,696</u>	<u>\$ 11,656,310</u>
Expenditures						
Current:						
Administration	\$ 629,604	\$ -	\$ -	\$ -	\$ -	\$ 629,604
Court	159,626	-	-	-	-	159,626
Building department	317,467	-	-	-	-	317,467
Police	2,038,748	-	-	-	9,085	2,047,833
Dispatch	533,727	-	-	-	-	533,727
Fire	192,141	-	-	-	-	192,141
Emergency management	12,570	-	-	-	-	12,570
Street	250,593	734,919	-	-	-	985,512
Health	-	-	-	-	99,536	99,536
Library	-	-	-	-	247,915	247,915
Parks	-	-	-	-	494,898	494,898
Non-departmental	954,916	-	-	-	360,064	1,314,980
Capital outlay	183,489	1,289,848	936,745	-	325,529	2,735,611
Debt service:						
Principal	112,884	-	-	-	32,485	145,369
Interest and fiscal charges	34,535	-	-	-	19,499	54,034
Total Expenditures	<u>\$ 5,420,300</u>	<u>\$ 2,024,767</u>	<u>\$ 936,745</u>	<u>\$ -</u>	<u>\$ 1,589,011</u>	<u>\$ 9,970,823</u>
Excess (Deficiency) of Revenues over Expenditures	<u>598,801</u>	<u>143,186</u>	<u>90</u>	<u>5,725</u>	<u>937,685</u>	<u>1,685,487</u>
Other Financing Sources (Uses)						
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	62,311	-	-	45,353	350,176	457,840
Transfers out	(45,353)	(3,868)	-	(56,492)	(594,033)	(699,746)
Total Other Financing Sources	<u>\$ 16,958</u>	<u>\$ (3,868)</u>	<u>\$ -</u>	<u>\$ (11,139)</u>	<u>\$ (243,857)</u>	<u>\$ (241,906)</u>
Net Change in Fund Balance	615,759	139,318	90	(5,414)	693,828	1,443,581
Fund Balance (Deficit), October 1	<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>
Fund Balance (Deficit), September 30	<u>\$ 4,201,869</u>	<u>\$ 2,953,280</u>	<u>\$ 230,302</u>	<u>\$ 1,903,024</u>	<u>\$ 4,067,322</u>	<u>\$ 13,355,797</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended September 30, 2014

Net Change in Fund Balances - Governmental Funds \$ 1,443,581

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	2,555,195	
Depreciation expense	<u>(2,318,046)</u>	237,149

Gain/(Loss) on capital assets sold (7,321)

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>(21,667)</u>	(21,663)

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	32,884	
Neighborhood Improvement District Bonds	32,485	
Certificates of Participation	<u>80,000</u>	145,369

Payment of interest on Long-Term Debt		152
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Pension obligations		(29,730)
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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>(1,608)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 1,765,929</u></u>
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The City of Festus, Missouri
Statement of Net Position
Proprietary Funds
September 30, 2014

	Water & Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,220,910
Investments	3,164,323
Restricted cash and cash equivalents	307,036
Restricted investments	2,671,449
Receivables, net	
Special assessments	111,124
Service charges	448,840
Interest	30,041
Grants	-
Other	69,336
Prepaid items	37,499
Inventory	153,295
Total Current Assets	8,213,853
Noncurrent Assets	
Investments in joint venture	3,609,412
Non-depreciable capital assets:	
Land and construction in progress	268,440
Depreciable capital assets:	
Other capital assets, net	8,763,426
Total Noncurrent Assets	12,641,278
Deferred Outflows of Resources	-
Total Assets and Deferred Outflows of Resources	\$ 20,855,131
Liabilities	
Current Liabilities	
Checks written in excess of cash balance	\$ -
Accounts payable	203,082
Payroll and compensated absences payable	37,528
Accrued payroll liabilities - other	12,705
Accrued interest	63,202
Revenue bonds and NID bonds payable, net of discounts and premiums - current portion	703,905
Notes payable - current portion	156,875
Deposits payable	287,717
Due to other funds	-
Other liabilities	10,109
Total Current Liabilities	1,475,123
Long-Term Liabilities	
Revenue bonds and NID bonds payable, net of discounts and premiums	4,507,392
Net pension obligation	41,236
Notes payable	1,645,990
Total Long-Term Liabilities	6,194,618
Total Liabilities	7,669,741
Deferred Inflows of Resources	-
Net Position	
Invested in Capital Assets, Net of Related Debt	7,429,981
Restricted for:	
Debt reserve funds	2,590,554
Unrestricted	3,164,855
Total Net Position	13,185,390
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 20,855,131

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, 2014

	Water & Sewer
Operating Revenues	
Water and sewer collections and fees	\$ 4,501,818
Grant revenues	6,750
Other revenues	14,722
Total Operating Revenues	4,523,290
Operating Expenses	
Personnel expenses	953,295
Materials and supplies	235,525
Purchased water	1,589,940
Utilities and maintenance	253,540
Depreciation and amortization	543,247
Treatment plant	301,176
Other	123,754
Total Operating Expenses	4,000,477
Operating Income (Loss)	522,813
Non-operating Revenues (Expenses)	
Interest income	133,004
Miscellaneous income	6,261
Gain (loss) on disposal of assets	(713)
Interest expense	(265,056)
Total Non-operating Revenues (Expenses)	(126,504)
Income (Loss) Before Capital Contributions and Transfers	396,309
Capital contributions	295,257
Transfers in (out)	241,906
	537,163
Change in Net Position	933,472
Net Position, October 1	12,251,918
Net Position, September 30	\$ 13,185,390

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2014

		Water and Sewer
Increase (Decrease) in Cash and Cash Equivalents:		
Cash Flows from Operating Activities:		
Receipts from customers	\$	4,575,986
Payments to suppliers		(2,343,410)
Payments to employees		(958,924)
Other receipts (payments)		(104,865)
Net Cash Flows from Operating Activities		1,168,787
Cash Flows from Noncapital Financing Activities:		
Grants and other contributions		302,007
Transfer in (out)		241,906
Net Cash Used by Noncapital Financing Activities		543,913
Cash Flows from Capital and Related Financing Activities:		
Payments of long-term debt		(792,587)
Interest on debt		(271,560)
Proceeds from sale of capital assets		686
Acquisition and construction of capital assets		(421,942)
Net Cash Used by Capital and Related Financing Activities		(1,485,403)
Cash Flows from Investing Activities:		
Proceeds from sale of investments		3,809,047
Purchase of investments		(5,056,504)
Miscellaneous income		6,263
Interest on investments		134,127
Net Cash Used by Investing Activities		(1,107,067)
Net Increase in Cash and Cash Equivalents	\$	(879,770)
Cash and Cash Equivalents, October 1		2,407,716
Cash and Cash Equivalents, September 30	\$	1,527,946
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Profit (Loss)	\$	522,813
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		546,350
Amortization expense		(3,103)
(Increase) decrease in:		
Accounts receivable		48,772
Prepaid items		(1,872)
Inventories		(10,114)
Increase (decrease) in:		
Accounts payable		58,825
Deposits payable		6,279
Accrued payroll liabilities		837
Net cash provided by (used in) operating activities	\$	1,168,787
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, 2014

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. 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.

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, 2014

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, 2014

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 revenue 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>9/30/14</u>
Governmental Activities - General Fund	\$ 59,864
Business-type Activities - Water and Sewer Enterprise Fund	85,499
	<u>\$ 145,363</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

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	10-50

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

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, the 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	\$ 91,968	\$ 91,968
Business Type Activities	14,617	14,617
	\$ 106,585	\$ 106,585

Sick Leave

Sick leave is accumulated by eligible employees at a rate of 1 day for every two full months 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, except for police or firefighters, 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 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 expensed when incurred.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

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, 2014

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, 2014 consisted of the following:

Type	Maturities	2014 Cost
Unrestricted Deposits:		
Petty cash	n/a	\$ 2,344
Demand deposits	n/a	6,516,918
Total Unrestricted Deposits		6,519,262
Restricted Deposits:		
Demand deposits	n/a	355,089
Total Restricted Deposits		355,089
Total Unrestricted and Restricted Deposits		\$ 6,874,351

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 2 - Cash and Investments (continued)

Unrestricted Investments:		
Certificate of deposit	10/29/14	\$ 249,000
Certificate of deposit	11/4/14	249,000
Certificate of deposit	11/7/14	249,000
Certificate of deposit	11/20/14	249,000
Certificate of deposit	12/15/14	249,000
Certificate of deposit	12/26/14	249,000
Certificate of deposit	1/2/15	1,391,928
Certificate of deposit	1/12/15	500,000
Certificate of deposit	1/14/15	245,000
Certificate of deposit	2/4/15	249,000
Certificate of deposit	2/14/15	249,000
Certificate of deposit	2/17/15	249,000
Certificate of deposit	2/23/15	250,000
Certificate of deposit	5/27/15	249,000
Certificate of deposit	5/29/15	249,000
Certificate of deposit	7/8/15	268,201
Certificate of deposit	7/10/15	525,349
Certificate of deposit	7/16/15	249,000
Certificate of deposit	7/28/15	500,000
Certificate of deposit	7/29/15	249,000
Certificate of deposit	8/6/15	249,000
Certificate of deposit	8/28/15	249,000
Certificate of deposit	8/28/15	249,000
Certificate of deposit	7/25/16	750,000
Federal Home Loan Bank callable bond	3/20/17	249,375
Federal Home Loan Bank callable bond	5/15/17	250,000
Federal Home Loan Bank callable bond	6/26/17	500,000
Federal Home Loan Bank callable bond	9/19/17	500,000
Total Unrestricted Investments		<u>9,913,853</u>
Restricted Investments:		
Certificate of deposit	1/2/15	163,923
Certificate of deposit	12/15/14	15,216
Guaranteed investment contract	6/30/23	12,385
Guaranteed investment contract	6/30/23	51,250
Guaranteed investment contract	6/30/23	1,500,922
Guaranteed investment contract	6/30/23	15,774
Guaranteed investment contract	6/30/23	301,942
Guaranteed investment contract	6/30/23	625,253
Total Restricted Investments		<u>2,686,665</u>
Total Unrestricted and Restricted Investments		<u>\$ 12,600,518</u>

Investments are recorded at cost, which approximates market.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 2 - Cash and Investments (continued)

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

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit, 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, 2014 was as follows:

	<u>Balance 9/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2014</u>
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 1,520,742	\$ -	\$ -	\$ 1,520,742
Construction in process	281,824	1,552,549	(574,875)	1,259,498
Total Non-depreciable capital assets	<u>\$ 1,802,566</u>	<u>\$ 1,552,549</u>	<u>\$ (574,875)</u>	<u>\$ 2,780,240</u>
Depreciable capital assets:				
Buildings and other improvements	\$ 6,075,419	\$ -	\$ (8,885)	\$ 6,066,534
Office equipment	485,165	15,410	(8,226)	492,349
Automotive equipment	3,659,214	80,965	(40,171)	3,700,008
Machinery and equipment	1,919,033	171,745	(85,718)	2,005,060
Infrastructure	7,530,061	36,159	-	7,566,220
Land improvements	6,693,072	1,276,323	(1,927)	7,967,468
Total Depreciable capital assets	<u>26,361,964</u>	<u>1,580,602</u>	<u>(144,927)</u>	<u>27,797,639</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 3 - Capital Assets (continued)

Less: Accumulated depreciation

Buildings and other improvements	2,684,064	(8,223)	208,532	2,884,373
Office equipment	188,904	(9,218)	68,918	248,604
Automotive equipment	3,285,224	(40,171)	236,637	3,481,690
Machinery and equipment	1,412,227	(95,561)	169,616	1,486,282
Infrastructure	1,918,905	-	994,554	2,913,459
Land improvements	1,637,937	(3,854)	659,742	2,293,825
Total Accumulated Depreciation	<u>11,127,261</u>	<u>(157,027)</u>	<u>2,337,999</u>	<u>13,308,233</u>

Depreciable capital assets, net	<u>\$ 15,234,703</u>	<u>\$ 1,737,629</u>	<u>\$ (2,482,926)</u>	<u>\$ 14,489,406</u>
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	Balance		Balance
	9/30/2013	Additions	9/30/2014
	<u> </u>	<u> </u>	<u> </u>

Business-type Activities

Non-depreciable capital assets:

Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	72,287	56,457	(54,363)	74,381
Total Non-depreciable capital assets	<u>\$ 266,346</u>	<u>\$ 56,457</u>	<u>\$ (54,363)</u>	<u>\$ 268,440</u>

Depreciable capital assets:

Assets to be sold	\$ 52,432	\$ -	\$ -	\$ 52,432
Systems and improvements	11,239,998	344,543	-	11,584,541
Buildings and other improvements	189,905	-	-	189,905
Automotive equipment	624,172	-	(12,085)	612,087
Machinery and equipment	1,374,588	20,408	(16,278)	1,378,718
Furniture and fixtures	10,362	-	-	10,362
Computer equipment	31,399	-	-	31,399
Total Depreciable capital assets	<u>13,522,856</u>	<u>364,951</u>	<u>(28,363)</u>	<u>13,859,444</u>

Less: Accumulated depreciation

Systems and improvements	3,205,797	-	262,137	3,467,934
Buildings and other improvements	121,039	-	4,670	125,709
Automotive equipment	540,441	(12,085)	47,484	575,840
Machinery and equipment	842,688	(16,278)	64,802	891,212
Furniture and fixtures	8,406	-	272	8,678
Computer equipment	22,833	-	3,812	26,645
Total Accumulated Depreciation	<u>4,741,204</u>	<u>(28,363)</u>	<u>383,177</u>	<u>5,096,018</u>

Depreciable Capital Assets, net	<u>\$ 8,781,652</u>	<u>\$ 393,314</u>	<u>\$ (411,540)</u>	<u>\$ 8,763,426</u>
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The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 3 - Capital Assets (continued)

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2014 as follows:

	Amount
Governmental Activities:	
Administration	\$ 75,462
Court	1,269
Building department	8,347
Police	90,636
Dispatch	36,316
Fire	182,297
Street	1,655,371
Emergency Management	1,880
Non-Departmental	33,675
Health	11,465
Library	88,608
Parks	132,720
Total Depreciation Expense - Governmental Activities	\$ 2,318,046
 Business-type Activities:	
Water and Sewer	\$ 546,350
Total Depreciation Expense - Business-type Activities	\$ 546,350

Note 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2014 was as follows:

	Balance 9/30/2013	Additions	Reductions	Balance 9/30/2014	Amounts Due Within One Year
Governmental Activities:					
Capital leases	\$ 63,987	\$ -	\$ (32,885)	\$ 31,102	\$ 31,102
NID bonds	382,610	-	(32,484)	350,126	36,095
Certificates of Participation	1,350,000	-	(80,000)	1,270,000	80,000
Net pension obligation (Note 5)	164,967	29,730	-	194,697	-
Notes payable	2,757,079	-	(116,088)	2,640,991	-
Total Governmental Activities:	\$ 4,718,643	\$ 29,730	\$ (261,457)	\$ 4,486,916	\$ 147,197

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 4 - Long-Term Debt (continued)

Business-type activities:

Revenue bonds	\$ 4,865,000	\$ -	\$ (580,000)	\$ 4,285,000	\$ 640,000
Add: Premium	115,642	-	(12,165)	103,477	-
Less: Discount	(51,091)	-	8,172	(42,919)	-
NID Bonds	147,398	-	(12,515)	134,883	13,905
Less: Discount	(1,841)	-	220	(1,621)	-
Certificates of Participation	785,000	-	(45,000)	740,000	50,000
Less: Discount	(8,193)	-	670	(7,523)	-
Net pension obligation (Note 5)	34,770	6,466	-	41,236	-
Note payable	1,957,937	-	(155,072)	1,802,865	156,875
	<u>\$ 7,844,622</u>	<u>\$ 6,466</u>	<u>\$ (795,690)</u>	<u>\$ 7,055,398</u>	<u>\$ 860,780</u>

Capital Leases

**September 30,
2014**

Governmental Activities:

Capital lease \$92,324 for 2013 computer software, due in annual installments through February 2015, interest imputed at 4.00%.

\$ 31,102

Business-type Activities:

There were no business-type capital leases for the year ended September 30, 2014.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Accounting Software	\$ 88,874	\$ -
Less: Depreciation/Amortization	(16,664)	-
	<u>\$ 72,210</u>	<u>\$ -</u>

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, 2014 are as follows:

<u>For the years ending September 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2015	\$ 32,370	\$ -	\$ 32,370
Less: Amount representing interest	(1,268)	-	(1,268)
Total minimum lease payments, net	<u>\$ 31,102</u>	<u>\$ -</u>	<u>\$ 31,102</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 4 - Long-Term Debt (continued)

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.

	<u>September 30,</u> <u>2014</u>
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%.	\$ 350,126
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%.	<u>134,883</u>
Total:	<u><u>\$ 485,009</u></u>

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
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	43,315	9,558	52,873	16,685	3,717	20,402
2020-2022	151,602	12,987	164,589	58,407	5,050	63,457
	<u>\$ 350,126</u>	<u>\$ 82,451</u>	<u>\$ 432,577</u>	<u>\$ 134,883</u>	<u>\$ 32,020</u>	<u>\$ 166,903</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.

	<u>September 30,</u> <u>2014</u>
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%.	\$ 1,270,000

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 4 - Long-Term Debt (continued)

Certificates of Participation (continued)

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%.

740,000

Total: \$ 2,010,000

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
2015	\$ 80,000	\$ 31,028	\$ 111,028	\$ 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	85,000	25,765	110,765	55,000	22,519	77,519
2020-2024	450,000	97,545	547,545	325,000	72,364	397,364
2025-2028	410,000	26,900	436,900	155,000	7,087	162,087
	<u>\$ 1,270,000</u>	<u>\$ 267,388</u>	<u>\$ 1,537,388</u>	<u>\$ 740,000</u>	<u>\$ 214,156</u>	<u>\$ 954,156</u>

Tax Increment Financing Debt

**September 30,
2014**

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.

\$ 1,084,304

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 4 - Long-Term Debt (continued)

Tax Increment Financing Debt (continued)

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.

	1,556,687
Total:	\$ 2,640,991

Revenue Bonds Payable

**September 30,
2014**

Business-type Activities:

\$3,960,000 Revenue Bonds, Series 2003, due in annual installments through July 1, 2019, interest payable at 3.036%.	\$ 745,000
\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.	2,060,000
\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.	1,480,000
Total:	\$ 4,285,000

Notes Payable

**September 30,
2014**

Business-type Activities:

State Revolving Fund (SRF) - 2001C, no interest	\$ 301,942
State Revolving Fund (SRF) - 2002B, no interest	1,500,923
Total:	\$ 1,802,865

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 4 - Long-Term Debt (continued)

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		
	Principal	Interest	Total	Principal	Interest	Total
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	540,000	106,231	646,231	246,254	-	246,254
2020-2023	1,595,000	181,500	1,776,500	889,146	-	889,146
	<u>\$ 4,285,000</u>	<u>\$ 968,587</u>	<u>\$ 5,253,587</u>	<u>\$ 1,802,865</u>	<u>\$ -</u>	<u>\$ 1,802,865</u>

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

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

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

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 16.3% (General), 16.8% (Police) and 39.9% (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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 5 - Employee Retirement Plan (continued)

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	\$ 563,054
Interest on net pension obligation	14,481
Adjustment to annual required contribution	(12,068)
Annual pension cost	565,467
Actual contributions	529,271
Increase (decrease) in NPO	36,196
NPO beginning of year	199,737
NPO end of year	\$ 235,933

The annual required contribution (ARC) was determined as part of the February 28, 2011 and February 28, 2012 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as of February 28, 2014 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, 2011 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 29, 2012 was 22 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
2012	\$ 468,400	85.7%	\$ 143,797
2013	478,747	88.3%	199,737
2014	565,467	93.6%	235,933

**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)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage Of Covered Payroll
2/29/2012	\$ 6,325,689	\$ 8,679,415	\$ 2,353,726	73%	\$ 3,787,362	62%
2/28/2013	7,010,970	8,948,030	1,937,060	78%	3,518,438	55%
2/28/2014	7,604,258	9,458,344	1,854,086	80%	3,542,183	52%
2/28/2014 #	7,604,258	10,614,089	3,009,831	72%	3,542,183	85%

After benefit changes

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 5 - Employee Retirement Plan (continued)

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

Note 6 - Due From and Due To Other Funds

There was no due from/due to other fund balances at September 30, 2014. Balances in the Library Fund of (\$300,000), NID Assessment Fund of (\$810) and General Fund of \$300,810 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	\$ 62,311	\$ (45,353)	\$ 16,958
	Library Fund	-	-	-
	Park Fund	346,308	-	346,308
	Capital Reserve Fund	45,353	(56,492)	(11,139)
	Tourism Tax	-	(39,332)	(39,332)
	City Transportation Tax Fund	-	(3,868)	(3,868)
	Storm Water Tax Fund	-	(304,701)	(304,701)
	Capital Improvement Fund	-	(250,000)	(250,000)
	LLEBG Fund	-	-	-
	NID Assessment Fund	3,868	-	3,868
	Total Governmental Activities	457,840	(699,746)	(241,906)
Business Type Activities:	Water Administration Fund	250,000	(8,094)	241,906
	Total Business-type Activities	250,000	(8,094)	241,906
	Total Transfers	\$ 707,840	\$ (707,840)	\$ -

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 - Concentration

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 9 - 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, 2015. MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis.

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City incurred \$295,006 in insurance expense for the year ended September 30, 2014. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

Note 10 - 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 11 - Leases in the Statements of Lessors

The City's General Fund derives a portion of its revenues from noncancelable operating leases from tenants who rent a City owned building and ground leases used for cell phone towers. The City's property under these operating leases, consisting primarily of a structure and improvements, at September 30, 2014, is \$678,910. Future minimum rentals to be received under these leases as of September 30, 2014, are as follows:

For the years ending September 30,	Building Rent	Ground Leases	Total
2015	\$ 52,656	\$ 23,172	\$ 75,828
2016	52,656	23,172	75,828
2017	47,631	12,420	60,051
2018	40,596	9,315	49,911
2019	6,332	-	6,332
	\$ 199,871	\$ 68,079	\$ 267,950

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 12 - 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 63-64% 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 36-37% of described costs. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 63-64% ownership of the Commission. The City's interest in the joint venture at September 30, 2014 is \$3,609,412. The change in value of the joint venture resulted in a loss of \$116,422 for the year ended September 30, 2014. For the year ended September 30, 2014, the City's cost for sewage treatment services provided by the Commission was \$287,011, 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, 2014 were both \$25,648. Commission management stated that no long-term liabilities were outstanding at September 30, 2014. For the year ended September 30, 2014, total receipts and disbursements were \$533,431 and \$533,431, respectively, resulting in a net change in the Commission's equity of \$0.

Jefferson County Water Authority

The City of Festus entered into a joint venture with the City of Herculaneum to form the Jefferson County Water Authority (JCWA) in January 2000 to provide water to the residents of both cities. 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.

Festus-Crystal City Levee Commission

The City of Crystal City and the City of Festus, Missouri participate in the Festus-Crystal City Levee Commission (the Commission) which was formed for the purpose of constructing and providing for the maintenance of the Twin City Levee. The Commission is governed by an eight member board with both City Councils appointing four members to the Commission. It has been determined that the Commission is a joint venture with no equity interest, as defined under GASB Statement No. 14.

The City of Crystal City and the City of Festus are committed to pay monthly the previous month's costs of operation and maintenance of the levee. The only assets of the Commission at September, 30, 2014 were the Twin City Levee and land. Currently no separate financial statements for the Commission are available.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2014

Note 13 - 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, 2014, 5 retirees participated in the City's insurance plans and the City paid premiums totaling \$16,783. COBRA premiums paid (not by City) totaled \$5,076

Note 14 - 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 2014 totaled \$2,844. Payments due for fiscal year 2015 total \$1,896.

Note 15 - Adoption of New Accounting Pronouncements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, will require the City to record an unfunded accrued liability (UAL) on the government-wide statement of net position. UAL is equal to the difference between the total pension liability and the value of assets set aside in a pension plan to pay benefits. GASB No. 68 may also require changes to the projection of benefit payments and the rate used to discount the projected benefit payments. GASB No. 68 will be effective for the City for the year ending September 30, 2016.

Note 16 - Subsequent Events

The City has evaluated events subsequent to September 30, 2014 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through June 1, 2015, 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 17 - Missouri Legislation

House Bill 103 amending Section 302.341.2 RSMo became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations. The City was not required to and did not account for the fines and court costs for traffic violations separately from the total fines and court costs prior to August 28, 2013. Therefore, the City cannot provide the percent related specifically to traffic violations for the entire year ending September 30, 2013. During the 2014 fiscal year total fines and court costs revenues for the fiscal year, which include fines and court costs related to traffic violations, summed to \$576,605. "Annual general operating revenue of the city" is not defined in the amended statute and may or may not include various sources of the City's revenues. However, the City's general revenue fund tax revenue alone totaled \$4,089,108. Using general fund tax revenue and total fines and court costs as the "annual general operating revenue," the City's total fines and court costs revenues are only 14% of this total "annual general operating revenue," which is substantially below the 30% threshold requirement of the amended statute. This clearly demonstrates at a minimum that the City in no way exceeded the percentage requirement regardless of how "annual general operating revenue" is calculated.

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 244,400	\$ 244,400	\$ 261,117	\$ 16,717
Taxes - other	3,661,500	3,661,500	3,827,991	166,491
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	55,000	55,000	40,542	(14,458)
Licenses and permits	250,000	250,000	287,995	37,995
Fines and penalties	547,000	547,000	576,605	29,605
Investment income	8,000	8,000	9,694	1,694
Lease payments	53,660	53,660	63,890	10,230
Other	32,950	32,950	42,946	9,996
Service charges	902,860	902,860	908,321	5,461
Total Revenues	<u>\$ 5,755,370</u>	<u>\$ 5,755,370</u>	<u>\$ 6,019,101</u>	<u>\$ 263,731</u>
Expenditures				
Current:				
Administration	\$ 649,995	\$ 666,995	\$ 629,604	\$ (37,391)
Court	174,079	174,079	159,626	(14,453)
Building department	328,944	328,944	317,467	(11,477)
Police	2,175,091	2,181,091	2,038,748	(142,343)
Dispatch	561,993	561,993	533,727	(28,266)
Fire	222,297	222,297	192,141	(30,156)
Emergency management	14,050	14,050	12,570	(1,480)
Street	297,417	297,417	250,593	(46,824)
Non-departmental	997,079	997,079	954,916	(42,163)
Capital outlay	238,256	213,978	183,489	(30,489)
Debt Service:				
Principal	82,796	112,885	112,884	(1)
Interest and fiscal charges	32,254	34,536	34,535	(1)
Total Expenditures	<u>\$ 5,774,251</u>	<u>\$ 5,805,344</u>	<u>\$ 5,420,300</u>	<u>\$ (385,044)</u>
Excess (Deficiency) of Revenues over Expenditures	(18,881)	(49,974)	598,801	648,775
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	54,218	62,311	62,311	-
Transfers out	(98,003)	(98,003)	(45,353)	52,650
Total Other Financing Sources (Uses)	<u>(43,785)</u>	<u>(35,692)</u>	<u>16,958</u>	<u>52,650</u>
Net Change in Fund Balance	<u>\$ (62,666)</u>	<u>\$ (85,666)</u>	\$ 615,759	<u>\$ 701,425</u>
Fund Balance, October 1			<u>3,586,110</u>	
Fund Balance, September 30			<u>\$ 4,201,869</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,139,000	1,139,000	1,170,078	31,078
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	795,607	795,607	712,538	(83,069)
Licenses and permits	3,000	3,000	-	(3,000)
Fines and penalties	-	-	-	-
Investment income	9,500	9,500	10,687	1,187
Lease payments	-	-	-	-
Other	1,500	1,500	274,650	273,150
Service charges	-	-	-	-
Total Revenues	<u>\$ 1,948,607</u>	<u>\$ 1,948,607</u>	<u>\$ 2,167,953</u>	<u>\$ 219,346</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	943,485	943,485	734,919	(208,566)
Non-departmental	-	-	-	-
Capital outlay	1,142,500	1,179,140	1,289,848	110,708
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 2,085,985</u>	<u>\$ 2,122,625</u>	<u>\$ 2,024,767</u>	<u>\$ (97,858)</u>
Excess (Deficiency) of Revenues over Expenditures	(137,378)	(174,018)	143,186	317,204
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(3,868)	(3,868)	(3,868)	-
Total Other Financing Sources (Uses)	<u>(3,868)</u>	<u>(3,868)</u>	<u>(3,868)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (141,246)</u>	<u>\$ (177,886)</u>	\$ 139,318	<u>\$ 317,204</u>
Fund Balance, October 1			<u>2,813,962</u>	
Fund Balance, September 30			<u>\$ 2,953,280</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	560,000	560,000	936,745	376,745
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	200	200	90	(110)
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 560,200</u>	<u>\$ 560,200</u>	<u>\$ 936,835</u>	<u>\$ 376,635</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	1,028,548	1,075,269	936,745	(138,524)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,028,548</u>	<u>\$ 1,075,269</u>	<u>\$ 936,745</u>	<u>\$ (138,524)</u>
Excess (Deficiency) of Revenues over Expenditures	(468,348)	(515,069)	90	515,159
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>\$ (468,348)</u>	<u>\$ (515,069)</u>	\$ 90	<u>\$ 515,159</u>
Fund Balance, October 1			<u>230,212</u>	
Fund Balance, September 30			<u>\$ 230,302</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, 2014

	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	5,000	5,000	5,725	725
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 5,725</u>	<u>\$ 725</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	5,725	725
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	45,353	45,353	45,353	-
Transfers out	(54,218)	(56,492)	(56,492)	-
Total Other Financing Sources (Uses)	<u>(8,865)</u>	<u>(11,139)</u>	<u>(11,139)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (3,865)</u>	<u>\$ (6,139)</u>	\$ (5,414)	<u>\$ 725</u>
Fund Balance, October 1			<u>1,908,438</u>	
Fund Balance, September 30			<u>\$ 1,903,024</u>	

City of Festus, Missouri
Notes to the Required Supplementary Information
For the year ended September 30, 2014

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 Fund has a negative fund balance due to debt owed to the General Fund.

The City of Festus, Missouri
 Combining Balance Sheet - Non-Major Governmental Funds
 September 30, 2014

	Special Revenue Funds										
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
Assets											
Cash and cash equivalents	\$ 254,548	\$ 141,058	\$ 216,537	\$ 10,188	\$ 23,817	\$ 656,866	\$ 375,081	\$ 100,139	\$ 35,841	\$ 883,569	\$ 2,697,644
Investments	150,000	50,000	110,000	-	-	388,091	100,000	-	-	498,000	1,296,091
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net											
Taxes	3,539	4,867	65,891	-	-	131,711	64,883	62,007	-	121,923	454,821
Special assessments	-	-	-	412,560	-	-	-	-	-	-	412,560
Interest	109	36	80	-	-	256	72	-	-	230	783
Grants	-	-	-	-	3,504	49,037	-	-	-	-	52,541
Other	17,482	409	409	-	-	-	-	-	-	-	18,300
Prepaid items	2,509	7,167	11,296	-	-	2,687	-	-	-	-	23,659
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total Assets	\$ 428,187	\$ 203,537	\$ 404,213	\$ 422,748	\$ 27,321	\$ 1,228,648	\$ 540,036	\$ 162,146	\$ 35,841	\$ 1,503,722	\$ 4,956,399
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 428,187	\$ 203,537	\$ 404,213	\$ 422,748	\$ 27,321	\$ 1,228,648	\$ 540,036	\$ 162,146	\$ 35,841	\$ 1,503,722	\$ 4,956,399
Liabilities											
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	1,519	3,491	16,463	-	227	73,959	508	-	-	-	96,167
Accrued payroll	1,612	3,309	3,649	-	-	822	-	-	-	-	9,392
Accrued payroll liabilities-other	1,664	1,469	2,681	-	-	855	-	-	-	-	6,669
Due to other funds	-	300,000	-	810	-	-	-	-	-	-	300,810
Unearned revenue	110	5,923	-	-	-	3,000	-	-	-	-	9,033
Accrued interest	-	-	-	1,570	-	-	-	-	-	-	1,570
Other liabilities	-	-	955	-	-	19,324	-	-	-	19,324	39,603
Noncurrent liabilities:											
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-
Due in More Than One Year	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	\$ 4,905	\$ 314,192	\$ 23,748	\$ 2,380	\$ 227	\$ 97,960	\$ 508	\$ -	\$ -	\$ 19,324	\$ 463,244
Deferred Inflows of Resources											
Unavailable resources - property taxes	\$ 3,539	\$ 4,867	\$ 4,867	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,273
Unavailable resources - sales taxes	-	-	-	-	-	-	-	-	-	-	-
Unavailable resources - special assessments	-	-	-	412,560	-	-	-	-	-	-	412,560
Unavailable resources - court bonds	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	\$ 3,539	\$ 4,867	\$ 4,867	\$ 412,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 425,833
Fund Balance											
Nonspendable:											
Prepaid items	\$ 2,509	\$ 7,167	\$ 11,296	\$ -	\$ -	\$ 2,687	\$ -	\$ -	\$ -	\$ -	\$ 23,659
Interfund advances	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Debt service	-	-	-	7,808	-	-	-	-	-	-	7,808
Special revenue funds	417,234	-	364,302	-	27,094	1,128,001	539,528	162,146	35,841	1,484,398	4,158,544
Assigned											
Encumbrances	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Contingency	-	-	-	-	-	-	-	-	-	-	-
Unassigned											
General fund	-	(122,689)	-	-	-	-	-	-	-	-	(122,689)
Total Fund Balance	\$ 419,743	\$ (115,522)	\$ 375,598	\$ 7,808	\$ 27,094	\$ 1,130,688	\$ 539,528	\$ 162,146	\$ 35,841	\$ 1,484,398	\$ 4,067,322
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 428,187	\$ 203,537	\$ 404,213	\$ 422,748	\$ 27,321	\$ 1,228,648	\$ 540,036	\$ 162,146	\$ 35,841	\$ 1,503,722	\$ 4,956,399

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, 2014

Special Revenue Funds											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
Revenues											
Property taxes	\$ 139,194	\$ 191,520	\$ 191,520	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 522,234
Taxes - other	-	-	-	-	-	609,404	237,913	232,167	-	608,146	1,687,630
Intergovernmental	-	-	-	-	6,453	-	-	-	-	-	6,453
Special assessments	-	-	-	39,025	-	-	-	-	-	-	39,025
Grant revenue	-	7,671	5,307	-	3,504	49,037	-	-	-	-	65,519
Licenses and permits	707	-	-	-	-	-	-	-	-	-	707
Fines and penalties	4,191	36,795	3,513	737	-	-	1,749	-	-	-	46,985
Investment income	525	265	485	2	17	1,386	498	49	17	1,529	4,773
Lease payments	-	-	-	-	-	-	-	-	-	-	-
Other	10,064	27,433	97,480	-	-	-	-	-	18,393	-	153,370
Service charges	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 154,681	\$ 263,684	\$ 298,305	\$ 39,764	\$ 9,974	\$ 659,827	\$ 240,160	\$ 232,216	\$ 18,410	\$ 609,675	\$ 2,526,696
Expenditures											
Current:											
Police	\$ -	\$ -	\$ -	\$ -	\$ 9,085	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,085
Street	-	-	-	-	-	-	-	-	-	-	-
Health	99,536	-	-	-	-	-	-	-	-	-	99,536
Library	-	247,915	-	-	-	-	-	-	-	-	247,915
Parks	-	-	494,898	-	-	-	-	-	-	-	494,898
Non-departmental	-	-	-	679	-	114,609	7,656	237,120	-	-	360,064
Capital outlay	170	9,889	138,322	-	-	136,385	37,500	-	3,263	-	325,529
Debt service:											
Principal	-	-	-	32,485	-	-	-	-	-	-	32,485
Interest and fiscal charges	-	-	-	19,499	-	-	-	-	-	-	19,499
Total Expenditures	\$ 99,706	\$ 257,804	\$ 633,220	\$ 52,663	\$ 9,085	\$ 250,994	\$ 45,156	\$ 237,120	\$ 3,263	\$ -	\$ 1,589,011
Excess (Deficiency) of Revenues over Expenditures	54,975	5,880	(334,915)	(12,899)	889	408,833	195,004	(4,904)	15,147	609,675	937,685
Other Financing Sources (Uses)											
Lease purchase proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	346,308	3,868	-	-	-	-	-	-	350,176
Transfers out	-	-	-	-	-	(304,701)	(39,332)	-	-	(250,000)	(594,033)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 346,308	\$ 3,868	\$ -	\$ (304,701)	\$ (39,332)	\$ -	\$ -	\$ (250,000)	\$ (243,857)
Net Change in Fund Balance	54,975	5,880	11,393	(9,031)	889	104,132	155,672	(4,904)	15,147	359,675	693,828
Fund Balance (Deficit), October 1	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
Fund Balance (Deficit), September 30	\$ 419,743	\$ (115,522)	\$ 375,598	\$ 7,808	\$ 27,094	\$ 1,130,688	\$ 539,528	\$ 162,146	\$ 35,841	\$ 1,484,398	\$ 4,067,322

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 130,250	\$ 130,250	\$ 139,194	\$ 8,944
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	500	500	707	207
Fines and penalties	2,200	2,200	4,191	1,991
Investment income	500	500	525	25
Lease payments	-	-	-	-
Other	9,000	9,000	10,064	1,064
Service charges	-	-	-	-
Total Revenues	<u>\$ 142,450</u>	<u>\$ 142,450</u>	<u>\$ 154,681</u>	<u>\$ 12,231</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	111,633	111,633	99,536	(12,097)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	2,813	2,813	170	(2,643)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 114,446</u>	<u>\$ 114,446</u>	<u>\$ 99,706</u>	<u>\$ (14,740)</u>
Excess (Deficiency) of Revenues over Expenditures	28,004	28,004	54,975	26,971
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>\$ 28,004</u>	<u>\$ 28,004</u>	\$ 54,975	<u>\$ 26,971</u>
Fund Balance, October 1			<u>364,768</u>	
Fund Balance, September 30			<u>\$ 419,743</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 179,135	\$ 179,135	\$ 191,520	\$ 12,385
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	7,400	7,400	7,671	271
Licenses and permits	-	-	-	-
Fines and penalties	33,200	33,200	36,795	3,595
Investment income	400	400	265	(135)
Lease payments	-	-	-	-
Other	29,500	29,500	27,433	(2,067)
Service charges	-	-	-	-
Total Revenues	<u>\$ 249,635</u>	<u>\$ 249,635</u>	<u>\$ 263,684</u>	<u>\$ 14,049</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	253,185	256,296	247,915	(8,381)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	47,600	44,489	9,889	(34,600)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 300,785</u>	<u>\$ 300,785</u>	<u>\$ 257,804</u>	<u>\$ (42,981)</u>
Excess (Deficiency) of Revenues over Expenditures	(51,150)	(51,150)	5,880	57,030
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	51,150	51,150	-	(51,150)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>51,150</u>	<u>51,150</u>	<u>-</u>	<u>(51,150)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 5,880	<u>\$ 5,880</u>
Fund Balance, October 1			(121,402)	
Fund Balance, September 30			<u>\$ (115,522)</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 179,135	\$ 179,135	\$ 191,520	\$ 12,385
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	5,307	5,307
Licenses and permits	-	-	-	-
Fines and penalties	2,200	2,200	3,513	1,313
Investment income	800	800	485	(315)
Lease payments	-	-	-	-
Other	49,700	49,700	97,480	47,780
Service charges	-	-	-	-
Total Revenues	<u>\$ 231,835</u>	<u>\$ 231,835</u>	<u>\$ 298,305</u>	<u>\$ 66,470</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	521,460	521,460	494,898	(26,562)
Non-departmental	-	-	-	-
Capital outlay	121,060	135,307	138,322	3,015
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 642,520</u>	<u>\$ 656,767</u>	<u>\$ 633,220</u>	<u>\$ (23,547)</u>
Excess (Deficiency) of Revenues over Expenditures	(410,685)	(424,932)	(334,915)	90,017
Other Financing Sources (Uses)				
Lease purchase payments	-	-	-	-
Transfers in	336,000	362,607	346,308	(16,299)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>336,000</u>	<u>362,607</u>	<u>346,308</u>	<u>(16,299)</u>
Net Change in Fund Balance	<u>\$ (74,685)</u>	<u>\$ (62,325)</u>	\$ 11,393	<u>\$ 73,718</u>
Fund Balance, October 1			<u>364,205</u>	
Fund Balance, September 30			<u>\$ 375,598</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	39,025	(10,913)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	737	737
Investment income	200	200	2	(198)
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 50,138</u>	<u>\$ 50,138</u>	<u>\$ 39,764</u>	<u>\$ (10,374)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	679	(321)
Capital outlay	-	-	-	-
Debt Service:				
Principal	32,485	32,485	32,485	-
Interest and fiscal charges	19,632	19,632	19,499	(133)
Total Expenditures	<u>\$ 53,117</u>	<u>\$ 53,117</u>	<u>\$ 52,663</u>	<u>\$ (454)</u>
Excess (Deficiency) of Revenues over Expenditures	(2,979)	(2,979)	(12,899)	(9,920)
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	3,868	3,868	3,868	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>3,868</u>	<u>3,868</u>	<u>3,868</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 889</u>	<u>\$ 889</u>	\$ (9,031)	<u>\$ (9,920)</u>
Fund Balance, October 1			<u>16,839</u>	
Fund Balance, September 30			<u>\$ 7,808</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	9,000	9,000	6,453	(2,547)
Special assessments	-	-	-	-
Grant revenue	-	-	3,504	3,504
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	17	17
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 9,974</u>	<u>\$ 974</u>
Expenditures				
Current:				
Police	\$ 12,000	\$ 12,000	\$ 9,085	\$ (2,915)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 9,085</u>	<u>\$ (2,915)</u>
Excess (Deficiency) of Revenues over Expenditures	(3,000)	(3,000)	889	3,889
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>\$ (3,000)</u>	<u>\$ (3,000)</u>	\$ 889	<u>\$ 3,889</u>
Fund Balance, October 1			<u>26,205</u>	
Fund Balance, September 30			<u>\$ 27,094</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Water Special Revenue Fund
For the year ended September 30, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	592,000	592,000	609,404	17,404
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	49,037	49,037
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,000	2,000	1,386	(614)
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 594,000</u>	<u>\$ 594,000</u>	<u>\$ 659,827</u>	<u>\$ 65,827</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	218,334	218,334	114,609	(103,725)
Capital outlay	102,250	102,250	136,385	34,135
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 320,584</u>	<u>\$ 320,584</u>	<u>\$ 250,994</u>	<u>\$ (69,590)</u>
Excess (Deficiency) of Revenues over Expenditures	273,416	273,416	408,833	135,417
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(296,000)	(296,000)	(304,701)	(8,701)
Total Other Financing Sources (Uses)	<u>(296,000)</u>	<u>(296,000)</u>	<u>(304,701)</u>	<u>(8,701)</u>
Net Change in Fund Balance	<u>\$ (22,584)</u>	<u>\$ (22,584)</u>	\$ 104,132	<u>\$ 126,716</u>
Fund Balance, October 1			<u>1,026,556</u>	
Fund Balance, September 30			<u>\$ 1,130,688</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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	185,000	185,000	237,913	52,913
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	1,749	1,749
Investment income	500	500	498	(2)
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 185,500</u>	<u>\$ 185,500</u>	<u>\$ 240,160</u>	<u>\$ 54,660</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	16,400	16,400	7,656	(8,744)
Capital outlay	50,450	50,450	37,500	(12,950)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 66,850</u>	<u>\$ 66,850</u>	<u>\$ 45,156</u>	<u>\$ (21,694)</u>
Excess (Deficiency) of Revenues over Expenditures	118,650	118,650	195,004	76,354
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(40,000)	(64,333)	(39,332)	25,001
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(64,333)</u>	<u>(39,332)</u>	<u>25,001</u>
Net Change in Fund Balance	<u>\$ 78,650</u>	<u>\$ 54,317</u>	\$ 155,672	<u>\$ 101,355</u>
Fund Balance, October 1			<u>383,856</u>	
Fund Balance, September 30			<u>\$ 539,528</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	220,000	220,000	232,167	12,167
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	49	49
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 220,000</u>	<u>\$ 220,000</u>	<u>\$ 232,216</u>	<u>\$ 12,216</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	222,000	237,121	237,120	(1)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 222,000</u>	<u>\$ 237,121</u>	<u>\$ 237,120</u>	<u>\$ (1)</u>
Excess (Deficiency) of Revenues over Expenditures	(2,000)	(17,121)	(4,904)	12,217
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>\$ (2,000)</u>	<u>\$ (17,121)</u>	\$ (4,904)	<u>\$ 12,217</u>
Fund Balance, October 1			<u>167,050</u>	
Fund Balance, September 30			<u>\$ 162,146</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, 2014

	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	23	23	17	(6)
Lease payments	-	-	-	-
Other	-	-	18,393	18,393
Service charges	-	-	-	-
Total Revenues	<u>\$ 23</u>	<u>\$ 23</u>	<u>\$ 18,410</u>	<u>\$ 18,387</u>
Expenditures				
Current:				
Police	\$ 15,550	\$ 7,550	\$ -	\$ (7,550)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	3,263	3,263
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 15,550</u>	<u>\$ 7,550</u>	<u>\$ 3,263</u>	<u>\$ (4,287)</u>
Excess (Deficiency) of Revenues over Expenditures	(15,527)	(7,527)	15,147	22,674
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>\$ (15,527)</u>	<u>\$ (7,527)</u>	\$ 15,147	<u>\$ 22,674</u>
Fund Balance, October 1			<u>20,694</u>	
Fund Balance, September 30			<u>\$ 35,841</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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	592,000	592,000	608,146	16,146
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,000	1,000	1,529	529
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 593,000</u>	<u>\$ 593,000</u>	<u>\$ 609,675</u>	<u>\$ 16,675</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	593,000	593,000	609,675	16,675
Other Financing Sources (Uses)				
Lease purchase proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(250,000)	(250,000)	(250,000)	-
Total Other Financing Sources (Uses)	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 343,000</u>	<u>\$ 343,000</u>	\$ 359,675	<u>\$ 16,675</u>
Fund Balance, October 1			<u>1,124,723</u>	
Fund Balance, September 30			<u>\$ 1,484,398</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*

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, 2014, 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 June 1, 2015.

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 2014-2 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

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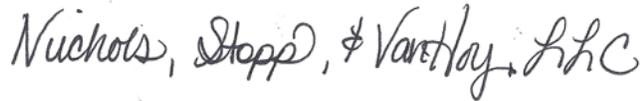
provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2014-1.

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.

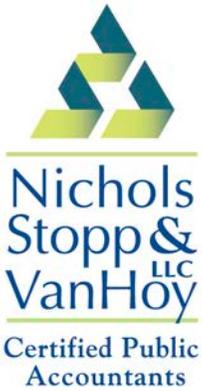
Purpose of this Report

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
June 1, 2015

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, 2014. 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, 2014.

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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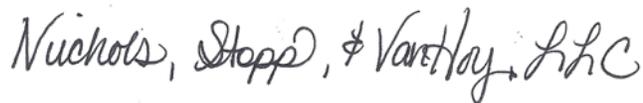
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purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of 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
June 1, 2015

The City of Festus, Missouri
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2014

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	\$ 54,344
Total U.S Department of Housing and Urban Development			54,344
U.S. Department of Justice			
Direct programs:			
Equitable Sharing Program	16.922	MO 0500 300	3,263
Total U.S. Department of Justice			3,263
U.S. Department of Transportation			
Highway Safety Cluster			
Passed through:			
Missouri Department of Transportation Highway Safety Division -			
State and Community Highway Safety Alcohol Impaired Driving Countermeasures Incentive Grants	20.600	14-PT-02-034	25,554
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	14-K8-03-027	7,948
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	14-K8-03-028	3,331
Central Missouri State University - State and Community Highway Safety Child Safety and Child Booster Seats Incentive Grants	20.600	14-OP-05-002	1,437
	20.613	14-K3-05-001	633
Total Highway Safety Cluster			38,903
Passed through:			
Missouri Department of Transportation Highway Safety Division -			
National Priority Safety Program	20.616	14-M5VE-03-002	2,684
Missouri Highways and Transportation Commission -			
Highway Planning and Construction	20.205	STP-5401(678)	55,833
Highway Planning and Construction	20.205	STP-2600(606)	656,705
Total Highway Planning and Construction			712,538
Total U.S. Department of Transportation			754,125

See Notes to the Schedule of Expenditures of Federal Awards

The City of Festus, Missouri
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures
U.S. Environmental Protection Agency			
Passed through:			
Missouri Department of Natural Resources -			
Capitalization Grants for Drinking			
Water State Revolving Funds	66.468	AWP14-DWSA-MO6010276	<u>6,750</u>
Total U.S. Environmental Protection Agency			<u>6,750</u>
Total Schedule of Expenditures of Federal Awards			<u><u>\$ 818,482</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, 2014

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, 2014, the City did not pass through any federal funds.

The City of Festus, Missouri
Schedule of Findings and Questioned Costs
For the year ended September 30, 2014

Section 2 - Financial Statement Findings

2014-1 **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.

2014-2 **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, 2013.

Prior Year 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.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2014-1.

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.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2014-2.

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 Federal Award Findings and Questioned Costs

None