

**CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2010**

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JEFFERSON COUNTY, MISSOURI
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FINANCIAL SECTION



**Daniel Jones
& Associates**
CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Festus, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Festus, Missouri, (the City) as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Festus' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Festus, Missouri, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. As described in Note XVI, the City has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets*," as of and for the year ended September 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2011, on our consideration of the City of Festus' 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and required supplementary information on pages 3 through 13 and 47 through 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus' basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying 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 not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 29, 2011

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

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, 2010. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes and supplementary information that follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- The assets of the City, as reported by the Statement of Net Assets, exceeded its liabilities at the close of the most recent fiscal year by \$ 30,741,641 (net assets). Of this amount, \$ 12,415,237 (unrestricted net assets) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the 2010 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 7,383,611 an increase of \$ 523,001 in comparison with the prior year, after adjustments. 100 % of this total amount is available for spending at the government's discretion (unreserved fund balance). Of this amount the City tries to maintain a balance of \$1,000,000 for emergency purposes in the General Fund and \$1,000,000 in the City Transportation Tax Fund.
- As of the close of the 2010 fiscal year, the City of Festus' Proprietary Funds reported combined ending net assets of \$ 10,321,481, an increase of \$ 1,316,322 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 2,348,656 or 40% of total general fund expenditures.
- The City's total debt decreased by \$ 1,033,299 during the current fiscal year to a total of \$ 15,268,069. This includes the capital lease for the purchase and remodeling of the new Library building at 400 West Main Street.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

PROPRIETARY FUNDS

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

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Festus, Missouri, assets exceeded liabilities by \$ 30,741,640 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

City of Festus Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2010	2009	2010	2009	2010
Assets						
Current & Other Assets	\$13,576,253	\$14,155,234	\$11,281,138	\$11,267,357	\$24,857,391	\$25,422,591
Capital Assets, Net	13,710,498	14,918,066	8,924,595	9,618,316	22,635,093	24,536,382
Total Assets	27,286,751	29,073,300	20,205,733	20,885,673	47,492,484	49,958,973
Liabilities						
Long-Term Liabilities	5,635,638	5,292,365	10,665,730	9,975,704	16,301,368	15,268,069
Other Liabilities	3,113,748	3,360,775	534,844	588,488	3,648,592	3,949,263
Total Liabilities	8,749,386	8,653,140	11,200,574	10,530,929	19,949,960	19,217,332
Net Assets						
Invested in Capital Assets,						
Net of Related Debt	11,961,191	13,138,674	6,385,083	5,522,197	18,346,274	18,660,871
Restricted	(488,316)	(460,475)	126,803	126,008	(361,513)	(334,467)
Unrestricted	7,064,490	7,741,961	2,493,273	4,673,276	9,557,763	12,415,237
Total Net Assets	\$18,537,365	\$20,420,160	\$ 9,005,159	\$10,321,481	\$27,542,524	\$30,741,641

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

An additional portion of the City's net assets (1.7 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$12,415,237 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2010, the City of Festus, Missouri is able to report positive balances in all but the restricted net assets for the governmental activities, which reflected a negative balance for the current year-end.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

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

City of Festus Statement of Activities	Government Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Revenues						
Program Revenues:						
Charges for Services	\$1,740,538	\$1,746,463	\$ 3,399,447	\$ 3,901,511	\$5,139,985	\$5,647,974
Operating Grants	307,748	288,705	-	-	307,748	288,705
Capital Grants & Contributions	-	800,281	119,262	952,325	119,262	1,752,606
General Revenues:						
Taxes	7,918,622	7,688,580	-	-	7,918,622	7,688,580
Licenses (taxes)	190,874	184,088	-	-	190,874	187,088
Investment Income	103,367	52,406	191,023	171,170	294,390	223,576
Gain/Loss, on disposal	(39,272)	(201)	-	-	(39,272)	(201)
Miscellaneous	433,929	114,863	8,132	8,195	442,061	123,058
Total Revenue	10,655,806	10,875,185	3,717,864	5,033,201	14,373,670	15,908,386
Expenses						
Administration	595,462	689,749	-	-	595,462	689,749
Court	154,639	132,782	-	-	154,639	132,782
Building Department	371,491	400,083	-	-	371,491	400,083
Police	2,154,683	2,263,170	-	-	2,154,683	2,263,170
Dispatch	447,698	492,885	-	-	447,698	492,885
Fire	357,637	389,387	-	-	357,637	389,387
Emergency Management	22,174	32,631	-	-	22,174	32,631
Street	1,554,464	1,813,298	-	-	1,554,464	1,813,298
Health	111,706	108,452	-	-	111,706	108,452
Library	930,862	322,286	-	-	930,862	322,286
Parks	557,576	561,611	-	-	557,576	561,611
Public Works	-	-	-	-	-	-
Non-Departmental	1,388,234	1,410,090	-	-	1,388,234	1,410,090
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	107,395	102,417	-	-	107,395	102,417
Airport	-	-	36,590	56,288	36,590	56,288
Water and Sewer	-	-	3,471,722	3,934,141	3,471,722	3,934,141
Total Expenses	8,754,021	8,718,841	3,508,312	3,990,429	12,262,333	12,709,270
Special Items:						
Transfers	(632,700)	(273,549)	632,700	273,549	-	-
Increase (decrease)	\$ 1,269,085	\$ 1,882,795	\$ 842,252	\$ 1,316,321	\$ 2,111,337	\$ 3,199,116

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

SIGNIFICANT CHANGES IN NET ASSETS

Governmental Activities:

Some of the changes noted are:

- Property taxes decreased by 7.6% or \$60,009 from the prior year. Taxes – other decreased 2.9% for the year for the Government Activities Funds. The sales tax collections net of reimbursements for all governmental funds, decreased \$ 325,291 or (5.9%). The utility gross receipts tax had an increase of \$ 226,570 or 29.5% compared to last year's receipts, the majority of this increase is due to the cell phone companies paying back and current taxes after a court settlement. The state gas tax increased slightly by 1.4% and the vehicle sales tax increased over 6% compared to last year. The City's business licenses decreased by 3.5% and building permits increased from last year by almost 10%.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City and to be used towards improvements to City parks. The City has collected \$ 74,218 for the fiscal year ending 2010 and \$ 93,050 for the fiscal year ending 2009. The City was able to use these funds during 2010 to install ADA-compliant wood chips at all our parks, sidewalks and pads at the West City Park ball fields, a new pavilion at West Cit Park, and to purchase playground equipment at Jokerst 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 2010, the unreserved fund balance of the general fund was \$ 2,348,656, while the total fund balance was \$ 2,521,520. As a measure of the general funds liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 39.6% of total general fund expenditures and transfers out of \$ 5,934,907, while total fund balance represents 42.5% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$ 47,966 or 1.9%, from the adjusted prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were up nearly \$100,000 over the previous year. This was due to the cell phone settlements releasing prior year's utility gross receipts taxes. This increase in revenues was offset by the increase in expenditures of approximately \$ 133,000. Also the transfers-in decreased by \$ 202,109, since the Capital Reserve fund transferred \$ 331,150 set aside for the fire truck into General Revenue in 2009.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures increased due to various reasons including a 3% pay increase, one street employee's wages and benefits transferred from City Transportation Tax to General Fund and during previous year did not have a City Administrator for over three months.

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

- The City Transportation Fund balance increased by \$ 237,002 or 9.5% from the prior-year. The expenditures decreased by (\$ 62,428), with a decrease in regular wages and benefits, since one street employee was transferred from City Transportation Fund to the General Fund, this was offset by hiring an engineering firm to do a 20-year plan for street maintenance and overseeing the 2010 street overlay project. There was a decrease in capital purchases of over \$ 120,000 primarily due to a purchase of heavy equipment during 2008-09 for \$210,615. At the end of September 30, 2010, the unreserved fund balance of \$2,733,603 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund decreased by \$ 1,357 or .59% from the prior year. At the end of September 30, 2010 the unreserved fund balance of \$228,080 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 \$ 831,306 available at September 30, 2010. Both revenues and expenditures increased due to 80% federally funded STP road project on N. Mill and N. 5th streets.

PROPRIETARY FUNDS

Business-type activities increased the City's net assets by \$ 1,316,320, which is an increase of more than 14.6% over the prior fiscal year. Key elements of this change are as follows:

- The City's Municipal Airport had a decrease in net assets of \$ 56,288 or (25.6%) from the prior year. The City's Municipal Airport is currently being operated under a management agreement with the Citizens for Airport Economic Expansion, Inc. who is a not-for-profit corporation formed for the express purpose of providing airport management services. An offer to purchase the airport was executed in 2011.
- The Water and Sewer Fund had an increase in net assets in the amount of \$ 1,372,608 or 15.6% from the prior year. The City water sales increased in the amount of \$ 191,711 or 8.2% from the prior year. The City sewer sales also increased in the amount of \$ 293,679 or 33.5%.
- The primary reason for the increase is that the rates for water sales increased 8% and the sewer rates increased by 34%. These rates were approved by Council after a through review of the rates needed was performed.

CAPITAL ASSETS

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2010 amounts to \$24,536,382 (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 8.4%, (an 8.8% increase for governmental activities and a 7.8% increase for business-type activities).

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

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

Governmental Activities:

- Construction in Progress increased predominately due to over a million dollars of the N. 5th and Mill street project, in addition there were also costs from the 2010 overlay project and new restrooms for West City Park.
- Buildings and Other Improvements had security doors installed at Police Department, remodeling at City Hall, new roof on part of Library building, new pavilion at West City Park and a new rest room at South Adams Park.
- Office equipment was purchased for various departments including a server, two outdoor bulletin boards, and two laptops for Administration; the Building Department got a new server and a new copier; and the Fire Department got 3 tough-book computers for their mobile equipment and one laptop for the Fire Chief.
- The additions to Automotive Equipment included the purchase of four new police cars and one new pickup truck for the Building Department. Also, two of the police cars were sold and the old Building Department truck was transferred to Water Department.
- Machinery and equipment acquired during the year included Fire Department 25 sets protective gear, paid for primarily with a federal grant and a gear rack to store it on. The Police Department acquired cameras, light bars, radar units, radios and tasers. The Street Department acquired two V-box spreaders and parts for the street sweeper. The Parks Department purchased playground equipment for the South Mill Street Park; a 4-wheel drive tractor; a rotary cutter; and two scoreboards for the ball fields.
- Additions to infrastructure included street overlays totaling \$ 104,358 and storm water projects totaling \$29,628. The major 2010 overlay project was not completed until after the fiscal year ended and costs incurred are in construction in progress. Other amounts added to infrastructure include sidewalks totaling \$61,352 and a street donated to the City from Virginia Meadows subdivision valued at \$80,000.
- The main addition to Land Improvements was the ADA-compliant wood carpet at all the parks and concrete pads and sidewalks at the West City Park baseball complex.

Business-Type Activities:

- During the year there was \$ 89,161 spent on lining various 8" sewer lines in the City.
- The City accepted Virginia Meadows subdivision water and sewer lines valued at \$85,000 and \$75,000, respectively. The City also accepted Truman Village subdivision water and sewer lines valued at \$248,922.50 and \$262,233.75 and their lift station valued at \$153,243.30.
- We upgraded the water system by installing a 12" water main to Hwy CC for a cost of \$ 76,405.
- Construction in progress included the start of replacing a water main on Gamel Cemetery road for \$46,331; investment in the sewer meter project for \$38,404 and the beginning of the bubbler project for \$9,293.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2009	2010	2009	2010	2009	2010
Land	\$ 1,472,936	\$ 1,472,936	\$ 242,549	\$ 242,549	\$ 1,715,485	\$ 1,715,485
Construction in Progress	273,201	1,590,467	24,376	115,739	297,577	1,706,206
Systems and Improvements			7,519,257	8,119,251	7,519,257	8,119,251
Buildings and Other Improvements	3,772,481	3,710,428	195,727	177,901	3,968,208	3,888,329
Office Equipment	107,517	117,259	2,697	900	110,214	118,159
Automotive Equipment	1,083,486	896,767	251,281	196,364	1,334,767	1,093,131
Machinery and Equipment	499,517	531,894	634,641	704,461	1,134,158	1,236,355
Furniture and Fixtures			485	243	485	243
Computer Equipment			1,481	14,578	1,481	14,578
Infrastructure	4,067,915	4,124,690			4,067,915	4,124,690
Land Improvements	2,433,445	2,473,626	52,101	46,331	2,485,546	2,519,957
Capital Assets, Net	\$ 13,710,498	\$ 14,918,067	\$ 8,924,595	\$ 9,618,317	\$ 22,635,093	\$ 24,536,384

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2010 the City had outstanding long-term debt obligations for governmental activities in the amount of \$5,292,365 compared to \$5,635,638 in 2009. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$476,456 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 13 years. Capital lease obligations outstanding totaled \$1,736,701, which include a capital lease for computers, a capital lease for the library project, and a lease for a fire truck. The Certificate of Participation was issued to purchase the fire-training center. 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 the Note IV - Long Term Debt for further clarification of the agreements).

Business-type Activities:

At the end of September 30, 2010, the City had outstanding long-term debt obligations for business-type activities in the amount of \$9,975,704 compared to \$10,665,730 in 2009. The Neighborhood Improvement District (NID) Bonds totaling \$183,552 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 \$904,802 is due in annual installments through 2025. The revenue bonds consist of various series and installments, which are due through July 2023. The notes payable includes the SRF-2001C and SRF-2002B. . (See the Note IV - Long Term Debt for further clarification of the agreements).

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2009	2010	2009	2010	2009	2010
Capital Leases	\$1,855,077	\$1,736,701	\$ -	\$ -	\$ 1,855,077	\$ 1,736,701
Revenue Bonds			6,989,923	6,487,210	6,989,923	6,487,210
NID	505,331	476,456	194,677	183,552	700,008	660,008
Certificates of Participation	119,282	80,000	944,133	904,802	1,063,415	984,802
Notes Payable	3,155,948	2,999,208	2,536,997	2,400,140	5,692,945	5,399,348
Total	\$5,635,638	\$5,292,365	\$10,665,730	\$ 9,975,704	\$ 16,301,368	\$ 15,268,069

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 \$ 129,007 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Utility Gross Receipts, 911 Tax, and Court Fines and all had revenues higher than budget. Whereas, even though conservatism was used the Sales Tax, Additional Motor Fees, Building Permits, and Investment Income were all under amounts budgeted. The variance in service charges was due to the actual number of trash customers being less than the number used for the budget.
- Under administration, postage and printing were under budget since the original budget included the mailing and printing of four 6-page newsletters. The ordinance codification was under budget since the City is doing full re-codification then the regular re-codification was not done. The department was under budget in total by \$20,702.
- Since the court staff chose to take comp time rather than overtime, the overtime paid was under budget. This also caused benefits to be under budget. The maintenance expenses and contracts were also under the amounts budgeted, this was due in part to new computers and that the MULES program was no longer used in the court. The court was \$ 20,845, under budget for the year.
- The building department also used comp time rather than paid overtime, so their wages and benefits were under budget. Also monies budgeted for legal fees and engineering fees were not needed. The vehicle maintenance costs dropped since newer vehicles were being used. The building department was \$ 15,612 under budget.
- The police department was under budget by \$42,327, which included over \$27,350 in savings in wages and overtime and nearly \$9,550 under budget in benefits, the savings can be attributed to reducing secretarial staff and not replacing a retiree and other officers immediately after leaving.
- Dispatch was 3% under on personal services, due in part to turn over in personnel and in receiving comp time rather than paid overtime.
- The fire department volunteer firefighters were 9% under budget and the vehicle and maintenance expenses were \$14,328 or 45% under budget due mainly to only spending 48% of their heavy equipment maintenance line, plus only 47% of the Light Equipment maintenance line and 83% of the gas budget. Also the \$16,000 budgeted for radios and base station were not spent at this time.
- The Emergency Management budget was under by 31% or \$7,124, primarily due to not needing to spend monies on the Citizen Corp or to replenish the emergency supplies.
- The street department utilized only 96% of personal services and 94% of benefits for an overall amount under budget of \$23,331.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2010
(UNAUDITED)

- The non-departmental budget for trash collections was under budget by over \$27,000, the corresponding revenue was under budget by \$18,142. Also the \$15,000 budgeted for the fountain and welcome sign at Lee and A Hwy was not spent.

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 \$ 64,839 less than what was budgeted and the investment income coming in \$10,353 less than budget.
- Expenditures for the City's Transportation Tax Fund were \$139,072 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 gas, which was \$13,453 under budget, material and supply, which was \$130,761 under budget and special expenses, which were \$51,922 under budget.
- The County Transportation Tax Fund showed grant revenue under budget by \$98,378, which was a result of the street projects that weren't completed during the budget year. Capital Outlay expenditures in this fund were only under budget by \$1,357, since the budget was amended to adjust for projects not completed when first budgeted.

Variances noted in non-major governmental funds, include:

- Property taxes in all funds were over what was projected, due to a higher collection rate of delinquent taxes.
- The Park Fund showed operating expenses under budget by \$25,450, which resulted from gas and vehicle maintenance being expended at 76% of budget and special expenses at 82% of budget.

SUBSEQUENT EVENT

On February 23, 2011, the existing airport land and buildings were sold for \$2,250,000.

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.

BASIC FINANCIAL STATEMENTS

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2010

	Primary Government			Componet Unit
	Governmental Activities	Business Type Activities	Total	Festus Public Library Foundation
ASSETS				
Cash and cash equivalents	3,193,314	1,184,486	4,377,800	1,331
Investments	3,692,251	1,145,412	4,837,663	-
Restricted cash	48,210	293,230	341,440	829
Restricted investments	15,109	3,406,987	3,422,096	10,751
Receivables (net of allowance for uncollectibles)				
Taxes	5,303,799	-	5,303,799	-
Special assessments	600,604	159,723	760,327	-
Service charges	-	463,345	463,345	-
Interest	6,716	38,493	45,209	-
Grants	-	1,620	1,620	-
Other	892,283	67,535	959,818	-
Court	136,024	-	136,024	-
Prepaid items	239,448	50,095	289,543	-
Inventory	-	182,136	182,136	-
Investment in joint venture	-	4,151,714	4,151,714	-
Debt issue costs	27,476	122,581	150,057	-
Other Noncurrent Assets	-	-	-	-
Capital assets:				
Land and construction in progress	3,063,402	358,287	3,421,689	-
Other capital assets, net of accumulated depreciation	11,854,664	9,260,029	21,114,693	-
Total Assets	<u>29,073,300</u>	<u>20,885,673</u>	<u>49,958,973</u>	<u>12,911</u>
LIABILITIES				
Checks written in excess of cash balance	332,463	33,264	365,727	-
Accounts payable	766,763	132,848	899,611	-
Accrued payroll	318,053	64,805	382,858	-
Accrued payroll liabilities - other	42,336	10,249	52,585	-
Accrued interest	3,101	87,857	90,958	-
Deposits payable	-	259,465	259,465	-
Fund held for others	46,812	-	46,812	-
Unearned revenue	1,651,313	-	1,651,313	-
Other liabilities	199,934	-	199,934	-
Noncurrent liabilities:				
Due Within One Year	242,875	733,150	976,025	-
Due in More Than One Year	5,049,490	9,242,554	14,292,044	-
Total Liabilities	<u>8,653,140</u>	<u>10,564,192</u>	<u>19,217,332</u>	<u>-</u>
NET ASSETS				
Invested in capital assets, net of related debt	13,138,674	5,522,197	18,660,871	-
Restricted:				
Debt service funds	(460,475)	126,008	(334,467)	-
Sewer line extension	-	-	-	-
Other purposes	-	-	-	12,911
Unrestricted	<u>7,741,961</u>	<u>4,673,276</u>	<u>12,415,237</u>	<u>-</u>
Total Net Assets	<u><u>20,420,160</u></u>	<u><u>10,321,481</u></u>	<u><u>30,741,641</u></u>	<u><u>12,911</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Component Unit
					Governmental Activities	Business-Type Activities		Festus Public Library Foundation
PRIMARY GOVERNMENT:								
Governmental Activities:								
Administration	689,749	-	2,234	-	(687,515)	-	(687,515)	-
Court	132,782	561,749	-	-	428,967	-	428,967	-
Building Department	400,083	78,740	-	-	(321,343)	-	(321,343)	-
Police	2,263,170	2,685	60,813	-	(2,199,672)	-	(2,199,672)	-
Dispatch	492,885	72,756	-	-	(420,129)	-	(420,129)	-
Fire	389,387	14,250	-	-	(375,137)	-	(375,137)	-
Emergency Management	32,631	-	-	-	(32,631)	-	(32,631)	-
Street	1,813,298	-	-	-	(1,813,298)	-	(1,813,298)	-
Health	108,452	15,544	-	-	(92,908)	-	(92,908)	-
Library	322,286	66,218	23,482	-	(232,586)	-	(232,586)	-
Parks	561,611	50,685	2,055	-	(508,871)	-	(508,871)	-
Public Works	-	49,728	-	798,847	848,575	-	848,575	-
Nondepartmental	1,410,090	834,108	200,121	1,434	(374,427)	-	(374,427)	-
Economic development	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	102,417	-	-	-	(102,417)	-	(102,417)	-
Total Government Activities	8,718,841	1,746,463	288,705	800,281	(5,883,392)	-	(5,883,392)	-
Business-type Activities:								
Airport	56,288	-	-	-	-	(56,288)	(56,288)	-
Water and Sewer	3,934,140	3,901,511	-	952,325	-	919,696	919,696	-
Total Business-type Activities	3,990,428	3,901,511	-	952,325	-	863,408	863,408	-
Total Primary Government	12,709,269	5,647,974	288,705	1,752,606	(5,883,392)	863,408	(5,019,985)	-
COMPONENT UNITS:								
Component Unit - Festus Public Library Foundation	13,770	-	-	-	-	-	-	(13,770)
Total Component Units	13,770	-	-	-	-	-	-	(13,770)
General Revenues								
Taxes:								
Sales tax					5,390,541	-	5,390,541	-
Property tax					726,377	-	726,377	-
Taxes - other					1,571,663	-	1,571,663	-
Licenses (taxes)					184,088	-	184,088	-
Investment income					52,406	171,170	223,576	821
Gain/Loss on Disposal of Assets					(201)	-	(201)	-
Miscellaneous					114,864	8,195	123,059	2,007
Transfers (Net)					(273,549)	273,549	-	-
Total General Revenues					7,766,188	452,914	8,219,102	2,828
CHANGE IN NET ASSETS					1,882,795	1,316,322	3,199,117	(10,942)
NET ASSETS, BEGINNING					18,537,365	9,005,159	27,542,524	23,853
NET ASSETS, ENDING					20,420,160	10,321,481	30,741,641	12,911

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010

ASSETS	General Fund	City Transportation Tax	County Transportation Tax	NID Assesment	Other Governmental Funds	Total Governmental Fund
Cash and cash equivalents	663,228	1,095,979	851	21,520	1,411,736	3,193,314
Investments	1,114,858	1,501,286	-	-	1,076,107	3,692,251
Restricted cash	11,466	-	-	-	908	12,374
Restricted investments	15,109	-	-	-	-	15,109
Receivables (net of allowance for uncollectibles)						
Taxes	559,020	175,198	1,289,055	-	281,317	2,304,590
Special assessments	-	-	-	600,277	327	600,604
Interest	2,029	2,745	-	-	1,942	6,716
Other	204,699	1,795	658,222	-	27,567	892,283
Grants	-	-	-	-	-	-
Court	136,024	-	-	-	-	136,024
Prepaid items	172,864	39,196	-	-	27,388	239,448
Due from other funds	303,478	-	-	-	-	303,478
Total Assets	<u>3,182,775</u>	<u>2,816,199</u>	<u>1,948,128</u>	<u>621,797</u>	<u>2,827,292</u>	<u>11,396,191</u>
LIABILITIES						
Checks written in excess of cash balance	-	-	332,463	-	-	332,463
Accounts payable	121,074	20,990	554,642	-	70,057	766,763
Accrued payroll	150,364	17,493	1,520	-	21,587	190,964
Accrued payroll liabilities - other	32,486	4,655	117	-	5,078	42,336
Due to other funds	-	-	-	3,478	300,000	303,478
Fund held for others	46,022	790	-	-	-	46,812
Deferred revenue	185,064	731	831,306	600,277	33,935	1,651,313
Accrued interest	-	-	-	2,061	-	2,061
Other liabilities	126,245	37,937	-	-	35,752	199,934
Noncurrent liabilities:						
Due within one year	-	-	-	28,876	-	28,876
Due in more than one year	-	-	-	447,580	-	447,580
Total Liabilities	<u>661,255</u>	<u>82,596</u>	<u>1,720,048</u>	<u>1,082,272</u>	<u>466,409</u>	<u>4,012,580</u>
FUND BALANCE						
Reserved:						
Prepaid items	172,864	39,196	-	-	27,388	239,448
Encumbrances	-	-	-	-	-	-
Debt service fund	-	-	-	(460,475)	-	(460,475)
Unreserved:						
General fund	2,348,656	-	-	-	-	2,348,656
Special revenue fund	-	2,694,407	228,080	-	2,333,495	5,255,982
Total Fund Balances	<u>2,521,520</u>	<u>2,733,603</u>	<u>228,080</u>	<u>(460,475)</u>	<u>2,360,883</u>	<u>7,383,611</u>
Total Liabilities and Fund Balances	<u>3,182,775</u>	<u>2,816,199</u>	<u>1,948,128</u>	<u>621,797</u>	<u>2,827,292</u>	<u>11,396,191</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Total Fund Balances - Governmental Funds	7,383,611
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain current assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	35,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,918,066
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	27,476
The long-term debt group cash is not accounted for in the fund financial statements.	2,999,209
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 payables	(1,040)
Accrued compensated absences	(127,089)
Bonds and notes payable outstanding	<u>(4,815,909)</u>
Net Assets Of Governmental Activities	<u><u>20,420,160</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	City Transportation Tax	County Transportation Tax	NID Assesment	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	242,126	-	-	-	484,252	726,378
Taxes - other	3,693,792	1,090,161	751,788	-	1,426,461	6,962,202
Intergovernmental	-	-	-	-	7,703	7,703
Special assessments	-	-	-	49,728	-	49,728
Grant revenue	86,519	-	798,847	-	17,225	902,591
Licenses and permits	261,378	1,450	-	-	1,507	264,335
Fines and penalties	556,960	-	-	-	40,650	597,610
Investment income	15,355	19,647	129	360	16,911	52,402
Building lease payments	-	-	-	-	74,000	74,000
Other	90,003	85,314	150	-	156,102	331,569
Service charges	906,864	-	-	-	-	906,864
Total Revenues	5,852,997	1,196,572	1,550,914	50,088	2,224,811	10,875,382
EXPENDITURES						
Current:						
Administration	610,383	-	-	-	-	610,383
Court	133,541	-	-	-	-	133,541
Building Department	375,800	-	-	-	-	375,800
Police	2,147,039	-	-	-	8,733	2,155,772
Dispatch	477,893	-	-	-	-	477,893
Fire	209,231	-	-	-	-	209,231
Emergency management	15,281	-	-	-	-	15,281
Street	444,215	725,209	4,586	-	-	1,174,010
Health	-	-	-	-	98,234	98,234
Library	-	-	-	-	225,229	225,229
Parks	-	-	-	-	428,739	428,739
Public works	-	-	-	-	-	-
Nondepartmental	983,420	-	-	1,000	254,358	1,238,778
Economic development	-	-	-	-	-	-
Capital outlay	435,720	230,335	1,547,685	-	623,131	2,836,871
Debt service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	25,273	73,797	99,070
Total Expenditures	5,832,523	955,544	1,552,271	26,273	1,712,221	10,078,832
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	20,474	241,028	(1,357)	23,815	512,590	796,550
OTHER FINANCING SOURCES (USES)						
Lease purchase proceeds	-	-	-	-	-	-
Transfers in	129,876	-	-	4,026	387,137	521,039
Transfers out	(102,384)	(4,026)	-	-	(688,178)	(794,588)
Total Other Financing Sources (Uses)	27,492	(4,026)	-	4,026	(301,041)	(273,549)
NET CHANGE IN FUND BALANCE	47,966	237,002	(1,357)	27,841	211,549	523,001
FUND BALANCES (DEFICIT), OCTOBER 1	2,473,554	2,496,601	229,437	(488,316)	2,149,334	6,860,610
FUND BALANCES (DEFICIT), SEPTEMBER 30	2,521,520	2,733,603	228,080	(460,475)	2,360,883	7,383,611

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, 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, 2010

Net Change in Fund Balances - Governmental Funds		523,001
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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 (\$3,551,524) exceeded the depreciation (\$747,374) in the current period.</p>		
Depreciation Expense	(1,061,498)	
Capital Outlays	<u>2,836,871</u>	1,775,373
Gain/(Loss) on capital assets sold		(201)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		(405,426)
Transfers In from other funds		-
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and in the treatment of long-term debt and related items.</p>		
Amortization of 2005 COP Underwriter Discount	(575)	
Amortization of 2005 & 2008 COP Cost of Issuance	<u>(1,968)</u>	(2,543)
Payment of 2005 COP interest		(3,347)
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		(4,063)
		<hr/>
Change in Net Assets Of Governmental Activities		<u><u>1,882,795</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

ASSETS	Business-type Activities - Enterprise Funds		
	Airport	Water & Sewer	Totals
Current			
Cash and cash equivalents	-	1,184,486	1,184,486
Investments	-	1,145,412	1,145,412
Restricted Cash		293,230	293,230
Restricted Investments	-	3,406,987	3,406,987
Receivables (net of allowance for uncollectibles)			
Special Assessments	-	159,723	159,723
Service Charges	-	463,345	463,345
Interest	-	38,493	38,493
Grants	1,620	-	1,620
Other	1,109	66,426	67,535
Prepaid Items	1,202	48,893	50,095
Inventory	-	182,136	182,136
Total Current Assets	<u>3,931</u>	<u>6,989,131</u>	<u>6,993,062</u>
Noncurrent Assets			
Investments in joint venture	-	4,151,714	4,151,714
Debt Issue Costs	-	122,581	122,581
Non-depreciable capital assets:			
Land and Construction in Progress	48,490	309,797	358,287
Depreciable capital assets:			
Other capital assets, net of accumulated depreciation	146,231	9,113,798	9,260,029
Total Noncurrent Assets	<u>194,721</u>	<u>13,697,890</u>	<u>13,892,611</u>
Total Assets	<u>198,652</u>	<u>20,687,021</u>	<u>20,885,673</u>
LIABILITIES			
Current			
Checks written in excess of cash balance	33,264	-	33,264
Accounts payable	1,502	131,346	132,848
Payroll and compensated absences payable	-	64,805	64,805
Accrued payroll liabilities - other	-	10,249	10,249
Accrued interest	-	87,857	87,857
Revenue bonds payable and neighborhood improvement			
district bonds - current	-	591,125	591,125
Capital leases - current	-	-	-
Notes payable - current	-	142,025	142,025
Deposits payable	-	259,465	259,465
Due to other funds	-	-	-
Other liabilities	-	-	-
Total Current	<u>34,766</u>	<u>1,286,872</u>	<u>1,321,638</u>
Long Term			
Revenue bonds payable and neighborhood improvement			
district bonds, net of bond premiums & discounts	-	6,984,439	6,984,439
Capital leases	-	-	-
Notes payable	-	2,258,115	2,258,115
Total Long Term	<u>-</u>	<u>9,242,554</u>	<u>9,242,554</u>
Total Liabilities	<u>34,766</u>	<u>10,529,426</u>	<u>10,564,192</u>
NET ASSETS			
Net Assets Invested in Capital Assets, Net of Related Debt	194,721	5,327,476	5,522,197
Restricted for:			
Debt reserve funds	-	126,008	126,008
Sewer line extension	-	-	-
Unrestricted Net Asset	(30,835)	4,704,111	4,673,276
Total Net Assets	<u>163,886</u>	<u>10,157,595</u>	<u>10,321,481</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds		
	Airport	Water & Sewer	Totals
OPERATING REVENUES			
Water and Sewer Collections and Fees	-	3,887,083	3,887,083
Other	-	14,428	14,428
Total Operating Revenues	-	3,901,511	3,901,511
OPERATING EXPENSES			
Personnel services	-	988,700	988,700
Materials and supplies	-	175,889	175,889
Purchased water	-	1,244,650	1,244,650
Utilities and maintenance	2,972	201,617	204,589
Depreciation and amortization	18,964	573,209	592,173
Treatment plant	-	265,095	265,095
Other	34,352	124,904	159,256
Total Operating Expenses	56,288	3,574,064	3,630,352
OPERATING INCOME (LOSS)	(56,288)	327,447	271,159
NONOPERATING REVENUES (EXPENSES)			
Interest income	-	171,170	171,170
Miscellaneous income	-	8,195	8,195
Interest expense	-	(360,076)	(360,076)
Total Nonoperating Revenues (Expenses)	-	(180,711)	(180,711)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(56,288)	146,736	90,448
Capital contributions	-	952,325	952,325
Transfers in (out)	-	273,549	273,549
CHANGE IN NET ASSETS	(56,288)	1,372,610	1,316,322
NET ASSETS, OCTOBER 1	220,174	8,784,985	9,005,159
NET ASSETS, SEPTEMBER 30	163,886	10,157,595	10,321,481

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Business - type Activities -		
	Enterprise Funds		
	Airport	Water And Sewer	Totals
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash Flows from Operating Activities:			
Receipts from Customers	(446)	3,774,037	3,773,591
Payments to Suppliers	(5,092)	(2,020,017)	(2,025,109)
Payments to Employees	-	(978,720)	(978,720)
Other Receipts (Payments)	174	(141,389)	(141,215)
Net Cash Flows from Operating Activities	<u>(5,364)</u>	<u>633,911</u>	<u>628,547</u>
Cash Flows from Noncapital Financing Activities			
Grants and other contributions	-	952,325	952,325
Transfer in / (out)	-	273,549	273,549
Net Cash Used by Noncapital Financing Activities	<u>-</u>	<u>1,225,874</u>	<u>1,225,874</u>
Cash Flows from Capital and Related Financing Activities:			
Payments of long-term debt	-	(657,982)	(657,982)
Proceeds from notes payable	-	(40,000)	(40,000)
Interest on debt	-	(360,076)	(360,076)
Acquisition and construction of capital assets	-	(1,099,909)	(1,099,909)
Proceeds from sales of capital assets	-	-	-
Net Cash Used by Capital and Related Financing Activities:	<u>-</u>	<u>(2,157,967)</u>	<u>(2,157,967)</u>
Cash Flows from Investing Activities:			
Proceeds from sale of investments	-	2,776,615	2,776,615
Purchase of investments	-	(2,999,476)	(2,999,476)
Miscellaneous income	-	99,171	99,171
Interest on Investments	-	171,170	171,170
Net Cash Used by Investing Activities	<u>-</u>	<u>47,480</u>	<u>47,480</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(5,364)	(250,702)	(256,066)
CASH AND CASH EQUIVALENTS , OCTOBER 1	<u>5,364</u>	<u>1,728,418</u>	<u>1,733,782</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>-</u>	<u>1,477,716</u>	<u>1,477,716</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Cash flows from operating activities:			
Operating Profit (Loss)	(56,288)	335,642	279,354
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation Expense	18,964	405,584	424,548
Gain/(loss) on disposal	-	-	-
(Increase) decrease in:			
Accounts receivable	-	(112,393)	(112,393)
Prepaid items	(643)	(1,129)	(1,772)
Inventories	-	(14,564)	(14,564)
Other current assets	(272)	-	(272)
Increase (decrease) in:			
Checks written in excess of cash balance	33,264	-	33,264
Accounts payable	(389)	13,253	12,864
Accrued liabilities	-	7,517	7,517
Total Adjustments	<u>50,924</u>	<u>298,269</u>	<u>349,192</u>
Net cash provided by (used in) operating activities	<u>(5,364)</u>	<u>633,911</u>	<u>628,547</u>

The notes to the financial statements are an integral part of this statement.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. 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:

A. The Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

B. Government-wide and Fund Financial Statements

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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 government 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.

NID Fund – The NID Fund is a fund that controls all of the activities for NIDs within the city limits.

The City reports the following major proprietary fund:

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.

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Concluded)

resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

D. 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.

E. Cash, Cash Equivalents, and Investments

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Allowance for Uncollectable Accounts

Allowance for uncollectible accounts is as follows:

	<u>September 30, 2010</u>
Business-type Activities – Water and Sewer Enterprise Fund	\$ 65,768

G. 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”.

H. Inventory and Prepaid Items

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

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

I. 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.

J. 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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets (Concluded)

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

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

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

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

K. Compensated Absences

Vacation

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

	Total	Amounts Due Within One Year
Governmental Activities	\$ 97,605	\$ 97,605
Business Type Activities	17,925	17,925
	\$ 115,530	\$ 115,530

Sick Leave

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Concluded)

Comp Time

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

L. Deferred Revenue

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

M. Long-Term Obligations

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

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

N. Fund Equity

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

O. 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.

P. 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.

Q. 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.

R. 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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. CASH AND INVESTMENTS

At September 30, 2010, the City had deposits and investments as follows:

<u>Type</u>	<u>Maturities</u>	<u>2010 Cost</u>
Unrestricted Deposits :		
Petty Cash	N/A	\$ 1,944
Deposits	N/A	4,375,856
Total Unrestricted Deposits		<u>\$ 4,377,800</u>
Restricted Deposits :		
Escrow Account	N/A	\$ 908
Demand Deposits	N/A	122,728
Deposits	N/A	217,804
Total Restricted Deposits		<u>\$ 341,440</u>
Unrestricted Investments:		
Certificate of Deposit	12/3/10	\$ 600,000
Certificate of Deposit	1/6/11	122,324
Certificate of Deposit	1/7/11	1,519,149
Certificate of Deposit	1/31/11	651,146
Certificate of Deposit	2/28/11	729,153
Certificate of Deposit	3/8/11	234,501
Certificate of Deposit	7/10/11	478,895
Certificate of Deposit	7/24/11	502,495
Total Unrestricted Investments		<u>\$ 4,837,663</u>
Restricted Investments :		
Certificate of Deposit	1/6/11	\$ 80,112
Certificate of Deposit	1/31/11	29,006
Certificate of Deposit	3/8/11	25,144
Certificate of Deposit	3/15/11	15,109
Certificate of Deposit	7/10/11	29,660
Guaranteed Investment Contract	6/30/23	775,253
Guaranteed Investment Contract	6/30/23	5,873
Guaranteed Investment Contract	6/30/23	305,626
Guaranteed Investment Contract	6/30/23	15,548
Guaranteed Investment Contract	6/30/23	2,094,515
Guaranteed Investment Contract	6/30/23	46,250
Total Restricted Investments		<u>\$ 3,422,096</u>

Investments are recorded at cost, which approximates market.

Interest Rate Risk – The City’s investment policy minimizes the risk that the market value of securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in short-term securities. Investments in banker’s acceptance and commercial paper

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. CASH AND INVESTMENTS (Concluded)

shall mature and become payable not more than 180 days from the date of purchase. All other investments shall mature and become payable not more than five years from the date of purchase. The City's established investment policy has limited the City's investment portfolio to a weighted-average maturity that does not exceed three years.

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with Federal Deposit Insurance Corporation ("FDIC") insurance, are at least equal to the amount on deposit at all times. At September 30, 2010, the City's bank balances were underpledged in the amount of \$2,495.34.

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

III. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>For The Year Ended September 30, 2010</u>			
	<u>Balance</u> <u>September 30, 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30, 2010</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,472,936	\$ -	\$ -	\$ 1,472,936
Construction in process	273,201	1,512,181	(194,916)	1,590,466
Total Capital Assets Not Being Depreciated	<u>1,746,137</u>	<u>1,512,181</u>	<u>(194,916)</u>	<u>3,063,402</u>
Capital assets being depreciated:				
Buildings and other improvements	5,684,103	130,262	-	5,814,365
Office equipment	311,870	38,328	(36,469)	313,729
Automotive equipment	3,661,572	108,681	(59,049)	3,711,204
Machinery and equipment	1,764,577	196,661	(61,597)	1,899,641
Infrastructure	4,811,473	275,337	-	5,086,810
Land Improvements	<u>3,260,095</u>	<u>202,731</u>	<u>-</u>	<u>3,462,826</u>
Total Capital Assets Being Depreciated	\$ 19,493,690	\$ 952,000	\$ (157,115)	\$ 20,288,575

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

III. CAPITAL ASSETS (Continued)

	<u>For The Year Ended September 30, 2010</u>			Balance September 30, 2010
	Balance September 30, 2009	Additions	Reductions	
Less-Accumulated depreciation for:				
Buildings and other improvements	\$ 1,911,622	\$ 192,315	\$ -	\$ 2,103,937
Office equipment	204,353	28,385	(36,268)	196,470
Automotive equipment	2,578,086	295,399	(59,050)	2,814,435
Machinery and equipment	1,265,060	164,283	(61,596)	1,367,747
Infrastructure	743,558	218,564	-	962,122
Land Improvements	826,650	162,550	-	989,200
Total Accumulated Depreciation	<u>7,529,329</u>	<u>1,061,496</u>	<u>156,914</u>	<u>8,433,911</u>
Total Capital Assets Being Depreciated, Net	<u>11,964,361</u>	<u>(109,496)</u>	<u>(201)</u>	<u>11,854,664</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,710,498</u>	<u>\$ 1,402,685</u>	<u>\$ (195,117)</u>	<u>\$ 14,918,066</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 242,549	\$ -	\$ -	\$ 242,549
Construction in process	<u>24,376</u>	<u>321,010</u>	<u>(229,648)</u>	<u>115,738</u>
Total Capital Assets Not Being Depreciated	<u>266,925</u>	<u>321,010</u>	<u>(229,648)</u>	<u>358,287</u>
Capital assets being depreciated:				
Systems and improvements	10,360,531	836,723	-	11,197,254
Buildings and other improvements	827,329	-	-	827,329
Automotive equipment	581,265	-	-	581,265
Machinery and equipment	1,289,073	157,156	-	1,446,229
Furniture and fixtures	7,642	-	-	7,642
Computer equipment	<u>25,161</u>	<u>14,667</u>	<u>-</u>	<u>39,828</u>
Total Capital Assets Being Depreciated	<u>13,091,001</u>	<u>1,008,546</u>	<u>-</u>	<u>14,099,547</u>
Less-Accumulated depreciation for:				
Systems and improvements	2,789,173	242,499	-	3,031,672
Buildings and other improvements	631,602	17,824	-	649,426
Automotive equipment	329,984	54,918	-	384,902
Machinery and equipment	654,432	87,336	-	741,768
Furniture and fixtures	7,157	243	-	7,400
Computer equipment	<u>20,983</u>	<u>3,367</u>	<u>-</u>	<u>24,350</u>
Total Accumulated Depreciation	<u>4,433,331</u>	<u>406,187</u>	<u>-</u>	<u>4,839,518</u>
Total Capital Assets Being Depreciated, Net	<u>8,657,670</u>	<u>602,359</u>	<u>-</u>	<u>9,260,029</u>
Business-type Activities Capital Assets, Net	<u>\$ 8,924,595</u>	<u>\$ 923,369</u>	<u>\$ (229,648)</u>	<u>\$ 9,618,316</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

III. CAPITAL ASSETS (Concluded)

Depreciation expense was charged to functions/programs of the primary government as follows:

		<u>For The Year Ended September 30, 2010</u>
Governmental Activities:		
Administration	\$	61,771
Court		149
Building department		12,911
Police		93,505
Culture and dispatch		2,421
Fire		169,578
Street		474,850
Emergency Management		17,066
Non-Departmental		19,242
Health		6,138
Library		85,708
Parks		118,157
Vehicle		-
		<hr/>
Total Depreciation Expense – Governmental Activities	\$	<u>1,061,496</u>
Business-type activities:		
Airport	\$	18,964
Water and sewer		387,223
		<hr/>
Total Depreciation Expense – Business-type Activities	\$	<u>406,187</u>

IV. LONG-TERM DEBT

Long-term liability activity was as follows:

		<u>For The Year Ended September 30, 2010</u>				
	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010		Amounts Due Within One Year
Governmental activities:						
Capital leases (LTD Fund)	\$ 1,855,077	\$ 37,430	\$ (155,807)	\$ 1,736,700	\$	128,074
Neighborhood Improvement District bonds	505,331	-	(28,876)	476,455		28,876
Certificates of Participation (LTD Fund)	120,000	-	(40,000)	80,000		80,000
Less: Discount	(718)	574	-	(144)		-
Notes payable (LTD Fund)	3,155,948	-	(156,739)	2,999,209		-
						<hr/>
Total Governmental Activities Debt	\$ <u>5,635,638</u>	\$ <u>38,004</u>	\$ <u>(381,422)</u>	\$ <u>5,292,220</u>	\$	<u>236,950</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. LONG-TERM DEBT (Continued)

	<u>For The Year Ended September 30, 2010</u>				Amounts Due Within One Year
	Balance September 30, 2009	Additions	Reductions	Balance September 30, 2010	
Business-type activities:					
Revenue bonds (Water Fund)	\$ 7,025,000	\$ -	\$ (510,000)	\$ 6,515,000	\$ 540,000
Plus: Premium	164,304	-	(12,165)	152,139	-
Less: On Refunding	(199,381)	19,451	-	(179,930)	-
Neighborhood Improvement District Bonds	194,677	-	(11,124)	183,553	11,124
Certificates of Participation (Water Fund)	955,000	-	(40,000)	915,000	40,000
Less: Discount	(10,867)	669	-	(10,198)	-
Note payable (Water Fund)	<u>2,536,997</u>	<u>-</u>	<u>(136,857)</u>	<u>2,400,140</u>	<u>142,025</u>
Total Business-type Activities Debt	<u>\$ 10,665,730</u>	<u>\$ 20,120</u>	<u>\$ (710,146)</u>	<u>\$ 9,975,704</u>	<u>\$ 733,149</u>

Capital Leases

September 30,
2010

Governmental Activities:

Capital lease \$1,600,000 for library project, due in monthly installments through July 1, 2028, interest payable at 4.85%.	\$ 1,491,251
Capital lease \$350,000 for 2008 fire truck, due in monthly installments through October 1, 2013, interest payable at 3.750%	217,808
Capital lease \$12,483 for 2010 voice recorder, due in annual installments through March 25, 2014, interest payable at 13.90%.	9,299
Capital lease \$24,947 for 2010 computer, due in monthly installments through October 15, 2012, interest payable at 4.380%	<u>18,342</u>
	<u>\$ 1,736,700</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

Business-type Activities:

There were no business-type capital leases for the year ended September 30, 2010.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Automobile equipment	\$ 312,420	\$ -
Building (Library Project)	1,542,657	
Voice Recorder	12,483	-
Computer	24,947	
Less – Payments/Reductions	(155,807)	-
Total	\$ 1,736,700	\$ -

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, 2010 are as follows:

For The Years Ending September 30,	Governmental Activities	Business-type Activities	Total
2011	\$ 207,636	\$ -	\$ 207,636
2012	214,042	-	214,042
2013	206,635	-	206,635
2014	134,683	-	134,683
2015	125,092	-	125,092
2016-2020	625,461	-	625,461
2021-2025	625,461	-	625,461
2026-2030	354,429	-	354,429
Total Minimum Lease Payments	2,493,439	-	2,493,439
Less – Amount representing interest	(756,739)	-	(756,739)
Present Value Of Future Minimum Lease Payments	\$ 1,736,700	\$ -	\$ 1,736,700

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. 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.

**September 30,
2010**

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%. \$ 476,455

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%. \$ 183,553

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

For The Years Ended September 30	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 28,876	\$ 24,083	\$ 52,959	\$ 11,124	\$ 9,277	\$ 20,401
2012	32,485	22,702	55,187	12,515	8,746	21,261
2013	32,486	21,200	53,686	12,515	8,167	20,682
2014	32,485	19,632	52,117	12,514	7,563	20,077
2015	36,095	17,925	54,020	13,905	6,905	20,810
2016-2020	209,351	58,802	268,153	80,649	22,653	103,302
2021-2022	104,677	5,909	110,586	40,331	2,276	42,607
	\$ <u>476,455</u>	\$ <u>170,253</u>	\$ <u>646,708</u>	\$ <u>183,553</u>	\$ <u>65,587</u>	\$ <u>249,140</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. LONG-TERM DEBT (Continued)

Certificates of Participation

The total amount of the Certificates of Participation, Series 2005, is \$1,300,000. This amount is split between the governmental activities and the business-type activities.

**September 30,
2010**

Governmental Activities:

\$230,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2010, interest payable at 3.4% to 3.9%. \$ 80,000

Business-type Activities

\$1,070,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2025, interest payable at 3.4% to 4.5%. \$ 915,000

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

For The Years Ended September 30	<u>Governmental Activities</u>			<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 80,000	\$ 1,560	\$ 81,560	\$ 40,000	\$ 38,267	\$ 78,267
2012	-	-	-	45,000	36,610	81,610
2013	-	-	-	45,000	34,855	79,855
2014	-	-	-	45,000	33,100	78,100
2015	-	-	-	50,000	31,185	81,185
2016-2020	-	-	-	270,000	123,537	393,537
202-2025	-	-	-	340,000	57,634	397,634
2026-2030	-	-	-	80,000	1,800	81,800
	<u>\$ 80,000</u>	<u>\$ 1,560</u>	<u>\$ 81,560</u>	<u>\$ 915,000</u>	<u>\$ 356,988</u>	<u>\$ 1,271,988</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. LONG-TERM DEBT (Continued)

September 30, 2010

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. \$ 1,331,116

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. \$ 1,668,093

\$ 2,999,209

September 30, 2010

Business-type Activities:

Revenue Bonds Payable

\$3,960,000 Revenue Bonds, Series 2003, due in annual installments through July 1, 2019, interest payable at 3.036%. \$ 2,055,000

\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%. 2,830,000

\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%. 1,630,000

\$ 6,515,000

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

IV. LONG-TERM DEBT (Concluded)

Notes Payable

State Revolving Fund (SRF) – 2001C, no interest	\$	305,626
State Revolving Fund (SRF) – 2002B, no interest		2,094,514
	\$	2,400,140

The debt maturity of the bonds, excluding amount maturing after September 30, 2010, which were remitted prior to the current fiscal year-end and the SRF note, are as follows:

<u>For The Years Ended September 30</u>	<u>Revenue Bonds</u>			<u>Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 540,000	\$ 296,190	\$ 836,190	\$ 142,025	\$ -	\$ 142,025
2012	550,000	275,362	825,362	147,139	-	147,139
2013	560,000	253,639	813,639	153,039	-	153,039
2014	580,000	230,897	810,897	155,072	-	155,072
2015	640,000	207,424	847,424	156,875	-	156,875
2016-2020	2,515,000	659,412	3,174,412	998,003	-	998,003
2021-2023	1,130,000	101,750	1,231,750	647,987	-	647,987
	\$ 6,515,000	\$ 2,024,674	\$ 8,539,674	\$ 2,400,140	\$ -	\$ 2,400,140

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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

V. EMPLOYEE RETIREMENT PLAN

1. 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 systems 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.

2. Funding Status

Full-time employees of the City of Festus do not contribute to the pension plan. The June 30th statutorily required contribution rates are 9.6% (General), 7.8% (Police) and 18.2% (Fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

3. 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	\$	345,648
Interest on net pension obligation		0
Adjustment to annual required contribution		0
Annual pension cost		345,648
Actual contributions		345,648
Increase (decrease) in NPO		0
NPO beginning of year		0
NPO end of year	\$	\$0

The annual required contribution (ARC) was determined as part of the February 28, 2007 and February 29, 2008 annual actuarial valuations using the entry age actuarial cost method. The actuarial assumptions as included (a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually, (b) projected salary increases of 4.0% 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 the RP-2000 Combined Healthy Table set back 0 years for men and 0 years for women and (e)

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

V. EMPLOYEE RETIREMENT PLAN (Continued)

post-retirement mortality based on the 1971 Group Annuity Mortality table for males projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period as of February 28, 2007 was 15 years for the General division, 15 years for the Police division and 27 years for the Fire division. The amortization period as of February 29, 2008 was 15 years for the General division, 15 years for the Police division and 26 years for the Fire division.

For The Years Ended June 30	Three-year Trend Information		
	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
2008	\$ 332,731	100%	\$0
2009	374,521	100%	0
2010	345,648	100%	0

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)
02/29/2008	\$ 6,851,702	\$ 7,467,025	\$ 615,323
02/28/2009	5,909,305	8,147,421	2,238,116
02/28/2010	6,131,872	8,327,195	2,195,323

Actuarial Valuation Date	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c
			UAL as a Percentage Of Covered Payroll
02/29/2008	92%	\$ 3,582,175	17%
02/28/2009	73%	3,809,759	59%
02/28/2010	74%	3,752,986	58%

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

VI. DUE FROM AND DUE TO OTHER FUNDS

There were no due from/due to other fund balances at September 30, 2010. Balances in the Library Fund of (\$300,000), NID Assessment Fund of (\$3,478) and General Fund of \$303,478 have been eliminated upon consolidation in the government-wide financial statements.

VII. INTERFUND TRANSFERS

Individual fund transfers are as follows:

<u>Fund</u>		<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities:	General Fund	\$ 129,876	\$ 102,384
	Nonmajor Funds- Capital Reserve	25,000	129,876
	Nonmajor Funds – Library	77,384	-
	Nonmajor Funds- Park	284,753	-
	Nonmajor Funds- Storm Water Tax	-	284,753
	Nonmajor Funds- Capital Improvement	-	273,549
	City Transportation	-	4,026
	NID Assessment	4,026	-
	Total Governmental Activities	<u>521,039</u>	<u>794,588</u>
Business Type Activities:	Proprietary Fund- Water & Sewer	273,549	-
		\$ 273,549	\$ -
	Total Transfers	<u>\$ 794,588</u>	<u>\$ 794,588</u>

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.

VIII. INSURANCE

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability, and worker's compensation coverages to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2011. 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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

VIII. INSURANCE (concluded)

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid an assessment totaling \$381,193 for MIRMA's fiscal year ended June 30, 2011. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

IX. 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.

X. FESTUS-CRYSTAL CITY SEWAGE TREATMENT COMMISSION

The City of Festus and the City of Crystal City, Missouri participate in the Festus-Crystal City Sewage Treatment Commission (the Commission) which was formed for the purpose of operating and maintaining a sewage treatment facility for the two cities. Both City Councils appoint two members to the Commission. The City of Festus is committed to pay monthly to the Commission an amount equal to 61 - 63% of the previous month's costs of operation and maintenance of the shared facility and repairs and replacements of equipment. City of Crystal City is committed to pay the remaining 37 - 39% of described costs. Complete financial statements of the Commission can be obtained directly from its administrative offices. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 61 - 63% ownership of the Commission. The City's interest in the joint venture at September 30, 2010 is \$4,151,714 and its share of the Commission's net loss before adding back depreciation assets financed by grants from other governments is \$167,625. For the year ended September 30, 2010, the City's cost for sewage treatment services provided by the Commission was \$326,484, which includes the City's share of operating expenses, capital, and reserve.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

X. FESTUS-CRYSTAL CITY SEWAGE TREATMENT COMMISSION (concluded)

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2010 were both \$32,290. Commission management stated that no long-term liabilities were outstanding at September 30, 2010. For the year ended September 30, 2010, total receipts and disbursements were \$257,540 and \$261,457, respectively, resulting in a net decrease in the Commission's equity of (\$3,917).

XI. CONCENTRATION

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

XII. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note V, 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, 2010, 7 retirees and 4 retirees' spouses participated in the City's insurance plans and paid premiums totaling \$31,487. COBRA premiums paid (not by City) totaled \$17,853.

XIII. SUBSEQUENT EVENTS

On February 23, 2011, the existing airport land and buildings were sold for \$2,250,000. The City will be receiving a STP grant for the American Legion Drive & South Mill Street Improvement Project in the amount of \$679,607. The City will also be receiving a STP-E grant for the Gannon Avenue Great Street Project in the amount of \$472,875.

XIV. JOINT VENTURE

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

XIV. JOINT VENTURE (concluded)

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 Sewerage 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.

XV. OPERATING LEASES

The City entered into a sixty month operating lease agreement with Neopost in August 2010. The total of the lease is \$14,220.60. Payments applied in fiscal year 2010 totaled \$948.04. Payments due for fiscal years 2011, 2012, 2013, 2014 and 2015 are \$2,844.12, \$2,844.12, \$2,844.12, \$2,844.12 and \$1,896.08.

XVI. ADOPTION OF NEW ACCOUNTING POLICY

The City has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, “*Accounting and Financial Reporting for Intangible Assets*”, for the year ended September 30, 2010. This objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to enhance the comparability of the accounting and financial reporting of such assets among state and local governments.

XVII. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides clearer fund balance classifications and is effective for periods beginning after June 15, 2010. GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, incorporates the hierarchy of GAAP into the GASB’s authoritative literature and is effective upon its issuance. GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance presented in the AICPA’s Statements on Auditing Standards. This Statement addresses related party transactions, going concern considerations and subsequent events and is effective upon its issuance. GASB Statement No. 59, *Financial Instruments Omnibus*, updates and improves existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools and is effective for periods beginning after June 15, 2010. Effects of the City’s financial statements as a result of the adoption of these new pronouncements are unknown.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUES	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Property taxes	227,553	227,553	242,126	14,573
Taxes - other	3,676,500	3,676,500	3,693,792	17,292
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	41,100	83,944	86,519	2,575
Licenses and permits	268,000	268,000	261,378	(6,622)
Fines and penalties	485,100	485,100	556,960	71,860
Investment income	25,000	25,000	15,355	(9,645)
Other	34,238	34,238	90,003	55,765
Service charges	923,655	923,655	906,864	(16,791)
Total Revenues	5,681,146	5,723,990	5,852,997	129,007
EXPENDITURES				
Current:				
Administration	592,445	631,085	610,383	(20,702)
Court	154,386	154,386	133,541	(20,845)
Building department	386,024	391,412	375,800	(15,612)
Police	2,178,366	2,189,366	2,147,039	(42,327)
Dispatch	495,297	495,297	477,893	(17,404)
Fire	246,812	250,412	209,231	(41,181)
Emergency management	22,455	22,455	15,281	(7,174)
Street	466,546	466,546	444,215	(22,331)
Nondepartmental	1,027,400	1,027,400	983,420	(43,980)
Capital outlay	399,332	465,834	435,720	(30,114)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	5,969,063	6,094,193	5,832,523	(261,670)
REVENUES OVER (UNDER) EXPENDITURES	(287,917)	(370,203)	20,474	390,677
OTHER FINANCING SOURCES				
Transfers in	148,700	148,700	129,876	(18,824)
Transfers out	(84,007)	(108,884)	(102,384)	6,500
Total Other Financing Sources (Uses)	64,693	39,816	27,492	(12,324)
NET CHANGE IN FUND BALANCE	(223,224)	(330,387)	47,966	378,353
FUND BALANCE, OCTOBER 1			2,473,554	
FUND BALANCE, SEPTEMBER 30			2,521,520	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes - Other	1,155,000	1,155,000	1,090,161	(64,839)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and Permits	1,500	1,500	1,450	(50)
Fines and penalties	-	-	-	-
Investment income	30,000	30,000	19,647	(10,353)
Other	1,500	1,500	85,314	83,814
Total Revenues	<u>1,188,000</u>	<u>1,188,000</u>	<u>1,196,572</u>	<u>8,572</u>
EXPENDITURES				
Current:				
Street	991,623	1,059,898	725,209	(334,689)
Capital outlay	34,718	34,718	230,335	195,617
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>1,026,341</u>	<u>1,094,616</u>	<u>955,544</u>	<u>(139,072)</u>
REVENUES OVER (UNDER) EXPENDITURES	161,659	93,384	241,028	147,644
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	(4,027)	(4,027)	(4,026)	1
Total Other Financing Sources (Uses)	<u>(4,027)</u>	<u>(4,027)</u>	<u>(4,026)</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>157,632</u>	<u>89,357</u>	237,002	<u>147,645</u>
FUND BALANCE, OCTOBER 1			2,496,601	
FUND BALANCE, SEPTEMBER 30			<u>2,733,603</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
REVENUES				
Taxes	525,000	525,000	751,788	226,788
Intergovernmental			-	-
Grant revenue	1,841,225	897,225	798,847	(98,378)
Fines and penalties	-	-	-	-
Investment income	500	500	129	(371)
Other	-	-	150	150
Total Revenues	<u>2,366,725</u>	<u>1,422,725</u>	<u>1,550,914</u>	<u>128,189</u>
EXPENDITURES				
Current:				
Street	-	-	4,586	4,586
Capital outlay	3,210,580	2,055,951	1,547,685	(508,266)
Total Expenditures	<u>3,210,580</u>	<u>2,055,951</u>	<u>1,552,271</u>	<u>(503,680)</u>
REVENUES OVER (UNDER) EXPENDITURES	(843,855)	(633,226)	(1,357)	631,869
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(843,855)</u>	<u>(633,226)</u>	(1,357)	<u>631,869</u>
FUND BALANCE, OCTOBER 1			229,437	
FUND BALANCE, SEPTEMBER 30			<u>228,080</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - NID ASSESSMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	49,937	49,937	49,728	(209)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	500	500	360	(140)
Other	-	-	-	-
Total Revenues	<u>50,437</u>	<u>50,437</u>	<u>50,088</u>	<u>(349)</u>
EXPENDITURES				
Current:				
Nondepartmental	1,250	1,250	1,000	(250)
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	25,382	25,382	25,273	(109)
Principal	28,876	28,876	-	(28,876)
Total Expenditures	<u>55,508</u>	<u>55,508</u>	<u>26,273</u>	<u>(29,235)</u>
REVENUES OVER (UNDER) EXPENDITURES	(5,071)	(5,071)	23,815	28,886
OTHER FINANCING SOURCES (USES)				
Transfers in	4,027	4,027	4,026	(1)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,027</u>	<u>4,027</u>	<u>4,026</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	<u>(1,044)</u>	<u>(1,044)</u>	27,841	<u>28,885</u>
FUND BALANCES, OCTOBER 1			(488,316)	
FUND BALANCES, SEPTEMBER 30			<u>(460,475)</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 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 NID Assessment fund and Library fund have a negative fund balance due to debt.

SUPPLEMENTARY INFORMATION

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS												
ASSETS	Health	Library	Park	Capital Reserve	Law Enforcement Training	Storm Water Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimbursement	Federal Forfeiture	Capital Improvement	Totals
Cash and cash equivalents	119,724	98,637	123,042	60,962	10,603	347,881	42,175	-	116,533	2,649	489,530	1,411,736
Investments	120,104	65,025	174,842	280,867	-	340,269	95,000	-	-	-	-	1,076,107
Restricted cash	-	-	-	-	-	908	-	-	-	-	-	908
Restricted investments	-	-	-	-	-	-	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles):												
Taxes	5,795	7,967	51,790	-	-	87,645	23,604	-	17,009	-	87,507	281,317
Special Assessments	327	-	-	-	-	-	-	-	-	-	-	327
Interest	227	166	267	469	-	665	148	-	-	-	-	1,942
Other	11,455	2,971	471	-	3,999	8,671	-	-	-	-	-	27,567
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid Items	2,959	11,668	12,515	-	-	246	-	-	-	-	-	27,388
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>260,591</u>	<u>186,434</u>	<u>362,927</u>	<u>342,298</u>	<u>14,602</u>	<u>786,285</u>	<u>160,927</u>	<u>-</u>	<u>133,542</u>	<u>2,649</u>	<u>577,037</u>	<u>2,827,292</u>
LIABILITIES												
Checks written in excess of cash balance	-	-	-	-	-	-	-	-	-	-	-	-
Accounts Payable	1,878	-	20,173	-	-	48,006	-	-	-	-	-	70,057
Accrued payroll	3,160	6,922	11,303	-	-	202	-	-	-	-	-	21,587
Accrued payroll liabilities - other	1,093	1,123	2,817	-	-	45	-	-	-	-	-	5,078
Due to other funds	-	300,000	-	-	-	-	-	-	-	-	-	300,000
Deferred revenue	5,375	17,391	8,169	-	-	3,000	-	-	-	-	-	33,935
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	1,070	-	-	17,341	-	-	-	-	17,341	35,752
Noncurrent liabilities:												
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-	-
Due in More Than one Year	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>11,506</u>	<u>325,436</u>	<u>43,532</u>	<u>-</u>	<u>-</u>	<u>68,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,341</u>	<u>466,409</u>
FUND BALANCE												
Reserved for:												
Prepaid items	2,959	11,668	12,515	-	-	246	-	-	-	-	-	27,388
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-
Unreserved:												
Special revenue funds	246,126	(150,670)	306,880	342,298	14,602	717,445	160,927	-	133,542	2,649	559,696	2,333,495
Total Fund Balance	<u>249,085</u>	<u>(139,002)</u>	<u>319,395</u>	<u>342,298</u>	<u>14,602</u>	<u>717,691</u>	<u>160,927</u>	<u>-</u>	<u>133,542</u>	<u>2,649</u>	<u>559,696</u>	<u>2,360,883</u>
Total Liabilities and Fund Balance	<u>260,591</u>	<u>186,434</u>	<u>362,927</u>	<u>342,298</u>	<u>14,602</u>	<u>786,285</u>	<u>160,927</u>	<u>-</u>	<u>133,542</u>	<u>2,649</u>	<u>577,037</u>	<u>2,827,292</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2010

SPECIAL REVENUE FUNDS												
REVENUE	Health	Library	Park	Capital Reserve	Law Enforcement Training	Storm Water Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimbursement	Federal Forfeiture	Capital Improvement	Totals
Property taxes	129,134	177,559	177,559	-	-	-	-	-	-	-	-	484,252
Taxes - other	-	-	-	-	-	569,506	74,218	-	213,141	-	569,596	1,426,461
Intergovernmental	-	-	-	-	7,703	-	-	-	-	-	-	7,703
Special Assessments	-	-	-	-	-	-	-	-	-	-	-	-
Grant Revenue	-	7,052	-	-	3,541	-	-	6,632	-	-	-	17,225
Licenses and permits	1,507	-	-	-	-	-	-	-	-	-	-	1,507
Fines and penalties	3,616	34,414	2,121	-	-	-	499	-	-	-	-	40,650
Investment income	1,473	916	2,393	4,776	13	4,661	1,901	-	77	5	696	16,911
Building Lease Payments	-	74,000	-	-	-	-	-	-	-	-	-	74,000
Other	10,579	56,395	86,537	-	127	-	-	-	-	2,464	-	156,102
Total Revenues	146,309	350,336	268,610	4,776	11,384	574,167	76,618	6,632	213,218	2,469	570,292	2,224,811
EXPENDITURES												
Current:												
Police	-	-	-	-	8,733	-	-	-	-	-	-	8,733
Health	98,234	-	-	-	-	-	-	-	-	-	-	98,234
Library	-	225,229	-	-	-	-	-	-	-	-	-	225,229
Parks	-	-	428,739	-	-	-	-	-	-	-	-	428,739
Street	-	-	-	-	-	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	-	45,959	-	-	208,399	-	-	254,358
Capital outlay	8,655	89,008	160,824	-	-	162,982	188,630	6,632	-	6,400	-	623,131
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	73,797	-	-	-	-	-	-	-	-	-	73,797
Total Expenditures	106,889	388,034	589,563	-	8,733	208,941	188,630	6,632	208,399	6,400	-	1,712,221
REVENUES OVER (UNDER) EXPENDITURES	39,420	(37,698)	(320,953)	4,776	2,651	365,226	(112,012)	-	4,819	(3,931)	570,292	512,590
OTHER FINANCING SOURCES (USES)												
Lease purchase proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	77,384	284,753	25,000	-	-	-	-	-	-	-	387,137
Transfers out	-	-	-	(129,876)	-	(284,753)	-	-	-	-	(273,549)	(688,178)
Total Other Financing Sources (Uses)	-	77,384	284,753	(104,876)	-	(284,753)	-	-	-	-	(273,549)	(301,041)
NET CHANGE IN FUND BALANCE	39,420	39,686	(36,200)	(100,100)	2,651	80,473	(112,012)	-	4,819	(3,931)	296,743	211,549
FUND BALANCE (DEFICIT) OCTOBER 1	209,665	(178,688)	355,595	442,398	11,951	637,218	272,939	-	128,723	6,580	262,953	2,149,334
FUND BALANCE, SEPTEMBER 30	249,085	(139,002)	319,395	342,298	14,602	717,691	160,927	-	133,542	2,649	559,696	2,360,883

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	121,761	121,761	129,134	7,373
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	1,507	1,507
Fines and penalties	1,900	1,900	3,616	1,716
Investment income	1,500	1,500	1,473	(27)
Other	2,000	2,000	10,579	8,579
Total Revenues	<u>127,161</u>	<u>127,161</u>	<u>146,309</u>	<u>19,148</u>
EXPENDITURES				
Current:				
Health	111,576	111,576	98,234	(13,342)
Capital expenditures	13,634	13,634	8,655	(4,979)
Total Expenditures	<u>125,210</u>	<u>125,210</u>	<u>106,889</u>	<u>(18,321)</u>
REVENUES OVER (UNDER) EXPENDITURES	1,951	1,951	39,420	37,469
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>1,951</u>	<u>1,951</u>	39,420	<u>37,469</u>
FUND BALANCE, OCTOBER 1			209,665	
FUND BALANCE, SEPTEMBER 30			<u>249,085</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	167,446	167,446	177,559	10,113
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant Revenue	12,813	12,813	7,052	(5,761)
Fines and penalties	27,000	27,000	34,414	7,414
Investment income	1,000	1,000	916	(84)
Building lease payments	72,000	72,000	74,000	2,000
Other	35,000	35,000	56,395	21,395
Total Revenues	<u>315,259</u>	<u>315,259</u>	<u>350,336</u>	<u>35,077</u>
EXPENDITURES				
Current:				
Library	235,172	260,049	225,229	(34,820)
Capital expenditures	23,800	23,800	89,008	65,208
Debt Service:				
Principal	51,407	51,407	-	(51,407)
Interest and fiscal charges	73,687	73,687	73,797	110
Total Expenditures	<u>384,066</u>	<u>408,943</u>	<u>388,034</u>	<u>(20,909)</u>
REVENUES OVER (UNDER) EXPENDITURES	(68,807)	(93,684)	(37,698)	55,986
OTHER FINANCING SOURCES (USES)				
Transfers in	93,684	93,684	77,384	(16,300)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>93,684</u>	<u>93,684</u>	<u>77,384</u>	<u>(16,300)</u>
NET CHANGE IN FUND BALANCE	<u>24,877</u>	<u>-</u>	39,686	<u>39,686</u>
FUND BALANCE, OCTOBER 1			(178,688)	
FUND BALANCE (DEFECIT), SEPTEMBER 30			<u>(139,002)</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARK SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	167,446	167,446	177,559	10,113
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Fines and penalties	1,000	1,000	2,121	1,121
Investment income	3,500	3,500	2,393	(1,107)
Other	43,075	43,075	86,537	43,462
Total Revenues	<u>215,021</u>	<u>215,021</u>	<u>268,610</u>	<u>53,589</u>
EXPENDITURES				
Current:				
Parks	521,341	521,341	428,739	(92,602)
Capital expenditures	93,672	93,672	160,824	67,152
Total Expenditures	<u>615,013</u>	<u>615,013</u>	<u>589,563</u>	<u>(25,450)</u>
REVENUES OVER (UNDER) EXPENDITURES	(399,992)	(399,992)	(320,953)	79,039
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	300,000	284,753	(15,247)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>300,000</u>	<u>300,000</u>	<u>284,753</u>	<u>(15,247)</u>
NET CHANGE IN FUND BALANCE	<u>(99,992)</u>	<u>(99,992)</u>	(36,200)	<u>63,792</u>
FUND BALANCE, OCTOBER 1			355,595	
FUND BALANCE, SEPTEMBER 30			<u>319,395</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL RESERVE SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	10,000	10,000	4,776	(5,224)
Other	-	-	-	-
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>4,776</u>	<u>(5,224)</u>
EXPENDITURES				
Capital expenditures	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	10,000	10,000	4,776	(5,224)
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Transfers out	(160,000)	(160,000)	(129,876)	30,124
Total Other Financing Sources (Uses)	<u>(135,000)</u>	<u>(135,000)</u>	<u>(104,876)</u>	<u>30,124</u>
NET CHANGE IN FUND BALANCE	<u>(125,000)</u>	<u>(125,000)</u>	(100,100)	<u>24,900</u>
FUND BALANCE, OCTOBER 1			442,398	
FUND BALANCE, SEPTEMBER 30			<u>342,298</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LAW ENFORCEMENT TRAINING SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	6,000	6,000	7,703	1,703
Special Assessments	-	-	-	-
Grant revenue	-	-	3,541	3,541
Fines and penalties	-	-	-	-
Investment income	-	-	13	13
Other	-	-	127	127
Total Revenues	<u>6,000</u>	<u>6,000</u>	<u>11,384</u>	<u>5,384</u>
EXPENDITURES				
Current:				
Police	9,000	9,000	8,733	(267)
Capital expenditures	-	-	-	-
Total Expenditures	<u>9,000</u>	<u>9,000</u>	<u>8,733</u>	<u>(267)</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,000)	(3,000)	2,651	5,651
OTHER FINANCING SOURCES (USES)				
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>	2,651	<u>5,651</u>
FUND BALANCE, OCTOBER 1			11,951	
FUND BALANCE, SEPTEMBER 30			<u>14,602</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STORM WATER SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	600,000	600,000	569,506	(30,494)
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	8,000	8,000	4,661	(3,339)
Other	-	-	-	-
Total Revenues	<u>608,000</u>	<u>608,000</u>	<u>574,167</u>	<u>(33,833)</u>
EXPENDITURES				
Current:				
Nondepartmental	135,944	152,414	45,959	(106,455)
Capital expenditures	344,878	214,800	162,982	(51,818)
Total Expenditures	<u>480,822</u>	<u>367,214</u>	<u>208,941</u>	<u>(158,273)</u>
REVENUES OVER (UNDER) EXPENDITURES	127,178	240,786	365,226	124,440
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(300,000)	(300,000)	(284,753)	15,247
Total Other Financing Sources (Uses)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(284,753)</u>	<u>15,247</u>
NET CHANGE IN FUND BALANCE	<u>(172,822)</u>	<u>(59,214)</u>	80,473	<u>139,687</u>
FUND BALANCE, OCTOBER 1			637,218	
FUND BALANCE, SEPTEMBER 30			<u><u>717,691</u></u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TOURISM TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	80,500	80,500	74,218	(6,282)
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	499	499
Investment income	3,500	3,500	1,901	(1,599)
Other	-	-	-	-
Total Revenues	<u>84,000</u>	<u>84,000</u>	<u>76,618</u>	<u>(7,382)</u>
EXPENDITURES				
Current:				
Nondepartmental	-	-	-	-
Capital expenditures	217,000	217,000	188,630	(28,370)
Total Expenditures	<u>217,000</u>	<u>217,000</u>	<u>188,630</u>	<u>(28,370)</u>
REVENUES OVER (UNDER) EXPENDITURES	(133,000)	(133,000)	(112,012)	20,988
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(133,000)</u>	<u>(133,000)</u>	(112,012)	<u>20,988</u>
FUND BALANCE, OCTOBER 1			272,939	
FUND BALANCE, SEPTEMBER 30			<u>160,927</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LOCAL LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	13,500	13,500	6,632	(6,868)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>13,500</u>	<u>13,500</u>	<u>6,632</u>	<u>(6,868)</u>
EXPENDITURES				
Current:				
Capital expenditures	15,000	15,000	6,632	(8,368)
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>6,632</u>	<u>(8,368)</u>
REVENUES OVER (UNDER) EXPENDITURES	(1,500)	(1,500)	-	1,500
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500	1,500	-	(1,500)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>(1,500)</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, OCTOBER 1			-	
FUND BALANCE, SEPTEMBER 30			<u>-</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SALES TAX REIMBURSEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	270,900	270,900	213,141	(57,759)
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	100	100	77	(23)
Other	-	-	-	-
Total Revenues	<u>271,000</u>	<u>271,000</u>	<u>213,218</u>	<u>(57,782)</u>
EXPENDITURES				
Current:				
Nondepartmental	271,000	271,000	208,399	(62,601)
Total Expenditures	<u>271,000</u>	<u>271,000</u>	<u>208,399</u>	<u>(62,601)</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	4,819	4,819
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>-</u>	4,819	4,819
FUND BALANCE, OCTOBER 1			128,723	
FUND BALANCE, SEPTEMBER 30			<u>133,542</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - FEDERAL FORFEITURE SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	3	5	2
Other	-	2,464	2,464	-
Total Revenues	-	2,467	2,469	2
EXPENDITURES				
Current:				
Police	6,579	6,579	-	(6,579)
Capital outlay	-	-	6,400	6,400
Debt service:				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	6,579	6,579	6,400	(179)
REVENUES OVER (UNDER) EXPENDITURES	(6,579)	(4,112)	(3,931)	181
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(6,579)	(4,112)	(3,931)	181
FUND BALANCE, OCTOBER 1			6,580	
FUND BALANCE, SEPTEMBER 30			2,649	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	600,000	600,000	569,596	(30,404)
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,000	1,000	696	(304)
Other	-	-	-	-
Total Revenues	<u>601,000</u>	<u>601,000</u>	<u>570,292</u>	<u>(30,708)</u>
EXPENDITURES				
Current:				
Police	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	601,000	601,000	570,292	(30,708)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(439,500)	(439,500)	(273,549)	165,951
Total Other Financing Sources (Uses)	<u>(439,500)</u>	<u>(439,500)</u>	<u>(273,549)</u>	<u>165,951</u>
NET CHANGE IN FUND BALANCE	<u>161,500</u>	<u>161,500</u>	296,743	<u>135,243</u>
FUND BALANCE, OCTOBER 1			262,953	
FUND BALANCE, SEPTEMBER 30			<u>559,696</u>	

FEDERAL COMPLIANCE SECTION



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

Honorable Mayor and
City Council
City of Festus, Missouri

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Festus, as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 29, 2011. Our report was qualified due to the City not implementing GASB 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2010-05

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 2010-01, 2010-02, 2010-04 and 2010-06.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Festus' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2010-03.

We noted certain matters that we reported to management of the City of Festus in a separate letter dated June 29, 2011.

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

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

Daniel Jones & Associates

DANIEL JONES & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 29, 2011



Daniel Jones & Associates

MEMBERS OF
MISSOURI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Honorable Mayor and
City Council
City of Festus, Missouri

Compliance

We have audited the City of Festus's ("City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Festus complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

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

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

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

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

Daniel Jones & Associates

Daniel Jones & Associates, P.C.
Certified Public Accountants

June 29, 2011

**CITY OF FESTUS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2010**

<u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U. S. Department of Justice			
<i>Direct Programs</i>			
Equitable Sharing of Seized and Forfeited Property	16.XXX	MO 0500300	6,400.00
<i>Passed through Missouri State Department of Public Safety</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0613	705.00
ARRA - Memorial Justice Assistance Grant (JAG) Program Grants to Units of Local Government	16.804	2009-SB-B9-0859	5,927.00
			<u>6,632.00</u>
Total U.S. Department of Justice			13,032.00
U. S. Department of Transportation			
<i>Passed through Missouri State Department of Public Safety</i>			
State and Community Highway Safety Grant	20.600	10-PT-02-54	11,961.14
<i>Passed through Central Missouri State University</i>			
Alcohol Impaired Driving Countermeasures Incentive Grant	20.601	N/A	3,570.62
<i>Passed through Missouri State Department of Public Safety</i>			
Alcohol Open Container Requirement	20.607	10-154-AL-22	19,412.82
<i>Passed through Missouri State Department of Department of Transportation</i>			
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	STP Project	34,392.05
	20.205	STP-2600(607)	15,706.47
	20.205	STP-2600(603)	137,864.64
	20.205	STP-2600(606)	1,013,671.65
			<u>1,201,634.81</u>
Total U.S. Department of Transportation			1,236,579.39
U.S. Department of Homeland Security			
<i>Direct Programs</i>			
Assistance to Firefighters Grant	97.044	EMW-2009-FO-09100	33,520.00
Total U.S. Department of Homeland Security			<u>33,520.00</u>
Total Schedule of Expenditures of Federal Awards			<u><u>1,283,131.39</u></u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

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 of Festus.

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 I 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

The City provided no federal awards to subrecipients during the year ended September 30, 2010.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF AUDITOR'S RESULTS

A. Financial Statements

1. Type of auditor's report issued: Qualified
2. Internal control over financial reporting:
 - a. Material Weakness(es) identified? Yes No
 - b. Significant Deficiencies identified? Yes None Reported
3. Noncompliance material to financial statements noted? Yes No

B. Federal Awards

- I. Internal control over major programs:
 - a. Material Weakness(es) identified? Yes No
 - b. Significant Deficiencies identified? Yes None Reported
2. Type of auditor's report issued on compliance for major programs: unqualified
3. Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? Yes No

4. Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster

5. Dollar threshold used to distinguish between type A and type B programs: \$ 300,000
6. Auditee qualified as low-risk auditee? Yes No

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. FINANCIAL STATEMENT FINDINGS

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

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

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

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

Cause: The City did not prepare the required documentation.

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

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

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

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

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

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

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

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

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. FINANCIAL STATEMENT FINDINGS (CONTINUED)

2010-04 Effect: Lack of supporting documentation for expenses increases the risk of paying for unusual and/or unauthorized items or amounts and possible miscoding of expenses.

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

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

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

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

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

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

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

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

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

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

II. FINANCIAL STATEMENT FINDINGS (CONCLUDED)

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

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

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

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

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

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

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

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS

2009-01 Criteria: Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters In An Audit*, which is effective for periods ending on or after December 15, 2006, considers inadequate documentation of the components of internal control to be at least a significant deficiency.

Cause: The City of Festus, Missouri did not prepare the required documentation.

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

Effect: The new SAS 112 considers inadequate documentation of the components of internal control to be at least a significant deficiency. Without documented internal controls, the City may not be able to ensure that controls are in place, communicated and operating effectively.

Recommendation: We recommend that the City develop the required internal control documentation. In addition, we recommend referring to the COSO internal control guidance and tools as a means to begin the process.

Management's Response: Management continues to recognize the importance of documenting the City's internal controls, however due to time constraints on personnel this past year and budgetary constraints to hire an outside firm, we have been unable to get the internal control documentation up to SAS 112 standards.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2010-01.

2009-02 Criteria: All cash and investments held by financial institutions must be secured through the Federal Deposit Insurance Corporation (FDIC) or securities pledged by the financial institution.

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

Condition: The City holds a bank account with a financial institution that was under collateralized by \$3,336.

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

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

Management's Response: The City has corrected this and this account now is collateralized. In the future, the City will review the bank documentation to make sure that all accounts have proper authorization.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. PRIOR YEAR FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2009-02 Status: The City has not implemented procedures to ensure balances are collateralized and therefore this finding is repeated in the current year at 2010-02.

2009-03 Criteria: Governmental Accounting Standards Board Statement No. 45, "*Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions,*" is effective for periods ending on or after December 15, 2008.

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

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

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: Prior management determined that with budgetary constraints the value of the actuarial valuation of the other post employment benefits did not warrant the cost. The City will go out for RFP for actuarial services and will re-evaluate the benefits versus the cost for next year.

Status: The City has not implemented procedures to obtain an actuarial valuation of its other post employment benefits therefore this finding is repeated in the current year at 2010-03.

II. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no audit findings related to internal control, compliance, questioned costs, or fraud that related to federal awards for the year ended September 30, 2009.