

**CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
SEPTEMBER 30, 2007**

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JEFFERSON COUNTY, MISSOURI
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Festus, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2007, 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.

Except as discussed in the following paragraph, 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 and represent 0.02 percent, 0.29 percent, and 0.94 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Foundation's financial statements been audited, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units for the City of Festus, Missouri, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2008 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 the 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 Supplemental Information on pages 3 through 12 and 44 through 45 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. This supplementary information 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
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

March 31, 2008

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(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, 2007. 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 \$ 22,772,590 (net assets). Of this amount, \$ 9,011,823 (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 2007 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$ 6,255,106 an increase of \$ 1,291,770 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.
- As of the close of the 2007 fiscal year, the City of Festus's Proprietary Funds reported combined ending net assets of \$ 7,525,930, a decrease of \$ 23,353 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$ 1,748,595 or 35% of total general fund expenditures.
- The City's total debt increased by \$ 240,112 during the current fiscal year to a total of \$ 16,913,530. This includes the capital lease for the 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
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (concluded)

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 sixteen 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, which is considered to be a major fund. 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
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(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 fourth 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 \$ 22,772,590 at the close of the most recent fiscal year.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)

City of Festus Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
<i>Assets</i>						
Current & Other Assets	\$13,731,966	\$12,251,575	\$11,635,866	\$11,965,058	\$25,367,832	\$24,216,633
Capital Assets, Net	9,712,039	7,129,159	8,525,233	8,897,672	18,237,272	16,026,831
Total Assets	23,444,005	19,380,734	20,161,099	20,862,730	43,605,104	40,243,464
<i>Liabilities</i>						
Long-Term Liabilities	4,826,673	4,071,781	12,081,510	12,601,629	16,908,183	16,673,410
Other Liabilities	3,370,672	3,555,337	553,659	701,021	3,924,331	4,256,358
Total Liabilities	8,197,345	7,627,118	12,635,169	13,302,650	20,832,514	20,929,768
<i>Net Assets</i>						
Invested in Capital Assets, Net of Related Debt	9,337,134	7,174,905	4,784,360	4,789,724	14,121,494	11,964,629
Restricted	(559,601)	(26,541)	198,874	191,084	(360,727)	164,543
Unrestricted	6,469,127	4,605,252	2,542,696	2,579,272	9,011,823	7,184,524
Total Net Assets	\$15,246,660	\$11,753,616	\$ 7,525,930	\$ 7,560,080	\$22,772,590	\$19,313,696

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 (1.6 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$9,011,823 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2007, 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Key elements of the changes in net assets are as follows:

City of Festus Statement of Activities	Government Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services	\$1,314,153	\$ 1,260,529	\$ 3,783,367	\$ 3,831,925	\$5,097,520	\$ 5,092,454
Operating Grants	199,070	117,209	21,485	29,094	220,555	146,303
Capital Grants & Contributions	891,904	1,063,555	28,170	611,792	920,074	1,675,347
General Revenues:						
Taxes	7,665,366	5,881,851	-	-	7,665,366	5,881,851
Licenses (taxes)	190,489	165,664	-	-	190,489	165,664
Investment Income	288,617	211,126	317,997	301,951	606,614	513,077
Joint Venture Loss, Net	-	-	(136,999)	(136,604)	(136,999)	(136,604)
Miscellaneous	95,265	56,288	7,956	5,102	103,221	61,390
Total Revenue	10,644,864	8,756,222	4,021,976	4,643,260	14,666,840	13,399,482
Expenses						
Administration	572,938	594,873	-	-	572,938	594,873
Court	139,136	162,645	-	-	139,136	162,645
Building Department	324,831	300,074	-	-	324,831	300,074
Police	2,060,880	2,085,510	-	-	2,060,880	2,085,510
Dispatch	394,256	416,320	-	-	394,256	416,320
Fire	288,757	304,569	-	-	288,757	304,569
Emergency Management	26,250	16,741	-	-	26,250	16,741
Street	1,380,671	485,739	-	-	1,380,671	485,739
Health	92,990	94,985	-	-	92,990	94,985
Library	216,981	200,613	-	-	216,981	200,613
Parks	489,313	489,134	-	-	489,313	489,134
Public Works	1,010	809,846	-	-	1,010	809,846
Non-Departmental	1,139,635	1,070,508	-	-	1,139,635	1,070,508
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	51,866	35,427	-	-	51,866	35,427
Airport	-	-	49,934	65,841	49,934	65,841
Water and Sewer	-	-	3,975,395	3,429,665	3,975,395	3,429,665
Total Expenses	7,179,514	7,066,984	4,025,329	3,495,506	11,204,843	10,562,490
Special Items:						
Transfers	20,000	-	(20,000)	-	-	-
Increase (decrease)	\$ 3,485,350	\$ 1,689,238	\$ (23,353)	\$ 1,147,754	\$ 3,461,997	\$ 2,836,992

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(UNAUDITED)

SIGNIFICANT CHANGES IN NET ASSETS

Governmental Activities:

Some of the highlights of these changes are:

- Taxes increased 30% for the year for the Government Activities Funds. The sales tax collections net of reimbursements increased by nearly \$1,740,776 or 43%, this was in part due to a new tax being passed for Capital Improvements, which generated \$304,477 in sales tax revenue during the year. The utility gross receipts tax had an increase of \$36,224 or almost 6 % compared to last year's receipts. The state gas tax increased by over 2% and the vehicle sales tax increased almost 36% compared to last year. The City's business licenses increased by almost 15% and building permits decreased from last year by over 10%.
- The City began the collection of a 2 percent tourism tax in fiscal year 2003 to promote tourism in the City and to be used towards improvements to City parks. The City has collected \$79,523 for the fiscal year ending 2007 and \$70,800 for the fiscal year ending 2006. The City was able to use the part of the funds during 2007 to restore the historical barn at West City Park and to construct a new pavilion.
- 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 2007, the unreserved fund balance of the general fund was \$ 1,748,595, while the total fund balance was \$ 1,914,073. 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 34% of total general fund expenditures and transfers out of \$5,168,001, while total fund balance represents 37% of total general fund expenditures and transfers out.

The fund balance of the City's general fund increased by \$118,346 or 6.6%, from the adjusted prior-year fund balance. The change of the current year's fund balances is due to:

- Sales tax revenue, merchant's licenses, utility gross receipts, and investment income all increased over 2006 revenues. Building permits decreased for the third year, reflecting a slow down in new construction in the City. Real Estate and Personal Property Tax increased slightly due to the increase in assessed valuation.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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(UNAUDITED)

GOVERNMENTAL FUNDS (concluded)

- General Fund expenditures increased due to various reasons including a 3% pay increase and an additional police officer added during the year. Also there was an increase in capital expenditures.

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

- The City Transportation Fund increased by \$442,225 or 26% from the prior-year. The expenditures increased by \$461,394, with a nearly \$20,000 increase in wages and benefits and over \$443,000 increase in capital outlay. At the end of September 30, 2007 the unreserved fund balance of \$2,122,179 is available for spending at the City's discretion.
- The County Transportation Fund increased by \$5,299 or 2.4% from the prior year. At the end of September 30, 2007 the unreserved fund balance of \$223,977 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There was deferred revenue in the amount of \$1,628,612 available at September 30, 2007.

PROPRIETARY FUNDS

Business-type activities decreased the City's net assets by \$23,353, which is a decrease of less than .5% 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 \$ 43,510 or (13%) 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.
- The Water and Sewer Fund had an increase in net assets in the amount of \$ 20,157 or .3% from the prior year. The City water sales increased in the amount of \$8,452 or .3% from the prior year. The City sewer sales increased in the amount of \$5,659 or .6%. Water taps had a decrease of \$59,611 or (60.5)% from the prior year. Sewer taps had a decrease of \$121,000 or (56.4)% from the prior year.

CAPITAL ASSETS

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2007 amounts to \$18,237,272 (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 14%, (a 36% increase for governmental activities and a (4)% decrease for business-type activities).

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

Governmental Activities:

- Land & building purchased to be renovated for new library for a purchase price of \$752,862.
- Received a donation of land to be used as a park (Lowe's Park) valued at \$34,942.
- There were streets donated to the City valued at \$646,350 and streets were overlaid at a cost of \$649,830.
- The roads at West City Park were resurfaced for \$218,356.
- The Police Department purchased 3 new police cars (2007 Ford Crown Victoria) at a price of \$21,480.50 each.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2007
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Governmental Activities (concluded)

- The Police Department also purchased a 2007 Ford Expedition for \$27,637.50.
- The Building Department purchased a 2003 Jeep Liberty for \$13,300.00.
- The Fire Department purchased a 2001 Ford F350 truck to convert to a brush truck for \$15,200.
- Machinery and equipment additions for the Fire Department includes rescue air bag \$8,536, vehicle stabilization kit \$5,360 and 5 sets of Securitex urban warrior packs \$6,438.
- The Fire Department replaced the firehouse roof for \$132,445.
- There were storm water projects totaling \$145,206 added to the fixed assets for the year.
- The Street Department acquired a new pickup with bucket lift for \$38,749.
- The public works building had an addition costing \$53,215 plus a new rooftop HVAC unit for \$8,934.
- The new kennel was completed at a cost of \$75,109, plus gates & fencing costing \$6,184 and a road \$10,433.
- The Parks Department purchased a dump truck for \$33,421.
- The Parks Department also completed a pavilion for \$18,428 and revamped the barn with Tourism funds.
- Dispatch acquired a 16 channel video recorder for \$3,054.
- The Police Department sold or traded six of their police vehicles, one for the Building Department.
- The Parks, Police and Fire Departments all disposed of trucks.
- The Parks Department disposed of a mower and the Street Department disposed of a sweeper.
- There were various computers, monitors, printers, scanners and copiers disposed of during the year.

Business-Type Activities:

- During the year there was \$99,001 spent on lining various 8" sewer lines in the City.
- The Ashford & Greenbrier lift stations were completed with costs of \$118,799 and \$120,177.
- An 8" water main extension on Holly Drive cost \$42,058.
- The Pounds Road water tank renovation cost \$63,978.
- There were dispositions of wastewater systems at Tanglewood and Ashford subdivisions.
- Well #5 had the pump house and equipment destroyed.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,414,168	\$ 1,117,983	\$ 237,549	\$ 237,549	\$ 1,651,717	\$ 1,355,532
Construction in Progress	503,455	265,680	45,539	227,285	548,994	492,965
Systems and Improvements			7,180,693	7,440,065	7,180,693	7,440,065
Buildings and Other Improvements	2,163,067	1,494,152	231,374	255,123	2,394,441	1,749,275
Office Equipment	50,154	59,497			50,154	59,497
Automotive Equipment	439,506	489,364	82,862	126,527	522,368	615,891
Machinery and Equipment	469,035	501,659	734,898	594,419	1,203,933	1,096,078
Furniture and Fixtures			2,159	2,996	2,159	2,996
Computer Equipment			10,159	13,708	10,159	13,708
Infrastructure	2,432,139	2,406,240			2,432,139	2,406,240
Land Improvements	2,240,515	794,584			2,240,515	794,584
Capital Assets, Net	\$ 9,712,039	\$ 7,129,159	\$ 8,525,233	\$ 8,897,672	\$ 18,237,272	\$ 16,026,831

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2007
(UNAUDITED)

LONG-TERM DEBT

Governmental Activities:

At the end of September 30, 2007, the City had outstanding long-term debt obligations for governmental activities in the amount of \$4,832,020 compared to \$4,071,789 in 2006. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$559,473 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 16 years. Capital lease obligations outstanding totaled \$817,895, which include a capital lease for a sewer cleaner, two capital leases for police vehicles and a capital lease for the new library project. 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, 2007, the City had outstanding long-term debt obligations for business-type activities in the amount of \$12,081,510 compared to \$12,601,629 in 2006. The capital lease obligation is the final year of the sewer cleaner totaling \$16,041. The Neighborhood Improvement District (NID) Bonds totaling \$215,535 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 \$1,022,794 is due in annual installments through 2025. The revenue bonds consist of various series and installments are due through July 2023. The notes payable includes the Pound Sewer Project payable through January 2009, the SRF-2001C and SRF-2002B. . (See the Note IV - Long Term Debt for further clarification of the agreements).

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Capital Leases	\$ 817,895	\$ 63,540	\$ 16,041	\$ 31,299	\$ 833,936	\$ 94,839
Revenue Bonds			7,970,352	8,348,066	7,970,352	8,348,066
NID	559,473	584,739	215,535	225,269	775,008	810,008
Certificates of Participation	193,131	227,556	1,022,794	1,057,127	1,215,925	1,284,683
Notes Payable	3,261,521	3,195,954	2,856,788	2,939,868	6,118,309	6,135,822
Total	\$4,832,020	\$4,071,789	\$12,081,510	\$12,601,629	\$ 16,913,530	\$ 16,673,418

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES

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

- General revenues showed an increase of \$339,371 over what was actually budgeted. Conservatism was used in designating a budget amount for Sales Tax, Utility Gross Receipts and Investment Income and all had revenues higher than budget. The variance in service charges was due to the actual number of trash customers being larger than the number used for the budget. Intergovernmental was under budget because the matching actual was posted to Grant revenue.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING SEPTEMBER 30, 2007
(UNAUDITED)

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (concluded)

- Under administration, legal fees were under budget by almost \$9,000. Office expenses were less than budget by \$10,762 and election expenses after refund to be \$3,290 under budget.
- Under court, personal services were less than budgeted by 15% due to legal fees actual expenditures coming in \$6,745 less than amount budgeted and salaries and overtime were \$9,781 less, partially due to there only being one person for part of the year. Employee benefits ended up over \$7,000 under budget. Office expenses were down by 7% of what was budgeted and special expenses were 10% less than budget.
- The police department was under budget by \$78,496, which included under-spending of benefits by 9% or \$36,129, office expenses were 8% less than budgeted, and special expenses coming in 5% under budget.
- Dispatch was 6% under on personal services and 14% under on benefits, due in part to turn over in personnel.
- The fire department volunteer firefighters were 6% under budget and the vehicle and travel expenses were only 78% of the amount budgeted and the material and supplies were over \$9,000 less than budgeted.
- The non-departmental budget for grass and weed cutting was under budget by almost \$7,000.

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 \$80,969 less than what was budgeted and the investment income coming in \$59,772 more than budget.
- Expenditures for the City's Transportation Tax Fund were \$302,932 under the amount budgeted. The primary categories for this were material and supply, which was \$90,833 under budget, personal services, which was \$29,197 under budget, vehicle maintenance and gasoline expenses, which was \$31,699 under budget and special expenses, which was \$25,226 under budget.
- The County Transportation Tax Fund showed intergovernmental revenue under budget by \$79,000, which was a result of grant revenue received for the Festus Bikeway System that was delayed in construction. Public Works expenditures in this fund were under budget by \$443,541, which was a result of the bridge project that did not get completed.

SUBSEQUENT EVENT

On March 26, 2008 the Council approved ordinances allowing for the renovation of a building to serve as a new public library, estimated cost is over \$1,500,000 and to allow for the sale of the existing library building.

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, 2007

	Primary Government			Componet Unit	Componet Unit
	Governmental Activities	Business Type Activities	Total	Festus Public Library Foundation	Jefferson County Water Authority
ASSETS					
Cash and cash equivalents	2,167,981	463,381	2,631,362	-	644,035
Investments	3,593,785	1,713,337	5,307,122	-	8,501,679
Restricted cash and investments	436,230	4,342,638	4,778,868	6,622	-
Receivables (net of allowance for uncollectibles)					
Taxes	6,073,805	-	6,073,805	-	-
Special assessments	763,610	193,353	956,963	-	-
Service charges	-	423,202	423,202	-	132,720
Interest	43,959	55,214	99,173	-	99,761
Grants	-	1,620	1,620	-	-
Other	293,892	56,787	350,679	-	-
Court	129,881	-	129,881	-	-
Prepaid items	227,411	58,713	286,124	-	62,469
Inventory	-	130,748	130,748	-	8,452
Investment in joint venture	-	4,043,076	4,043,076	-	3,775,260
Debt issue costs	1,412	153,797	155,209	-	292,989
Other Noncurrent Assets	-	-	-	-	-
Capital assets:					
Land and construction in progress	1,917,623	283,088	2,200,711	-	323,757
Other capital assets, net of accumulated depreciation	7,794,416	8,242,145	16,036,561	-	14,232,748
Total Assets	<u>23,444,005</u>	<u>20,161,099</u>	<u>43,605,104</u>	<u>6,622</u>	<u>28,073,870</u>
LIABILITIES					
Accounts payable	218,377	136,755	355,132	-	50,477
Accrued payroll	228,590	41,516	270,106	-	-
Accrued payroll liabilities - other	30,685	8,951	39,636	-	14,595
Accrued interest	4,716	105,066	109,782	-	223,832
Deposits payable	-	238,751	238,751	-	-
Fund held for others	5,022	-	5,022	-	-
Unearned revenue	2,631,827	-	2,631,827	-	-
Other liabilities	251,455	22,620	274,075	-	-
Noncurrent liabilities:					
Due Within One Year	153,327	724,567	877,894	-	707,972
Due in More Than One Year	4,673,346	11,356,943	16,030,289	-	24,849,430
Total Liabilities	<u>8,197,345</u>	<u>12,635,169</u>	<u>20,832,514</u>	<u>-</u>	<u>25,846,306</u>
NET ASSETS					
Invested in capital assets, net of related debt	9,337,134	4,784,360	14,121,494	-	2,227,564
Reserved for debt service funds	(559,601)	198,874	(360,727)	-	-
Reserved for sewer line extension	-	-	-	-	-
Restricted for other purposes	-	-	-	6,622	-
Unrestricted	6,469,127	2,542,696	9,011,823	-	-
Total Net Assets	<u>15,246,660</u>	<u>7,525,930</u>	<u>22,772,590</u>	<u>6,622</u>	<u>2,227,564</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, 2007

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			Component Unit	Component Unit
					Governmental Activities	Business-Type Activities	Total	Festus Public Library Foundation	Jefferson County Water Authority
PRIMARY GOVERNMENT:									
Governmental Activities:									
Administration	586,407	-	2,437	-	(583,970)	-	(583,970)	-	-
Court	143,177	281,142	-	-	137,965	-	137,965	-	-
Building Department	324,831	87,354	13,300	-	(224,177)	-	(224,177)	-	-
Police	2,076,301	2,680	94,440	-	(1,979,181)	-	(1,979,181)	-	-
Dispatch	397,226	47,394	3,054	-	(346,778)	-	(346,778)	-	-
Fire	292,305	15,600	169,136	-	(107,569)	-	(107,569)	-	-
Emergency Management	26,980	-	5,870	-	(21,110)	-	(21,110)	-	-
Street	2,297,948	-	-	-	(2,297,948)	-	(2,297,948)	-	-
Health	94,130	5,823	47,617	16,122	(24,568)	-	(24,568)	-	-
Library	233,538	80,661	602,752	-	449,875	-	449,875	-	-
Parks	471,025	56,929	162,537	-	(251,559)	-	(251,559)	-	-
Public Works	1,010	66,694	-	229,432	295,116	-	295,116	-	-
Nondepartmental	1,285,279	669,876	200,436	646,350	231,383	-	231,383	-	-
Economic development	-	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	51,866	-	-	-	(51,866)	-	(51,866)	-	-
Total Government Activities	8,282,023	1,314,153	1,301,579	891,904	(4,774,387)	-	(4,774,387)	-	-
Business-type Activities:									
Airport	49,934	600	21,485	2,388	-	(25,461)	(25,461)	-	-
Water and Sewer	3,975,395	3,782,767	-	25,782	-	(166,846)	(166,846)	-	-
Total Business-type Activities	4,025,329	3,783,367	21,485	28,170	-	(192,307)	(192,307)	-	-
Total Primary Government	12,307,352	5,097,520	1,323,064	920,074	(4,774,387)	(192,307)	(4,966,694)	-	-
COMPONENT UNITS:									
Component Unit - Festus Public Library Foundation	218,818	-	-	-	-	-	(218,818)	-	-
Component Unit -Jefferson County Water Authority	1,837,345	1,726,917	-	-	-	-	-	-	(110,428)
Total Component Units	2,056,163	1,726,917	-	-	-	-	(218,818)	-	(110,428)
General Revenues									
Taxes:									
Sales tax					5,800,913	-	5,800,913	-	-
Property tax					624,971	-	624,971	-	-
Taxes - other					1,239,482	-	1,239,482	-	-
Licenses (taxes)					190,489	-	190,489	-	-
Investment income					288,617	317,997	606,614	12,734	324,379
Joint venture loss, net					-	(136,999)	(136,999)	-	-
Miscellaneous					95,265	7,956	103,221	7,137	35,164
Transfers					20,000	(20,000)	-	-	-
Total General Revenues					8,259,737	168,954	8,428,691	19,871	359,543
CHANGE IN NET ASSETS									
					3,485,350	(23,353)	3,461,997	(198,947)	249,115
NET ASSETS, BEGINNING (AS RESTATED, SEE NOTE XII)									
					11,761,310	7,549,283	19,310,593	205,569	1,978,449
NET ASSETS, ENDING									
					15,246,660	7,525,930	22,772,590	6,622	2,227,564

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, 2007

ASSETS	General Fund	Other Governmental Funds	Total Governmental Fund
Cash and cash equivalents	526,145	1,641,836	2,167,981
Investments	856,140	2,737,645	3,593,785
Restricted cash and investments	5,022	43,056	48,078
Receivables (net of allowance for uncollectibles)			
Taxes	571,653	2,240,631	2,812,284
Special assessments	-	763,610	763,610
Interest	11,402	32,557	43,959
Other	147,602	146,290	293,892
Court	129,881	-	129,881
Prepaid items	165,478	61,933	227,411
Due from other funds	134,029	-	134,029
Total Assets	<u>2,547,352</u>	<u>7,667,558</u>	<u>10,214,910</u>
LIABILITIES			
Accounts payable	83,754	134,623	218,377
Accrued payroll	100,118	26,445	126,563
Accrued payroll liabilities - other	23,340	7,345	30,685
Due to other funds	-	134,029	134,029
Fund held for others	5,022	-	5,022
Deferred revenue	228,947	2,402,880	2,631,827
Accrued interest	-	2,373	2,373
Other liabilities	192,098	59,357	251,455
Noncurrent liabilities:			
Due within one year	-	25,267	25,267
Due in more than one year	-	534,206	534,206
Total Liabilities	<u>633,279</u>	<u>3,326,525</u>	<u>3,959,804</u>
FUND BALANCE			
Reserved:			
Prepaid items	165,478	61,933	227,411
Encumbrances	-	-	-
Debt service fund	-	(559,601)	(559,601)
Unrestricted:			
General fund	1,748,595	-	1,748,595
Special revenue fund	-	4,838,701	4,838,701
Total Fund Balances	<u>1,914,073</u>	<u>4,341,033</u>	<u>6,255,106</u>
 Total Liabilities and Fund Balances	 <u>2,547,352</u>	 <u>7,667,558</u>	 <u>10,214,910</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, 2007

Total Fund Balances - Governmental Funds	6,255,106
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.	388,152
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,712,039
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.	3,281
The long-term debt group cash is not accounted for in the fund financial statements.	3,261,521
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	(2,343)
Accrued compensated absences	(102,027)
Bonds and notes payable outstanding	(4,269,069)
	15,246,660
Net Assets Of Governmental Activities	15,246,660

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, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	210,188	420,376	630,564
Taxes - other	3,612,414	3,422,387	7,034,801
Intergovernmental	-	-	-
Special assessments	-	66,694	66,694
Grant revenue	31,111	237,742	268,853
Licenses and permits	275,793	-	275,793
Fines and penalties	280,068	-	280,068
Investment income	63,390	214,407	277,797
Building lease payments	-	38,739	38,739
Other	60,464	1,126,565	1,187,029
Service charges	717,269	-	717,269
Total Revenues	<u>5,250,697</u>	<u>5,526,910</u>	<u>10,777,607</u>
EXPENDITURES			
Current:			
Administration	509,545	-	509,545
Court	139,367	-	139,367
Building Department	317,267	-	317,267
Police	1,950,450	6,578	1,957,028
Dispatch	394,539	-	394,539
Fire	247,180	-	247,180
Emergency management	9,738	-	9,738
Street	223,537	824,860	1,048,397
Health	-	88,620	88,620
Library	-	195,259	195,259
Parks	-	411,829	411,829
Public works	-	-	-
Nondepartmental	838,078	288,355	1,126,433
Economic development	-	-	-
Capital outlay	347,785	2,638,541	2,986,326
Debt service:			
Principal	-	-	-
Interest and Fiscal Charges	-	44,638	44,638
Total Expenditures	<u>4,977,486</u>	<u>4,498,680</u>	<u>9,476,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	273,211	1,028,230	1,301,441
OTHER FINANCING SOURCES (USES)			
Lease purchase proceeds	-	8,844	8,844
Transfers in	35,650	479,352	515,002
Transfers out	(190,515)	(343,002)	(533,517)
Total Other Financing Sources (Uses)	<u>(154,865)</u>	<u>145,194</u>	<u>(9,671)</u>
NET CHANGE IN FUND BALANCE	118,346	1,173,424	1,291,770
FUND BALANCES (DEFICIT), OCTOBER 1	1,795,543	3,752,348	5,547,891
PRIOR PERIOD ADJUSTMENT (See Note XII)	184	(584,739)	(584,555)
RESTATED FUND BALANCES (DEFICIT), OCTOBER 1	<u>1,795,727</u>	<u>3,167,609</u>	<u>4,963,336</u>
FUND BALANCES, SEPTEMBER 30	<u><u>1,914,073</u></u>	<u><u>4,341,033</u></u>	<u><u>6,255,106</u></u>

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, 2007

Net Change in Fund Balances - Governmental Funds		1,291,770
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays over the capitalization threshold (\$1,129,393) exceeded the depreciation (\$617,041) in the current period.		
Depreciation Expense	(669,323)	
Capital Outlays	1,839,889	1,170,566
Gain/(Loss) on capital assets sold		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.		1,004,850
Transfers In from other funds		38,515
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and in the treatment of long-term debt and related items.		
Amortization of 2005 COP Underwriter Discount	(575)	
Amortization of 2005 COP Cost of Issuance	(435)	(1,010)
Payment of 2005 COP interest		(7,228)
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		(12,113)
		<hr style="border-top: 1px solid black;"/>
Change in Net Assets Of Governmental Activities		<u><u>3,485,350</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, 2007

ASSETS	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Water & Sewer	Totals	
Current				
Cash and cash equivalents	29,049	434,332	463,381	-
Investments	-	1,713,337	1,713,337	-
Restricted Cash and Investments	-	4,342,638	4,342,638	-
Receivables (net of allowance for uncollectibles)				
Special Assessments	-	193,353	193,353	-
Service Charges	-	423,202	423,202	-
Interest	-	55,214	55,214	-
Grants	1,620	-	1,620	-
Other	315	56,472	56,787	-
Prepaid Items	30	58,683	58,713	-
Inventory	-	130,748	130,748	-
Total Current Assets	<u>31,014</u>	<u>7,407,979</u>	<u>7,438,993</u>	-
Noncurrent Assets				
Investments in joint venture	-	4,043,076	4,043,076	-
Debt Issue Costs	-	153,797	153,797	-
Non-depreciable capital assets:				
Land	48,490	234,598	283,088	-
Depreciable capital assets:				
Other capital assets, net of accumulated depreciation	203,124	8,039,021	8,242,145	-
Total Noncurrent Assets	<u>251,614</u>	<u>12,470,492</u>	<u>12,722,106</u>	-
Total Assets	<u>282,628</u>	<u>19,878,471</u>	<u>20,161,099</u>	-
LIABILITIES				
Current				
Accounts payable	315	136,440	136,755	-
Payroll and compensated absences payable	-	41,516	41,516	-
Accrued payroll liabilities - other	-	8,951	8,951	-
Accrued interest	-	105,066	105,066	-
Revenue bonds payable and neighborhood improvement				
district bonds - current	-	539,734	539,734	-
Capital leases - current	-	16,041	16,041	-
Notes payable - current	-	168,792	168,792	-
Deposits payable	-	238,751	238,751	-
Due to other funds	-	-	-	-
Other liabilities	-	22,620	22,620	-
Total Current	<u>315</u>	<u>1,277,911</u>	<u>1,278,226</u>	-
Long Term				
Revenue bonds payable and neighborhood improvement				
district bonds, net of bond premiums & discounts	-	8,668,947	8,668,947	-
Capital leases	-	-	-	-
Notes payable	-	2,687,996	2,687,996	-
Total Long Term	<u>-</u>	<u>11,356,943</u>	<u>11,356,943</u>	-
Total Liabilities	<u>315</u>	<u>12,634,854</u>	<u>12,635,169</u>	-
NET ASSETS				
Net Assets Invested in Capital Assets, Net of Related Debt	251,614	4,532,746	4,784,360	-
Reserved for debt reserve funds	-	198,874	198,874	-
Reserved for sewer line extension	-	-	-	-
Unrestricted Net Asset	30,699	2,511,997	2,542,696	-
Total Net Assets	<u>282,313</u>	<u>7,243,617</u>	<u>7,525,930</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, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Water & Sewer	Totals	
OPERATING REVENUES				
Fuel Sales	-	-	-	-
Hanger Rent	600	-	600	-
Water and Sewer Collections and Fees	-	3,639,244	3,639,244	-
Service Charges	-	-	-	-
Other	-	143,523	143,523	-
Total Operating Revenues	600	3,782,767	3,783,367	-
OPERATING EXPENSES				
Personnel services	-	1,047,601	1,047,601	-
Materials and supplies	-	189,477	189,477	-
Purchased water	-	1,124,200	1,124,200	-
Utilities and maintenance	-	287,432	287,432	-
Depreciation and amortization	25,328	359,887	385,215	-
Treatment plant	-	207,016	207,016	-
Fuel Costs	-	-	-	-
Feasibility study	23,872	-	23,872	-
Other	734	56,346	57,080	-
Total Operating Expenses	49,934	3,271,959	3,321,893	-
OPERATING INCOME (LOSS)	(49,334)	510,808	461,474	-
NONOPERATING REVENUES (EXPENSES)				
Interest income	1,951	316,046	317,997	-
Miscellaneous income	-	7,956	7,956	-
Interest expense	-	(416,844)	(416,844)	-
Gain/loss on disposal	-	(286,592)	(286,592)	-
Joint venture loss, net	-	(136,999)	(136,999)	-
Total Nonoperating Revenues (Expenses)	1,951	(516,433)	(514,482)	-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(47,383)	(5,625)	(53,008)	-
Capital contributions	2,388	25,782	28,170	-
Grant contributions	21,485	-	21,485	-
Transfers in (out)	(20,000)	-	(20,000)	-
CHANGE IN NET ASSETS	(43,510)	20,157	(23,353)	-
NET ASSETS, OCTOBER 1	325,823	7,234,257	7,560,080	184
PRIOR PERIOD ADJUSTMENT (See Note XII)	-	(10,797)	(10,797)	(184)
RESTATED NET ASSETS, OCTOBER 1	325,823	7,223,460	7,549,283	-
NET ASSETS, SEPTEMBER 30	282,313	7,243,617	7,525,930	-

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Business - type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Airport	Water And Sewer	Totals	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
Cash Flows from Operating Activities:				
Receipts from Customers	2,352	3,606,007	3,608,359	-
Payments to Suppliers	(28,998)	(1,932,116)	(1,961,114)	-
Payments to Employees	-	(1,045,680)	(1,045,680)	-
Other Receipts (Payments)	5,645	(393,238)	(387,593)	-
Net Cash Flows from Operating Activities	<u>(21,001)</u>	<u>234,973</u>	<u>213,972</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities				
Grants and other contributions	23,873	26,594	50,467	-
Transfer in / (out)	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>
Net Cash Used by Noncapital Financing Activities	3,873	26,594	30,467	-
Cash Flows from Capital and Related Financing Activities:				
Payments of long-term debt	-	(493,070)	(493,070)	-
Proceeds from notes payable	-	(35,000)	(35,000)	-
Interest on debt	-	(416,845)	(416,845)	-
Acquisition and construction of capital assets	-	279,182	279,182	-
Proceeds from sales of capital assets	-	(51,154)	(51,154)	-
Net Cash Used by Capital and Related Financing Activities:	<u>-</u>	<u>(716,887)</u>	<u>(716,887)</u>	<u>-</u>
Cash Flows from Investing Activities:				
Miscellaneous income	-	(16,041)	(16,041)	-
Interest on Investments	1,951	316,045	317,996	-
Net Cash Used by Investing Activities	<u>1,951</u>	<u>300,004</u>	<u>301,955</u>	<u>-</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(15,177)	(155,316)	(170,493)	-
CASH AND CASH EQUIVALENTS , OCTOBER 1	44,226	6,656,420	6,700,646	184
PRIOR PERIOD ADJUSTMENT (See Note XII)	-	(10,797)	(10,797)	(184)
RESTATED CASH AND CASH EQUIVALENTS, OCTOBER 1	<u>44,226</u>	<u>6,645,623</u>	<u>6,689,849</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30	<u>29,049</u>	<u>6,490,307</u>	<u>6,519,356</u>	<u>-</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Cash flows from operating activities:				
Operating Profit (Loss)	(49,334)	517,957	468,623	-
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation Expense	25,328	124,448	149,776	-
Gain/(loss) on disposal	-	(235,439)	(235,439)	-
(Increase) decrease in:				
Accounts receivable	450	28,207	28,657	-
Prepaid items	124	(13,816)	(13,692)	-
Inventories	-	(43,535)	(43,535)	-
Other current assets	6,947	-	6,947	-
Increase (decrease) in:				
Accounts payable	(4,516)	(113,053)	(117,569)	-
Accrued liabilities	-	(29,796)	(29,796)	-
Total Adjustments	<u>28,333</u>	<u>(282,984)</u>	<u>(254,651)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>(21,001)</u>	<u>234,973</u>	<u>213,972</u>	<u>-</u>

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Discretely Presented Component Units

The discretely presented component unit columns in the basic financial statements include the financial data of the City's other component units. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the City. The following entities are discretely presented in the basic financial statements as governmental fund types:

Jefferson County Water Authority – Three of the seven members of the component unit's governing body are members of the City of Festus administration or City Council. The component unit currently makes the debt service payments for one of the city's bond issues. This arrangement causes the City of Festus to have an economic interest in the component unit's financial well-being since failure to make the debt service payments by the component unit would impose a financial burden on the city. Separate financial statements are prepared for the Jefferson County Water Authority and may be obtained by contacting the City of Festus.

Festus Public Library Foundation, Inc. – The component unit's governing body is appointed by the City Council. 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 changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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 ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 fund:

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.

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.

Additionally, the City reports the following fund type:

Internal Service Fund – Internal Service Fund is used to account for services provided to other departments of the City by the Vehicle Maintenance Fund. Charges for services are allocated to various City departments on a cost recovery basis.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Airport and Water and Sewer

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Enterprise Funds and of the City’s Internal Service Funds are charges for sales and services. Operating expenses for Enterprise Funds and Internal Service 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.

F. Allowance for Uncollectable Accounts

Allowance for uncollectible accounts is as follows:

	September 30, 2007
Business-type Activities – Water and Sewer Enterprise Fund	\$14,000

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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	\$ 102,027	\$ 102,027
Business Type Activities	15,440	15,440
	\$ 117,467	\$ 117,467

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.

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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

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.

II. CASH AND INVESTMENTS

At September 30, 2007, the City had deposits and investments as follows:

<u>Type</u>	<u>Maturities</u>	<u>2007 Cost</u>
Unrestricted Deposits :		
Petty Cash	N/A	\$ 1,944
Demand Deposits	N/A	2,629,418
Restricted Deposits :		
Bond Demand Deposits	N/A	513,950
Deposits	N/A	43,056
Total Deposits		<u>\$ 3,188,368</u>
Unrestricted Investment:		
Agency Note	11/19/2007	\$ 1,389,285
Agency Note	12/17/2007	883,397
Agency Note	12/28/2007	954,391
Agency Note	1/16/2008	694,342
Agency Bonds	2/1/2008	510,747
Agency Bonds	3/5/2008	874,960
Total Unrestricted Investments		<u>\$ 5,307,122</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

II. CASH AND INVESTMENTS (Concluded)

<u>Type</u>	<u>Maturities</u>	<u>2007 Cost</u>
Restricted Investments :		
Repurchase Agreement	7/1/2036	350,147
Agency Note	11/19/2007	72,705
Agency Note	12/17/2007	16,400
Agency Note	12/28/2007	45,500
Agency Bond	2/1/2008	29,000
Guaranteed Investment Contract	6/30/2023	29,167
Guaranteed Investment Contract	6/30/2023	10,934
Guaranteed Investment Contract	6/30/2023	875,253
Guaranteed Investment Contract	6/30/2023	9,004
Guaranteed Investment Contract	6/30/2023	308,444
Guaranteed Investment Contract	6/30/2023	2,475,308
Total Investments		\$ 4,221,862
Total Deposits and Investments		\$ <u>12,717,352</u>

Investments are recorded at cost, which approximates market.

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

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires depository financial institutions to pledge as collateral for public funds on deposit by governmental unit securities which, when combined with Federal Deposit Insurance Corporation (“FDIC”) insurance, are at least equal to the amount on deposit at all times. At September 30, 2007, the City’s deposits bank balance was insured or collateralized as follows:

At September 30, 2007, 100% of the City’s investments were guaranteed by the U.S. Government.

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.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

III. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>For The Year Ended September 30, 2007</u>			Balance September 30, 2007
	Balance September 30, 2006	Additions	Reductions	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,117,983	\$ 296,185	\$ -	\$ 1,414,168
Construction in process	265,680	312,884	(75,109)	503,455
Total Capital Assets Not Being Depreciated	<u>1,383,663</u>	<u>609,069</u>	<u>(75,109)</u>	<u>1,917,623</u>
Capital assets being depreciated:				
Buildings and other improvements	3,160,393	783,348	(1,000)	3,942,741
Office equipment	260,089	10,532	(21,958)	248,663
Automotive equipment	2,831,839	166,661	(125,850)	2,872,650
Machinery and equipment	1,437,577	123,341	(50,669)	1,510,249
Infrastructure	2,678,273	145,206	-	2,823,479
Land Improvements	1,279,442	1,535,568	(3,527)	2,811,483
Total Capital Assets Being Depreciated	<u>\$ 11,647,613</u>	<u>\$ 2,764,656</u>	<u>\$ (203,004)</u>	<u>\$ 14,209,265</u>
Less-Accumulated depreciation for:				
Buildings and other improvements	\$ 1,666,241	\$ 114,433	\$ (1,000)	\$ 1,779,674
Office equipment	200,592	19,875	(21,958)	198,509
Automotive equipment	2,342,475	216,519	(125,850)	2,433,144
Machinery and equipment	935,918	155,965	(50,669)	1,041,214
Infrastructure	272,033	119,307	-	391,340
Land Improvements	484,858	89,637	(3,527)	570,968
Total Accumulated Depreciation	<u>5,902,117</u>	<u>715,736</u>	<u>(203,004)</u>	<u>6,414,849</u>
Total Capital Assets Being Depreciated, Net	<u>5,745,496</u>	<u>2,048,920</u>	<u>-</u>	<u>7,794,416</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,129,159</u>	<u>\$ 2,657,989</u>	<u>\$ (75,109)</u>	<u>\$ 9,712,039</u>
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 237,549	\$ -	\$ -	\$ 237,549
Construction in process	227,285	57,230	(238,976)	45,539
Total Capital Assets Not Being Depreciated	<u>464,834</u>	<u>57,230</u>	<u>(238,976)</u>	<u>283,088</u>
Capital assets being depreciated:				
Systems and improvements	9,769,602	217,487	(455,527)	9,531,562

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

III. CAPITAL ASSETS (Continued)

	<u>For The Year Ended September 30, 2007</u>			Balance September 30, 2007
	Balance September 30, 2006	Additions	Reductions	
Buildings and other improvements	827,329	-	-	827,329
Automotive equipment	334,025	-	-	334,025
Machinery and equipment	1,065,887	245,030	(66,267)	1,244,650
Furniture and fixtures	7,642	-	-	7,642
Computer equipment	24,086	-	-	24,086
Total Capital Assets Being Depreciated	<u>12,028,571</u>	<u>462,517</u>	<u>(521,794)</u>	<u>11,969,294</u>
Less-Accumulated depreciation for:				
Systems and improvements	2,329,537	210,152	(188,820)	2,350,869
Buildings and other improvements	572,206	23,749	-	595,955
Automotive equipment	207,498	43,665	-	251,163
Machinery and equipment	471,468	84,903	(46,619)	509,752
Furniture and fixtures	4,646	837	-	5,483
Computer equipment	10,378	3,549	-	13,927
Total Accumulated Depreciation	<u>3,595,733</u>	<u>366,855</u>	<u>(235,439)</u>	<u>3,727,149</u>
Total Capital Assets Being Depreciated, Net	<u>8,432,838</u>	<u>95,662</u>	<u>(286,355)</u>	<u>8,242,145</u>
Business-type Activities Capital Assets, Net	<u>\$ 8,897,672</u>	<u>\$ 152,892</u>	<u>\$ (525,331)</u>	<u>\$ 8,525,233</u>

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

	<u>For The Year Ended September 30, 2007</u>
Governmental Activities:	
Administration	\$ 61,740
Court	359
Building department	5,963
Police	101,670
Culture and dispatch	510
Fire	40,548
Street	330,833
Emergency Management	54,405
Non-Departmental	15,087
Health	4,434
Library	17,431
Parks	75,423
Vehicle	<u>7,333</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 715,736</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

III. CAPITAL ASSETS (Concluded)

	For The Year Ended September 30, 2007
Business-type activities:	
Airport	25,328
Water and sewer	341,527
Total Depreciation Expense – Business-type Activities	\$ 366,855

IV. LONG-TERM DEBT

Long-term liability activity was as follows:

	For The Year Ended September 30, 2007				
	Balance September 30, 2006	Additions	Reductions	Balance September 30, 2007	Amounts Due Within One Year
Governmental activities:					
Capital leases	\$ 63,540	\$ 840,909	\$ (86,554)	\$ 817,895	\$ 98,407
Neighborhood Improvement					
District bonds	584,739	-	(25,266)	559,473	25,267
Certificates of Participation	230,000	-	(35,000)	195,000	35,000
Less: Discount	(2,444)	575	-	(1,869)	-
Notes payable	3,195,954	129,188	(63,621)	3,261,521	-
Total Governmental Activities Debt	4,071,789	970,672	(210,441)	4,832,020	158,674
Business-type activities:					
Capital leases	31,299	-	(15,258)	16,041	16,041
Revenue bonds	8,405,000	-	(385,000)	8,020,000	490,000
Plus: Premium	200,800	-	(12,165)	188,635	-
Less: On Refunding	(257,734)	19,451	-	(238,283)	-
Neighborhood Improvement					
District Bonds	225,269	-	(9,734)	215,535	9,734
Certificates of Participation	1,070,000	-	(35,000)	1,035,000	40,000
Less: Discount	(12,873)	667	-	(12,206)	-
Note payable	2,939,868	-	(83,080)	2,856,788	168,792
Total Business-type Activities Debt	12,601,629	20,118	(540,237)	12,081,510	724,567

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Continued)

Capital Leases

	<u>September 30, 2007</u>
Governmental Activities:	
Capital lease \$24,250 for sewer cleaner, 2003, due in annual installments through April 4, 2008, interest payable at 5.13%.	\$ 5,347
Capital lease \$81,870 for police cars 2006, due in annual installments through February 27, 2008, interest payable at 5.50%.	27,264
Capital lease \$90,909 for police cars 2007, due in monthly installments through 2009, interest payable at 5.60%	58,941
Capital lease \$750,000 for library project, due in annual installments through February 1, 2022, interest payable at 4.32%	<u>726,343</u>
	<u>817,895</u>

Business-type Activities:

Capital lease \$72,749 for sewer cleaner, 2003, due in annual installments through April 4, 2008, interest payable at 5.13%.	\$ <u>16,041</u>
--	------------------

The total amount of the sewer cleaner capital lease is \$21,388. This amount is split between the governmental activities and the business-type activities.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Automobile equipment	\$ 172,779	\$ -
Machinery and equipment	774,250	72,749
Less – Accumulated depreciation	<u>(129,134)</u>	<u>(56,708)</u>
Total	<u>\$ 817,895</u>	<u>\$ 16,041</u>

A schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments as of September 30, 2007 is as follows:

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

For The Years Ending September 30,	Governmental Activities	Business-type Activities	Total
2008	\$ 134,130	\$ 16,863	\$ 150,993
2009	99,745	-	99,745
2010	67,777	-	67,777
2011	67,777	-	67,777
2012	67,777	-	67,777
2013-2017	338,885	-	338,885
2018-2022	299,349	-	299,349
Total Minimum Lease Payments	1,075,440	16,863	1,092,303
Less – Amount representing interest	(257,545)	(822)	(258,367)
Present Value Of Future Minimum Lease Payments	\$ 817,895	\$ 16,041	\$ 833,936

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,
2007**

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%. \$ 559,473

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%. \$ 215,535

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Continued)

Neighborhood Improvement District Bonds (Concluded)

<u>For The Years Ended September 30</u>	<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>
2008	\$ 25,267	\$ 27,900	\$ 53,167	\$ 9,734	\$ 10,748	\$ 20,482
2009	28,876	26,681	55,557	11,124	10,279	21,403
2010	28,876	25,382	54,258	11,124	9,778	20,902
2011	28,876	24,083	52,959	11,124	9,277	20,401
2012	32,486	22,702	55,188	12,514	8,746	21,260
2013-2017	176,865	88,953	265,818	68,134	34,267	102,401
2018-2022	238,227	34,515	272,742	91,781	13,297	105,078
	-	-	-	-	-	-
	<u>\$ 559,473</u>	<u>\$ 250,216</u>	<u>\$ 809,689</u>	<u>\$ 215,535</u>	<u>\$ 96,392</u>	<u>\$ 311,927</u>

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,
2007

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%. \$ 195,000

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%. \$ 1,035,000

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

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Continued)

Certificates of Participation (Continued)

<u>For The Years Ended September 30</u>	<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>
2008	\$ 35,000	\$ 6,435	\$ 41,435	\$ 40,000	\$ 42,448	\$ 82,448
2009	40,000	5,160	45,160	40,000	41,088	81,088
2010	40,000	3,800	43,800	40,000	39,727	79,727
2011	80,000	1,560	81,560	40,000	38,268	78,268
2012	-	-	-	45,000	36,610	81,610
2013-2017	-	-	-	240,000	155,285	395,285
2018-2022	-	-	-	295,000	99,488	394,488
2023-2027	-	-	-	295,000	27,337	322,337
	<u>\$ 195,000</u>	<u>\$ 16,955</u>	<u>\$ 211,955</u>	<u>\$ 1,035,000</u>	<u>\$ 480,251</u>	<u>\$ 1,515,251</u>

September 30,
2007

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.

\$ 1,520,314

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.

\$ 1,741,207

\$ 3,261,521

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Continued)

	<u>September 30, 2007</u>
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%.	\$ 2,930,000
\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.	3,360,000
\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.	<u>1,730,000</u>
	<u>\$ 8,020,000</u>
Notes Payable	
\$300,000 note payable for Pound Sewer Project, due in monthly installments through January 2009, interest payable at 5.32%, secured by fire truck.	\$ 73,037
State Revolving Fund (SRF) – 2001C, no interest	308,444
State Revolving Fund (SRF) – 2002B, no interest	<u>2,475,307</u>
	<u>\$ 2,856,788</u>

The debt maturity of the bonds, excluding amount maturing after September 30, 2007, 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>
2008	\$ 490,000	\$ 348,742	\$ 838,742	\$ 168,792	\$ 3,886	\$ 172,678
2009	505,000	332,902	837,902	172,663	1,993	174,656
2010	510,000	315,984	825,984	148,522	-	148,522
2011	540,000	296,190	836,190	153,691	-	153,691
2012	550,000	275,362	825,362	158,805	-	158,805
2013-2017	2,770,000	1,032,801	3,802,801	964,589	-	964,589
2018-2022	2,400,000	407,571	2,807,571	911,226	-	911,226
2023-2027	255,000	12,750	267,750	178,500	-	178,500
	<u>\$ 8,020,000</u>	<u>\$ 3,022,302</u>	<u>\$ 11,042,302</u>	<u>\$ 2,856,788</u>	<u>\$ 5,879</u>	<u>\$ 2,862,667</u>

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

IV. LONG-TERM DEBT (Concluded)

In conjunction with SRF – 2001C and 2002B notes, a reserve account has been established with a no-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) 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.

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 LAGER'S responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401 (a) and it is tax exempt. LAGERS 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 Policy

The City's full-time employees do not contribute to the pension plan. The City is required by state statute to contribute at an actuarially determined rate; the current rate is 8.0% (general) and 6.6% (police) and 15.0% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the City. The contribution provisions of the City are established by state statute.

3. Annual Pension Cost

For 2007, the City's annual pension cost of \$261,155 was equal to the required and actual contributions. The required contribution was determined as part of the February 28, 2005 and/or February 28, 2006 annual actuarial valuation using the entry age actuarial cost method. The actuarial assumptions as of February 27, 2007, included, a) a rate of return on the investment of present and future assets of 7.5% per year, compounded annually,

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

V. EMPLOYEE RETIREMENT PLAN (Continued)

3. Annual Pension Cost (continued)

b) projected salary increases of 4% 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) post-retirement mortality based on the 1971 Group Annuity Mortality table projected to 2000 set back one year for men and seven 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 at February 28, 2007 was 15 years.

Three-year trend information follows:

For The Years Ended June 30	Annual Pension Cost (APC)	Percentage Of APC Contributed
2007	\$ 261,155	100%
2006	257,162	100%
2005	149,544	100%

Schedule of funding progress follows:

For The Valuation Years Ended February 28/29	Actuarial Value Of Assets	Entry Age Actuarial Accrued Liability	Unfunded Accrued Liability (UAL)
2007	\$ 6,710,668	\$ 6,550,142	\$ (160,526)
2006	5,992,687	6,016,141	23,454
2005	5,635,136	5,718,061	82,925

For The Valuation Years Ended February 28/29	Funded Ratio	Annual Covered Payroll	Excess Assets As A Percentage Of Covered Payroll
2007	102%	\$ 3,480,449	-
2006	100%	3,355,310	1%
2005	99%	2,981,956	3%

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

V. EMPLOYEE RETIREMENT PLAN (Concluded)

3. Annual Pension Cost (concluded)

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.

VI. DUE FROM AND DUE TO OTHER FUNDS

There were no due from/due to other fund balances at September 30, 2007. Balances in the Library and General Funds of \$134,029 have been eliminated upon consolidation in the government-wide financial statements.

VII. INTERFUND TRANSFERS

Individual fund transfers are as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>September 30, 2007</u>
Nonmajor funds - Capital Reserve	General fund	\$ 15,650
General fund	Nonmajor funds – Capital Reserve	152,000
General fund	Nonmajor funds – Long-Term Debt	38,515
Nonmajor funds – City Transportation	Nonmajor funds – NID Assessment	4,016
Nonmajor funds – Levee Tax	Nonmajor funds - Park	323,336
Proprietary funds – Airport	General fund	<u>20,000</u>
		<u>\$ 553,517</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 has a June 30 anniversary date.

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

VIII. INSURANCE (Concluded)

MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis. These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

IX. 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. The City is a defendant in various statewide lawsuits regarding wireless-telephone companies' objection to the payment of utility-franchise taxes. As of September 30, 2007, the City has not recorded a provision for this matter and is in the process of devising a settlement agreement. At this time, a reasonable estimate as to the amount or range of potential loss and/or gain cannot be provided.

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 58 - 60% 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 40 - 42% 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 58 - 60% ownership of the Commission. The City's interest in the joint venture at September 30, 2007 is \$4,043,076 and its share of the Commission's net loss before adding back depreciation assets financed by grants from other governments is \$136,999.

Depreciation on assets financed by grants from other governments, \$134,911, is reflected in the statement of revenues, expenses, and changes in retained earnings and is due to depreciation expense for fixed assets maintained by the Commission which were purchased with Commission assets. Depreciation expense is charged against contributed capital. For the year ended September 30, 2007, the City's cost for sewage treatment services provided by the Commission was \$248,173, which includes the City's share of operating expenses, capital, and reserve.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2007 were both \$688,271. Commission management stated that no long-term liabilities

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
NOTES TO ACCOMPANYING FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

were outstanding at September 30, 2007. For the year ended September 30, 2007, total receipts, disbursements, and depreciation were \$444,818; \$444,818; and \$136,999, respectively, resulting in a net decrease in the Commission's equity of \$136,999.

XI. CONCENTRATION

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

XII. RESTATEMENT OF BEGINNING FUND BALANCES

The City restated beginning fund balances in the general fund of \$184 and the internal service fund of \$(184), the non-major other governmental funds of \$(584,739) to record the 2002 NID bond payable, and the water and sewer fund (proprietary fund) of \$(10,797).

XIII. SUBSEQUENT EVENTS

On March 26, 2008, the Council approved ordinances allowing for the renovation of a building to serve as a new public library, estimated cost is over \$1,500,000 and to allow for the sale of the existing library building.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET & ACTUAL
GENERAL FUND - BUDGETARY BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
REVENUES				
Property taxes	212,577	212,577	210,188	(2,389)
Taxes - other	3,297,000	3,351,000	3,612,414	261,414
Intergovernmental	33,555	33,555	-	(33,555)
Special assessments	-	-	-	-
Grant revenue	-	-	31,111	31,111
Licenses and permits	234,800	264,900	275,793	10,893
Fines and penalties	289,300	289,300	280,068	(9,232)
Investment income	32,000	32,000	63,390	31,390
Other	22,300	38,200	60,464	22,264
Service charges	689,794	689,794	717,269	27,475
Total Revenues	<u>4,811,326</u>	<u>4,911,326</u>	<u>5,250,697</u>	<u>339,371</u>
EXPENDITURES				
Current:				
Administration	547,705	547,705	509,545	(38,160)
Court	168,520	166,378	139,367	(27,011)
Building department	326,101	330,597	317,267	(13,330)
Police	2,029,931	2,028,946	1,950,450	(78,496)
Dispatch	437,902	435,902	394,539	(41,363)
Fire	283,831	283,831	247,180	(36,651)
Emergency management	9,955	9,955	9,738	(217)
Street	230,492	230,492	223,537	(6,955)
Nondepartmental	834,345	848,353	838,078	(10,275)
Capital outlay	233,410	299,488	347,785	48,297
Debt Service:				
Principal	95,843	100,518	-	(100,518)
Interest and fiscal charges	10,546	10,546	-	(10,546)
Total Expenditures	<u>5,208,581</u>	<u>5,292,711</u>	<u>4,977,486</u>	<u>(315,225)</u>
REVENUES OVER (UNDER) EXPENDITURES	(397,255)	(381,385)	273,211	654,596
OTHER FINANCING SOURCES				
Transfers in	20,000	35,650	35,650	-
Transfers out	(153,500)	(153,500)	(190,515)	(37,015)
Total Other Financing Sources (Uses)	<u>(133,500)</u>	<u>(117,850)</u>	<u>(154,865)</u>	<u>(37,015)</u>
NET CHANGE IN FUND BALANCE	<u><u>(530,755)</u></u>	<u><u>(499,235)</u></u>	<u>118,346</u>	<u><u>617,581</u></u>
FUND BALANCES (DEFICIT), OCTOBER 1			1,795,543	
PRIOR PERIOD ADJUSTMENT (See Note XII)			184	
FUND BALANCES, SEPTEMBER 30			<u><u>1,914,073</u></u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
REQUIRED SUPPLEMENTAL INFORMATION –
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2007

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 has a negative fund balance due to debt.

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**

To the City Council
City of Festus, Missouri

We have audited the financial statements of the City of Festus, as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements and have issued our basic report thereon dated March 31, 2008. We did not express an opinion on supplementary information required by the Governmental Accounting Standards Board. 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 Governmental 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting 2007-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Management's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 Board, 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
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

March 31, 2008

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND RESPONSES

I. FINANCIAL STATEMENT FINDINGS

Finding: 2007-01

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: Due to the short time frame for the implementation of the new SAS requirement, 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 recognizes the importance of documenting the City's internal controls and has begun to prepare the appropriate documentation.

SUPPLEMENTARY INFORMATION

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION - COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2007

SPECIAL REVENUE FUNDS

ASSETS	Health	Library	Park	Capital Reserve	Law Enforcement Training	Public Works Building Rehabilitation	City Transportation Tax	County Transportation Tax	Levee Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimbursement	Federal Forfeiture	Capital Improvement	NID Assessment	Totals
Cash and cash equivalents	36,935	44,294	35,251	2,328	5,877	18,504	1,000,250	39,247	197,306	25,958	-	129,400	3,437	102,714	335	1,641,836
Investments	85,000	85,000	177,350	739,170	-	-	950,000	-	450,000	133,300	-	-	-	117,825	-	2,737,645
Restricted cash and investments	-	-	-	-	-	-	-	-	43,056	-	-	-	-	-	-	43,056
Receivables (net of allowance for uncollectibles):																
Taxes	2,531	3,393	51,565	-	-	-	192,592	1,741,192	96,345	17,337	-	40,063	-	95,613	-	2,240,631
Special Assessments	530	-	-	-	-	-	-	-	-	-	-	-	-	-	763,080	763,610
Interest	732	1,097	1,547	9,838	-	-	11,833	-	4,835	1,477	-	-	-	1,198	-	32,557
Other	3,534	-	-	-	2,088	-	600	137,808	350	-	-	-	-	-	1,910	146,290
Prepaid Items	3,232	8,063	12,984	-	-	-	37,654	-	-	-	-	-	-	-	-	61,933
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	132,494	141,847	278,697	751,336	7,965	18,504	2,192,929	1,918,247	791,892	178,072	-	169,463	3,437	317,350	765,325	7,667,558
LIABILITIES																
Accounts Payable	696	(3,387)	5,927	-	-	-	22,885	59,940	48,562	-	-	-	-	-	-	134,623
Accrued payroll	2,331	4,281	5,930	-	-	-	13,903	-	-	-	-	-	-	-	-	26,445
Accrued payroll liabilities - other	685	1,043	1,832	-	-	-	3,785	-	-	-	-	-	-	-	-	7,345
Due to other funds	-	134,029	-	-	-	-	-	-	-	-	-	-	-	-	-	134,029
Deferred revenue	2,230	2,979	2,979	-	-	-	-	1,628,612	3,000	-	-	-	-	-	763,080	2,402,880
Accrued interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,373	2,373
Other liabilities	-	-	1,455	-	-	-	30,177	5,718	11,006	-	-	-	-	11,001	-	59,357
Noncurrent liabilities:																
Due Within One Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25,267	25,267
Due in More Than one Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	534,206	534,206
Total Liabilities	5,942	138,945	18,123	-	-	-	70,750	1,694,270	62,568	-	-	-	-	11,001	1,324,926	3,326,525
FUND BALANCE																
Reserved for:																
Prepaid items	3,232	8,063	12,984	-	-	-	37,654	-	-	-	-	-	-	-	-	61,933
Encumbrances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(559,601)	(559,601)
Unreserved:																
Special revenue funds	123,320	(5,161)	247,590	751,336	7,965	18,504	2,084,525	223,977	729,324	178,072	-	169,463	3,437	306,349	-	4,838,701
Total Fund Balance	126,552	2,902	260,574	751,336	7,965	18,504	2,122,179	223,977	729,324	178,072	-	169,463	3,437	306,349	(559,601)	4,341,033
Total Liabilities and Fund Balance	132,494	141,847	278,697	751,336	7,965	18,504	2,192,929	1,918,247	791,892	178,072	-	169,463	3,437	317,350	765,325	7,667,558

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION - STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2007

SPECIAL REVENUE FUNDS																
REVENUE	Health	Library	Park	Capital Reserve	Law Enforcement Training	Public Works Building Rehabilitation	City Transportation Tax	County Transportation Tax	Levee Tax	Tourism Tax	Local Law Enforcement Block Grant	Sales Tax Reimbursement	Federal Forfeiture	Capital Improvement	NID Assessment	Totals
Property taxes	112,100	154,138	154,138	-	-	-	-	-	-	-	-	-	-	-	-	420,376
Taxes - other	-	-	-	-	-	-	1,235,469	892,431	646,673	79,523	-	263,814	-	304,477	-	3,422,387
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	66,694	66,694
Grant Revenue	-	6,526	-	-	1,784	-	-	229,432	-	-	-	-	-	-	-	237,742
Investment income	7,497	7,857	12,306	34,589	387	2,153	89,772	5,299	30,211	6,985	-	3,934	282	1,872	11,263	214,407
Building Lease Payments	-	38,739	-	-	-	-	-	-	-	-	-	-	-	-	-	38,739
Other	20,688	301,883	102,804	-	3,304	8	653,487	19,596	24,795	-	-	-	-	-	-	1,126,565
Total Revenues	140,285	509,143	269,248	34,589	5,475	2,161	1,978,728	1,146,758	701,679	86,508	-	267,748	282	306,349	77,957	5,526,910
EXPENDITURES																
Current:																
Police	-	-	-	-	4,318	-	-	-	-	-	-	-	2,260	-	-	6,578
Health	88,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,620
Library	-	195,259	-	-	-	-	-	-	-	-	-	-	-	-	-	195,259
Parks	-	-	411,829	-	-	-	-	-	-	-	-	-	-	-	-	411,829
Street	-	-	-	-	-	-	824,860	-	-	-	-	-	-	-	-	824,860
Nondepartmental	-	-	-	-	-	3,973	-	-	9,447	-	-	273,399	-	-	1,536	288,355
Capital outlay	48,757	393,373	103,831	-	-	59,341	707,627	1,141,459	162,647	21,506	-	-	-	-	-	2,638,541
Debt service:																
Principal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	15,880	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	137,377	604,512	515,660	-	4,318	63,314	1,532,487	1,141,459	172,094	21,506	-	273,399	2,260	-	30,294	4,498,680
REVENUES OVER (UNDER) EXPENDITURES	2,908	(95,369)	(246,412)	34,589	1,157	(61,153)	446,241	5,299	529,585	65,002	-	(5,651)	(1,978)	306,349	47,663	1,028,230
OTHER FINANCING SOURCES (USES)																
Lease purchase proceeds	-	8,844	-	-	-	-	-	-	-	-	-	-	-	-	-	8,844
Transfers in	-	-	323,336	152,000	-	-	-	-	-	-	-	-	-	-	4,016	479,352
Transfers out	-	-	-	(15,650)	-	-	(4,016)	-	(323,336)	-	-	-	-	-	-	(343,002)
Total Other Financing Sources (Uses)	-	8,844	323,336	136,350	-	-	(4,016)	-	(323,336)	-	-	-	-	-	4,016	145,194
NET CHANGE IN FUND BALANCE	2,908	(86,525)	76,924	170,939	1,157	(61,153)	442,225	5,299	206,249	65,002	-	(5,651)	(1,978)	306,349	51,679	1,173,424
FUND BALANCES (DEFICIT), OCTOBER 1, 2006	123,644	89,427	183,650	580,397	6,808	79,657	1,679,954	218,678	523,075	113,070	-	175,114	5,415	-	(26,541)	3,752,348
PRIOR PERIOD ADJUSTMENT (See Note XII)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(584,739)	(584,739)
RESTATED FUND BALANCE (DEFICIT) OCT. 1	123,644	89,427	183,650	580,397	6,808	79,657	1,679,954	218,678	523,075	113,070	-	175,114	5,415	-	(611,280)	3,167,609
FUND BALANCES, SEPTEMBER 30, 2007	126,552	2,902	260,574	751,336	7,965	18,504	2,122,179	223,977	729,324	178,072	-	169,463	3,437	306,349	(559,601)	4,341,033

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	113,422	113,422	112,100	(1,322)
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	2,500	2,500	7,497	4,997
Other	2,350	2,350	20,688	18,338
Total Revenues	<u>118,272</u>	<u>118,272</u>	<u>140,285</u>	<u>22,013</u>
EXPENDITURES				
Current:				
Health	109,894	119,239	88,620	(30,619)
Capital expenditures	50,800	41,455	48,757	7,302
Total Expenditures	<u>160,694</u>	<u>160,694</u>	<u>137,377</u>	<u>(23,317)</u>
REVENUES OVER (UNDER) EXPENDITURES	(42,422)	(42,422)	2,908	45,330
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>(42,422)</u>	<u>(42,422)</u>	2,908	<u>45,330</u>
FUND BALANCES, OCTOBER 1			123,644	
FUND BALANCES, SEPTEMBER 30			<u>126,552</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	155,918	155,918	154,138	(1,780)
Taxes - other	-	-	-	-
Intergovernmental	11,508	11,508	-	(11,508)
Special Assessments	-	-	-	-
Grant Revenue	-	-	6,526	6,526
Investment income	3,000	3,000	7,857	4,857
Building lease payments	-	-	38,739	38,739
Other	38,500	349,200	301,883	(47,317)
Total Revenues	<u>208,926</u>	<u>519,626</u>	<u>509,143</u>	<u>(10,483)</u>
EXPENDITURES				
Current:				
Library	208,953	208,353	195,259	(13,094)
Capital expenditures	23,200	439,620	393,373	(46,247)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	15,880	15,880	-
Total Expenditures	<u>232,153</u>	<u>663,853</u>	<u>604,512</u>	<u>(59,341)</u>
REVENUES OVER (UNDER) EXPENDITURES	(23,227)	(144,227)	(95,369)	48,858
OTHER FINANCING SOURCES (USES)				
Lease purchase proceeds	-	-	8,844	8,844
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	8,844	8,844
NET CHANGE IN FUND BALANCE	<u>(23,227)</u>	<u>(144,227)</u>	(86,525)	<u>57,702</u>
FUND BALANCES, OCTOBER 1			89,427	
FUND BALANCES, SEPTEMBER 30			<u>2,902</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - PARK SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	155,918	155,918	154,138	(1,780)
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	3,000	3,000	12,306	9,306
Other	38,956	38,956	102,804	63,848
Total Revenues	<u>197,874</u>	<u>197,874</u>	<u>269,248</u>	<u>71,374</u>
EXPENDITURES				
Current:				
Parks	472,796	472,796	411,829	(60,967)
Capital expenditures	52,750	52,750	103,831	51,081
Total Expenditures	<u>525,546</u>	<u>525,546</u>	<u>515,660</u>	<u>(9,886)</u>
REVENUES OVER (UNDER) EXPENDITURES	(327,672)	(327,672)	(246,412)	81,260
OTHER FINANCING SOURCES (USES)				
Transfers in	303,000	303,000	323,336	20,336
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>303,000</u>	<u>303,000</u>	<u>323,336</u>	<u>20,336</u>
NET CHANGE IN FUND BALANCE	<u>(24,672)</u>	<u>(24,672)</u>	76,924	<u>101,596</u>
FUND BALANCES, OCTOBER 1			183,650	
FUND BALANCES, SEPTEMBER 30			<u>260,574</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - CAPITAL RESERVE SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	5,000	5,000	34,589	29,589
Other	-	-	-	-
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>34,589</u>	<u>29,589</u>
EXPENDITURES				
Capital expenditures	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	5,000	5,000	34,589	29,589
OTHER FINANCING SOURCES (USES)				
Transfers in	152,000	152,000	152,000	-
Transfers out	-	(15,650)	(15,650)	-
Total Other Financing Sources (Uses)	<u>152,000</u>	<u>136,350</u>	<u>136,350</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>157,000</u>	<u>141,350</u>	170,939	<u>29,589</u>
FUND BALANCES, OCTOBER 1			580,397	
FUND BALANCES, SEPTEMBER 30			<u>751,336</u>	

CITY OF FESTUS
 JEFFERSON COUNTY, MISSOURI
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
 BUDGET TO ACTUAL - LAW ENFORCEMENT TRAINING SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	6,550	6,550	-	(6,550)
Special Assessments	-	-	-	-
Grant revenue	-	-	1,784	1,784
Investment income	-	-	387	387
Other	-	-	3,304	3,304
Total Revenues	<u>6,550</u>	<u>6,550</u>	<u>5,475</u>	<u>(1,075)</u>
EXPENDITURES				
Current:				
Police	6,550	6,550	4,318	(2,232)
Capital expenditures	-	-	-	-
Total Expenditures	<u>6,550</u>	<u>6,550</u>	<u>4,318</u>	<u>(2,232)</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	1,157	1,157
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>	1,157	1,157
FUND BALANCES, OCTOBER 1			6,808	
FUND BALANCES, SEPTEMBER 30			<u>7,965</u>	

CITY OF FESTUS
 JEFFERSON COUNTY, MISSOURI
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
 BUDGET TO ACTUAL - LOCAL LAW ENFORCEMENT BLOCK GRANT SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	13,500	13,500	-	(13,500)
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>13,500</u>	<u>13,500</u>	<u>-</u>	<u>(13,500)</u>
EXPENDITURES				
Current:				
Capital expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Total Expenditures	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</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 BALANCES, OCTOBER 1			-	
FUND BALANCES, SEPTEMBER 30			<u>-</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL -PUBLIC WORKS BUILDING REHABILITATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	-	2,200	2,153	(47)
Other	-	-	8	8
Total Revenues	-	2,200	2,161	(39)
EXPENDITURES				
Current:				
Nondepartmental	5,000	5,000	3,973	(1,027)
Capital expenditures	60,000	60,000	59,341	(659)
Total Expenditures	65,000	65,000	63,314	(1,686)
REVENUES OVER (UNDER) EXPENDITURES	(65,000)	(62,800)	(61,153)	1,647
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(65,000)	(62,800)	(61,153)	1,647
FUND BALANCES, OCTOBER 1			79,657	
FUND BALANCES, SEPTEMBER 30			18,504	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
CITY TRANSPORTATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUES	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Taxes	1,154,500	1,154,500	1,235,469	80,969
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	30,000	30,000	89,772	59,772
Other	3,500	649,850	653,487	3,637
Total Revenues	1,188,000	1,834,350	1,978,728	144,378
EXPENDITURES				
Current:				
Street	1,031,550	1,030,188	824,860	(205,328)
Capital outlay	153,500	805,231	707,627	(97,604)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	1,185,050	1,835,419	1,532,487	(302,932)
REVENUES OVER (UNDER) EXPENDITURES	2,950	(1,069)	446,241	447,310
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	(4,019)	(4,019)	(4,016)	3
Total Other Financing Sources (Uses)	(4,019)	(4,019)	(4,016)	3
NET CHANGE IN FUND BALANCE	(1,069)	(5,088)	442,225	447,307
FUND BALANCES (DEFICIT), OCTOBER 1			1,679,954	
FUND BALANCES, SEPTEMBER 30			2,122,179	

CITY OF FESTUS
 JEFFERSON COUNTY, MISSOURI
 STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 COUNTY TRANSPORTATION SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Budgeted Amounts		Actual	Over
	Original	Final		(Under)
REVENUES				
Taxes	550,000	550,000	892,431	342,431
Intergovernmental	79,000	79,000	-	(79,000)
Grant revenue	-	-	229,432	229,432
Investment income	2,000	2,000	5,299	3,299
Other	-	-	19,596	19,596
Total Revenues	<u>631,000</u>	<u>631,000</u>	<u>1,146,758</u>	<u>515,758</u>
EXPENDITURES				
Current:				
Public works	-	1,300	-	(1,300)
Capital outlay	1,200,000	1,583,700	1,141,459	(442,241)
Total Expenditures	<u>1,200,000</u>	<u>1,585,000</u>	<u>1,141,459</u>	<u>(443,541)</u>
REVENUES OVER (UNDER) EXPENDITURES	(569,000)	(954,000)	5,299	959,299
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>(569,000)</u>	<u>(954,000)</u>	5,299	<u>959,299</u>
FUND BALANCES (DEFICIT), OCTOBER 1			218,678	
FUND BALANCES, SEPTEMBER 30			<u><u>223,977</u></u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - LEVEE TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	606,000	606,000	646,673	40,673
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	10,000	10,000	30,211	20,211
Other	-	-	24,795	24,795
Total Revenues	<u>616,000</u>	<u>616,000</u>	<u>701,679</u>	<u>85,679</u>
EXPENDITURES				
Current:				
Nondepartmental	287,150	590,150	9,447	(580,703)
Capital expenditures	141,949	141,949	162,647	20,698
Total Expenditures	<u>429,099</u>	<u>732,099</u>	<u>172,094</u>	<u>(560,005)</u>
REVENUES OVER (UNDER) EXPENDITURES	186,901	(116,099)	529,585	645,684
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(303,000)	(303,000)	(323,336)	(20,336)
Total Other Financing Sources (Uses)	<u>(303,000)</u>	<u>(303,000)</u>	<u>(323,336)</u>	<u>(20,336)</u>
NET CHANGE IN FUND BALANCE	<u>(116,099)</u>	<u>(419,099)</u>	206,249	<u>625,348</u>
FUND BALANCES, OCTOBER 1			523,075	
FUND BALANCES, SEPTEMBER 30			<u><u>729,324</u></u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - TOURISM TAX SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	67,000	67,000	79,523	12,523
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	1,000	1,000	6,985	5,985
Other	-	-	-	-
Total Revenues	<u>68,000</u>	<u>68,000</u>	<u>86,508</u>	<u>18,508</u>
EXPENDITURES				
Current:				
Nondepartmental	-	-	-	-
Capital expenditures	42,000	42,000	21,506	(20,494)
Total Expenditures	<u>42,000</u>	<u>42,000</u>	<u>21,506</u>	<u>(20,494)</u>
REVENUES OVER (UNDER) EXPENDITURES	26,000	26,000	65,002	39,002
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>26,000</u>	<u>26,000</u>	65,002	<u>39,002</u>
FUND BALANCES, OCTOBER 1			113,070	
FUND BALANCES, SEPTEMBER 30			<u>178,072</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - SALES TAX REIMBURSEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	269,500	269,500	263,814	(5,686)
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	-	-	3,934	3,934
Other	-	-	-	-
Total Revenues	<u>269,500</u>	<u>269,500</u>	<u>267,748</u>	<u>(1,752)</u>
EXPENDITURES				
Current:				
Nondepartmental	<u>269,500</u>	<u>319,500</u>	<u>273,399</u>	<u>(46,101)</u>
Total Expenditures	<u>269,500</u>	<u>319,500</u>	<u>273,399</u>	<u>(46,101)</u>
REVENUES OVER (UNDER) EXPENDITURES	-	(50,000)	(5,651)	44,349
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(50,000)</u>	<u>(5,651)</u>	<u>44,349</u>
FUND BALANCES, OCTOBER 1			175,114	
FUND BALANCES, SEPTEMBER 30			<u>169,463</u>	

CITY OF FESTUS
 JEFFERSON COUNTY, MISSOURI
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
 BUDGET TO ACTUAL - FEDERAL FORFEITURE SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	-	290	282	(8)
Other	-	-	-	-
Total Revenues	-	290	282	(8)
EXPENDITURES				
Current:				
Police	5,344	2,260	2,260	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	5,344	2,260	2,260	-
REVENUES OVER (UNDER) EXPENDITURES	(5,344)	(1,970)	(1,978)	(8)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(5,344)	(1,970)	(1,978)	(8)
FUND BALANCES, OCTOBER 1			5,415	
FUND BALANCES, SEPTEMBER 30			3,437	

CITY OF FESTUS
 JEFFERSON COUNTY, MISSOURI
 SUPPLEMENTAL INFORMATION
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BLANCE -
 BUDGET TO ACTUAL - CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	289,000	304,477	15,477
Intergovernmental	-	-	-	-
Special Assessments	-	-	-	-
Grant revenue	-	-	-	-
Investment income	-	300	1,872	1,572
Other	-	-	-	-
Total Revenues	-	289,300	306,349	17,049
EXPENDITURES				
Current:				
Police	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	-	-	-	-
Principal	-	-	-	-
Total Expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	289,300	306,349	17,049
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	-	289,300	306,349	17,049
FUND BALANCES, OCTOBER 1			-	
FUND BALANCES, SEPTEMBER 30			306,349	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BLANCE -
BUDGET TO ACTUAL - NID ASSESSMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

REVENUE	Budgeted Amounts		Actual	Over (Under) Budget
	Original	Final		
Property taxes	-	-	-	-
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special Assessments	49,937	49,937	66,694	16,757
Grant revenue	-	-	-	-
Investment income	1,000	1,000	11,263	10,263
Other	-	-	-	-
Total Revenues	<u>50,937</u>	<u>50,937</u>	<u>77,957</u>	<u>27,020</u>
EXPENDITURES				
Current:				
Nondepartmental	750	1,750	1,536	(214)
Capital outlay	-	-	-	-
Debt service:				
Interest and fiscal charges	28,897	28,897	28,758	(139)
Principal	25,266	25,266	-	(25,266)
Total Expenditures	<u>54,913</u>	<u>55,913</u>	<u>30,294</u>	<u>(25,619)</u>
REVENUES OVER (UNDER) EXPENDITURES	(3,976)	(4,976)	47,663	52,639
OTHER FINANCING SOURCES (USES)				
Transfers in	4,019	4,019	4,016	(3)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,019</u>	<u>4,019</u>	<u>4,016</u>	<u>(3)</u>
NET CHANGE IN FUND BALANCE	<u>43</u>	<u>(957)</u>	51,679	<u>52,636</u>
FUND BALANCES, OCTOBER 1			(26,541)	
PRIOR PERIOD ADJUSTMENT (See Note XII)			(584,739)	
FUND BALANCES, SEPTEMBER 30			<u>(559,601)</u>	

CITY OF FESTUS
JEFFERSON COUNTY, MISSOURI
RECONCILIATION OF TOTAL GOVERNMENTAL FUND TO GOVERNMENTAL ACTIVITIES ON STMT OF NET ASSETS
AS OF SEPTEMBER 30, 2007

ASSETS	Total Governmental Fund	Long-Term Debt Fund	Internal Service Fund	Adjustments DR/(CR)	Reclassifications DR/(CR)	Governmental Activities
Cash and cash equivalents	2,167,981	-	-	-	-	2,167,981
Investments	3,593,785	-	-	-	-	3,593,785
Restricted cash and investments	48,078	388,152	-	-	-	436,230
Receivables (net of allowance for uncollectibles)						
Taxes	2,812,284	-	-	3,261,521	-	6,073,805
Special assessments	763,610	-	-	-	-	763,610
Service charges	-	-	-	-	-	-
Interest	43,959	-	-	-	-	43,959
Other	293,892	-	-	-	-	293,892
Court	129,881	-	-	-	-	129,881
Prepaid items	227,411	-	-	-	-	227,411
Due from other funds	134,029	-	-	-	(134,029)	-
Inventory	-	-	-	-	-	-
Investment in joint venture	-	-	-	-	-	-
Debt issue costs	-	3,281	-	-	(1,869)	1,412
Capital assets:	-	-	-	-	-	-
Land and construction in progress	-	1,917,623	-	-	-	1,917,623
Other capital assets, net of accumulated depreciation	-	7,794,416	-	-	-	7,794,416
Total Assets	<u>10,214,910</u>	<u>10,103,472</u>	<u>-</u>	3,261,521	(135,898)	<u>23,444,005</u>
LIABILITIES						
Accounts payable	218,377	-	-	-	-	218,377
Accrued payroll	126,563	102,027	-	-	-	228,590
Accrued payroll liabilities - other	30,685	-	-	-	-	30,685
Due to other funds	134,029	-	-	-	134,029	-
Accrued interest	2,373	2,343	-	-	-	4,716
Deposits payable	-	-	-	-	-	-
Fund held for others	5,022	-	-	-	-	5,022
Deferred revenue	2,631,827	-	-	-	-	2,631,827
Other liabilities	251,455	-	-	-	-	251,455
Noncurrent liabilities:						
Due Within One Year	25,267	128,060	-	-	-	153,327
Due in More Than One Year	534,206	879,488	-	(3,261,521)	1,869	4,673,346
Total Liabilities	<u>3,959,804</u>	<u>1,111,918</u>	<u>-</u>	-	-	<u>8,197,345</u>
FUND BALANCE						
Reserved:						
Prepaid items	227,411	-	-	-	-	227,411
Encumbrances	-	-	-	-	-	-
Debt service fund	(559,601)	-	-	-	-	(559,601)
Unrestricted:						
General fund	1,748,595	8,991,554	-	-	-	10,740,149
Special revenue fund	4,838,701	-	-	-	-	4,838,701
Total Fund Balances	<u>6,255,106</u>	<u>8,991,554</u>	<u>-</u>	-	-	<u>15,246,660</u>
Total Liabilities and Fund Balances	<u>10,214,910</u>	<u>10,103,472</u>	<u>-</u>	(3,261,521)	135,898	<u>23,444,005</u>