

The City of Festus, Missouri

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

For the year ended September 30, 2018



The City of Festus, Missouri
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For the year ended September 30, 2018

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Independent Auditor's Report

Honorable Mayor and City Council
City of Festus, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, as of and for the year ended September 30, 2018, and the related notes to the financial statements which collectively comprise the City of Festus, Missouri's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) unmodified audit opinion on the major funds and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business-type activities, and proprietary fund financial statements.

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Proprietary Fund Financial Statements

As more fully described in Note 13, the City has not determined the cost of other post-employment (OPEB) expense and obligation which is required in accordance with accounting principles generally accepted in the United States of America (GASB 75), to be recorded in the governmental activities, business-type activities, and in the proprietary fund financial statements. The effects of that departure on the financial statements are not reasonable determinable.

Qualified Opinion on the Governmental Activities, Business-Type Activities, and Proprietary Fund Financial Statements

In our opinion, except for the effects, if any, of the matter described in the Basis for Qualified Opinion paragraph on the governmental activities, business-type activities, and proprietary fund financial statements, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and proprietary fund financial statements of the City of Festus, Missouri, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the Major Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and the aggregate remaining fund information for the City of Festus, Missouri, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension related schedules on pages 4-14, 48-51, and 53-54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

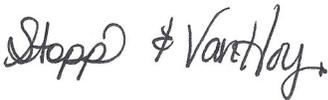
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison information, and capital

project fund budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison information, and capital project fund budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2019 on our consideration of the City of Festus, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Festus, Missouri's internal control over financial reporting and compliance.



Creve Coeur, Missouri
March 13, 2019

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

As management of the City of Festus, Missouri, we offer readers of the City of Festus' Financial Statements this narrative overview and analysis of the financial activities of the City of Festus, Missouri for the Fiscal Year ended September 30, 2018. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes and supplementary information that follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- The assets of the City, as reported by the Statement of Net Position, exceeded its liabilities at the close of the most recent fiscal year by \$47,697,399 (net position). Of this amount, \$15,366,894 (unrestricted) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with the City's fund designation and fiscal policies.
- As of the close of the 2018 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$16,445,020 an increase of \$1,049,702 in comparison with the prior year, after adjustments. 11.3% of this total amount is available for spending at the government's discretion (General Fund unassigned balance) and an additional 60.3% is available for spending in the Special Revenue Funds. The City modified the reserve policy which for General Fund would require a balance equal to 39.0% of operating expenditures to be held for emergency expenditures; for the 2018 fiscal year, the committed balance is \$2,267,523.
- As of the close of the 2018 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$17,512,705, an increase of \$ 768,243 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,858,480 or 25.3% of total general fund expenditures or 32.0% of operating expenditures. This does not include the modified committed fund balance of \$2,267,523, which is 39.0% of operating expenditures (\$5,814,161 - which includes Fire Property tax expenses and debt service principal and interest expenditures).
- The City's total debt decreased by \$2,623,243 during the current fiscal year to a total of \$7,041,177. The decrease was from a decrease in pension liability of \$939,730 and a decrease in other debt of \$1,683,513.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide statements are the *statement of net position* and the *statement of activities*. These statements report the City's net position and how it has changed.

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

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The government-wide financial statements distinguish functions of the City of Festus, Missouri that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The *governmental activities* of the City of Festus, Missouri include general government, judicial, building and planning, public safety, parks and recreation, public works and a public library. The City of Festus, Missouri operates one *business-type activity* that is a water and sewer department.

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

OTHER INFORMATION

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

OTHER SUPPLEMENTARY INFORMATION

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

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

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Festus, Missouri, assets exceeded liabilities by \$47,697,399 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

City of Festus Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
<i>Assets</i>						
Current & Other Assets	\$20,907,563	\$20,413,409	\$12,441,558	\$12,581,875	\$33,349,121	\$32,995,284
Capital Assets, Net	17,302,253	16,390,186	9,187,138	9,212,410	26,489,391	25,602,596
Total Assets	38,209,816	36,803,595	21,628,696	21,794,285	59,838,512	58,597,880
<i>Deferred Outflows Resources</i>	1,300,618	709,562	251,747	133,102	1,552,365	842,664
<i>Liabilities</i>						
Long-Term Liabilities	5,242,938	3,494,890	4,421,482	3,546,287	9,664,420	7,041,177
Other Liabilities	3,493,419	2,783,566	631,657	667,753	4,125,076	3,451,319
Total Liabilities	8,736,357	6,278,456	5,053,139	4,214,040	13,789,496	10,492,496
<i>Deferred Inflows Resources</i>	463,158	1,050,007	82,842	200,642	546,000	1,250,649
<i>Net Position</i>						
Invested in Capital Assets, Net	16,034,020	15,250,266	5,079,705	5,823,072	21,113,725	21,073,338
Restricted:						
Debt Service	-	17,328	1,590,032	1,265,583	1,590,032	1,282,911
Enabling Legislation	8,860,194	9,974,256	-	-	8,860,194	9,974,256
Unrestricted	5,416,705	4,942,844	10,074,725	10,424,050	15,491,430	15,366,894
Total Net Position	\$30,310,919	\$30,184,694	\$16,744,462	\$17,512,705	\$47,055,381	\$47,697,399

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

An additional portion of the City's net position, 23.6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$15,366,894 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2018, the City of Festus, Missouri is able to report positive balances in all of the net position for the current year-end.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 1,542,252	\$ 1,534,911	\$ 4,767,328	\$ 4,749,719	\$ 6,309,580	\$ 6,284,630
Operating Grants	114,510	66,653	8,750	-	123,260	66,653
Capital Grants & Contributions	846,320	267,158	1,700	1,650	848,020	268,808
General Revenues:						
Taxes	9,428,571	9,137,851	-	-	9,428,571	9,137,851
Licenses (taxes)	213,523	228,174	-	-	213,523	228,174
Investment Income	141,122	262,187	141,623	198,788	282,745	460,975
Gain/Loss, on disposal	31,271	-	(13,231)	-	18,040	-
Gain/Loss, Joint Venture	-	-	-	-	-	-
Miscellaneous	134,415	145,397	3,127	4,721	137,542	150,118
Total Revenue	12,451,984	11,642,331	4,909,297	4,954,878	17,361,281	16,597,209
Expenses						
Administration	793,718	939,002	-	-	793,718	939,002
Court	150,289	135,729	-	-	150,289	135,729
Building	304,408	353,705	-	-	304,408	353,705
Department						
Police	2,552,125	2,442,270	-	-	2,552,125	2,442,270
Dispatch	523,852	542,997	-	-	523,852	542,997
Fire	606,633	647,478	-	-	606,633	647,478
Emergency	15,182	16,752	-	-	15,182	16,752
Management						
Street	3,040,121	3,334,222	-	-	3,040,121	3,334,222
Health	148,663	167,474	-	-	148,663	167,474
Library	389,534	406,004	-	-	389,534	406,004
Parks	673,068	687,129	-	-	673,068	687,129
Public Works	-	-	-	-	-	-
Non-Departmental	1,600,976	1,830,365	-	-	1,600,976	1,830,365
Economic	-	-	-	-	-	-
Development						
Interest and Fiscal	42,456	38,780	-	-	42,456	38,780
Charges						
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,373,114	4,413,284	4,373,114	4,413,284
Total Expenses	10,841,025	11,541,907	4,373,114	4,413,284	15,214,139	15,955,191
Special Items:						
Transfers	(48,568)	(226,649)	48,568	226,649	-	-
Increase (decrease)	\$ 1,562,391	\$ (126,225)	\$ 584,751	\$ 786,243	\$ 2,147,142	\$ 642,018

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

SIGNIFICANT CHANGES IN NET POSITION

Governmental Activities:

Some of the changes noted are:

- Taxes are down -3.1% over the prior year; there are various reasons for the difference. The increases include Utility Gross Receipts Tax +8.2%, Vehicle Sales Tax + 4.4%, Add'l Motor Tax +5.5% and Property Taxes + 3.5%. The overall sales tax decreased by -5.9%, this is primarily due to the fact that County Transportation Tax is included in revenue in the year of reimbursement and in 2018, \$567,573 was included versus \$1,195,990 in 2017. The City collected sales tax had an approximate 4.4% increase from the prior year. State Gas Tax was just barely down -0.9% while the Cable Franchise was down -5.8%, Tourism Tax was down -1.3% and 911 tax was down - 5.0%.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City. In 2012 the citizens voted to increase the Tourism tax to 5.0%. The City has collected \$250,278 for the fiscal year ending 2018 and \$253,513 for the fiscal year ending 2017. The Tourism Board has chosen to promote numerous events in the City.
- 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. The Lowe's special allocation was completed during fiscal year. (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 2018, the unassigned fund balance of the general fund was \$1,858,480, while the total fund balance was \$4,289,056. As a measure of the general funds liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 25.3% of total general fund expenditures and transfers out of \$7,355,643, while total fund balance represents 58.3% of total general fund expenditures and transfers out. On August 22, 2018, the City Council passed Resolution #4463 ½ modifying the reserve policy which requires that the general fund reserve fund balance be equal to 39.0% of the general fund operating expenses. This reserve balance is reflected as a Committed – Contingency balance and for 2018 is \$2,267,523. This amount would have previously been included as part of the unassigned fund balance.

The fund balance of the City's general fund decreased by \$689,637 or -13.9%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund - revenues (without transfers-in) increased by \$263,089 as compared to the previous year. There was a decrease in expenditures of approximately \$644,361. The transfers-in decreased by \$588,197, and the transfers-out increased by \$807,824 in 2018.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures decreased due to various reasons including the purchase of the new fire truck with equipment at \$614,715 in 2017. Also, the remaining capital expenditures decreased from \$702,762 in 2017 to \$602,763 in 2018.

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

- The City Transportation Fund balance increased by \$180,565 or 5.6% from the prior-year. The expenditures decreased by \$1,208,758, with an increase in operating expenses of \$85,502 and a decrease in capital purchases of \$1,294,260 of which the Horine street project was finally finished with prior year expenditures of \$1,396,667 and a total cost of \$1,634,450. At the end of September 30, 2018, the spendable portion of the fund balance of \$3,358,633 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$3,512 or 1.5% from the prior year. At the end of September 30, 2018, the fund balance of \$233,458 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There are unearned revenues, held at the County, in the amount of \$1,340,886 available at September 30, 2018 for future transportation projects.

PROPRIETARY FUNDS

Business-type activities – Water and Sewer Fund increased the City's net position by \$768,243, which is an increase of more than 4.6% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales decreased in the amount of \$10,446 or -0.3% from the prior year. The City sewer sales increased in the amount of \$14,638 or 1.1%. Investment income increased by \$57,165 and transfer-in decreased by \$178,081. The overall expenditures from the water and sewer fund decreased by \$26,939 or -0.6%, which included an increase in water purchased of \$96,360 and nearly \$52,000 decrease in treatment plant expenses.

CAPITAL ASSETS

The City of Festus' net investment in capital assets for its governmental and business type activities as of September 30, 2018 amounts to \$21,073,338 (net of accumulated depreciation and related debt). This net investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and bridges. The decrease in the City of Festus' investment in capital assets for the current fiscal year was -0.2%, a -4.9% decrease for governmental activities and a 14.6% increase for business-type activities.

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

Governmental Activities:

- Land had no change in balance during year.
- Construction in Progress decreased with Jokerst restroom project and the West City Park maintenance building being completed during the year and increased with the start of 3rd Street and 5th Street STP projects, the Fire House addition, and the continuation of the Collins Drive sidewalk project.
- Buildings and Other Improvements had the addition of the West City Park maintenance building, Jokerst Park restroom, and City Hall HVAC system.
- Office equipment changes included the purchase of website software and the disposal of various computer software programs and obsolete computer equipment.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

Governmental Activities (continued)

- Additions to Automotive Equipment for the year included a new truck for the Street Department and three new police Ford Explorers including decals and equipment. There were 2 Police cars disposed of during the year.
- Machinery and equipment acquired during the year included two mobile radios for Fire Department, a tandem asphalt roller for the Street Department, and two lawn mowers and a merry-go-round for the Parks Department. Items retired included a radar unit, a light bar, video cameras, several mobile radios, surveillance cameras, a tactical intelligence system, a small snow plow, and a hurricane fan.
- Additions to land improvements included sidewalks at Fairview and Horine streets, overlay of Jefferson parking lot, and fencing at Public Works.
- Infrastructure additions included overlays to Horine Road, Parkview Drive, East Avenue, and Jefferson Avenue. Also, N. 4th Street had base replaced and was overlaid. Items removed included the previous overlays of various streets.

Business-Type Activities:

- Changes to Construction in Progress included the work on the pole barn building, the Grand and 5th sewer main project, and the WCP lift station and force main project. The Locust Road water main project was finalized and moved to capital assets.
- Addition to land improvements included fencing at Public Works.
- The change in Systems and Improvements included addition of Locust Street and Sunset Group water main projects.
- Automotive equipment had an addition of a utility box installed on truck.
- Machinery and Equipment purchases included Jersey Lift Station pump improvements. The removals included a plate compactor and bobcat tracks.
- Computer Equipment had no additions or disposals.
- Buildings and Other Improvements had no additions or disposals.
- Furniture and Fixtures also had no additions or disposals.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2017	2018	2017	2018	2017	2018
Land	\$ 1,546,759	\$ 1,546,759	\$ 194,059	\$ 194,059	\$ 1,740,818	\$ 1,740,818
Assets held for sale			47,852	-	47,852	-
Construction in Progress	273,936	222,677	50,646	243,306	324,582	465,983
Systems and Improvements			7,756,349	7,739,026	7,756,349	7,739,026
Buildings and Other Improvements	3,209,741	3,563,704	89,899	83,791	3,299,640	3,647,495
Office Equipment	124,190	97,659	-	-	124,190	97,659
Automotive Equipment	1,031,853	997,870	68,960	69,135	1,100,813	1,067,005
Machinery and Equipment	745,943	654,562	970,611	876,902	1,716,554	1,531,464
Furniture and Fixtures			-	-	-	-
Computer Equipment			8,762	6,191	8,762	6,191
Infrastructure	9,125,197	7,950,469			9,125,197	7,950,469
Land Improvements	1,244,634	1,356,486			1,244,634	1,356,486
Capital Assets, Net	\$ 17,302,253	\$ 16,390,186	\$ 9,187,138	\$ 9,212,410	\$ 26,489,391	\$ 25,602,596

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2018, the City had outstanding long-term debt obligations for governmental activities in the amount of \$3,494,890 compared to \$5,242,938 in 2017; these amounts include the net pension liability that is now required to be shown on the financial statements. The City's obligations include a Neighborhood Improvement District Bonds in the amount of \$194,920 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 5 years. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building and has a balance of \$945,000. Also included is the Net Pension Liability (see Note 5). The Notes Payable is the balance due to Home Depot for reimbursement of infrastructure costs, which is to be repaid with a specified portion of the sales tax collected by that company. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreement).

Business-type Activities:

At the end of September 30, 2018, the City had outstanding long-term debt obligations for business-type activities in the amount of \$3,546,287 compared to \$4,421,482 in 2017. The Neighborhood Improvement District (NID) Bonds totaling \$74,341, net of discount, have various maturity dates out to 2022. The revenue bonds consist of various series and installments, which are due through July 2023. The notes payable includes the SRF-2001C and SRF-2002B. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	2,703,587	2,179,598	2,703,587	2,179,598
NID	238,233	194,920	90,809	74,341	329,042	269,261
Certificates of Participation	1,030,000	945,000	-	-	1,030,000	945,000
Net Pension Liability ***	1,853,297	1,070,667	314,049	156,949	2,167,346	1,227,616
Notes Payable	2,121,408	1,284,303	1,313,037	1,135,399	3,434,445	2,419,702
Total	\$ 5,242,938	\$ 3,494,890	\$ 4,421,482	\$ 3,546,287	\$ 9,664,420	\$ 7,041,177

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

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES

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

- General revenues showed \$219,641 more than the amended budget. Conservatism was used in designating a budget amount for all the revenues and even using conservatism we still had Court Fines, 911 Taxes, Cable Franchise fees and Grants had revenues under the amount budgeted. The largest amount over budget was Sales Taxes which was \$145,148 over budgeted, followed by Utility Gross receipts which was \$63,696 over budget, interest income which was \$30,541 over budget, Building Permits were \$22,469 over budget and Merchants' Licenses at \$18,174. Reimbursement from Festus Schools for resource officers was \$13,147 under budget, due to being without a second officer for almost two months.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- Under administration, the department was under total operating budget by \$52,721 or 6.7%. This included savings of over \$7,300 in building grounds and maintenance, \$6,800 in janitorial services, \$9,100 in salaries & benefits and over \$5,700 in maintenance contracts.
- The court was \$18,971, under operating budget for the year. The salaries and benefits were \$6,361 under amount budget and office supplies and printing was another \$3,305 under budget.
- The building department was under budget on for salaries and benefits by nearly \$9,700. The building department was a total of \$19,976 or 6.2% under budget.
- The police department was under budget by \$236,342 or 9.5%, which included over \$178,000 in savings in wages and benefits; the savings can be attributed to not replacing officers for several months after leaving. In addition, there was \$19,760 under amount budgeted for vehicle expenses.
- Dispatch was \$48,419 under budget in total, which includes savings in salaries, benefits, utilities, maintenance contracts, and training. Capital to upgrade the 911 system was postponed pending other options.
- The Fire - Administration was 19.9% under budget. Volunteer pay was under budget by \$25,249 and maintenance expenses for vehicles and equipment were under by \$10,147. Total Fire – Administration expenses were under budget by \$53,823.
- The new Fire - Public Safety expenses (which are associated with the new fire property tax passed in 2014) were under budget by \$13,294 or 4.3%. This savings is predominately in benefits and training.
- The Emergency Management budget was under by 21.5% or \$2,924, primarily due to not spending monies on office supplies, training and maintenance costs.
- The Street department was under budget by \$10,858 or 3.4%.
- The non-departmental budget was under operating budget by \$24,706 or 2.4%. The rental building expenses were \$ 252 over budget; the street light electricity was under budget by \$12,752; the trash costs with related collection costs were under budget by \$ 7,113; and the retiree health insurance and deductibles were under budget by \$1,315.

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 \$67,943 more than what was budgeted and the investment income coming in \$27,336 more than budget. The grant revenue was \$325,823 under amount budgeted due to delays in the Collins sidewalk project.
- Operating expenditures for the City's Transportation Tax Fund were \$267,155 or 24.7% under the amount budgeted. The primary categories for this were wages and benefits under budget with \$28,868 being capitalized and overtime being \$26,328 under budget. Other areas of budget savings include engineering fees, which was \$9,718 under budget, gasoline which was \$9,804 under budget, and equipment maintenance costs were nearly \$21,000 under budget. Capital was under budget primarily due to Collins sidewalk project being completed in the following budget year.
- The County Transportation Tax Fund showed taxes under budget by \$87,927, since the tax revenues are requested from County after we spend the money on a Capital project. Capital Outlay expenditures in this fund were under budget by \$32,437.

Variations noted in non-major governmental funds, include:

- Property taxes in all funds were almost 4.0% over what was projected due to a higher collection rate of current real estate and current and delinquent personal property taxes.
- The Library Fund's revenues were over amount budgeted by 6.7% or \$18,572 and the Library operating expenses were under budget by \$15,944, with majority of savings in changing janitorial services, along with other maintenance cost savings.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2018

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- The Park Fund operating expenses were under budget by \$93,075 - this is in part due to \$31,140 of wages and benefits being capitalized. Also, the utilities were under budget by \$4,966, gasoline purchases were under budget by \$4,895, and the Firecracker Festival was under budget by \$1,230.
- The Storm Water Fund showed operating expenses under budget by \$ 2,058, due in part to electricity and maintenance supplies for the levee being \$22,759 under budget and the heavy equipment expense line was \$1,206 under budget. The other revenues were \$13,474 under budget due to the manhole project shared with Crystal City costing less than half the original estimate – the capital expense and Crystal City's portion in revenues were both under budget.
- Tourism Fund taxes were \$9,278 over budget and the investment income was over budget by \$6,764. The operating expenses were under budget in part due to not spending the money for office supplies and printing. The capital outlay was under budget by \$147,843 for various reasons including some budgeted events do not occur until next budget year, but since they were approved by the Tourism Commission, the funding has been earmarked.

FUTURE PROJECTS FOR THE CITY

- Street and sidewalk projects that are in the works for the City include:
Collins Road sidewalks and improvements to be completed in early 2019.
The 3rd Street and 5th Street sidewalk and improvements are being engineered in 2018 and should start in 2019.
Engineering for the South Mill Street project are to start in 2019.
- The City has selected an engineering firm to start planning for the replacement of the West City Park Lagoon with a sewer line going to the Festus-Crystal City Sewer Treatment Plant.
- Construction of crew quarters at the fire house are to be completed in 2019.
- Parks department is planning on extending the electric and adding lighting by the stage, and they have budgeted for a complete reconstruction of the tennis courts at Sunset Park.

REQUESTS FOR INFORMATION

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

The City of Festus, Missouri
Statement of Net Position
September 30, 2018

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents	\$ 10,802,535	\$ 5,495,605	\$ 16,298,140
Investments	4,154,987	909,427	5,064,414
Restricted cash and cash equivalents	51,483	1,102,405	1,153,888
Restricted investments	-	1,265,583	1,265,583
Receivables, net			
Taxes	4,445,580	-	4,445,580
Special assessments	219,740	65,440	285,180
Service charges	75,762	548,182	623,944
Interest	6,889	14,489	21,378
Grants	39,129	-	39,129
Court	297,839	-	297,839
Other	105,250	26,866	132,116
Prepaid items	214,215	37,672	251,887
Inventory	-	113,241	113,241
Investment in joint venture	-	3,002,965	3,002,965
Capital assets:			
Land and construction in progress	1,769,436	437,365	2,206,801
Other capital assets, net	14,620,750	8,775,045	23,395,795
Total Assets	<u>36,803,595</u>	<u>21,794,285</u>	<u>58,597,880</u>
Deferred Outflows of Resources			
Deferred outflows - pension related	709,562	133,102	842,664
Liabilities			
Accounts payable	251,470	231,336	482,806
Accrued payroll	274,509	47,966	322,475
Accrued payroll liabilities-other	19,834	4,106	23,940
Accrued interest	6,465	26,903	33,368
Deposits payable	-	348,703	348,703
Funds held for others	36,568	-	36,568
Unearned revenue	1,948,812	-	1,948,812
Other liabilities	245,908	8,739	254,647
Noncurrent liabilities:			
Due Within One Year	128,314	802,940	931,254
Due in More Than One Year	3,366,576	2,743,347	6,109,923
Total Liabilities	<u>6,278,456</u>	<u>4,214,040</u>	<u>10,492,496</u>
Deferred Inflows of Resources			
Deferred inflows - pension related	1,050,007	200,642	1,250,649
Net Position			
Net investment in capital assets	15,250,266	5,823,072	21,073,338
Restricted:			
Debt service	17,328	1,265,583	1,282,911
Enabling legislation	9,974,256	-	9,974,256
Unrestricted	4,942,844	10,424,050	15,366,894
Total Net Position	<u>\$ 30,184,694</u>	<u>\$ 17,512,705</u>	<u>\$ 47,697,399</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Activities
For the year ended September 30, 2018

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Administration	\$ 939,002	\$ -	\$ 4,500	\$ -	\$ (934,502)	\$ -	\$ (934,502)
Court	135,729	236,842	-	-	101,113	-	101,113
Building Department	353,705	95,749	-	-	(257,956)	-	(257,956)
Police	2,442,270	122,848	23,953	-	(2,295,469)	-	(2,295,469)
Dispatch	542,997	-	-	-	(542,997)	-	(542,997)
Fire	647,478	13,900	-	-	(633,578)	-	(633,578)
Emergency Management	16,752	-	-	-	(16,752)	-	(16,752)
Street	3,334,222	40,772	-	267,158	(3,026,292)	-	(3,026,292)
Health	167,474	21,970	-	-	(145,504)	-	(145,504)
Library	406,004	75,831	12,295	-	(317,878)	-	(317,878)
Parks	687,129	72,601	21,865	-	(592,663)	-	(592,663)
Non-departmental	1,830,365	854,398	4,040	-	(971,927)	-	(971,927)
Interest and Fiscal Charges	38,780	-	-	-	(38,780)	-	(38,780)
Total Government Activities	\$ 11,541,907	\$ 1,534,911	\$ 66,653	\$ 267,158	\$ (9,673,185)	\$ -	\$ (9,673,185)
Business-type Activities:							
Water and Sewer	4,413,284	4,749,719	-	1,650	-	338,085	338,085
Total Business-type Activities	\$ 4,413,284	\$ 4,749,719	\$ -	\$ 1,650	\$ -	\$ 338,085	\$ 338,085
Total Primary Government	\$ 15,955,191	\$ 6,284,630	\$ 66,653	\$ 268,808	\$ (9,673,185)	\$ 338,085	\$ (9,335,100)
General Revenues							
Taxes:							
Sales tax					\$ 6,202,217	\$ -	\$ 6,202,217
Property tax					1,212,145	-	1,212,145
Taxes - other					1,723,489	-	1,723,489
Licenses (taxes)					228,174	-	228,174
Investment income					262,187	198,788	460,975
Gain (Loss) on disposal of assets					-	-	-
Miscellaneous					145,397	4,721	150,118
Transfers (net)					(226,649)	226,649	-
Total General Revenues					\$ 9,546,960	\$ 430,158	\$ 9,977,118
Change in Net Position					(126,225)	768,243	642,018
Net Position, October 1					30,310,919	16,744,462	47,055,381
Net Position, September 30					\$ 30,184,694	\$ 17,512,705	\$ 47,697,399

See Notes to the Financial Statements

The City of Festus, Missouri
Balance Sheet - Governmental Funds
September 30, 2018

	General Fund	City Transportation Tax	County Transportation Tax	Capital Improvement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and cash equivalents	\$ 2,101,697	\$ 1,714,378	\$ -	\$ 2,448,857	\$ 1,514,453	\$ 3,023,150	\$ 10,802,535
Investments	1,355,427	1,497,032	-	509,427	665,101	128,000	4,154,987
Restricted cash	34,155	-	-	-	-	17,315	51,470
Restricted investments	-	-	-	-	-	-	-
Receivables, net							
Taxes	662,087	226,363	1,908,459	113,082	-	251,286	3,161,277
Special assessments	-	-	-	-	-	219,740	219,740
Service charges	75,762	-	-	-	-	-	75,762
Interest	1,391	2,522	-	597	2,154	225	6,889
Grants	7,135	31,994	-	-	-	-	39,129
Court	297,839	-	-	-	-	-	297,839
Other	78,633	3,953	-	-	-	22,664	105,250
Prepaid items	153,845	31,985	-	-	-	28,385	214,215
Due from other funds	337,975	-	-	-	-	-	337,975
Total Assets	5,105,946	3,508,227	1,908,459	3,071,963	2,181,708	3,690,765	19,467,068
Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,105,946</u>	<u>\$ 3,508,227</u>	<u>\$ 1,908,459</u>	<u>\$ 3,071,963</u>	<u>\$ 2,181,708</u>	<u>\$ 3,690,765</u>	<u>\$ 19,467,068</u>
Liabilities							
Accounts payable	\$ 89,865	\$ 61,070	\$ -	\$ -	\$ -	\$ 100,535	\$ 251,470
Accrued payroll	121,755	10,855	-	-	-	17,995	150,605
Accrued payroll liabilities - other	16,103	1,394	-	-	-	2,337	19,834
Due to other funds	-	-	334,115	-	-	3,860	337,975
Funds held for others	36,568	-	-	-	-	-	36,568
Unearned revenue	82,174	-	1,340,886	-	-	8,173	1,431,233
Other liabilities	155,775	44,290	-	22,143	-	23,700	245,908
Total Liabilities	502,240	117,609	1,675,001	22,143	-	156,600	2,473,593
Deferred Inflows of Resources							
Unavailable resources - property taxes	16,811	-	-	-	-	14,065	30,876
Unavailable resources - special assessments	-	-	-	-	-	219,740	219,740
Unavailable resources - court bonds	297,839	-	-	-	-	-	297,839
Total Deferred Inflows of Resources	314,650	-	-	-	-	233,805	548,455
Fund Balance							
Nonspendable:							
Prepaid items	153,845	31,985	-	-	-	28,385	214,215
Restricted:							
Special revenue funds	-	3,358,633	233,458	3,049,820	-	3,271,975	9,913,886
Committed:							
Contingency	2,267,523	-	-	-	-	-	2,267,523
Capital project fund	-	-	-	-	2,181,708	-	2,181,708
Assigned:							
Encumbrances	9,208	-	-	-	-	-	9,208
Unassigned:							
General fund	1,858,480	-	-	-	-	-	1,858,480
Total Fund Balances	4,289,056	3,390,618	233,458	3,049,820	2,181,708	3,300,360	16,445,020
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,105,946</u>	<u>\$ 3,508,227</u>	<u>\$ 1,908,459</u>	<u>\$ 3,071,963</u>	<u>\$ 2,181,708</u>	<u>\$ 3,690,765</u>	<u>\$ 19,467,068</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the year ended September 30, 2018

Total Fund Balances - Governmental Funds	\$ 16,445,020
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	1,284,316
Certain assets and liabilities are not financial resources (uses) and, therefore, are not reported in the governmental funds:	
Deferred outflows - pension related	709,562
Deferred inflows - pension related	(1,050,007)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,390,186
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	30,876
Certain long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:	
Accrued compensated balances	(123,904)
Accrued net pension liability	(1,070,667)
Accrued interest payable	(6,465)
Bonds and notes payable outstanding	(2,424,223)
Net Position of Governmental Activities	<u>\$ 30,184,694</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Combined Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended September 30, 2018

	General Fund	City Transportation Tax	County Transportation Tax	Capital Improvement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 662,626	\$ -	\$ -	\$ -	\$ -	\$ 549,649	\$ 1,212,275
Taxes - other	4,199,359	1,363,243	567,573	689,596	-	1,105,935	7,925,706
Intergovernmental	-	-	-	-	-	2,611	2,611
Special assessments	-	-	-	-	-	40,772	40,772
Grant revenue	22,847	267,158	-	-	-	11,136	301,141
Licenses and permits	323,923	-	-	-	-	1,594	325,517
Fines and penalties	240,247	-	-	-	-	38,287	278,534
Investment income	75,184	45,336	3,512	46,126	29,754	62,264	262,176
Lease payments	62,740	-	-	-	-	-	62,740
Other	173,146	3,457	-	-	-	192,785	369,388
Service charges	854,739	-	-	-	-	-	854,739
Total Revenues	6,614,811	1,679,194	571,085	735,722	29,754	2,005,033	11,635,599
Expenditures							
Current:							
Administration	730,610	-	-	-	-	-	730,610
Court	126,557	-	-	-	-	-	126,557
Building department	304,473	-	-	-	-	-	304,473
Police	2,244,079	-	-	-	-	9,905	2,253,984
Dispatch	449,128	-	-	-	-	-	449,128
Fire - administration	229,122	-	-	-	-	-	229,122
Fire - public safety	298,378	-	-	-	-	-	298,378
Emergency management	10,676	-	-	-	-	-	10,676
Street	309,943	815,965	-	-	-	-	1,125,908
Health	-	-	-	-	-	145,705	145,705
Library	-	-	-	-	-	287,136	287,136
Parks	-	-	-	-	-	479,069	479,069
Non-departmental	998,815	-	-	-	-	391,121	1,389,936
Capital outlay	602,762	678,861	567,573	-	-	518,617	2,367,813
Debt service:							
Principal	85,000	-	-	-	-	43,313	128,313
Interest and fiscal charges	27,380	-	-	-	-	11,911	39,291
Total Expenditures	6,416,923	1,494,826	567,573	-	-	1,886,777	10,366,099
Excess (Deficiency) of Revenues over Expenditures	197,888	184,368	3,512	735,722	29,754	118,256	1,269,500
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	6,555	296	-	-	-	-	6,851
Transfers in	44,640	-	-	-	640,163	676,286	1,361,089
Transfers out	(938,720)	(4,099)	-	(226,649)	(44,640)	(373,630)	(1,587,738)
Total Other Financing Sources	(887,525)	(3,803)	-	(226,649)	595,523	302,656	(219,798)
Net Change in Fund Balance	\$ (689,637)	\$ 180,565	\$ 3,512	\$ 509,073	\$ 625,277	\$ 420,912	\$ 1,049,702
Fund Balance (Deficit), October 1	4,978,693	3,210,053	229,946	2,540,747	1,556,431	2,879,448	15,395,318
Fund Balance (Deficit), September 30	\$ 4,289,056	\$ 3,390,618	\$ 233,458	\$ 3,049,820	\$ 2,181,708	\$ 3,300,360	\$ 16,445,020

See Notes to the Financial Statements

The City of Festus, Missouri
Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended September 30, 2018

Net Change in Fund Balances - Governmental Funds \$ 1,049,702

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

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

Capital outlays	1,160,014	
Depreciation expense	<u>(1,980,627)</u>	(820,613)

Gain/(Loss) on capital assets sold (91,455)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Deferred property tax revenue		(130)
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and in the treatment of long-term debt and related items.

Repayments:		
Neighborhood Improvement District Bonds	43,313	
Certificates of Participation	<u>85,000</u>	128,313

Payment of interest on Long-Term Debt		522
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Pension obligations		(395,275)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences		<u>2,711</u>
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Change in Net Position of Governmental Activities		<u><u>\$ (126,225)</u></u>
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The City of Festus, Missouri
Statement of Net Position
Proprietary Funds
September 30, 2018

	Water & Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 5,495,605
Investments	909,427
Restricted cash and cash equivalents	1,102,405
Restricted investments	1,265,583
Receivables, net	
Special assessments	65,440
Service charges	548,182
Interest	14,489
Grants	-
Other	26,866
Prepaid items	37,672
Inventory	113,241
Total Current Assets	9,578,910
Noncurrent Assets	
Investments in joint venture	3,002,965
Non-depreciable capital assets:	
Land and construction in progress	437,365
Depreciable capital assets:	
Other capital assets, net	8,775,045
Total Noncurrent Assets	12,215,375
Total Assets	21,794,285
Deferred Outflows of Resources	
Deferred outflows - pension related	133,102
Total Assets and Deferred Outflows of Resources	\$ 21,927,387
Liabilities	
Current Liabilities	
Accounts payable	\$ 231,336
Payroll and compensated absences payable	47,966
Accrued payroll liabilities - other	4,106
Accrued interest	26,903
Revenue bonds and NID bonds payable - current portion	556,686
Notes payable - current portion	246,254
Deposits payable	348,703
Due to other funds	-
Other liabilities	8,739
Total Current Liabilities	1,470,693
Long-Term Liabilities	
Revenue bonds and NID bonds payable, net of discounts and premiums	1,697,253
Notes payable	889,145
Net pension liability	156,949
Total Long-Term Liabilities	2,743,347
Total Liabilities	4,214,040
Deferred Inflows of Resources	
Deferred inflows - pension related	200,642
Net Position	
Net investment in capital assets	5,823,072
Restricted for:	
Debt reserve funds	1,265,583
Unrestricted	10,424,050
Total Net Position	17,512,705
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,927,387

The City of Festus, Missouri
Statement of Revenue, Expenses and Changes in Net Position
Proprietary Funds
For the year ended September 30, 2018

	Water & Sewer
Operating Revenues	
Water and sewer collections and fees	\$ 4,733,025
Grant revenues	-
Other revenues	16,694
Total Operating Revenues	4,749,719
Operating Expenses	
Personnel expenses	973,463
Materials and supplies	172,042
Purchased water	1,806,750
Utilities and maintenance	209,190
Depreciation and amortization	553,520
Treatment plant	401,304
Other	81,585
Total Operating Expenses	4,197,854
Operating Income (Loss)	551,865
Non-operating Revenues (Expenses)	
Interest income	198,788
Miscellaneous income	4,721
Gain (loss) on disposal of assets	(48,295)
Gain (loss) on joint venture	(36,621)
Interest expense	(130,514)
Total Non-operating Revenues (Expenses)	(11,921)
Income (Loss) Before Capital Contributions and Transfers	539,944
Capital contributions	1,650
Transfers in (out)	226,649
	228,299
Change in Net Position	\$ 768,243
Net Position, October 1	16,744,462
Net Position, September 30	\$ 17,512,705

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2018

	Water and Sewer
Cash Flows from Operating Activities:	
Receipts from customers	\$ 4,837,737
Payments to suppliers	(2,691,889)
Payments to employees	(913,157)
Other receipts (payments)	16,694
Net Cash Flows from Operating Activities	1,249,385
Cash Flows from Noncapital Financing Activities:	
Transfer in (out)	226,649
Net Cash from Noncapital Financing Activities	226,649
Cash Flows from Capital and Related Financing Activities:	
Payments of long-term debt	(714,325)
Interest on debt	(137,178)
Acquisition and construction of capital assets	(419,065)
Net Cash Used by Capital and Related Financing Activities	(1,270,568)
Cash Flows from Investing Activities:	
Proceeds from sale/(purchase) of investments	1,070,379
Miscellaneous income	4,721
Investment in joint venture	(31,065)
Interest on investments	205,204
Net Cash from Investing Activities	1,249,239
Net Increase in Cash and Cash Equivalents	\$ 1,454,705
Cash and Cash Equivalents, October 1	5,143,305
Cash and Cash Equivalents, September 30	\$ 6,598,010
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Profit (Loss)	\$ 551,865
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	557,291
Amortization expense	(3,771)
(Increase) decrease in:	
Accounts receivable	90,883
Prepaid items	133
Inventories	(29,791)
Deferred outflows - pension related	118,645
Increase (decrease) in:	
Accounts payable	8,640
Deposits payable	13,829
Net pension liability	(157,100)
Deferred inflows - pension related	117,800
Accrued payroll and other liabilities	(19,039)
Net cash provided by (used in) operating activities	\$ 1,249,385
Noncash Capital and Related Financing and/or Investing Activities:	
Contributions of capital assets from government	\$ 1,650

See Notes to the Financial Statements

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies

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

The Financial Reporting Entity

The City defines its financial reporting entity in accordance with provisions established by the Governmental Accounting Standards Board (GASB). Such standards require inclusion of component units based upon whether the City's governing body has any significant amount of financial accountability for potential component units (PCU). The City is financially accountable if it appoints a voting majority of a PCU's governing body and is able to impose its will on the PCU or there is a potential for the PCU to provide specific financial benefits to, or impose specific financial burdens on, the City. The City's financial reporting entity consists of the City (the primary government); the City has determined that there are no other governmental units that should be included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

Capital Improvement Fund - The Capital Improvement Fund is comprised of taxes collected to acquire and maintain capital assets and other improvements within the city.

Capital Reserve Fund - The Capital Reserve Fund is comprised of monies from the General Fund that have been set aside for future capital projects.

The City reports the following major proprietary funds:

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

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Encumbrances

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

Cash, Cash Equivalents, and Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury, federal agencies, commercial paper, corporate bonds, and repurchase agreements. The City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The City evaluates fair value measurements as of the balance sheet date and subsequent to the balance sheet date to determine any material changes in fair market value of investments.

Allowance for Uncollectable Accounts

Allowance for uncollectable accounts is as follows:

	9/30/18
Governmental Activities - General Fund	\$ 43,060
Business-type Activities - Water and Sewer Enterprise Fund	52,222
	<u>\$ 95,282</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Due To/From Other Funds

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

Inventory and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Capital assets which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as various assets with an initial cost of more than \$5,000-\$50,000 and an estimated useful life in excess of one year, depending on the class of assets being acquired. Such assets are recorded at historical cost or, estimated historical cost, if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, infrastructure assets constructed, purchased, or donated effective October 1, 2003 are reported in the government-wide financial statements.

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

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

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacation

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

	Total	Amounts Due Within One Year
Governmental Activities	\$ 92,110	\$ 92,110
Business-Type Activities	13,004	13,004
	\$ 105,114	\$ 105,114

Sick Leave

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

Compensatory Time

A non-exempt employee, except for police or firefighters, who works more than 40 hours during a work week can receive a comparable amount of compensatory time off during the same work week after approval by the department supervisor. If the supervisor determines that the comp time cannot be taken during the same work week, the supervisor shall grant the accrual of comp time at the rate of one and one-half times or grant pay at the rate of one and one-half times the employee's regular hourly rate. An employee may accrue up to a maximum of 100 hours of banked comp time. Employees will be allowed to use compensatory time within a reasonable period, unless the use of compensatory time would, in the opinion of the supervisor, unduly disrupt City operations. State laws pertaining to police personnel are applicable.

Unearned Revenue

Unearned revenue is composed of protested utility taxes, road sales taxes, insurance proceeds and other items which are measureable but not available and, therefore, not recognized as revenue in the accompanying governmental fund financial statements.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred. Long-term debt liabilities (including compensated absences and pension liabilities) are typically liquidated by the General Fund, NID Fund, and Water and Sewer Fund.

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

Fund Equity

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

Net investment in capital assets - represents capital assets, net of accumulated depreciation, less the outstanding balance of any notes, leases or other borrowings that are attributable to the acquisition, construction or improvements of the assets. Net investment in capital assets excludes unspent bond and loan proceeds.

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

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

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

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

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

Committed - represents fund balances that can be used only for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. The City currently has a policy which requires commitment of General Fund balance equal to thirty-nine percent of General fund operating expenditures incurred.

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

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes

The City's property tax calendar is as follows:

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

Grant Revenue

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Interfund Transactions

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

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

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

Use of Estimates

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 2 - Cash and Investments

Deposits and investments held by at the City at September 30, 2018 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 2,450
Demand deposits	n/a	16,295,690
Total Unrestricted Deposits		<u>16,298,140</u>
Restricted Deposits:		
Demand deposits	n/a	1,153,888
Total Restricted Deposits		<u>1,153,888</u>
Total Unrestricted and Restricted Deposits		<u>\$ 17,452,028</u>
Unrestricted Investments:		
Certificate of deposit	10/21/18	\$ 99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	11/22/18	2,037,707
Certificate of deposit	01/19/19	252,152
Certificate of deposit	07/28/19	500,000
Certificate of deposit	02/10/20	535,453
Government sponsored enterprise (GSE) bond	09/20/20	500,000
Government sponsored enterprise (GSE) bond	12/11/20	249,102
Total Unrestricted Investments		<u>5,064,414</u>
Restricted Investments:		
Guaranteed investment contract	06/30/23	8,738
Guaranteed investment contract	06/30/23	281,639
Guaranteed investment contract	06/30/23	56,250
Guaranteed investment contract	06/30/23	7,695
Guaranteed investment contract	06/30/23	57,500
Guaranteed investment contract	06/30/23	853,761
Total Restricted Investments		<u>1,265,583</u>
Total Unrestricted and Restricted Investments		<u>\$ 6,329,997</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 2 - Cash and Investments (continued)

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, 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. As of September 31, 2018, all but \$249,102 of the deposits and investments of the City were fully insured or collateralized by securities held in the City's name. The City does not believe it is exposed to any substantial custodial credit risk on uncollateralized deposits or investments.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. The following investments represent more than 5%, individually, of total investments:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Reliance Bank	Certificates of deposit	\$ 2,037,707	32.19%
Midwest Regional Bank	Certificates of deposit	1,490,000	23.54%
Enterprise Bank and Trust	Certificates of deposit	535,453	8.46%
Federal Farm Credit Bank	Gov. sponsored enterprise bond	500,000	7.90%
Natixis Funding Corporation	Guaranteed investment contracts	1,265,583	19.99%

Fair Value Measurements - The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Government sponsored enterprise bonds	<u>\$ 749,102</u>	<u>\$ -</u>	<u>\$ 749,102</u>	<u>\$ -</u>

All other investments are reported using a cost-based measure in accordance with the requirements of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 3 - Capital Assets

Capital asset activity for the year ended September 30, 2018 was as follows:

	Balance 9/30/17	Additions	Reductions	Balance 9/30/18
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 1,546,759	\$ -	\$ -	\$ 1,546,759
Construction in process	273,936	253,829	(305,088)	222,677
Total Non-depreciable capital assets	<u>\$ 1,820,695</u>	<u>\$ 253,829</u>	<u>\$ (305,088)</u>	<u>\$ 1,769,436</u>
Depreciable capital assets:				
Buildings and other improvements	\$ 6,671,357	\$ 600,605	\$ (120,200)	\$ 7,151,762
Office equipment	460,419	15,027	(32,752)	442,694
Automotive equipment	2,870,560	125,311	(46,821)	2,949,050
Machinery and equipment	3,366,691	71,181	(28,931)	3,408,941
Infrastructure	16,711,874	352,276	(471,611)	16,592,539
Land improvements	2,244,583	229,602	-	2,474,185
Total Depreciable capital assets	<u>32,325,484</u>	<u>1,394,002</u>	<u>(700,315)</u>	<u>33,019,171</u>
Less: Accumulated depreciation				
Buildings and other improvements	3,461,616	186,918	(60,476)	3,588,058
Office equipment	336,229	41,558	(32,752)	345,035
Automotive equipment	1,838,707	159,294	(46,821)	1,951,180
Machinery and equipment	2,620,748	162,063	(28,432)	2,754,379
Infrastructure	7,586,677	1,313,044	(257,651)	8,642,070
Land improvements	999,949	117,750	-	1,117,699
Total Accumulated depreciation	<u>16,843,926</u>	<u>1,980,627</u>	<u>(426,132)</u>	<u>18,398,421</u>
Depreciable capital assets, net	<u>\$ 15,481,558</u>	<u>\$ (586,625)</u>	<u>\$ (274,183)</u>	<u>\$ 14,620,750</u>
<u>Business-type Activities</u>				
Non-depreciable capital assets:				
Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	50,646	253,000	(60,340)	243,306
Assets not in service	47,852	-	(47,852)	-
Total Non-depreciable capital assets	<u>\$ 292,557</u>	<u>\$ 253,000</u>	<u>\$ (108,192)</u>	<u>\$ 437,365</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 3 - Capital Assets (continued)

Business-type Activities (continued)

Depreciable capital assets:

Systems and improvements	\$ 11,803,255	\$ 252,696	\$ -	\$ 12,055,951
Buildings and other improvements	233,043	-	-	233,043
Automotive equipment	224,741	9,959	-	234,700
Machinery and equipment	2,576,520	6,150	(4,450)	2,578,220
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	39,702	-	-	39,702
Total Depreciable capital assets	<u>14,883,205</u>	<u>268,805</u>	<u>(4,450)</u>	<u>15,147,560</u>
Less: Accumulated depreciation				
Systems and improvements	4,046,906	270,019	-	4,316,925
Buildings and other improvements	143,144	6,108	-	149,252
Automotive equipment	155,781	9,784	-	165,565
Machinery and equipment	1,605,909	99,417	(4,008)	1,701,318
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	30,940	2,571	-	33,511
Total Accumulated depreciation	<u>5,988,624</u>	<u>387,899</u>	<u>(4,008)</u>	<u>6,372,515</u>
Depreciable Capital Assets, net	<u><u>\$ 8,894,581</u></u>	<u><u>\$ (119,094)</u></u>	<u><u>\$ (442)</u></u>	<u><u>\$ 8,775,045</u></u>

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2018 as follows:

	<u>Amount</u>
Governmental Activities:	
Administration	\$ 26,017
Court	710
Building department	3,511
Police	112,370
Dispatch	28,021
Fire	80,873
Street	1,438,653
Emergency Management	6,076
Non-Departmental	68,335
Health	5,107
Library	93,040
Parks	117,914
Total Depreciation Expense - Governmental Activities	<u>\$ 1,980,627</u>
Business-type Activities:	
Water and Sewer	\$ 387,899
Total Depreciation Expense - Business-type Activities	<u>\$ 387,899</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Balance 9/30/17	Additions	Reductions	Balance 9/30/18	Amounts Due Within One Year
Governmental Activities:					
NID bonds	\$ 238,233	\$ -	\$ (43,313)	\$ 194,920	\$ 43,314
Certificates of Participation	1,030,000	-	(85,000)	945,000	85,000
Net pension obligation (Note 5)	1,853,297	-	(782,630)	1,070,667	-
Notes payable	2,121,408	-	(837,105)	1,284,303	-
Total Governmental Activities:	\$ 5,242,938	\$ -	\$ (1,748,048)	\$ 3,494,890	\$ 128,314
Business-type activities:					
Revenue bonds	\$ 2,655,000	\$ -	\$ (520,000)	\$ 2,135,000	\$ 540,000
Add: Premium	66,982	-	(12,165)	54,817	-
Less: Discount	(18,395)	-	8,176	(10,219)	-
NID Bonds	91,775	-	(16,687)	75,088	16,686
Less: Discount	(966)	-	219	(747)	-
Net pension obligation (Note 5)	314,049	-	(157,100)	156,949	-
Note payable	1,313,037	-	(177,638)	1,135,399	246,254
Total Business-type Activities:	\$ 4,421,482	\$ -	\$ (875,195)	\$ 3,546,287	\$ 802,940

Neighborhood Improvement District Bonds

The total amount of the Neighborhood Improvement District Bonds Series 2002 issued was \$875,000. This amount is split between the governmental activities and the business-type activities. The City has attached liens to the properties benefitting from improvements to allow property owners to pay their pro rata share of the improvement costs on installments. Installments are collected annually and remitted by the County. The property liens will be removed when the assessments are paid in full.

Governmental Activities:

\$631,654 Neighborhood Improvement District Limited General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3.00% to 5.55%.

\$ 194,920

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 3.00% to 5.55%.

75,088

Total: \$ 270,008

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 4 - Long-Term Debt (continued)

Neighborhood Improvement District Bonds

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

For the years ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 43,314	\$ 9,583	\$ 52,897	\$ 16,686	\$ 3,692	\$ 20,378
2021	46,924	7,111	54,035	18,076	2,740	20,816
2022	50,533	4,407	54,940	19,467	1,698	21,165
2023	54,149	1,502	55,651	20,859	579	21,438
	<u>\$ 194,920</u>	<u>\$ 22,603</u>	<u>\$ 217,523</u>	<u>\$ 75,088</u>	<u>\$ 8,709</u>	<u>\$ 83,797</u>

Certificates of Participation

The total amount of the Certificates of Participation Series 2012 issued was \$1,440,000. These Certificates were issued for the purpose of prepaying the Series 2008 Lease-Purchase Agreement. Original proceeds were used to pay the costs of acquiring, constructing, and installing the facilities and related improvements, fixtures, equipment, and furnishings for the Festus Public Library. This amount is located in the governmental activities.

Governmental Activities:

\$1,440,000 Certificates of Participation, Series 2012, due in annual installments through January 1, 2028, interest payable at 3.0% to 4.0% \$ 945,000

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

For the years ending September 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 85,000	\$ 25,765	\$ 110,765
2020	85,000	23,980	108,980
2021	90,000	21,965	111,965
2022	90,000	19,715	109,715
2023	90,000	17,285	107,285
2024-2028	505,000	41,500	546,500
	<u>\$ 945,000</u>	<u>\$ 150,210</u>	<u>\$ 1,095,210</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Tax Increment Financing Debt

Governmental Activities:

The City 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. This agreement was expired as of September 30, 2018.

\$ -

The City 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.

1,284,303

Total: \$ 1,284,303

Revenue Bonds Payable

The City issued three series of bonds for the purpose of acquiring, constructing, reconstructing, extending, and improving the combined waterworks and sewerage system of the City. These amounts are located in the business-type activities.

Business-type Activities:

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

\$ 85,000

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

1,205,000

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

845,000

Total: \$ 2,135,000

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 4 - Long-Term Debt (continued)

Revenue Bonds Payable (continued)

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

Notes Payable

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

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

Business-type Activities:

State Revolving Fund (SRF) - 2001C, no interest	\$	281,638
State Revolving Fund (SRF) - 2002B, no interest		853,761
Total:	\$	1,135,399

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

For the years ending September 30,	Revenue Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 540,000	\$ 106,230	\$ 646,230	\$ 246,254	-	\$ 246,254
2020	465,000	79,750	544,750	241,159	-	241,159
2021	480,000	56,500	536,500	247,992	-	247,992
2022	650,000	45,250	695,250	399,994	-	399,994
	\$ 2,135,000	\$ 287,730	\$ 2,422,730	\$ 1,135,399	\$ -	\$ 1,135,399

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 5 - Employee Retirement Plans

General Information about the Defined Benefit Pension Plan

Plan description - The City of Festus's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The City of Festus participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS 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 is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

Benefits provided - LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 (55 for police and fire) with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 (50 for police and fire) and receive a reduced allowance.

	2018
	<u>Valuation</u>
Benefit Multiplier	2.00%
Final Average Salary	5 years
Member Contributions	0%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees covered by benefit terms - At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	59
Active employees	88
	<u>214</u>

Contributions - The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 16.2% (General), 15.6% (Police) and 30.8% (Fire) of annual covered payroll.

Net Pension Liability - The employer's net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2018.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 5 - Employee Retirement Plans (continued)

Actuarial Assumptions - The total pension liability in the February 28, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% - 7.15% including wage inflation
Investment Rate of Return	7.25%, net of investment and administrative expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period based year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2018 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	43.00%	5.16%
Fixed Income	26.00%	2.86%
Real Assets	21.00%	3.23%
Strategic Assets	10.00%	5.59%

Discount rate - The discount rates used to measure the total pension liability are 7.25% (General), 7.25% (Police), and 5.84% (Fire). The projection of cash flows used to determine the discount rates assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability. The single discount rate reflects (1) a 7.25% long-term expected rate of return on pension plan investments and (2) a 3.62% municipal bond rate based on an index of 20-year general obligation bonds with an average AA rate as of the measurement date.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 5 - Employee Retirement Plans (continued)

Changes in Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 6/30/2017	\$ 20,391,836	\$ 18,224,490	\$ 2,167,346
Changes for the year:			
Service cost	421,241	-	421,241
Interest	1,458,841	-	1,458,841
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(391,561)	-	(391,561)
Contributions - employer	-	565,286	(565,286)
Contributions - employee	-	-	-
Net investment income	-	2,215,523	(2,215,523)
Benefit payments, including refunds	(753,143)	(753,143)	-
Administrative expense	-	(16,220)	16,220
Other changes	(14,526)	(350,864)	336,338
Net changes	720,852	1,660,582	(939,730)
Balances at 6/30/2018	<u>\$ 21,112,688</u>	<u>\$ 19,885,072</u>	<u>\$ 1,227,616</u>

Sensitivity of the net pension liability to changes in the discount rate - The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25% (General), 7.25% (Police) and 5.84% (Fire), as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower or one percentage point higher than the current rates.

	1% Decrease	Current Rate	1% Increase
Total Pension Liability	\$ 24,379,245	\$ 21,112,688	\$ 18,450,579
Plan Fiduciary Net Position	(19,885,072)	(19,885,072)	(19,885,072)
Net Pension Liability	<u>\$ 4,494,173</u>	<u>\$ 1,227,616</u>	<u>\$ (1,434,493)</u>

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City of Festus recognized pension expense of \$1,037,271. The City of Festus reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 375,251	\$ (552,461)
Differences in assumptions	340,665	(146,094)
Excess (deficit) investment returns	-	(552,094)
Contributions subsequent to the measurement date*	126,748	-
	<u>\$ 842,664</u>	<u>\$ (1,250,649)</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 5 - Employee Retirement Plans (continued)

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the year ended September 30, 2018.

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended</u> <u>September 30,</u>	<u>Amount</u>
2019	\$ 218,364
2020	(40,262)
2021	(312,264)
2022	(249,763)
2023	(12,864)
Thereafter	(11,196)
	<u>\$ (407,985)</u>

Payable to the Pension Plan

At September 30, 2018, the City of Festus reported a payable of \$0 for the outstanding amount of the contributions to the pension plan required for the year ended September 30, 2018.

General Information about the Defined Contribution Pension Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City makes no contribution to the Plan. Nationwide Retirement Solutions administers the City's Deferred Compensation Plan. The City does not have significant administrative involvement in the Plan. With the adoption of GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the City's Deferred Compensation Plan is not included in the general purpose financial statements. The City's Plan does not meet the criteria for reporting the Deferred Compensation Plan in a fiduciary fund.

Note 6 - Due From and Due To Other Funds

There was no due from/due to other fund balances at September 30, 2018. Balances in the General Fund of \$337,975, County Transportation Tax Fund of (\$334,115), and NID Assessment Fund of (\$3,860) have been eliminated upon consolidation in the government-wide financial statements. The City typically loans resources between funds for the purpose of cash flow. Balances are expected to be repaid as cash becomes available.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 7 - Interfund Transfers

Individual fund transfers for the year ended September 30, 2018 are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ 44,640	\$ (938,720)	\$ (894,080)
	City Transportation Tax Fund	-	(4,099)	(4,099)
	Capital Improvement Fund	-	(226,649)	(226,649)
	Capital Reserve Fund	640,163	(44,640)	595,523
	Library Fund	300,000	-	300,000
	Park Fund	372,187	(1,443)	370,744
	NID Assessment Fund	4,099	-	4,099
	Storm Water Tax Fund	-	(344,887)	(344,887)
	Tourism Tax	-	(27,300)	(27,300)
	Total Governmental Activities	1,361,089	(1,587,738)	(226,649)
Business Type Activities:	Water & Sewer Fund	226,649	-	226,649
	Total Business-type Activities	226,649	-	226,649
	Total Transfers	\$ 1,587,738	\$ (1,587,738)	\$ -

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

Note 8 - Concentration

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

Note 9 - Insurance

The City is a member of the Missouri Intergovernmental Risk Management Association (MIRMA), a state-wide governmental self-insurance pool which provides property, liability, and worker's compensation coverage to its participating members in a single comprehensive multiline package. The various lines of coverage are not available individually and the membership is limited to municipalities and municipally owned utilities. The City's policy covers all real and personal property owned by the City except sewer lines. The policy is for replacement cost and expires June 30, 2019. MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis.

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid \$334,341 in insurance premiums to MIRMA during the year ended September 30, 2018. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 10 - Claims and Contingencies

Litigation

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

Federal and State Assisted Programs

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

Note 11 - Leases in the Statements of Lessors

The City's General Fund derives a portion of its revenues from noncancelable operating leases from tenants who rent a City owned building and ground leases used for cell phone towers. Leased property consists of \$121,007 of land and \$173,327 in buildings and improvements, net of depreciation.

Future minimum rentals to be received under these leases as of September 30, 2018, are as follows:

Years ending September 30,	Building Rent	Ground Leases	Total
2019	\$ 35,684	\$ 26,325	\$ 62,009
2020	23,496	26,325	49,821
2021	18,996	27,168	46,164
2022	18,996	27,770	46,766
2023	18,996	28,306	47,302
2024-2028	6,332	154,361	160,693
2029-2033	-	175,366	175,366
2034-2038	-	144,099	144,099
	\$ 122,500	\$ 609,720	\$ 732,220

Note 12 - Joint Ventures

Festus-Crystal City Sewage Treatment Commission

The City of Festus and the City of Crystal City, Missouri participate in the Festus-Crystal City Sewage Treatment Commission (the Commission) which was formed for the purpose of operating and maintaining a sewage treatment facility for the two cities. Both City Councils appoint two members to the Commission. The City of Festus is committed to pay monthly to the Commission an amount equal to 67% of the previous month's costs of operation and maintenance of the shared facility and repairs. Capital expenditures are shared 50/50 by the cities. The City of Crystal City is committed to pay the remaining 33% of described costs. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its ownership of the Commission.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 12 - Joint Ventures (continued)

Festus-Crystal City Sewage Treatment Commission (continued)

The City's interest in the joint venture at September 30, 2018 is \$3,002,965. The change in value of the joint venture resulted in a loss of \$206,013 for the year ended September 30, 2018. For the year ended September 30, 2018, the City's cost for sewage treatment services provided by the Commission was \$382,013, which includes the City's share of operating expenses. Separate financial statements are prepared for the Festus-Crystal City Sewage Treatment Commission and may be obtained by contacting the administrative offices of the Commission.

The following paragraph is unaudited:

The Commission maintains its accounts on the cash basis. Total assets and equity of the Commission at September 30, 2018 were both \$80,041. Commission management stated that no long-term liabilities were outstanding at September 30, 2018. For the year ended September 30, 2018, total receipts and disbursements were \$680,557 and \$624,836, respectively, resulting in a net change in the Commission's equity of \$55,721.

Jefferson County Water Authority

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

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

The Authority currently makes a portion of debt service payments for the City of Festus Water Works and Sewage Revenue Refunding Bond Series 2003. Separate financial statements are prepared for the Jefferson County Water Authority and may be obtained by contacting the City of Festus at (636) 937-4694 or by writing to 711 Main Street, Festus, MO, 63028.

Festus-Crystal City Levee Commission

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

The City of Crystal City and the City of Festus are committed to pay monthly the previous month's costs of operation and maintenance of the levee. The only assets of the Commission at September, 30, 2018 were the Twin City levee and land. Currently no separate financial statements for the Commission are available.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 13 - Other Post Employment Benefits

In addition to the pension benefits described in Note 5, the City allows employees who retire from the City to participate in the City's health, dental and vision insurance plans. Upon meeting the retirement requirements of LAGERS, the employees can elect to participate in the City's plans. The City pays for employee premiums for five years or until they reach age 65, but employees must pay for 100% of their spouse or dependents coverage for each plan they elect to participate. Future retirees will not be allowed to cover their spouse or dependents beyond the COBRA allowed time period. The difference between the amount the retiree is required to pay and the actual cost to the City is considered to be a post employment benefit. The City has not established an irrevocable trust fund for the accumulation of resources for the future payment of benefits under the plan; benefits are paid on a pay-as-you-go basis. A stand alone financial report is not available for the plan. During the year ended September 30, 2018, 6 retirees participated in the City's insurance plans and the City paid premiums totaling \$23,813. COBRA premiums paid (not by City) totaled \$16,583.

Note 14 - Subsequent Events

The City has evaluated events subsequent to September 30, 2018 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through March 13, 2019, the date the financial statements were available to be issued.

On September 12, 2018, the City entered into an agreement to issue industrial revenue bonds to finance an industrial development project in an amount not to exceed \$10,000,000. The proceeds will be used to provide funds to pay the costs of acquiring and constructing a hotel to be located in the City. The bonds had not been issued as of the date of this audit report.

On October 10, 2018, the City entered into an economic development agreement with a local business for the purpose of redevelopment of a property located within the City. The City expects to create an opportunity for increased economic activity; this effects of increased economic activity cannot be estimated as of the date of this audit report.

Note 15 - Missouri Legislation

House Bill 103 amending Section 302.341.2 RSMo became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations. The City was not required to and did not account for the fines and court costs for traffic violations separately from the total fines and court costs prior to August 28, 2013. During the fiscal year ended September 30, 2018, total fines and court costs revenues for the fiscal year, which include fines and court costs related to traffic violations, summed to \$232,930. "Annual general operating revenue of the city" is not defined in the amended statute and may or may not include various sources of the City's revenues. However, the City's general revenue fund tax revenue alone totaled \$4,861,985. Using general fund tax revenue and total fines and court costs as the "annual general operating revenue," the City's total fines and court costs revenues are only 4.57% of this total "annual general operating revenue," which is substantially below the 30% threshold requirement of the amended statute. This clearly demonstrates at a minimum that the City in no way exceeded the percentage requirement regardless of how "annual general operating revenue" is calculated.

Note 16 - Tax Abatement Disclosures

GASB Statement No. 77, *Tax Abatement Disclosure* seeks to assist users of the financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. The City currently has no tax abatement agreements which require disclosure other than those already noted in Note 4.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2018

Note 17 - Adoption of New Accounting Pronouncements

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ended September 30, 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, will improve the information disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement will be effective for the year ended September 30, 2019.

GASB Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will be effective for the year ended September 30, 2020.

Note 18 - Commitments

At September 30, 2018, the City had commitments for the following projects:

Street and transportation projects	\$ 500,360
Professional services	13,128
Water and sewer system improvements	430,087
	<u>\$ 943,575</u>

These commitments are shown as assigned or restricted resources in the following funds:

General Fund	\$ 9,208
City Transportation Tax Fund	500,360
Library Fund	3,920
Water and Sewer Fund	430,087
	<u>\$ 943,575</u>

Required Supplementary Information

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2018

Revenues	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Property taxes	\$ 637,500	\$ 637,500	\$ 662,626	\$ 25,126
Taxes - other	3,987,000	3,987,000	4,199,359	212,359
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	36,650	36,650	22,847	(13,803)
Licenses and permits	283,000	283,000	323,923	40,923
Fines and penalties	332,100	332,100	240,247	(91,853)
Investment income	39,500	39,500	75,184	35,684
Lease payments	61,380	61,380	62,740	1,360
Other	159,000	172,640	173,146	506
Service charges	845,400	845,400	854,739	9,339
Total Revenues	6,381,530	6,395,170	6,614,811	219,641
Expenditures				
Current:				
Administration	765,831	783,331	730,610	(52,721)
Court	145,528	145,528	126,557	(18,971)
Building department	323,799	324,449	304,473	(19,976)
Police	2,467,896	2,480,421	2,244,079	(236,342)
Dispatch	497,547	497,547	449,128	(48,419)
Fire - administration	270,973	282,945	229,122	(53,823)
Fire - public safety	306,672	311,672	298,378	(13,294)
Emergency management	13,600	13,600	10,676	(2,924)
Street	320,801	320,801	309,943	(10,858)
Non-departmental	1,023,521	1,023,521	998,815	(24,706)
Capital outlay	885,960	756,454	602,762	(153,692)
Debt Service:				
Principal	85,000	85,000	85,000	-
Interest and fiscal charges	27,380	27,380	27,380	-
Total Expenditures	7,134,508	7,052,649	6,416,923	(635,726)
Excess (Deficiency) of Revenues over Expenditures	(752,978)	(657,479)	197,888	855,367
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	49,640	5,000	6,555	1,555
Transfers in	-	44,640	44,640	-
Transfers out	(144,590)	(982,310)	(938,720)	43,590
Total Other Financing Sources (Uses)	(94,950)	(932,670)	(887,525)	45,145
Net Change in Fund Balance	\$ (847,928)	\$ (1,590,149)	\$ (689,637)	\$ 900,512
Fund Balance, October 1			4,978,693	
Fund Balance, September 30			\$ 4,289,056	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
City Transportation Tax Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,295,300	1,295,300	1,363,243	67,943
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	592,981	592,981	267,158	(325,823)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	18,000	18,000	45,336	27,336
Lease payments	-	-	-	-
Other	1,200	1,200	3,457	2,257
Service charges	-	-	-	-
Total Revenues	<u>1,907,481</u>	<u>1,907,481</u>	<u>1,679,194</u>	<u>(228,287)</u>
Expenditures				
Current:				
Administration	-	-	-	-
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	1,053,620	1,083,120	815,965	(267,155)
Non-departmental	-	-	-	-
Capital outlay	1,218,275	856,177	678,861	(177,316)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>2,271,895</u>	<u>1,939,297</u>	<u>1,494,826</u>	<u>(444,471)</u>
Excess (Deficiency) of Revenues over Expenditures	(364,414)	(31,816)	184,368	216,184
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	296	296
Transfers in	-	-	-	-
Transfers out	(4,099)	(4,099)	(4,099)	-
Total Other Financing Sources (Uses)	<u>(4,099)</u>	<u>(4,099)</u>	<u>(3,803)</u>	<u>296</u>
Net Change in Fund Balance	<u>\$ (368,513)</u>	<u>\$ (35,915)</u>	\$ 180,565	<u>\$ 216,480</u>
Fund Balance, October 1			<u>3,210,053</u>	
Fund Balance, September 30			<u>\$ 3,390,618</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
County Transportation Tax Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	655,500	655,500	567,573	(87,927)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,500	1,500	3,512	2,012
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>657,000</u>	<u>657,000</u>	<u>571,085</u>	<u>(85,915)</u>
Expenditures				
Current:				
Administration	-	-	-	-
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	600,000	600,000	567,573	(32,427)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>600,000</u>	<u>600,000</u>	<u>567,573</u>	<u>(32,427)</u>
Excess (Deficiency) of Revenues over Expenditures	57,000	57,000	3,512	(53,488)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 57,000</u>	<u>\$ 57,000</u>	\$ 3,512	<u>\$ (53,488)</u>
Fund Balance, October 1			<u>229,946</u>	
Fund Balance, September 30			<u>\$ 233,458</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvement Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	676,200	676,200	689,596	13,396
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	15,000	15,000	46,126	31,126
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>691,200</u>	<u>691,200</u>	<u>735,722</u>	<u>44,522</u>
Expenditures				
Current:				
Administration	-	-	-	-
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	691,200	691,200	735,722	44,522
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(778,000)	(778,000)	(226,649)	551,351
Total Other Financing Sources (Uses)	<u>(778,000)</u>	<u>(778,000)</u>	<u>(226,649)</u>	<u>551,351</u>
Net Change in Fund Balance	<u>\$ (86,800)</u>	<u>\$ (86,800)</u>	\$ 509,073	<u>\$ 595,873</u>
Fund Balance, October 1			<u>2,540,747</u>	
Fund Balance, September 30			<u>\$ 3,049,820</u>	

City of Festus, Missouri
Notes to the Required Supplementary Information - Budgetary Schedules
For the year ended September 30, 2018

Note 1 - Explanation of Budgetary Process

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

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

City of Festus, Missouri
Schedule of Changes in Net Pension Liability and Related Ratios - Last 10 Fiscal Years
Missouri Local Government Employees Retirement System (LAGERS)

<i>Fiscal year ending June 30,</i>	2018	2017	2016	2015
Total Pension Liability				
Service Cost	\$ 421,241	\$ 427,801	\$ 391,392	\$ 386,909
Interest on the Total Pension Liability	1,458,841	1,345,331	1,230,668	1,205,031
Benefit Changes	-	-	-	-
Difference between expected and actual experience	(391,561)	544,511	(64,181)	(570,584)
Assumption Changes	(14,526)	(153,257)	678,302	53,188
Benefit Payments	(753,143)	(710,517)	(623,604)	(705,192)
Refunds	-	-	-	-
Net Change in Total Pension Liability	<u>720,852</u>	<u>1,453,869</u>	<u>1,612,577</u>	<u>369,352</u>
Total Pension Liability beginning	<u>20,391,836</u>	<u>18,937,967</u>	<u>17,325,390</u>	<u>16,956,038</u>
Total Pension Liability ending	<u>\$ 21,112,688</u>	<u>\$ 20,391,836</u>	<u>\$ 18,937,967</u>	<u>\$ 17,325,390</u>
Plan Fiduciary Net Position				
Contributions-employer	\$ 565,286	\$ 618,046	\$ 590,399	\$ 553,848
Contributions-employee	-	-	-	-
Pension Plan Net Investment income	2,215,523	1,957,825	(33,114)	320,327
Benefit Payments	(753,143)	(710,517)	(623,604)	(705,192)
Refunds	-	-	-	-
Pension Plan Administrative expense	(16,220)	(15,761)	(15,647)	(16,124)
Other	(350,864)	235,650	44,955	47,974
Net Change in Plan Fiduciary Net Position	<u>1,660,582</u>	<u>2,085,243</u>	<u>(37,011)</u>	<u>200,833</u>
Plan Fiduciary Net Position beginning	<u>18,224,490</u>	<u>16,139,247</u>	<u>16,176,258</u>	<u>15,975,425</u>
Plan Fiduciary Net Position ending	<u>\$ 19,885,072</u>	<u>\$ 18,224,490</u>	<u>\$ 16,139,247</u>	<u>\$ 16,176,258</u>
Employer Net Pension Liability	\$ 1,227,616	\$ 2,167,346	\$ 2,798,720	\$ 1,149,132
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	94.19%	89.37%	85.22%	93.37%
Covered Employee Payroll	\$ 3,571,795	\$ 3,604,777	\$ 3,632,243	\$ 3,350,035
Employer's Net Pension Liability as a percentage of covered employee payroll	34.37%	60.12%	77.05%	34.30%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Festus, Missouri
Schedule of Pension Contributions - Last 10 Fiscal Years
Missouri Local Government Employees Retirement System (LAGERS)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined pension contribution	\$ 562,651	\$ 704,466	\$ 721,610	\$ 451,564	\$ 474,782	\$ 516,074	\$ 474,694	\$ 508,440	\$ 349,835	\$ 254,909
Contributions in relation to the actuarially determined contributions	562,651	579,193	617,973	541,758	566,387	428,940	407,900	396,349	349,768	364,158
Contribution deficiency (excess)	\$ -	\$ 125,273	\$ 103,637	\$ (90,194)	\$ (91,605)	\$ 87,134	\$ 66,794	\$ 112,091	\$ 67	\$ (109,249)
Covered Employee Payroll	\$ 3,585,488	\$ 3,708,915	\$ 3,715,734	\$ 3,403,947	\$ 3,493,840	\$ 3,550,159	\$ 3,693,918	\$ 3,934,236	\$ 3,860,538	\$ 3,782,907
Contributions as a percentage of covered employee payroll	15.69%	15.62%	16.63%	15.92%	16.21%	12.08%	11.04%	10.07%	9.06%	9.63%

Notes to Schedule:

Valuation date: February 28, 2018 - Actuarially determined contribution rates are calculated as of February 28, prior to the end of the fiscal year in which contributions are reported.

Notes: The roll-forward of total pension liability from February 28, 2018 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple bases from 13 to 25 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% - 7.15% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information	None

Supplementary Information

The City of Festus, Missouri
Combining Balance Sheet - Non-Major Governmental Funds
September 30, 2018

Special Revenue Funds										
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Totals
Assets										
Cash and cash equivalents	\$ 456,582	\$ 194,478	\$ 451,172	\$ -	\$ 13,248	\$ 1,261,771	\$ 543,346	\$ 93,860	\$ 8,693	\$ 3,023,150
Investments	29,000	-	-	-	-	50,000	49,000	-	-	128,000
Restricted cash	-	-	-	17,315	-	-	-	-	-	17,315
Restricted investments	-	-	-	-	-	-	-	-	-	-
Receivables, net										
Taxes	3,983	5,484	62,075	-	-	124,255	43,308	12,181	-	251,286
Special assessments	-	-	-	219,740	-	-	-	-	-	219,740
Interest	51	-	-	-	-	88	86	-	-	225
Other	19,784	2,880	-	-	-	-	-	-	-	22,664
Prepaid items	4,501	8,754	11,880	-	380	2,120	750	-	-	28,385
Due from other funds	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>513,901</u>	<u>211,596</u>	<u>525,127</u>	<u>237,055</u>	<u>13,628</u>	<u>1,438,234</u>	<u>636,490</u>	<u>106,041</u>	<u>8,693</u>	<u>3,690,765</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 513,901</u>	<u>\$ 211,596</u>	<u>\$ 525,127</u>	<u>\$ 237,055</u>	<u>\$ 13,628</u>	<u>\$ 1,438,234</u>	<u>\$ 636,490</u>	<u>\$ 106,041</u>	<u>\$ 8,693</u>	<u>\$ 3,690,765</u>
Liabilities										
Accounts payable	\$ 74	\$ 1,231	\$ 20,428	\$ -	\$ -	\$ 59,660	\$ 19,142	\$ -	\$ -	\$ 100,535
Accrued payroll	3,201	6,211	7,102	-	-	1,247	234	-	-	17,995
Accrued payroll liabilities-other	701	972	551	-	-	95	18	-	-	2,337
Due to other funds	-	-	-	3,860	-	-	-	-	-	3,860
Unearned revenue	-	5,173	-	-	-	3,000	-	-	-	8,173
Other liabilities	-	-	1,555	-	-	22,145	-	-	-	23,700
Total Liabilities	<u>3,976</u>	<u>13,587</u>	<u>29,636</u>	<u>3,860</u>	<u>-</u>	<u>86,147</u>	<u>19,394</u>	<u>-</u>	<u>-</u>	<u>156,600</u>
Deferred Inflows of Resources										
Unavailable resources - property taxes	3,747	5,159	5,159	-	-	-	-	-	-	14,065
Unavailable resources - special assessments	-	-	-	219,740	-	-	-	-	-	219,740
Total Deferred Inflows of Resources	<u>3,747</u>	<u>5,159</u>	<u>5,159</u>	<u>219,740</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,805</u>
Fund Balance										
Nonspendable:										
Prepaid items	4,501	8,754	11,880	-	380	2,120	750	-	-	28,385
Restricted:										
Special revenue funds	501,677	184,096	478,452	13,455	13,248	1,349,967	616,346	106,041	8,693	3,271,975
Unassigned										
General fund	-	-	-	-	-	-	-	-	-	-
Total Fund Balance	<u>506,178</u>	<u>192,850</u>	<u>490,332</u>	<u>13,455</u>	<u>13,628</u>	<u>1,352,087</u>	<u>617,096</u>	<u>106,041</u>	<u>8,693</u>	<u>3,300,360</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 513,901</u>	<u>\$ 211,596</u>	<u>\$ 525,127</u>	<u>\$ 237,055</u>	<u>\$ 13,628</u>	<u>\$ 1,438,234</u>	<u>\$ 636,490</u>	<u>\$ 106,041</u>	<u>\$ 8,693</u>	<u>\$ 3,690,765</u>

The City of Festus, Missouri
Combining Schedule of Revenue, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended September 30, 2018

Special Revenue Funds										
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Totals
Revenues										
Property taxes	\$ 146,441	\$ 201,604	\$ 201,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,649
Taxes - other	-	-	-	-	-	689,775	250,278	165,882	-	1,105,935
Intergovernmental	-	-	-	-	2,611	-	-	-	-	2,611
Special assessments	-	-	-	40,772	-	-	-	-	-	40,772
Grant revenue	-	10,030	-	-	1,106	-	-	-	-	11,136
Licenses and permits	1,594	-	-	-	-	-	-	-	-	1,594
Fines and penalties	2,088	33,463	1,832	507	-	-	397	-	-	38,287
Investment income	10,245	5,026	9,602	345	268	23,343	11,764	1,493	178	62,264
Lease payments	-	-	-	-	-	-	-	-	-	-
Other	17,768	46,499	98,379	-	-	11,526	18,613	-	-	192,785
Total Revenues	\$ 178,136	\$ 296,622	\$ 311,417	\$ 41,624	\$ 3,985	\$ 724,644	\$ 281,052	\$ 167,375	\$ 178	\$ 2,005,033
Expenditures										
Current:										
Police	\$ -	\$ -	\$ -	\$ -	\$ 7,099	\$ -	\$ -	\$ -	\$ 2,806	\$ 9,905
Health	145,705	-	-	-	-	-	-	-	-	145,705
Library	-	287,136	-	-	-	-	-	-	-	287,136
Parks	-	-	479,069	-	-	-	-	-	-	479,069
Non-departmental	-	-	-	373	-	100,240	17,934	272,574	-	391,121
Capital outlay	1,210	7,404	164,530	-	-	108,187	237,286	-	-	518,617
Debt service:										
Principal	-	-	-	43,313	-	-	-	-	-	43,313
Interest and fiscal charges	-	-	-	11,911	-	-	-	-	-	11,911
Total Expenditures	\$ 146,915	\$ 294,540	\$ 643,599	\$ 55,597	\$ 7,099	\$ 208,427	\$ 255,220	\$ 272,574	\$ 2,806	\$ 1,886,777
Excess (Deficiency) of Revenues over Expenditures	31,221	2,082	(332,182)	(13,973)	(3,114)	516,217	25,832	(105,199)	(2,628)	118,256
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	300,000	372,187	4,099	-	-	-	-	-	676,286
Transfers out	-	-	(1,443)	-	-	(344,887)	(27,300)	-	-	(373,630)
Total Other Financing Sources (Uses)	\$ -	\$ 300,000	\$ 370,744	\$ 4,099	\$ -	\$ (344,887)	\$ (27,300)	\$ -	\$ -	\$ 302,656
Net Change in Fund Balance	31,221	302,082	38,562	(9,874)	(3,114)	171,330	(1,468)	(105,199)	(2,628)	420,912
Fund Balance (Deficit), October 1	474,957	(109,232)	451,770	23,329	16,742	1,180,757	618,564	211,240	11,321	2,879,448
Fund Balance (Deficit), September 30	\$ 506,178	\$ 192,850	\$ 490,332	\$ 13,455	\$ 13,628	\$ 1,352,087	\$ 617,096	\$ 106,041	\$ 8,693	\$ 3,300,360

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Health Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 140,800	\$ 140,800	\$ 146,441	\$ 5,641
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	850	850	1,594	744
Fines and penalties	2,000	2,000	2,088	88
Investment income	2,500	2,500	10,245	7,745
Lease payments	-	-	-	-
Other	7,350	15,350	17,768	2,418
Total Revenues	<u>153,500</u>	<u>161,500</u>	<u>178,136</u>	<u>16,636</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	145,369	157,229	145,705	(11,524)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	2,650	2,650	1,210	(1,440)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>148,019</u>	<u>159,879</u>	<u>146,915</u>	<u>(12,964)</u>
Excess (Deficiency) of Revenues over Expenditures	5,481	1,621	31,221	29,600
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 5,481</u>	<u>\$ 1,621</u>	\$ 31,221	<u>\$ 29,600</u>
Fund Balance, October 1			<u>474,957</u>	
Fund Balance, September 30			<u>\$ 506,178</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Library Special Revenue Fund
For the year ended September 30, 2018

Revenues	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Property taxes	\$ 194,050	\$ 194,050	\$ 201,604	\$ 7,554
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	6,800	6,800	10,030	3,230
Licenses and permits	-	-	-	-
Fines and penalties	35,900	35,900	33,463	(2,437)
Investment income	1,800	1,800	5,026	3,226
Lease payments	-	-	-	-
Other	39,500	39,500	46,499	6,999
Total Revenues	278,050	278,050	296,622	18,572
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	300,940	303,080	287,136	(15,944)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	20,700	7,700	7,404	(296)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	321,640	310,780	294,540	(16,240)
Excess (Deficiency) of Revenues over Expenditures	(43,590)	(32,730)	2,082	34,812
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	43,590	343,590	300,000	(43,590)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	43,590	343,590	300,000	(43,590)
Net Change in Fund Balance	\$ -	\$ 310,860	\$ 302,082	\$ (8,778)
Fund Balance, October 1			(109,232)	
Fund Balance, September 30			\$ 192,850	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Park Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 194,050	\$ 194,050	\$ 201,604	\$ 7,554
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	20,000	20,000	-	(20,000)
Licenses and permits	-	-	-	-
Fines and penalties	1,900	1,900	1,832	(68)
Investment income	3,500	3,500	9,602	6,102
Lease payments	-	-	-	-
Other	69,351	71,751	98,379	26,628
Total Revenues	<u>288,801</u>	<u>291,201</u>	<u>311,417</u>	<u>20,216</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	561,914	572,144	479,069	(93,075)
Non-departmental	-	-	-	-
Capital outlay	169,786	184,786	164,530	(20,256)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>731,700</u>	<u>756,930</u>	<u>643,599</u>	<u>(113,331)</u>
Excess (Deficiency) of Revenues over Expenditures	(442,899)	(465,729)	(332,182)	133,547
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	352,178	397,178	372,187	(24,991)
Transfers out	(11,000)	(1,443)	(1,443)	-
Total Other Financing Sources (Uses)	<u>341,178</u>	<u>395,735</u>	<u>370,744</u>	<u>(24,991)</u>
Net Change in Fund Balance	<u>\$ (101,721)</u>	<u>\$ (69,994)</u>	\$ 38,562	<u>\$ 108,556</u>
Fund Balance, October 1			<u>451,770</u>	
Fund Balance, September 30			<u>\$ 490,332</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
NID Assessment Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	40,772	(9,166)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	507	507
Investment income	-	-	345	345
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>49,938</u>	<u>49,938</u>	<u>41,624</u>	<u>(8,314)</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	373	(627)
Capital outlay	-	-	-	-
Debt Service:				
Principal	43,314	43,314	43,313	(1)
Interest and fiscal charges	11,912	11,912	11,911	(1)
Total Expenditures	<u>56,226</u>	<u>56,226</u>	<u>55,597</u>	<u>(629)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,288)	(6,288)	(13,973)	(7,685)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	4,099	4,099	4,099	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>4,099</u>	<u>4,099</u>	<u>4,099</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,189)</u>	<u>\$ (2,189)</u>	<u>\$ (9,874)</u>	<u>\$ (7,685)</u>
Fund Balance, October 1			<u>23,329</u>	
Fund Balance, September 30			<u>\$ 13,455</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Law Enforcement Training Special Revenue Fund
For the year ended September 30, 2018

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		Actual
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	3,700	3,700	2,611	(1,089)
Special assessments	-	-	-	-
Grant revenue	-	-	1,106	1,106
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	268	268
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	3,700	3,700	3,985	285
 Expenditures				
Current:				
Police	9,000	9,000	7,099	(1,901)
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	9,000	9,000	7,099	(1,901)
Excess (Deficiency) of Revenues over Expenditures	(5,300)	(5,300)	(3,114)	2,186
 Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ (5,300)	\$ (5,300)	\$ (3,114)	\$ 2,186
Fund Balance, October 1			16,742	
Fund Balance, September 30			\$ 13,628	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Storm Water Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	676,200	676,200	689,775	13,575
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	8,000	8,000	23,343	15,343
Lease payments	-	-	-	-
Other	25,000	25,000	11,526	(13,474)
Total Revenues	<u>709,200</u>	<u>709,200</u>	<u>724,644</u>	<u>15,444</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	123,762	132,298	100,240	(32,058)
Capital outlay	290,489	140,489	108,187	(32,302)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>414,251</u>	<u>272,787</u>	<u>208,427</u>	<u>(64,360)</u>
Excess (Deficiency) of Revenues over Expenditures	294,949	436,413	516,217	79,804
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(338,100)	(368,100)	(344,887)	23,213
Total Other Financing Sources (Uses)	<u>(338,100)</u>	<u>(368,100)</u>	<u>(344,887)</u>	<u>23,213</u>
Net Change in Fund Balance	<u>\$ (43,151)</u>	<u>\$ 68,313</u>	\$ 171,330	<u>\$ 103,017</u>
Fund Balance, October 1			<u>1,180,757</u>	
Fund Balance, September 30			<u>\$ 1,352,087</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Tourism Tax Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	241,000	241,000	250,278	9,278
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	397	397
Investment income	5,000	5,000	11,764	6,764
Lease payments	-	-	-	-
Other	8,000	8,000	18,613	10,613
Total Revenues	<u>254,000</u>	<u>254,000</u>	<u>281,052</u>	<u>27,052</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	20,100	20,100	17,934	(2,166)
Capital outlay	324,242	385,129	237,286	(147,843)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>344,342</u>	<u>405,229</u>	<u>255,220</u>	<u>(150,009)</u>
Excess (Deficiency) of Revenues over Expenditures	(90,342)	(151,229)	25,832	177,061
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(14,078)	(29,078)	(27,300)	1,778
Total Other Financing Sources (Uses)	<u>(14,078)</u>	<u>(29,078)</u>	<u>(27,300)</u>	<u>1,778</u>
Net Change in Fund Balance	<u>\$ (104,420)</u>	<u>\$ (180,307)</u>	\$ (1,468)	<u>\$ 178,839</u>
Fund Balance, October 1			<u>618,564</u>	
Fund Balance, September 30			<u>\$ 617,096</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Sales Tax Reimbursement Special Revenue Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	296,000	296,000	165,882	(130,118)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	1,493	1,493
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>296,000</u>	<u>296,000</u>	<u>167,375</u>	<u>(128,625)</u>
Expenditures				
Current:				
Police	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	296,000	296,000	272,574	(23,426)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>296,000</u>	<u>296,000</u>	<u>272,574</u>	<u>(23,426)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	(105,199)	(105,199)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
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>	<u>\$ (105,199)</u>	<u>\$ (105,199)</u>
Fund Balance, October 1			<u>211,240</u>	
Fund Balance, September 30			<u>\$ 106,041</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Federal Forfeiture Special Revenue Fund
For the year ended September 30, 2018

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	178	178
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	-	-	178	178
Expenditures				
Current:				
Police	11,000	2,806	2,806	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	11,000	2,806	2,806	-
Excess (Deficiency) of Revenues over Expenditures	(11,000)	(2,806)	(2,628)	178
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ (11,000)	\$ (2,806)	\$ (2,628)	\$ 178
Fund Balance, October 1			11,321	
Fund Balance, September 30			\$ 8,693	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Reserve Capital Project Fund
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	12,000	12,000	29,754	17,754
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>12,000</u>	<u>12,000</u>	<u>29,754</u>	<u>17,754</u>
Expenditures				
Current:				
Administration	-	-	-	-
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over Expenditures	12,000	12,000	29,754	17,754
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	112,000	640,163	640,163	-
Transfers out	-	(44,640)	(44,640)	-
Total Other Financing Sources (Uses)	<u>112,000</u>	<u>595,523</u>	<u>595,523</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 124,000</u>	<u>\$ 607,523</u>	\$ 625,277	<u>\$ 17,754</u>
Fund Balance, October 1			<u>1,556,431</u>	
Fund Balance, September 30			<u>\$ 2,181,708</u>	

Other Information

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*

Independent Auditor's Report

Honorable Mayor and City Council
City of Festus, Missouri

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Festus, Missouri's basic financial statements, and have issued our report thereon dated March 13, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

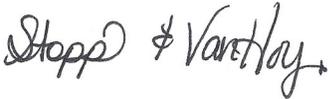
As part of obtaining reasonable assurance about whether the City of Festus, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2018-001.

City of Festus, Missouri's Response to Findings

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

Purpose of this Report

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



Creve Coeur, Missouri
March 13, 2019

The City of Festus, Missouri
Schedule of Findings and Responses
For the year ended September 30, 2018

Financial Statement Findings

2018 - 001 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

Criteria: Governmental Accounting Standards Board Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,"* is effective for periods beginning after June 15, 2017.

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

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

Recommendation: We recommend the City of Festus obtain an actuarial valuation of its other post employment benefits to be in compliance with GASB 75.

Management's Response: Due to budgetary restraints, management has again determined that the value of the actuarial valuation of the other post employment benefits did not warrant the cost. The City will re-evaluate the benefits versus the cost for the next year, and will issue a RFP for actuarial services if it is deemed to be of value to the City and its citizens. The contact person is Patricia Parsons, Finance Director.

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

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by the City of Festus, Missouri, on the applicable findings in the prior audit report issued for the year end September 30, 2017.

Prior Year Financial Statement Findings

2017 - 001 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

Criteria: Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," is effective for periods beginning after June 15, 2017.

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

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

Recommendation: We recommend the City of Festus obtain an actuarial valuation of its other post employment benefits to be in compliance with GASB 75.

Management's Response: Due to budgetary restraints, management has again determined that the value of the actuarial valuation of the other post employment benefits did not warrant the cost. The City will re-evaluate the benefits versus the cost for the next year, and will issue a RFP for actuarial services if it is deemed to be of value to the City and its citizens. The contact person is Patricia Parsons, Finance Director.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2018-001.

2017 - 002 **Condition:** The City's actual expenditures exceeded budgeted expenditures in the County Transportation Tax Fund.

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

Cause: Oversight.

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

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

Management's Response: The County Transportation Tax Fund was over budget for FYE 9/30/17. The 2016 and the 2017 overlay projects were both completed during FYE 9/30/17, however both projects had been expected to cross fiscal years. The Council was aware of the full cost of both projects and had approved the bids and contracts. Even though this fund is over budget for the fiscal year, the two overlay projects were under amounts approved by Council. Management and Council do not expect to encounter this issue again in the future. The contact person is Patricia Parsons, Finance Director.

Status: Management has implemented a corrective action plan, therefore, this finding will not be repeated.