

**The City of Festus, Missouri**

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

**For the year ended September 30, 2015**



**The City of Festus, Missouri**  
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**For the year ended September 30, 2015**

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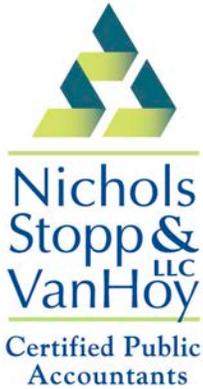
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## INDEPENDENT AUDITOR'S REPORT



Honorable Mayor and  
City Council  
City of Festus, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Festus, Missouri, (the City) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

As more fully described in Note 13, the City has not determined the cost of its defined benefit pension plan in accordance with accounting principles generally accepted in the United State of America (GASB 45), which require the cost of employees' pensions to be recognized over the employees' respective service periods and a liability to be recognized when the accumulated benefit obligation exceeds the fair value of plan assets. The effects of that departure on the financial statements are not reasonably determinable.

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus,

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Missouri, as of September 30, 2015, 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.

### **Change in Accounting Principle**

As described in Notes 5 and 14 to the financial statements, in the year ended September 30, 2015, the City adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2016, on our consideration of the City of Festus, Missouri's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Festus, Missouri's internal control over financial reporting and compliance.

*Nichols, Stopp, & VanHoy, LLC*

Creve Coeur, Missouri  
April 6, 2016

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

As management of the City of Festus, Missouri, we offer readers of the City of Festus's Financial Statements this narrative overview and analysis of the financial activities of the City of Festus, Missouri for the fiscal year ended September 30, 2015. 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 \$42,834,494 (net position). Of this amount, \$7,495,605 (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 2015 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$14,365,246 an increase of \$1,009,449 in comparison with the prior year, after adjustments. 10% of this total amount is available for spending at the government's discretion (General Fund unassigned balance) and an additional 66% is available for spending in the Special Revenue Funds. The City passed a new reserve policy which for General Fund would require a balance equal to 50% of operating expenditures to be held for emergency expenditures. For the 2015 fiscal year that committed balance is \$2,696,781.
- As of the close of the 2015 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$14,408,007, an increase of \$1,222,617 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,552,785, or 27.1% of total general fund expenditures and 28.8% of operating expenditures. This does not include the new committed fund balance of \$2,696,781, which is 50% of operating expenditures (which now includes the new expenses from the Fire Property tax just passed).
- The City's total debt decreased by \$1,712,064 during the current fiscal year to a total of \$10,574,929.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The two government-wide statements are the *Statement of Net Position* and the *Statement of Activities*. These statements report the City's net assets and how they have changed.

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

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

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)**

The government-wide financial statements distinguish functions of the City of Festus, Missouri that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Not only do the government-wide financial statements include the City itself (known as the primary government). The *governmental activities* of the City of Festus, Missouri include general government, judicial, building and planning, public safety, parks and recreation, public works and a public library. The City of Festus, Missouri operates one *business-type activity* that is a water and sewer department.

**FUND FINANCIAL STATEMENTS**

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

**GOVERNMENTAL FUNDS**

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

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

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

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

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**PROPRIETARY FUNDS**

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**OTHER INFORMATION**

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

**OTHER SUPPLEMENTARY INFORMATION**

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

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

This is the twelfth 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 \$42,834,494 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**City of Festus Net Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>
<b>Assets</b>						
Current & Other Assets	\$18,318,647	\$19,360,960	\$11,823,265	\$11,612,329	\$30,141,912	\$30,973,289
Capital Assets, Net	17,269,646	16,354,449	9,031,866	8,920,710	26,301,512	25,275,159
<b>Total Assets</b>	<b>35,588,293</b>	<b>35,715,409</b>	<b>20,855,131</b>	<b>20,533,039</b>	<b>56,443,424</b>	<b>56,248,448</b>
<i>Deferred Outflows Resources</i>	114,245	716,775	35,635	132,760	149,880	849,535
<b>Liabilities</b>						
Long-Term Liabilities	5,147,094	4,964,467	7,139,899	5,610,462	12,286,993	10,574,929
Other Liabilities	2,404,497	2,642,316	614,341	577,292	3,018,838	3,219,608
<b>Total Liabilities</b>	<b>7,551,591</b>	<b>7,606,783</b>	<b>7,754,240</b>	<b>6,187,754</b>	<b>15,305,831</b>	<b>13,794,537</b>
<i>Deferred Inflows Resources</i>	-	398,914	-	70,038	-	468,952
<b>Net Position</b>						
Invested in Capital Assets, Net	15,618,418	14,850,418	7,429,981	8,593,146	23,048,399	23,443,564
Restricted:						
Debt Service	7,808	-	2,590,554	2,345,761	2,598,362	2,345,761
Enabling Legislation	9,217,610	9,549,564	-	-	9,217,610	9,549,564
Unrestricted	3,307,111	4,026,505	3,115,991	3,469,100	6,423,102	7,495,605
<b>Total Net Position</b>	<b>\$28,150,947</b>	<b>\$28,426,487</b>	<b>\$13,136,526</b>	<b>\$14,408,007</b>	<b>\$41,287,473</b>	<b>\$42,834,494</b>

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 27.8 % represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$7,495,605 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2015, 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  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,767,830	\$ 1,642,081	\$ 4,523,290	\$ 4,539,248	\$ 6,291,120	\$ 6,181,329
Operating Grants	416,352	78,863	-	-	416,352	78,863
Capital Grants & Contributions	712,538	113,518	295,257	20,311	1,007,795	133,829
General Revenues:						
Taxes	8,384,125	8,520,688	-	-	8,384,125	8,520,688
Licenses (taxes)	198,849	201,359	-	-	198,849	201,359
Investment Income	30,972	43,984	133,004	133,595	163,976	177,579
Gain/Loss, on disposal	(7,321)	(4,992)	(713)	(21,103)	(8,034)	(26,095)
Gain/Loss, Joint Venture	-	-	-	-	-	-
Miscellaneous	123,981	201,126	6,261	5,894	130,242	207,020
<b>Total Revenue</b>	<b>11,627,326</b>	<b>10,796,627</b>	<b>4,957,099</b>	<b>4,677,945</b>	<b>16,584,425</b>	<b>15,474,572</b>
<b>Expenses</b>						
Administration	708,110	736,096	-	-	708,110	736,096
Court	163,599	183,939	-	-	163,599	183,939
Building Department	328,847	323,650	-	-	328,847	323,650
Police	2,154,285	2,103,244	-	-	2,154,285	2,103,244
Dispatch	578,224	588,519	-	-	578,224	588,519
Fire	380,037	433,882	-	-	380,037	433,882
Emergency Management	14,450	12,238	-	-	14,450	12,238
Street	2,658,514	2,617,725	-	-	2,658,514	2,617,725
Health	111,470	131,330	-	-	111,470	131,330
Library	342,742	369,840	-	-	342,742	369,840
Parks	632,265	633,574	-	-	632,265	633,574
Public Works	-	-	-	-	-	-
Non-Departmental	1,493,065	1,535,906	-	-	1,493,065	1,535,906
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	53,883	85,698	-	-	53,883	85,698
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,265,533	4,171,910	4,265,533	4,171,910
<b>Total Expenses</b>	<b>9,619,491</b>	<b>9,755,641</b>	<b>4,265,533</b>	<b>4,171,910</b>	<b>13,885,024</b>	<b>13,927,551</b>
Special Items:						
Transfers	(241,906)	(765,446)	241,906	765,446	-	-
GASB No. 68 restatement	(545,933)	-	(48,864)	-	(594,797)	-
<b>Increase (decrease)</b>	<b>\$ 1,219,996</b>	<b>\$ 275,540</b>	<b>\$ 884,608</b>	<b>\$ 1,271,481</b>	<b>\$ 2,104,604</b>	<b>\$ 1,547,021</b>

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

## **SIGNIFICANT CHANGES IN NET ASSETS**

### **Governmental Activities:**

Some of the changes noted are:

- Taxes are up 1.63% over 2014, there are various reasons for the difference. The increases include a new property tax for full-time firefighters, which resulted in an increase of 47.7% over 2014. Other tax revenue increases include State Gas Tax +3.5%, Vehicle Sales Tax + 8.7%, Tourism Tax + 11.8% and Cable Franchise Tax + 12.3%. The overall sales tax decreased by 4.4%, this is primarily due to the fact that County Transportation Tax is included in revenue in the year of reimbursement and in 2014 \$936,745 was included versus \$375,355 in 2015. The City collected sales tax had an approximate 6% increase from the prior year. Utility Gross Receipts were down 2.1% while the 911 Tax was down 4.8%.
- The City began the collection of a two percent tourism tax in fiscal year 2003 to promote tourism in the City. In 2012 the citizens voted to increase the Tourism tax to 5%. The City has collected \$266,081 for the fiscal year ending 2015 and \$237,913 for the fiscal year ending 2014. The Tourism Board has chosen to fund a stage at the West City Park in 2015-16 and to provide the funds for the cost of a concession stand at Sunset Park for 2016.
- The City has set up a special allocation fund to deposit 50% of sales tax revenues generated from the Lowe's and Home Depot stores, which will get reimbursed back to them for certain infrastructure costs (see notes to the financial statements for more detail).

## **FINANCIAL ANALYSIS OF THE CITY OF FESTUS, MISSOURI'S FUNDS**

As noted earlier, City of Festus, Missouri uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **GOVERNMENTAL FUNDS**

The focus of the City of Festus, Missouri's governmental funds is to provide information on inflows and balances of available expendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of year 2015, the unassigned fund balance of the general fund was \$1,552,785, while the total fund balance was \$4,814,694. 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 26.6% of total general fund expenditures and transfers out of \$5,829,763, while total fund balance represents 82.6% of total general fund expenditures and transfers out. On July 28, 2014, the City Council passed Ordinance # 4174 establishing a reserve policy which requires that the general fund reserve fund balance be equal to 50% of the general fund operating expenses. This reserve balance is reflected as a Committed – Contingency balance and for 2015 is \$2,696,781. This amount would have previously been included as part of the unassigned fund balance.

The fund balance of the City's general fund increased by \$612,825 or 14.6%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund revenues were up \$397,762 as compared to the previous year, predominately due to the new Fire Property Tax. There was also an increase in expenditures of approximately \$305,262. The transfers-in decreased by \$49,086, and the transfers-out increased by \$58,848 in 2015.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**GOVERNMENTAL FUNDS (continued)**

- General Fund expenditures increased due to various reasons including the costs for the new firefighters at \$116,555 for the first year. Also capital expenditures increased from \$183,489 in 2014 to \$332,000 in 2015.

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

- The City Transportation Fund balance increased by \$301,294 or 10% from the prior-year. The expenditures decreased by \$961,466, with an increase in operating expenses of \$87,583 and a decrease in capital purchases of \$1,049,049 due to delay in starting the Horine street project. At the end of September 30, 2015, the spendable portion of the fund balance of \$3,156,896 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund decreased by \$2,999 or (1.3%) from the prior year. At the end of September 30, 2015 the fund balance of \$227,303 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There was deferred revenue in the amount of \$993,543 available at September 30, 2015 for future transportation projects.

**PROPRIETARY FUNDS**

Business-type activities – Water and Sewer Fund, increased the City's net position by \$1,271,481, which is an increase of more than 9.7% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales increased in the amount of \$41,073 or 1.4% from the prior year. The City sewer sales also increased in the amount of \$19,429 or 1.5%. Other income items decreased by \$319,270 including the contributed revenue, sewer tap-on fees and miscellaneous and Transfer-In increased by \$523,540.

**CAPITAL ASSETS**

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2015 amounts to \$25,275,159 (net of accumulated depreciation). This 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 (3.9%) - a (5.3%) decrease for governmental activities and a (1.2%) decrease for business-type activities.

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

**Governmental Activities:**

- Land increased due to the purchase of easements for the Horine Road project - \$26,015.
- Construction in Progress decreased predominately due to American Legion street project being completed plus the Huber overlay project and the S. 2<sup>nd</sup> Street creek bank project. New costs placed into CIP include West City Park stage, electric and bleacher canopies, plus Horine Road project.
- Buildings and Other Improvements only had the reclassification of the old grand stand at the ball field.
- Office equipment change consisted of a Public Works copier being retired.
- Additions to Automotive Equipment for the year included a pick-up truck for the Parks Department, a truck with command center for Fire Chief, a truck with accessories for the Street Department and five new police Tahoes including decals and equipment. There was a pick-up truck from the Fire Department disposed of during the year. Also in conjunction with the new fixed asset policy there were \$1,143,934 of assets moved from automotive to machinery and equipment in the Fire, Park and Street Departments.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**Governmental Activities (continued)**

- Machinery and equipment acquired during the year included pump, hoses, cutter, spreader and ram for the Fire Department; a mosquito fogger for the Health Department; a lighted message board for the Library and a John Deere 4WD Gator for the Parks Department. Items retired included digital video recorders, a mosquito fogger, and a pitching mound. As noted above there was some reclassifications to follow the revised fixed asset policy.
- Additions to infrastructure and land improvements included street projects – American Legion Drive STP project, Huber overlay phase II and Henry group overlays. Also, City Hall and Library parking lots were paved, sidewalks were added at Sunset Park, and the South 2<sup>nd</sup> Street creek bank project was completed. Items removed included the previous paving of parking lots and Huber Street. In addition there were several reclassifications.

**Business-Type Activities:**

- As noted above with the new fixed asset policy, there have been many reclassifications of assets that will effect an individual asset line but not the assets in total.
- Increases to Construction in Progress included work on the Horine Road water main and the Public Works lobby project.
- The change in Systems and Improvements were predominately reclassifications plus improvements to the Parkview water main.
- Automotive equipment had an addition of a new Ford pick-up truck and the reductions were reclassifications.
- Machinery and Equipment purchases included a pontoon boat with trailer, an 18” trenching bucket and a compact excavator with accessories. There were also many reclassifications added to this asset type.
- There was a new copier purchased for Public Works and the old copier was retired.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2014	2015	2014	2015	2014	2015
Land	\$ 1,520,742	\$ 1,546,759	\$ 194,059	\$ 194,059	\$ 1,714,801	\$ 1,740,818
Assets held for sale			52,432	52,432	52,432	52,432
Construction in Progress	1,259,498	302,385	74,381	168,713	1,333,879	471,098
Systems and Improvements			8,116,607	7,895,803	8,116,607	7,895,803
Buildings and Other Improvements	3,182,161	2,978,402	64,196	60,011	3,246,357	3,038,413
Office Equipment	243,745	188,575		-	243,745	188,575
Automotive Equipment	218,318	306,841	36,247	19,528	254,565	326,369
Machinery and Equipment	518,778	471,654	487,506	524,078	1,006,284	995,732
Furniture and Fixtures			1,684	-	1,684	-
Computer Equipment			4,754	6,086	4,754	6,086
Infrastructure	4,652,761	9,418,087			4,652,761	9,418,087
Land Improvements	5,673,643	1,141,746			5,673,643	1,141,746
Capital Assets, Net	\$ 17,269,646	\$ 16,354,449	\$ 9,031,866	\$ 8,920,710	\$ 26,301,512	\$ 25,275,159

CITY OF FESTUS, MISSOURI  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE YEAR ENDING SEPTEMBER 30, 2015 - UNAUDITED

**LONG - TERM DEBT**

**Governmental Activities:**

At the end of September 30, 2015 the City had outstanding long-term debt obligations for governmental activities in the amount of \$4,964,467 compared to \$5,147,094 in 2014, these amounts include the Net pension obligation 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 \$314,031 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 8 years. Capital lease obligations were paid off in 2015. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building and has a balance of \$1,190,000. Also included is the Net Pension Obligation (see Note 5). The Notes Payable is the balance due to Lowe's and Home Depot for reimbursement of infrastructure costs, which is to be repaid with a specified portion of the sales tax collected by those companies. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

**Business-type Activities:**

At the end of September 30, 2015, the City had outstanding long-term debt obligations for business-type activities in the amount of \$5,610,462 compared to \$7,139,899 in 2014. The Neighborhood Improvement District (NID) Bonds totaling \$119,574, net of discount, have various maturity dates out to 2022. The Certificates of Participation Series 2005 is for the installation of the 18" parallel sewer line, net of the discount and the COP was paid off in December 2014. The revenue bonds consist of various series and installments, which are due through July 2023. The notes payable includes the SRF-2001C and SRF-2002B. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2014	2015	2014	2015	2014	2015
Capital Leases	\$ 31,102	\$ -	\$ -	\$ -	\$ 31,102	\$ -
Revenue Bonds	-	-	4,345,559	3,701,569	4,345,559	3,701,569
NID	350,126	314,031	133,261	119,574	483,387	433,605
Certificates of Participation	1,270,000	1,190,000	732,477	-	2,002,477	1,190,000
Net Pension Obligation ***	854,875	1,005,803	125,738	143,329	980,613	1,149,132
Notes Payable	2,640,991	2,454,633	1,802,864	1,645,990	4,443,855	4,100,623
<b>Total</b>	<b>\$ 5,147,094</b>	<b>\$ 4,964,467</b>	<b>\$ 7,139,899</b>	<b>\$ 5,610,462</b>	<b>\$ 12,286,993</b>	<b>\$ 10,574,929</b>

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

**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES**

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

- General revenues showed an increase of \$268,973 over the amended budget. Conservatism was used in designating a budget amount for Property Taxes, Sales Tax, Utility Gross Receipts, Merchants Licenses, Building Permits and Court Fines, and all but Court Fines had revenues higher than budget. The major reason for the increase was sales tax which was \$185,104 over budgeted. The areas where the revenues were under budget

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)**

include the Court fines, traffic cop grants and 911 Tax which has steadily decreased over the years as land-line phones decrease.

- Under administration, the department was under total operating budget by \$34,831 or 5.1%. This included savings of over \$1,600 in bank fees, over \$4,600 in janitorial services, over \$10,000 in salaries & benefits and over \$6,900 in maintenance expense and contracts.
- The court was \$4,835, under operating budget for the year. Their office supplies and printing were \$ 3,248 under amount budgeted.
- The building department was under budget on the employee benefits and the vehicle expenses for gas and maintenance. The building department was \$5,515 or 4.7% under budget.
- The police department was under budget by \$231,163 or 10.4%, which included almost \$163,900 in savings in wages and benefits, the savings can be attributed to not replacing officers for several months after leaving. In addition there was \$50,651 under amount budgeted for vehicle expenses.
- Dispatch was \$32,062 under budget in total, which includes savings in salaries, benefits, utilities, maintenance contracts, and training.
- The Fire department volunteer firefighters were 14.2% under budget, the telephone expenses were nearly \$1,000 under budget and the Citizen Corp did not need any supplies so it was \$ 4,000 under budget. Total Fire – Administration expenses were under budget by \$26,317.
- The new Fire-Public Safety expenses (which are associated with the new fire property tax passed in 2014) were under budget by \$50,312 or 30.1%. This savings is predominately in wages and benefits.
- The Emergency Management budget was under by 30% or \$4,212, primarily due to not spending monies on training and a reduction in maintenance fees.
- The Street department was under budget by \$15,804 or 5.5%.
- The non-departmental budget was under operating budget by \$75,268 or 7.3%. The rental building expenses were \$10,164 under budget; the street light electricity was under budget by \$5,847 and the trash costs were under budget by \$46,977 (rates dropped with the new contract which was signed after budget was approved).

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 \$89,165 more than what was budgeted and the investment income coming in \$2,273 more than budget. The grant revenue was \$835,602 under amount budgeted due to delays in the Horine Road project.
- Operating expenditures for the City's Transportation Tax Fund were \$126,326 or 13% under the amount budgeted. The primary categories for this were wages and benefits under budget, in part due to not hiring the temporary engineer to oversee the Horine Road project. Other areas of budget savings include hot and cold mix, which was \$16,447 or 24% under budget, gasoline, which was \$18,170 under budget and heavy equipment maintenance at \$19,154 under budget. The capital outlay was under budget due to delay on Horine Road project.
- The County Transportation Tax Fund showed taxes under budget by \$189,645, 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 \$268,981, since the Frisco group street overlay project was not completed and will need to be re-budgeted next year.

Variances noted in non-major governmental funds, include:

- Property taxes in all funds were nearly 5% over what was projected, due to a higher collection rate of current real estate and delinquent personal property taxes.
- The Library Fund's Fines & Penalties was over budget by 3% or \$1,116. The Library operating expenses were under budget by \$ 9,016, with majority of savings in salaries and benefits.

CITY OF FESTUS, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)**

- The Park Fund operating expenses were under budget by \$61,196, this is in part due to \$12,849 of wages and benefits being capitalized, thus the capital expenses were over budget. Also the equipment maintenance was under budget by \$5,381 and the Firecracker Festival was under budget by 12.6%.
- The Storm Water Fund showed operating expenses under budget by \$60,848 due to not proceeding with as many storm drain projects and the capital portion of the budget was under by \$137,184 since the creek slope A project had part completed in prior year that was also re-budgeted.
- Tourism Fund taxes were \$63,481 over budget due to conservative budgeting. The operating expenses were under budget in part due to not spending the money to cut the grass at the welcome sign. The capital outlay was under budget primarily due to the Twin City Youth Football Tournament being postponed and budgeted for the fall of 2015.
- NID Assessment Fund's revenues were under budget by \$11,734 or 23% due to assessments not being paid by homeowners.

**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, 2015**

	Primary Government		Total
	Governmental Activities	Business Type Activities	
<b>Assets</b>			
Cash and cash equivalents	\$ 5,941,467	\$ 1,195,795	\$ 7,137,262
Investments	7,214,558	3,448,352	10,662,910
Restricted cash and cash equivalents	13,114	157,479	170,593
Restricted investments	15,239	2,509,684	2,524,923
Receivables, net			
Taxes	5,109,691	-	5,109,691
Special assessments	374,356	101,348	475,704
Service charges	46,376	430,964	477,340
Interest	7,968	32,028	39,996
Grants	27,559	-	27,559
Court	301,194	-	301,194
Other	126,275	68,167	194,442
Prepaid items	183,163	37,133	220,296
Inventory	-	137,800	137,800
Investment in joint venture	-	3,493,579	3,493,579
Capital assets:			
Land and construction in progress	1,849,144	415,204	2,264,348
Other capital assets, net	14,505,305	8,505,506	23,010,811
Total Assets	<u>35,715,409</u>	<u>20,533,039</u>	<u>56,248,448</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows - pension related	<u>716,775</u>	<u>132,760</u>	<u>849,535</u>
<b>Liabilities</b>			
Checks written in excess of cash balance	-	-	-
Accounts payable	324,069	172,511	496,580
Accrued payroll	227,204	42,244	269,448
Accrued payroll liabilities-other	49,660	11,763	61,423
Accrued interest	7,809	46,223	54,032
Deposits payable	-	294,050	294,050
Funds held for others	29,790	-	29,790
Unearned revenue	1,725,206	-	1,725,206
Other liabilities	278,578	10,501	289,079
Noncurrent liabilities:			
Due Within One Year	116,095	650,044	766,139
Due in More Than One Year	4,848,372	4,960,418	9,808,790
Total Liabilities	<u>7,606,783</u>	<u>6,187,754</u>	<u>13,794,537</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows - pension related	<u>398,914</u>	<u>70,038</u>	<u>468,952</u>
<b>Net Position</b>			
Invested in capital assets, net	14,850,418	8,593,146	23,443,564
Restricted:			
Debt service	-	2,345,761	2,345,761
Enabling legislation	9,549,564	-	9,549,564
Unrestricted	4,026,505	3,469,100	7,495,605
Total Net Position	<u>\$ 28,426,487</u>	<u>\$ 14,408,007</u>	<u>\$ 42,834,494</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Activities**  
**For the year ended September 30, 2015**

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	
<b>Primary Government:</b>							
Governmental Activities:							
Administration	\$ 736,096	\$ -	\$ 4,500	\$ -	\$ (731,596)	\$ -	\$ (731,596)
Court	183,939	440,479	-	-	256,540	-	256,540
Building Department	323,650	87,399	-	-	(236,251)	-	(236,251)
Police	2,103,244	10,190	31,391	-	(2,061,663)	-	(2,061,663)
Dispatch	588,519	82,003	-	-	(506,516)	-	(506,516)
Fire	433,882	14,650	-	-	(419,232)	-	(419,232)
Emergency Management	12,238	-	-	-	(12,238)	-	(12,238)
Street	2,617,725	38,204	-	113,518	(2,466,003)	-	(2,466,003)
Health	131,330	11,453	-	-	(119,877)	-	(119,877)
Library	369,840	60,584	21,544	-	(287,712)	-	(287,712)
Parks	633,574	69,991	5,439	-	(558,144)	-	(558,144)
Non-departmental	1,535,906	827,128	15,989	-	(692,789)	-	(692,789)
Interest and Fiscal Charges	85,698	-	-	-	(85,698)	-	(85,698)
Total Government Activities	\$ 9,755,641	\$ 1,642,081	\$ 78,863	\$ 113,518	\$ (7,921,179)	\$ -	\$ (7,921,179)
Business-type Activities:							
Water and Sewer	4,171,910	4,539,248	-	20,311	-	387,649	387,649
Total Business-type Activities	\$ 4,171,910	\$ 4,539,248	\$ -	\$ 20,311	\$ -	\$ 387,649	\$ 387,649
Total Primary Government	\$ 13,927,551	\$ 6,181,329	\$ 78,863	\$ 133,829	\$ (7,921,179)	\$ 387,649	\$ (7,533,530)
<b>General Revenues</b>							
Taxes:							
Sales tax					\$ 5,651,503	\$ -	\$ 5,651,503
Property tax					1,125,108	-	1,125,108
Taxes - other					1,744,077	-	1,744,077
Licenses (taxes)					201,359	-	201,359
Investment income					43,984	133,595	177,579
Gain/Loss on Disposal of Assets					(4,992)	(21,103)	(26,095)
Miscellaneous					201,126	5,894	207,020
Transfers (net)					(765,446)	765,446	-
Total General Revenues					\$ 8,196,719	\$ 883,832	\$ 9,080,551
<b>Change in Net Position</b>					275,540	1,271,481	1,547,021
<b>Net Position, October 1 (restated)</b>					28,150,947	13,136,526	41,287,473
<b>Net Position, September 30</b>					\$ 28,426,487	\$ 14,408,007	\$ 42,834,494

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Balance Sheet - Governmental Funds**  
**September 30, 2015**

Assets	General Fund	City	County	Capital Reserve	Other	Total
		Transportation Tax	Transportation Tax		Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 1,294,827	\$ 1,118,181	\$ -	\$ 333,662	\$ 3,194,797	\$ 5,941,467
Investments	2,690,375	1,871,833	-	1,659,391	992,959	7,214,558
Restricted cash	13,113	-	-	-	-	13,113
Restricted investments	15,239	-	-	-	-	15,239
Receivables, net						
Taxes	689,386	240,542	1,291,423	-	433,707	2,655,058
Special assessments	-	-	-	-	374,356	374,356
Service charges	46,376	-	-	-	-	46,376
Interest	4,093	2,215	-	1,054	606	7,968
Grants	5,543	14,558	-	-	7,458	27,559
Court	301,194	-	-	-	-	301,194
Other	112,751	-	-	-	13,524	126,275
Prepaid items	131,818	27,101	-	-	24,244	183,163
Due from other funds	302,415	70,577	-	-	-	372,992
Total Assets	<u>5,607,130</u>	<u>3,345,007</u>	<u>1,291,423</u>	<u>1,994,107</u>	<u>5,041,651</u>	<u>17,279,318</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 5,607,130</u>	<u>\$ 3,345,007</u>	<u>\$ 1,291,423</u>	<u>\$ 1,994,107</u>	<u>\$ 5,041,651</u>	<u>\$ 17,279,318</u>
<b>Liabilities</b>						
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	96,160	27,197	-	-	200,712	324,069
Accrued payroll	82,874	8,994	-	-	11,369	103,237
Accrued payroll liabilities - other	37,383	5,028	-	-	7,249	49,660
Due to other funds	-	-	70,577	-	302,415	372,992
Funds held for others	29,790	-	-	-	-	29,790
Unearned revenue	42,592	-	-	-	13,521	56,113
Accrued interest	-	-	-	-	1,418	1,418
Other liabilities	188,232	49,214	-	-	41,132	278,578
Total Liabilities	<u>477,031</u>	<u>90,433</u>	<u>70,577</u>	<u>-</u>	<u>577,816</u>	<u>1,215,857</u>
<b>Deferred Inflows of Resources</b>						
Unavailable resources - property taxes	14,211	-	-	-	14,911	29,122
Unavailable resources - sales taxes	-	-	993,543	-	-	993,543
Unavailable resources - special assessments	-	-	-	-	374,356	374,356
Unavailable resources - court bonds	301,194	-	-	-	-	301,194
Total Deferred Inflows of Resources	<u>315,405</u>	<u>-</u>	<u>993,543</u>	<u>-</u>	<u>389,267</u>	<u>1,698,215</u>
<b>Fund Balance</b>						
Nonspendable:						
Prepaid items	131,818	27,101	-	-	24,244	183,163
Interfund advances	302,415	70,577	-	-	-	372,992
Restricted:						
Debt service	-	-	-	-	-	-
Special revenue fund	-	3,156,896	227,303	1,994,107	4,171,258	9,549,564
Assigned:						
Encumbrances	130,895	-	-	-	-	130,895
Committed:						
Contingency	2,696,781	-	-	-	-	2,696,781
Unassigned:						
General fund	1,552,785	-	-	-	(120,934)	1,431,851
Total Fund Balances	<u>4,814,694</u>	<u>3,254,574</u>	<u>227,303</u>	<u>1,994,107</u>	<u>4,074,568</u>	<u>14,365,246</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 5,607,130</u>	<u>\$ 3,345,007</u>	<u>\$ 1,291,423</u>	<u>\$ 1,994,107</u>	<u>\$ 5,041,651</u>	<u>\$ 17,279,318</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, 2015**

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Total Fund Balances - Governmental Funds	\$ 14,365,246
Amounts reported for governmental activities in the statement of net assets are different because:	
Certain assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	2,454,633
Certain assets and liabilities are not financial resources (uses) and, therefore, are not reported in the governmental funds:	
Deferred outflows - pension related	716,775
Deferred inflows - pension related	(398,914)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	16,354,449
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	29,122
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	(123,966)
Accrued net pension liability	(1,005,803)
Accrued interest payable	(6,391)
Bonds and notes payable outstanding	(3,958,664)
Net Position of Governmental Activities	\$ 28,426,487

**The City of Festus, Missouri**  
**Combined Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the year ended September 30, 2015**

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Property taxes	\$ 606,710	\$ -	\$ -	\$ -	\$ 509,186	\$ 1,115,896
Taxes - other	3,965,900	1,239,165	375,355	-	1,815,160	7,395,580
Intergovernmental	-	-	-	-	5,640	5,640
Special assessments	-	-	-	-	38,204	38,204
Grant revenue	32,687	113,518	-	-	25,817	172,022
Licenses and permits	288,758	-	-	-	1,492	290,250
Fines and penalties	445,507	-	-	-	39,021	484,528
Investment income	18,418	11,673	167	7,110	6,621	43,989
Lease payments	66,840	-	-	-	-	66,840
Other	82,912	4,248	-	-	170,672	257,832
Service charges	909,131	-	-	-	-	909,131
Total Revenues	<u>\$ 6,416,863</u>	<u>\$ 1,368,604</u>	<u>\$ 375,522</u>	<u>\$ 7,110</u>	<u>\$ 2,611,813</u>	<u>\$ 10,779,912</u>
<b>Expenditures</b>						
Current:						
Administration	\$ 653,709	\$ -	\$ -	\$ -	\$ -	\$ 653,709
Court	172,417	-	-	-	-	172,417
Building department	315,846	-	-	-	-	315,846
Police	1,990,558	-	-	-	13,631	2,004,189
Dispatch	552,612	-	-	-	-	552,612
Fire - administration	203,894	-	-	-	-	203,894
Fire - public safety	116,555	-	-	-	-	116,555
Emergency management	9,788	-	-	-	-	9,788
Street	273,657	822,502	3,487	-	-	1,099,646
Health	-	-	-	-	112,577	112,577
Library	-	-	-	-	260,850	260,850
Parks	-	-	-	-	460,034	460,034
Non-departmental	961,131	-	-	-	392,976	1,354,107
Capital outlay	332,000	240,799	320,363	-	610,869	1,504,031
Debt service:						
Principal	111,103	-	-	-	36,094	147,197
Interest and fiscal charges	32,292	-	-	-	17,773	50,065
Total Expenditures	<u>\$ 5,725,562</u>	<u>\$ 1,063,301</u>	<u>\$ 323,850</u>	<u>\$ -</u>	<u>\$ 1,904,804</u>	<u>\$ 9,017,517</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<u>691,301</u>	<u>305,303</u>	<u>51,672</u>	<u>7,110</u>	<u>707,009</u>	<u>1,762,395</u>
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ 12,500
Transfers in	13,225	-	-	89,105	477,241	579,571
Transfers out	(104,201)	(4,009)	(54,671)	(5,132)	(1,177,004)	(1,345,017)
Total Other Financing Sources	<u>\$ (78,476)</u>	<u>\$ (4,009)</u>	<u>\$ (54,671)</u>	<u>\$ 83,973</u>	<u>\$ (699,763)</u>	<u>\$ (752,946)</u>
<b>Net Change in Fund Balance</b>	612,825	301,294	(2,999)	91,083	7,246	1,009,449
<b>Fund Balance (Deficit), October 1</b>	<u>4,201,869</u>	<u>2,953,280</u>	<u>230,302</u>	<u>1,903,024</u>	<u>4,067,322</u>	<u>13,355,797</u>
<b>Fund Balance (Deficit), September 30</b>	<u>\$ 4,814,694</u>	<u>\$ 3,254,574</u>	<u>\$ 227,303</u>	<u>\$ 1,994,107</u>	<u>\$ 4,074,568</u>	<u>\$ 14,365,246</u>

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the year ended September 30, 2015**

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Net Change in Fund Balances - Governmental Funds \$ 1,009,449

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	1,085,562	
Depreciation expense	<u>(1,995,771)</u>	(910,209)

Gain/(Loss) on capital assets sold (4,992)

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

Interest income (expense) on 2005 COP cash account	(4)	
Deferred property tax revenue	<u>9,212</u>	9,208

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

Repayments:		
Capital lease obligations payable	31,102	
Neighborhood Improvement District Bonds	36,095	
Certificates of Participation	<u>80,000</u>	147,197

Payment of interest on Long-Term Debt 201

Pension obligations 52,687

Relief of restriction on 2005 COP accounts (35,834)

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	7,833	
	<u>7,833</u>	

Change in Net Position of Governmental Activities \$ 275,540

**The City of Festus, Missouri**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2015**

		Water & Sewer
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$	1,195,795
Investments		3,448,352
Restricted cash and cash equivalents		157,479
Restricted investments		2,509,684
Receivables, net		
Special assessments		101,348
Service charges		430,964
Interest		32,028
Grants		-
Other		68,167
Prepaid items		37,133
Inventory		137,800
Total Current Assets		8,118,750
<b>Noncurrent Assets</b>		
Investments in joint venture		3,493,579
Non-depreciable capital assets:		
Land and construction in progress		415,204
Depreciable capital assets:		
Other capital assets, net		8,505,506
Total Noncurrent Assets		12,414,289
<b>Deferred Outflows of Resources</b>		
Deferred outflows - pension related		132,760
Total Assets and Deferred Outflows of Resources	\$	20,665,799
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Checks written in excess of cash balance	\$	-
Accounts payable		172,511
Payroll and compensated absences payable		42,244
Accrued payroll liabilities - other		11,763
Accrued interest		46,223
Revenue bonds and NID bonds payable, net of discounts and premiums - current portion		485,000
Notes payable - current portion		165,044
Deposits payable		294,050
Due to other funds		-
Other liabilities		10,501
Total Current Liabilities		1,227,336
<b>Long-Term Liabilities</b>		
Revenue bonds and NID bonds payable, net of discounts and premiums		3,336,143
Notes payable		1,480,946
Net pension liability		143,329
Total Long-Term Liabilities		4,960,418
Total Liabilities		6,187,754
<b>Deferred Inflows of Resources</b>		
Deferred inflows - pension related		70,038
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt		8,593,146
Restricted for:		
Debt reserve funds		2,345,761
Unrestricted		3,469,100
Total Net Position		14,408,007
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$	20,665,799

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Revenue, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the year ended September 30, 2015**

	Water & Sewer
<b>Operating Revenues</b>	
Water and sewer collections and fees	\$ 4,533,859
Grant revenues	-
Other revenues	5,389
Total Operating Revenues	4,539,248
<b>Operating Expenses</b>	
Personnel expenses	854,427
Materials and supplies	219,944
Purchased water	1,591,045
Utilities and maintenance	285,610
Depreciation and amortization	525,896
Treatment plant	287,701
Other	193,825
Total Operating Expenses	3,958,448
Operating Income (Loss)	580,800
<b>Non-operating Revenues (Expenses)</b>	
Interest income	133,595
Miscellaneous income	5,894
Gain (loss) on disposal of assets	(21,103)
Interest expense	(213,462)
Total Non-operating Revenues (Expenses)	(95,076)
Income (Loss) Before Capital Contributions and Transfers	485,724
Capital contributions	20,311
Transfers in (out)	765,446
	785,757
Change in Net Position	1,271,481
Net Position, October 1 (restated)	13,136,526
Net Position, September 30	\$ 14,408,007

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the year ended September 30, 2015**

	Water and Sewer
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Receipts from customers	\$ 4,567,844
Payments to suppliers	(2,399,010)
Payments to employees	(860,146)
Other receipts (payments)	(186,875)
Net Cash Flows from Operating Activities	1,121,813
Cash Flows from Noncapital Financing Activities:	
Transfer in (out)	765,446
Net Cash Used by Noncapital Financing Activities	765,446
Cash Flows from Capital and Related Financing Activities:	
Payments of long-term debt	(1,550,781)
Interest on debt	(230,441)
Acquisition and construction of capital assets	(295,947)
Net Cash Used by Capital and Related Financing Activities	(2,077,169)
Cash Flows from Investing Activities:	
Proceeds from sale of investments	4,383,049
Purchase of investments	(4,505,313)
Miscellaneous income	5,894
Interest on investments	131,608
Net Cash Used by Investing Activities	15,238
Net Increase in Cash and Cash Equivalents	\$ (174,672)
Cash and Cash Equivalents, October 1	1,527,946
Cash and Cash Equivalents, September 30	\$ 1,353,274
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Profit (Loss)	\$ 580,800
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	522,144
Amortization expense	3,752
Pension expense	(9,493)
(Increase) decrease in:	
Accounts receivable	28,821
Prepaid items	366
Inventories	15,495
Increase (decrease) in:	
Accounts payable	(30,179)
Deposits payable	6,333
Accrued payroll liabilities	3,774
Net cash provided by (used in) operating activities	\$ 1,121,813
Noncash Capital and Related Financing and/or Investing Activities:	
Contributions of capital assets from government	\$ 20,311

See Notes to the Financial Statements

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**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. 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, 2015**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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

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

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

**Encumbrances**

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

**Cash, Cash Equivalents, and Investments**

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

**Allowance for Uncollectable Accounts**

Allowance for uncollectable accounts is as follows:

	<b><u>9/30/15</u></b>
Governmental Activities - General Fund	\$ 53,252
Business-type Activities - Water and Sewer Enterprise Fund	73,145
	<b><u>\$ 126,397</u></b>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Due To/From Other Funds**

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

**Inventory and Prepaid Items**

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

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

**Restricted Assets**

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

**Capital Assets**

Capital assets which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as 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 estimated fair market value at the date of donation.

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

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

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

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**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:

	<b>Total</b>	<b>Amounts Due Within One Year</b>
Governmental Activities	\$ 86,282	\$ 86,282
Business-Type Activities	16,447	16,447
	\$ 102,729	\$ 102,729

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, insurance proceeds and other items which are measureable but not available and, therefore, not recognized as revenue in the accompanying governmental fund financial statements.

**Long-Term Obligations**

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Long-Term Obligations (continued)**

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

**Fund Equity**

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

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

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

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

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

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

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

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

***Assigned*** - represents fund balances that are any amounts for which it is the City's intent that the funds be used for specific purposes but there 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

**Property Taxes**

The City's property tax calendar is as follows:

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

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 1 - Summary of Significant Accounting Policies (continued)**

**Grant Revenue**

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

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

**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.

**Note 2 - Cash and Investments**

Deposits and investments held by at the City at September 30, 2015 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 2,344
Demand deposits	n/a	<u>7,134,918</u>
Total Unrestricted Deposits		<u>7,137,262</u>
Restricted Deposits:		
Demand deposits	n/a	<u>170,593</u>
Total Restricted Deposits		<u>170,593</u>
Total Unrestricted and Restricted Deposits		<u><u>\$ 7,307,855</u></u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 2 - Cash and Investments (continued)**

Unrestricted Investments:		
Certificate of deposit	10/28/15	\$ 249,000
Certificate of deposit	11/23/15	250,000
Certificate of deposit	12/30/15	249,000
Certificate of deposit	1/1/16	1,395,810
Certificate of deposit	1/12/16	500,000
Certificate of deposit	1/14/16	245,000
Certificate of deposit	1/25/16	249,000
Certificate of deposit	1/26/16	248,000
Certificate of deposit	2/14/16	249,000
Certificate of deposit	2/26/16	248,000
Certificate of deposit	3/2/16	249,000
Certificate of deposit	3/9/16	249,000
Certificate of deposit	5/12/16	249,000
Certificate of deposit	5/27/16	249,000
Certificate of deposit	7/10/16	527,453
Certificate of deposit	7/15/16	249,000
Certificate of deposit	7/26/16	750,000
Certificate of deposit	8/8/16	269,272
Certificate of deposit	8/12/16	248,000
Certificate of deposit	8/12/16	248,000
Certificate of deposit	8/24/16	249,000
Certificate of deposit	8/26/16	248,000
Certificate of deposit	11/21/16	249,000
Certificate of deposit	12/19/16	249,000
Certificate of deposit	1/17/17	249,000
Certificate of deposit	2/13/17	249,000
Certificate of deposit	7/28/17	500,000
Federal Home Loan Bank callable bond	3/20/17	249,375
Federal Home Loan Bank callable bond	9/19/17	500,000
Federal Farm Credit Bank callable bond	11/20/17	250,000
Federal Farm Credit Bank callable bond	4/2/18	500,000
Total Unrestricted Investments		10,662,910
Restricted Investments:		
Certificate of deposit	1/1/16	163,923
Certificate of deposit	6/15/16	15,239
Guaranteed investment contract	6/30/23	9,196
Guaranteed investment contract	6/30/23	52,500
Guaranteed investment contract	6/30/23	1,344,338
Guaranteed investment contract	6/30/23	22,822
Guaranteed investment contract	6/30/23	301,652
Guaranteed investment contract	6/30/23	615,253
Total Restricted Investments		2,524,923
Total Unrestricted and Restricted Investments		\$ 13,187,833

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**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, 2015, the deposits and investments of the City were fully insured or collateralized by securities held in the City's name.

**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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Eagle Bank	Certificates of deposit	\$ 2,087,186	15.83%
Midwest Bank	Certificates of deposit	1,750,000	13.27%
UMB Bank	Guaranteed investment contracts	2,345,761	17.79%
FHLB	Federal agency securities	749,375	5.68%
FFCB	Federal agency securities	750,000	5.69%

**Note 3 - Capital Assets**

Capital asset activity for the year ended September 30, 2015 was as follows:

	<u>Balance 9/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/15</u>
<b><u>Governmental Activities</u></b>				
<b>Non-depreciable capital assets:</b>				
Land	\$ 1,520,742	\$ 26,017	\$ -	\$ 1,546,759
Construction in process	1,259,498	464,103	(1,421,216)	302,385
<b>Total Non-depreciable capital assets</b>	<u>\$ 2,780,240</u>	<u>\$ 490,120</u>	<u>\$ (1,421,216)</u>	<u>\$ 1,849,144</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 3 - Capital Assets (continued)**

**Depreciable capital assets:**

Buildings and other improvements	\$ 6,066,534	\$ 2,765	\$ -	\$ 6,069,299
Office equipment	492,349	-	(4,605)	487,744
Automotive equipment	3,700,008	257,894	(1,159,134)	2,798,768
Machinery and equipment	2,005,060	1,200,907	(14,124)	3,191,843
Infrastructure	7,566,220	7,609,899	(17,598)	15,158,521
Land improvements	7,967,468	294,810	(6,331,240)	1,931,038
Total Depreciable capital assets	<u>27,797,639</u>	<u>9,366,275</u>	<u>(7,526,701)</u>	<u>29,637,213</u>

Less: Accumulated depreciation

Buildings and other improvements	2,884,373	206,524	-	3,090,897
Office equipment	248,604	55,170	(4,605)	299,169
Automotive equipment	3,481,690	150,868	(1,140,631)	2,491,927
Machinery and equipment	1,486,282	1,247,315	(13,408)	2,720,189
Infrastructure	2,913,459	2,840,296	(13,321)	5,740,434
Land improvements	2,293,825	722,051	(2,226,584)	789,292
Total Accumulated Depreciation	<u>13,308,233</u>	<u>5,222,224</u>	<u>(3,398,549)</u>	<u>15,131,908</u>

**Depreciable capital assets, net**

<u>\$ 14,489,406</u>	<u>\$ 4,144,051</u>	<u>\$ (4,128,152)</u>	<u>\$ 14,505,305</u>
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**Business-type Activities**

**Non-depreciable capital assets:**

Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	74,381	157,385	(63,053)	168,713
Assets to be sold	52,432	-	-	52,432
Total Non-depreciable capital assets	<u>\$ 320,872</u>	<u>\$ 157,385</u>	<u>\$ (63,053)</u>	<u>\$ 415,204</u>

**Depreciable capital assets:**

Systems and improvements	\$ 11,584,541	\$ 362,500	\$ (430,007)	\$ 11,517,034
Buildings and other improvements	189,905	1,035	-	190,940
Automotive equipment	612,087	20,194	(458,632)	173,649
Machinery and equipment	1,378,718	645,731	-	2,024,449
Furniture and fixtures	10,362	-	(4,418)	5,944
Computer equipment	31,399	4,902	(1,535)	34,766
Total Depreciable capital assets	<u>13,807,012</u>	<u>1,034,362</u>	<u>(894,592)</u>	<u>13,946,782</u>

Less: Accumulated depreciation

Systems and improvements	3,467,934	409,151	(255,854)	3,621,231
Buildings and other improvements	125,709	5,220	-	130,929
Automotive equipment	575,840	3,530	(425,249)	154,121
Machinery and equipment	891,212	609,159	-	1,500,371
Furniture and fixtures	8,678	-	(2,734)	5,944
Computer equipment	26,645	3,570	(1,535)	28,680
Total Accumulated Depreciation	<u>5,096,018</u>	<u>1,030,630</u>	<u>(685,372)</u>	<u>5,441,276</u>

**Depreciable Capital Assets, net**

<u>\$ 8,710,994</u>	<u>\$ 3,732</u>	<u>\$ (209,220)</u>	<u>\$ 8,505,506</u>
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**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 3 - Capital Assets (continued)**

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2015 as follows:

	Amount
Governmental Activities:	
Administration	\$ 74,891
Court	1,073
Building department	4,707
Police	89,021
Dispatch	35,302
Fire	113,265
Street	1,397,148
Emergency Management	1,554
Non-Departmental	40,237
Health	12,508
Library	91,503
Parks	134,562
Total Depreciation Expense - Governmental Activities	\$ 1,995,771
Business-type Activities:	
Water and Sewer	\$ 522,144
Total Depreciation Expense - Business-type Activities	\$ 522,144

**Note 4 - Long-Term Debt**

Long-term liability activity for the year ended September 30, 2015 was as follows:

	Balance 9/30/14	Additions	Reductions	Balance 9/30/15	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital leases	\$ 31,102	\$ -	\$ (31,102)	\$ -	\$ -
NID bonds	350,126	-	(36,095)	314,031	36,095
Certificates of Participation	1,270,000	-	(80,000)	1,190,000	80,000
Net pension obligation (Note 5)	854,875	150,928	-	1,005,803	-
Notes payable	2,640,991	-	(186,358)	2,454,633	-
Total Governmental Activities:	\$ 5,147,094	\$ 150,928	\$ (333,555)	\$ 4,964,467	\$ 116,095

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 4 - Long-Term Debt (continued)**

**Business-type activities:**

Revenue bonds	\$ 4,285,000	\$ -	\$ (640,000)	\$ 3,645,000	\$ 485,000
Add: Premium	103,478	-	(12,165)	91,313	-
Less: Discount	(42,919)	-	8,175	(34,744)	-
NID Bonds	134,883	-	(13,906)	120,977	13,905
Less: Discount	(1,622)	-	219	(1,403)	-
Certificates of Participation	740,000	-	(740,000)	-	-
Less: Discount	(7,523)	-	7,523	-	-
Net pension obligation (Note 5)	125,738	17,591	-	143,329	-
Note payable	1,802,864	-	(156,874)	1,645,990	165,044
	<u>\$ 7,139,899</u>	<u>\$ 17,591</u>	<u>\$ (1,547,028)</u>	<u>\$ 5,610,462</u>	<u>\$ 663,949</u>

**Capital Leases**

9/30/15

**Governmental Activities:**

Capital lease \$92,324 for 2013 computer software, due in annual installments through February 2015, interest imputed at 4.00%. This capital lease was paid in full as of September 30, 2015.

\$ -

**Business-type Activities:**

There were no business-type capital leases for the year ended September 30, 2015.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Accounting Software	\$ 88,874	\$ -
Less: Depreciation/Amortization	(27,773)	-
	<u>\$ 61,101</u>	<u>\$ -</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 4 - Long-Term Debt (continued)**

**Neighborhood Improvement District Bonds**

The total amount of the Neighborhood Improvement District Bonds Series 2002 is \$435,008. 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% to 5.55%. \$ 314,031

**Business-type Activities:**

\$243,346 Neighborhood Improvement District Limited General Obligation Bonds, Series 2002, due in annual installments through March 1, 2022, interest payable at 3% to 5.55%. 120,977

Total: \$ 435,008

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

<b>For the years ending September 30,</b>	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 36,095	\$ 16,084	\$ 52,179	\$ 13,905	\$ 6,196	\$ 20,101
2017	39,704	14,112	53,816	15,296	5,437	20,733
2018	43,315	11,911	55,226	16,685	4,589	21,274
2019	43,315	9,583	52,898	16,685	3,692	20,377
2020	46,924	7,111	54,035	18,076	2,740	20,816
2021-2022	104,678	5,909	110,587	40,330	2,277	42,607
	<u>\$ 314,031</u>	<u>\$ 64,710</u>	<u>\$ 378,741</u>	<u>\$ 120,977</u>	<u>\$ 24,931</u>	<u>\$ 145,908</u>

**Certificates of Participation**

The total amount of the Certificates of Participation Series 2012 is \$1,190,000. This amount is located in the governmental activities. The total amount of the Certificates of Participation Series 2005 is \$0. This amount is located in the business-type 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%. \$ 1,190,000

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 4 - Long-Term Debt (continued)**

**Certificates of Participation (continued)**

**Business-type Activities:**

\$1,300,000 Certificates of Participation, Series 2005, due in annual installments through December 1, 2025, interest payable at 3.4% to 4.5%. These certificates were paid in full as of September 30, 2015.

\_\_\_\_\_ -  
Total:     \$ 1,190,000

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

<b>For the years ending September 30,</b>	<b>Governmental Activities</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2016	\$ 80,000	\$ 29,985	\$ 109,985
2017	80,000	28,785	108,785
2018	85,000	27,380	112,380
2019	85,000	25,765	110,765
2020	85,000	23,980	108,980
2021-2025	465,000	85,190	550,190
2026-2028	310,000	15,275	325,275
	<u>\$ 1,190,000</u>	<u>\$ 236,360</u>	<u>\$ 1,426,360</u>

**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.

\$ 981,263

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 4 - Long-Term Debt (continued)**

**Tax Increment Financing Debt (continued)**

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.

	1,473,370
Total:	\$ 2,454,633

**Revenue Bonds Payable**

**Business-type Activities:**

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

\$ 320,000

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

1,855,000

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

1,470,000

	1,470,000
Total:	\$ 3,645,000

**Notes Payable**

**Business-type Activities:**

State Revolving Fund (SRF) - 2001C, no interest

\$ 301,652

State Revolving Fund (SRF) - 2002B, no interest

1,344,338

	1,344,338
Total:	\$ 1,645,990

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 4 - Long-Term Debt (continued)**

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

For the years ending September 30,	Revenue Bonds			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 485,000	\$ 182,709	\$ 667,709	\$ 165,044	\$ -	\$ 165,044
2017	505,000	158,132	663,132	167,910	-	167,910
2018	520,000	132,591	652,591	177,637	-	177,637
2019	540,000	106,230	646,230	246,254	-	246,254
2020	465,000	79,750	544,750	241,159	-	241,159
2021-2023	1,130,000	101,750	1,231,750	647,986	-	647,986
	<u>\$ 3,645,000</u>	<u>\$ 761,162</u>	<u>\$ 4,406,162</u>	<u>\$ 1,645,990</u>	<u>\$ -</u>	<u>\$ 1,645,990</u>

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

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

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

**Note 5 - Employee Retirement Plan**

General Information about the 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](http://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.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 5 - Employee Retirement Plan (continued)**

*Benefits provided (continued)*

	<b>2015 Valuation</b>
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, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	57
Inactive employees entitled to but not yet receiving benefits	39
Active employees	91
	187

*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 15.0% (General), 14.5% (Police) and 42.9% (Fire) of annual covered payroll.

*Net Pension Liability* - The employer's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2015.

*Actuarial Assumptions* - The total pension liability in the February 28, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5% wage inflation; 3.0% price inflation
Salary Increase	3.5% - 8.6% including wage inflation
Investment Rate of Return	7.25%, net of investment and administrative expenses

Mortality rates were based on the 1994 Group Annuity Mortality Table set back 0 years for both males and females.

The actuarial assumptions used in the February 28, 2015 valuation were based on the results of an actuarial experience study for the period March 1, 2005 through February 28, 2010.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 5 - Employee Retirement Plan (continued)**

*Actuarial Assumptions (continued)* - 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	48.50%	5.10%
Fixed Income	25.00%	2.10%
Real Assets	20.00%	3.95%
Strategic Assets	6.50%	5.00%

*Discount rate* - The discount rates used to measure the total pension liability are 7.25% (General), 7.25% (Police) and 4.04% (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.

Changes in Pension Liability

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at 6/30/2014	<u>\$ 16,956,038</u>	<u>\$ 15,975,425</u>	<u>\$ 980,613</u>
Changes for the year:			
Service cost	386,909	-	386,909
Interest	1,205,031	-	1,205,031
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(570,584)	-	(570,584)
Contributions - employer	-	553,848	(553,848)
Contributions - employee	-	-	-
Net investment income	-	320,327	(320,327)
Benefit payments, including refunds	(705,192)	(705,192)	-
Administrative expense	-	(16,124)	16,124
Other changes	53,188	47,974	5,214
Net changes	<u>369,352</u>	<u>200,833</u>	<u>168,519</u>
Balances at 6/30/2015	<u>\$ 17,325,390</u>	<u>\$ 16,176,258</u>	<u>\$ 1,149,132</u>

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 5 - Employee Retirement Plan (continued)**

*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 4.04% (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	\$ 19,958,036	\$ 17,325,390	\$ 15,152,917
Plan Fiduciary Net Position	(16,176,258)	(16,176,258)	(16,176,258)
Net Pension Liability	\$ 3,781,778	\$ 1,149,132	\$ (1,023,341)

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

For the year ended September, 30, 2015, the City of Festus recognized pension expense of \$480,815. 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	\$ -	\$ (468,952)
Differences in assumptions	43,596	-
Excess (deficit) investment returns	666,908	-
Contributions subsequent to the measurement date*	139,031	-
	\$ 849,535	\$ (468,952)

\*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, 2016.

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

Year ended September 30,	Amount
2016	\$ 74,687
2017	74,687
2018	74,687
2019	74,687
2020	(57,196)
Thereafter	\$ 241,552

Payable to the Pension Plan

At September 30, 2015, the City of Festus reported a payable of \$40,181 for the outstanding amount of the contributions to the pension plan required for the year ended September 30, 2015.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

**Note 6 - Due From and Due To Other Funds**

There was no due from/due to other fund balances at September 30, 2015. Balances in the General Fund of \$302,415, City Transportation Tax of \$70,577, County Transportation Tax of (\$70,577), Library Fund of (\$300,000), and NID Assessment Fund of (\$2,415) have been eliminated upon consolidation in the government-wide financial statements.

**Note 7 - Interfund Transfers**

Individual fund transfers for the year ended September 30, 2015 are as follows:

	<b>Fund</b>	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net Transfers</b>
Governmental Activities:	General Fund	\$ 13,225	\$ (104,201)	\$ (90,976)
	Library Fund	69,767	-	69,767
	Park Fund	403,465	-	403,465
	Capital Reserve Fund	89,105	(5,132)	83,973
	Tourism Tax	-	(80,173)	(80,173)
	City Transportation Tax Fund	-	(4,009)	(4,009)
	County Transportation Tax Fund	-	(54,671)	(54,671)
	Storm Water Tax Fund	-	(323,292)	(323,292)
	Capital Improvement Fund	-	(773,539)	(773,539)
	NID Assessment Fund	4,009	-	4,009
	Total Governmental Activities	<u>579,571</u>	<u>(1,345,017)</u>	<u>(765,446)</u>
Business Type Activities:	Water Administration Fund	<u>773,539</u>	<u>(8,093)</u>	<u>765,446</u>
	Total Business-type Activities	<u>773,539</u>	<u>(8,093)</u>	<u>765,446</u>
	Total Transfers	<u><u>\$ 1,353,110</u></u>	<u><u>\$ (1,353,110)</u></u>	<u><u>\$ -</u></u>

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

**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, 2016. MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 9 - Insurance (continued)**

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City incurred \$294,825 in insurance expense for the year ended September 30, 2015. Settled claims resulting from these risks have not exceeded coverage in any of the past three years.

**Note 10 - Claims and Contingencies**

Litigation

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

Federal and State Assisted Programs

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

**Note 11 - Leases in the Statements of Lessors**

The City's General Fund derives a portion of its revenues from noncancelable operating leases from tenants who rent a City owned building and ground leases used for cell phone towers. The City's property under these operating leases, consisting primarily of a structure and improvements, at September 30, 2015, is \$678,910. Future minimum rentals to be received under these leases as of September 30, 2015, are as follows:

For the years ending September 30,	Building Rent	Ground Leases	Total
2016	\$ 52,656	\$ 23,172	\$ 75,828
2017	47,631	12,420	60,051
2018	40,596	9,315	49,911
2019	6,332	-	6,332
	\$ 147,215	\$ 44,907	\$ 192,122

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 12 - Joint Ventures**

**Festus-Crystal City Sewage Treatment Commission**

The City of Festus and the City of Crystal City, Missouri participate in the Festus-Crystal City Sewage Treatment Commission (the Commission) which was formed for the purpose of operating and maintaining a sewage treatment facility for the two cities. Both City Councils appoint two members to the Commission. The City of Festus is committed to pay monthly to the Commission an amount equal to 63-64% of the previous month's costs of operation and maintenance of the shared facility and repairs. Capital expenditures are shared 50/50 by the cities. The City of Crystal City is committed to pay the remaining 36-37% of described costs. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 63-64% ownership of the Commission. The City's interest in the joint venture at September 30, 2015 is \$3,493,579. The change in value of the joint venture resulted in a loss of \$175,352 for the year ended September 30, 2015. For the year ended September 30, 2015, the City's cost for sewage treatment services provided by the Commission was \$263,510, 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, 2015 were both \$21,227. Commission management stated that no long-term liabilities were outstanding at September 30, 2015. For the year ended September 30, 2015, total receipts and disbursements were \$519,005 and \$519,005, respectively, resulting in a net change in the Commission's equity of \$0.

**Jefferson County Water Authority**

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

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

The Authority currently makes a portion of debt service payments for the City of Festus Water Works and Sewage Revenue Refunding Bond Series 2003. Separate financial statements are prepared for the Jefferson County Water Authority and may be obtained by contacting the City of Festus 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, 2015 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, 2015**

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**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, 2015, 6 retirees participated in the City's insurance plans and the City paid premiums totaling \$28,822. COBRA premiums paid (not by City) totaled \$5,328.

**Note 14 - Prior Period Adjustment**

In accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the previously stated net position as been restated as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position, as previously stated on September 30, 2014	\$ 28,696,880	\$ 13,185,390	\$ 41,882,270
Restatement for GASB No. 68 implementation	<u>(545,933)</u>	<u>(48,864)</u>	<u>(594,797)</u>
Net position, as restated on September 30, 2014	<u>\$ 28,150,947</u>	<u>\$ 13,136,526</u>	<u>\$ 41,287,473</u>

**Note 15 - Subsequent Events**

The City has evaluated events subsequent to September 30, 2015 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through April 6, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

**Note 16 - 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, 2015, total fines and court costs revenues for the fiscal year, which include fines and court costs related to traffic violations, summed to \$434,839. "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 \$4,572,610. 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 8.68% 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.

**The City of Festus, Missouri**  
**Notes to the Financial Statements**  
**For the year ended September 30, 2015**

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**Note 17 - Adoption of New Accounting Pronouncements**

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, seeks to clarify the application of certain provisions of GASB Statement No. 68 with regard to presentation of requirement supplementary information and related notes about investment-related factors that significantly affect trends in the amounts reported. Changes to the presentation of the required supplementary information in regards to pensions may be required. This will be effective for the year ended September 30, 2016.

GASB Statement No. 76, *The Heirarchy of Generally Accepted Accounting Principles for State and Local Governments*, whose objective is to identify, in the context of the current governmental financial reporting, the hierarchy of generally accepted accounting principles will also be effective for the year ended September 30, 2016. The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The effects of the adoption of GASB Statement No. 76 on the financial statements cannot be determined at this time.

## **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, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 565,000	\$ 565,000	\$ 606,710	\$ 41,710
Taxes - other	3,673,800	3,673,800	3,965,900	292,100
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	41,500	41,500	32,687	(8,813)
Licenses and permits	261,000	261,000	288,758	27,758
Fines and penalties	553,400	553,400	445,507	(107,893)
Investment income	7,600	7,600	18,418	10,818
Lease payments	66,840	66,840	66,840	-
Other	34,150	34,150	82,912	48,762
Service charges	944,600	944,600	909,131	(35,469)
Total Revenues	<u>\$ 6,147,890</u>	<u>\$ 6,147,890</u>	<u>\$ 6,416,863</u>	<u>\$ 268,973</u>
<b>Expenditures</b>				
Current:				
Administration	\$ 686,445	\$ 688,540	\$ 653,709	\$ (34,831)
Court	177,252	177,252	172,417	(4,835)
Building department	331,361	331,361	315,846	(15,515)
Police	2,221,721	2,221,721	1,990,558	(231,163)
Dispatch	584,674	584,674	552,612	(32,062)
Fire - administration	228,011	230,211	203,894	(26,317)
Fire - public safety	166,867	166,867	116,555	(50,312)
Emergency management	14,000	14,000	9,788	(4,212)
Street	289,461	289,461	273,657	(15,804)
Non-departmental	1,030,399	1,036,399	961,131	(75,268)
Capital outlay	419,561	389,445	332,000	(57,445)
Debt Service:				
Principal	111,103	111,103	111,103	-
Interest and fiscal charges	31,812	32,292	32,292	-
Total Expenditures	<u>\$ 6,292,667</u>	<u>\$ 6,273,326</u>	<u>\$ 5,725,562</u>	<u>\$ (547,764)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(144,777)	(125,436)	691,301	816,737
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 12,500	\$ 12,500
Transfers in	13,228	13,228	13,225	(3)
Transfers out	(137,571)	(137,571)	(104,201)	33,370
Total Other Financing Sources (Uses)	<u>\$ (124,343)</u>	<u>\$ (124,343)</u>	<u>\$ (78,476)</u>	<u>\$ 45,867</u>
<b>Net Change in Fund Balance</b>	<u>\$ (269,120)</u>	<u>\$ (249,779)</u>	\$ 612,825	<u>\$ 862,604</u>
<b>Fund Balance, October 1</b>			4,201,869	
<b>Fund Balance, September 30</b>			<u>\$ 4,814,694</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**City Transportation Tax Fund**  
**For the year ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,150,000	1,150,000	1,239,165	89,165
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	949,120	949,120	113,518	(835,602)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	9,400	9,400	11,673	2,273
Lease payments	-	-	-	-
Other	1,500	65,500	4,248	(61,252)
Service charges	-	-	-	-
Total Revenues	<u>\$ 2,110,020</u>	<u>\$ 2,174,020</u>	<u>\$ 1,368,604</u>	<u>\$ (805,416)</u>
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	947,528	948,828	822,502	(126,326)
Non-departmental	-	-	-	-
Capital outlay	1,343,041	1,415,026	240,799	(1,174,227)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 2,290,569</u>	<u>\$ 2,363,854</u>	<u>\$ 1,063,301</u>	<u>\$ (1,300,553)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(180,549)	(189,834)	305,303	495,137
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(4,004)	(4,004)	(4,009)	(5)
Total Other Financing Sources (Uses)	<u>\$ (4,004)</u>	<u>\$ (4,004)</u>	<u>\$ (4,009)</u>	<u>\$ (5)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (184,553)</u>	<u>\$ (193,838)</u>	\$ 301,294	<u>\$ 495,132</u>
<b>Fund Balance, October 1</b>			2,953,280	
<b>Fund Balance, September 30</b>			<u>\$ 3,254,574</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, 2015**

<b>Revenues</b>	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	565,000	565,000	375,355	(189,645)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	150	150	167	17
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	\$ 565,150	\$ 565,150	\$ 375,522	\$ (189,628)
<b>Expenditures</b>				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	3,487	3,487
Non-departmental	-	-	-	-
Capital outlay	566,539	589,344	320,363	(268,981)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	\$ 566,539	\$ 589,344	\$ 323,850	\$ (265,494)
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(1,389)	(24,194)	51,672	75,866
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(60,000)	(60,000)	(54,671)	5,329
Total Other Financing Sources (Uses)	\$ (60,000)	\$ (60,000)	\$ (54,671)	\$ 5,329
<b>Net Change in Fund Balance</b>	\$ (61,389)	\$ (84,194)	\$ (2,999)	\$ 81,195
<b>Fund Balance, October 1</b>			230,302	
<b>Fund Balance, September 30</b>			\$ 227,303	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Reserve Fund**  
**For the year ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	5,000	5,000	7,110	2,110
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 7,110</u>	<u>\$ 2,110</u>
<b>Expenditures</b>				
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>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	5,000	5,000	7,110	2,110
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	89,105	89,105	89,105	-
Transfers out	(5,135)	(5,135)	(5,132)	3
Total Other Financing Sources (Uses)	<u>\$ 83,970</u>	<u>\$ 83,970</u>	<u>\$ 83,973</u>	<u>\$ 3</u>
<b>Net Change in Fund Balance</b>	<u>\$ 88,970</u>	<u>\$ 88,970</u>	\$ 91,083	<u>\$ 2,113</u>
<b>Fund Balance, October 1</b>			<u>1,903,024</u>	
<b>Fund Balance, September 30</b>			<u>\$ 1,994,107</u>	

**City of Festus, Missouri**  
**Notes to the Required Supplementary Information - Budgetary Schedules**  
**For the year ended September 30, 2015**

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**Note 1 - Explanation of Budgetary Process**

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

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

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

**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>	<u>2015</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 386,909
Interest on the Total Pension Liability	1,205,031
Benefit Changes	-
Difference between expected and actual experience	(570,584)
Assumption Changes	53,188
Benefit Payments	(705,192)
Refunds	-
<b>Net Change in Total Pension Liability</b>	<u>369,352</u>
<b>Total Pension Liability beginning</b>	<u>16,956,038</u>
<b>Total Pension Liability ending</b>	<u>\$ 17,325,390</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions-employer	\$ 553,848
Contributions-employee	-
Pension Plan Net Investment income	320,327
Benefit Payments	(705,192)
Refunds	-
Pension Plan Administrative expense	(16,124)
Other	47,974
<b>Net Change in Plan Fiduciary Net Position</b>	<u>200,833</u>
<b>Plan Fiduciary Net Position beginning</b>	<u>15,975,425</u>
<b>Plan Fiduciary Net Position ending</b>	<u>\$ 16,176,258</u>
 <b>Employer Net Pension Liability</b>	 \$ 1,149,132
 <b>Plan Fiduciary Net Position as a percentage of the Total Pension Liability</b>	 93.37%
 <b>Covered Employee Payroll</b>	 \$ 3,350,035
 <b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	 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)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined pension contribution	\$ 451,564	\$ 474,782	\$ 516,074	\$ 474,694	\$ 508,440	\$ 349,835	\$ 254,909	\$ 262,519	\$ 264,987	\$ 151,640
Contributions in relation to the actuarially determined contributions	<u>541,758</u>	<u>566,387</u>	<u>428,940</u>	<u>407,900</u>	<u>396,349</u>	<u>349,768</u>	<u>364,158</u>	<u>361,487</u>	<u>264,987</u>	<u>248,297</u>
Contribution deficiency (excess)	<u>(90,194)</u>	<u>\$ (91,605)</u>	<u>\$ 87,134</u>	<u>\$ 66,794</u>	<u>\$ 112,091</u>	<u>\$ 67</u>	<u>\$ (109,249)</u>	<u>\$ (98,968)</u>	<u>\$ -</u>	<u>\$ (96,657)</u>
Covered Employee Payroll	\$ 3,403,947	\$ 3,493,840	\$ 3,550,159	\$ 3,693,918	\$ 3,934,236	\$ 3,860,538	\$ 3,782,907	\$ 3,703,722	\$ 3,464,874	\$ 3,332,974
Contributions as a percentage of covered employee payroll	15.92%	16.21%	12.08%	11.04%	10.07%	9.06%	9.63%	9.76%	7.65%	7.45%

**Notes to Schedule:**

Valuation date: February 28, 2015 - Actuarially determined contribution rates are calculated as of February 28, prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple bases from 14 to 28 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.5% wage inflation; 3.0% price inflation
Salary increases	3.5% - 8.6% 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	105% of the 1994 Group Annuity Mortality Table set back 0 years for women and 0 years for men. Based upon experience observed during the most recent 5-year period study, it appears that the current table provides for an approximate 13% margin for future mortality improvement.

## **Supplementary Information**

The City of Festus, Missouri  
 Combining Balance Sheet - Non-Major Governmental Funds  
 September 30, 2015

	Special Revenue Funds										Totals
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	
<b>Assets</b>											
Cash and cash equivalents	\$ 281,546	\$ 153,772	\$ 243,569	\$ -	\$ 20,948	\$ 818,655	\$ 518,385	\$ 117,195	\$ 29,801	\$ 1,010,926	\$ 3,194,797
Investments	150,000	50,000	120,000	-	-	324,959	100,000	-	-	248,000	992,959
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Restricted investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net											
Taxes	4,242	5,839	65,997	-	-	130,299	62,423	44,701	-	120,206	433,707
Special assessments	-	-	-	374,356	-	-	-	-	-	-	374,356
Service charges	-	-	-	-	-	-	-	-	-	-	-
Interest	91	30	73	-	-	208	61	-	-	143	606
Grants	-	4,429	-	-	3,029	-	-	-	-	-	7,458
Other	12,430	1,093	1	-	-	-	-	-	-	-	13,524
Prepaid items	2,483	7,441	11,241	-	-	3,079	-	-	-	-	24,244
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>450,792</u>	<u>222,604</u>	<u>440,881</u>	<u>374,356</u>	<u>23,977</u>	<u>1,277,200</u>	<u>680,869</u>	<u>161,896</u>	<u>29,801</u>	<u>1,379,275</u>	<u>5,041,651</u>
<b>Deferred Outflows of Resources</b>	-	-	-	-	-	-	-	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 450,792</u>	<u>\$ 222,604</u>	<u>\$ 440,881</u>	<u>\$ 374,356</u>	<u>\$ 23,977</u>	<u>\$ 1,277,200</u>	<u>\$ 680,869</u>	<u>\$ 161,896</u>	<u>\$ 29,801</u>	<u>\$ 1,379,275</u>	<u>\$ 5,041,651</u>
<b>Liabilities</b>											
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,137	10,935	18,444	-	1,821	166,387	988	-	-	-	200,712
Accrued payroll	1,519	3,740	5,139	-	-	939	32	-	-	-	11,369
Accrued payroll liabilities-other	1,676	1,709	3,057	-	-	761	46	-	-	-	7,249
Due to other funds	-	300,000	-	2,415	-	-	-	-	-	-	302,415
Unearned revenue	110	10,411	-	-	-	3,000	-	-	-	-	13,521
Accrued interest	-	-	-	1,418	-	-	-	-	-	-	1,418
Other liabilities	-	-	1,200	-	-	19,966	-	-	-	19,966	41,132
Total Liabilities	<u>5,442</u>	<u>326,795</u>	<u>27,840</u>	<u>3,833</u>	<u>1,821</u>	<u>191,053</u>	<u>1,066</u>	<u>-</u>	<u>-</u>	<u>19,966</u>	<u>577,816</u>
<b>Deferred Inflows of Resources</b>											
Unavailable resources - property taxes	3,973	5,469	5,469	-	-	-	-	-	-	-	14,911
Unavailable resources - sales taxes	-	-	-	-	-	-	-	-	-	-	-
Unavailable resources - special assessments	-	-	-	374,356	-	-	-	-	-	-	374,356
Unavailable resources - court bonds	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>3,973</u>	<u>5,469</u>	<u>5,469</u>	<u>374,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>389,267</u>
<b>Fund Balance</b>											
Nonspendable:											
Prepaid items	2,483	7,441	11,241	-	-	3,079	-	-	-	-	24,244
Interfund advances	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Debt service	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	438,894	-	396,331	-	22,156	1,083,068	679,803	161,896	29,801	1,359,309	4,171,258
Assigned											
Encumbrances	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Contingency	-	-	-	-	-	-	-	-	-	-	-
Unassigned											
General fund	-	(117,101)	-	(3,833)	-	-	-	-	-	-	(120,934)
Total Fund Balance	<u>\$ 441,377</u>	<u>\$ (109,660)</u>	<u>\$ 407,572</u>	<u>\$ (3,833)</u>	<u>\$ 22,156</u>	<u>\$ 1,086,147</u>	<u>\$ 679,803</u>	<u>\$ 161,896</u>	<u>\$ 29,801</u>	<u>\$ 1,359,309</u>	<u>\$ 4,074,568</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 450,792</u>	<u>\$ 222,604</u>	<u>\$ 440,881</u>	<u>\$ 374,356</u>	<u>\$ 23,977</u>	<u>\$ 1,277,200</u>	<u>\$ 680,869</u>	<u>\$ 161,896</u>	<u>\$ 29,801</u>	<u>\$ 1,379,275</u>	<u>\$ 5,041,651</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, 2015**

<b>Special Revenue Funds</b>											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
<b>Revenues</b>											
Property taxes	\$ 135,642	\$ 186,772	\$ 186,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 509,186
Taxes - other	-	-	-	-	-	646,585	266,081	256,438	-	646,056	1,815,160
Intergovernmental	-	-	-	-	5,640	-	-	-	-	-	5,640
Special assessments	-	-	-	38,204	-	-	-	-	-	-	38,204
Grant revenue	-	17,848	4,940	-	3,029	-	-	-	-	-	25,817
Licenses and permits	1,492	-	-	-	-	-	-	-	-	-	1,492
Fines and penalties	2,726	34,316	1,619	360	-	-	-	-	-	-	39,021
Investment income	668	315	550	-	24	1,814	741	80	35	2,394	6,621
Lease payments	-	-	-	-	-	-	-	-	-	-	-
Other	7,225	64,268	81,602	-	-	14,996	-	-	2,581	-	170,672
Service charges	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$ 147,753</b>	<b>\$ 303,519</b>	<b>\$ 275,483</b>	<b>\$ 38,564</b>	<b>\$ 8,693</b>	<b>\$ 663,395</b>	<b>\$ 266,822</b>	<b>\$ 256,518</b>	<b>\$ 2,616</b>	<b>\$ 648,450</b>	<b>\$ 2,611,813</b>
<b>Expenditures</b>											
Current:											
Police	\$ -	\$ -	\$ -	\$ -	\$ 13,631	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,631
Street	-	-	-	-	-	-	-	-	-	-	-
Health	112,577	-	-	-	-	-	-	-	-	-	112,577
Library	-	260,850	-	-	-	-	-	-	-	-	260,850
Parks	-	-	460,034	-	-	-	-	-	-	-	460,034
Non-departmental	-	-	-	347	-	131,828	4,033	256,768	-	-	392,976
Capital outlay	13,542	106,574	186,940	-	-	252,816	42,341	-	8,656	-	610,869
Debt service:											
Principal	-	-	-	36,094	-	-	-	-	-	-	36,094
Interest and fiscal charges	-	-	-	17,773	-	-	-	-	-	-	17,773
<b>Total Expenditures</b>	<b>\$ 126,119</b>	<b>\$ 367,424</b>	<b>\$ 646,974</b>	<b>\$ 54,214</b>	<b>\$ 13,631</b>	<b>\$ 384,644</b>	<b>\$ 46,374</b>	<b>\$ 256,768</b>	<b>\$ 8,656</b>	<b>\$ -</b>	<b>\$ 1,904,804</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>21,634</b>	<b>(63,905)</b>	<b>(371,491)</b>	<b>(15,650)</b>	<b>(4,938)</b>	<b>278,751</b>	<b>220,448</b>	<b>(250)</b>	<b>(6,040)</b>	<b>648,450</b>	<b>707,009</b>
<b>Other Financing Sources (Uses)</b>											
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	-	69,767	403,465	4,009	-	-	-	-	-	-	477,241
Transfers out	-	-	-	-	-	(323,292)	(80,173)	-	-	(773,539)	(1,177,004)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 69,767</b>	<b>\$ 403,465</b>	<b>\$ 4,009</b>	<b>\$ -</b>	<b>\$ (323,292)</b>	<b>\$ (80,173)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (773,539)</b>	<b>\$ (699,763)</b>
<b>Net Change in Fund Balance</b>	<b>21,634</b>	<b>5,862</b>	<b>31,974</b>	<b>(11,641)</b>	<b>(4,938)</b>	<b>(44,541)</b>	<b>140,275</b>	<b>(250)</b>	<b>(6,040)</b>	<b>(125,089)</b>	<b>7,246</b>
<b>Fund Balance (Deficit), October 1</b>	<b>419,743</b>	<b>(115,522)</b>	<b>375,598</b>	<b>7,808</b>	<b>27,094</b>	<b>1,130,688</b>	<b>539,528</b>	<b>162,146</b>	<b>35,841</b>	<b>1,484,398</b>	<b>4,067,322</b>
<b>Fund Balance (Deficit), September 30</b>	<b>\$ 441,377</b>	<b>\$ (109,660)</b>	<b>\$ 407,572</b>	<b>\$ (3,833)</b>	<b>\$ 22,156</b>	<b>\$ 1,086,147</b>	<b>\$ 679,803</b>	<b>\$ 161,896</b>	<b>\$ 29,801</b>	<b>\$ 1,359,309</b>	<b>\$ 4,074,568</b>

**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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 135,000	\$ 135,000	\$ 135,642	\$ 642
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	500	500	1,492	992
Fines and penalties	2,500	2,500	2,726	226
Investment income	300	300	668	368
Lease payments	-	-	-	-
Other	9,000	9,000	7,225	(1,775)
Service charges	-	-	-	-
Total Revenues	<u>\$ 147,300</u>	<u>\$ 147,300</u>	<u>\$ 147,753</u>	<u>\$ 453</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	118,866	124,666	112,577	(12,089)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	19,825	17,850	13,542	(4,308)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 138,691</u>	<u>\$ 142,516</u>	<u>\$ 126,119</u>	<u>\$ (16,397)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	8,609	4,784	21,634	16,850
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<u>\$ 8,609</u>	<u>\$ 4,784</u>	\$ 21,634	<u>\$ 16,850</u>
<b>Fund Balance, October 1</b>			<u>419,743</u>	
<b>Fund Balance, September 30</b>			<u>\$ 441,377</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 182,000	\$ 182,000	\$ 186,772	\$ 4,772
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	17,248	17,248	17,848	600
Licenses and permits	-	-	-	-
Fines and penalties	33,200	33,200	34,316	1,116
Investment income	200	200	315	115
Lease payments	-	-	-	-
Other	29,500	61,465	64,268	2,803
Service charges	-	-	-	-
Total Revenues	<u>\$ 262,148</u>	<u>\$ 294,113</u>	<u>\$ 303,519</u>	<u>\$ 9,406</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	269,866	269,866	260,850	(9,016)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	99,248	131,213	106,574	(24,639)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 369,114</u>	<u>\$ 401,079</u>	<u>\$ 367,424</u>	<u>\$ (33,655)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(106,966)	(106,966)	(63,905)	43,061
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	106,966	106,966	69,767	(37,199)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 106,966</u>	<u>\$ 106,966</u>	<u>\$ 69,767</u>	<u>\$ (37,199)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	\$ 5,862	<u>\$ 5,862</u>
<b>Fund Balance, October 1</b>			(115,522)	
<b>Fund Balance, September 30</b>			<u>\$ (109,660)</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Park Special Revenue Fund**  
**For the year ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ 182,000	\$ 182,000	\$ 186,772	\$ 4,772
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	14,000	14,000	4,940	(9,060)
Licenses and permits	-	-	-	-
Fines and penalties	2,200	2,200	1,619	(581)
Investment income	300	300	550	250
Lease payments	-	-	-	-
Other	58,500	58,500	81,602	23,102
Service charges	-	-	-	-
Total Revenues	<u>\$ 257,000</u>	<u>\$ 257,000</u>	<u>\$ 275,483</u>	<u>\$ 18,483</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	521,230	521,230	460,034	(61,196)
Non-departmental	-	-	-	-
Capital outlay	119,548	178,358	186,940	8,582
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 640,778</u>	<u>\$ 699,588</u>	<u>\$ 646,974</u>	<u>\$ (52,614)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(383,778)	(442,588)	(371,491)	71,097
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	313,000	419,710	403,465	(16,245)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 313,000</u>	<u>\$ 419,710</u>	<u>\$ 403,465</u>	<u>\$ (16,245)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (70,778)</u>	<u>\$ (22,878)</u>	\$ 31,974	<u>\$ 54,852</u>
<b>Fund Balance, October 1</b>			<u>375,598</u>	
<b>Fund Balance, September 30</b>			<u>\$ 407,572</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	38,204	(11,734)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	360	360
Investment income	-	-	-	-
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 49,938</u>	<u>\$ 49,938</u>	<u>\$ 38,564</u>	<u>\$ (11,374)</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	347	(653)
Capital outlay	-	-	-	-
Debt Service:				
Principal	36,095	36,095	36,094	(1)
Interest and fiscal charges	17,925	17,925	17,773	(152)
Total Expenditures	<u>\$ 55,020</u>	<u>\$ 55,020</u>	<u>\$ 54,214</u>	<u>\$ (806)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(5,082)	(5,082)	(15,650)	(10,568)
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	4,004	4,004	4,009	5
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 4,004</u>	<u>\$ 4,004</u>	<u>\$ 4,009</u>	<u>\$ 5</u>
<b>Net Change in Fund Balance</b>	<u>\$ (1,078)</u>	<u>\$ (1,078)</u>	\$ (11,641)	<u>\$ (10,563)</u>
<b>Fund Balance, October 1</b>			<u>7,808</u>	
<b>Fund Balance, September 30</b>			<u>\$ (3,833)</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	6,700	6,700	5,640	(1,060)
Special assessments	-	-	-	-
Grant revenue	-	-	3,029	3,029
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	24	24
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 6,700</u>	<u>\$ 6,700</u>	<u>\$ 8,693</u>	<u>\$ 1,993</u>
<b>Expenditures</b>				
Current:				
Police	\$ 12,000	\$ 14,700	\$ 13,631	\$ (1,069)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 12,000</u>	<u>\$ 14,700</u>	<u>\$ 13,631</u>	<u>\$ (1,069)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(5,300)	(8,000)	(4,938)	3,062
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<u>\$ (5,300)</u>	<u>\$ (8,000)</u>	\$ (4,938)	<u>\$ 3,062</u>
<b>Fund Balance, October 1</b>			<u>27,094</u>	
<b>Fund Balance, September 30</b>			<u>\$ 22,156</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Storm Water Special Revenue Fund**  
**For the year ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	598,000	598,000	646,585	48,585
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	700	700	1,814	1,114
Lease payments	-	-	-	-
Other	-	-	14,996	14,996
Service charges	-	-	-	-
Total Revenues	<u>\$ 598,700</u>	<u>\$ 598,700</u>	<u>\$ 663,395</u>	<u>\$ 64,695</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	192,676	192,676	131,828	(60,848)
Capital outlay	390,000	390,000	252,816	(137,184)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 582,676</u>	<u>\$ 582,676</u>	<u>\$ 384,644</u>	<u>\$ (198,032)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	16,024	16,024	278,751	262,727
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(299,000)	(299,000)	(323,292)	(24,292)
Total Other Financing Sources (Uses)	<u>\$ (299,000)</u>	<u>\$ (299,000)</u>	<u>\$ (323,292)</u>	<u>\$ (24,292)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (282,976)</u>	<u>\$ (282,976)</u>	\$ (44,541)	<u>\$ 238,435</u>
<b>Fund Balance, October 1</b>			<u>1,130,688</u>	
<b>Fund Balance, September 30</b>			<u>\$ 1,086,147</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	202,600	202,600	266,081	63,481
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	300	300	741	441
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 202,900</u>	<u>\$ 202,900</u>	<u>\$ 266,822</u>	<u>\$ 63,922</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	6,100	13,100	4,033	(9,067)
Capital outlay	37,950	57,721	42,341	(15,380)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 44,050</u>	<u>\$ 70,821</u>	<u>\$ 46,374</u>	<u>\$ (24,447)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	158,850	132,079	220,448	88,369
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(14,000)	(120,710)	(80,173)	40,537
Total Other Financing Sources (Uses)	<u>\$ (14,000)</u>	<u>\$ (120,710)</u>	<u>\$ (80,173)</u>	<u>\$ 40,537</u>
<b>Net Change in Fund Balance</b>	<u>\$ 144,850</u>	<u>\$ 11,369</u>	\$ 140,275	<u>\$ 128,906</u>
<b>Fund Balance, October 1</b>			<u>539,528</u>	
<b>Fund Balance, September 30</b>			<u>\$ 679,803</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	220,000	233,447	256,438	22,991
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	80	80
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 220,000</u>	<u>\$ 233,447</u>	<u>\$ 256,518</u>	<u>\$ 23,071</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	215,500	263,947	256,768	(7,179)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 215,500</u>	<u>\$ 263,947</u>	<u>\$ 256,768</u>	<u>\$ (7,179)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	4,500	(30,500)	(250)	30,250
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<u>\$ 4,500</u>	<u>\$ (30,500)</u>	\$ (250)	<u>\$ 30,250</u>
<b>Fund Balance, October 1</b>			<u>162,146</u>	
<b>Fund Balance, September 30</b>			<u>\$ 161,896</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, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	35	35
Lease payments	-	-	-	-
Other	-	2,581	2,581	-
Service charges	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ 2,581</u>	<u>\$ 2,616</u>	<u>\$ 35</u>
<b>Expenditures</b>				
Current:				
Police	\$ 14,490	\$ 1,000	\$ -	\$ (1,000)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	12,000	8,656	(3,344)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 14,490</u>	<u>\$ 13,000</u>	<u>\$ 8,656</u>	<u>\$ (4,344)</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(14,490)	(10,419)	(6,040)	4,379
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (14,490)</u>	<u>\$ (10,419)</u>	\$ (6,040)	<u>\$ 4,379</u>
<b>Fund Balance, October 1</b>			<u>35,841</u>	
<b>Fund Balance, September 30</b>			<u>\$ 29,801</u>	

**City of Festus, Missouri**  
**Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual**  
**Capital Improvement Special Revenue Fund**  
**For the year ended September 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Revenues</b>				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	598,000	598,000	646,056	48,056
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	800	800	2,394	1,594
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 598,800</u>	<u>\$ 598,800</u>	<u>\$ 648,450</u>	<u>\$ 49,650</u>
<b>Expenditures</b>				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	598,800	598,800	648,450	49,650
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(1,435,659)	(1,357,000)	(773,539)	583,461
Total Other Financing Sources (Uses)	<u>\$ (1,435,659)</u>	<u>\$ (1,357,000)</u>	<u>\$ (773,539)</u>	<u>\$ 583,461</u>
<b>Net Change in Fund Balance</b>	<u>\$ (836,859)</u>	<u>\$ (758,200)</u>	\$ (125,089)	<u>\$ 633,111</u>
<b>Fund Balance, October 1</b>			<u>1,484,398</u>	
<b>Fund Balance, September 30</b>			<u>\$ 1,359,309</u>	

## **Other Information**



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

Honorable Mayor and  
City Council  
City of Festus, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Festus, Missouri, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Festus, Missouri's basic financial statements and have issued our report thereon dated April 6, 2016.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2015-002 that we consider to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Festus, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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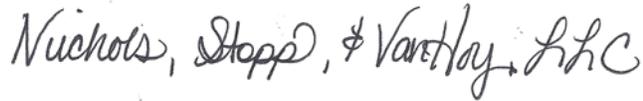
provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2015-001.

**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. 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  
April 6, 2016

**The City of Festus, Missouri**  
**Schedule of Findings and Responses**  
**For the year ended September 30, 2015**

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**Financial Statement Findings**

2015-001 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

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

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

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

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

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

2015-002 **Condition:** During our audit, we noted there is no formal risk assessment in place.

**Criteria:** A risk assessment is part of the overall system of internal controls established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Cause:** Management has not prepared documentation of risk assessment, including identified risk and mitigation controls.

**Effect:** Not performing a risk assessment may result in certain risk not being identified by the City's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper risk assessment procedures.

**Recommendation:** We recommend that the City perform a risk assessment to address various risk including the risk of fraud and develop a plan to manage identified risk.

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

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

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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, 2014.

**Prior Year Financial Statement Findings**

2014-1 **Condition:** An actuarial valuation has not been obtained for other post employment benefits.

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

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

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

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

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

**Status:** Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2015-001.

2014-2 **Condition:** During our audit, we noted there is no formal risk assessment in place.

**Criteria:** A risk assessment is part of the overall system of internal controls established to achieve reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

**Cause:** Management has not prepared documentation of risk assessment, including identified risk and mitigation controls.

**Effect:** Not performing a risk assessment may result in certain risk not being identified by the City's management. Opportunities to commit and conceal a fraud or irregularity may go undetected by management without proper risk assessment procedures.

**Recommendation:** We recommend that the City perform a risk assessment to address various risk including the risk of fraud and develop a plan to manage identified risk.

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

**Status:** Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2015-002.