

The City of Festus, Missouri

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

For the year ended September 30, 2016



The City of Festus, Missouri
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For the year ended September 30, 2016

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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, 2016, 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.

Basis for Qualified Opinion on Governmental Activities, Business-type Activities, and Propriety Fund Financial Statements

As more fully described in Note 13, the City has not determined the cost of the other post-employment benefit (OPEB) expense and obligation which is required in accordance with accounting principles generally accepted in the United State of America (GASB 45), to be recorded in the

governmental activities, business-type activities, and in the proprietary fund financial statements. The effects of that departure on the financial statements are not reasonably determinable.

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

In our opinion, except for the effect of the matter described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-14 and 47-51 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

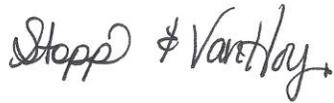
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor budgetary comparison information are presented for 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 24, 2017, 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.

A handwritten signature in black ink, reading "Stopp & VanHoy". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri
April 24, 2017

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

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, 2016. 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 \$44,908,239 (net position). Of this amount, \$8,990,628 (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 2016 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$15,974,812, an increase of \$1,604,760 in comparison with the prior year, after adjustments. 10.6% of this total amount is available for spending at the government's discretion (General Fund unassigned balance) and an additional 68.0% 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 2016 fiscal year that committed balance is \$2,829,193.
- As of the close of the 2016 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$16,159,711, an increase of \$1,375,788 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,813,145 or 30.1% of total general fund expenditures or 32.0% of operating expenditures. This does not include the new committed fund balance of \$2,829,193, which is 50% of operating expenditures (which includes Fire Property tax expenses).
- The City's total debt increased by \$696,032 during the current fiscal year to a total of \$11,270,961. The increase was from an increase in pension liability of \$1,649,588 and a decrease in other debt of \$953,556.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

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

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

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 thirteenth 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 \$44,908,239 at the close of the most recent fiscal year.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

City of Festus Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2016	2015	2016	2015	2016
Assets						
Current & Other Assets	\$19,429,349	\$21,494,352	\$11,988,245	\$12,382,839	\$31,417,594	\$33,877,191
Capital Assets, Net	16,354,449	15,147,909	8,920,710	9,296,880	25,275,159	24,444,789
Total Assets	35,783,798	36,642,261	20,908,955	21,679,719	56,692,753	58,321,980
<i>Deferred Outflows Resources</i>	716,775	1,971,691	132,760	382,038	849,535	2,353,729
Liabilities						
Long-Term Liabilities	4,964,467	6,054,846	5,610,462	5,216,115	10,574,929	11,270,961
Other Liabilities	2,705,899	3,337,933	577,292	601,247	3,283,191	3,939,180
Total Liabilities	7,670,366	9,392,779	6,187,754	5,817,362	13,858,120	15,210,141
<i>Deferred Inflows Resources</i>	398,914	472,645	70,038	84,684	468,952	557,329
Net Position						
Net Investment in Capital Assets	14,850,418	13,759,972	8,593,146	9,322,534	23,443,564	23,082,506
Restricted:						
Debt Service	-	-	2,345,761	1,968,237	2,345,761	1,968,237
Enabling Legislation	9,549,564	10,866,868	-	-	9,549,564	10,866,868
Unrestricted	4,031,311	4,121,688	3,845,016	4,868,940	7,876,327	8,990,628
Total Net Position	\$28,431,293	\$28,748,528	\$14,783,923	\$16,159,711	\$43,215,216	\$44,908,239

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

An additional portion of the City's net position 28.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$8,990,628 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2016, the City of Festus, Missouri is able to report positive balances in all of the net position for the current year-end.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Revenues						
Program Revenues:						
Charges for Services	\$ 1,642,081	\$ 1,725,447	\$ 4,539,248	\$ 4,961,182	\$ 6,181,329	\$ 6,686,629
Operating Grants	78,863	196,973	-	-	78,863	196,973
Capital Grants & Contributions	113,518	22,961	20,311	348,596	133,829	371,557
General Revenues:						
Taxes	8,520,688	8,304,102	-	-	8,520,688	8,304,102
Licenses (taxes)	201,359	202,636	-	-	201,359	202,636
Investment Income	43,984	72,352	133,595	136,909	177,579	209,261
Gain/Loss on disposal	(4,992)	36,109	(21,103)	(8,468)	(26,095)	27,641
Gain/Loss Joint Venture	-	-	-	-	-	-
Miscellaneous	201,126	141,202	5,894	7,690	207,020	148,892
Total Revenue	10,796,627	10,701,782	4,677,945	5,445,909	15,474,572	16,147,691
Expenses						
Administration	736,096	814,388	-	-	736,096	814,388
Court	183,939	159,180	-	-	183,939	159,180
Building Department	323,650	340,656	-	-	323,650	340,656
Police	2,103,244	2,375,518	-	-	2,103,244	2,375,518
Dispatch	588,519	604,910	-	-	588,519	604,910
Fire	433,882	528,044	-	-	433,882	528,044
Emergency Management	12,238	15,821	-	-	12,238	15,821
Street	2,617,725	2,598,142	-	-	2,617,725	2,598,142
Health	131,330	146,728	-	-	131,330	146,728
Library	369,840	377,797	-	-	369,840	377,797
Parks	633,574	679,181	-	-	633,574	679,181
Public Works	-	-	-	-	-	-
Non-Departmental	1,535,906	1,567,345	-	-	1,535,906	1,567,345
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	85,698	45,686	-	-	85,698	45,686
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,171,910	4,201,272	4,171,910	4,201,272
Total Expenses	9,755,641	10,253,396	4,171,910	4,201,272	13,927,551	14,454,668
Special Items:						
Transfers	(765,446)	(131,151)	765,446	131,151	-	-
Increase (decrease)	\$ 275,540	\$ 317,235	\$ 1,271,481	\$ 1,375,788	\$ 1,547,021	\$ 1,693,023

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

SIGNIFICANT CHANGES IN NET POSITION

Governmental Activities:

Some of the changes noted are:

- Taxes are down (2.6%) over 2015; there are various reasons for the difference. The increases include Vehicle Sales Tax of 3.3%, 911 Tax of 3.8% and Property Taxes of 1.7%. The overall sales tax decreased by 2.5%; this is primarily due to the fact that County Transportation Tax is included in revenue in the year of reimbursement and in 2015, \$375,355 was included versus \$0 in 2016. The City collected sales tax had an approximate 4.5% increase from the prior year. Utility Gross Receipts were down (7.1%) while the Cable Franchise was down (1.3%).
- 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 \$228,518 for the fiscal year ending 2016 and \$266,081 for the fiscal year ending 2015. The Tourism Board has chosen to fund a stage and a concession stand over the last two years and has also been promoting numerous events in the City.
- The City has set up a special allocation fund to deposit 50% of sales tax revenues generated from the Lowe's and Home Depot stores, which will get reimbursed back to them for certain infrastructure costs (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 2016, the unassigned fund balance of the general fund was \$1,813,145, while the total fund balance was \$5,167,995. 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 29.4% of total general fund expenditures and transfers out of \$6,160,779, while total fund balance represents 83.9% of total general fund expenditures and transfers out. On July 28, 2014 the City Council passed Ordinance # 4174 establishing a reserve policy which requires that the general fund reserve fund balance be equal to 50% of the general fund operating expenses. This reserve balance is reflected as a Committed – Contingency balance and for 2016 is \$2,829,193. 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 \$348,495 or 7.2%, from the prior-year fund balance. The change of the current year's fund balances is due to:

- Overall General Revenue Fund-revenues (without transfers-in) were up \$80,911 as compared to the previous year. There was an increase in expenditures of approximately \$ 303,497. The transfers-in decreased by \$13,225, and the transfers-out increased by \$27,519 in 2016.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures increased due to various reasons including the costs for the new firefighters for a full year at \$249,744, an increase of \$133,189. Also capital expenditures increased from \$332,000 in 2015 to \$370,673 in 2016.

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

- The City Transportation Fund balance increased by \$294,514 or 9.0% from the prior-year. The expenditures increased by \$63,614, with a decrease in operating expenses of \$30,981 and an increase in capital purchases of \$94,595. The Horine street project continued to be delayed but was finally started in October, 2016. At the end of September 30, 2016, the spendable portion of the fund balance of \$3,517,825 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$618 or 0.3% from the prior year. At the end of September 30, 2016 the fund balance of \$227,921 is essentially a reserve needed in order to pay for expenditures up front until the City can request reimbursement through the County. There was deferred revenue in the amount of \$1,671,094 available at September 30, 2016 for future transportation projects.

PROPRIETARY FUNDS

Business-type activities – Water and Sewer Fund, increased the City's net position by \$1,375,788, which is an increase of more than 9.3% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales and fees increased in the amount of \$327,006 or 10.4% from the prior year. The City sewer sales and fees also increased in the amount of \$95,629 or 6.9%. Contributed revenue income increased by \$328,285 and Transfer-In decreased by \$642,388.

CAPITAL ASSETS

The City of Festus' investment in capital assets for its governmental and business type activities as of September 30, 2016 amounts to \$24,444,789 (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 (3.3%), a (7.4%) decrease for governmental activities and a 4.2% increase for business-type activities.

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

Governmental Activities:

- Land had no change in balance during year.
- Construction in Progress increased with more work on Horine Road project, new salt shed, and Sunset Park concession stand and decreased with the finalization of West City Park stage and electric.
- Buildings and Other Improvements had the addition of the West City Park stage from Construction in Progress.
- Office equipment changes included the purchase of business license software and disposal of a plotter, 2 handheld mappers, several laptop computers, a copier and a 5-unit animal cage.
- Additions to Automotive Equipment for the year included a SUV for the Building Department and five new police Ford Explorers including decals and equipment. There was a fire truck disposed of during the year, along with 9 police cars, a Park Department pick-up truck and a Jeep from the Building Department.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

Governmental Activities (continued)

- Machinery and equipment acquired during the year included a microwave transceiver for 911, snowplow blades, a vehicle lift and a flail mower for the Street Department, and canopy structures, a 22 ft. Christmas tree and a tractor for the Parks Department. Items retired included radar units, intercom system, defender tank, several mobile radios, dump truck, 2 tractors, a backhoe, junior pitching mound, and batting cages.
- Additions to infrastructure and land improvements included sidewalks at Warne, Frisco and Ann streets, electric service and a dance floor near the stage. The City also accepted Galemore Street. Items removed included the previous overlays of N 6th, N 9th, Collins and Sunshine.

Business-Type Activities:

- Changes to Construction in Progress included the work on the Horine Road water main and the Public Works lobby project being finalized and moved to capital assets. Also started on the influent pump No. 4.
- The change in Systems and Improvements included addition of Horine Road, South 2nd Street, and Frisco water main projects and the removal of steel water tank and well house #6.
- Automotive equipment had an addition of 2 new pick-up trucks.
- Machinery and Equipment purchases included a dump truck, a backhoe, and a plate compactor. The removals included alarm monitoring systems, pumps, survival kits, and a self-leveling laser.
- There was a new mobile data collector purchased and pro-flowlink software disposed.
- Buildings increased by the new utility office addition.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2015	2016	2015	2016	2015	2016
Land	\$ 1,546,759	\$ 1,546,759	\$ 194,059	\$ 194,059	\$ 1,740,818	\$ 1,740,818
Assets not in service			52,432	47,852	52,432	47,852
Construction in Progress	302,385	346,661	168,713	27,012	471,098	373,673
Systems and Improvements			7,895,803	7,947,061	7,895,803	7,947,061
Buildings and Other Improvements	2,978,402	2,907,157	60,011	96,006	3,038,413	3,003,163
Office Equipment	188,575	141,748	-	-	188,575	141,748
Automotive Equipment	306,841	361,418	19,528	77,498	326,369	438,916
Machinery and Equipment	471,654	498,920	524,078	895,787	995,732	1,394,707
Furniture and Fixtures			-	-	-	-
Computer Equipment			6,086	11,605	6,086	11,605
Infrastructure	9,418,087	8,150,054			9,418,087	8,150,054
Land Improvements	1,141,746	1,195,192			1,141,746	1,195,192
Capital Assets, Net	\$ 16,354,449	\$ 15,147,909	\$ 8,920,710	\$ 9,296,880	\$ 25,275,159	\$ 24,444,789

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2016 the City had outstanding long-term debt obligations for governmental activities in the amount of \$6,054,846 compared to \$4,964,467 in 2015, 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 \$277,937 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 7 years. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building and has a balance of \$1,110,000. 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, 2016, the City had outstanding long-term debt obligations for business-type activities in the amount of \$5,216,115 compared to \$5,610,462 in 2015. The Neighborhood Improvement District (NID) Bonds totaling \$105,887, net of discount, have various maturity dates out to 2022. The revenue bonds consist of various series and installments, which are due through July 2023. The notes payable includes the SRF-2001C and SRF-2002B. (See Notes to the Financial Statement - Long Term Debt for further clarification of the agreements).

City of Festus Outstanding Long-Term Debt Obligations September 30,	Governmental Activities		Business-Type Activities		Totals	
	2015	2016	2015	2016	2015	2016
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	3,701,569	3,212,579	3,701,569	3,212,579
NID	314,031	277,937	119,574	105,887	433,605	383,824
Certificates of Participation	1,190,000	1,110,000	-	-	1,190,000	1,110,000
Net Pension Obligation ***	1,005,803	2,382,018	143,329	416,702	1,149,132	2,798,720
Notes Payable	2,454,633	2,284,891	1,645,990	1,480,947	4,100,623	3,765,838
Total	\$ 4,964,467	\$ 6,054,846	\$ 5,610,462	\$ 5,216,115	\$ 10,574,929	\$ 11,270,961

*** 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 \$4,534 under 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 Utility Gross Receipts and Court Fines had revenues higher than budget. The largest amount over budget was sales tax which was \$61,352 over budgeted. The areas where the revenues were under budget included Utility Gross Receipts which was \$46,393 under budget and Court Fines which was \$117,965 under budget. Traffic Cop Grants was \$11,696 under budget. The 911 Tax has been steadily decreasing as more and more people are getting rid of their land lines, but in 2016 there was a slight increase in the revenues received and was \$5,597 over budget.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- Under administration, the department was under total operating budget by \$36,362 or 4.95%. This included savings of over \$1,600 in bank fees, over \$5,200 in janitorial services, nearly \$10,000 in salaries & benefits and over \$6,200 in maintenance expense and contracts.
- The court was \$34,338, under operating budget for the year. Their salaries and benefits were \$25,036 under amount budgeted.
- The building department was under budget on the maintenance contracts and the vehicle expenses for gas and maintenance. The building department was a total of \$22,847 or 6.8% under budget.
- The police department was under budget by \$163,663 or 7.2%, which included almost \$90,500 in savings in wages and benefits, the savings can be attributed to not replacing officers for several months after leaving. In addition there was \$35,097 under amount budgeted for vehicle expenses.
- Dispatch was \$51,325 under budget in total, which includes savings in salaries, benefits, utilities, maintenance contracts, and training.
- The Fire department volunteer firefighters were 24.0% under budget, the rent paid was under budget by \$4,500 due to selling a fire truck and no longer needing a rented space and the Citizen Corp did not need any supplies so it was \$4,000 under budget. Volunteer pay was under budget by \$12,597 and uniforms under by \$6,085. Total Fire – Administration expenses were under budget by \$64,149.
- The new Fire-Public Safety expenses (which are associated with the new fire property tax passed in 2014) were under budget by \$23,977 or 8.8%. This savings is predominately in wages, benefits and uniforms.
- The Emergency Management budget was under by 29.1% or \$4,077, primarily due to not spending monies on training and a reduction in maintenance fees.
- The Street department was under budget by \$3,997 or 1.3%.
- The non-departmental budget was under operating budget by \$42,880 or 4.2%. The rental building expenses were \$10,607 under budget; the street light electricity was under budget by \$16,196 and the trash costs were under budget by \$12,350.

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 \$51,535 more than what was budgeted and the investment income coming in \$7,268 more than budget. The grant revenue was \$20,349 under amount budgeted due to delays in the Horine Road project.
- Operating expenditures for the City's Transportation Tax Fund were \$217,142 or 21.5% under the amount budgeted. The primary categories for this were wages and benefits under budget. Other areas of budget savings include engineering fees, which was \$17,692 or 43.0% under budget, gasoline, which was \$26,425 under budget and street signs and striping at \$19,532 under budget. Sidewalks were also under budget by \$15,093.
- The County Transportation Tax Fund showed taxes under budget by \$615,000, 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 \$170,000, since the 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 5.0% over what was projected, due to a higher collection rate of current real estate and delinquent personal property taxes.
- The Library Fund's Passport fees were over amount budgeted by 24.6% or \$6,650 and the Fines and Rentals were over by \$2,892 or 9.3%. The Library operating expenses were under budget by \$14,573, with majority of savings in maintenance contracts

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2016

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- The Park Fund operating expenses were under budget by \$67,627; this is in part due to \$24,191 of wages and benefits being capitalized. Also the equipment maintenance was under budget by \$4,044, gasoline purchases were under budget by \$7,216 and the Firecracker Festival was under budget by 12.0%.
- The Storm Water Fund showed operating expenses under budget by \$32,665, due in part to electricity and maintenance supplies for the levee being \$8,250 under budget and the heavy equipment expense line was \$6,998 under budget. The other revenues were \$31,718 over budget due to a return of funds from the Corp of Engineers.
- Tourism Fund taxes were \$11,482 under budget due to the closing of one hotel that was sold and remodeled and now reopened. 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 by \$40,508 for various reasons including partial billing on marketing plan, Eclipse items not purchased until following year, Vietnam Wall display was under budget, as was the Twin City Youth Football tournament.
- NID Assessment Fund's revenues were over budget by \$24,026 due to prior year assessments 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, 2016

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents	\$ 9,078,161	\$ 2,586,842	\$ 11,665,003
Investments	5,956,147	2,972,685	8,928,832
Restricted cash and cash equivalents	42,781	204,524	247,305
Restricted investments	15,239	2,132,160	2,147,399
Receivables, net			
Taxes	5,362,422	-	5,362,422
Special assessments	300,392	85,144	385,536
Service charges	118,074	835,746	953,820
Interest	9,920	32,134	42,054
Grants	12,087	-	12,087
Court	303,468	-	303,468
Other	86,539	63,015	149,554
Prepaid items	209,122	40,719	249,841
Inventory	-	85,750	85,750
Investment in joint venture	-	3,344,120	3,344,120
Capital assets:			
Land and construction in progress	1,893,420	268,923	2,162,343
Other capital assets, net	13,254,489	9,027,957	22,282,446
Total Assets	<u>36,642,261</u>	<u>21,679,719</u>	<u>58,321,980</u>
Deferred Outflows of Resources			
Deferred outflows - pension related	<u>1,971,691</u>	<u>382,038</u>	<u>2,353,729</u>
Liabilities			
Checks written in excess of cash balance	-	-	-
Accounts payable	343,830	171,643	515,473
Accrued payroll	257,411	45,001	302,412
Accrued payroll liabilities-other	58,692	13,448	72,140
Accrued interest	7,420	40,020	47,440
Deposits payable	-	321,876	321,876
Funds held for others	32,773	-	32,773
Unearned revenue	2,345,627	-	2,345,627
Other liabilities	292,180	9,259	301,439
Noncurrent liabilities:			
Due Within One Year	119,704	688,206	807,910
Due in More Than One Year	5,935,142	4,527,909	10,463,051
Total Liabilities	<u>9,392,779</u>	<u>5,817,362</u>	<u>15,210,141</u>
Deferred Inflows of Resources			
Deferred inflows - pension related	<u>472,645</u>	<u>84,684</u>	<u>557,329</u>
Net Position			
Net investment in capital assets	13,759,972	9,322,534	23,082,506
Restricted:			
Debt service	-	1,968,237	1,968,237
Enabling legislation	10,866,868	-	10,866,868
Unrestricted	4,121,688	4,868,940	8,990,628
Total Net Position	<u>\$ 28,748,528</u>	<u>\$ 16,159,711</u>	<u>\$ 44,908,239</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Activities
For the year ended September 30, 2016

Functions/Programs	Expenses	Program Cash Receipts			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Administration	\$ 814,388	\$ -	\$ 4,250	\$ -	\$ (810,138)	\$ -	\$ (810,138)
Court	159,180	343,231	-	-	184,051	-	184,051
Building Department	340,656	89,333	-	-	(251,323)	-	(251,323)
Police	2,375,518	136,867	38,179	-	(2,200,472)	-	(2,200,472)
Dispatch	604,910	76,368	-	-	(528,542)	-	(528,542)
Fire	528,044	14,800	-	-	(513,244)	-	(513,244)
Emergency Management	15,821	-	-	-	(15,821)	-	(15,821)
Street	2,598,142	73,964	-	22,961	(2,501,217)	-	(2,501,217)
Health	146,728	13,650	-	-	(133,078)	-	(133,078)
Library	377,797	67,542	15,015	-	(295,240)	-	(295,240)
Parks	679,181	72,296	38,198	-	(568,687)	-	(568,687)
Non-departmental	1,567,345	837,396	101,331	-	(628,618)	-	(628,618)
Interest and Fiscal Charges	45,686	-	-	-	(45,686)	-	(45,686)
Total Government Activities	\$ 10,253,396	\$ 1,725,447	\$ 196,973	\$ 22,961	\$ (8,308,015)	\$ -	\$ (8,308,015)
Business-type Activities:							
Water and Sewer	4,201,272	4,961,182	-	348,596	-	1,108,506	1,108,506
Total Business-type Activities	\$ 4,201,272	\$ 4,961,182	\$ -	\$ 348,596	\$ -	\$ 1,108,506	\$ 1,108,506
Total Primary Government	\$ 14,454,668	\$ 6,686,629	\$ 196,973	\$ 371,557	\$ (8,308,015)	\$ 1,108,506	\$ (7,199,509)
General Revenues							
Taxes:							
Sales tax					\$ 5,511,284	\$ -	\$ 5,511,284
Property tax					1,144,252	-	1,144,252
Taxes - other					1,648,566	-	1,648,566
Licenses (taxes)					202,636	-	202,636
Investment income					72,352	136,909	209,261
Gain/Loss on Disposal of Assets					36,109	(8,468)	27,641
Miscellaneous					141,202	7,690	148,892
Transfers (net)					(131,151)	131,151	-
Total General Revenues					\$ 8,625,250	\$ 267,282	\$ 8,892,532
Change in Net Position					317,235	1,375,788	1,693,023
Net Position, October 1 (restated)					28,431,293	14,783,923	43,215,216
Net Position, September 30					\$ 28,748,528	\$ 16,159,711	\$ 44,908,239

See Notes to the Financial Statements

The City of Festus, Missouri
Balance Sheet - Governmental Funds
September 30, 2016

Assets	General Fund	City	County	Capital Reserve	Other	Total
		Transportation Tax	Transportation Tax		Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 2,209,023	\$ 1,628,899	\$ 227,921	\$ 1,021,591	\$ 3,990,727	\$ 9,078,161
Investments	2,191,000	1,722,447	-	1,092,966	949,734	5,956,147
Restricted cash	16,396	-	-	-	26,385	42,781
Restricted investments	15,239	-	-	-	-	15,239
Receivables, net						
Taxes	715,268	246,691	1,671,094	-	444,478	3,077,531
Special assessments	-	-	-	-	300,392	300,392
Service charges	118,074	-	-	-	-	118,074
Interest	4,770	2,754	-	1,299	1,805	10,628
Grants	7,282	2,930	-	-	1,875	12,087
Court	303,468	-	-	-	-	303,468
Other	64,941	900	-	-	20,698	86,539
Prepaid items	150,975	31,263	-	-	26,884	209,122
Due from other funds	300,597	-	-	-	-	300,597
Total Assets	<u>6,097,033</u>	<u>3,635,884</u>	<u>1,899,015</u>	<u>2,115,856</u>	<u>5,762,978</u>	<u>19,510,766</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 6,097,033</u>	<u>\$ 3,635,884</u>	<u>\$ 1,899,015</u>	<u>\$ 2,115,856</u>	<u>\$ 5,762,978</u>	<u>\$ 19,510,766</u>
Liabilities						
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	170,347	19,953	-	-	154,238	344,538
Accrued payroll	103,840	10,127	-	-	15,831	129,798
Accrued payroll liabilities - other	45,406	4,824	-	-	8,462	58,692
Due to other funds	-	-	-	-	300,597	300,597
Funds held for others	32,773	-	-	-	-	32,773
Unearned revenue	62,500	-	-	-	8,173	70,673
Accrued interest	-	-	-	-	1,263	1,263
Other liabilities	194,373	51,892	-	-	45,915	292,180
Total Liabilities	<u>609,239</u>	<u>86,796</u>	<u>-</u>	<u>-</u>	<u>534,479</u>	<u>1,230,514</u>
Deferred Inflows of Resources						
Unavailable resources - property taxes	16,331	-	-	-	14,155	30,486
Unavailable resources - sales taxes	-	-	1,671,094	-	-	1,671,094
Unavailable resources - special assessments	-	-	-	-	300,392	300,392
Unavailable resources - court bonds	303,468	-	-	-	-	303,468
Total Deferred Inflows of Resources	<u>319,799</u>	<u>-</u>	<u>1,671,094</u>	<u>-</u>	<u>314,547</u>	<u>2,305,440</u>
Fund Balance						
Nonspendable:						
Prepaid items	150,975	31,263	-	-	26,884	209,122
Interfund advances	300,597	-	-	-	-	300,597
Restricted:						
Debt service	-	-	-	-	-	-
Special revenue fund	-	3,517,825	227,921	2,115,856	5,005,266	10,866,868
Committed:						
Contingency	2,829,193	-	-	-	-	2,829,193
Assigned:						
Encumbrances	74,085	-	-	-	-	74,085
Unassigned:						
General fund	1,813,145	-	-	-	(118,198)	1,694,947
Total Fund Balances	<u>5,167,995</u>	<u>3,549,088</u>	<u>227,921</u>	<u>2,115,856</u>	<u>4,913,952</u>	<u>15,974,812</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,097,033</u>	<u>\$ 3,635,884</u>	<u>\$ 1,899,015</u>	<u>\$ 2,115,856</u>	<u>\$ 5,762,978</u>	<u>\$ 19,510,766</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, 2016

Total Fund Balances - Governmental Funds	\$ 15,974,812
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	2,284,891
Certain assets and liabilities are not financial resources (uses) and, therefore, are not reported in the governmental funds:	
Deferred outflows - pension related	1,971,691
Deferred inflows - pension related	(472,645)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,147,909
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	30,486
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	(127,613)
Accrued net pension liability	(2,382,018)
Accrued interest payable	(6,157)
Bonds and notes payable outstanding	(3,672,828)
Net Position of Governmental Activities	<u><u>\$ 28,748,528</u></u>

The City of Festus, Missouri
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
Governmental Funds
For the year ended September 30, 2016

	General Fund	City Transportation Tax	County Transportation Tax	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues						
Property taxes	\$ 623,241	\$ -	\$ -	\$ -	\$ 519,647	\$ 1,142,888
Taxes - other	4,001,480	1,295,795	-	-	1,862,575	7,159,850
Intergovernmental	-	-	-	-	4,132	4,132
Special assessments	-	-	-	-	73,964	73,964
Grant revenue	52,304	22,961	-	-	23,969	99,234
Licenses and permits	291,969	-	-	-	1,230	293,199
Fines and penalties	352,923	-	-	-	51,187	404,110
Investment income	26,128	16,768	618	13,526	15,313	72,353
Lease payments	65,040	-	-	-	-	65,040
Other	154,436	85,898	-	-	195,442	435,776
Service charges	913,764	-	-	-	-	913,764
Total Revenues	<u>\$ 6,481,285</u>	<u>\$ 1,421,422</u>	<u>\$ 618</u>	<u>\$ 13,526</u>	<u>\$ 2,747,459</u>	<u>\$ 10,664,310</u>
Expenditures						
Current:						
Administration	\$ 698,564	\$ -	\$ -	\$ -	\$ -	\$ 698,564
Court	149,934	-	-	-	-	149,934
Building department	313,049	-	-	-	-	313,049
Police	2,109,919	-	-	-	8,278	2,118,197
Dispatch	535,529	-	-	-	-	535,529
Fire - administration	202,702	-	-	-	-	202,702
Fire - public safety	249,744	-	-	-	-	249,744
Emergency management	9,923	-	-	-	-	9,923
Street	305,928	791,521	-	-	-	1,097,449
Health	-	-	-	-	116,117	116,117
Library	-	-	-	-	259,134	259,134
Parks	-	-	-	-	487,090	487,090
Non-departmental	973,109	-	-	-	395,646	1,368,755
Capital outlay	370,673	335,394	-	-	493,287	1,199,354
Debt service:						
Principal	80,000	-	-	-	36,094	116,094
Interest and fiscal charges	29,985	-	-	-	15,929	45,914
Total Expenditures	<u>\$ 6,029,059</u>	<u>\$ 1,126,915</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,811,575</u>	<u>\$ 8,967,549</u>
Excess (Deficiency) of Revenues over Expenditures	<u>452,226</u>	<u>294,507</u>	<u>618</u>	<u>13,526</u>	<u>935,884</u>	<u>1,696,761</u>
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	\$ 27,989	\$ 3,879	\$ -	\$ -	\$ 7,282	\$ 39,150
Transfers in	-	-	-	124,224	683,964	808,188
Transfers out	(131,720)	(3,872)	-	(16,000)	(787,747)	(939,339)
Total Other Financing Sources	<u>\$ (103,731)</u>	<u>\$ 7</u>	<u>\$ -</u>	<u>\$ 108,224</u>	<u>\$ (96,501)</u>	<u>\$ (92,001)</u>
Net Change in Fund Balance	348,495	294,514	618	121,750	839,383	1,604,760
Fund Balance (Deficit), October 1 (restated)	<u>4,819,500</u>	<u>3,254,574</u>	<u>227,303</u>	<u>1,994,106</u>	<u>4,074,569</u>	<u>14,370,052</u>
Fund Balance (Deficit), September 30	<u>\$ 5,167,995</u>	<u>\$ 3,549,088</u>	<u>\$ 227,921</u>	<u>\$ 2,115,856</u>	<u>\$ 4,913,952</u>	<u>\$ 15,974,812</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, 2016

Net Change in Fund Balances - Governmental Funds \$ 1,604,760

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	744,333	
Depreciation expense	<u>(1,947,826)</u>	(1,203,493)

Gain/(Loss) on capital assets sold (3,041)

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

Deferred property tax revenue		1,364
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and in the treatment of long-term debt and related items.

Repayments:		
Neighborhood Improvement District Bonds	36,094	
Certificates of Participation	<u>80,000</u>	116,094

Payment of interest on Long-Term Debt		228
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Pension obligations		(195,030)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Compensated absences		<u>(3,647)</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 317,235</u></u>
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The City of Festus, Missouri
Statement of Net Position
Proprietary Funds
September 30, 2016

	Water & Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 2,586,842
Investments	2,972,685
Restricted cash and cash equivalents	204,524
Restricted investments	2,132,160
Receivables, net	
Special assessments	85,144
Service charges	835,746
Interest	32,134
Grants	-
Other	63,015
Prepaid items	40,719
Inventory	85,750
Total Current Assets	9,038,719
Noncurrent Assets	
Investments in joint venture	3,344,120
Non-depreciable capital assets:	
Land and construction in progress	268,923
Depreciable capital assets:	
Other capital assets, net	9,027,957
Total Noncurrent Assets	12,641,000
Deferred Outflows of Resources	
Deferred outflows - pension related	382,038
Total Assets and Deferred Outflows of Resources	\$ 22,061,757
Liabilities	
Current Liabilities	
Checks written in excess of cash balance	\$ -
Accounts payable	171,643
Payroll and compensated absences payable	45,001
Accrued payroll liabilities - other	13,448
Accrued interest	40,020
Revenue bonds and NID bonds payable, net of discounts and premiums - current portion	520,296
Notes payable - current portion	167,910
Deposits payable	321,876
Due to other funds	-
Other liabilities	9,259
Total Current Liabilities	1,289,453
Long-Term Liabilities	
Revenue bonds and NID bonds payable, net of discounts and premiums	2,798,170
Notes payable	1,313,037
Net pension liability	416,702
Total Long-Term Liabilities	4,527,909
Total Liabilities	5,817,362
Deferred Inflows of Resources	
Deferred inflows - pension related	84,684
Net Position	
Net investment in capital assets	9,322,534
Restricted for:	
Debt reserve funds	1,968,237
Unrestricted	4,868,940
Total Net Position	16,159,711
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 22,061,757

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, 2016

	Water & Sewer
Operating Revenues	
Water and sewer collections and fees	\$ 4,956,495
Grant revenues	-
Other revenues	4,687
Total Operating Revenues	4,961,182
Operating Expenses	
Personnel expenses	927,423
Materials and supplies	260,298
Purchased water	1,682,868
Utilities and maintenance	209,844
Depreciation and amortization	543,936
Treatment plant	283,696
Other	110,505
Total Operating Expenses	4,018,570
Operating Income (Loss)	942,612
Non-operating Revenues (Expenses)	
Interest income	136,909
Miscellaneous income	7,690
Gain (loss) on disposal of assets	(8,468)
Interest expense	(182,702)
Total Non-operating Revenues (Expenses)	(46,571)
Income (Loss) Before Capital Contributions and Transfers	896,041
Capital contributions	348,596
Transfers in (out)	131,151
	479,747
Change in Net Position	1,375,788
Net Position, October 1 (restated)	14,783,923
Net Position, September 30	\$ 16,159,711

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2016

	Water and Sewer
Cash Flows from Operating Activities:	
Receipts from customers	\$ 4,976,705
Payments to suppliers	(2,499,615)
Payments to employees	(891,685)
Other receipts (payments)	4,687
Net Cash Flows from Operating Activities	1,590,092
Cash Flows from Noncapital Financing Activities:	
Transfer in (out)	131,151
Net Cash from Noncapital Financing Activities	131,151
Cash Flows from Capital and Related Financing Activities:	
Payments of long-term debt	(663,949)
Interest on debt	(182,702)
Acquisition and construction of capital assets	(334,962)
Net Cash Used by Capital and Related Financing Activities	(1,181,613)
Cash Flows from Investing Activities:	
Proceeds from sale/(purchase) of investments	853,191
Miscellaneous income	7,690
Interest on investments	37,581
Net Cash from Investing Activities	898,462
Net Increase in Cash and Cash Equivalents	\$ 1,438,092
Cash and Cash Equivalents, October 1	1,353,274
Cash and Cash Equivalents, September 30	\$ 2,791,366
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Profit (Loss)	\$ 942,612
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	547,707
Amortization expense	(3,771)
(Increase) decrease in:	
Accounts receivable	(7,616)
Prepaid items	(3,586)
Inventories	52,050
Deferred outflows - pension related	(249,278)
Increase (decrease) in:	
Accounts payable	(868)
Deposits payable	27,826
Net pension obligation	273,373
Deferred inflows - pension related	14,646
Accrued payroll and other liabilities	(3,003)
Net cash provided by (used in) operating activities	\$ 1,590,092
Noncash Capital and Related Financing and/or Investing Activities:	
Contributions of capital assets from government	\$ 348,596

See Notes to the Financial Statements

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies

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

The Financial Reporting Entity

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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 the General Fund that have been set aside for future capital projects.

The City reports the following major proprietary funds:

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

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Encumbrances

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

Cash, Cash Equivalents, and Investments

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

Allowance for Uncollectable Accounts

Allowance for uncollectable accounts is as follows:

	<u>9/30/16</u>
Governmental Activities - General Fund	\$ 49,724
Business-type Activities - Water and Sewer Enterprise Fund	71,601
	<u>\$ 121,325</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

Vacation

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

	Total	Amounts Due Within One Year
Governmental Activities	\$ 93,227	\$ 93,227
Business-Type Activities	12,833	12,833
	\$ 106,060	\$ 106,060

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. Long-term debt liabilities (including compensated absences and pension liabilities) are typically liquidated by the General Fund, NID Fund, and Water and Sewer Fund.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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:

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

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

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

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

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

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

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

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

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

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, 2016

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, 2016 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>11,662,659</u>
Total Unrestricted Deposits		11,665,003
Restricted Deposits:		
Demand deposits	n/a	<u>247,305</u>
Total Restricted Deposits		<u>247,305</u>
Total Unrestricted and Restricted Deposits		<u><u>\$ 11,912,308</u></u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 2 - Cash and Investments (continued)

Unrestricted Investments:		
Certificate of deposit	10/28/16	\$ 248,000
Certificate of deposit	11/21/16	249,000
Certificate of deposit	12/19/16	249,000
Certificate of deposit	12/21/16	249,000
Certificate of deposit	01/08/17	1,401,335
Certificate of deposit	01/12/17	500,000
Certificate of deposit	01/15/17	245,878
Certificate of deposit	01/17/17	249,000
Certificate of deposit	01/27/17	247,000
Certificate of deposit	02/13/17	249,000
Certificate of deposit	02/14/17	249,000
Certificate of deposit	02/22/17	248,000
Certificate of deposit	02/28/17	248,000
Certificate of deposit	05/11/17	249,000
Certificate of deposit	07/10/17	529,571
Certificate of deposit	07/28/17	500,000
Certificate of deposit	10/30/17	248,000
Certificate of deposit	02/08/18	270,298
Certificate of deposit	07/26/18	750,000
Government sponsored enterprise (GSE) bond	09/19/17	500,000
Government sponsored enterprise (GSE) bond	12/20/17	249,750
Government sponsored enterprise (GSE) bond	04/02/18	500,000
Government sponsored enterprise (GSE) bond	09/21/20	500,000
Total Unrestricted Investments		8,928,832
Restricted Investments:		
Certificate of deposit	01/08/17	163,923
Certificate of deposit	06/15/16	15,239
Guaranteed investment contract	06/30/23	9,919
Guaranteed investment contract	06/30/23	53,750
Guaranteed investment contract	06/30/23	1,184,925
Guaranteed investment contract	06/30/23	8,368
Guaranteed investment contract	06/30/23	296,022
Guaranteed investment contract	06/30/23	415,253
Total Restricted Investments		2,147,399
Total Unrestricted and Restricted Investments		\$ 11,076,231

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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, 2016, 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:

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Eagle Bank	Certificates of deposit	\$ 2,094,829	18.91%
Midwest Bank	Certificates of deposit	1,750,000	15.80%
UMB Bank	Guaranteed investment contracts	1,968,237	17.77%
FFCB	GSE bonds	1,000,000	9.03%

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

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of deposit	\$ 4,482,750	\$ -	\$ 4,482,750	\$ -
Government sponsored enterprise bonds	1,749,750	-	1,749,750	-
	<u>\$ 6,232,500</u>	<u>\$ -</u>	<u>\$ 6,232,500</u>	<u>\$ -</u>

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 3 - Capital Assets

Capital asset activity for the year ended September 30, 2016 was as follows:

	<u>Balance 9/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/16</u>
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 1,546,759	\$ -	\$ -	\$ 1,546,759
Construction in process	302,385	249,164	(204,888)	346,661
Total Non-depreciable capital assets	<u>\$ 1,849,144</u>	<u>\$ 249,164</u>	<u>\$ (204,888)</u>	<u>\$ 1,893,420</u>
Depreciable capital assets:				
Buildings and other improvements	\$ 6,069,299	\$ 133,920	\$ -	\$ 6,203,219
Office equipment	487,744	12,647	(29,385)	471,006
Automotive equipment	2,798,768	169,500	(333,919)	2,634,349
Machinery and equipment	3,191,843	167,133	(181,193)	3,177,783
Infrastructure	15,158,521	64,000	(200,310)	15,022,211
Land improvements	1,931,038	158,973	-	2,090,011
Total Depreciable capital assets	<u>29,637,213</u>	<u>706,173</u>	<u>(744,807)</u>	<u>29,598,579</u>
Less: Accumulated depreciation				
Buildings and other improvements	3,090,897	205,165	-	3,296,062
Office equipment	299,169	51,559	(21,470)	329,258
Automotive equipment	2,491,927	114,923	(333,919)	2,272,931
Machinery and equipment	2,720,189	138,623	(179,949)	2,678,863
Infrastructure	5,740,434	1,332,033	(200,310)	6,872,157
Land improvements	789,292	105,527	-	894,819
Total Accumulated Depreciation	<u>15,131,908</u>	<u>1,947,830</u>	<u>(735,648)</u>	<u>16,344,090</u>
Depreciable capital assets, net	<u>\$ 14,505,305</u>	<u>\$ (1,241,657)</u>	<u>\$ (9,159)</u>	<u>\$ 13,254,489</u>
<u>Business-type Activities</u>				
Non-depreciable capital assets:				
Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	168,713	72,397	(214,098)	27,012
Assets not in service	52,432	-	(4,580)	47,852
Total Non-depreciable capital assets	<u>\$ 415,204</u>	<u>\$ 72,397</u>	<u>\$ (218,678)</u>	<u>\$ 268,923</u>
Depreciable capital assets:				
Systems and improvements	\$ 11,517,034	\$ 322,848	\$ (32,800)	\$ 11,807,082
Buildings and other improvements	190,940	42,103	-	233,043
Automotive equipment	173,649	65,193	(1,261)	237,581
Machinery and equipment	2,024,449	458,161	(37,542)	2,445,068
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	34,766	9,350	(3,685)	40,431
Total Depreciable capital assets	<u>13,946,782</u>	<u>897,655</u>	<u>(75,288)</u>	<u>14,769,149</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 3 - Capital Assets (continued)

Less: Accumulated depreciation				
Systems and improvements	3,621,231	267,701	(28,911)	3,860,021
Buildings and other improvements	130,929	6,108	-	137,037
Automotive equipment	154,121	7,223	(1,261)	160,083
Machinery and equipment	1,500,371	86,452	(37,542)	1,549,281
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	28,680	3,831	(3,685)	28,826
Total Accumulated Depreciation	<u>5,441,276</u>	<u>371,315</u>	<u>(71,399)</u>	<u>5,741,192</u>
Depreciable Capital Assets, net	<u>\$ 8,505,506</u>	<u>\$ 526,340</u>	<u>\$ (3,889)</u>	<u>\$ 9,027,957</u>

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2016 as follows:

	Amount
Governmental Activities:	
Administration	\$ 75,108
Court	1,073
Building department	5,538
Police	109,561
Dispatch	39,128
Fire	49,625
Street	1,391,318
Emergency Management	1,313
Non-Departmental	46,800
Health	10,626
Library	94,823
Parks	122,913
Total Depreciation Expense - Governmental Activities	<u>\$ 1,947,826</u>
Business-type Activities:	
Water and Sewer	\$ 547,707
Total Depreciation Expense - Business-type Activities	<u>\$ 547,707</u>

Note 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Balance 9/30/15	Additions	Reductions	Balance 9/30/16	Amounts Due Within One Year
Governmental Activities:					
NID bonds	\$ 314,031	\$ -	\$ (36,094)	\$ 277,937	\$ 39,704
Certificates of Participation	1,190,000	-	(80,000)	1,110,000	80,000
Net pension obligation (Note 5)	1,005,803	1,376,215	-	2,382,018	-
Notes payable	2,454,633	-	(169,742)	2,284,891	-
Total Governmental Activities:	<u>\$ 4,964,467</u>	<u>\$ 1,376,215</u>	<u>\$ (285,836)</u>	<u>\$ 6,054,846</u>	<u>\$ 119,704</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 4 - Long-Term Debt (continued)

Business-type activities:

Revenue bonds	\$ 3,645,000	\$ -	\$ (485,000)	\$ 3,160,000	\$ 505,000
Add: Premium	91,313	-	(12,165)	79,148	-
Less: Discount	(34,744)	-	8,175	(26,569)	-
NID Bonds	120,977	-	(13,906)	107,071	15,296
Less: Discount	(1,403)	-	219	(1,184)	-
Net pension obligation (Note 5)	143,329	273,373	-	416,702	-
Note payable	1,645,990	-	(165,043)	1,480,947	167,910
	<u>1,645,990</u>	<u>273,373</u>	<u>(165,043)</u>	<u>1,480,947</u>	<u>167,910</u>
Total Business-type Activities:	<u>\$ 5,610,462</u>	<u>\$ 273,373</u>	<u>\$ (667,720)</u>	<u>\$ 5,216,115</u>	<u>\$ 688,206</u>

Neighborhood Improvement District Bonds

The total amount of the Neighborhood Improvement District Bonds Series 2002 is \$385,008. 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%.

\$ 277,937

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%.

107,071

Total: \$ 385,008

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

For the years ending September 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 39,704	\$ 14,112	\$ 53,816	\$ 15,296	\$ 5,437	\$ 20,733
2018	43,314	11,911	55,225	16,686	4,589	21,275
2019	43,314	9,583	52,897	16,686	3,692	20,378
2020	46,924	7,111	54,035	18,076	2,740	20,816
2021	50,533	4,407	54,940	19,467	1,698	21,165
2022	54,148	1,502	55,650	20,860	579	21,439
	<u>\$ 277,937</u>	<u>\$ 48,626</u>	<u>\$ 326,563</u>	<u>\$ 107,071</u>	<u>\$ 18,735</u>	<u>\$ 125,806</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 4 - Long-Term Debt (continued)

Certificates of Participation

The total amount of the Certificates of Participation Series 2012 is \$1,110,000. This amount is located in the governmental activities.

Governmental Activities:

\$1,440,000 Certificates of Participation, Series 2012, due in annual installments through January 1, 2028, interest payable at 3.0% to 4.0% \$ 1,110,000

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

For the years ending September 30,	Governmental Activities		
	Principal	Interest	Total
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	90,000	21,965	111,965
2022-2026	475,000	71,675	546,675
2027-2028	210,000	6,825	216,825
	<u>\$ 1,110,000</u>	<u>\$ 206,375</u>	<u>\$ 1,316,375</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.

\$ 864,181

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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.

	<u>1,420,710</u>
Total:	<u><u>\$ 2,284,891</u></u>

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%.

\$ 245,000

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

1,645,000

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

1,270,000

Total: \$ 3,160,000

Notes Payable

Business-type Activities:

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

\$ 296,022

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

1,184,925

Total: \$ 1,480,947

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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
2017	\$ 505,000	\$ 158,132	\$ 663,132	\$ 167,909	\$ -	\$ 167,909
2018	520,000	132,591	652,591	177,637	-	177,637
2019	540,000	106,230	646,230	246,255	-	246,255
2020	465,000	79,750	544,750	241,159	-	241,159
2021	480,000	56,500	536,500	247,992	-	247,992
2022-2023	650,000	45,250	695,250	399,995	-	399,995
	<u>\$ 3,160,000</u>	<u>\$ 578,453</u>	<u>\$ 3,738,453</u>	<u>\$ 1,480,947</u>	<u>\$ -</u>	<u>\$ 1,480,947</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 Plans

General Information about the Defined Benefit Pension Plan

Plan description - The City of Festus's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City of Festus participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 5 - Employee Retirement Plans (continued)

Benefits provided (continued)

	2016 Valuation
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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	48
Active employees	98
	208

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 29, 2016.

Actuarial Assumptions - The total pension liability in the February 29, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 29, 2016 valuation were based on the results of an actuarial experience study for the period March 1, 2010 through February 28, 2015.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 5 - Employee Retirement Plans (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	43.00%	5.29%
Fixed Income	26.00%	2.23%
Real Assets	21.00%	3.31%
Strategic Assets	10.00%	5.73%

Discount rate - The discount rates used to measure the total pension liability are 7.21% (General), 7.25% (Police), and 4.87% (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 6/30/2015	<u>\$ 17,325,390</u>	<u>\$ 16,176,258</u>	<u>\$ 1,149,132</u>
Changes for the year:			
Service cost	391,392	-	391,392
Interest	1,230,668	-	1,230,668
Changes in benefit terms	-	-	-
Difference between expected and actual experience	(64,181)	-	(64,181)
Contributions - employer	-	590,399	(590,399)
Contributions - employee	-	-	-
Net investment income	-	(33,114)	33,114
Benefit payments, including refunds	(623,604)	(623,604)	-
Administrative expense	-	(15,647)	15,647
Other changes	678,302	44,955	633,347
Net changes	<u>1,612,577</u>	<u>(37,011)</u>	<u>1,649,588</u>
Balances at 6/30/2016	<u>\$ 18,937,967</u>	<u>\$ 16,139,247</u>	<u>\$ 2,798,720</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 5 - Employee Retirement Plans (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 7.21% (General), 7.25% (Police) and 4.87% (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	\$ 21,942,532	\$ 18,937,967	\$ 16,491,760
Plan Fiduciary Net Position	(16,139,247)	(16,139,247)	(16,139,247)
Net Pension Liability	\$ 5,803,285	\$ 2,798,720	\$ 352,513

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

For the year ended September, 30, 2016, 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	\$ 80,977	\$ (501,515)
Differences in assumptions	640,807	(55,814)
Excess (deficit) investment returns	1,464,786	-
Contributions subsequent to the measurement date*	167,159	-
	\$ 2,353,729	\$ (557,329)

*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
2017	\$ 599,346
2018	432,187
2019	432,187
2020	300,309
2021	32,371
Thereafter	\$ 1,796,400

Payable to the Pension Plan

At September 30, 2016, the City of Festus reported a payable of \$46,763 for the outstanding amount of the contributions to the pension plan required for the year ended September 30, 2016.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

Note 5 - Employee Retirement Plans (continued)

General Information about the Defined Contribution Pension Plan

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

Note 6 - Due From and Due To Other Funds

There was no due from/due to other fund balances at September 30, 2016. Balances in the General Fund of \$300,597, Library Fund of (\$300,000), and NID Assessment Fund of (\$597) have been eliminated upon consolidation in the government-wide financial statements. The City typically loans resources between funds for the purpose of cash flow. Balances are expected to be repaid as cash becomes available. The balance between the General Fund and Library Fund is not expected to be repaid within one year.

Note 7 - Interfund Transfers

Individual fund transfers for the year ended September 30, 2016 are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ -	\$ (131,720)	\$ (131,720)
	Library Fund	4,308	-	4,308
	Park Fund	675,784	-	675,784
	Capital Reserve Fund	124,224	(16,000)	108,224
	Tourism Tax	-	(318,512)	(318,512)
	City Transportation Tax Fund	-	(3,872)	(3,872)
	County Transportation Tax Fund	-	-	-
	Storm Water Tax Fund	-	(338,084)	(338,084)
	Capital Improvement Fund	-	(131,151)	(131,151)
	NID Assessment Fund	3,872	-	3,872
	Total Governmental Activities	808,188	(939,339)	(131,151)
Business Type Activities:	Water Administration Fund	131,151	-	131,151
	Total Business-type Activities	131,151	-	131,151
	Total Transfers	<u>\$ 939,339</u>	<u>\$ (939,339)</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.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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, 2017. MIRMA is funded by annual member assessments calculated at a rate per \$100 of annual payroll which applies to all lines of coverage on a composite basis.

These funds are used to pay losses within specific risk retention limits shared equally by all members; purchase excess insurance which provides a transfer of catastrophic risk to private insurance carriers; purchase services such as claims administration, loss prevention, and data processing; and pay administrative expenses. Should actual insurance losses exceed MIRMA's estimates, the City could be required to contribute additional funds. Management believes the risk of additional loss is minimal and any additional contributions that may be required would not materially impact the overall operations of the City. The City paid \$333,480 in insurance premiums, of which \$358 was an additional assessment, to MIRMA during the year ended September 30, 2016. 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. Leased property consists of \$121,007 of land and \$196,690 in buildings and improvements, net of depreciation. Future minimum rentals to be received under these leases as of September 30, 2016, are as follows:

Years ending September 30,	Building Rent	Ground Leases	Total
2018	\$ 47,631	\$ 12,420	\$ 60,051
2019	40,596	9,315	49,911
2020	6,332	-	6,332
	\$ 94,559	\$ 21,735	\$ 116,294

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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 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% of described costs. The City accounts for its participation in this joint venture under the equity method of accounting to reflect its 64% ownership of the Commission. The City's interest in the joint venture at September 30, 2016 is \$3,344,120. The change in value of the joint venture resulted in a loss of \$176,392 for the year ended September 30, 2016. For the year ended September 30, 2016, the City's cost for sewage treatment services provided by the Commission was \$257,902, 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, 2016 were both \$21,392. Commission management stated that no long-term liabilities were outstanding at September 30, 2016. For the year ended September 30, 2016, total receipts and disbursements were \$405,479 and \$405,314, respectively, resulting in a net change in the Commission's equity of \$165.

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, 2016 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, 2016

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, 2016, 8 retirees participated in the City's insurance plans and the City paid premiums totaling \$32,241. COBRA premiums paid (not by City) totaled \$6,363.

Note 14 - Prior Period Adjustment

Beginning net position of governmental activities and business-type activities has been restated due to errors discovered in reporting of receivables and payables related to trash service charges and receivables from water and sewer service charges. This adjustment will have no material effect on the operations of the City.

	Governmental Activities	Business-type Activities	Total
Net position, as previously stated on September 30, 2015	\$ 28,426,487	\$ 14,408,007	\$ 42,834,494
Prior Period Adjustment 1	4,806	375,916	380,722
Net position, as restated on September 30, 2015	\$ 28,431,293	\$ 14,783,923	\$ 43,215,216

Beginning fund balance of the General Fund and Water and Sewer Fund has been restated due to errors discovered in reporting of receivables and payables related to service charges. This adjustment will have no material effect on the operations of the City.

	General Fund	Water & Sewer Fund
Fund Balance, as previously stated on September 30, 2015	\$ 4,814,694	\$ 14,408,007
Prior Period Adjustment 1	4,806	375,916
Fund Balance, as restated on September 30, 2015	\$ 4,819,500	\$ 14,783,923

Note 15 - Subsequent Events

The City has evaluated events subsequent to September 30, 2016 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through April 24, 2017, the date the financial statements were available to be issued.

In March 2017, the City signed a contract to purchase a new fire truck for the amount of \$594,752.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2016

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, 2016, total fines and court costs revenues for the fiscal year, which include fines and court costs related to traffic violations, summed to \$339,099. "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 \$4,624,721. 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 7.33% of this total "annual general operating revenue," which is substantially below the 30% threshold requirement of the amended statute. This clearly demonstrates at a minimum that the City in no way exceeded the percentage requirement regardless of how "annual general operating revenue" is calculated.

Note 17 - Adoption of New Accounting Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosure* seeks to assist users of the financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This statement will be effective for the year ended September 30, 2017.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement will be effective for the year ended September 30, 2017.

Note 18 - Commitments

At September 30, 2016, the City had commitments for the following projects:

Street and transportation projects	\$ 1,930,013
Professional services	112,208
Park improvements	166,297
	<u>\$ 2,208,518</u>

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

General Fund	\$ 74,085
City Transportation Tax Fund	1,963,336
Park Fund	166,297
Water and Sewer Fund	4,800
	<u>\$ 2,208,518</u>

Required Supplementary Information

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the year ended September 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 595,480	\$ 595,480	\$ 623,241	\$ 27,761
Taxes - other	3,958,080	3,958,080	4,001,480	43,400
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	48,000	64,000	52,304	(11,696)
Licenses and permits	265,000	265,000	291,969	26,969
Fines and penalties	464,400	464,400	352,923	(111,477)
Investment income	9,220	9,220	26,128	16,908
Lease payments	66,840	66,840	65,040	(1,800)
Other	141,738	141,738	154,436	12,698
Service charges	921,061	921,061	913,764	(7,297)
Total Revenues	<u>\$ 6,469,819</u>	<u>\$ 6,485,819</u>	<u>\$ 6,481,285</u>	<u>\$ (4,534)</u>
Expenditures				
Current:				
Administration	\$ 725,717	\$ 734,926	\$ 698,564	\$ (36,362)
Court	164,272	184,272	149,934	(34,338)
Building department	335,896	335,896	313,049	(22,847)
Police	2,303,582	2,273,582	2,109,919	(163,663)
Dispatch	586,854	586,854	535,529	(51,325)
Fire - administration	227,786	266,851	202,702	(64,149)
Fire - public safety	273,721	273,721	249,744	(23,977)
Emergency management	14,000	14,000	9,923	(4,077)
Street	309,925	309,925	305,928	(3,997)
Non-departmental	1,015,989	1,015,989	973,109	(42,880)
Capital outlay	430,951	395,435	370,673	(24,762)
Debt Service:				
Principal	80,000	80,000	80,000	-
Interest and fiscal charges	29,985	29,985	29,985	-
Total Expenditures	<u>\$ 6,498,678</u>	<u>\$ 6,501,436</u>	<u>\$ 6,029,059</u>	<u>\$ (472,377)</u>
Excess (Deficiency) of Revenues over Expenditures	(28,859)	(15,617)	452,226	467,843
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ 25,115	\$ 27,989	\$ 2,874
Transfers in	-	-	-	-
Transfers out	(167,231)	(174,919)	(131,720)	43,199
Total Other Financing Sources (Uses)	<u>\$ (167,231)</u>	<u>\$ (149,804)</u>	<u>\$ (103,731)</u>	<u>\$ 46,073</u>
Net Change in Fund Balance	<u>\$ (196,090)</u>	<u>\$ (165,421)</u>	\$ 348,495	<u>\$ 513,916</u>
Fund Balance, October 1 (restated)			4,819,500	
Fund Balance, September 30			<u>\$ 5,167,995</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, 2016

Revenues	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,244,260	1,244,260	1,295,795	51,535
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	1,093,310	43,310	22,961	(20,349)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	9,500	9,500	16,768	7,268
Lease payments	-	-	-	-
Other	1,500	65,500	85,898	20,398
Service charges	-	-	-	-
Total Revenues	\$ 2,348,570	\$ 1,362,570	\$ 1,421,422	\$ 58,852
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	1,008,663	1,008,663	791,521	(217,142)
Non-departmental	-	-	-	-
Capital outlay	1,937,916	323,916	335,394	11,478
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	\$ 2,946,579	\$ 1,332,579	\$ 1,126,915	\$ (205,664)
Excess (Deficiency) of Revenues over Expenditures	(598,009)	29,991	294,507	264,516
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 3,879	\$ -
Transfers in	-	-	-	-
Transfers out	(3,873)	(3,873)	(3,872)	1
Total Other Financing Sources (Uses)	\$ (3,873)	\$ (3,873)	\$ 7	\$ 1
Net Change in Fund Balance	\$ (601,882)	\$ 26,118	\$ 294,514	\$ 264,517
Fund Balance, October 1			3,254,574	
Fund Balance, September 30			\$ 3,549,088	

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	615,000	615,000	-	(615,000)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	150	150	618	468
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 615,150</u>	<u>\$ 615,150</u>	<u>\$ 618</u>	<u>\$ (614,532)</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	860,000	170,000	-	(170,000)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 860,000</u>	<u>\$ 170,000</u>	<u>\$ -</u>	<u>\$ (170,000)</u>
Excess (Deficiency) of Revenues over Expenditures	(244,850)	445,150	618	(444,532)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (244,850)</u>	<u>\$ 445,150</u>	\$ 618	<u>\$ (444,532)</u>
Fund Balance, October 1			<u>227,303</u>	
Fund Balance, September 30			<u>\$ 227,921</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Reserve Fund
For the year ended September 30, 2016

Revenues	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	5,000	5,000	13,526	8,526
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	\$ 5,000	\$ 5,000	\$ 13,526	\$ 8,526
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues over Expenditures	5,000	5,000	13,526	8,526
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	119,724	124,224	124,224	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total Other Financing Sources (Uses)	\$ 103,724	\$ 108,224	\$ 108,224	\$ -
Net Change in Fund Balance	\$ 108,724	\$ 113,224	\$ 121,750	\$ 8,526
Fund Balance, October 1			1,994,106	
Fund Balance, September 30			\$ 2,115,856	

City of Festus, Missouri
Notes to the Required Supplementary Information - Budgetary Schedules
For the year ended September 30, 2016

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>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$ 391,392	\$ 386,909
Interest on the Total Pension Liability	1,230,668	1,205,031
Benefit Changes	-	-
Difference between expected and actual experience	(64,181)	(570,584)
Assumption Changes	678,302	53,188
Benefit Payments	(623,604)	(705,192)
Refunds	-	-
Net Change in Total Pension Liability	<u>1,612,577</u>	<u>369,352</u>
Total Pension Liability beginning	<u>17,325,390</u>	<u>16,956,038</u>
Total Pension Liability ending	<u>\$ 18,937,967</u>	<u>\$ 17,325,390</u>
Plan Fiduciary Net Position		
Contributions-employer	\$ 590,399	\$ 553,848
Contributions-employee	-	-
Pension Plan Net Investment income	(33,114)	320,327
Benefit Payments	(623,604)	(705,192)
Refunds	-	-
Pension Plan Administrative expense	(15,647)	(16,124)
Other	44,955	47,974
Net Change in Plan Fiduciary Net Position	<u>(37,011)</u>	<u>200,833</u>
Plan Fiduciary Net Position beginning	<u>16,176,258</u>	<u>15,975,425</u>
Plan Fiduciary Net Position ending	<u>\$ 16,139,247</u>	<u>\$ 16,176,258</u>
Employer Net Pension Liability	\$ 2,798,720	\$ 1,149,132
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.22%	93.37%
Covered Employee Payroll	\$ 3,632,243	\$ 3,350,035
Employer's Net Pension Liability as a percentage of covered employee payroll	77.05%	34.30%

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

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

	<u>2016</u>	<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>
Actuarially determined pension contribution	\$ 721,610	\$ 451,564	\$ 474,782	\$ 516,074	\$ 474,694	\$ 508,440	\$ 349,835	\$ 254,909	\$ 262,519	\$ 264,987
Contributions in relation to the actuarially determined contributions	<u>617,973</u>	<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>
Contribution deficiency (excess)	<u>\$ 103,637</u>	<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>
Covered Employee Payroll	\$ 3,715,734	\$ 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
Contributions as a percentage of covered employee payroll	16.63%	15.92%	16.21%	12.08%	11.04%	10.07%	9.06%	9.63%	9.76%	7.65%

Notes to Schedule:

Valuation date: February 29, 2016 - Actuarially determined contribution rates are calculated as of February 29, 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 and modified terminal funding
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple bases from 13 to 27 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% - 7.15% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

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

Other Information: New assumptions adopted based on the 5-year experience study for the period March 1, 2010 through February 28, 2015.

Supplementary Information

The City of Festus, Missouri
 Combining Balance Sheet - Non-Major Governmental Funds
 September 30, 2016

	Special Revenue Funds										Totals
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	
Assets											
Cash and cash equivalents	\$ 300,084	\$ 141,616	\$ 459,859	\$ -	\$ 18,064	\$ 766,318	\$ 352,307	\$ 127,332	\$ 17,809	\$ 1,807,338	\$ 3,990,727
Investments	150,344	50,115	120,275	-	-	528,771	100,229	-	-	-	949,734
Restricted cash	-	-	-	26,385	-	-	-	-	-	-	26,385
Restricted investments	-	-	-	-	-	-	-	-	-	-	-
Receivables, net											
Taxes	7,630	10,507	72,190	-	-	134,089	51,456	45,285	-	123,321	444,478
Special assessments	-	-	-	300,392	-	-	-	-	-	-	300,392
Service charges	-	-	-	-	-	-	-	-	-	-	-
Interest	156	52	125	-	-	660	812	-	-	-	1,805
Grants	-	-	-	-	1,875	-	-	-	-	-	1,875
Other	13,215	-	83	7,400	-	-	-	-	-	-	20,698
Prepaid items	2,922	8,540	11,923	-	-	3,499	-	-	-	-	26,884
Due from other funds	-	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>474,351</u>	<u>210,830</u>	<u>664,455</u>	<u>334,177</u>	<u>19,939</u>	<u>1,433,337</u>	<u>504,804</u>	<u>172,617</u>	<u>17,809</u>	<u>1,930,659</u>	<u>5,762,978</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 474,351</u>	<u>\$ 210,830</u>	<u>\$ 664,455</u>	<u>\$ 334,177</u>	<u>\$ 19,939</u>	<u>\$ 1,433,337</u>	<u>\$ 504,804</u>	<u>\$ 172,617</u>	<u>\$ 17,809</u>	<u>\$ 1,930,659</u>	<u>\$ 5,762,978</u>
Liabilities											
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,184	3,151	21,394	-	-	127,509	-	-	-	-	154,238
Accrued payroll	2,434	4,940	7,002	-	-	1,234	221	-	-	-	15,831
Accrued payroll liabilities-other	1,966	2,032	3,534	-	-	897	33	-	-	-	8,462
Due to other funds	-	300,000	-	597	-	-	-	-	-	-	300,597
Unearned revenue	-	5,173	-	-	-	3,000	-	-	-	-	8,173
Accrued interest	-	-	-	1,263	-	-	-	-	-	-	1,263
Other liabilities	-	-	3,025	-	-	21,445	-	-	-	21,445	45,915
Total Liabilities	<u>6,584</u>	<u>315,296</u>	<u>34,955</u>	<u>1,860</u>	<u>-</u>	<u>154,085</u>	<u>254</u>	<u>-</u>	<u>-</u>	<u>21,445</u>	<u>534,479</u>
Deferred Inflows of Resources											
Unavailable resources - property taxes	3,771	5,192	5,192	-	-	-	-	-	-	-	14,155
Unavailable resources - sales taxes	-	-	-	-	-	-	-	-	-	-	-
Unavailable resources - special assessments	-	-	-	300,392	-	-	-	-	-	-	300,392
Unavailable resources - court bonds	-	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>3,771</u>	<u>5,192</u>	<u>5,192</u>	<u>300,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,547</u>
Fund Balance											
Nonspendable:											
Prepaid items	2,922	8,540	11,923	-	-	3,499	-	-	-	-	26,884
Interfund advances	-	-	-	-	-	-	-	-	-	-	-
Restricted:											
Debt service	-	-	-	-	-	-	-	-	-	-	-
Special revenue funds	461,074	-	612,385	31,925	19,939	1,275,753	504,550	172,617	17,809	1,909,214	5,005,266
Assigned											
Encumbrances	-	-	-	-	-	-	-	-	-	-	-
Committed:											
Contingency	-	-	-	-	-	-	-	-	-	-	-
Unassigned											
General fund	-	(118,198)	-	-	-	-	-	-	-	-	(118,198)
Total Fund Balance	<u>\$ 463,996</u>	<u>\$ (109,658)</u>	<u>\$ 624,308</u>	<u>\$ 31,925</u>	<u>\$ 19,939</u>	<u>\$ 1,279,252</u>	<u>\$ 504,550</u>	<u>\$ 172,617</u>	<u>\$ 17,809</u>	<u>\$ 1,909,214</u>	<u>\$ 4,913,952</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 474,351</u>	<u>\$ 210,830</u>	<u>\$ 664,455</u>	<u>\$ 334,177</u>	<u>\$ 19,939</u>	<u>\$ 1,433,337</u>	<u>\$ 504,804</u>	<u>\$ 172,617</u>	<u>\$ 17,809</u>	<u>\$ 1,930,659</u>	<u>\$ 5,762,978</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, 2016

Special Revenue Funds											
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Capital Improvement	Totals
Revenues											
Property taxes	\$ 138,397	\$ 190,625	\$ 190,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 519,647
Taxes - other	-	-	-	-	-	676,167	228,518	282,095	-	675,795	1,862,575
Intergovernmental	-	-	-	-	4,132	-	-	-	-	-	4,132
Special assessments	-	-	-	73,964	-	-	-	-	-	-	73,964
Grant revenue	-	4,229	17,865	-	1,875	-	-	-	-	-	23,969
Licenses and permits	1,230	-	-	-	-	-	-	-	-	-	1,230
Fines and penalties	2,592	35,898	2,006	10,691	-	-	-	-	-	-	51,187
Investment income	1,538	783	1,415	61	54	3,974	1,950	215	62	5,261	15,313
Lease payments	-	-	-	-	-	-	-	-	-	-	-
Other	10,148	41,122	111,454	-	-	31,718	1,000	-	-	-	195,442
Service charges	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 153,905	\$ 272,657	\$ 323,365	\$ 84,716	\$ 6,061	\$ 711,859	\$ 231,468	\$ 282,310	\$ 62	\$ 681,056	\$ 2,747,459
Expenditures											
Current:											
Police	\$ -	\$ -	\$ -	\$ -	\$ 8,278	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,278
Street	-	-	-	-	-	-	-	-	-	-	-
Health	116,117	-	-	-	-	-	-	-	-	-	116,117
Library	-	259,134	-	-	-	-	-	-	-	-	259,134
Parks	-	-	487,090	-	-	-	-	-	-	-	487,090
Non-departmental	-	-	-	807	-	116,780	6,469	271,590	-	-	395,646
Capital outlay	15,169	17,829	302,605	-	-	63,890	81,740	-	12,054	-	493,287
Debt service:											
Principal	-	-	-	36,094	-	-	-	-	-	-	36,094
Interest and fiscal charges	-	-	-	15,929	-	-	-	-	-	-	15,929
Total Expenditures	\$ 131,286	\$ 276,963	\$ 789,695	\$ 52,830	\$ 8,278	\$ 180,670	\$ 88,209	\$ 271,590	\$ 12,054	\$ -	\$ 1,811,575
Excess (Deficiency) of Revenues over Expenditures	22,619	(4,306)	(466,330)	31,886	(2,217)	531,189	143,259	10,720	(11,992)	681,056	935,884
Other Financing Sources (Uses)											
Proceeds from sale of capital assets	\$ -	\$ -	\$ 7,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,282
Transfers in	-	4,308	675,784	3,872	-	-	-	-	-	-	683,964
Transfers out	-	-	-	-	-	(338,084)	(318,512)	-	-	(131,151)	(787,747)
Total Other Financing Sources (Uses)	\$ -	\$ 4,308	\$ 683,066	\$ 3,872	\$ -	\$ (338,084)	\$ (318,512)	\$ -	\$ -	\$ (131,151)	\$ (96,501)
Net Change in Fund Balance	22,619	2	216,736	35,758	(2,217)	193,105	(175,253)	10,720	(11,992)	549,905	839,383
Fund Balance (Deficit), October 1	441,377	(109,660)	407,572	(3,833)	22,156	1,086,147	679,803	161,897	29,801	1,359,309	4,074,569
Fund Balance (Deficit), September 30	\$ 463,996	\$ (109,658)	\$ 624,308	\$ 31,925	\$ 19,939	\$ 1,279,252	\$ 504,550	\$ 172,617	\$ 17,809	\$ 1,909,214	\$ 4,913,952

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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 132,320	\$ 132,320	\$ 138,397	\$ 6,077
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	950	950	1,230	280
Fines and penalties	2,550	2,550	2,592	42
Investment income	400	400	1,538	1,138
Lease payments	-	-	-	-
Other	9,000	9,000	10,148	1,148
Service charges	-	-	-	-
Total Revenues	<u>\$ 145,220</u>	<u>\$ 145,220</u>	<u>\$ 153,905</u>	<u>\$ 8,685</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	134,271	134,271	116,117	(18,154)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	15,575	15,575	15,169	(406)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 149,846</u>	<u>\$ 149,846</u>	<u>\$ 131,286</u>	<u>\$ (18,560)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,626)	(4,626)	22,619	27,245
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (4,626)</u>	<u>\$ (4,626)</u>	\$ 22,619	<u>\$ 27,245</u>
Fund Balance, October 1			<u>441,377</u>	
Fund Balance, September 30			<u>\$ 463,996</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Property taxes	\$ 181,260	\$ 181,260	\$ 190,625	\$ 9,365
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	10,000	10,880	4,229	(6,651)
Licenses and permits	-	-	-	-
Fines and penalties	32,600	32,600	35,898	3,298
Investment income	240	240	783	543
Lease payments	-	-	-	-
Other	29,500	29,500	41,122	11,622
Service charges	-	-	-	-
Total Revenues	<u>\$ 253,600</u>	<u>\$ 254,480</u>	<u>\$ 272,657</u>	<u>\$ 18,177</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	273,007	273,707	259,134	(14,573)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	26,600	29,280	17,829	(11,451)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 299,607</u>	<u>\$ 302,987</u>	<u>\$ 276,963</u>	<u>\$ (26,024)</u>
Excess (Deficiency) of Revenues over Expenditures	(46,007)	(48,507)	(4,306)	44,201
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	46,007	46,007	4,308	(41,699)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 46,007</u>	<u>\$ 46,007</u>	<u>\$ 4,308</u>	<u>\$ (41,699)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (2,500)</u>	\$ 2	<u>\$ 2,502</u>
Fund Balance, October 1			<u>(109,660)</u>	
Fund Balance, September 30			<u>\$ (109,658)</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, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 181,260	\$ 181,260	\$ 190,625	\$ 9,365
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	20,000	39,505	17,865	(21,640)
Licenses and permits	-	-	-	-
Fines and penalties	1,600	1,600	2,006	406
Investment income	350	350	1,415	1,065
Lease payments	-	-	-	-
Other	61,400	88,625	111,454	22,829
Service charges	-	-	-	-
Total Revenues	<u>\$ 264,610</u>	<u>\$ 311,340</u>	<u>\$ 323,365</u>	<u>\$ 12,025</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	535,212	554,717	487,090	(67,627)
Non-departmental	-	-	-	-
Capital outlay	464,200	494,739	302,605	(192,134)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 999,412</u>	<u>\$ 1,049,456</u>	<u>\$ 789,695</u>	<u>\$ (259,761)</u>
Excess (Deficiency) of Revenues over Expenditures	(734,802)	(738,116)	(466,330)	271,786
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 7,282	\$ 7,282
Transfers in	642,750	666,064	675,784	9,720
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 642,750</u>	<u>\$ 666,064</u>	<u>\$ 683,066</u>	<u>\$ 17,002</u>
Net Change in Fund Balance	<u>\$ (92,052)</u>	<u>\$ (72,052)</u>	\$ 216,736	<u>\$ 288,788</u>
Fund Balance, October 1			<u>407,572</u>	
Fund Balance, September 30			<u>\$ 624,308</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	73,964	24,026
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	10,691	10,691
Investment income	-	-	61	61
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 49,938</u>	<u>\$ 49,938</u>	<u>\$ 84,716</u>	<u>\$ 34,778</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	807	(193)
Capital outlay	-	-	-	-
Debt Service:				
Principal	36,095	36,095	36,094	(1)
Interest and fiscal charges	16,084	16,084	15,929	(155)
Total Expenditures	<u>\$ 53,179</u>	<u>\$ 53,179</u>	<u>\$ 52,830</u>	<u>\$ (349)</u>
Excess (Deficiency) of Revenues over Expenditures	(3,241)	(3,241)	31,886	35,127
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	3,873	3,873	3,872	(1)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 3,873</u>	<u>\$ 3,873</u>	<u>\$ 3,872</u>	<u>\$ (1)</u>
Net Change in Fund Balance	<u>\$ 632</u>	<u>\$ 632</u>	\$ 35,758	<u>\$ 35,126</u>
Fund Balance, October 1			<u>(3,833)</u>	
Fund Balance, September 30			<u>\$ 31,925</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	5,800	5,800	4,132	(1,668)
Special assessments	-	-	-	-
Grant revenue	-	-	1,875	1,875
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	54	54
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 5,800</u>	<u>\$ 5,800</u>	<u>\$ 6,061</u>	<u>\$ 261</u>
Expenditures				
Current:				
Police	\$ 12,000	\$ 12,000	\$ 8,278	\$ (3,722)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 8,278</u>	<u>\$ (3,722)</u>
Excess (Deficiency) of Revenues over Expenditures	(6,200)	(6,200)	(2,217)	3,983
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ (6,200)</u>	<u>\$ (6,200)</u>	\$ (2,217)	<u>\$ 3,983</u>
Fund Balance, October 1			<u>22,156</u>	
Fund Balance, September 30			<u>\$ 19,939</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	651,500	651,500	676,167	24,667
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	800	800	3,974	3,174
Lease payments	-	-	-	-
Other	-	-	31,718	31,718
Service charges	-	-	-	-
Total Revenues	<u>\$ 652,300</u>	<u>\$ 652,300</u>	<u>\$ 711,859</u>	<u>\$ 59,559</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	149,445	149,445	116,780	(32,665)
Capital outlay	130,000	63,947	63,890	(57)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 279,445</u>	<u>\$ 213,392</u>	<u>\$ 180,670</u>	<u>\$ (32,722)</u>
Excess (Deficiency) of Revenues over Expenditures	372,855	438,908	531,189	92,281
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(325,750)	(325,750)	(338,084)	(12,334)
Total Other Financing Sources (Uses)	<u>\$ (325,750)</u>	<u>\$ (325,750)</u>	<u>\$ (338,084)</u>	<u>\$ (12,334)</u>
Net Change in Fund Balance	<u>\$ 47,105</u>	<u>\$ 113,158</u>	\$ 193,105	<u>\$ 79,947</u>
Fund Balance, October 1			<u>1,086,147</u>	
Fund Balance, September 30			<u>\$ 1,279,252</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	240,000	240,000	228,518	(11,482)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	350	350	1,950	1,600
Lease payments	-	-	-	-
Other	-	-	1,000	1,000
Service charges	-	-	-	-
Total Revenues	<u>\$ 240,350</u>	<u>\$ 240,350</u>	<u>\$ 231,468</u>	<u>\$ (8,882)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	19,100	19,100	6,469	(12,631)
Capital outlay	67,058	122,248	81,740	(40,508)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 86,158</u>	<u>\$ 141,348</u>	<u>\$ 88,209</u>	<u>\$ (53,139)</u>
Excess (Deficiency) of Revenues over Expenditures	154,192	99,002	143,259	44,257
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(301,000)	(321,126)	(318,512)	2,614
Total Other Financing Sources (Uses)	<u>\$ (301,000)</u>	<u>\$ (321,126)</u>	<u>\$ (318,512)</u>	<u>\$ 2,614</u>
Net Change in Fund Balance	<u>\$ (146,808)</u>	<u>\$ (222,124)</u>	\$ (175,253)	<u>\$ 46,871</u>
Fund Balance, October 1			<u>679,803</u>	
Fund Balance, September 30			<u>\$ 504,550</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	270,000	271,591	282,095	10,504
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	215	215
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 270,000</u>	<u>\$ 271,591</u>	<u>\$ 282,310</u>	<u>\$ 10,719</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	270,000	271,591	271,590	(1)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 270,000</u>	<u>\$ 271,591</u>	<u>\$ 271,590</u>	<u>\$ (1)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	10,720	10,720
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 10,720	<u>\$ 10,720</u>
Fund Balance, October 1			<u>161,897</u>	
Fund Balance, September 30			<u>\$ 172,617</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	62	62
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62</u>	<u>\$ 62</u>
Expenditures				
Current:				
Police	\$ 12,000	\$ 54	\$ -	\$ (54)
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	12,000	12,000	12,054	54
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 24,000</u>	<u>\$ 12,054</u>	<u>\$ 12,054</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	(24,000)	(12,054)	(11,992)	62
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (24,000)</u>	<u>\$ (12,054)</u>	\$ (11,992)	<u>\$ 62</u>
Fund Balance, October 1			<u>29,801</u>	
Fund Balance, September 30			<u>\$ 17,809</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	650,940	650,940	675,795	24,855
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,560	1,560	5,261	3,701
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 652,500</u>	<u>\$ 652,500</u>	<u>\$ 681,056</u>	<u>\$ 28,556</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	652,500	652,500	681,056	28,556
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(221,659)	(221,659)	(131,151)	90,508
Total Other Financing Sources (Uses)	<u>\$ (221,659)</u>	<u>\$ (221,659)</u>	<u>\$ (131,151)</u>	<u>\$ 90,508</u>
Net Change in Fund Balance	<u>\$ 430,841</u>	<u>\$ 430,841</u>	\$ 549,905	<u>\$ 119,064</u>
Fund Balance, October 1			<u>1,359,309</u>	
Fund Balance, September 30			<u>\$ 1,909,214</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, 2016, 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 24, 2017.

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.

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,

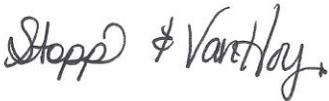
providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2016-001.

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.

A handwritten signature in black ink, appearing to read "Stopp & VanHoy". The signature is written in a cursive style with a small arrow at the end of the last word.

Creve Coeur, Missouri
April 24, 2017

The City of Festus, Missouri
Schedule of Findings and Responses
For the year ended September 30, 2016

Financial Statement Findings

2016-001 **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 for this finding is Patricia Parsons, Finance Director, (636) 937-4694.

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

In accordance with Government Auditing Standards, this section reports the auditor's follow-up on action taken by the City of Festus, Missouri, on the applicable findings in the prior audit report issued for the year end September 30, 2015.

Prior Year 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.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2016-001.

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.

Status: Management has corrected this issue.