

The City of Festus, Missouri

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

For the year ended September 30, 2017



The City of Festus, Missouri
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For the year ended September 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
City Council
City of Festus, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Festus, Missouri, (the City) as of and for the year ended September 30, 2017, 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 basis for qualified opinion paragraph on the governmental activities, business-type activities, and proprietary fund financial statements, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and proprietary fund financial statements of the City of Festus, Missouri, as of September 30, 2017, 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.

Unmodified Opinion on the Major Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and aggregate remaining fund information for the City of Festus, Missouri, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

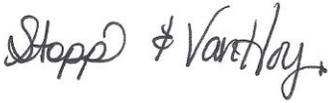
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Festus, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison information, capital project fund budgetary comparison information, and Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, nonmajor fund budgetary comparison information, capital project fund 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 March 8, 2018, 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 the City of Festus, Missouri's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Stopp & VanHay". The signature is written in a cursive, flowing style.

Creve Coeur, Missouri
March 8, 2018

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

As management of the City of Festus, Missouri, we offer readers of the City of Festus' Financial Statements this narrative overview and analysis of the financial activities of the City of Festus, Missouri for the Fiscal Year ended September 30, 2017. We encourage readers to consider the information presented here along with the City's financial statements, including the footnotes and supplementary information that follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

- The assets of the City, as reported by the Statement of Net Position, exceeded its liabilities at the close of the most recent fiscal year by \$47,055,381 (net position). Of this amount, \$15,491,960 (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 2017 fiscal year, the City of Festus' Governmental Fund Statements reported combined ending fund balances of \$15,395,318 a decrease of \$579,494 in comparison with the prior year, after adjustments. 9.4% of this total amount is available for spending at the government's discretion (General Fund unassigned balance) and an additional 57.9% 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 2017 fiscal year that committed balance is \$2,871,904.
- As of the close of the 2017 fiscal year, the City of Festus' Proprietary Fund reported ending net position of \$16,744,462, an increase of \$584,751 in comparison with the prior year, after adjustments.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,558,064 or 22.1% of total general fund expenditures or 27.1% of operating expenditures. This does not include the new committed fund balance of \$2,871,904, which is 50% of operating expenditures (which includes Fire Property tax expenses).
- The City's total debt decreased by \$1,606,541 during the current fiscal year to a total of \$9,664,420. The decrease was from a decrease in pension liability of \$631,374 and a decrease in other debt of \$975,167.

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, 2017

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental 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, Capital Reserve Fund and Capital Improvements Fund, which are considered to be a major funds. Data from the other governmental funds are combined into a single, aggregated presentation called "other governmental funds". Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the other supplementary information section in this report.

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

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Festus, Missouri, assets exceeded liabilities by \$47,055,381 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, 2017

City of Festus Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
<i>Assets</i>						
Current & Other Assets	\$21,494,352	\$20,907,563	\$12,382,839	\$12,441,558	\$33,877,191	\$33,349,121
Capital Assets, Net	15,147,909	17,302,253	9,296,880	9,187,138	24,444,789	26,489,391
Total Assets	36,642,261	38,209,816	21,679,719	21,628,696	58,321,980	59,838,512
<i>Deferred Outflows Resources</i>	1,971,691	1,300,618	382,038	251,747	2,353,729	1,552,365
<i>Liabilities</i>						
Long-Term Liabilities	6,054,846	5,242,938	5,216,115	4,421,482	11,270,961	9,664,420
Other Liabilities	3,337,933	3,493,419	601,247	631,657	3,939,180	4,125,076
Total Liabilities	9,392,779	8,736,357	5,817,362	5,053,139	15,210,141	13,789,496
<i>Deferred Inflows Resources</i>	472,645	463,158	84,684	82,842	557,329	546,000
<i>Net Position</i>						
Net Investment in capital assets	13,759,972	16,034,020	4,497,467	5,079,705	18,257,439	21,113,725
Restricted:						
Debt Service	-	-	1,968,237	1,590,032	1,968,237	1,590,032
Enabling Legislation	10,833,943	8,860,194	-	-	10,833,943	8,860,194
Unrestricted	4,154,613	5,416,705	9,694,007	10,074,725	13,848,620	15,491,430
Total Net Position	\$28,748,528	\$30,310,919	\$16,159,711	\$16,744,462	\$44,908,239	\$47,055,381

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 22.2 % represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$15,491,430 may be used to meet the City's ongoing obligations to citizens and creditors.

As of September 30, 2017, 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, 2017

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

City of Festus Statement of Activities	Governmental Activities		Business-Type Activities		Totals	
	2016	2017	2016	2017	2016	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 1,725,447	\$ 1,542,252	\$ 4,961,182	\$ 4,767,328	\$ 6,686,629	\$ 6,309,580
Operating Grants	196,973	114,510	-	8,750	196,973	123,260
Capital Grants & Contributions	22,961	846,320	348,596	1,700	371,557	848,020
General Revenues:						
Taxes	8,304,102	9,428,571	-	-	8,304,102	9,428,571
Licenses (taxes)	202,636	213,523	-	-	202,636	213,523
Investment Income	72,352	141,122	136,909	141,623	209,261	282,745
Gain/Loss, on disposal	36,109	31,271	(8,468)	(13,231)	27,641	18,040
Gain/Loss, Joint Venture	-	-	-	-	-	-
Miscellaneous	141,202	134,415	7,690	3,127	148,892	137,542
Total Revenue	10,701,782	12,451,984	5,445,909	4,909,297	16,147,691	17,361,281
Expenses						
Administration	814,388	793,718	-	-	814,388	793,718
Court	159,180	150,289	-	-	159,180	150,289
Building Department	340,656	304,408	-	-	340,656	304,408
Police	2,375,518	2,552,125	-	-	2,375,518	2,552,125
Dispatch	604,910	523,852	-	-	604,910	523,852
Fire	528,044	606,633	-	-	528,044	606,633
Emergency Management	15,821	15,182	-	-	15,821	15,182
Street	2,598,142	3,040,121	-	-	2,598,142	3,040,121
Health	146,728	148,663	-	-	146,728	148,663
Library	377,797	389,534	-	-	377,797	389,534
Parks	679,181	673,068	-	-	679,181	673,068
Public Works	-	-	-	-	-	-
Non-Departmental	1,567,345	1,600,976	-	-	1,567,345	1,600,976
Economic Development	-	-	-	-	-	-
Interest and Fiscal Charges	45,686	42,456	-	-	45,686	42,456
Airport	-	-	-	-	-	-
Water and Sewer	-	-	4,201,272	4,373,114	4,201,272	4,373,114
Total Expenses	10,253,396	10,841,025	4,201,272	4,373,114	14,454,668	15,214,139
Special Items:						
Transfers	(131,151)	(48,568)	131,151	48,568	-	-
Increase (decrease)	\$ 317,235	\$ 1,562,391	\$ 1,375,788	\$ 584,751	\$ 1,693,023	\$ 2,147,142

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

SIGNIFICANT CHANGES IN NET ASSETS

Governmental Activities:

Some of the changes noted are:

- Taxes are up 13.5% over the prior year; there are various reasons for the difference. The increases include Vehicle Sales Tax + 2.7%, State Gas Tax +1.7%, Tourism Tax 10.94% and Property Taxes + 2.40%. The overall sales tax increased by 19.6%, this is primarily due to the fact that County Transportation Tax is included in revenue in the year of reimbursement, and in 2017, \$1,195,990 was included versus \$0 in 2016. The City collected sales tax had an approximate -2.1% decrease from the prior year. Utility Gross Receipts were just barely down -.07% while the Cable Franchise was down -12.6% and 911 tax was down -6.16%.
- 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 \$253,513 for the fiscal year ending 2017 and \$228,518 for the fiscal year ending 2016. The Tourism Board has chosen to promote numerous events in the City.
- The City has set up a special allocation fund to deposit 50% of sales tax revenues generated from the Lowe's and Home Depot stores, which will get reimbursed back to them for certain infrastructure costs (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 2017, the unassigned fund balance of the general fund was \$1,558,064, while the total fund balance was \$4,978,693. 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 21.6% of total general fund expenditures and transfers out of \$7,192,180, while total fund balance represents 69.2% 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 2017 is \$2,871,904. This amount would have previously been included as part of the unassigned fund balance.

The fund balance of the City's general fund decreased by \$189,302 or 3.7%, 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 down \$129,563 as compared to the previous year. There was an increase in expenditures of approximately \$1,032,225. The transfers-in increased by \$ 594,752, and the transfers-out increased by \$824 in 2017.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

GOVERNMENTAL FUNDS (continued)

- General Fund expenditures increased due to various reasons including the costs for the new fire truck with equipment at \$614,715. Also, the remaining capital expenditures increased from \$370,673 in 2016 to \$702,762 in 2017.

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

- The City Transportation Fund balance decreased by \$339,035 or -9.6% from the prior-year. The expenditures increased by \$1,576,669, with a decrease in operating expenses of \$61,058 and an increase in capital purchases of \$1,637,727, of which the Horine street project was finally finished with current year expenditures of \$1,396,667 and a total cost of \$1,634,450. At the end of September 30, 2017, the spendable portion of the fund balance of \$3,176,060 is available for spending at the City's discretion on transportation projects.
- The County Transportation Fund increased by \$2,025 or .9% from the prior year. At the end of September 30, 2017, the fund balance of \$229,946 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 inflow of resources in the amount of \$1,161,788 available at September 30, 2017 for future transportation projects.

PROPRIETARY FUNDS

Business-type activities – Water and Sewer Fund, increased the City's net position by \$584,751, which is an increase of more than 3.6% over the prior fiscal year. Key elements of this change are as follows:

- The City water sales decreased in the amount of -\$151,087 or -4.6% from the prior year. The City sewer sales increased in the amount of \$15,835 or 1.2%. Contributed revenue income decreased by \$346,896 and Transfer-In decreased by \$82,583. The overall expenditures from the water and sewer fund increased by \$171,842 or 4.1%, which included an increase in water purchased of \$27,522 and nearly \$27,000 increase in water meters.

CAPITAL ASSETS

The City of Festus' net investment in capital assets for its governmental and business type activities as of September 30, 2017 amounts to \$21,113,725 (net of accumulated depreciation). This net investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads and bridges. The increase in the City of Festus' net investment in capital assets for the current fiscal year was 15.6%, a 16.5% increase for governmental activities and a 12.9% increase for business-type activities.

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

Governmental Activities:

- Land had no change in balance during year.
- Construction in Progress decreased with Horine Road project, new salt shed, and Sunset Park concession stand being completed during the year and increased with the start of new West City Park maintenance shed, Jokerst Park restroom, and the Collins Drive sidewalk project.
- Buildings and Other Improvements had the addition of the Sunset Park concession stand and pavilion, salt shed, and Police department HVAC system, .
- Office equipment changes included the purchase of virtual servers and hard drives, and the disposal of a various servers and 2 laptop computers.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

Governmental Activities (continued)

- Additions to Automotive Equipment for the year included a new truck for the Parks Department, five new police Ford Explorers including decals and equipment and a new fire truck including decals and equipment. There was a fire truck disposed of during the year, along with 4 police cars, and a Park Department pick-up truck. Also, Parks transferred a step van to the Water Department.
- Machinery and equipment acquired during the year included a thermal imaging camera for Fire Department, a street sweeper, a backhoe, a new truck bed, a backhoe bucket and a Brooks trailer for the Street Department, a new public warning system at West City Park for Emergency Management, and 3 canopy structures for the Parks Department. Items retired included radar units, video cameras, lightbars, several mobile radios, entry access control system, several chain saws, various pieces of scuba equipment, mosquito sprayer, striping machine, dump truck, pitching mound, carnival train, aerators, and tarps. Also, a backhoe with bucket was transferred from Street Department to Parks Department.
- Additions to land improvements included sidewalks at Warne, West Main, and Eighth streets, overlay of Public Works front parking lot, Sunset Park sidewalks and pavilion pad, and white vinyl fencing at West City Park. The infield conditioner installed in 2008 was removed from land improvements.
- Infrastructure additions included overlays to S 2nd, N 2nd, N 7th, Frisco, Westvale, Warne, Benton and Ann Streets. Also concrete squares were replaced on Alexander Street. Horine Road was completed and added at a cost of \$1,634,450. Items removed included the previous overlays of various streets.

Business-Type Activities:

- Changes to Construction in Progress included the work on the Locust Road water main project. The Twin Tank improvements was finalized and moved to capital assets and the F-CC Sewer Commission digestive mixer system, after sitting out in the elements, was sold for scrap at a loss.
- The change in Systems and Improvements included addition of Westvale water main project and the removal of well #6.
- Automotive equipment had an addition of a step van transferred from the Parks Department and the disposal of 2 pick-up trucks and a van.
- Machinery and Equipment purchases included Twin Tank improvements, several generators and a trailer. The removals included 2 generators and a 6" pump
- Computer Equipment had the disposal of one computer.
- Buildings and Other Improvements had no additions or disposals.
- Furniture and Fixtures also had no additions or disposals.

City of Festus Capital Assets (net of depreciation)	Government Activities		Business-type Activities		Total Capital Assets	
	2016	2017	2016	2017	2016	2017
Land	\$ 1,546,759	\$ 1,546,759	\$ 194,059	\$ 194,059	\$ 1,740,818	\$ 1,740,818
Assets net in service			47,852	47,852	47,852	47,852
Construction in Progress	346,661	273,936	27,012	50,646	373,673	324,582
Systems and Improvements			7,947,061	7,756,349	7,947,061	7,756,349
Buildings and Other Improvements	2,907,157	3,209,741	96,006	89,899	3,003,163	3,299,640
Office Equipment	141,748	124,190	-	-	141,748	124,190
Automotive Equipment	361,418	1,031,853	77,498	68,960	438,916	1,100,813
Machinery and Equipment	498,920	745,943	895,787	970,611	1,394,707	1,716,554
Furniture and Fixtures			-	-	-	-
Computer Equipment			11,605	8,762	11,605	8,762
Infrastructure	8,150,054	9,125,197			8,150,054	9,125,197
Land Improvements	1,195,192	1,244,634			1,195,192	1,244,634
Capital Assets, Net	\$ 15,147,909	\$ 17,302,253	\$ 9,296,880	\$ 9,187,138	\$ 24,444,789	\$ 26,489,391

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

LONG - TERM DEBT

Governmental Activities:

At the end of September 30, 2017, the City had outstanding long-term debt obligations for governmental activities in the amount of \$5,242,938 compared to \$6,054,846 in 2016; 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 \$238,233 that will be assessed to property owners benefiting from improvements within the Bailey Station, Tanglewood, and Alexander Heights Subdivisions over the next 6 years. The 2012 Certificate of Participation was issued to refinance the lease purchase of the Library building and has a balance of \$1,030,000. 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, 2017, the City had outstanding long-term debt obligations for business-type activities in the amount of \$4,421,482 compared to \$5,216,115 in 2016. The Neighborhood Improvement District (NID) Bonds totaling \$90,809, 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	
	2016	2017	2016	2017	2016	2017
Capital Leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	3,212,579	2,703,587	3,212,579	2,703,587
NID	277,937	238,233	105,887	90,809	383,824	329,042
Certificates of Participation	1,110,000	1,030,000	-	-	1,110,000	1,030,000
Net Pension Obligation ***	2,382,018	1,853,297	416,702	314,049	2,798,720	2,167,346
Notes Payable	2,284,891	2,121,408	1,480,947	1,313,037	3,765,838	3,434,445
Total	\$ 6,054,846	\$ 5,242,938	\$ 5,216,115	\$ 4,421,482	\$ 11,270,961	\$ 9,664,420

*** 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 \$100,021 less than the amended budget. Conservatism was used in designating a budget amount for all the revenues and even using conservatism we still had Sales Tax, Utility Gross Receipts and Court Fines had revenues under the amount budgeted. The largest amount over budget was interest income which was \$27,495 over budgeted, followed by Property Taxes \$23,480 over budget and Merchants' Licenses at \$19,523. The areas where the revenues were under budget included Utility Gross Receipts which was \$11,915 under budget and Court Fines which was \$57,325 under budget. Reimbursement from Festus Schools for resource officers was \$20,239 under budget, due to being without a second officer for several months.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

SIGNIFICANT VARIANCES BETWEEN BUDGETS AND ACTUAL EXPENDITURES (continued)

- Under administration, the department was under total operating budget by \$51,614 or 6.8%. This included savings of over \$6,100 in bank fees, also over \$ 6,100 in janitorial services, over \$26,000 in salaries & benefits and over \$8,800 in maintenance expense and contracts.
- The court was \$17,060, under operating budget for the year. Their salaries and benefits were \$6,000 under amount budgeted and office supplies and printing were another \$4,625 under budget.
- The building department was under budget on for salaries and benefits by nearly \$25,500. The building department was a total of \$37,762 or 11.5% under budget.
- The police department was under budget by \$253,844 or 10.4%, which included almost \$195,000 in savings in wages and benefits, the savings can be attributed to not replacing officers for several months after leaving. In addition there was \$34,637 under amount budgeted for vehicle expenses.
- Dispatch was \$66,339 under budget in total, which includes savings in salaries, benefits, utilities, maintenance contracts, and training.
- The Fire -Administration was 15.7% under budget, the Citizen Corp did not need any supplies so it was \$4,000 under budget. Volunteer pay was under budget by \$16,015 and uniforms under by \$5,797. Total Fire – Administration expenses were under budget by \$38,086.
- The new Fire-Public Safety expenses (which are associated with the new fire property tax passed in 2014) were under budget by \$17,572 or 17.6%. This savings is predominately in wages, benefits and uniforms.
- The Emergency Management budget was under by 8.1% or \$1,010, primarily due to not spending monies on office supplies and a reduction in electricity costs.
- The Street department was under budget by \$12,338 or 3.9%.
- The non-departmental budget was under operating budget by \$26,970 or 2.6%. The rental building expenses were \$4,141 under budget; the street light electricity was over budget by \$13,771; the trash costs were under budget by \$20,345; and the retiree health insurance and deductibles were under budget by \$8,453.

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 \$37,206 less than what was budgeted and the investment income coming in \$16,690 more than budget. The grant revenue was \$604,200 under amount budgeted due to delays in the Horine Road project.
- Operating expenditures for the City's Transportation Tax Fund were \$331,821 or 31.2% under the amount budgeted. The primary categories for this were wages and benefits under budget with \$114,733 being capitalized and overtime being \$27,725 under budget. Other areas of budget savings include engineering fees, which was \$ 5,590 under budget, gasoline, which was \$22,008 under budget and maintenance costs were nearly \$ 23,000 under budget.
- The County Transportation Tax Fund showed taxes over budget by \$ 45,990, since the tax revenues are requested from County after we spend the money on a Capital project. Capital Outlay expenditures in this fund were over budget by \$35,990, since they thought the 2016 street overlay project would be partially completed in the previous budget year.

Variances noted in non-major governmental funds, include:

- Property taxes in all funds were 3.55% over what was projected, due to a higher collection rate of current real estate and current and delinquent personal property taxes.

CITY OF FESTUS, MISSOURI
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDING SEPTEMBER 30, 2017

- The Library Fund's revenues were over amount budgeted by 2.1% or \$5,837 and the Library operating expenses were under budget by \$18,053, with majority of savings in maintenance contracts \$6,892 and books were under budget by \$4,874.
- The Park Fund operating expenses were under budget by \$75,222; this is in part due to \$26,952 of wages and benefits being capitalized. Also the utilities were under budget by \$5,127, gasoline purchases were under budget by \$6,217 and the Firecracker Festival was under budget by \$5,803.
- The Storm Water Fund showed operating expenses under budget by \$21,207, due in part to electricity and maintenance supplies for the levee being \$2,286 under budget and the heavy equipment expense line was \$11,473 under budget. The other revenues were \$33,181 under budget due to the manhole project we are doing with Crystal City being postponed a year – capital expense for this project was under \$50,000 and Crystal City's portion in revenues was \$25,000.
- Tourism Fund taxes were \$33,513 over budget due to the re-opening of one hotel sooner than budgeted. The operating expenses were under budget in part due to not spending the money for office supplies and printing. The capital outlay was under budget by \$84,031 for various reasons including partial billing on marketing plan, Eclipse under budget by over \$34,000, and the Twin City Youth Football tournament did not occur so none of the \$19,450 was spent.

FUTURE PROJECTS FOR THE CITY

- Street and sidewalk projects that are in the works for the City include:
Pounds Road stop light and right turn lane – completed in 2018.
Collins Road sidewalks and improvements to constructed in 2018.
The 3rd Street and 5th Street sidewalk and improvements are being engineered in 2018 and should start in 2019. Also, the City has planned a right turn lane out of Gannon Drive to hopefully alleviate some of the congestion at the stop light.
- The City has selected an engineering firm to start planning for the replacement of the West City Park Lagoon with a sewer line going to the Festus-Crystal City Sewer Treatment Plant.
- The City is also looking at the option of transferring the dispatching services out to the Jefferson County 911 system. This will require either a large upfront cost of over a million dollars or that cost may be spread over a 10 year period, plus an annual fee for dispatching services.

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, 2017

	Primary Government		Total
	Governmental Activities	Business Type Activities	
Assets			
Cash and cash equivalents	\$ 7,777,936	\$ 4,094,989	\$ 11,872,925
Investments	6,653,144	1,654,012	8,307,156
Restricted cash and cash equivalents	54,718	1,048,316	1,103,034
Restricted investments	-	1,591,377	1,591,377
Receivables, net			
Taxes	5,194,949	-	5,194,949
Special assessments	260,512	75,371	335,883
Service charges	79,901	622,350	702,251
Interest	8,562	20,905	29,467
Grants	302,577	-	302,577
Court	317,084	-	317,084
Other	42,844	35,070	77,914
Prepaid items	215,336	37,805	253,141
Inventory	-	83,450	83,450
Investment in joint venture	-	3,177,913	3,177,913
Capital assets:			
Land and construction in progress	1,820,695	292,557	2,113,252
Other capital assets, net	15,481,558	8,894,581	24,376,139
Total Assets	<u>38,209,816</u>	<u>21,628,696</u>	<u>59,838,512</u>
Deferred Outflows of Resources			
Deferred outflows - pension related	<u>1,300,618</u>	<u>251,747</u>	<u>1,552,365</u>
Liabilities			
Checks written in excess of cash balance	-	-	-
Accounts payable	959,448	183,366	1,142,814
Accrued payroll	269,181	51,159	320,340
Accrued payroll liabilities-other	93,042	17,802	110,844
Accrued interest	6,980	33,567	40,547
Deposits payable	-	334,874	334,874
Funds held for others	33,609	-	33,609
Unearned revenue	1,822,182	-	1,822,182
Other liabilities	308,977	10,889	319,866
Noncurrent liabilities:			
Due Within One Year	128,315	714,322	842,637
Due in More Than One Year	5,114,623	3,707,160	8,821,783
Total Liabilities	<u>8,736,357</u>	<u>5,053,139</u>	<u>13,789,496</u>
Deferred Inflows of Resources			
Deferred inflows - pension related	<u>463,158</u>	<u>82,842</u>	<u>546,000</u>
Net Position			
Net investment in capital assets	16,034,020	5,079,705	21,113,725
Restricted:			
Debt service	-	1,590,032	1,590,032
Enabling legislation	8,860,194	-	8,860,194
Unrestricted	5,416,705	10,074,725	15,491,430
Total Net Position	<u>\$ 30,310,919</u>	<u>\$ 16,744,462</u>	<u>\$ 47,055,381</u>

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Activities
For the year ended September 30, 2017

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	\$ 793,718	\$ -	\$ 4,500	\$ -	\$ (789,218)	\$ -	\$ (789,218)
Court	150,289	298,267	-	-	147,978	-	147,978
Building Department	304,408	87,734	-	-	(216,674)	-	(216,674)
Police	2,552,125	116,686	31,266	-	(2,404,173)	-	(2,404,173)
Dispatch	523,852	-	-	-	(523,852)	-	(523,852)
Fire	606,633	13,900	-	-	(592,733)	-	(592,733)
Emergency Management	15,182	-	-	-	(15,182)	-	(15,182)
Street	3,040,121	39,880	-	846,320	(2,153,921)	-	(2,153,921)
Health	148,663	6,777	-	-	(141,886)	-	(141,886)
Library	389,534	67,916	14,336	-	(307,282)	-	(307,282)
Parks	673,068	68,437	11,351	-	(593,280)	-	(593,280)
Non-departmental	1,600,976	842,655	53,057	-	(705,264)	-	(705,264)
Interest and Fiscal Charges	42,456	-	-	-	(42,456)	-	(42,456)
Total Government Activities	\$ 10,841,025	\$ 1,542,252	\$ 114,510	\$ 846,320	\$ (8,337,943)	\$ -	\$ (8,337,943)
Business-type Activities:							
Water and Sewer	4,373,114	4,767,328	8,750	1,700	-	404,664	404,664
Total Business-type Activities	\$ 4,373,114	\$ 4,767,328	\$ 8,750	\$ 1,700	\$ -	\$ 404,664	\$ 404,664
Total Primary Government	\$ 15,214,139	\$ 6,309,580	\$ 123,260	\$ 848,020	\$ (8,337,943)	\$ 404,664	\$ (7,933,279)
General Revenues							
Taxes:							
Sales tax					\$ 6,591,524	\$ -	\$ 6,591,524
Property tax					1,172,256	-	1,172,256
Taxes - other					1,664,791	-	1,664,791
Licenses (taxes)					213,523	-	213,523
Investment income					141,122	141,623	282,745
Gain/Loss on Disposal of Assets					31,271	(13,231)	18,040
Miscellaneous					134,415	3,127	137,542
Transfers (net)					(48,568)	48,568	-
Total General Revenues					\$ 9,900,334	\$ 180,087	\$ 10,080,421
Change in Net Position					1,562,391	584,751	2,147,142
Net Position, October 1					28,748,528	16,159,711	44,908,239
Net Position, September 30					\$ 30,310,919	\$ 16,744,462	\$ 47,055,381

See Notes to the Financial Statements

The City of Festus, Missouri
Balance Sheet - Governmental Funds
September 30, 2017

	City Transportation Tax	County Transportation Tax	Capital Improvement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Assets	<u>General Fund</u>					
Cash and cash equivalents	\$ 2,534,635	\$ 1,016,107	\$ 229,946	\$ 940,170	\$ 389,033	\$ 2,668,045
Investments	1,848,012	1,734,358	-	1,504,012	1,165,750	4,012,132
Restricted cash	31,871	-	-	-	-	22,843
Restricted investments	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-
Taxes	661,052	232,768	1,747,472	116,363	-	3,073,541
Special assessments	-	-	-	-	-	260,512
Service charges	79,901	-	-	-	-	79,901
Interest	2,682	1,886	-	1,725	1,648	621
Grants	8,210	292,478	-	-	-	1,889
Court	317,084	-	-	-	-	-
Other	32,103	1,893	-	-	-	8,848
Prepaid items	153,586	33,993	-	-	-	27,757
Due from other funds	300,609	-	-	-	-	-
Total Assets	<u>5,969,745</u>	<u>3,313,483</u>	<u>1,977,418</u>	<u>2,562,270</u>	<u>1,556,431</u>	<u>3,707,413</u>
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 5,969,745</u>	<u>\$ 3,313,483</u>	<u>\$ 1,977,418</u>	<u>\$ 2,562,270</u>	<u>\$ 1,556,431</u>	<u>\$ 3,707,413</u>
Liabilities						
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	154,491	26,183	585,684	-	-	193,090
Accrued payroll	114,495	11,502	-	-	-	16,572
Accrued payroll liabilities - other	72,285	8,840	-	-	-	11,917
Due to other funds	-	-	-	-	-	300,609
Funds held for others	33,609	-	-	-	-	-
Unearned revenue	74,625	-	-	-	-	8,173
Other liabilities	207,586	56,905	-	21,523	-	22,963
Total Liabilities	<u>657,091</u>	<u>103,430</u>	<u>585,684</u>	<u>21,523</u>	<u>-</u>	<u>553,324</u>
Deferred Inflows of Resources						
Unavailable resources - property taxes	16,877	-	-	-	-	14,129
Unavailable resources - sales taxes	-	-	1,161,788	-	-	-
Unavailable resources - special assessments	-	-	-	-	-	260,512
Unavailable resources - court bonds	317,084	-	-	-	-	-
Total Deferred Inflows of Resources	<u>333,961</u>	<u>-</u>	<u>1,161,788</u>	<u>-</u>	<u>-</u>	<u>274,641</u>
Fund Balance						
Nonspendable:						
Prepaid items	153,586	33,993	-	-	-	27,757
Interfund advances	300,609	-	-	-	-	-
Restricted:						
Special revenue funds	-	3,176,060	229,946	2,540,747	-	2,969,370
Committed:						
Contingency	2,871,904	-	-	-	-	-
Capital project fund	-	-	-	-	1,556,431	-
Assigned:						
Encumbrances	94,530	-	-	-	-	-
Unassigned:						
General fund	1,558,064	-	-	-	-	(117,679)
Total Fund Balances	<u>4,978,693</u>	<u>3,210,053</u>	<u>229,946</u>	<u>2,540,747</u>	<u>1,556,431</u>	<u>2,879,448</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,969,745</u>	<u>\$ 3,313,483</u>	<u>\$ 1,977,418</u>	<u>\$ 2,562,270</u>	<u>\$ 1,556,431</u>	<u>\$ 3,707,413</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, 2017

Total Fund Balances - Governmental Funds	\$ 15,395,318
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	2,121,412
Certain assets and liabilities are not financial resources (uses) and, therefore, are not reported in the governmental funds:	
Deferred outflows - pension related	1,300,618
Deferred inflows - pension related	(463,158)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	17,302,253
Receivables not collected in the current period are not available to pay current expenditures, and, therefore, are not reported in the funds	31,006
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	(126,612)
Accrued net pension liability	(1,853,297)
Accrued interest payable	(6,980)
Bonds and notes payable outstanding	(3,389,641)
Net Position of Governmental Activities	<u><u>\$ 30,310,919</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, 2017

	General Fund	City Transportation Tax	County Transportation Tax	Capital Improvement	Capital Reserve	Other Governmental Funds	Total Governmental Funds
Revenues							
Property taxes	\$ 640,380	\$ -	\$ -	\$ -	\$ -	\$ 531,356	\$ 1,171,736
Taxes - other	3,927,419	1,264,194	1,195,990	660,948	-	1,207,764	8,256,315
Intergovernmental	-	-	-	-	-	3,728	3,728
Special assessments	-	-	-	-	-	39,880	39,880
Grant revenue	63,377	846,320	-	-	-	18,626	928,323
Licenses and permits	301,257	-	-	-	-	1,737	302,994
Fines and penalties	303,128	-	-	-	-	41,564	344,692
Investment income	45,245	28,190	2,025	19,153	17,881	28,624	141,118
Lease payments	60,277	-	-	-	-	-	60,277
Other	167,946	3,598	-	-	-	156,889	328,433
Service charges	842,693	-	-	-	-	-	842,693
Total Revenues	<u>\$ 6,351,722</u>	<u>\$ 2,142,302</u>	<u>\$ 1,198,015</u>	<u>\$ 680,101</u>	<u>\$ 17,881</u>	<u>\$ 2,030,168</u>	<u>\$ 12,420,189</u>
Expenditures							
Current:							
Administration	\$ 705,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 705,738
Court	148,263	-	-	-	-	-	148,263
Building department	291,824	-	-	-	-	-	291,824
Police	2,187,744	-	-	-	-	15,610	2,203,354
Dispatch	471,450	-	-	-	-	-	471,450
Fire - administration	204,997	-	-	-	-	-	204,997
Fire - public safety	291,876	-	-	-	-	-	291,876
Emergency management	11,490	-	-	-	-	-	11,490
Street	304,730	730,463	-	-	-	-	1,035,193
Health	-	-	-	-	-	135,087	135,087
Library	-	-	-	-	-	273,911	273,911
Parks	-	-	-	-	-	495,229	495,229
Non-departmental	1,016,910	-	-	-	-	367,680	1,384,590
Capital outlay	1,317,477	1,973,121	1,195,990	-	-	712,388	5,198,976
Debt service:							
Principal	80,000	-	-	-	-	39,704	119,704
Interest and fiscal charges	28,785	-	-	-	-	12,849	41,634
Total Expenditures	<u>\$ 7,061,284</u>	<u>\$ 2,703,584</u>	<u>\$ 1,195,990</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,052,458</u>	<u>\$ 13,013,316</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(709,562)</u>	<u>(561,282)</u>	<u>2,025</u>	<u>680,101</u>	<u>17,881</u>	<u>(22,290)</u>	<u>(593,127)</u>
Other Financing Sources (Uses)							
Proceeds from sale of capital assets	\$ 56,404	\$ 3,710	\$ -	\$ -	\$ -	\$ 2,087	\$ 62,201
Transfers in	594,752	222,532	-	-	117,446	588,515	1,523,245
Transfers out	(130,896)	(3,995)	-	(48,568)	(694,752)	(693,602)	(1,571,813)
Total Other Financing Sources	<u>\$ 520,260</u>	<u>\$ 222,247</u>	<u>\$ -</u>	<u>\$ (48,568)</u>	<u>\$ (577,306)</u>	<u>\$ (103,000)</u>	<u>\$ 13,633</u>
Net Change in Fund Balance	(189,302)	(339,035)	2,025	631,533	(559,425)	(125,290)	(579,494)
Fund Balance (Deficit), October 1	5,167,995	3,549,088	227,921	1,909,214	2,115,856	3,004,738	15,974,812
Fund Balance (Deficit), September 30	<u>\$ 4,978,693</u>	<u>\$ 3,210,053</u>	<u>\$ 229,946</u>	<u>\$ 2,540,747</u>	<u>\$ 1,556,431</u>	<u>\$ 2,879,448</u>	<u>\$ 15,395,318</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, 2017

Net Change in Fund Balances - Governmental Funds \$ (579,494)

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	4,089,504	
Depreciation expense	<u>(1,904,233)</u>	
		2,185,271

Gain/(Loss) on capital assets sold (30,930)

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		520
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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	39,704	
Certificates of Participation	<u>80,000</u>	
		119,704

Payment of interest on Long-Term Debt		(818)
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Pension obligations		(132,865)
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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>1,003</u>
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Change in Net Position of Governmental Activities		<u><u>\$ 1,562,391</u></u>
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The City of Festus, Missouri
Statement of Net Position
Proprietary Funds
September 30, 2017

	Water & Sewer
Assets	
Current Assets	
Cash and cash equivalents	\$ 4,094,989
Investments	1,654,012
Restricted cash and cash equivalents	1,048,316
Restricted investments	1,591,377
Receivables, net	
Special assessments	75,371
Service charges	622,350
Interest	20,905
Grants	-
Other	35,070
Prepaid items	37,805
Inventory	83,450
Total Current Assets	9,263,645
Noncurrent Assets	
Investments in joint venture	3,177,913
Non-depreciable capital assets:	
Land and construction in progress	292,557
Depreciable capital assets:	
Other capital assets, net	8,894,581
Total Noncurrent Assets	12,365,051
Total Assets	21,628,696
Deferred Outflows of Resources	
Deferred outflows - pension related	251,747
Total Assets and Deferred Outflows of Resources	\$ 21,880,443
Liabilities	
Current Liabilities	
Checks written in excess of cash balance	\$ -
Accounts payable	183,366
Payroll and compensated absences payable	51,159
Accrued payroll liabilities - other	17,802
Accrued interest	33,567
Revenue bonds and NID bonds payable - current portion	536,685
Notes payable - current portion	177,637
Deposits payable	334,874
Due to other funds	-
Other liabilities	10,889
Total Current Liabilities	1,345,979
Long-Term Liabilities	
Revenue bonds and NID bonds payable, net of discounts and premiums	2,257,711
Notes payable	1,135,400
Net pension liability	314,049
Total Long-Term Liabilities	3,707,160
Total Liabilities	5,053,139
Deferred Inflows of Resources	
Deferred inflows - pension related	82,842
Net Position	
Net investment in capital assets	5,079,705
Restricted for:	
Debt reserve funds	1,590,032
Unrestricted	10,074,725
Total Net Position	16,744,462
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 21,880,443

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, 2017

	Water & Sewer
Operating Revenues	
Water and sewer collections and fees	\$ 4,758,238
Grant revenues	8,750
Other revenues	9,090
Total Operating Revenues	4,776,078
Operating Expenses	
Personnel expenses	925,442
Materials and supplies	222,277
Purchased water	1,710,390
Utilities and maintenance	265,448
Depreciation and amortization	557,206
Treatment plant	453,272
Other	81,962
Total Operating Expenses	4,215,997
Operating Income (Loss)	560,081
Non-operating Revenues (Expenses)	
Interest income	141,623
Miscellaneous income	3,127
Gain (loss) on disposal of assets	(13,231)
Interest expense	(157,117)
Total Non-operating Revenues (Expenses)	(25,598)
Income (Loss) Before Capital Contributions and Transfers	534,483
Capital contributions	1,700
Transfers in (out)	48,568
	50,268
Change in Net Position	584,751
Net Position, October 1	16,159,711
Net Position, September 30	\$ 16,744,462

See Notes to the Financial Statements

The City of Festus, Missouri
Statement of Cash Flows
Proprietary Funds
For the year ended September 30, 2017

		Water and Sewer
Cash Flows from Operating Activities:		
Receipts from customers	\$	5,043,149
Payments to suppliers		(2,726,412)
Payments to employees		(887,504)
Other receipts (payments)		17,840
Net Cash Flows from Operating Activities		1,447,073
Cash Flows from Noncapital Financing Activities:		
Transfer in (out)		48,568
Net Cash from Noncapital Financing Activities		48,568
Cash Flows from Capital and Related Financing Activities:		
Payments of long-term debt		(688,206)
Interest on debt		(163,570)
Acquisition and construction of capital assets		(304,068)
Net Cash Used by Capital and Related Financing Activities		(1,155,844)
Cash Flows from Investing Activities:		
Proceeds from sale/(purchase) of investments		1,859,456
Miscellaneous income		3,127
Interest on investments		149,559
Net Cash from Investing Activities		2,012,142
Net Increase in Cash and Cash Equivalents	\$	2,351,939
Cash and Cash Equivalents, October 1		2,791,366
Cash and Cash Equivalents, September 30	\$	5,143,305
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating Profit (Loss)	\$	560,081
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		560,977
Amortization expense		(3,771)
(Increase) decrease in:		
Accounts receivable		271,913
Prepaid items		2,914
Inventories		2,300
Deferred outflows - pension related		130,291
Increase (decrease) in:		
Accounts payable		11,723
Deposits payable		12,998
Net pension liability		(102,653)
Deferred inflows - pension related		(1,842)
Accrued payroll and other liabilities		12,142
Net cash provided by (used in) operating activities	\$	1,457,073
Noncash Capital and Related Financing and/or Investing Activities:		
Contributions of capital assets from government	\$	1,700

See Notes to the Financial Statements

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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>9/30/17</u>
Governmental Activities - General Fund	\$ 45,441
Business-type Activities - Water and Sewer Enterprise Fund	50,802
	<u>\$ 96,243</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Due To/From Other Funds

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

Inventory and Prepaid Items

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

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

Restricted Assets

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

Capital Assets

Capital assets which include property, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as various assets with an initial cost of more than \$5,000-\$50,000 and an estimated useful life in excess of one year, depending on the class of assets being acquired. Such assets are recorded at historical cost or, estimated historical cost, if purchased or constructed. Donated capital assets are recorded at 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, 2017

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	\$ 93,245	\$ 93,245
Business-Type Activities	13,513	13,513
	\$ 106,758	\$ 106,758

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, 2017

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, 2017

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, 2017 consisted of the following:

<u>Type</u>	<u>Maturities</u>	<u>Cost</u>
Unrestricted Deposits:		
Petty cash	n/a	\$ 2,365
Demand deposits	n/a	<u>11,870,560</u>
Total Unrestricted Deposits		11,872,925
Restricted Deposits:		
Demand deposits	n/a	<u>1,103,034</u>
Total Restricted Deposits		<u>1,103,034</u>
Total Unrestricted and Restricted Deposits		<u><u>\$ 12,975,959</u></u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 2 - Cash and Investments (continued)

Unrestricted Investments:		
Certificate of deposit	10/30/17	\$ 248,000
Certificate of deposit	01/12/18	500,000
Certificate of deposit	02/08/18	273,012
Certificate of deposit	07/26/18	750,000
Certificate of deposit	08/17/18	531,693
Certificate of deposit	08/25/18	1,000,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	10/21/18	99,000
Certificate of deposit	11/22/18	2,016,049
Certificate of deposit	01/19/19	248,652
Certificate of deposit	07/28/19	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		8,307,156
Restricted Investments:		
Guaranteed investment contract	06/30/23	8,901
Guaranteed investment contract	06/30/23	56,250
Guaranteed investment contract	06/30/23	1,022,596
Guaranteed investment contract	06/30/23	7,936
Guaranteed investment contract	06/30/23	290,441
Guaranteed investment contract	06/30/23	205,253
Total Restricted Investments		1,591,377
Total Unrestricted and Restricted Investments		\$ 9,898,533

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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, 2017, all but \$249,750 of the deposits and investments of the City were fully insured or collateralized by securities held in the City's name. The City does not believe it is exposed to any substantial custodial credit risk on uncollateralized deposits or investments.

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

Issuer	Investment Type	Reported Amount	Percent of Portfolio
Reliance Bank	Certificates of deposit	\$ 3,016,049	30.47%
Midwest Regional Bank	Certificates of deposit	2,740,000	27.68%
Enterprise Bank and Trust	Certificates of deposit	531,163	5.37%
Federal Farm Credit Bank	Gov. sponsored enterprise bond	1,000,000	10.10%
Natixis Funding Corporation	Guaranteed investment contracts	1,591,377	16.08%

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	\$ 248,000	\$ -	\$ 248,000	\$ -
Government sponsored enterprise bonds	1,249,750	-	1,249,750	-
	<u>\$ 1,497,750</u>	<u>\$ -</u>	<u>\$ 1,497,750</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, 2017

Note 3 - Capital Assets

Capital asset activity for the year ended September 30, 2017 was as follows:

	<u>Balance 9/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/17</u>
<u>Governmental Activities</u>				
Non-depreciable capital assets:				
Land	\$ 1,546,759	\$ -	\$ -	\$ 1,546,759
Construction in process	346,661	1,874,101	(1,946,826)	273,936
Total Non-depreciable capital assets	<u>\$ 1,893,420</u>	<u>\$ 1,874,101</u>	<u>\$ (1,946,826)</u>	<u>\$ 1,820,695</u>
Depreciable capital assets:				
Buildings and other improvements	\$ 6,203,219	\$ 476,363	\$ (8,225)	\$ 6,671,357
Office equipment	471,006	30,602	(41,189)	460,419
Automotive equipment	2,634,349	807,649	(571,438)	2,870,560
Machinery and equipment	3,177,783	478,187	(289,279)	3,366,691
Infrastructure	15,022,211	2,287,437	(597,774)	16,711,874
Land improvements	2,090,011	162,432	(7,860)	2,244,583
Total Depreciable capital assets	<u>29,598,579</u>	<u>4,242,670</u>	<u>(1,515,765)</u>	<u>32,325,484</u>
Less: Accumulated depreciation				
Buildings and other improvements	3,296,062	173,779	(8,225)	3,461,616
Office equipment	329,258	47,409	(40,438)	336,229
Automotive equipment	2,272,931	137,214	(571,438)	1,838,707
Machinery and equipment	2,678,863	229,909	(288,024)	2,620,748
Infrastructure	6,872,157	1,287,132	(572,612)	7,586,677
Land improvements	894,819	108,916	(3,786)	999,949
Total Accumulated Depreciation	<u>16,344,090</u>	<u>1,984,359</u>	<u>(1,484,523)</u>	<u>16,843,926</u>
Depreciable capital assets, net	<u>\$ 13,254,489</u>	<u>\$ 2,258,311</u>	<u>\$ (31,242)</u>	<u>\$ 15,481,558</u>
<u>Business-type Activities</u>				
Non-depreciable capital assets:				
Land	\$ 194,059	\$ -	\$ -	\$ 194,059
Construction in process	27,012	39,446	(15,812)	50,646
Assets not in service	47,852	-	-	47,852
Total Non-depreciable capital assets	<u>\$ 268,923</u>	<u>\$ 39,446</u>	<u>\$ (15,812)</u>	<u>\$ 292,557</u>
Depreciable capital assets:				
Systems and improvements	\$ 11,807,082	\$ 89,636	\$ (93,463)	\$ 11,803,255
Buildings and other improvements	233,043	-	-	233,043
Automotive equipment	237,581	26,608	(39,448)	224,741
Machinery and equipment	2,445,068	174,987	(43,535)	2,576,520
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	40,431	-	(729)	39,702
Total Depreciable capital assets	<u>14,769,149</u>	<u>291,231</u>	<u>(177,175)</u>	<u>14,883,205</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 3 - Capital Assets (continued)

Less: Accumulated depreciation				
Systems and improvements	3,860,021	267,263	(80,378)	4,046,906
Buildings and other improvements	137,037	6,107	-	143,144
Automotive equipment	160,083	35,147	(39,449)	155,781
Machinery and equipment	1,549,281	100,163	(43,535)	1,605,909
Furniture and fixtures	5,944	-	-	5,944
Computer equipment	28,826	2,698	(584)	30,940
Total Accumulated Depreciation	<u>5,741,192</u>	<u>411,378</u>	<u>(163,946)</u>	<u>5,988,624</u>
Depreciable Capital Assets, net	<u>\$ 9,027,957</u>	<u>\$ (120,147)</u>	<u>\$ (13,229)</u>	<u>\$ 8,894,581</u>

Depreciation expense was charged to functions/programs of the primary government for the year ended September 30, 2017 as follows:

	Amount
Governmental Activities:	
Administration	\$ 28,850
Court	784
Building department	3,786
Police	121,026
Dispatch	38,124
Fire	44,727
Street	1,391,359
Emergency Management	3,692
Non-Departmental	49,121
Health	5,214
Library	93,228
Parks	124,322
Total Depreciation Expense - Governmental Activities	<u>\$ 1,904,233</u>
Business-type Activities:	
Water and Sewer	\$ 384,770
Total Depreciation Expense - Business-type Activities	<u>\$ 384,770</u>

Note 4 - Long-Term Debt

Long-term liability activity for the year ended September 30, 2017 was as follows:

	Balance 9/30/16	Additions	Reductions	Balance 9/30/17	Amounts Due Within One Year
Governmental Activities:					
NID bonds	\$ 277,937	\$ -	\$ (39,704)	\$ 238,233	\$ 43,315
Certificates of Participation	1,110,000	-	(80,000)	1,030,000	85,000
Net pension obligation (Note 5)	2,382,018	-	(528,721)	1,853,297	-
Notes payable	2,284,891	-	(163,483)	2,121,408	-
Total Governmental Activities:	<u>\$ 6,054,846</u>	<u>\$ -</u>	<u>\$ (811,908)</u>	<u>\$ 5,242,938</u>	<u>\$ 128,315</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 4 - Long-Term Debt (continued)

Business-type activities:

Revenue bonds	\$ 3,160,000	\$ -	\$ (505,000)	\$ 2,655,000	\$ 520,000
Add: Premium	79,148	-	(12,166)	66,982	-
Less: Discount	(26,569)	-	8,174	(18,395)	-
NID Bonds	107,071	-	(15,296)	91,775	16,685
Less: Discount	(1,184)	-	218	(966)	-
Net pension obligation (Note 5)	416,702	-	(102,653)	314,049	-
Note payable	1,480,947	-	(167,910)	1,313,037	177,637
	<u> </u>				
Total Business-type Activities:	<u>\$ 5,216,115</u>	<u>\$ -</u>	<u>\$ (794,633)</u>	<u>\$ 4,421,482</u>	<u>\$ 714,322</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%.

\$ 238,233

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%.

91,775

Total: \$ 330,008

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
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>\$ 238,233</u>	<u>\$ 34,514</u>	<u>\$ 272,747</u>	<u>\$ 91,775</u>	<u>\$ 13,298</u>	<u>\$ 105,073</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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% \$ 1,030,000

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
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	90,000	19,715	109,715
2022-2026	490,000	57,079	547,079
2027-2028	105,000	1,706	106,706
	<u>\$ 1,030,000</u>	<u>\$ 177,590</u>	<u>\$ 1,207,590</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. \$ 758,510

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 4 - Long-Term Debt (continued)

Tax Increment Financing Debt (continued)

The City entered into agreement on June 25, 2003 with Home Depot for the redevelopment of the Gannon Plaza Area in the City limits to include a Home Depot store. Whereas, the City has agreed to reimburse Home Depot a portion of site preparation costs and City improvements for up to a maximum aggregate amount of \$1,800,000 plus interest until the company either receives the total amount of the final project costs or fifteen (15) years from the full execution of this agreement. A portion of the amount to be reimbursed will be comprised of sales tax reimbursement and a portion will be comprised of tax abatement. The City shall deposit 50% of the 1% sales tax generated within the redeveloped area, less the base taxable sales, into the special allocation fund to be released on an annual basis.

	1,362,898
Total:	\$ 2,121,408

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%.	\$ 165,000
\$3,575,000 Revenue Bonds, Series 2002B, due in annual installments through July 2023, interest payable at 2.05% to 5.5%.	1,430,000
\$1,885,000 Revenue Bonds, Series 2001C, due in annual installments through July 1, 2022, interest payable at 3% to 5.375%.	1,060,000
Total:	\$ 2,655,000

Notes Payable

Business-type Activities:

State Revolving Fund (SRF) - 2001C, no interest	\$ 290,441
State Revolving Fund (SRF) - 2002B, no interest	1,022,596
Total:	\$ 1,313,037

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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
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	650,000	45,250	695,250	399,994	-	399,994
	<u>\$ 2,655,000</u>	<u>\$ 420,321</u>	<u>\$ 3,075,321</u>	<u>\$ 1,313,037</u>	<u>\$ -</u>	<u>\$ 1,313,037</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, 2017

Note 5 - Employee Retirement Plans (continued)

Benefits provided (continued)

	2017 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, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	49
Active employees	95
	211

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 15.2% (General), 15.2% (Police) and 31.1% (Fire) of annual covered payroll.

Net Pension Liability - The employer’s net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2017.

Actuarial Assumptions - The total pension liability in the February 28, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

The actuarial assumptions used in the February 28, 2017 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, 2017

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%	2.93%
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 7.25% (General), 7.25% (Police), and 5.69% (Fire). The projection of cash flows used to determine the discount rates assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability. The single discount rate reflects (1) a 7.25% long-term expected rate of return on pension plan investments and (2) a 3.56% municipal bond rate based on an index of 20-year general obligation bonds with an average AA rate as of the measurement date.

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 6/30/2016	<u>\$ 18,937,967</u>	<u>\$ 16,139,247</u>	<u>\$ 2,798,720</u>
Changes for the year:			
Service cost	427,801	-	427,801
Interest	1,345,331	-	1,345,331
Changes in benefit terms	-	-	-
Difference between expected and actual experience	544,511	-	544,511
Contributions - employer	-	618,046	(618,046)
Contributions - employee	-	-	-
Net investment income	-	1,957,825	(1,957,825)
Benefit payments, including refunds	(710,517)	(710,517)	-
Administrative expense	-	(15,761)	15,761
Other changes	(153,257)	235,650	(388,907)
Net changes	<u>1,453,869</u>	<u>2,085,243</u>	<u>(631,374)</u>
Balances at 6/30/2017	<u>\$ 20,391,836</u>	<u>\$ 18,224,490</u>	<u>\$ 2,167,346</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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 7.25% (General), 7.25% (Police) and 5.69% (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	\$ 23,567,703	\$ 20,391,836	\$ 17,807,011
Plan Fiduciary Net Position	(18,224,490)	(18,224,490)	(18,224,490)
Net Pension Liability	\$ 5,343,213	\$ 2,167,346	\$ (417,479)

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

For the year ended September 30, 2017, the City of Festus recognized pension expense of \$738,931. 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	\$ 501,891	\$ (374,720)
Differences in assumptions	490,736	(171,280)
Excess (deficit) investment returns	430,355	-
Contributions subsequent to the measurement date*	129,383	-
	\$ 1,552,365	\$ (546,000)

*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, 2017.

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
2018	\$ 489,704
2019	360,321
2020	228,443
2021	(43,559)
2022	(8,157)
Thereafter	(20,387)
	\$ 1,006,365

Payable to the Pension Plan

At September 30, 2017, the City of Festus reported a payable of \$42,766 for the outstanding amount of the contributions to the pension plan required for the year ended September 30, 2017.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

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, 2017. Balances in the General Fund of \$300,609, Library Fund of (\$300,000), and NID Assessment Fund of (\$609) 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, 2017 are as follows:

	Fund	Transfers In	Transfers Out	Net Transfers
Governmental Activities:	General Fund	\$ 594,752	\$ (130,896)	\$ 463,856
	City Transportation Tax Fund	222,532	(3,995)	218,537
	Capital Improvement Fund	-	(48,568)	(48,568)
	Capital Reserve Fund	117,446	(694,752)	(577,306)
	Library Fund	13,450	-	13,450
	Park Fund	571,070	-	571,070
	NID Assessment Fund	3,995	-	3,995
	Storm Water Tax Fund	-	(653,138)	(653,138)
	Tourism Tax	-	(40,464)	(40,464)
	Total Governmental Activities	1,523,245	(1,571,813)	(48,568)
Business Type Activities:	Water Administration Fund	48,568	-	48,568
	Total Business-type Activities	48,568	-	48,568
	Total Transfers	\$ 1,571,813	\$ (1,571,813)	\$ -

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, 2017

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, 2018. 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 \$336,554 in insurance premiums, of which \$40 was an additional assessment, to MIRMA during the year ended September 30, 2017. 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 \$185,008 in buildings and improvements, net of depreciation.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 11 - Leases in the Statements of Lessors (continued)

Future minimum rentals to be received under these leases as of September 30, 2017, are as follows:

Years ending September 30,	Building Rent	Ground Leases	Total
2018	\$ 50,160	\$ 24,928	\$ 75,088
2019	35,684	26,325	62,009
2020	23,496	26,325	49,821
2021	18,996	26,325	45,321
2022	18,996	27,770	46,766
2023-2026	25,328	64,662	89,990
	\$ 172,660	\$ 196,335	\$ 368,995

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 ownership of the Commission. The City's interest in the joint venture at September 30, 2017 is \$3,177,913. The change in value of the joint venture resulted in a loss of \$176,207 for the year ended September 30, 2017. For the year ended September 30, 2017, the City's cost for sewage treatment services provided by the Commission was \$437,889, 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, 2017 were both \$24,320. Commission management stated that no long-term liabilities were outstanding at September 30, 2017. For the year ended September 30, 2017, total receipts and disbursements were \$676,174 and \$673,246, respectively, resulting in a net change in the Commission's equity of \$2,928.

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 City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 12 - Joint Ventures (continued)

Jefferson County Water Authority (continued)

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, 2017 were the Twin City levee and land. Currently no separate financial statements for the Commission are available.

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, 2017, 6 retirees participated in the City's insurance plans and the City paid premiums totaling \$27,230. COBRA premiums paid (not by City) totaled \$5,564.

Note 14 - Subsequent Events

The City has evaluated events subsequent to September 30, 2017 to assess the need for potential recognition or disclosure in the financial statements. Such events have been evaluated through March 8, 2018, the date the financial statements were available to be issued.

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 15 - Missouri Legislation

House Bill 103 amending Section 302.341.2 RSMo became effective on August 28, 2013. The amendments to the statute now require municipalities to report an accounting of the percent of annual general operating revenue from fines and court costs for traffic violations. The City was not required to and did not account for the fines and court costs for traffic violations separately from the total fines and court costs prior to August 28, 2013. During the fiscal year ended September 30, 2017, total fines and court costs revenues for the fiscal year, which include fines and court costs related to traffic violations, summed to \$292,675. "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 \$4,567,802. 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 6.41% of this total "annual general operating revenue," which is substantially below the 30% threshold requirement of the amended statute. This clearly demonstrates at a minimum that the City in no way exceeded the percentage requirement regardless of how "annual general operating revenue" is calculated.

Note 16 - Tax Abatement Disclosures

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

Note 17 - Adoption of New Accounting Pronouncements

GASB Statement No. 85, *Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other post employment benefits [OPEB]). This statement will be effective for the year ended September 30, 2018.

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

Note 18 - Commitments

At September 30, 2017, the City had commitments for the following projects:

Street and transportation projects	\$ 1,093,271
Professional services	94,530
Water and sewer system improvements	101,300
Park improvements	110,626
	<u>\$ 1,399,727</u>

The City of Festus, Missouri
Notes to the Financial Statements
For the year ended September 30, 2017

Note 18 - Commitments (continued)

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

General Fund	\$ 94,530
City Transportation Tax Fund	507,586
County Transportation Tax Fund	585,685
Park Fund	110,626
Water and Sewer Fund	101,300
	<u>\$ 1,399,727</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, 2017

Revenues	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Over
				(Under)
Property taxes	\$ 616,900	\$ 616,900	\$ 640,380	\$ 23,480
Taxes - other	4,008,700	4,008,700	3,927,419	(81,281)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	72,250	72,250	63,377	(8,873)
Licenses and permits	269,000	269,000	301,257	32,257
Fines and penalties	360,500	360,500	303,128	(57,372)
Investment income	17,750	17,750	45,245	27,495
Lease payments	66,840	66,840	60,277	(6,563)
Other	162,900	183,803	167,946	(15,857)
Service charges	856,000	856,000	842,693	(13,307)
Total Revenues	\$ 6,430,840	\$ 6,451,743	\$ 6,351,722	\$ (100,021)
Expenditures				
Current:				
Administration	\$ 756,502	\$ 757,352	\$ 705,738	\$ (51,614)
Court	164,323	165,323	148,263	(17,060)
Building department	328,786	329,586	291,824	(37,762)
Police	2,439,435	2,441,588	2,187,744	(253,844)
Dispatch	537,789	537,789	471,450	(66,339)
Fire - administration	236,633	243,083	204,997	(38,086)
Fire - public safety	309,448	309,448	291,876	(17,572)
Emergency management	12,500	12,500	11,490	(1,010)
Street	315,468	317,068	304,730	(12,338)
Non-departmental	1,038,577	1,043,880	1,016,910	(26,970)
Capital outlay	1,561,235	1,344,518	1,317,477	(27,041)
Debt Service:				
Principal	80,000	80,000	80,000	-
Interest and fiscal charges	28,785	28,785	28,785	-
Total Expenditures	\$ 7,809,481	\$ 7,610,920	\$ 7,061,284	\$ (549,636)
Excess (Deficiency) of Revenues over Expenditures	(1,378,641)	(1,159,177)	(709,562)	449,615
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ 10,000	\$ 10,000	\$ 56,404	\$ 46,404
Proceeds from loans payable	500,000	0	-	-
Transfers in	150,000	650,000	594,752	(55,248)
Transfers out	(109,414)	(111,220)	(130,896)	(19,676)
Total Other Financing Sources (Uses)	\$ 550,586	\$ 548,780	\$ 520,260	\$ (28,520)
Net Change in Fund Balance	\$ (828,055)	\$ (610,397)	\$ (189,302)	\$ 421,095
Fund Balance, October 1			5,167,995	
Fund Balance, September 30			\$ 4,978,693	

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	1,301,400	1,301,400	1,264,194	(37,206)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	1,450,520	1,450,520	846,320	(604,200)
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	11,500	11,500	28,190	16,690
Lease payments	-	-	-	-
Other	21,500	21,500	3,598	(17,902)
Service charges	-	-	-	-
Total Revenues	<u>\$ 2,784,920</u>	<u>\$ 2,784,920</u>	<u>\$ 2,142,302</u>	<u>\$ (642,618)</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	1,022,284	1,062,284	730,463	(331,821)
Non-departmental	-	-	-	-
Capital outlay	2,316,054	2,001,663	1,973,121	(28,542)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 3,338,338</u>	<u>\$ 3,063,947</u>	<u>\$ 2,703,584</u>	<u>\$ (360,363)</u>
Excess (Deficiency) of Revenues over Expenditures	(553,418)	(279,027)	(561,282)	(282,255)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 3,710	\$ 3,710
Transfers in	-	222,532	222,532	-
Transfers out	(3,994)	(3,994)	(3,995)	(1)
Total Other Financing Sources (Uses)	<u>\$ (3,994)</u>	<u>\$ 218,538</u>	<u>\$ 222,247</u>	<u>\$ 3,709</u>
Net Change in Fund Balance	<u>\$ (557,412)</u>	<u>\$ (60,489)</u>	\$ (339,035)	<u>\$ (278,546)</u>
Fund Balance, October 1			<u>3,549,088</u>	
Fund Balance, September 30			<u>\$ 3,210,053</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
County Transportation Tax Fund
For the year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	650,000	650,000	1,195,990	545,990
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	200	200	2,025	1,825
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 650,200</u>	<u>\$ 650,200</u>	<u>\$ 1,198,015</u>	<u>\$ 547,815</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	1,160,000	1,160,000	1,195,990	35,990
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,160,000</u>	<u>\$ 1,160,000</u>	<u>\$ 1,195,990</u>	<u>\$ 35,990</u>
Excess (Deficiency) of Revenues over Expenditures	(509,800)	(509,800)	2,025	511,825
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>\$ (509,800)</u>	<u>\$ (509,800)</u>	\$ 2,025	<u>\$ 511,825</u>
Fund Balance, October 1			<u>227,921</u>	
Fund Balance, September 30			<u>\$ 229,946</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Improvement Fund
For the year ended September 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	678,600	678,600	660,948	(17,652)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	2,200	2,200	19,153	16,953
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 680,800</u>	<u>\$ 680,800</u>	<u>\$ 680,101</u>	<u>\$ (699)</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	680,800	680,800	680,101	(699)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(60,000)	(60,000)	(48,568)	11,432
Total Other Financing Sources (Uses)	<u>\$ (60,000)</u>	<u>\$ (60,000)</u>	<u>\$ (48,568)</u>	<u>\$ 11,432</u>
Net Change in Fund Balance	<u>\$ 620,800</u>	<u>\$ 620,800</u>	\$ 631,533	<u>\$ 10,733</u>
Fund Balance, October 1			<u>1,909,214</u>	
Fund Balance, September 30			<u>\$ 2,540,747</u>	

City of Festus, Missouri
Notes to the Required Supplementary Information - Budgetary Schedules
For the year ended September 30, 2017

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

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

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

	<u>2017</u>	<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>
Actuarially determined pension contribution	\$ 704,466	\$ 721,610	\$ 451,564	\$ 474,782	\$ 516,074	\$ 474,694	\$ 508,440	\$ 349,835	\$ 254,909	\$ 262,519
Contributions in relation to the actuarially determined contributions	<u>579,193</u>	<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>
Contribution deficiency (excess)	<u>\$ 125,273</u>	<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>
Covered Employee Payroll	\$ 3,705,915	\$ 3,715,734	\$ 3,403,947	\$ 3,493,840	\$ 3,550,159	\$ 3,693,918	\$ 3,934,236	\$ 3,860,538	\$ 3,782,907	\$ 3,703,722
Contributions as a percentage of covered employee payroll	15.63%	16.63%	15.92%	16.21%	12.08%	11.04%	10.07%	9.06%	9.63%	9.76%

Notes to Schedule:

Valuation date: February 28, 2017 - Actuarially determined contribution rates are calculated as of February 28, prior to the end of the fiscal year in which contributions are reported.

Notes: The roll-forward of total pension liability from February 28, 2017 to June 30, 2017 reflects expected service cost and interest reduced by actual benefit payments.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal and modified terminal funding
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple bases from 13 to 26 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.25% wage inflation; 2.50% price inflation
Salary increases	3.25% - 7.15% including wage inflation
Investment rate of return	7.25%, net of investment and administrative expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females. Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.
Other Information	None

Supplementary Information

The City of Festus, Missouri
Combining Balance Sheet - Non-Major Governmental Funds
September 30, 2017

	Special Revenue Funds									Totals
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	
Assets										
Cash and cash equivalents	\$ 442,424	\$ 198,270	\$ 502,055	\$ 1,095	\$ 14,128	\$ 822,135	\$ 528,177	\$ 148,440	\$ 11,321	\$ 2,668,045
Investments	29,000	-	-	-	-	323,012	49,000	-	-	401,012
Restricted cash	-	-	-	22,843	-	-	-	-	-	22,843
Restricted investments	-	-	-	-	-	-	-	-	-	-
Receivables, net										
Taxes	4,078	5,617	63,819	-	-	127,166	52,406	62,800	-	315,886
Special assessments	-	-	-	260,512	-	-	-	-	-	260,512
Interest	51	-	-	-	-	484	86	-	-	621
Grants	-	-	-	-	1,889	-	-	-	-	1,889
Other	7,357	1,009	482	-	-	-	-	-	-	8,848
Prepaid items	3,087	8,447	11,850	-	725	3,648	-	-	-	27,757
Due from other funds	-	-	-	-	-	-	-	-	-	-
Total Assets	<u>485,997</u>	<u>213,343</u>	<u>578,206</u>	<u>284,450</u>	<u>16,742</u>	<u>1,276,445</u>	<u>629,669</u>	<u>211,240</u>	<u>11,321</u>	<u>3,707,413</u>
Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 485,997</u>	<u>\$ 213,343</u>	<u>\$ 578,206</u>	<u>\$ 284,450</u>	<u>\$ 16,742</u>	<u>\$ 1,276,445</u>	<u>\$ 629,669</u>	<u>\$ 211,240</u>	<u>\$ 11,321</u>	<u>\$ 3,707,413</u>
Liabilities										
Checks written in excess of cash balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	2,653	3,648	107,021	-	-	68,757	11,011	-	-	193,090
Accrued payroll	2,481	5,385	7,372	-	-	1,294	40	-	-	16,572
Accrued payroll liabilities-other	2,143	3,186	5,420	-	-	1,114	54	-	-	11,917
Due to other funds	-	300,000	-	609	-	-	-	-	-	300,609
Unearned revenue	-	5,173	-	-	-	3,000	-	-	-	8,173
Other liabilities	-	-	1,440	-	-	21,523	-	-	-	22,963
Total Liabilities	<u>7,277</u>	<u>317,392</u>	<u>121,253</u>	<u>609</u>	<u>-</u>	<u>95,688</u>	<u>11,105</u>	<u>-</u>	<u>-</u>	<u>553,324</u>
Deferred Inflows of Resources										
Unavailable resources - property taxes	3,763	5,183	5,183	-	-	-	-	-	-	14,129
Unavailable resources - sales taxes	-	-	-	-	-	-	-	-	-	-
Unavailable resources - special assessments	-	-	-	260,512	-	-	-	-	-	260,512
Unavailable resources - court bonds	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Resources	<u>3,763</u>	<u>5,183</u>	<u>5,183</u>	<u>260,512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>274,641</u>
Fund Balance										
Nonspendable:										
Prepaid items	3,087	8,447	11,850	-	725	3,648	-	-	-	27,757
Interfund advances	-	-	-	-	-	-	-	-	-	-
Restricted:										
Debt service	-	-	-	-	-	-	-	-	-	-
Special revenue funds	471,870	-	439,920	23,329	16,017	1,177,109	618,564	211,240	11,321	2,969,370
Committed:										
Contingency	-	-	-	-	-	-	-	-	-	-
Assigned										
Encumbrances	-	-	-	-	-	-	-	-	-	-
Unassigned										
General fund	-	(117,679)	-	-	-	-	-	-	-	(117,679)
Total Fund Balance	<u>\$ 474,957</u>	<u>\$ (109,232)</u>	<u>\$ 451,770</u>	<u>\$ 23,329</u>	<u>\$ 16,742</u>	<u>\$ 1,180,757</u>	<u>\$ 618,564</u>	<u>\$ 211,240</u>	<u>\$ 11,321</u>	<u>\$ 2,879,448</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 485,997</u>	<u>\$ 213,343</u>	<u>\$ 578,206</u>	<u>\$ 284,450</u>	<u>\$ 16,742</u>	<u>\$ 1,276,445</u>	<u>\$ 629,669</u>	<u>\$ 211,240</u>	<u>\$ 11,321</u>	<u>\$ 3,707,413</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, 2017

Special Revenue Funds										
	Health	Library	Park	NID Assessment	Law Enforcement Training	Storm Water Tax	Tourism Tax	Sales Tax Reimb.	Federal Forfeiture	Totals
Revenues										
Property taxes	\$ 141,514	\$ 194,921	\$ 194,921	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,356
Taxes - other	-	-	-	-	-	661,431	253,513	292,820	-	1,207,764
Intergovernmental	-	-	-	-	3,728	-	-	-	-	3,728
Special assessments	-	-	-	39,880	-	-	-	-	-	39,880
Grant revenue	-	6,106	10,631	-	1,889	-	-	-	-	18,626
Licenses and permits	1,737	-	-	-	-	-	-	-	-	1,737
Fines and penalties	2,066	35,043	1,902	278	-	-	2,275	-	-	41,564
Investment income	4,733	2,202	4,229	166	156	10,888	5,192	921	137	28,624
Lease payments	-	-	-	-	-	-	-	-	-	-
Other	3,350	43,795	80,135	-	15	-	29,594	-	-	156,889
Total Revenues	\$ 153,400	\$ 282,067	\$ 291,818	\$ 40,324	\$ 5,788	\$ 672,319	\$ 290,574	\$ 293,741	\$ 137	\$ 2,030,168
Expenditures										
Current:										
Police	\$ -	\$ -	\$ -	\$ -	\$ 8,985	\$ -	\$ -	\$ -	\$ 6,625	\$ 15,610
Street	-	-	-	-	-	-	-	-	-	-
Health	135,087	-	-	-	-	-	-	-	-	135,087
Library	-	273,911	-	-	-	-	-	-	-	273,911
Parks	-	-	495,229	-	-	-	-	-	-	495,229
Non-departmental	-	-	-	362	-	98,542	13,658	255,118	-	367,680
Capital outlay	7,352	21,180	542,284	-	-	19,134	122,438	-	-	712,388
Debt service:										
Principal	-	-	-	39,704	-	-	-	-	-	39,704
Interest and fiscal charges	-	-	-	12,849	-	-	-	-	-	12,849
Total Expenditures	\$ 142,439	\$ 295,091	\$ 1,037,513	\$ 52,915	\$ 8,985	\$ 117,676	\$ 136,096	\$ 255,118	\$ 6,625	\$ 2,052,458
Excess (Deficiency) of Revenues over Expenditures	10,961	(13,024)	(745,695)	(12,591)	(3,197)	554,643	154,478	38,623	(6,488)	(22,290)
Other Financing Sources (Uses)										
Proceeds from sale of capital assets	\$ -	\$ -	\$ 2,087	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,087
Transfers in	-	13,450	571,070	3,995	-	-	-	-	-	588,515
Transfers out	-	-	-	-	-	(653,138)	(40,464)	-	-	(693,602)
Total Other Financing Sources (Uses)	\$ -	\$ 13,450	\$ 573,157	\$ 3,995	\$ -	\$ (653,138)	\$ (40,464)	\$ -	\$ -	\$ (103,000)
Net Change in Fund Balance	10,961	426	(172,538)	(8,596)	(3,197)	(98,495)	114,014	38,623	(6,488)	(125,290)
Fund Balance (Deficit), October 1	463,996	(109,658)	624,308	31,925	19,939	1,279,252	504,550	172,617	17,809	3,004,738
Fund Balance (Deficit), September 30	\$ 474,957	\$ (109,232)	\$ 451,770	\$ 23,329	\$ 16,742	\$ 1,180,757	\$ 618,564	\$ 211,240	\$ 11,321	\$ 2,879,448

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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 136,700	\$ 136,700	\$ 141,514	\$ 4,814
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	800	800	1,737	937
Fines and penalties	2,500	2,500	2,066	(434)
Investment income	1,000	1,000	4,733	3,733
Lease payments	-	-	-	-
Other	7,000	7,000	3,350	(3,650)
Total Revenues	<u>\$ 148,000</u>	<u>\$ 148,000</u>	<u>\$ 153,400</u>	<u>\$ 5,400</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	146,578	152,316	135,087	(17,229)
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	8,650	8,650	7,352	(1,298)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 155,228</u>	<u>\$ 160,966</u>	<u>\$ 142,439</u>	<u>\$ (18,527)</u>
Excess (Deficiency) of Revenues over Expenditures	(7,228)	(12,966)	10,961	23,927
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>\$ (7,228)</u>	<u>\$ (12,966)</u>	\$ 10,961	<u>\$ 23,927</u>
Fund Balance, October 1			<u>463,996</u>	
Fund Balance, September 30			<u>\$ 474,957</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues				
Property taxes	\$ 188,300	\$ 188,300	\$ 194,921	\$ 6,621
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	9,300	9,300	6,106	(3,194)
Licenses and permits	-	-	-	-
Fines and penalties	34,800	34,800	35,043	243
Investment income	600	600	2,202	1,602
Lease payments	-	-	-	-
Other	37,500	43,230	43,795	565
Total Revenues	<u>\$ 270,500</u>	<u>\$ 276,230</u>	<u>\$ 282,067</u>	<u>\$ 5,837</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	288,914	288,914	273,911	(15,003)
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	18,500	24,230	21,180	(3,050)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 307,414</u>	<u>\$ 313,144</u>	<u>\$ 295,091</u>	<u>\$ (18,053)</u>
Excess (Deficiency) of Revenues over Expenditures	(36,914)	(36,914)	(13,024)	23,890
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	36,914	36,914	13,450	(23,464)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 36,914</u>	<u>\$ 36,914</u>	<u>\$ 13,450</u>	<u>\$ (23,464)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	\$ 426	<u>\$ 426</u>
Fund Balance, October 1			(109,658)	
Fund Balance, September 30			<u>\$ (109,232)</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ 188,300	\$ 188,300	\$ 194,921	\$ 6,621
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	22,440	22,440	10,631	(11,809)
Licenses and permits	-	-	-	-
Fines and penalties	1,800	1,800	1,902	102
Investment income	900	900	4,229	3,329
Lease payments	-	-	-	-
Other	70,650	70,650	80,135	9,485
Total Revenues	<u>\$ 284,090</u>	<u>\$ 284,090</u>	<u>\$ 291,818</u>	<u>\$ 7,728</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	570,451	570,451	495,229	(75,222)
Non-departmental	-	-	-	-
Capital outlay	457,411	535,402	542,284	6,882
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 1,027,862</u>	<u>\$ 1,105,853</u>	<u>\$ 1,037,513</u>	<u>\$ (68,340)</u>
Excess (Deficiency) of Revenues over Expenditures	(743,772)	(821,763)	(745,695)	76,068
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 2,087	\$ 2,087
Transfers in	578,911	597,313	571,070	(26,243)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 578,911</u>	<u>\$ 597,313</u>	<u>\$ 573,157</u>	<u>\$ (24,156)</u>
Net Change in Fund Balance	<u>\$ (164,861)</u>	<u>\$ (224,450)</u>	\$ (172,538)	<u>\$ 51,912</u>
Fund Balance, October 1			<u>624,308</u>	
Fund Balance, September 30			<u>\$ 451,770</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	49,938	49,938	39,880	(10,058)
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	278	278
Investment income	-	-	166	166
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>\$ 49,938</u>	<u>\$ 49,938</u>	<u>\$ 40,324</u>	<u>\$ (9,614)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	1,000	1,000	362	(638)
Capital outlay	-	-	-	-
Debt Service:				
Principal	39,704	39,704	39,704	-
Interest and fiscal charges	14,113	14,113	12,849	(1,264)
Total Expenditures	<u>\$ 54,817</u>	<u>\$ 54,817</u>	<u>\$ 52,915</u>	<u>\$ (1,902)</u>
Excess (Deficiency) of Revenues over Expenditures	(4,879)	(4,879)	(12,591)	(7,712)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	3,994	3,994	3,995	1
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 3,994</u>	<u>\$ 3,994</u>	<u>\$ 3,995</u>	<u>\$ 1</u>
Net Change in Fund Balance	<u>\$ (885)</u>	<u>\$ (885)</u>	\$ (8,596)	<u>\$ (7,711)</u>
Fund Balance, October 1			<u>31,925</u>	
Fund Balance, September 30			<u>\$ 23,329</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	-	-	-	-
Intergovernmental	3,800	3,800	3,728	(72)
Special assessments	-	-	-	-
Grant revenue	-	-	1,889	1,889
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	156	156
Lease payments	-	-	-	-
Other	-	-	15	15
Total Revenues	<u>\$ 3,800</u>	<u>\$ 3,800</u>	<u>\$ 5,788</u>	<u>\$ 1,988</u>
Expenditures				
Current:				
Police	\$ 12,000	\$ 12,000	\$ 8,985	\$ (3,015)
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>\$ 8,985</u>	<u>\$ (3,015)</u>
Excess (Deficiency) of Revenues over Expenditures	(8,200)	(8,200)	(3,197)	5,003
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>\$ (8,200)</u>	<u>\$ (8,200)</u>	\$ (3,197)	<u>\$ 5,003</u>
Fund Balance, October 1			<u>19,939</u>	
Fund Balance, September 30			<u>\$ 16,742</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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		(Under)
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	679,000	679,000	661,431	(17,569)
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	1,500	1,500	10,888	9,388
Lease payments	-	-	-	-
Other	25,000	25,000	-	(25,000)
Total Revenues	<u>\$ 705,500</u>	<u>\$ 705,500</u>	<u>\$ 672,319</u>	<u>\$ (33,181)</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	119,749	119,749	98,542	(21,207)
Capital outlay	216,053	125,564	19,134	(106,430)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 335,802</u>	<u>\$ 245,313</u>	<u>\$ 117,676</u>	<u>\$ (127,637)</u>
Excess (Deficiency) of Revenues over Expenditures	369,698	460,187	554,643	94,456
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(669,500)	(669,500)	(653,138)	16,362
Total Other Financing Sources (Uses)	<u>\$ (669,500)</u>	<u>\$ (669,500)</u>	<u>\$ (653,138)</u>	<u>\$ 16,362</u>
Net Change in Fund Balance	<u>\$ (299,802)</u>	<u>\$ (209,313)</u>	\$ (98,495)	<u>\$ 110,818</u>
Fund Balance, October 1			<u>1,279,252</u>	
Fund Balance, September 30			<u>\$ 1,180,757</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	220,000	220,000	253,513	33,513
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	2,275	2,275
Investment income	1,000	1,000	5,192	4,192
Lease payments	-	-	-	-
Other	-	-	29,594	29,594
Total Revenues	<u>\$ 221,000</u>	<u>\$ 221,000</u>	<u>\$ 290,574</u>	<u>\$ 69,574</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	20,100	20,100	13,658	(6,442)
Capital outlay	127,000	220,547	122,438	(98,109)
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 147,100</u>	<u>\$ 240,647</u>	<u>\$ 136,096</u>	<u>\$ (104,551)</u>
Excess (Deficiency) of Revenues over Expenditures	73,900	(19,647)	154,478	174,125
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(39,411)	(57,813)	(40,464)	17,349
Total Other Financing Sources (Uses)	<u>\$ (39,411)</u>	<u>\$ (57,813)</u>	<u>\$ (40,464)</u>	<u>\$ 17,349</u>
Net Change in Fund Balance	<u>\$ 34,489</u>	<u>\$ (77,460)</u>	\$ 114,014	<u>\$ 191,474</u>
Fund Balance, October 1			<u>504,550</u>	
Fund Balance, September 30			<u>\$ 618,564</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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
Revenues				Over (Under)
Property taxes	\$ -	\$ -	\$ -	\$ -
Taxes - other	290,000	290,000	292,820	2,820
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Grant revenue	-	-	-	-
Licenses and permits	-	-	-	-
Fines and penalties	-	-	-	-
Investment income	-	-	921	921
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 293,741</u>	<u>\$ 3,741</u>
Expenditures				
Current:				
Police	\$ -	\$ -	\$ -	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	290,000	290,000	255,118	(34,882)
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 290,000</u>	<u>\$ 290,000</u>	<u>\$ 255,118</u>	<u>\$ (34,882)</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	38,623	38,623
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>	\$ 38,623	<u>\$ 38,623</u>
Fund Balance, October 1			<u>172,617</u>	
Fund Balance, September 30			<u>\$ 211,240</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, 2017

	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	-	-	137	137
Lease payments	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137</u>	<u>\$ 137</u>
Expenditures				
Current:				
Police	\$ 17,500	\$ 6,625	\$ 6,625	\$ -
Street	-	-	-	-
Health	-	-	-	-
Library	-	-	-	-
Parks	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ 17,500</u>	<u>\$ 6,625</u>	<u>\$ 6,625</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	(17,500)	(6,625)	(6,488)	137
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>\$ (17,500)</u>	<u>\$ (6,625)</u>	<u>\$ (6,488)</u>	<u>\$ 137</u>
Fund Balance, October 1			<u>17,809</u>	
Fund Balance, September 30			<u>\$ 11,321</u>	

City of Festus, Missouri
Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual
Capital Reserve Capital Project Fund
For the year ended September 30, 2017

	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	11,000	11,000	17,881	6,881
Lease payments	-	-	-	-
Other	-	-	-	-
Service charges	-	-	-	-
Total Revenues	<u>\$ 11,000</u>	<u>\$ 11,000</u>	<u>\$ 17,881</u>	<u>\$ 6,881</u>
Expenditures				
Current:				
Administration	\$ -	\$ -	\$ -	\$ -
Court	-	-	-	-
Building department	-	-	-	-
Police	-	-	-	-
Dispatch	-	-	-	-
Fire - administration	-	-	-	-
Fire - public safety	-	-	-	-
Emergency management	-	-	-	-
Street	-	-	-	-
Non-departmental	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (Deficiency) of Revenues over Expenditures	11,000	11,000	17,881	6,881
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	\$ -	\$ -	\$ -	\$ -
Transfers in	71,000	72,806	117,446	44,640
Transfers out	(250,000)	(750,000)	(694,752)	55,248
Total Other Financing Sources (Uses)	<u>\$ (179,000)</u>	<u>\$ (677,194)</u>	<u>\$ (577,306)</u>	<u>\$ 99,888</u>
Net Change in Fund Balance	<u>\$ (168,000)</u>	<u>\$ (666,194)</u>	\$ (559,425)	<u>\$ 106,769</u>
Fund Balance, October 1			<u>2,115,856</u>	
Fund Balance, September 30			<u>\$ 1,556,431</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 the City of Festus, Missouri, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Festus, Missouri's basic financial statements and have issued our report thereon dated March 8, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control 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 the City of Festus, Missouri's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

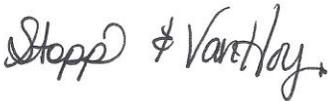
providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2017-001 and 2017-002.

City of Festus, Missouri’s Response to Findings

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

Purpose of this Report

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



Creve Coeur, Missouri
March 8, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Honorable Mayor and
City Council
City of Festus, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of Festus, Missouri's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Festus, Missouri's major federal programs for the year ended September 30, 2017. The City of Festus, Missouri's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Festus, Missouri's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Festus, Missouri's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Festus, Missouri's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Festus, Missouri complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City of Festus, Missouri is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Festus, Missouri's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Festus, Missouri's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Creve Coeur, Missouri
March 8, 2018

The City of Festus, Missouri
Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Identifying Number	Federal Expenditures	Awards Provided to Subrecipients
U.S. Department of Housing and Urban Development				
Entitlement Grants Cluster				
Passed through:				
Jefferson County, Missouri -				
Community Development Block Grant/Entitlement Grant	14.218	N/A	\$ 10,631	\$ -
Total Entitlement Grants Cluster			10,631	-
Total U.S Department of Housing and Urban Development			10,631	-
U.S. Department of Justice				
Direct programs:				
Equitable Sharing Program	16.922	MO 0500 300	6,625	-
Total U.S. Department of Justice			6,625	-
U.S. Department of Transportation				
Highway Safety Cluster				
Passed through:				
Missouri Department of Transportation Highway Safety Division -				
State and Community Highway Safety	20.600	17-PT-02-020	17,896	-
State and Community Highway Safety	20.600	17-CR-05-003	659	-
Total State and Community Highway Safety			18,555	-
National Priority Safety Program	20.616	17-154-AL-058	7,351	4,126
Total Highway Safety Cluster			25,906	4,126
Highway Planning and Construction Cluster				
Passed through:				
Missouri Highways and Transportation Commission -				
Highway Planning and Construction	20.205	STP-5401(678)	837,382	-
Highway Planning and Construction	20.205	STP-2600(607)	8,938	-
Total Highway Planning and Construction Cluster			846,320	-
Passed through:				
Missouri Department of Transportation Highway Safety Division -				
Alcohol Open Container Requirements	20.607	17-154-AL-057	7,597	-
Total U.S. Department of Transportation			879,823	4,126
Total Schedule of Expenditures of Federal Awards			\$ 897,079	\$ 4,126

See Notes to the Schedule of Expenditures of Federal Awards

The City of Festus, Missouri
Notes to the Schedule of Expenditures of Federal Awards
For the year ended September 30, 2017

Note 1 - Summary of Significant Accounting Policies

Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This Uniform Guidance requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA number is not available.

Basis of Presentation

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals.

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's accompanying financial statements. The information in this schedule is presented in accordance with the requirements of the *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of the financial statements.

The City of Festus has elected not to use the 10% de minimus indirect cost rate.

Note 2 - Subrecipients

During the year ended September 30, 2017, the City provided \$4,126 in federal awards to subrecipients.

The City of Festus, Missouri
Schedule of Findings and Questioned Costs
For the year ended September 30, 2017

Section 1 - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material Weakness(es) identified? _____ Yes X No

Significant Deficiencies identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? X Yes _____ No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? _____ Yes X No

Significant Deficiencies identified? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510 (a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

The City of Festus, Missouri
Schedule of Findings and Questioned Costs
For the year ended September 30, 2017

Section 2 - Financial Statement Findings

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

Criteria: Governmental Accounting Standards Board Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*," is effective for periods beginning after June 15, 2016.

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 74.

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.

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

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

Cause: Oversight.

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

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

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

Section 3 - Federal Award Findings and Questioned Cost

None

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, 2016.

Prior Year 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 is Patricia Parsons, Finance Director.

Status: Management has not implemented a corrective action plan, therefore, this finding is repeated in the current year at 2017-001.